CHAPTER - III

Welfare State in India

The welfare state in India is the development of the 20th century that grew in intimacy with contemporary political thought of the west. In this century, welfare ideal came into the political realm with its three basic principles. Consequently, in India too the national leaders under colonial rule envisaged a welfare state to strive for the well being of the Indian masses. The whole freedom struggle in India was centred on articulating the well-being of the people. The very act of securing freedom against the colonial rule symbolized a struggle for an active state and the nationalist discourse significantly articulated such a state.

The Indian national movement gradually and later the constitution of India laid the foundation for the interventionist state in India. The vision of a welfare state was put forward through the model of liberal democratic set up when India got independence and the principle of liberty and equality were underscored. Art. 39 of Indian constitution assure “equal justice on the basis of equal opportunity.” The preamble of the Constitution enumerates the goals of equality, justice and liberty.

An attempt is made in this chapter to trace the development of welfare state from its inception to the present context in India and to understand the impact of globalization on the welfare state. The specific attenuation of globalization to the requirements of the welfare state in India and vice versa is the focus of attention here. To what extent India absorbs the challenges of globalization on its welfare state concerns? How does globalization itself take on a specific hue, are issues of concern here.

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1 Firstly it emphasized that, every human being is entitled to a minimum standard of living such as food clothing and shelter. Secondly, it emphasized on the expansion of living standard with the existing knowledge and physical resources and the third principle held that state has the right and duty to act when private initiative fails. See, Oniel Biswas, *From Justice to Welfare*, New Delhi: Intellectual Publishing House, 1985, p.14.

2 Niraja Gopal Jayal has argued that the Indian state was interventionist with a developmental edge than a welfare state. See, Niraja Gopal Jayal, *Democracy and the State: Welfare, Secularism, and Development in Contemporary India*, Delhi: Oxford University Press, 1999, pp.31-50.

3 The point that Alexis de Tocqueville makes in *Democracy in America* (1835) is pertinent here. He states that liberalism calls for liberty, while democracy for equality.
Welfare State and its Antecedents

a. Colonial State in India:

Ideologically, the liberal current began to influence India at the same time as it did English political life. But the colonial context profoundly qualified the impact of this thought current. The 'mercantalist phase' (1757 to 1813), was marked by the direct plunder and East India Company's monopoly trade in British India. The years from 1813 to 1858 saw the classic age of free trader industrial exploitation. It was from about 1818 that the cause of reform gathered momentum. The resistance to the policy of applying British constitutional principles to Indian administration also came to be initiated by British administrative servants. Munro's ryotwari system eschewing all the intermediaries and directly settling with each peasant for his individual holding is an example of such reformatory zeal and liberal outlook against the rigidities of the Lord Cornwallis system. In the phase from 1813 to 1858 British introduced social economic reforms in a selective manner without large-scale social intervention. And the reason for such reform process could be traced to the great differences of opinion that prevailed among the few paternalists and the utilitarians over the doctrine of laissez-faire. Much of the reforms came from the way the liberal enlightenment project was envisaged in India by administrators and policy makers such as Munro and people like Macaulay.

However, these reforms and their spirit of liberalism did not go deep. The colonial state did not become a liberal state though it intervened in a major way in social and economic spheres in spite of its claims to the contrary. Some of its policies such as 'rule of law' favoured the disadvantaged sections against the

4 Lord Cornwallis sought to reduce the function of the government to a set of limited tasks of ensuring the security of persons and property. For details see, Eric Stokes, The English Utilitarians in India, Delhi: Oxford University Press, 1989, p. 5 and p. 14.
5 For example people like Munro, Malcolm, Elphinstone and Metcalfe who served as subordinates to Wellesley formed the dominant school in the formation of Indian policy when liberalism first began to exercise an influence on the internal administration after 1818. Ibid., p.9.
6 Ryotwari system of land settlement and general administration was first developed by Munro and extended by him throughout the Madras Presidency in the period of his governorship from 1819 until 1827.
7 Munro believed that the task of the British government was paternal protection and little more. He said, “It is too much regulation that ruins everything. Englishmen are as fanatics in politics as the Mahomedans in religion. They suppose that no country can be saved without English institutions. The natives of this country have enough of their own to answer every useful object of internal administration, and if we maintain and protect them, the country will in a very few months settle itself.” Eric Stokes, op. cit., p. 19. Also see on the influences of Utilitarianism and the trend of paternalism, pp. 12-80.
brahmanical order. Yet, widespread poverty and frequent famines interlocked Indian populace under unlimited misery.

The role of the interventionist state was constantly addressed by the nationalist’s right from the beginning of the freedom struggle. They addressed the problem of freedom from hunger and want regularly. Besides, employment and industrial and agricultural development, became significant aspects of the nationalist discourse.

Poverty became a central issue of concern in nationalist thought and the role of the state came to be accordingly valorized. In the 1870s, the Indian leaders began a serious inquiry into the economic ills of India under British rule.8 Dadabhai Naoroji wrote about the existence of absolute poverty in India in 1876 in his essay *Poverty of India* and drew attention towards the issue of health as well.9 Later, G.K.Gokhale also expressed his concern about it in his keynote address at his famous budget speech of 1902. The Indian National Congress (INC) reiterated this concern session after sessions and the nationalist press highlighted the issue too. The evidence for India’s advancing prosperity that the British Indian authorities claimed at the rapid expansion of India’s foreign trade both in value and volume did not satisfy the Indian bourgeoisie as they found that such a development was an indication of the ‘growing drain of wealth from India than growing welfare.’ Though the British Indian authorities declined such charges as baseless they were also aware of the importance attached by the Indians to the problem of poverty and considered

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8 Dada Bhai Naoroji, Bholonath Chandra attacked British economic policies vehemently. Mahadev Govind Ranade started the *Quarterly Journal of the Poona Sarvajanik Sabha* in the late 1870s and along with G.V. Joshi surveyed every aspect of Indian economy. R. C. Dutt’s two-volume *Economic History of India*, also portrayed the economic condition under British administration and drew attention. Justice Ranade emphasised the supremacy of economic questions over the political questions in his essay on *Indian Political Economy* (1892). Bipin Chandra Pal, one of the spokesperson of the Extremist party, wrote “Of all the perplexing problems that confront New India, the economic problem seems to our mind, the most pressing and important”. See, Bipan Chandra, *The Rise and Growth of Economic Nationalism in India- Economic Policies of Indian National Leadership, 1880-1905*, New Delhi: People’s Publishing House, 1966, (Reprint, 1982), p.6.

9 Dadabhai Naoroji wrote “India is suffering seriously in several ways and sinking in poverty.” The Kesari, the Marathi weekly edited by Lokmanya Tilak, published verses in 1896, referring to poverty and famine in India, “... Plenty has fled and after that health also.” Dadabhai Naoroji consistently raised his voice highlighting upon poverty through his writings, in the House of Commons, as the president of the Congress and in his evidence before the Select Committee on East Indian Finance and the Royal Commission on the Administration of the Expenditure of India (The Welby Commission). Cited in, Ibid., p.39.
it as a challenge to measure their success in India.\textsuperscript{10} Though the drain theory of nationalists had also a grain of exaggeration it was able to streamline the growing awareness among the Indian leaders and masses about the question of welfare of the people right from the beginning of the freedom struggle. Such a concern became an integral part of the latter nationalist discourse.

Among the other issues that were significant in the development path drawn out by the nationalist struggle were employment and promotion of industrialization. Attention of British authorities also was drawn towards the decay of indigenous industry and the domination of modern industry by foreign capital. The pressing need to respond to employment was considered by them as important. "The question of providing bread for the growing population of this country is no doubt a pressing and serious one at the present moment, but to our thinking, more serious and more pressing is the question of providing adequate work for our growing workers."\textsuperscript{11} A critique on, the famines, was also put across by the Indian leaders. Indian leaders held the British responsible for the acts of commission and omission, and believed that much can be changed by changing administrative policies, whereas the British denied their responsibility by justifying famines as acts of God and no human hand can stop them. Viceroy Lord Curzon stated in his speech in 1902: "Famines have been endemic in India and would remain so for an immeasurable distance of time to come; the utmost that a humane government could do was to mitigate their severity and extent."\textsuperscript{12}

\textsuperscript{10} They were also concerned with the inquiry of Indian leaders as to whether poverty is growing more or declining? Lord George Hamilton, Secretary of State accepting the full challenge of the problem, declared in the House of Commons on 16 August 1901 "I admit at once that if it could be shown that India has retrograded in material prosperity under our rule we stand self-condemned, we ought no longer to be trusted with the control of the country." Cited in, Bipan Chandra, \textit{op. cit.}, 1966, p. 27. Sir Henry Fowler, Secretary of State for India, told the House of Commons on 15 August 1894, "The question I wish to consider is whether that Government, with all its machinery is now existing in India, has or has not, promoted the general prosperity of the people of India; and whether India is better or worse off by being a Province of the British Crown." See, Bipin Chandra, \textit{op. cit.}, p.7. Both the British as well as the Indian leaders paid greater attention to unraveling and discussing the factors responsible for the acute poverty of the country, as they were conscious of the fact that proper remedial measures could be recommended or undertaken only when the obstacles standing in the path of economic progress has been discovered. See for more details, Bipan Chandra \textit{op. cit.}, 1969, pp.1-54. Also see, Sumit Sarkar, \textit{Modern India, 1885-1947}, Delhi: Macmillan India Limited, 1983, pp.25-28.

\textsuperscript{11} Cited in, Ibid., p.45.

b. Critique of Laissez-Faire State:

Indian leaders argued for a protective state and were successful in driving their arguments to some extent. The laissez-faire theory of the functions of the state had been challenged consistently by leading national economists. “They rejected the idea that state should confine its activities to the maintenance of law and order and pleaded for the expansion of the horizons of state activity so as to encompass all matters in which individual effort was likely to be less effective than national effort.”¹³ The Indian economists justified the right of the state to interfere in economic affairs. Raja Ram Mohan Roy pleaded with the government to initiate the process of modernization. All these writings of eminent thinkers spelled out a strong demand against the laissez-faire policy of the government and drew the attention of the government towards doctrines of the state’s rights to interfere in economic matters and maintain the predominance of community welfare over individual interest.

While addressing the issue of Industrial development the Indian leaders demanded that the Government of India should follow a policy of direct, deliberate, and systematic promotion of industrial development by giving up the laissez-faire policy, as they considered it as the *sine qua non* of nation’s economic welfare.¹⁴ They also demanded active intervention of the government through policies to achieve agrarian reforms including protection of land lease arrangements. M.G. Ranade argued that the doctrine of the state being the guardian of the entire community is required to be implemented to protect the weak. He advocated a more equitable distribution of national wealth. Criticizing the colonial state for its neglect of economic development he attacked the validity of laissez-faire as a doctrine of state functions. The national economists also criticized the policy of free trade and demanded tariff protection for Indian industries. “In the course of their analysis of colonialism, the nationalist economists made full use of contemporary economic theories—from those of John Stuart Mill, List and Carey to those of Marshall, Keynes and Marx.”¹⁵

It is not that the British acknowledged their weaknesses against these allegations. These demands and charges were turned down by authorities such as Viceroy Lord Curzon claiming that the Indian economy was distinctly in a forward position and not in a retrograde direction. Curzon termed the nationalist leaders who argued against laissez-faire as 'amiable eccentrics'.

It was quite evident that a large part of India’s social surplus was appropriated by the colonial state, and they exported a large part of it or spent it on the army and civil administration. A very meagre part of it had been spent on the development of agriculture and industry or on social infrastructure or nation-building activities such as education and health services. As such, the colonial state’s system of financial management bore little relation to the needs of the Indian economy and was a major negative feature of colonial policy and was a causative factor in India’s underdevelopment.

Britain determined the policies in India according to the interests of British economy and its capitalist class. The development of India as a market for British manufactured goods and as a supplier to Britain of food and raw materials was brought about by active state policies in the fields of finance, tariffs, transport, communication, trade, foreign capital, currency, education, technology, banking and agriculture, and through the ‘drain’ or export of capital. Hence, British rule devoted itself to increase India’s capacity to export primary products, to purchase British manufactured goods, and to raise revenues to meet the ‘drain’ as well as the needs of imperial ‘defence’. British investment in India had owed its origin to the reinvestment of profits made by the Europeans in India. Though some of those profits originated in new enterprises, the Europeans had privileged access to those resources such as land for plantations, charters for railways, or mining properties that helped the enterprises to become profitable. However it has to be noted that the promotion of development through flow of capital, railways roads and communication system as a valuable infrastructure for economic development, did not help the newly founded Indian industries.

16 See, J.S., Uppal, op. cit., p.2.
The colonial state had very little capacity to undertake welfare measures in spite of the promises that it held out as it was controlled from abroad. The pattern of public expenditure was non-productive, as the public revenues were allotted to military expenditure and civil administration that was mainly geared to maintaining law and order and collection of taxes. Colonial governments often borrowed abroad for purposes which did not have much to do with welfare or human development of the subject peoples and then charged the revenues to the colony with the debt-servicing costs. For example, the whole cost of suppressing the Indian revolt of 1857-58 was borne by budgetary burden on British India.

The tax structure was highly inequitable. And the expenditure under nation-building heads was abysmally low. In the sphere of health, the situation was also not encouraging. Death rate was 27.4 per 1,000 persons and the infant mortality rate was 175-190 per 1,000 live births. An average Indian could expect to have a life span of barely 32 years with the spreading diseases and adverse conditions of sanitation. Though, by the end of the nineteenth century education was recognized to be crucial input into economic development, the vast majority of Indians had no access to education.

The early twentieth century witnessed some relaxation of the laissez-faire policies consistently followed earlier by the British government within the colonial

18 After 1890, military expenditure absorbed nearly 50 per cent of the central budget and one-third of the combined central and provincial budgets. On the other hand, the expenditure under nation-building heads was abysmally low. In 1920-1, total central expenditure (minus expenditure on railway account) was Rs. 2,128 million; of this Rs. 883.3 million were spent on military services. Civil administration at both central and provincial levels absorbed Rs. 383.9 million. On the other hand, the expenditure on education, health and sanitation, agriculture, and scientific and miscellaneous departments was Rs. 37.6, Rs. 77.5, Rs. 16.9 and Rs. 14.9 million respectively, totaling Rs. 146.9 million. The expenditure on irrigation was Rs. 70.2 million, but then income under this head was Rs 88 million.
19 Cited in, Amlaya Bagchi, *op. cit.*
20 Sunanda Sen has put it: "Thus the nation not only transferred the sterling proceeds of her net export earnings to England (to settle the home charges) but was also forced to go through a simultaneous contraction in official expenditure in the domestic economy which was of an equivalent amount in Indian rupees." Cited in Bipan Chandra, *op. cit.*, 2000, p.86. During the twentieth century, a major part of India’s social surplus began to be controlled by the landlords and moneylenders. Princes, big zamindars, landlords and other intermediaries, including tenants-in-chief, appropriated nearly 20 per cent of the national income. Cited in, Bipan Chandra, *op. cit.*, 2000, p.86. Surendra J. Patel has calculated that by the end of the colonial period the rent and interest appropriated from the peasantry amounted to Rs. 1,400 million per year. Only a very small part of this huge surplus was invested in the development of agriculture or industry. It was squandered in conspicuous consumption or used for further intensifying landlordism and usury. See, Surendra J. Patel, “Distribution of National Income in India”, *Indian Economic Review*, vol.3, no.1, p.7.
21 In 1947, nearly 88 per cent Indians were illiterate. Cited in, Bipan Chandra, *op. cit.*, 2000, p.95.
framework. Famine relief became an important aspect of state policy, though there was a strong opposition to state intervention as laissez-faire or the Poor Law was the debate of the day. Earlier, the intellectual influence of classical economists, especially Adam Smith, who prescribed the doctrine of laissez-faire, shaped the colonial response to famine. The popular argument was that provision of free relief by the state would encourage people to become lazy, indolent, and dependent on the state, and interfered with wage levels and employment. Yet, the need for controlling the landowning classes, and considerations of revenue, compelled the colonial state to pay serious attention to the implications of famine. Moreover, the frequent famines and the heavy toll of human life and loss of revenue due to the lack of efficient policy began to press for the attention of British authorities, although they thought that it might create counter opinion to their credentials of efficiency. However, the British undertook two important policy measures: Railways construction in the earlier part and taking control of famine. Both these have had a concern to provide efficient government and strengthening colonial administration and not the concern of the subject population in view.

On the nationalist front, famine played a major role in articulating a set of distinct positions. Dadabhai Naoroji and R.C. Dutt, and the two resolutions on Poverty, Famine and Remedies of the INC in its Calcutta session of December 1896 blamed famine on poverty, and poverty in turn on the drain of wealth from India by the colonial government. The British socialist, H.M. Hyndman joined the anti-famine agitation in England and supported Dadabhai Naoroji. The Indian Famine Union in London included prominent nationalist sympathizers like Sir William Wedderburn, and the famous political philosopher of 'New Liberalism', Lord Hobhouse.

As a result the two subsequent Famine Commissions (1898 and 1901), showed a favourable response to the victims of famines and displayed a positive

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22 The debilitating impact of relief were described as follows: "We regard this tendency with much concern, for, in truth, the fault is not a venial, but a very grave fault, being akin to that most dangerous popular vice-the disposition to force the Government to grant public charity. See, Report of the Indian Famine commission, 1901, New Delhi: Agricole Publishing Academy, 1979, p. 45. Also see, Niraja Gopal Jayal, op. cit., p.36.

23 "The utilitarian legacy-of authoritative and efficient government, rather than of liberty-contributed to the change, as did nationalist opinion contributed to such a change in policy." See, Niraja Gopal Jayal, op. cit., p. 37.
response by making a few improvements in the administration. Investments were made in famine prevention measures such as the extension of irrigation facilities. However, the government refused to interfere with food supplies or prices. "The most disastrous outcome of this policy of non-interference was the Bengal famine of 1943, when the government was forced to intervene, but its intervention was so belated as to be ineffectual."24

Undoubtedly, the relaxation favouring a laissez-faire policy towards India witnessed some strides in industries. The iron and steel industry developed after 1907, and the sugar, cement and paper industries and a few engineering firms came up in the 1930s. Indian entrepreneurs made use of the limited opportunities for 'import substitution provided by the (depression-induced) weakening of the linkages with metropolitan countries'.25 Yet, most of the favourable policy of tariff concessions towards India was the rising political difficulties of the government against the growing national movement. However, such a favourable policy did not work out much for the development of British India. As a result of the free trade, imports displaced indigenous handicrafts and cottage industries and prevented the rise of new industries. Besides, foreign trade became the instrument for 'drain or export of India’s social surplus'.26

Hence, though Britain in India posed to be a laissez-faire state, in order to protect its industrial monopoly the British state also became an interventionist state. In order to control all possible sources of land revenue government took up the responsibility for providing irrigation and various support services to agriculture. The railway-building programme was also directed by the state. Along with railway construction, a railway board was also set up. The Irrigation Commission, that was established in 1901-03, devoted more attention to irrigation. The Pusa Institute for Research on Agriculture was also established. Positive strides were also made in

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24 Quoted from, Ibid., p.38.
26 It is established by R. W. Goldsmith per capita income was more or less constant between 1881 and 1908. It went up by 10 per cent between 1908 and 1913. According to S. Sivasubramanian In thirty-three years, from 1913 to 1946, it went up by 9 per cent See, S. Sivasubramanian "Income from the Secondary Sector in India, 1900-1947", Indian Economic and Social History Review, vol.4, no.4, p.15 and by 4 per cent according to A. Heston Kumar and it fell by 7 per cent according to Angus Maddison. Cited in Ibid., p.94.
areas like the Punjab, constructing canals to cultivate the virgin lands.\textsuperscript{27} "It is arguable, however, whether the nineteenth-century colonial state thought of any of these activities immediately in terms of their implications for socio-economic \textquoteleft development\textquoteright{}: they were conducted, and costed, much more for reasons of \textquoteleft state\textquoteright{} profit and power. Indeed, even the elaboration of the famine code was promoted as much by concern for the losses of revenue, which famine brought, as for the loss of life."\textsuperscript{28}

c. Freedom Struggle and the Emerging Ideology of Welfare:

In 1930s welfare ideas had a steady growth elsewhere and they influenced British India too. Such developments immediately initiated spiralling concern for the welfare state. The intellectuals of India developed a consistent effort to provide a solution for India's economic and social problems. The Karachi resolution of the Congress (1931) expressed it by redefining 'swaraj', as 'economic freedom of the starving millions' along with political freedom.

The nationalist struggle had addressed the question of poverty, agriculture, education and industry already in a concrete and a specific manner. The context of depression demanded a growing concern for it. Successful historical experiences of state participation in the industrial development of countries like Japan had created a favourable opinion among the businessman, industrialists, cultivators and other producers. The change was also due to the Indian leadership educated in England that was greatly influenced by Fabian Socialism that criticized laissez-faire economic policies and market mechanisms to solve economic problems. Besides, the Russian example of success in transforming a backward, predominantly agrarian economy into a highly industrialized and modern society also influenced the Indian leaders. In December 1929, Nehru presiding over the Lahore Congress, claimed attention to the philosophy of socialism and stated, "But we must realize that the philosophy of socialism has gradually permeated the entire structure of society the world over ... India will have to go that way too if she seeks to end her poverty and

\textsuperscript{27} See, Sumit Sarkar, \textit{op. cit.}, 1983, p.36
\textsuperscript{28} Quoted from, David Washbrook, "The Rhetoric of Democracy and Development in Late Colonial India", in Sugata Bose and Ayesha Jalal, eds. \textit{Nationalism, Democracy and Development: State and Politics in India}, New Delhi: Oxford University Press, 1997, p. 44.
inequality,...."29 The resolution on fundamental rights and economic programme by the Karachi Congress later in 1931 had similar goals.

The developments that took place in 1930s also provided certain strength and geared post-independence economic development. The First World War marked the firm foundation of Indian capitalism and depression provided further impetus to it as it displayed the economic and political difficulties of the metropolis significantly. As a parallel development to it, several major groups of modern Indian capitalists--the Birlas, the Dalmia-Jains, the Singhanias and the Thapars, ventured into the industrial field. They entered the postwar period with greater strength as well as with apprehensions. Alongside they had the support of contemporary political and economic thinkers who argued for state intervention and put across several plans and proposals.30 Later, Jawaharlal Nehru wrote in his The Discovery of India that, it is impossible for a country to be economically and politically independent, even within the framework of international interdependence, unless it is highly industrialized and has developed its power resources to the utmost. It can never achieve or maintain high standards of living and liquidate poverty without the aid of modern technology in almost every sphere of life.31 In 1936, Nehru enunciated a view of the relationship between socialism and development which would be shared by a generation of leaders throughout the Third World: “I see no way of ending the poverty, the vast

30 Among such proposals, the Planned Economy for India, (1934) by M. Visvesvaraya needs special mention. It contained a clear statement of objectives and targets and the method to achieve them within a period of five to ten years. He argued that poverty and unemployment in India are due to lack of reasoned policies and programmes to improve income and wealth of the people. See, Towards an Approach to the First Plan, p. 3. He listed ‘Ten Urgent Requirements’, for the economy to plan: elementary mass education; training in defence; industrialization with special emphasis on heavy industries; balancing occupation and arresting the tendency to ruralisation; Indian control of finances, currency and exchange, and of the Reserve Bank and gold reserves; Indian control of railway administration; Indian control of protective tariffs and railway freight; Indian control of purchase of railway and other stores; and training in the highest branches of administration; commerce and technology. Cited in, J.S. Uppal, op. cit., pp. 5-6.
unemployment, the degradation and the subjection of the Indian people except through socialism."

The idea of economic planning growingly received favourable attention after the Government of India Act of 1935 as the INC formed congress government in six and later eight provinces. Especially the Gandhians, including Gandhi raised the issue of the responsibility of the Congress in regulating the growth of modern industries. The left within the Congress argued for an "all-industrial plan", in order to resolve the Congress policy towards industries. The INC, under the leadership of Jawaharlal Nehru, set up the National Planning Committee towards the end of 1938. The committee produced a series of studies on economic development, laid down state control in all key industries and services. And the proposal of industrial plan received substantial attention when Subhas Chandra Bose in his presidential speech at the Haripura Congress in February 1938 declared that the national state "on the advice of a Planning Commission" would adopt "a comprehensive scheme for gradually socializing our entire agricultural and industrial system in the sphere of both production and appropriation." In 1938, a conference of the ministers of industries of the Congress-ruled provinces and significant political leaders and eminent people, passed a resolution 'that problems of poverty and unemployment, of national defence and of the economic regeneration in general cannot be solved without industrialization'. However, such a consensus was reached not without the divergent opinions expressed in this regard. For example Gandhi argued that industrialism itself and not the ability to industrialize is the root cause of Indian poverty.

i). The National Planning Committee: The nationalist economic perspective and policies started developing and came to be enumerated in the reports of the National Planning Committee (NPC). The NPC was set up in 1938 by the INC under the

chairmanship of Jawaharlal Nehru consisting of 350 members with stalwarts like Visvesvaraya and K.T. Shah. It held several meetings between June 1939 and September 1940. The NPC was divided into separate sub-committees, each dealing with separate and specific problem area. J. C. Kumarappa, the member of the NPC in the first meeting of the NPC itself questioned the authority of the Congress government to discuss the industrialization plan.

Nehru affirmed it saying that "Now that the Congress is to some extent, identifying itself with the State it cannot ignore the question of establishing and encouraging large-scale industries. There can be no planning if such planning does not include big industries...[and] it is not only within the scope of the Committee to consider large scale industries, but it is incumbent upon it to consider them." Most of the members of the Committee also felt that large-scale industries should be promoted as long as it does not conflict with the cottage industries. Thus, there was a clearly favourable opinion created for the need of industrialization. As a step towards such industrialization, a comprehensive scheme of national planning was envisaged. The debate on industrialisation was politically solved by constituting planning as a domain outside the domain of politics. By 1940s, planning had evolved as a crucial 'institutional modality' with the state having the role to decide the "allocation of productive resources within the nation: as a modality of political power constituted outside the immediate political process itself."

Due to the outbreak of Second World War, and the resignation of the Congress government in provinces, and the arrest of its several members, the NPC could not function as it planned. However, despite these odds the NPC brought out a blue print of development perspectives for the Indian economy. As the NPC members came from different political perspectives and economic interests, they differed on the issues like appropriate role of the state in regulation. For contemporary scholars, the recommendations of the NPC did not constitute a development plan, but its deliberations and publication created a consciousness for

36 Partha Chatterjee writes, "Kumarappa kept up his futile effort for a while after virtually every other member disagreed with his views and finally dropped out", Ibid., p. 202.
the need and urge for economic planning as the solution to the problems of under
development and deteriorating economic conditions.

In this economic frame-work, the nationalists argued that the core of
economic development lay in rapid industrialization using modern science and
technology. They highlighted the need to shift industry that was only devoted to
agriculture.

ii). The Bombay Plan: The growing consciousness on the part of the industrialists
led to the “Bombay Plan” or “Big Business Plan”. Bombay Plan was published in
1944-45 by a cross-section of India’s leading capitalists-Purshotamdas Thakurdas, J.
R. D. Tata, G. D. Birla, Shri Ram, Kasturbhai Lalbhai, A.D. Shroff, Ardeshir Dalal
and John Mathai. Bombay Plan is considered to be significant in the direction of
India’s economic planning, mixed economy and strengthening an interventionist
state.

The Soviet influence, in both the NPC and the Bombay Plan was evident as
it gave importance to consumer goods industries. Importance was also given to
medium-scale, small-scale and cottage industries to help balanced growth of
economy. The NPC incorporated the objective of restructuring of agrarian relations
by abolishing the Zamindari system. A ban on subletting of land on rent was also
accepted. It was argued that government should guarantee minimum prices or fair
prices to agricultural producers. The Indian capitalists, also strongly argued for the
ending of landlordism, though with compensation, co-operativization in production,
credit and marketing, minimum wages and so on.

The Bombay Plan looked boldly for new investment opportunities, and also
expressed forebodings that British capital may try to recover its weakened position
at India’s expense by making attempts to integrate Indian economy with that of the
metropolis and even expressed apprehension that in such a case they do not want
industrialisation at the cost of independence.39

39 M. A. Master, President of the Indian Merchants’ Chamber, warned: “India would prefer to go
without industrial development rather than allow the creation of new East India Companies in this
country, which would …militate against her economic independence.” See, Eastern Economist, 18
May 1945, p. 658.
The Bombay Plan envisaged a development plan consisting of objectives, targets, methods of financing, planning strategies and recommendations for implementation. It called for increasing the per capita gross domestic product three times, by doubling agricultural produce and increasing the output in the industrial sector five times within the set time-frame. The plan allocated a total outlay of Rs.10,000 crores, divided among seven sectors. About 12 per cent was allocated for industry and 45 per cent for agriculture. The major sources for plan resources were suggested as unearthing of hoarded wealth, sterling assets, surplus in balance of trade, foreign borrowing and deficit financing.

It put forward demands for heavy industry, despite state ownership state planning and active and direct state support, and the development of a powerful public sector. They also opposed the fresh entry of foreign capital and demanded the loosening of its existing stranglehold. It did not provide for any direct foreign capital investment and envisaged only 7 per cent of its total investment outlay through foreign loans.

Large-scale consumer goods and small scale and cottage industries were also to be developed for creating employment opportunities to provide essential consumer goods and to economise the use of capital, essential for the capital goods industries. The consensus was drawn to continue consumer goods industry under the private sector.

Admittedly, the Bombay Plan envisaged an interventionist state. Advocating highly restricted role for state ownership, it argued for a very large role for the state. The interventionist state was sought in controlling the fixation of prices, the limitation of dividends, the prescription of conditions of work and wages for labour, the nomination of government directors on the boards of management, the control of production through licencing of new enterprises and expansion of existing ones, the control of allocation and distribution of consumer goods, raw materials, semi-finished and capital goods, the control of new capital issues and the control of trade and foreign exchange.
The statement and objectives of the Bombay Plan were received with great interest because of its thrust on large-scale industries, economic and social infrastructure and the proposed egalitarian provisions. Both the NPC and the Bombay Plan emphasized the need for rapid industrialization and all-round, self-reliant economic development and it required development on a high-priority basis of the power and basic capital goods industries.

It was suggested that the state should control direct foreign investment. Moreover, the state was to prohibit by law, foreign ownership, management and control over key areas of the economy such as banking, insurance and aviation, and industries such as machinery and machine tools, locomotives, automobiles, aircraft, shipping, heavy chemicals, fertilizers, minerals and petroleum. By then Indian capital had already controlled iron and steel, cotton textiles, sugar, cement and paper. The Bombay Plan argued that in order to develop, its basic industries and infrastructure, such as power and other utilities, foreign capital could be invited. Even in the case of foreign capital in the form of loans and credit, the state was to act as an intermediary and as a protective wall between foreign capital and Indian enterprise. Foreign loans were to be raised by or through the state. The state would then use them on its account or lend it to the Indian industrialists through its own financial institutions.

The NPC and the Bombay Plan wanted the state to play an active role through planning and control over different sectors of the economy. They wanted state participation in trade, industry and banking—either directly, through ownership or the public sector, or indirectly, through the exercise of direct and extensive control over them. In order to help the Indian entrepreneur's subsidies, bounties, grants-in-aid were suggested to be undertaken by government. It could also help the capitalists to borrow in foreign markets by providing government guarantees. The state was to take the lead, set up industries and overcome the initial difficulties till private enterprise had the capacity to take up venture. The government was to help Indian industries by buying from them, materials, equipment and other stores needed by the army, police, railways, public works, telegraph and telephone departments, water, gas and sewage systems, hospitals and its administrative departments instead of buying them from foreign countries.
The question of agriculture was discussed, and promotion of agriculture was sought by asking the state to increase its expenditure on irrigation and to run and finance agricultural credit banks. The strategic role of the state to control foreign capital to protect the indigenous capital was emphasized. Similarly, the capitalists actively advocated private enterprise willingly accepting to correct and compensate for its weaknesses through active state role and social intervention. However, even then socialism as a philosophy was not overtly pronounced.\textsuperscript{40} Thus the group of industrialists representing large capital was responsible for the 'Bombay Plan' of 1944 had insisted upon the need for a mixed economy where the state would take responsibility for the provision of infrastructure as well as large and heavy industrial investment. Quite radical approaches also were emphasized suggesting crucial role of government, in redistribution and reduction of poverty and also in providing a pattern of growth that would provide for a diversified industrial economy catering to mass consumption needs and mitigating the usual market failures.\textsuperscript{41}

Though the NPC sought the active intervention of the state in economic processes through planning, the public sector, and other ways, it maintained that capitalist entrepreneurs be the major agents of economic development. Even Jawaharlal Nehru, the major proponent of socialism in pre-1947 India, readily conceded that the Congress had not in any way accepted socialism. In his memorandum of June 1939 to the NPC, he laid down that the ideal of the Congress and the "foundation of our Plan" was not socialism but the creation of an egalitarian society in which all citizens had equal opportunities and "a civilized standard of life... so as to make the attainment of this equal opportunity a reality."\textsuperscript{42} Laying down the basis of a mixed economy, he wrote in August 1940: "Private enterprise has certainly not been ruled out but it has to be strictly controlled and co-ordinated to the general plan."\textsuperscript{43}

Much optimism was reposed in such thought as Nehru himself hoped that the practice of planning would gradually turn the face of the people and the

\textsuperscript{40} See, Jawaharlal Nehru, \textit{op. cit.}, 1946, p. 502.
\textsuperscript{42} Ibid., p. 110.
\textsuperscript{43} Quoted from, Bipan Chandra, \textit{op. cit.}, 2000, p. 111. See for more details on Nehru's views on private sector, Jawaharlal Nehru, \textit{op .cit.}, 1984, pp.153-156.
economy towards socialist principles of economic organization. As he put it in his *The Discovery of India*, “So long as a big step in the right direction was taken, I felt that the very dynamics involved in the process of change would facilitate further adaptation and progress.” He also hoped that democracy based on adult franchise would push the government in a socialist direction.

India’s policy was born out of two conflicting systems of belief and ideas—those of Gandhi and Nehru held together precariously, and often with the differences denied, because this was one difference that Indians found too difficult to confront. Much of Nehru’s influence on socialism is linked to his education at Harrow and Cambridge and his commitment to Fabian Socialism and Gandhi’s grassroot struggle. Kaushik Basu quotes Wolpert saying that Nehru had confided as early as 1933 that “I cannot understand how [Gandhi] can accept …the present social order [and] how he can surround himself with men who are …the beneficiaries of this social order.” Basu also points out that Nehru was more radical than Gandhi citing Nehru’s diary entry, “In many ways I have far more in common with English and other non-Indian socialists than I have with non-socialists in India.”

Though national movement overtly did not accept socialism as a societal objective, it had a pro-poor orientation and a reformist programme since the beginning. Socialism was strengthened in India after 1918 with the advent of Gandhiji and the growth of the Left. Freedom was associated with social justice and greater social and economic equality, and a refusal to accept economic privileges. However Gandhiji never subscribed to socialism of any known variety as Gandhi himself stated in 1937, “[Nehru’s] enunciation of scientific socialism does not jar me. I have been living the life since 1906 that he would have all India to live. To say that he favours Russian Communism is a traversery of truth.” The Congress right wing adopted a basically reformist vision.

44 Jawaharlal Nehru, *op. cit.*, 1946, p. 400.
46 Cited in, Ibid.
47 Cited in, Ibid.
Within the NPC, though there was a difference of opinion on the degree of state ownership and control over industries and banking, nonetheless they accepted that the state must follow a policy of social welfare and institutional reforms. NPC, and the Bombay Plan, emphasised large-scale measures of social welfare. The employment policy based on the right to work and full employment, the guarantee of a minimum wage, greater state expenditure on housing, water and sanitation, free education, social insurance to cover unemployment and sickness, and the provision of utility services such as electricity and transport at a low cost through state subsidies was emphasised. The state planning was to fulfill the objective of reducing gross inequalities in income. As the Bombay Plan put it, "the large increase in production which is postulated in the plan would be difficult to achieve if the present disparities in income are allowed to persist." Hence, when the nationalist government took over the affairs of state, it was expected that the post-colonial order would respond to the problem of poverty intensely.

The philosophy of welfare was very evident in the way independent India was constructed as well in the series of official documents on planning, developed by the national leaders. Though the Bombay Plan was appreciated it also generated sharp controversies on the issue of the role of the state. The Bombay Plan had allotted a gradual control over the basic and key industries only, with the rest of the industries being under the control of the private sector. It was considered to be a weak and ineffective approach to bring in a change in the socio-economic structure of the society. Consequent to this M. N. Roy presented the essence of 'People’s Plan' that brought in the nationalization of agriculture and liquidation of rural indebtedness. The role of the state was streamlined in pursuing the goals of free and compulsory education, minimum scales of wages and assured supply of basic needs such as food, clothing, shelter and health by the state. The People’s Plan de-emphasised the significance of cottage industries and proposed to gear the resources towards large-scale industries. It showed close affinity with the basic strategies of Soviet planning.

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49 For an account of the plans, See, D. S. Nag, A Study of the Economic Plans for India, New Delhi, 1949.
However such a priority approach to large scale industries by the NPC, Bombay Plan and People’s Plan was criticized by the Gandhians who believed that the appropriate approach to deal with poverty and unemployment would be to accord proper attention to the cottage industry. For the Gandhians the objective of economic planning was to raise the economic social and cultural levels of the people in order to fetch them subsistent standard of living. Those goals were enumerated in the ‘Gandhian Plan’.50

The popular impetus on the colonial government was evident too, as contrary to its earlier stand of laissez-faire policy it initiated policy statements and policy for post-war construction.51 In June 1944, a Planning and Developmental department was established making Sri Ardeshir Dalal, who had also been associated with the Bombay Plan, to draw up a Five Year plan for the central government. The Second Report on Reconstruction Planning proposed a 15- year ‘Perspective Plan’, along with a more detailed plan for the first five years. It had the goals of reducing inequalities in income distribution, provision of basic amenities to the poor and promoting cottage industries to promote employment. For rural development, the Planning Department emphasised on irrigation, land reclamation, anti-erosion and power. The industrial policy was also envisaged with more edge towards state intervention.

Planning also had achieved consensus among political parties, businessman, labour leaders and committees of experts from all over India, as the need for planning and its basic objectives were pronounced.52 The planning process which began to take concrete shape after independence in India has had its original influence from the Bombay Plan, National Planning Committee and the latter emphasis on socialism is based on the framework of People’s Plan.53 Immediately after the “Interim Government” in 1946, Nehru set up a planning advisory board that brought out a report by the end of the year. However, despite, his other responsibilities Nehru did not lose sight of planning.54 An economic programme committee of the Congress was formed in November 1947 with Nehru himself as

50 In this regard refer, S. N. Agarwal, Gandhian Plan, Bombay: Padma Publications, 1944.
53 Ibid.
chairman and it submitted its report in 1948. With this solid background the Industrial Policy Resolution that came to be passed in April 1948 also supported a mixed economy with a dominant role for the state. The National Planning Commission was formed in 1950, and the draft First Five Year plan was released in 1951. Such a perspective on planning helped the welfare perspective to take shape too.

Normative Maps of the Welfare State in India at Independence

a. The Gandhian Vision:

While there was a broad consensus among nationalists on the developmental/welfare priorities that India should pursue the Gandhian vision differed markedly from such consensus.

Mahatma Gandhi spoke of his social ideals in *Hind Swaraj* (1909), arguing against modern industrial civilization. "Railways, lawyers and doctors have impoverished the country'-railways have spread plague and produced famines by encouraging the export of food grains, lawyers have stimulated disputes in their greed for briefs and helped to maintain British rule by manning the law courts; western medicine is expensive and ruins natural health measures."55

After his return to India, He further enunciated his message through the programmes of Khadi, village reconstruction, and sarvodaya. Gandhi never equated happiness with economic prosperity and physical pleasure alone. His concept of the welfare society was totally opposed to the utilitarian concept, viz. the greatest good of the greatest number. Gandhi said, 'A votary of Ahimsa would strive for the greatest good of all and die in the attempt to realise this ideal.' The greatest good of all obviously included the good of the community. However, Gandhism drastically differed from Utilitarianism as the former advocated sacrificing oneself for the good of others.

Gandhism believed that individual happiness lies in the happiness of society and vice-versa. Gandhi enunciated a welfare state through ‘Sarvodaya’ the greatest

good of all through truth and non-violence to achieve social welfare. The late eminent Gandhian Dr. R.R. Diwakar expressed its political crux saying, “The good of each individual in society consists in his efforts to achieve the good of all.”

Gandhi believed in the maximization of social welfare and for this purpose he emphasized on the importance of the welfare of the individuals by reducing inequalities in income and wealth. According to Gandhi every person should be provided with bare minimum necessities of life i.e. food, shelter, and clothing. He opposed concentration of wealth in a few groups and promoted growth of small scale and cottage industries.

Economic and social alleviation of the lot of the poor and employment generation were the significant welfare ideas Gandhi shared with others. The first “satyagraha” in support of the indigo labourers in Champaran, though was a political struggle, also had elements of welfare ideals involving voluntary action or “constructive work” such as training villagers in hygiene, educating children, building roads and digging wells.

Gandhi advocated self-sufficient village economy where the villages would be independent economic units. He suggested the concept of eco-friendly agricultural techniques. He supported well irrigation instead of large hydro-electric projects and opposed the ownership of land-holdings by the Zamindars and argued that the ownership of land to be given to the actual tillers of the soil. He also advocated communal ownership of land and sought support to small scale and cottage industries to flourish. In line with Gandhi’s dream of expanding village industries, Industrial Policy Resolution of 1948 offered special impetus to small scale and cottage industries.

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He advocated equal status and dignity for capital and labour to avoid conflict between them.\textsuperscript{58} He enunciated the theory of trusteeship as an alternative to capitalism and scientific socialism. He believed that western capitalism, leads to oppression, exploitation, concentration of wealth and inequality. However, he was also against the increase in the power of the state, as he believed that it essentially leads to violence. He advocated the institution of trusteeship as a compromise between private enterprise and state controlled enterprise.

In social sphere, he wanted to build a society based on equity and self-respect. He wrote, "Untouchability is not only not a part and parcel of Hinduism, but a plague, which is the bounden duty of every Hindu to combat". Removal of untouchability became one of the major missions of his life. He wanted to bring in a change in the society through spiritualism and non-violence. Genuinely nonviolent, morally elevated, mutually affectionate, learn to cooperate voluntarily among them and being averse to anti-social activities will help the society to be elevated to a higher plane of culture. Gandhi's vision of ideal society is advocated as just and perfect society, i.e., the Kingdom of righteousness on earth. Gandhi's concept of Ramrajya supported egalitarian, nonviolent, and democratic social order, wherein moral values pervade all spheres of human life. Politically it is a form of stateless society, socially it is a form of classless society where all persons are equally treated irrespective of differences and economically it is a form of socialist society in which inequalities based on possession and non-possession vanish because all wealth belongs to the society as a whole.

As argued earlier, Gandhi had differences with Nehru with the way he perceived socialism. Though Gandhi lived a life of minimum material needs he did not subscribe to any of the known variety of socialism.\textsuperscript{59} 'Gandhian socialism radically departs from both capitalism and socialism; it is trusteeship socialism. Though this kind of socialism is difficult to achieve, Gandhi advocated it as he believed in the basic strength of the goodness of man and the value of morals."\textsuperscript{60} He believed in grassroots struggle and he showed a basic concern for socialism, when

\textsuperscript{58} See for details, Y. V. Satynarayana, "Gandhi's Vision and Technique of Conflict Resolution", http://www\vision.htm.
\textsuperscript{59} See, Kaushik Basu, ed., \textit{op. cit.}, p.18.
\textsuperscript{60} See, Y. Kesavulu, Gandhian Trusteeship as an "Instrument of Human Dignity", http://www\trusteeship.htm.
he said, “I suggest your presenting the country”, he wrote, “with practical socialism in keeping with Indian conditions instead of scientific socialism as your programme has been called.” 61 The views on democratic ideology, economic development and distributive justice led to so many continuing ‘mix’ between Gandhian and Nehruvian approaches even if the former receded more and more into the background.62 Though Gandhi was opposed to the paternalistic support to establish and encourage large-scale industries and supported cottage and small-scale industries his opposition to large-scale industries did not hold for long. In March 1931, Congress at its Karachi session passed a resolution that made state the owner and controller of key industries and services, mineral resources, railways, shipping and other means of transport. This resolution drafted in consultation with Gandhi was described by Nehru as a ‘step, a very short step in the right direction. Earlier, the Gandhians and the representatives of the business and propertied classes opposed for different reasons, the efforts of the radicals to commit the party to drastic land reform, centralized state planning of development and assign significant role for the state to intervene.63 In 1938 despite such a strong opposition Congress appointed NPC to work on a concrete programme of development pertaining to significant segments of economy. Apprehensive of the task taken by NPC Gandhi wrote to Nehru, “I do not know that the Working Committee is being kept informed of its doings...It has happened to me that much money and labour are being wasted on an effort which will bring forth little or no fruit.” 64

In fact earlier, the political strategy to achieve independence through ahimsa was based on Gandhiji’s critique of machinery, commercialization, and centralized state power as curses of modern civilization. However the left within the Congress, including Nehru and Subhas Chandra Bose argued that the issue of Congress policy towards industries would be resolved within the framework of an ‘all-India industrial plan’. 65 Gandhi criticized the Bombay Plan which in a way was the inspiration to India’s five year plans because it was based on centralism and large

65 See, Ibid., p.272.
scale industrialism and failed to take account of the special cultural and sociological foundations on which economic planning should be based. Later Gandhi accepted the introduction of heavy machine and heavy engineering based industries, but stood for the harmonious blend of the two streams of economic thinking. In his later writings, Gandhi indicated willingness to compromise with industrialization, when mechanization did not jeopardize human individuality or social cohesion. However, Gandhi’s critique on industrialization helped the Indian intellectuals to reappraise traditional values and institutions though they did not abandon the goal of economic development. Later Nehru concluded *The Discovery of India*, with a critique of modern industrial society for lack of social values and deplored the “excessive individualism of the west.” And during the Nehru era, the development strategy bore direct links to Gandhian-socialist collaboration and it had unanimity as to ethical background on which the social policies should be adopted. The economic policies were geared to achieve progressive removal of inequalities and the Gandhian-socialist convergence also ensured the bringing in institutional changes to substitute co-operative principles of economic organization for the prevailing system based on private enterprise. Gandhi believed that the limitation of private property and the elimination of profit motive can establish just economic system and genuine democracy.

The struggle for independence carried out under the leadership of Mahatma Gandhi was richly endowed with the principles of equality and social justice. He believed in a “non-violent revolution, leading to decentralized, relatively self-sufficient village communities without an artificial proliferation of wants and minimal recourse to modern technology.” These proved to be the welfare ideas that shaped the welfare state to a great extent after independence.

b. The Fabian-Nehruvian Conception:

In *India’s Independence and Social Revolution* Nehru wrote on welfare state, as follows: “Our national aim is a Welfare State and a socialist economy. Neither of

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67 Ibid., p.12.
68 Cited in, Ibid.
69 Ibid., p.15.
70 Quoted from, Dharma Kumar, *op. cit.*, 1983, p. 950.
these can be attained without a much greater volume of services and full employment." He emphasized on welfare ideals of generating employment, equitable distribution of wealth a blend of private and public sector growth, impetus to small scale and cottage industries and fairly significant role for the state to intervene.

After Independence the economic beginning of India is made through Fabian Socialism that emerged from ideas and approaches of utilitarianism, empiricism and classical economy. It has been suggested earlier that Nehru was heavily influenced by the ideals of Fabian Socialism during his college days. However, Nehru's own testimony later in his biography ascertained that his early contacts with socialist theory were superficial and it is the practical example of socialism in the Soviet Union that had its say. In his popular pamphlet Whither India in 1930s Nehru spoke in terms of soviet socialism. It supported public sector and called for restriction over the private sector. However, both Fabianism and Soviet Socialism became the most critical factors in determining India's development towards democratic socialism. Nehru shaped political institutions so that democracy could take root despite a very large illiterate and poor population, and an inexperienced political leadership. "It is during this era that a stable democracy took root and a statist model of economic development emerged hegemonic."

The first three five year's plans and especially the Second Plan, reflected major steps in shaping the vision of social and economic transformation in India. Like most nationalist leaders, Nehru also thought that India had become deeply degenerate and required radical restructuring.

Nehru identified education as an important sphere of welfare measures. While he may not have given as much stress on primary education he concentrated much on higher education by devoting 'vast resources to universities, Indian

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74 Quoted from, Atul Kohli, op. cit., 2004, p. 259.
Institutes of Technology, national science laboratories and research institutes but starved primary and secondary schools'.

Nehru stood for mixed economy and wanted an industrially transformed India progressing with dignified steps towards socialism. He wanted to take a step higher than the earlier one. "But between enunciation and implementation of policies there was always a wide divergence which he could not eliminate." 

Nehruian perspective encouraged cottage and small-scale industries to eradicate poverty and unemployment. However, unlike Gandhi he believed that India cannot be economically sufficient without being industrialized on a large scale nor can it achieve or maintain better standard of living and liquidate poverty without the aid of modern technology in every sphere of life. "We are trying to catch up in India with the changes that came in the world hundred or hundred and fifty years ago. That is, the industrial revolution...And what does it mean?... It means exploiting the mighty forces that lie hidden in the nature...As a result of that, western nations became powerful, became rich, and the gap between them and the non-industrialised nations became a tremendous, ever-growing gap..." In his scheme of things development of industry and agriculture would help economic development. For Nehru "socialism was not just economic doctrine, nor just a form of social organization, but a 'new civilization' based on radically transformed 'humanity'. It was classless, democratic and provided the material and moral conditions necessary for the fullest development of the human potential, and encouraged co-operative endeavours." For him production was to be planned, "organised on co-operative lines, and directed towards the satisfaction of human needs rather than accumulation of profit, and the basic freedoms and rights of citizens were fully guaranteed." Nehru's vision was based on industrialisation using science and technology and economic growth within a central planning framework. His model of a mixed economy was a synthesis between capitalist and socialist models which he thought were best suited to Indian conditions. He hoped

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75 Quoted from, Bhikhu, Parekh, "Nehru and the National Philosophy of India", Economic and Political Weekly, January 5-12, 1991, p.36.
76 Quoted from, Hiren Mukerjee, op. cit., 1986, p.145.
77 Cited in, Bhikhu, Parekh, op. cit., 1991, pp.36-37.
78 Quoted from, Ibid., p. 37.
79 Quoted from, Ibid.
that the rapid growth through industrialisation together with urbanisation, western education and science would end not only the poverty of 80 per cent of the population living in rural India but also free them from the shackles of ignorance, superstition, the tyranny of tradition and the backwardness of village existence. He envisaged a rapid modernisation of the country under the leadership of its western elite using the transformative agency of the new nation-state.

Nehru’s model of the mixed economy featured responsibility of the state for heavy industry and infrastructure as well as for poverty alleviation and income redistribution. The experiences with the model were also mixed. Among its successes could be numbered food self-sufficiency, diversification of industry, economic growth without external debt and increases in both agricultural and industrial production. The rights enshrined in the chapter on Fundamental Rights of the Constitution essentially supported welfare provisions. Welfare rights were further pronounced in the non-justiciable Directive Principles of State Policy, a charter of the state’s good desires on a number of matters, including socialism. The Directive Principles of State Policy included in the Constitution (1950), indicate broadly egalitarian, social and economic goals, by pursuit of which socialism was to be achieved in a democratic manner. However, these provisions recommended centrally directed economic planning.

Commitment to the poor and the downtrodden found its expression in the nationalist political discourse. Both Gandhi and Nehru shared such a commitment. The socialistic vision and the rhetorics in the sphere of policy often reiterated such goals. The policies such as land distribution and the laws governing employment of urban labour found attention. However placing high priority on consolidation of democracy encouraged the hopes of the masses by promising egalitarian development of the poor. Under Nehru’s leadership, the Constitution, the Parliament, the ruling Congress party, and the Planning Commission all formally endorsed egalitarian, secular and socialist goals of national policy that established a consensus at the level of principle on the aim of constructing a ‘socialistic pattern of society’. Critics, however, have felt that “the philosophy of welfare adopted by the
Indian state adhered to a needs-based conception of justice in theory, but was in practice based on ideas of charity, benevolence, and paternalism.\(^{80}\)

c. The Constitutional Framework:

i). Constituent Assembly Debates and the Welfare Ideal: In 1947, India commenced its long march to change the colonial legacy of economic arrangement, poverty, illiteracy, inequality and social injustice. Such a march was inspired by the vision, initiated and cherished in the national movement for more than seven decades. The nationalist Congress party's socio-economic and political agenda for independent India was incorporated into the provisions of the Indian Constitution after much deliberation and discussion in the Constituent Assembly. When the Constituent Assembly met to discuss the resolution on aims and objectives of the Constitutions, the leaders laid down the promise of a welfare state.

The Indian Constitution enshrined welfare policies in its fold in order to bring about social transformation and economic development for India. However it had to make its strides from abysmally low level. India's situation required planning and a large public sector. A large section of the people had been denied access to education.\(^{81}\) Colonialism had left India underdeveloped. Indian economy had to battle against underdevelopment. The agricultural and industrial sector had yet to make strides. The problem pertaining to the disadvantaged sections had existed in India for centuries but it secured special importance after the Constitution was drafted by establishing constitutional provisions to remove them.

The normative basis of the welfare ideal of independent India came to be formulated in the fundamental rights and directive principles of state policy, particularly the latter. While the political process and developmental policies in India have provided a specific expression to these provisions and their relation, the debates in the Constituent Assembly highlight the direction, possibilities and limitations of the welfare state envisaged in India.

\(^{80}\) Quoted from, Niraja Gopal Jayal, \textit{op. cit.}, p. 39. It is further established that "The idea of a right to welfare or justice was clearly precluded, possibly on account of the Fabian intellectual influence on early policy-makers and the problem of hunger has thus rarely been articulated in the vocabulary of rights." See, Niraja Gopal Jayal, \textit{op. cit.}, p.39.

\(^{81}\) It is stated that for Indians illiteracy and ignorance was the norm in 1951. Only 25 per cent of males and 7.9 per cent of females were literate. See, Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, \textit{India after Independence}, New Delhi: Penguin Books India, 1999, p. 2.
A significant debate was initiated in the Constituent Assembly regarding the fundamental rights and directive principles of state policy. The directive principles of state policy basically centred around the directives on which the state was supposed to secure for the well being of its people.

Dr. Ambedkar while passing the resolution on the *aims and objectives of the Constitution* in the Constituent Assembly declared: Clause (5) "WHEREIN there shall be guaranteed and secured to all the people of India justice, social, economic and political: equality of status of opportunity and before the law; freedom of thought, expression, belief, faith, worship, vocation, association and action, subject to law and public morality; and (6) "WHEREIN adequate safeguards shall be provided for minorities, backward and tribal areas, and depressed and other backward classes;" Jawaharlal Nehru also reiterated these objectives in his speech made on the eve of independence. On 14 August 1947, Nehru said "Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge. The achievement we celebrate today is but a step, an opening opportunity, to the great triumphs and achievements that awaits us." He emphasised that the tasks ahead of the country included 'the ending of poverty and ignorance and disease and inequality of opportunity.'

The social revolution was considered to be the top most priority of the national agenda of the Constituent Assembly when it adopted the *Objectives Resolution*, which put across social, economic, and political justice, and equality of law, status and opportunity. The Directive Principles of State Policy were meant to pronounce "the 'socialist' as well as the social revolutionary content of the constitution."  

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The Constituent Assembly categorically stated that, the State shall make efforts to secure, by suitable legislation or economic organization or in any other way, to all workers, agricultural, industrial or otherwise, work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.

Responding to the discussion in the Constituent Assembly to make directive principles of state policy as justiciable Dr. Ambedkar said, “Surely ... it is not the intention, to introduce in this part these principles as mere pious declarations. It is the intention of this [Constituent] Assembly that in future both the legislature and the executive should not merely pay lip service to these principles but that they should be made the basis of all legislative and executive action....”

The discussion on directive principles had three aspects. The first part of it was circled around the nature of these directives. Discussion basically went on in terms of making these directives as fundamental for implementation. As ensuring the welfare of the people was considered a matter of the highest priority many, especially Ambedkar expressed the view that it was fundamental to bring the directives into operation. H.V. Kamath another stalwart believed that it should be titled as ‘fundamental principles of state policy’ so that they do not remain as aims but are assured their proper implementation.

The second part of the discussion basically circled around who will make these directives workable as there is no fixed authority to implement them. There was a consensus in the assembly to make the public opinion responsible for them. In the words of A. Ayyangar, “It is not the court that can enforce these provisions or rights. It is the public opinion and the strength of public opinion that is behind a doubt that can enforce these provisions....election will take place, and then it is open to the electorate not to send the very same person who are indifferent to public opinion. That is the real sanction, and not the sanction of any court of law.” Thus a great faith was reposed on the strength of civil society.

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86 Ibid.
87 Ibid.
88 Quoted from, Ibid.
The third aspect of the discussion basically circled around the subject of promoting the welfare, prosperity and progress of the people in establishing and maintaining a democratic socialist order which also brought in the issue of the disadvantages of capitalism and the wish to develop a socialist democratic order. There was a move to enumerate India as socialist democratic or democratic socialist polity. However, such a move was not considered and ‘socialist democratic’ was not incorporated with the fear that it might restrict the freedom of the government to run its affairs without being constrained by political thought and ideologies. Dr. Ambedkar clarified that though it is required to make economic democracy viable, enumerating the word socialism might impair the liberty of various governments to plan their programmes in accordance with their respective political principles and thought.

The Fundamental Rights and Directive Principles of State Policy also enumerated minority rights. The Constitution of India provides certain fundamental rights (Articles 15-17, 25 to 30) and directive principles for the benefit of minorities in India. It has been argued that the debates in the constituent assembly had a tolerant rather than an encouraging approach of the state towards the minorities. It should not be taken to indicate that the national leaders were not in favour of providing safeguards to the minorities for cultural preservation and secular development, but it was basically on account of the historically developed social distance among certain communities and partition of the nation that had made them weary of assertive minorities, especially when history had proven that such assertion might obstruct the process of nation building. In a way constitution-makers wanted to make the minorities assert their demands and not to provide the promised fundamental rights automatically.

Affirmative provisions for the well-being of the marginalized and disadvantaged sections of the society were to become important provisions of fundamental rights and directive principles. Dr. Ambedkar played a major role in this regard. He emphasised the need to plan for economic development well before we attained independence. He enunciated the need for equality and social justice

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90 Ibid.
while drafting the constitution of India. He felt that there is a need to create certain special provisions for the disadvantaged groups within the overall liberal framework of the polity. He consistently argued that the Indian polity cannot be solely based on the foundation of equal rights and liberties. Ambedkar proposed a set of principles justifying preferential treatment. He argued for special provisions for the untouchables on grounds of representation, social presence and selfhood. “Representation can help them to seek rights and resources to pursue their aims and objectives otherwise impossible to pursue.”[^91] He gave due consideration to the educational and economic needs of the minorities. These interventions influenced the development and planning process of India. There was extensive discussion on affirmative policies such as reservation in the Constituent Assembly. India’s left parties did not want them to be granted on caste basis. “They argued instead that a more egalitarian social order could be built through property redistribution and the expansion of public sector.”[^92] Welfare initiatives such as land reforms and tenancy reforms became important elements in Dr. Ambedkar’s scheme of the welfare state. Land reform was argued to be the key to equality as caste, was retained by unequal property relations that allowed the upper castes to maintain their social, political, and economic dominance. The government set a quota for Scheduled Caste s and scheduled tribes for all government appointments, including representation in the public sector. Quotas were also established for admission into elite educational institutions such as medical schools and the national universities.

The following directives were to be cornerstone of the welfarist orientation of independent India:

“The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.”


Further that—

"The State shall, in particular, direct its policy towards securing:

a. that the citizens, men and women equally, have the right to an adequate means of livelihood;

b. that the ownership and control of the material resources of the community are so distributed as best to subserve the common good:

c. that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;

d. that there is equal pay for equal work for both men women;

e. that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter vocations unsuited to their age of strength:

f. that childhood and youth are protected against exploitation and against moral and material abandonment."\(^93\)

ii). Policy Initiatives: From all respects both the discussion on fundamental rights and directive principles of state policy was geared to promote political and economic democracy in order to assure well-being of the people, though no reference was made to socialism in the Constitution of India nor in the first five years plan except for the socialist ideals and goals expressed through Fundamental Rights and Directive Principles of State Policy. Towards the close of 1954 a resolution in this direction in the Parliament propounded the goal of socialism, and since then between the sessions of Congress at Avadi (1955) and Bhuvaneshwar (1964) and in subsequent public statements socialism was endlessly discussed. "The frequency with which the ideal has been reiterated is matched only by the variety of meanings assigned to it—or, more revealingly, by the meaning sought to be withheld from it."\(^94\)

The collapse of the British empire infused new hopes and aspirations in India, where hitherto people were denied the opportunity of improving their living conditions through economic and social development. As welfare and its manifestations were the prominent features in the twentieth century, they necessarily had their influence on Indian governance. Along with nationalist zeal India

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envisaged the development of the country as free from poverty, ignorance, disease and inequality. The reason behind the setting up of the National Planning Commission in 1950 was to work out design for economic development and formulate economic plans for more balanced and effective utilization of resources and capacities.

The first Five Year plan commenced in 1950-51 and it was followed by a series of five-Year plans. When India took up the initiative of development and planning, it had a choice of market driven path of development pursued in the West and the centrally planned approach to development as pursued in the erstwhile Eastern block. The welfare state in the West was already taking deep roots. But none of the existing models were easily compatible with India’s requirements. India took the middle path, a distinctive path of its own, which implied a harmonious blend of the market and the state-mix of private and public sectors. The distributional aspects of India’s development experience, since independence, throw light on the welfare programmes and policies that India adopted. India pursued a reformist path in order to secure social justice through parliamentary democracy. Professor Sukhamoy Chakravarty argues that, “India’s initial choice of development strategy was not only justified but also in some sense a ‘natural’ one.”

There was the legacy of pre-independence debate and broadly emerging consensus on India’s development problems, when the planning process was initiated in India. This debate had two approaches; one that of Gandhi dominated by his line of thinking and the other of Nehru proposing a ‘modernising’ approach. “But the modernizing school under Nehru won the day as its ‘scientism’ seemed more compatible with the ideological priorities involved in building up post-colonial nation-state, although some vestigial traces of the alternative approach remain in the attitude to certain very small scale industries such as hand spinning, generally known in India as the ‘tiny sector’.”

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96 Quoted from, Ibid., p.8. However such a Nehruvian model is criticized for the failure in institutionalizing its ideological preferences, resulting in a system that led to growing marginalization of millions of people and increasing inequity.
With M. K. Gandhi’s assassination in 1948 and the deaths of Subhas Chandra Bose in 1945 and Vallabhbhai Patel in 1950, the leading voices for alternative models for the newly emerging nation-state had been silenced, and Nehru was thus largely free to develop his own ideas and to fashion his own consensus. Gandhi had wanted a decentralized political system with a focus on developing India from the village level upwards. Subhas Chandra Bose was a proponent of a strong authoritarian system under the control of a great leader. Vallabhbhai Patel had wanted a strong, centralized Hindu state. Nehru, in contrast, with his Fabian socialist ideas derived from his time in Great Britain, wanted a democratic, secular, socialist-cum-capitalist political economy with the government in control of the “commanding heights,” a firm policy of import substitution, a strong centre and a foreign policy of non-alignment; and Nehru’s vision became the ruling blueprint for the new nation. The first three five-year plans, had extensive influences of Nehru who shaped the vision of transformation, social and economic to which the modernizing elite also subscribed.

The ideological predilections of Nehru and his close associates influenced the economic policies that India began to pursue in terms of a possible socialistic set up. There were concerns of development and distribution that were entwined although these objectives could not be easily reconciled, at least reconciled to the extent required. “Nehru and others did talk about letting the national cake grow larger before an adequate standard of living could be provided for all, they were not growth-maximizers in any sense of the term. A satisfactory rather than maximum rate of growth would correspond more closely to what they had in mind.” The Industrial Policy Resolution of 1948 also made clear that ‘the equitable distribution of wealth, not the distribution of poverty’ should be the criterion for government participation in industry and for ‘the conditions in which private enterprises should be allowed to operate’.

The Planning Commission was established within a month of the Constitution’s inauguration, to determine the machinery for implementing the

97 See, “Modern India as a Nation-State (1947)”, http://www/Passage to India -MODERN 1947-PRESENT.htm.
98 Quoted from, Sukhamoy Chakravarty, op. cit., p. 10.
99 See, Government of India, Resolution on Industrial Policy, Ministry of Information and Broadcasting, New Delhi, 6 April 1948.
Directive Principles of State Policy and to allocate national resources in order to achieve better results. The rights not only placed restrictions upon the government but also demanded the intervention of the state to strive for them. Pursuits to make way for development or to implement the directive principles resulted in opposition from all kinds of entrenched interests. Efforts towards the abolition of Zamindari system led to legal bottlenecks at various levels. The 1948 report of the party’s Economic Programme Committee recommended eliminating all intermediaries between the tiller and the government.

**The Indian Welfare State at Work**

The growth of welfare state in India should be studied in relation to the democratic ethos and socialism partly because the Indian freedom struggle saw democracy as the best possible way to extend social justice and equality. The first, theoretical chapter of the First Five Year Plan document entitled *The Problem of Development* enumerated the aspirations of a welfare state in India. The chapter contains quite a few statements about changing "the socio-economic framework" or about "re-adaptations of social institutions and relationships." Referring to the colonial "cramped", "partial" and "limited" development it sought to change the course of affairs through planning.

In the mid-1950s, after the consolidation of political power and the rehabilitation of the economy from the miseries of World War II and partition, India made a sharp break with the inherited colonial policy of laissez-faire. Such a ‘break in economic policy—with economic planning, autarky and building socialism’ are of ‘historic importance’, to India. Though Nehru, borrowed the concept of socialism from Russia admiring the achievements of Soviet planning as such he also regarded the significance of

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100 See, Cabinet Secretariat, “Resolution, (Planning)”, Gazette of India Extraordinary, 15 March 1950.
101 See for more details on the efforts of abolishing Zamindari, Granville Austin, op. cit., pp. 74-98.
102 The land ceiling was initiated by asking to fix the maximum size of holding. See, Report of Economic Programme Committee, AICC, New Delhi, January 1948, pp. 12-14.
democratic values of the capitalist economies as indispensable for the growth of a just society. Socialism and democracy were supposed to be the means to attain equal opportunities of education, healthcare and employment.

Nehru, the chief architect of Indian planning considered planning “as a way of avoiding the unnecessary rigours of an industrial transition”\textsuperscript{105} as it would affect the common people of the villages of India. It is further stated that: “While it is possible that he may have shared something of Marx’s views on the ‘idiocy of rural life’, it should be remembered that he was also a pupil of Gandhi, from whom he had learnt his basic lessons in political mobilization which centred around the rural masses. Even staunch critics maintain that Indian planning was a lively exercise for the first fifteen years of India’s post-independence existence.\textsuperscript{106}"

The immediate intellectual ground for the economic strategy that led to the Indian development pattern had been the ‘plan frame’ for the second five-year plan. It was put across by the eminent economic planner, P. C. Mahalanobis.\textsuperscript{107} It has been considered as the single most significant document on Indian planning.

The Nehru-Mahalanobis strategy of development indicated that the first few decades of post-independence Indian economic growth was not simply the contribution of a few leaders, but actually had its origin in the nationalist struggle for independence as has been shown in the earlier part of this chapter. In the middle of the twentieth century, in India as well as elsewhere among newly independent nations it appeared that the active intervention of the state in a planning framework was required to free the economy from the domination of metropolitan capital and provide for a measure of economic autonomy. Such a perception was widespread among ruling elites as well as in mass consciousness; as such it got transformed into a national consensus.

\textsuperscript{105} Quoted from, Sukhamoy Chakravarty, \textit{op. cit.}, 1987, p. 3.
\textsuperscript{106} Ibid.
\textsuperscript{107} Ibid. Sukhamoy Chakravarty justifies Mahalanobis model influenced though, it was by the then economic theory and economic ideas prevalent in a different context and Bimal Jalan also argues similarly stating that the prevailing economic ideas of the time influenced the economic strategy set out in the second plan, see for details, Baldev Raj, Nayar \textit{op. cit.}, 2001, p. 52.
The Mahalanobis model provided for the planned introduction of modern technology for the development endeavour and for the enlargement of employment in labour-intensive productive enterprises. But the Mahalanobis strategy was not put into operation in certain significant respects as the influence of the private corporate sector in working arrangements with foreign capital proved too strong.\(^\text{108}\)

Marxist activists and scholars criticized the claims of building socialism in India by the government as the economic strategy of building capitalism on behalf of the bourgeoisie or the capitalist class. Communist leader E.M.S. Namboodiripad criticized Nehru as a representative and spokesman of a particular class—the Indian bourgeoisie and that his economic plans ‘were all in line with the objectives of the bourgeoisie as a class’.\(^\text{109}\) Prabhat Patnaik also supports this view saying ‘the class-configuration which prevailed, upon which industrial capitalism was to develop, dictated in broad terms a certain course of action, and the Mahalanobis strategy fitted in with this’.\(^\text{110}\) However, it is well argued that the plan gave emphasis on investment and this became a factor of significance to the growth of India’s economic strategy of development.

According to the Nehru-Mahalanobis strategy, the two sector model was expanded as follows:

1. The basic investment goods industries sector was retained as it is and
2. the consumer goods sector was divided into three sectors: a) factory consumer goods industries; b) household industries, including agriculture; c) services.

The objective was to increase the annual national income by 5 per cent and additional employment for 11 million persons over the period. Allocation of one-third of the total investment was made for sector 1, as against the earlier share of one-tenth. The allocation for sector 2 (17 per cent), sector 3 (21 per cent), and sector 4 (29 per cent) was reapportioned accordingly. Mahalanobis placed restrictions on factory production. Until the problem of unemployment was solved, he wanted no

\(^{108}\) For more details on Mahalanobis model see, Baldev Raj Nayar, *op. cit.* pp. 53-84. Also see, Sukhamoy Chakravarty, *op. cit.*, 1987, pp.7-18.

\(^{109}\) Cited in, Baldev Raj Nayar, *op. cit.*, p. 52.

\(^{110}\) See, Ibid.
new investment in factories that would compete with small scale-industry; indeed, he favoured a temporary ban on them.

Bipan Chandra and Mukherjee argue that the inception of welfare state in India began in the period of 1951-1964. In 1953 Jawaharlal declared: “I shall not rest content unless every man, woman and child in the country has a fair deal and has a minimum standard of living ... Five or six years is too short a time for judging a nation. Wait for another ten years and you will see that your plans will change the entire picture of the country so completely that the world will be amazed.”111 There was a need for a high political and economic order in order to remove poverty and to raise the standard of living of common masses. This conception of the new social order with socialistic vision, which was officially accepted by the Congress in Avadi session (1955) and was, incorporated as the objective in the second and third Five year plans. Numerous measures were taken during this period, which were described as the inception of the welfare state.

a. Planning, Policies and the Development of Welfare State:

Several characteristics of the welfare state in India came to be spelled out through the five-year plans. They covered six domains: education, health, housing, employment, personal social services and social security. In a way there was a universal agenda of welfarism that was spelled out here. However, given the context many of these issues acquired specificity here in India. B.S. Minhas, the former member of the Planning Commission states: “Securing rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power, and creation of values and attitudes of a free and equal society have been among the objectives of all our plans.”112 Anti poverty and social justice issues figured prominently in the plan pursuits of India.

The First Five year plan itself (1951-56) recognized that the ‘urge to economic and social change under present conditions comes from the fact of poverty and of inequalities in income, wealth and opportunity’. It is felt that “Maximum production and full employment, the attainment of economic equality, or social

111 Quoted in, Bipan Chandra and Mukherjee, op. cit., p. 131.
112 Quoted from, B. S. Minhas, Planning and the Poor, New Delhi: S. Chand, 1971, p. vii.
justice which constitute the accepted objectives of planning under present day conditions are not really so many different ideas but a series of related aims which the country must work for. None of these objectives can be pursued to the exclusion of others a plan of development must place balanced emphasis on all of these."\(^{113}\)

The second five year plan pointed out that 'the benefits of economic development must accrue more and more to the relatively less privileged classes of society'. Towards the end of this plan period, the government considered distributional issues by setting up a high-level Committee on Distribution of Income and Levels of Living (1960). Explicit poverty alleviation programmes were formulated and implemented with the initiation of target-group oriented special programmes towards the end of the 1960s.

In the early years of the third plan the problem of 'absolute poverty' and the need to eradicate it was recognized in an influential paper on *Implications of Planning for a Minimum Level of Living* prepared in the Perspective Planning Division (PPD) of the Planning Commission (1962). It emphasised on the efforts to provide an assured minimum income to every citizen of the country within a reasonable time. It also suggested strategies to encourage regulatory and promotional policies for labour-intensive cottage, village, and small-scale industries as a means of generating employment as well as expanding the supply of mass consumption goods.

The first three five-year plans of India are generally treated separately from all others. All these three plans were formulated under the chairmanship of Nehru. It has been suggested that the First Five-Year Plan gave more importance to agriculture and the second five-year plan de-emphasised on agriculture. However, the second five-year plan included very well written chapter on *Land Reform and Agrarian Reorganisation* that sought a progressive agrarian structure. Both Nehru and Mahalanobis gave importance to distributional issues in the planning document. Mahalanobis referred to three major issues of policy deserving attention- education, health and land redistribution. Explaining the importance of redistribution he said: "Such a redistribution would not necessarily lead to an increase in productivity but it

may still be worth while because of the social and political benefits which would accrue from it."\textsuperscript{114} The first chapter of the Third Five Year plan, \textit{Objectives of Planned Development}, which was partly written by Nehru emphasised distributional aspect.\textsuperscript{115} Mahalanobis explicitly drew attention to the role of education and emphasised educational planning as an essential part of the planning process. The Mahalanobis four-sector model at one extreme emphasised on heavy industry, largely with state control as enumerated by the Industrial Policy Resolution of 1956, and on the other extreme prioritized cottage and decentralized sectors with the presumption of large scale labour absorption.\textsuperscript{116} However, the model failed as a redistributive method due to unequal land and the government could not control rising private incomes into additional private savings.

Though in 1960s there was an increase in budget allocation, the failure of the monsoon led to a decline in food production. Consequently, it gave rise to cut-backs in public investments and the emergence of excess capacity in the heavy and capital goods sector. As a result, the five year plans were abandoned in favour of annual plans. The Fourth Plan gave importance to agriculture in order to overcome agricultural stagnation. Though, land reforms were held important in principle, in practice the issue did not get much importance. "The new strategy seemed to deny the critical importance of land reforms even on the level of principle. Instead emphasis was shifted towards technological modernization."\textsuperscript{117} However, the monetization of Indian agriculture increased rapidly and also gave impetus to rural investment in financial assets and increase in the share of subsidies in the government. Health and education were excluded from the specification of the poverty line level of Rs. 20 per month as these were expected to be provided by the state.

The Fourth Plan (1969–74), continued the growth-oriented approach to poverty alleviation and began to include direct programmes to benefit poverty groups and backward regions such as programmes for rural employment, the development of dry-farming areas, schemes for the benefit of small farmers,

\textsuperscript{114} Cited in, Sukhamoy Chakravarty, op. cit., 1987, p. 28.
\textsuperscript{115} Ibid.
\textsuperscript{116} Ibid., p. 29.
\textsuperscript{117} Quoted from, Ibid., p. 24.
marginal farmers, and agricultural labour. The plan declared that "the basic goal is a rapid increase in the standard of living of the people". The major programmes initiated were the Drought Prone Areas Programmes (DPAP), the programme for the development of small and marginal farmers and agricultural Labour (SMAL) and employment programmes dating from the early sixties such as the Rural Manpower Programme (RMP), the Crash Scheme for Rural Employment (CSRE), and the Pilot Intensive Rural Employment Programme (PIREP). The Small Farmers Development agency (SFDA) and the Marginal Farmers and Agricultural Labourers' Development Agency (MFALDA) were set up to increase the incomes of the currently non-viable small holidays and that of agricultural labour. However, these schemes did not considerably assist the rural households who were eligible for assistance. "This created a hiatus between promise and performance and between policy and implementation."\textsuperscript{118}

The poverty estimates in both sectors reached their peak in 1967/68, the year in which price rises were the highest. On an average there was an annual increase of 5.38 million in the number of the rural poor, while the corresponding increase in the urban sector was 1.3 million. The urban trend of growth rate in the size of the poor population was higher.

A preparatory document for the Fifth Plan (Planning Commission 1972), went a step further in calling for "a direct attack on unemployment, underemployment, and poverty" with adequate growth and argued that the economy "has now reached a stage where a larger availability of resources makes it possible "to launch such a direct attack". The elements of the direct attack were basically employment generation in rural areas through public works programmes and the provision of "basic minimum needs" to the poor such as health, education drinking water supply and housing. The 'national minimum' for the weaker sections of the community known as the 'objectives of growth with justice' and 'Garibi Hatao', (Removal of Poverty), enunciated during the fourth plan were continued to be emphasized in the fifth plan.

The Fifth Plan 1974-9 continued and enlarged some of the special programmes begun in earlier plans and included a National Minimum Needs Programme comprising elementary education, rural health, rural water supply, rural roads, rural electrification, housing for landless labourers, environmental improvement of urban slums, and nutrition for pregnant and nursing mothers and pre-school children in the age group 6 to 11.

The Sixth Plan (1980-5) took a distinct step further by including two types of programmes for the ‘direct’ alleviation of poverty: Rural public works programmes such as the National Rural Employment (NREP) programme and the Rural Labour Employment Guarantee Programmes ((RLEGP) and set up the Integrated Rural Development Programme (IRDP) to assist target group households below the poverty line through an appropriate package of technologies, services, and asset transfers so as to lift such households on a sustained basis above the poverty level. The IRDP was a large scale scheme designed to assist 15 million rural households (roughly one seventh of the total number of rural households) during the course of five years. The beneficiaries were supposed to be selected from amongst the “poorest of the poor”. Two-thirds of the beneficiaries were to be covered by projects broadly classified under the heading of “agriculture and allied activities”, while the rest were to be provided with self-employment opportunities in village and cottage industries and in the service sectors.

However, the IRDP did not yield sufficient results due to the administrative cost involved and due to leakages. However subsidiary occupation schemes such as fishery and agriculture were very successful, and as many as 50 per cent of households in the “very, very poor” category operating these schemes managed to cross the cut-off mark of Rs. 3500 per annum. Tertiary schemes like petty services also proved to have large income generation capabilities. Despite the defects in its implementation the studies showed that the programme had positive effects. The Seventh Plan (1985-90), was introduced in 1985 in a situation where India had experienced a reasonable rate of economic growth during the sixth plan. The Seventh Plan emphasised policies and programmes which would accelerate food grain production, increase employment opportunities and raise productivity.
The Eighth Plan (1992-1997) was introduced in 1992 at a time when the country was undergoing major policy changes heralding the liberalization process. Hence it emphasised economic growth and sought to correct fiscal deficit. The welfare indicator of Indian economy, the expansion of public sector suffered with a total outlay of 34 per cent, the minimum for all the plans. With the economic reforms and liberalization the private sector gained in significance. In the Eighth Plan the total proposed outlay for investment the private sector had the highest share of 50.2 per cent, the maximum for all the plan periods.

Like every plan the Eighth plan emphasised giving broad social welfare orientation to the planning exercise and determining plan priorities on that basis. However, the eighth plan was launched at a time which marked the turning point in economic sphere as India opened itself to reform process. The Eighth plan had envisaged a four-fold focus. It prioritized the sectors/projects for investment in order to facilitate policy initiatives taken in the areas of fiscal, trade, industry and human development; making resources available for the timely and effective implementation of the projects; creation of social security net through employment generation, improved health care, provisions of extensive educational facilities and creation of organization and delivery system to ensure that the benefits of investment in the social sectors reach the intended beneficiaries. However much of the success did not take place in this regard as the mobilization of resources for this purpose was not satisfactory.

The Ninth Plan (1997-2002) focused on “growth with social justice and equity.” The objectives emphasized, priority to agriculture and rural development, ensuring food and nutritional security for all, providing basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter, empowerment of women and socially disadvantaged groups such as Scheduled Caste s, scheduled tribes and other backward classes and minorities as agents of socio-economic change and development etc. However, most of these objectives remained a dream as the rate of unemployment increased from 7.32 per

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cent in 1999-2000 to 9.21 per cent in 2001-2002. The Ninth Plan failed to create 50 million jobs to reduce unemployment as the plan aspired.

The Tenth Five Year plan (2002-2007) emphasizes reduction of poverty ratio by 5 per cent point and 15 percentage point by 2012, employment to the additional labour force over the tenth plan period, universal access to primary education by 2007, Increase in literacy up to 75 per cent by 2007, Reduction of infant mortality rate (IMR) to 45 per cent for 1000 live births by 2007 and to 28 by 2012. Reduction of maternal mortality ratio (MMR) to 2 per 1000 live births by 2007 and to 1 by 2012.

Thus, all the ten plans had inbuilt welfarist pursuits. It is argued that, the rural sectors saw a considerable decline in the incidence of poverty, one of the significant indicators of welfare from 1972/73 to 1988/89. Urban sector also recorded similar trend. B.S. Minhas, L.R. Jain and S. D. Tendulkar have made a study of the incidence of poverty in the rural areas for 1970 to 1987-88 revealing the following data:

a) The incidence of poverty in rural India came down from 58.8 per cent in 1970-71 to 50.8 percent in 1983 and further to 48.7 per cent in 1987-88. In the urban sector, the corresponding decline in the incidence of poverty was from 46.2 per cent in 1970-71 to 39.7 per cent in 1983 and to 37.8 per cent in 1987-88. For rural and urban India taken together, the incidence of poverty decreased from 56.3 per cent in 1970-71 to 48.1 per cent in 1983 and further to 45.9 per cent in 1987-88.

b) The absolute numbers of the rural poor increased from 258 million in 1970-71 to 284 million in 1987-88. In Urban India, the numbers of the poor increased from 50 million in 1970-71 to 77 million in 1987-88. For the Indian union as a whole, the population in poverty grew from 308 million in 1970-71 to 361 million in 1987-88.

c) For India as a whole, the population of the poor grew at the annual rate of about 0.9 per cent between 1970-71 and 1987-88, which may be compared with the overall growth rate of population of around 2.2 per cent since 1971. All this implies that development and poverty alleviation programmes under

five year plans did have a healthy effect in reducing the growth rate of population of the poor.

Table – 3.1

All-India Estimates of Poverty Incidence

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Combined (R and U)</th>
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</thead>
<tbody>
<tr>
<td>1. Minhas et al., with appropriate price adjustments</td>
<td>1970-71</td>
<td>57.3</td>
<td>45.9</td>
<td>55.1</td>
</tr>
<tr>
<td></td>
<td>1983</td>
<td>49.0</td>
<td>38.3</td>
<td>46.5</td>
</tr>
<tr>
<td></td>
<td>1987-88</td>
<td>44.9</td>
<td>36.5</td>
<td>42.7</td>
</tr>
<tr>
<td>2. Planning Commission</td>
<td>1983</td>
<td>40.4</td>
<td>28.1</td>
<td>37.4</td>
</tr>
<tr>
<td></td>
<td>1987-88</td>
<td>32.7</td>
<td>19.4</td>
<td>29.2</td>
</tr>
</tbody>
</table>


This change has been often admitted as the result of intervention in the form of special wage employment programmes as well as a huge release of food-grains through the public distribution system (PDS) to control the price of food-grains. Yet judged by reasonable standards the abject poverty in India especially in the rural areas was still alarming.

In 1970s, the world witnessed increasing awareness in development strategies of previous decades that would not eliminate or even reduce poverty to a large extent. Economists and policy makers in India were also aware that the rate of economic growth was too slow to lift the living standards of the bottom half of the population to acceptable levels. There also developed a debate on the appropriateness of various strategies to alleviate poverty. Even the most ardent protagonists of the ‘trickle down mechanism’ accepted that India has been too slow to make any major dent in the poverty problem. This idea had been widely accepted and it has led to the increase in the scale of intervention by the government towards the target group.122

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Between 1977 and 1991, the most stringent controls on imports and licensing were gradually lifted. The government expanded anti-poverty schemes, especially rural employment schemes, though all this did not considerably reach to the targeted group of the poor and the marginalized.

The welfare state in India is guided by three institutional principles: economic management, provision of services for all citizens and social insurance. The five years plans aimed at achieving two major objectives. a) reduction of inequalities in income and wealth by ensuring redistribution of resources; b) Improvement in income and conditions of living of the deprived sections of the society.

The foundational thinking of welfare state "let the rich pay" was applied in the Indian context as well. Hence the government sought to reduce inequalities by initiating higher taxation to higher income groups, higher taxes on luxury items and land ceiling both in urban and rural areas to reduce concentration of wealth in a few hands. It introduced such schemes as distribution of surplus land, provision of low interest credit facility, grant of house sites, subsidies to the poor and farmers, nationalization of banks, insurance etc. In the economic sphere, the government promoted the public sector for the basic infrastructure industries like, coal, power steel and fertilizers etc. The consistent thrust of the plans was development activities such as health and education to improve the quality of life and to generate resources and to foster economic growth.

**Welfare State in India and Liberalization**

The incapacity of the welfare state to ensure development and growth begot, in a way, the process of liberalisation. The World Bank experts since 1958 had advised India against public-sector programmes and sought greater role to private enterprise. The neo-liberal interpretation conveyed the impression that India's lackluster performance was due to sluggish economic growth which followed from the mixed economy and the closed and statist model of development. As such this

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view point suggests that the last two decades of liberalization have led to higher rates of economic growth and lower rates of poverty in India.\textsuperscript{124}

India embraced the liberalization policy in 1991 that allowed her to enter the trade market dynamics. The reasons for India taking such a decision often raised divergent opinions.\textsuperscript{125}

In the midst of the grave balance of payments (BOP) crisis of 1990-91, the government of Narasimha Rao made the decision to give up the old paradigm and introduced economic liberalization. It sought stabilization and SAP of the IMF and World Bank. Montek Singh Ahluwalia, an early and influential exponent of the tenets of liberalization, propounded that the trickle-down mechanism should be restored to ensure growth that will bring poverty alleviation.\textsuperscript{126} There was a significant support, if not eagerness, among Indian policy makers too in shifting over to liberalization.\textsuperscript{127} Jagdish Bhagwati and T. N. Srinivasan, who have been important defenders of liberalization in India argued that the new set of policies would bring in “a successful transition from an essentially inward-looking posture to an outward-oriented economy, exploiting foreign trade and investment opportunities fully; a new policy framework which will promote greater efficiency, growth and therewith a surer and deeper attack on poverty alleviation.”\textsuperscript{128} There was, however, no consensus on the issue. Broadly the protagonists who supported the SAP argued that the liberalization process promoted efficiency and equity. The import substitution industrialization of the earlier era was criticized for discouraging agriculture and exports and encouraging capital-intensive technology as it restricts employment. Amit Bhaduri and Deepak Nayyar assessing international pressures,

\textsuperscript{128} Cited in, Terence J. Byres, \textit{op. cit.}, 1998, p.3. For Jagdish Bhagwati’s recent views on globalization see, Jagdish Bhagwati, \textit{In Defense of Globalization}, New Delhi: Oxford University Press, 2004. However it is interesting to know that Bhagwati was a proponent of planning till 1960s. See, Terence Byres, \textit{op. cit.}, pp. 9-10.
conditionalities in the reform process have argued that though there was the balance of crisis needed to be responded, there was no reason to treat such a crisis as all important indication of fundamental flaws in India's post-independence developmental strategy.\textsuperscript{129} It has also been argued that instead of making a careful selection, India basically followed the same prescriptive format as elsewhere.\textsuperscript{130}

By accepting the popular Washington Consensus,\textsuperscript{131} established by the IFIs India initiated far-reaching reforms that would transform India from a controlled, closed economy into a fairly open economy in which not only private sector would have an enhanced role, but the market would be given the prime role in the allocation of resources. Further, there would be a gradual opening up of the economy so that the economy would be linked to the world economy to a substantial extent. The reform process was continued in 1996, by the coalition headed by the Janata Dal and in 1998 and 1999 by the coalitions led by the BJP. The liberalization process in its essentials came to be endorsed by a broad spectrum of political parties.

\textbf{a. Impact of Liberalization on the Economy:}

Liberalisation led India to accept adjustment and policy reform that the IMF and the World Bank generally insisted on. Structural adjustment measures covered a broad series of reforms: in trade policy, restraint on public expenditure and removal of the restrictions on the flow of foreign capital. Such a reform and adjustment policy further entailed that the resources were shifted from non-trade goods sector to the traded goods sector and within the latter from import competing activities to export activities; from the public sector to the private sector. Further, such a policy change maintained that increasing openness of the economy is achieved in favour of private initiative and against state intervention.\textsuperscript{132} In terms of agricultural policy, liberalization brought in the abolition of restrictions on movements of commodities,

\textsuperscript{129} See, Amit Bhaduri and Deepak Nayyar, \textit{op. cit.}, 1996, pp. 21-53.
\textsuperscript{130} See, Jos Mooij, ed., \textit{op. cit.}, p. 25.
\textsuperscript{131} Washington Consensus is the policy orientation of the IMF and the World Bank which comprised of the following measures- An effective attack on inflation through drastic fiscal adjustments, privatization of state owned enterprises both in industrial and public utility sectors, trade liberalization, which consisted of pronounced declines in tariff, and especially, non-tariff protection, the prevalence of market interest rates, opening most sectors to foreign investment and substantially decreasing controls over the actions of foreign capital. See, John Williamson, "Democracy and the Washington Consensus." \textit{World Development}, vol. 21, no.8 199, pp. 1329-36.
\textsuperscript{132} See, Amit Bhaduri and Deepak Nayyar, \textit{op. cit.}, 1996, p. 33.
liberalization of agricultural trade and exports. However a good part of the subsidy for fertilizer, food and power was continued.

Thus taking up liberalization and globalization process India initiated industrial policy reforms and removed limits to the entry of new firms and growth of the size of existing firms. Industrial licensing was abolished for all industries with a few exceptions. State intervention over the investment decisions was removed. Trade policy reforms were implemented to eliminate discretionary bureaucratic controls mostly on imports, to reduce the protection available to domestic industry. The economic reforms sought to integrate Indian economy into the global economic system. The easing policy regime for foreign investment and foreign technology was meant to facilitate technology upgradation and enhance international competitiveness in industry.\footnote{For details on the impact of the change of trade policy since liberalization see, Mihir Pandey, "Impact of Trade Liberalization in Manufacturing Industry in India in the 1980s and 1990s", \textit{Council for Research on International Economic Relations}, Working Paper no. 140, August 2004.}

In the public sector, government initiated measures to reduce the activities of the public sector, to facilitate the closure of sick units in public sector and to reduce public expenditure. Disinvestment of government equity up to 20 per cent, later extended up to 49 per cent, was initiated in selected public sector enterprises. The number of industries reserved for public sector, were also reduced.

Liberalization inaugurated a paradigm change in India's economic policy during the first half of the decade of the 1990s. The policy shift was from 'high regulation internally and high protection externally to a situation of moderate regulation and moderate protection'.\footnote{See, Baldev Raj Nayar, \textit{op. cit.}, 2001, p. 157.} When the economic policy reforms had been launched in India, the business community by and large accepted it enthusiastically. For long, business community was critical of the stringent licensing system requiring government permission for establishing and expanding capacity, of the excessively high rates of corporate and personal taxation, and of the severe restrictions on imports of goods and technology, and of the tight controls on foreign investments and foreign exchange transactions.
The reforms brought down taxes and slashed customs duties. The licensing and control structure was dismantled. Though there may have been apprehensions on the part of the small-scale industrial sector about the threat to its existence from greater competition, it came to be drowned down by the welcome accorded by big business. The following comment sums up the response of industry. "Ask any industrialists to go on accord with what he thinks the sweeping economic reforms in 1991 mean for business and industry and chances are he will gush about how these are bold and historic changes, how they could change the future of the Indian economy, how industry will now be on the fast track and, of course, how Indian business had been rooting for all these reforms along." There was one caveat while the internal liberalization was accepted wholeheartedly external liberalization was given a critical approval.

As integral to the process of globalization, social sector reforms have been introduced in India. Attention was given to PDS, (The National Social Safety Net Programmes include the PDS costing Indian tax payers about 0.5 per cent of GDP), Integrated Child Development Services, employment guarantee schemes, the integrated rural development programme, and other social welfare programmes targeted for the elderly and the disabled. The reforms underlined continued commitment to traditional programmes for poverty alleviation that were practiced before the reforms. Such programmes were even expanded from 1993-94 onwards.

In 2001, government enacted the 93rd constitutional amendment declaring education as a fundamental right. It enabled the citizen to seek the enforcement of the right to education by resorting to writ jurisdiction. For a few years there was a growing awareness regarding India's failure in the field of education. The available data did not show any substantial improvement in the patterns of education expenditure in the nineties. Critics had even suggested that the growth of education had slowed down, after structural measures were introduced in 1991, and education expenditure in the states also declined. The literacy campaigns by the states also did not bring considerable results. It is to be noted however that while substantial

135 Cited in, Ibid., p. 158.
136 For more details see, Ibid., p. 159.
progress was not achieved in basic education over the past decade, the literacy rates have increased from 52 per cent to 65 per cent over the period 1991-2001.\textsuperscript{138} Enrollment at the primary schools has also shown an increase.

As the reforms progressed poverty alleviation programmes were also broadened to include programmes on health education and family welfare.\textsuperscript{139} Health inequalities were very sharp in India, in comparison with many other countries, even poor ones.\textsuperscript{140} To acknowledge the changing health needs and the ability to respond to the changing context the National Health Policy-2002, was passed. The policy envisaged to maximize the broad-based availability of health services to the citizenry of the country on the basis of realistic considerations of capacity.\textsuperscript{141} It suggested a new policy framework for the accelerated achievement of public health goals in the socio-economic circumstances currently prevailing in the country. The priorities pronounced were in terms providing child Health care, prevention of diseases and AIDS awareness. It emphasized on improved standard of governance as a prerequisite for the success of health policy. The National Vector Borne Disease Control Programmes (NVBDCP) 2005 is very significant in this regard. The National Rural Health Mission, (NRHM), has been launched for nation-wide implementation with effect from April, 2005 along with adequate support to implementation.

In 2001 proposals were made to reduce ‘labour market rigidities’, firms below 1,000 workers were allowed to function outside the jurisdiction of Industrial Dispute Act (ID), while at the same time contractual labour was sought to be made legal. The thrust of the proposed amendments was to facilitate the process of relieving workers out of existing permanent and secure employment; and to create a redefined framework wherein labour can be engaged for jobs that are flexible, time-bound, and can be easily turned down. However such proposals were not formally accepted though some changes have taken place. Labour constitutes one of the

\textsuperscript{138} See, Manuela Ferro, David Rosenblatt, and Nicholas Stern, "Policies for Pro-poor Growth in India", in Kaushik Basu, ed., \emph{op. cit.}, p. 171.
\textsuperscript{139} Health outcomes had shown improvement in India earlier the life expectancy showed an increase from 50 to 61 years over the 1970-1993 period. Infant mortality too declined from 137 to 74 per 1000 live births over the same period, and to 65 per 1000 by 1996.
significant spheres in the process of restructuring in the context of reforms. The question of labour attracted significance especially among the academicians and the activists in the initial years of reform period. Organized labour had enjoyed a distinct position among the prominent stake holders in the limited welfaristic domain crafted in the post-independence phase and continued to be favoured client of the state in the later years. In the context of economic liberalization the demand for a market-oriented exit policy enabling employers to hire and fire freely-and for a freer use of contract labour became significant. The need for a new exit policy that would allow hiring and firing to be predominantly determined by the market is widely acknowledged. Though market-driven hiring and firing has no legal sanction there has been a great deal of labour retrenchment in the private sector through illegal closures. Even though the labour-friendly legal frame-work still exists there has been dislocation of labour through outsourcing, subcontracting etc. to evade ID. Even the public sector has resorted to labour rationalization through voluntary retirement schemes, freeze on recruitment, contract employment etc. However in the public sector the move towards rationalization is also compensated by welfaristic measures like offering packages to laid off workers and also measures to ensure that jobs will not be reduced and lost due to privatization and measures to ensure grounds for closure and communication between labour and management so as to avoid direct confrontations. Traditionally it was taken for granted that MNCs provided better wages and working conditions and hence it does not require a backing of welfaristic measures. Whereas, today, it is in the MNCs, where some of the bitter industrial confrontations have taken place. Thus globalization has brought in significant shifts in terms of labour relations, in the role of the trade union and management. In this context the role of state as regulator of labour issues calls for significant attention.

i). Economic Regime under Liberalization: Due to the shift from closed economy to the liberalized export-oriented economy there has been an unprecedented growth in software sector in India, with exports growing at a compounded annual growth

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143 Ibid. p. 266.
144 Ibid., Supriya RoyChowdhury discusses the recent case studies of three different firms- Pepsi, Bata, and Toyota Kirloskars in Bangalore and the way they were handled against the large interests of the workers. Refer. pp. 269-279.
rate (CAGR) of around 45 per cent and domestic software sales at around 35 per cent. Indians have displayed unmatching ability to reinforce India as a world class in IT. IT implies digital processing, storage, and communication of information of all kinds. As such it can be used in every sector of the economy. India's software success revolution, would not have taken place in the absence of the reforms in India. The growth of IT is best seen in the development of customer call centres and accounting services. Such a growth is explained in ten categories, such as, Customer Interaction services, Business Process Outsourcing (BPO)/Management; Back Office Operations, Insurance Claims Processing, Medical Transcriptions, Legal Databases, Digital Content, Online Education, Data Digitization/GIS, Payroll/HR Services and Website Services and Indian industry is making inroads into all of them. There has been a steep rise in the quality and availability of communication system especially after the reforms.

India is fast becoming a major outsourcing centre of the world. It is also widely accepted that such a development provides India with economic growth and stability. As such, India exports software to some 95 countries around the world. The considerable source of English speaking workforce that provides good quality voice based services for extremely low costs results in huge savings for companies. As a result there is great demand from companies the world over to outsource jobs to India. These outsourcing jobs mainly through call centres are working in the field of financial, insurance, technical, software and banking sectors. Along with it the environmental, educational and counseling services are also part of this emerging sector today. However it is also maintained that India has to devise mechanism to improve infrastructure vis-à-vis the growth of industry and consistently grow its skilled labour force, in order to retain offshore BPO clients.

Along with these developments India has also become an attractive market for the consumer goods. The growing middle class estimated between 200 to 300 million provides a sizeable market for the consumer goods in the context of

technological and informational development. The Non Resident Indians (NRI), a qualitatively significant number of people from the Indian elite and middle classes, who have actually became resident abroad have also contributed to the growth of liberalization process and opening up of the economy. The NRI phenomenon becomes very important in the liberalization process in India basically because they are the potentially important sources of capital inflow either through investments in India or trade, finance, services or other kind of operations abroad and also through the NRI remittals to their families in India. Remittances also contribute to the balance of payments. Moreover, they have close links with dominant groups within the domestically resident society.\textsuperscript{149} As a result there has been a spiraling growth and improvement in the material conditions for a substantial section of the upper and middle classes. Since these groups have had a political voice that was far greater than their share of population, they have exerted considerable influence to make the economic policies work to their advantage. Consequently local elites and the middle classes are easily accumulated in the process of liberalization.

The liberalization process also brought in more competition and greater private sector participation in the financial system. The licensing policy for banks was liberalized to expand the role of the private commercial banks and foreign banks. Since the reform process there has been change in the ownership pattern of banks. The policy governing the public-sector banks was amended in 1994 to help them to raise capital funds from market by way of public issue of shares. Many public-sector banks have been able to acquire advantage due to this.\textsuperscript{150}

b. Impact of Liberalization on Political Domain:

Following globalization there has been stupendous changes in the political domain in India. The reform process has downplayed the role of ideology, as the opposition to the reform process did not sustain and achieved a convergence among the political parties. For instance, opposition parties opposed the reforms so long as they were in the opposition and accepted the policy of reform when they acquired power. Both BJP and Janata Party opposed reforms prior to 1996 election but carried

\textsuperscript{150} See for more details, Y.V. Reddy, "Monetary and Financial Sector Reforms in India", in Kaushik Basu, ed., \textit{op. cit.}, pp. 61-81.
on with the reforms once they secured power. The left parties also supported the United Front’s policy despite continuing to have reservations against reforms.

Today there has been a steady growth in political parties and also their ideological depolarization. Besides, there is also regionalization of the party system and fragmentation.\textsuperscript{151} Prakash Sarangi terms the developments in the political parties in India 1989 onwards as the period of ‘segmented pluralism’ where Congress Party has witnessed a relative decline in strength whereas BJP and several other regional political parties have gained importance. It is argued that economic reforms affect the political culture as the policy of protection has given rise to a policy of competition. Economic reforms influence political institutions and culture and the processes of political mobilizations.\textsuperscript{152} Consequently, its impact is found on the electoral politics; the way the political parties work and on their funding etc. By responding to regionalization of political culture, the political parties regionalize the national parties or established new regional political parties.\textsuperscript{153} As the logic of market economy no longer supports ‘socialism’ and ‘welfare’ the political parties have to subscribe to primordial ties like caste, language and religious identities. In the recent years political parties in India are running a battle based on the secular v/s communal divide. However, almost every political party with the exception of the left parties has made appeals to religious and caste sentiments.\textsuperscript{154}

The changing relations between the union and states have also experienced considerable change in the context of reforms. One of the important policy reforms that was introduced in the nineties was the enactment of the 73\textsuperscript{rd} and 74\textsuperscript{th} Constitutional amendments which led to decentralization of power to the local bodies in rural (73\textsuperscript{rd}) and urban areas (74\textsuperscript{th} amendment). The passing of the 73\textsuperscript{rd} amendment has brought in devolution of power to panchayats in all state governments. Formally, the Panchayat Raj Institutions came into existence all over rural India after the enactment of 73\textsuperscript{rd} constitutional amendment. Many substantive provisions of the constitutional amendment such as reservation for weaker categories to entail active participation, devolution of finances and functions parallel

\textsuperscript{152} Ibid., p. 78.
\textsuperscript{153} Ibid.
\textsuperscript{154} Ibid., p. 79.
to political authority and responsibility for district planning process were made although such a legislation did not bring in immediate change in all the states\(^{155}\). Much of the enthusiasm was built only after the 1998 loan agreement between the state government and the World Bank, specifying that the devolution of powers to local bodies must be made part of the governance reform.

In fact it was the assertion of states that the MNCs see as an advantage in India as also rule of law and independent judiciary to build up consensus on globalization. The assertion of the states has culminated in the process of growing influence of regional political parties and capacity of the state governments to attract private investments. Better labour skills, work culture, good infrastructure and good governance in some of the states have been able to attract and increase the volume of private corporate investments. And the state governments are responding to the opportunities that have been opened up with liberalization. The Indian constitution in Part XIII mandates freedom of ‘trade, commerce and intercourse within the territory of India’. “Competitive federalism is very much at work, with almost all state governments vying to get the private investors” \(^{156}\) to come to the state. In the context of liberalization certain Indian states have become international economic actors.\(^{157}\) Liberalization has facilitated decentralization of some kind where state governments rather than the central government can negotiate and decide over certain matters.\(^{158}\)

The last two decades in India especially the 1980s has seen wide varieties of social movements. The 1980s was considered to be a golden age of social movements. It came to be identified as ‘New Social Movements’ with the women’s movement, the anti-caste movement, the farmer’s movement and environmental movement growing increasingly. The Shetkari Sanghatana, the Narmada Bachao

\(^{155}\) For example in states like Uttara Pradesh no governments took in the reform of panchayats apart from passing conformity legislation in 1994 following the 73\(^{rd}\) amendment. See, Sadha Pai, “Populism and Economic Reforms”, in Jos Mooij \textit{op. cit.}, p. 120.


Andolan, Autonomous Women's Organisations, the Dalit Panthers, the Mandal Commission agitation represented strong and powerful forces making a strong plea.\textsuperscript{159} Social Movements have influenced the nationalist movement in India and played a major role in crafting India's democratic framework. However, the role of social movements in the post-independence political phase has been quite peripheral. In spite of their ideological interventions, the movements have never been able to exert successful influence on mainstream politics vis-a-vis their own agenda of social transformation.\textsuperscript{160} However, the 1980s brought a sea change in this regard. The space for social movements however is shrinking in the wake of globalization. It is not that there is no presence of social movement today. No doubt there are numerous social movements but they are more of a weak, localized and fragmented nature. In the context of globalization, 'the expressions of domination have become complex and dispersed' exerting a rapid change in the nature of a civil society. As a result, 'the mobilizational space available to the social movements is shrinking' bringing in new uncertainties.\textsuperscript{161} There are splits and divisions among the issues on reforms thereby rendering the social movements weak.\textsuperscript{162} The movements do not align with each other or they cannot align given the subtlety of the context. The farmer's movement of the 1980's had attacked the established model of development which prioritized industry. Whereas, in 1990s the interests of capital and sections of rich peasants coincided and sections of farmers movement began to welcome and endorse globalization and the policies of privatization in support of industries.\textsuperscript{163}

The left parties have been one of the sources through which the social movements of the yesteryears drew support from. Since the reform was accelerated


\textsuperscript{161} Ibid., p. 380.

\textsuperscript{162} For example the leading activists of women, environmental and few sections of the farmer’s movements opposed the economic reforms, whereas the anti-caste movement remained aloof and another section of the farmers movement led by Sharad Joshi supported economic reforms. See, for such details, Lalit Kumar, "Do We Have a Theoretical Framework to Explain Social Movement? Third System, Third sector, Third Way - No way", \textit{Planning Commission}, Yojana Bhavan, New Delhi, http://www.TEMP/kumar.pdf.

\textsuperscript{163} See, Rajendra Vora, "Decline of Caste Majoritarianism in Indian Politics", in Rajendra Vora and Suhas Palshikar, \textit{op. cit.}, p. 286
in 1991, the Janata Dal and the Left Front have been the staunch critics of economic liberalization. The left opposed privatization of the public sector and the shrinking of the state in the economy through industrial delicensing with a view to protect the interventionist state, planned economy and the interests of labour.\textsuperscript{164} However the opposition it had articulated earlier mellowed down later when the left accepted the reform policies. A senior member of CPI (M) stated, 'How can we expect the Congress (I) to support us if we were to undo the policies its government had initiated.'\textsuperscript{165} Also a senior Janata Dal member expressed the need for a pragmatic approach stating, 'This is the price we have to pay for preventing "communal forces from taking over the centre".'\textsuperscript{166} In this context, 'the approach of the left to these movements' today seems to be, 'ad hoc, contradictory and somewhat superficial'.\textsuperscript{167} Specifically it failed to address the issues of environment, women, identity concerns, culture, etc. On globalization and reforms the best literature on the subject came from the broad left, as the parties, organizations and individuals associated with the left analysed globalization and popularized its critique. However, the left was not able to turn it as a mass issue, especially in a context where the working class and its organizations wanted to wage a struggle to protect their existing jobs rights and privileges. More importantly it could not evolve a vision and agenda to counter the effects of globalization.\textsuperscript{168}

c. Impact of Liberalization on the Domain of Culture:

The cultural identity of a nation is neither immemorial nor naturally provided. It requires deliberate efforts of fabrication under the behest of a nation-state.\textsuperscript{169} In India the welfare state came to play an important role in sustaining a robust cultural establishment through the diverse academics, galleries, museums etc. Tapati Guha-Thakurta explains the exhibition of Indian art in 1948 at New Delhi which gave birth to a new National Museum, as "a new centralized ‘national’ locus for the assemblage of the best and the most representative of the country’s art.”\textsuperscript{170}

\textsuperscript{165} Ibid. p.192.
\textsuperscript{166} See, \textit{Economic Times}, 12 May, 1996. Also see, Ibid.
\textsuperscript{167} Quoted in, Sandeep Pendse, "Predicament of the Left", in Rajendra Vora and Suhas Palshikar, \textit{op. cit.}, p. 344.
\textsuperscript{168} Ibid.
\textsuperscript{169} See, Partha Chatterjee, eds., \textit{op. cit.}, p. 18.
\textsuperscript{170} Quoted from, Tapati Guha-Thakurta, "Instituting the Nation in Art", in Partha Chatterjee, ed., \textit{op. cit.}, pp. 90-91.
The exhibition had its opening in November 1948 at Government House and continued its public display through 1949 with a plan for National Museum that was inaugurated on 15th August 1949 with the same collection. The exhibition was hailed to be the largest, most inclusive and representative assemblage of the art of India ever seen in Europe or in India. It included a representative display of Indian art right from the Indus Valley civilization of the third millennium BC down to the sculptures and bronzes of the late medieval period, and Mughal, Rajasthani and Pahari paintings of the later centuries. Art is upheld as the most important vehicle of nationality as it offers “opportunity of a great common speech … and a collective identity of race, culture and inherited tradition.” The indigenousness of the Indian art could emerge on its own only by posing a sharp East-West dichotomy in aesthetics content through construing ‘opposition between Western ‘realism’ and Indian ‘idealism’, between the European Renaissance mode of objective representation and the Indian mode of ‘spiritual’ and ‘symbolic’ perception. The idea of a National Museum was mooted with a perspective of ‘Cultural Reconstruction in India’, one of the objectives advanced by the nationalists prior to independence. The opening of National Museum was basically geared to protect the art and cultural relics of India from ruin, negligence, vandalism and also from the private appropriation by civil and military officers. Such a process was later continued, by opening new museum building laid by Nehru and others to preserve and expand the discourse on national public education. “The museum had been widely invoked as one of the many essential symbols that marked the new democratic republic: ‘no modern state, least of all a democratic republic’, it was stated could do without such an ‘essential instrument of education, recreation and culture’. The enshrining of fundamental duty to protect national culture also explained the significance of such ethos.

In the context of globalization the cultural domain becomes very significant in the background of the above nationalist projections and efforts. The nationalist project of creating cultural entity brought in a defined identity and also a definite

171 Ibid., p. 93.
172 Cited in, Ibid., p. 99.
173 Cited in, Ibid., p. 100.
background to the welfare constructions of the yesteryears. The state took on the responsibility of nourishing the cultural identity by protecting the historical legacies of India committing itself to the welfare goals.

This project of nationalist culture which has had a chequered history after independence has been undergoing significant changes particularly from 1970s in India. Mass politics in India increasingly came to centre around identity politics from the 1970s. At one end Hindu nationalists tried to focus on the Hindu identity, and on the other end the tribal, dalit, linguistic and ethnic groups espoused their distinct identities.

It has been argued that a great relation exists between economic reforms and Hindu nationalist project. The cultural impact of globalization is very much visible in the identity politics that evolved especially after 1991. Following the 1991 elections, the Hindutva based BJP became the largest political party in the country next to Congress (I). Prabhat Patnaik sees a close nexus between globalization in India and the rise of communalism, fundamentalism, and secessionism. He argues that the ascendancy of the forces of communalism and secessionism have been the effect of the reform process. The emergence of the latter to the centre-stage has shifted political discourse from economic policies towards socio-cultural and ethno-nationalist identities making the implementation of reforms easy. He further argues that the espousal of globalization, which transcends nationalism, has the effect of strengthening sub-national consciousness. The economic policies create winners and losers, and thereby secessionist tendencies. The economic reform policies further fuel reactionary forces as economic forces sharpen economic disparities and the elitist style of living gets identified with Western life style giving rise to fundamentalist movements. Ashutosh Varshney (1999) also in turn argues that identity politics has facilitated economic reforms.

Economic reforms have generated a climate of competition. It has brought innumerable pressures on the buyers through its consumerist markets. Industrial

176 See for further details, Jos Mooij, ed., op. cit., p. 31.
177 Ibid., p. 29.
178 Ibid.
179 Ibid., p. 33.
consumerism also brings in hire purchase schemes to be recovered in installments. The expansion of media and new communication facilities, internet connections have also brought in a great exposure to the global world. "Identity movements...have become immersed in global networks. Movement organizations have used global networks, including the internet and web pages, to secure visibility abroad, to establish themselves as legitimate actors and to promote their interpretation of controversial issues and events."\textsuperscript{180}

Access to information can bring in liberating effect on individuals, and homogenize their value systems and submerge them within a global culture.\textsuperscript{181} The MNCs such as Coke, Bhaskin Robbins, Kentucky Fried Chicken, McDonalds, Pizza Huts etc. have brought in great export and import of cuisines. The growing middle class works as a facilitating factor for the growth of styles and fashion shows providing a great market to the consumerist culture of the present society. Though there is a great thrust on English language as source of greater opportunities for employment emphasis is also laid on the vernacular. The changes in educational system is also envisaged as there is a great foreign market which has taken up the task of introducing its educational institutions here in India and Indians are also trying to secure such opportunities abroad. The implementation of economic reforms has gone along with an increasing exposure to global culture through the exposure of the media and the adoption of new communication technologies. At the same time local identities and cultures are also gaining significance. Often "there is no contradiction between the growing worldwide homogenization of institutions, symbols and behaviour, on the one hand, and the new emphasis on, and defence of, local cultures and identities, on the other."\textsuperscript{182} National identities can give way to regional or local identities, as people may feel threatened due to new influences and may search for their own roots.\textsuperscript{183}

\textsuperscript{180} Quoted from, Mary Katezenstein, Smitu Kothari, and Uday Mehta, "Social Movement Politics in India: Institutions, Interests, and Identities", in Atul Kohli, ed., \textit{The Success of India's Democracy}, New Delhi: Cambridge University Press, 2001, p. 263.
\textsuperscript{181} See, Prakash Sarangi, \textit{op. cit.}, p. 76.
\textsuperscript{182} Cited in, \textit{Ibid.}, p. 77.
\textsuperscript{183} Ibid.
Response to the Impact of Liberalization in India

a. Economy and Welfare:

There has been a mixed response to the impact of globalization on the kind of welfare state crafted in India after independence. Some welcome the changes that have taken place, from a 'close economy heavily determined by state intervention, to the present open international market situation', and with less dependence on the state. There is a shift from the earlier "Hindu rate of growth", which was around 3.5 per cent per annum, to the present higher rates of growth which is around 5.6 per cent per annum achieved since 1980. The share of public investment has declined in the GDP, to the levels of 1970s whereas private investment has continued to increase steadily although the aggregate investment rates have remained constant.

Economic analysts have argued that the expenditure on social sector schemes, as part of welfare related programmes, has been increasing in real terms in the era of liberalization. Critics however point out that the public investment in agriculture and irrigation, and the share of agriculture in total capital formation has declined. As such, employment opportunities have also declined. According to a major study, quoted by Frankel, agriculture almost became stagnant in absorbing labour resulting in economic growth of 1990s as a 'jobless variety'.

The following table indicates the expenditure on the social sector in India as a percentage of total expenditure.

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Table - 3.2
Expenditure on the Social Sector in India (1990-2000)

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<td>Education, Sports, Youth Welfare</td>
<td>11.20</td>
<td>11.41</td>
<td>12.28</td>
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<tr>
<td>Public Health and Water Supply</td>
<td>4.23</td>
<td>4.39</td>
<td>4.48</td>
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<td>Family Welfare</td>
<td>0.60</td>
<td>0.56</td>
<td>0.56</td>
</tr>
<tr>
<td>Housing &amp; Urban Development</td>
<td>0.99</td>
<td>1.40</td>
<td>1.66</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>0.39</td>
<td>0.32</td>
<td>0.29</td>
</tr>
<tr>
<td>Social Security and Welfare</td>
<td>2.50</td>
<td>2.97</td>
<td>2.84</td>
</tr>
<tr>
<td>Labour and Employment</td>
<td>0.47</td>
<td>0.42</td>
<td>0.42</td>
</tr>
<tr>
<td>Other Social Services</td>
<td>1.15</td>
<td>1.29</td>
<td>1.09</td>
</tr>
<tr>
<td>Food Subsidies</td>
<td>1.58</td>
<td>1.86</td>
<td>1.77</td>
</tr>
<tr>
<td>Rural Development</td>
<td>3.32</td>
<td>3.69</td>
<td>3.32</td>
</tr>
<tr>
<td>Basic Minimum Services</td>
<td>---</td>
<td>0.76</td>
<td>0.76</td>
</tr>
<tr>
<td>Total</td>
<td>24.85</td>
<td>27.22</td>
<td>27.69</td>
</tr>
</tbody>
</table>


The above table indicates the social sector indicators since the reform process was inaugurated. Education, health and family welfare, water supply, sanitation, housing, rural development, social welfare, nutrition and minimum basic service are the important components of social sector. The above table indicates no decline in the social sector components. In other words it has increased proportionately according to the economic growth, often registering a substantial increase.
Table - 3.3
Social Sector Expenditure (Social Service + Rural Development) by the Centre and States (1987-2001)

<table>
<thead>
<tr>
<th>Year</th>
<th>As % of GDP</th>
<th>As % of Aggregate Expenditure (Revenue + Capital)</th>
<th>Per capita Expenditure (in Rs.) at 1993-94 Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>7.71</td>
<td>25.29</td>
<td>562</td>
</tr>
<tr>
<td>1988-89</td>
<td>7.40</td>
<td>25.22</td>
<td>583</td>
</tr>
<tr>
<td>1989-90</td>
<td>7.64</td>
<td>25.19</td>
<td>633</td>
</tr>
<tr>
<td>1990-91</td>
<td>6.78</td>
<td>24.85</td>
<td>623</td>
</tr>
<tr>
<td>1991-92</td>
<td>6.58</td>
<td>24.28</td>
<td>599</td>
</tr>
<tr>
<td>1992-93</td>
<td>6.39</td>
<td>24.58</td>
<td>594</td>
</tr>
<tr>
<td>1993-94</td>
<td>6.46</td>
<td>25.95</td>
<td>623</td>
</tr>
<tr>
<td>1994-95</td>
<td>6.41</td>
<td>27.22</td>
<td>633</td>
</tr>
<tr>
<td>1995-96</td>
<td>6.40</td>
<td>25.01</td>
<td>675</td>
</tr>
<tr>
<td>1996-97</td>
<td>6.48</td>
<td>24.06</td>
<td>739</td>
</tr>
<tr>
<td>1997-98</td>
<td>6.60</td>
<td>26.95</td>
<td>789</td>
</tr>
<tr>
<td>1998-99</td>
<td>6.91</td>
<td>27.36</td>
<td>890</td>
</tr>
<tr>
<td>1999-2000 (R)</td>
<td>7.55</td>
<td>27.69</td>
<td>1027</td>
</tr>
<tr>
<td>2000-01 (B)</td>
<td>6.97</td>
<td>26.61</td>
<td>959</td>
</tr>
</tbody>
</table>


The above table indicates the growth of social sectors under both state and central allocations. It suggests that social sector is not affected since reform despite the fact that both state and central governments had to manage with the fiscal deficits. S. Guhan argues that, taking social sector between 1991-1996 the centre has increased its intervention. It has increased from 0.8 per cent to about 1 per cent of the GDP.

MD. Abdus Salam cites that, the Central government expenditure (Plan and Non-Plan) on social sectors as a ratio to total expenditure increased from 7.7 per cent in 1991-92 to 8.7 per cent in 1992-93, 9.4 per cent in 1993-94, 10 per cent in 1994-95, 10.8 per cent in 1995-96, 11.1 per cent in 1996-97, 11.1 per cent in 1997-98, 11.6 per cent in 1998-99, and 11.4 per cent in 1999-2000. As a ratio to GDP at current market prices the Central Government expenditure on social services increased from 1.33 per cent in 1991-92 to 1.36 per cent in 1992-93, 1.49 per cent in
1993-94, 1.49 per cent in 1994-95, 1.54 per cent in 1995-96, 1.56 per cent in 1996-97, 1.58 per cent in 1997-98, 1.68 per cent in 1998-99, and 1.68 per cent in 1999-2000.\textsuperscript{186}

In the nineties the central government has considerably expanded its activities in the field of elementary education with some help from foreign agencies, but mainly through the schemes of District Primary Education Programme of the state governments. However, the public expenditure on elementary education by the state government seems to have declined.\textsuperscript{187}

Public health care expenditure in India is expressed in the state and central government’s expenditure for various schemes. However, it is established that the states’ share in the total revenue expenditure did not increase due to fiscal constraints of the states, whereas the central support has shown a steady increase.\textsuperscript{188} Selva Raju analyses that though due to fiscal deficits, healthcare along with other sectors faced expenditure contraction in the initial years of reforms, the expenditure subsequently went up especially after 1996.\textsuperscript{189} However private expenditure on health (PHE) as per cent of per capita income has almost doubled since 1961. The PHE as per cent of PCI has increased from 2.71 during 1960-70 to 5.33 during 2001-2003.

The employment opportunities indices seem to have affected, since the reform process. Ruddar Datt argues that there has been a decline in employment in the public sector in accordance with the predictions. He further argues that private sector opportunities have not increased to compensate the decline in employment in the public sector.\textsuperscript{190} However growth in self-employment and casual labour seems to have increased and some diversification also seems to have taken place in the


\textsuperscript{188} To gain clear picture on the public expenditure on health care at the centre and state level, see, Ramesh Bhat, and Nishant Jain, “Analysis of Public and Private Healthcare Expenditures”, Economic and Political Weekly, January 7, 2006, pp. 57-68.

\textsuperscript{189} Ibid., p. 58.

employment structure especially increase in wage labour and severity of educated employment.\textsuperscript{191} The major deleterious impact of globalization has been decline in rural employment as Indian economy came to be increasingly susceptible to global markets. Rural employment grew less than 0.6 per cent per annum during 1993-2000 and given the population and changing needs of society it remains meagre.

Table - 3.4

| Growth Rates of Employment, 1983-2000 (Per cent Change Per annum) |
|------------------|------------------|
| Rural | Urban |
| 1983 to 1987-88 | 1.36 | 2.77 |
| 1987-88 to 1993-94 | 2.03 | 3.39 |
| 1993-94 to 1999-2000 | 0.58 | 2.27 |

Note: Employment here refers to all workers, principal status plus subsidiary status.


One of the basic thrusts of the liberalization policy was to ensure better employment opportunities and better conditions of life. Some figures show that in the post-liberalization period, the employment in public sector has increased from 190.57 lakh to 194.15 lakh i.e., at the rate of 0.4176 lakh a year. The private sector employment was 76.77 lakh in 1981-82 which increased to 86.96 lakh in 1999-2000. The rate was only 1.5056 lakh a year.\textsuperscript{192} However these figures tell us that liberalization has failed to generate sizeable employment opportunity. (Population in 1990, was 846.3 million and would have increased to 990.41 million in 1998-99). Though liberalization has brought in rise in GNP, NNP and GDP, in the area of employment which is of crucial importance, the growth is not significant.\textsuperscript{193} The change has been also noticed in terms of work and state. The number of informal

\textsuperscript{191} See, Ratan Kumar Ghosal, "Economic Reforms, Employment and Poverty in India", in Raj Kumar Sen, *op. cit.*, pp. 139-140.

\textsuperscript{192} See, N.G. Pendse and Rohit Balyani, “Economic Development and Social Sector Reforms: Unsettled Agenda for the Future”, in Shailesh Choubey, N.G. Pendse and Narendra Shukla, eds., *op. cit.*, p. 41. For more details on private and public sector employment indices also see, Table-1.0, 2.0, 3.0, 4.0, 5.0, 6.0, 7.0, 8.0, in pp. 48-55.

\textsuperscript{193} Ibid.
workers has gone up to 92% of the national labour force, and this percentage is going on increasing since reforms.  

The deceleration in agricultural employment is attributed to technological changes in the cropping pattern that has reduced labour demand in agriculture and the growth of landlessness. The relative decline in organized employment was mainly due to the collapse of public sector employment as private organized sector employment did not increase to compensate the loss of public sector employment.

One of the important objectives of welfarism in India has been the reduction of poverty. How has liberalization affected this objective? According to Martin Ravallion, "poverty can be said to exist in a given society when individuals/households do not attain a level of material well-being deemed to constitute a reasonable minimum standards of that society. Thus poverty is a phenomenon of relative deprivation where people are regarded as poor if they do not have access to diets, comforts and other entitlements that are customary in that society." Acceleration in economic growth is considered to be a great achievement after economic reforms. And economic growth is the leading determinant of poverty reduction and the policies that enable overall economic growth will be key indicators to improve the income of the poor people in India.

Over these years poverty alleviation programmes of various types have expanded in size. Today there are numerous programmes working for the task of alleviation of poverty. The share of total expenditure on poverty alleviation programmes to total central government budget allocations have increased marginally from 5.3 per cent in 1990-91 to 5.84 per cent in 2000-01 with an average annual growth of 5.7 per cent. The estimates of per capita expenditure per poor (total) on total poverty alleviation show an increase from Rs. 346 in 1990-91 to

195 Quoted in, Biswajit Chatterjee, “Poverty Studies and Poverty Alleviation in India”, in Raj Kumar Sen, ed., op. cit., p. 92.
197 Ibid., p. 154.
Rs.371 in 1999-2000.\textsuperscript{198} The analysis of poverty data shows that the there is decline of poverty. Though absolute levels of poverty may not have increased in India but relative inequality has enormously grown. According to the results of the 53rd round of the National Sample Survey, the percentage of rural poor in India increased from 35\% in 1991 to 38.5\% in 1997 while in urban areas it declined from 35.3\% to almost 34\% during this period. The results of the 55\textsuperscript{th} Round quinquennial survey of 1999-2000, published in February 2001, showed a marked reduction in the fraction of people in poverty. Among rural households, the fraction estimated to be in poverty fell to 27.1 per cent in 1999-2000, compared to 37.3 per cent in 1993-94, while among urban households the fraction was 23.6 per cent in 1999-2000, compared to 32.4 per cent in 1993-94.\textsuperscript{199}

The growing inequalities are the significant problem that India faces specially since liberalization. Growing income inequalities have encouraged the privileged groups to perpetuate and reinforce their control over limited resources and channels of income generation in the economy.\textsuperscript{200} Poverty levels vary across the states. Due to economic growth, the incidence of poverty as reflected in the proportion of people Below Poverty Line (BPL) has come down in all the states. However, inter-state disparities persist. And these regional disparities explain much of the inequities that are growing in India.\textsuperscript{201} Evidence suggests that the significant cause for the widening of regional inequalities is the uneven flow of investment to various states after liberalization, giving rise to North-South divide in India.\textsuperscript{202}

In India, the state has played a central role in producing the mixed economy. By replacing the earlier laissez-faire colonial state, the interventionist state provided a direction for the growth of industrialization. It invested in public sector and spent on education and health. Globalization has brought in heavy changes in such a

\textsuperscript{198} See, Abusaleh Shariff, Prabir Ghosh, S K Mondal, "State-Adjusted Public Expenditure on Social Sector and Poverty Alleviation Programmes", \textit{Economic and Political Weekly}, February 23, 2002, pp. 779-780. For a clear understanding of the public expenditure on Social Sector and Poverty Alleviation Programme, see in the same article, pp. 767-787.

\textsuperscript{199} See, Angus, Deaton, "Adjusted Indian Poverty", \textit{Economic and Political Weekly}, January 25-31, 2003, p. 322. However, because the design of the 55\textsuperscript{th} Round questionnaire was different from the earlier rounds, the comparability of these new estimates has been challenged.

\textsuperscript{200} See, Dharma Kumar, ed., \textit{op. cit.}, pp. 1039-40.

\textsuperscript{201} See, Amaresh Bagchi and John Kurian, \textit{op. cit.}, pp. 322-348.

\textsuperscript{202} Ibid.
perspective. The table below indicates patterns of capital formation in the private and public sector and the growing importance of the former over the latter.

**Table - 3.5**

**Patterns of Capital Formation, 1980-1998 (Percentage of GDP)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Gross Capital Formation</th>
<th>Private Corporate Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-85</td>
<td>21.9</td>
<td>4.3</td>
<td>10.2</td>
</tr>
<tr>
<td>1985-90</td>
<td>23.7</td>
<td>4.5</td>
<td>10.5</td>
</tr>
<tr>
<td>1990-95</td>
<td>23.7</td>
<td>6.0</td>
<td>9.1</td>
</tr>
<tr>
<td>1995-98</td>
<td>24.0</td>
<td>8.3</td>
<td>7.0</td>
</tr>
</tbody>
</table>


The table indicates growth in private sector vis-a-vis the public sector. Analysis of 1970s shows that there is a link between declining public investments and reduction in industrial growth. Therefore, subsequent governments decided that one way to improve growth was to boost public sector investments. Increasing public sector investments is considered to be the reason for growth in the 1970s. Public Sector Enterprises (PSEs), which were encouraged in India's planned economy, grew both in terms of numbers and investment for over four decades from the early 1950s. The PSEs made a significant contribution to industrial production. In the context of liberalization the role of the private sector with regard to investment has become preponderant with its consequences.

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203 See, Rakesh Mohan, "Fiscal Correction for Economic Growth: Data analysis and suggestions", *Economic and Political Weekly*, June 10, 2000. He arrives at the inference that "what becomes clear from examination of the data is that 1980s were characterized by a major increase in public sector investment and other government expenditure", See, p. 2028.

204 100 per cent in lignite, over 80 per cent in coal, crude oil and zinc, almost 50 per cent in aluminium and over 30 per cent in finished steel. See, Sudhir Nai B, "Disinvestment in India: Policies Procedures, Practices", states that "At the commencement of the First Five Year Plan there were five PSEs with a total investment of Rs. 29 crores. At the end of the Seventh Plan in 1990, there were 244 PSEs and the investment in them had gone up to Rs. 99,329 crores. Although disinvestments had started from the early 1990s, at the end of the Eighth Plan in 1997, investment had soared to Rs. 213,610 crores. At the end of the fiscal year 2000-01, PSEs had a total investment of Rs. 274,114 crores."
### Table - 3.6
Central Government Expenditure (Plan and Non-Plan) on Social Sectors and Rural Development, 1995-2005

(Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Education, Sports, Youth Affairs</td>
<td>3630</td>
<td>7696</td>
<td>8642</td>
<td>9045</td>
<td>11063</td>
<td>12091</td>
</tr>
<tr>
<td>b. Health &amp; Family Welfare</td>
<td>2542</td>
<td>5291</td>
<td>5977</td>
<td>6075</td>
<td>6846</td>
<td>7680</td>
</tr>
<tr>
<td>Water Supply, Housing etc.</td>
<td>1756</td>
<td>4932</td>
<td>5989</td>
<td>6346</td>
<td>7235</td>
<td>7571</td>
</tr>
<tr>
<td>d. Information &amp; Broadcasting etc.</td>
<td>596</td>
<td>1317</td>
<td>1284</td>
<td>1386</td>
<td>1302</td>
<td>1398</td>
</tr>
<tr>
<td>Welfare of SC/ST and OBC</td>
<td>800</td>
<td>968</td>
<td>1093</td>
<td>1117</td>
<td>1164</td>
<td>1410</td>
</tr>
<tr>
<td>Labour &amp; Employment</td>
<td>507</td>
<td>894</td>
<td>847</td>
<td>777</td>
<td>841</td>
<td>933</td>
</tr>
<tr>
<td>Social Welfare and Nutrition</td>
<td>1270</td>
<td>2409</td>
<td>2620</td>
<td>2089</td>
<td>2203</td>
<td>2483</td>
</tr>
<tr>
<td>North-Eastern Areas</td>
<td>530</td>
<td>1715</td>
<td>2010</td>
<td>1330</td>
<td>571</td>
<td>631</td>
</tr>
<tr>
<td>Other Social Services</td>
<td>530</td>
<td>1715</td>
<td>2010</td>
<td>1330</td>
<td>571</td>
<td>631</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11631</strong></td>
<td><strong>25222</strong></td>
<td><strong>28462</strong></td>
<td><strong>32344</strong></td>
<td><strong>35476</strong></td>
<td><strong>39855</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Rural Development</th>
<th>6609</th>
<th>4449</th>
<th>6241</th>
<th>10991</th>
<th>11537&quot;</th>
<th>7001&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. 1) Pradhan Mantri Gramodaya Yojana (PMGY)</td>
<td>2350</td>
<td>2533</td>
<td>2600</td>
<td>2400</td>
<td>2766</td>
<td></td>
</tr>
<tr>
<td>2) Pradhan Mantri Gram Sadak Yojana (PMGSY)</td>
<td>2500</td>
<td>2500</td>
<td>2500</td>
<td>2325</td>
<td>2468</td>
<td></td>
</tr>
<tr>
<td>4. Social Service, Rural Dev. and (PMGY)(1+2+3)</td>
<td>18240</td>
<td>34521</td>
<td>39736</td>
<td>48435</td>
<td>51738</td>
<td>52090</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>178275</strong></td>
<td><strong>325592</strong></td>
<td><strong>362310</strong></td>
<td><strong>414162</strong></td>
<td><strong>474255</strong></td>
<td><strong>477829</strong></td>
</tr>
</tbody>
</table>

| GDP at Market Price | 1188012 | 2089500 | 2271984 | 2463324 | 2760025 | 3108561 |

*, : Launched in 2000-01 (BE) as a new initiative for basic rural needs.
" : 2003-04 (RE) includes provision of Rs. 4889 crore for the Special Component of SGRY for draught related programmes and 2004-05 (BE) does not include the allocation meant for certain rural development programmes in the lump sum provision of Rs. 10,000 crore provided to the Ministry of Planning.
http://indiabudget.nic.in.
Table - 3.7
Total Expenditure of the General Government on Social Services, 1986-2005
(Combined Centre and States)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Amount in Crores</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>100470</td>
<td>163673</td>
<td>303586</td>
<td>595595</td>
<td>652968</td>
<td>727151</td>
<td>887391</td>
<td>907363</td>
</tr>
<tr>
<td>Social Services</td>
<td>18967</td>
<td>33255</td>
<td>65531</td>
<td>131805</td>
<td>137843</td>
<td>145226</td>
<td>168190</td>
<td>175079</td>
</tr>
<tr>
<td>Education</td>
<td>8651</td>
<td>17094</td>
<td>32370</td>
<td>67036</td>
<td>68071</td>
<td>72535</td>
<td>80779</td>
<td>85358</td>
</tr>
<tr>
<td>Health</td>
<td>4566</td>
<td>7309</td>
<td>14135</td>
<td>27960</td>
<td>28578</td>
<td>31457</td>
<td>36850</td>
<td>40352</td>
</tr>
<tr>
<td>Others</td>
<td>5750</td>
<td>8852</td>
<td>19026</td>
<td>36809</td>
<td>41194</td>
<td>41234</td>
<td>50561</td>
<td>49369</td>
</tr>
<tr>
<td>As % to Total Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Services</td>
<td>18.9</td>
<td>20.3</td>
<td>21.6</td>
<td>22.1</td>
<td>21.1</td>
<td>20.0</td>
<td>19.0</td>
<td>19.3</td>
</tr>
<tr>
<td>Education</td>
<td>8.6</td>
<td>10.4</td>
<td>10.7</td>
<td>11.3</td>
<td>10.4</td>
<td>10.0</td>
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<td>9.4</td>
</tr>
<tr>
<td>Health</td>
<td>4.5</td>
<td>4.5</td>
<td>4.7</td>
<td>4.7</td>
<td>4.4</td>
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<td>Others</td>
<td>5.7</td>
<td>5.4</td>
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<td>6.2</td>
<td>6.3</td>
<td>5.7</td>
<td>5.7</td>
<td>5.4</td>
</tr>
<tr>
<td>As % of Expenditure on Social Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Education</td>
<td>45.6</td>
<td>51.4</td>
<td>49.4</td>
<td>50.9</td>
<td>49.4</td>
<td>49.9</td>
<td>48.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Health</td>
<td>24.1</td>
<td>22.0</td>
<td>21.6</td>
<td>21.2</td>
<td>20.7</td>
<td>21.7</td>
<td>21.9</td>
<td>23.0</td>
</tr>
<tr>
<td>Others</td>
<td>30.3</td>
<td>26.6</td>
<td>29.0</td>
<td>27.9</td>
<td>29.9</td>
<td>28.4</td>
<td>30.1</td>
<td>28.2</td>
</tr>
</tbody>
</table>


Both these tables above suggest that under liberalization the overall investment in welfarist purposes has improved. There has been growing concern about the capabilities that are considered to be important for the improvement of Human Development Index (HDI). According to the Human development Reports published by the UNDP annually since 1991, India has shown consistent improvement on the HDI front. The 2006 UNDP Human Development Report also has shown a progress from the earlier 2005 HDI position. India’s HDI position in 2005 was 127 out of 177 countries with 0.602 whereas it is placed 126th position out of 177 with 0.611 HDI value in the 2006 UNDP Human Development Report. In 2004 India was placed at 127th position with 0.595 HDI value.205

The impact of liberalization of the economy on welfare therefore remains mixed. While inequalities have reinforced and the overall role of the public sector has declined there is no evidence to suggest that social welfare policies have necessarily been affected on the whole.

b. The Political Domain:

Globalization is argued to have affected the preferred role of the state and its autonomy. The erosion of the state autonomy is discussed at three levels: The Indian state vis-à-vis MNCs, The Indian state vis-à-vis the states in India, The Indian state vis-a-vis politics of inclusion.

The role of the state vis-a-vis the market is very different today, from both that of liberal modernity, where it had limited itself to the role of the night-watchman, as well as that of statist modernity, when it played the role of the protective guardian of society over the markets. In the new synthesis, the state has to secure the stability of the market environment, ensure the enhancement of the ‘supply side’ of the economy (to manage both competitiveness and ‘efficiency’- i.e. profits-improve) and also protect the interests and survival of the marginalized of society.206

Since there are competitors for the economic sovereignty of the state the retreat of the state seems to have taken place. Such a retreat of the state is linked to the creation of huge economic blocks, within the context of which the economic role of the individual nation-state is being extensively downgraded in favour of supranational institutions. The MNCs are increasingly organizing production on a global scale. Moreover the production has also become globalized with different components being produced by different affiliates of the same MNCs in different countries. As a result, multinational companies trade products among its different branches placed at different states to its advantage and at times evade state laws. The MNCs can also select freely their global investment and employment pattern thereby

206 See, http://www/Issue 1-Why an Inclusive Democracy.htm This article is based on the first chapter of Takis Fotopoulos’ book, Globalization, the Left and Inclusive Democracy, Athens, 2002.
restricting the role of state.\textsuperscript{207} As a result the nation-state even in the industrialized countries are unable to regulate the MNCs.

However, all these arguments that seem to claim for a constrained role of the state in turn help the state in India to retain its foothold. Though the MNC's are enjoying increasing edge, at the same time, politically, national governments are responsible to their 'electorates for levels of employment, rate of growth and performance of the economy in general'. By bringing in the growing power of the lower strata of the society against the upper class the state has placed limits to enterprise solely directed to private profit. Bardhan says cynics may argue "...that the retreat of State, implied by economic reform is now more acceptable to the upper classes and castes, not only because the regulatory and interventionist State has become too burdensome for the Indian economy, but also because these classes and castes are now losing their control over state power in the face of the emerging hordes of lower castes, and thus opting for greener pastures in the private sector (and abroad)."\textsuperscript{208} The role of the state also seems to have changed in the context of reform as the lower strata of society are also claiming a fair and just share of the state resources.

In order to see that investments by multinational corporations help, Indian state has a more significant role to play. No doubt, in the present context, the earlier nation-state must have lost it significance, but it has a more qualitative role to play to manage international capital and domestic priorities, by adopting a more redefining and regulative role.

In the case of the growing strength of the lower strata of the society vis-à-vis the upper classes the state needs to strengthen its material base on which the marginalized and the disadvantaged rely upon. In the view of Deepak Nayyar '[t]he rich dominate the economy now more than earlier, but the poor have a strong voice in the polity now more than earlier.'\textsuperscript{209} Such a politics of inclusive democracy helps the state to strengthen itself to concentrate on helping improve its human

\textsuperscript{207} See, Amit Bhaduri and Deepak Nayyar, \textit{op. cit.}, pp. 67-68.
\textsuperscript{208} Cited in, Mooij, \textit{op. cit.}, pp. 30-31.
\textsuperscript{209} Cited in, Ibid., p. 31.
development capabilities and to accommodate the civil society and marginalized and
disadvantaged sections of the society who assert their rights for an egalitarian order.

There has also been a general argument that under conditions of
globalization the nation-state has become weaker especially in the wake of state
governments becoming stronger and the local politics becoming influential. Especially in the background of 73rd and 74th amendment it is argued that in many
villages people are being directly involved in deciding priorities in planning.210

With regard to Indian state vis-à-vis states no doubt the process of economic
reforms strengthened the hands of individual states as the states can lap the
opportunities based on their individual capacity of attracting private investments. The Constitution of India provides for freedom of trade, however, the centre also has
a greater role to play in relaxing the trade barriers between states and competitive
federalism should facilitate the states to review the regulations in order to attract
better investment and also see to it that regional disparities are lessened. Not all
states are endowed with similar natural resources. The centre may have to help the
backward states with a level playing field in order to help them compete with their
stronger counterparts on an equal footing and realize their potential for growth. The
centre's transfers to the states need to be restructured in order to reduce the
inequalities in the revenue capacity of the states.211 The state in India, therefore,
instead of caving in down under the impact of liberalization has rearticulated itself in
a big way. Popular basis of power in India has kept the MNCs within their limits.
The lower segments of the Indian society by building political pressure on the state
have not let it forsake its welfare promises. The opportunities thrown up by
liberalization have made states to assert their own say and thereby broad base the
democratic foundations of the state.

210 Rajendra Vora and Suhas Palshikar point out that the Kerala experiment where people have
participated in the planning process. They also point out that the People's movements declaring a call
of hamare gaon mein hamara raj-meaning 'the villagers should have control over their villages and
they should have control over resources at the local level.' However this development is a response to
the governmental or private companies acquisition of land and other natural resources like water. See,
Rajendra Vora and Suhas Palshikar, "Introduction", in Rajendra Vora and Suhas Palshikar eds.,
op. cit., p. 17.
c. Cultural Domain:

Economic performances good or bad may owe to the cultural underpinnings of every economy. Hence it is very appropriate to discuss the cultural domain which provides the cultural and social setting for globalization. Amartya Sen argues that the plurality, secularism and cultural openness, the distinctive strengths of India are also witnessing threats in recent times. Under globalization India has been exposed to external invasion of culture: films, music, cuisine, education, language and dominance of English. As a result, there are also movements of 'swadeshi' kind, which utilize the context to prove that the nation-state is eroding due to the cultural invasion taking place.

One of the apprehensions that India shares today is the challenge of Western culture and consumerism. The force of the market culture is hard to resist when it comes to music, dance, food habits, education, literature, films etc. People share the fear that it can erode the cultural identities of people. However, contrary to these fears, divergent identities find better articulations today in India. Given the significance that people attach to their religion and other identities they may articulate and assert their identities against such exclusion although such assertions in turn may beget new problems. What is however indubitable today is the extent of appropriation of diversity. The diversity in cultural goods has its own value because it increases consumer choice and enriches people's cultural experience. This has been one of the welfare agenda of the independence era too. From the 1990s the issue of discrimination in particular and the larger problem in general have received considerable attention in India. The very fact that the electorate of India replaced a government at the centre arguing for one identity, one religion and one culture explains the significance of cultural plurality today. Often cultural choices and freedom help the people to redefine their cultural identities and retain their cultural divergence. Although globalization can threaten national and local identities, the solution is not to retreat to extreme nationalism but to design multicultural policies to accommodate plurality of the society.

213 Cited in, Ibid., op. cit., p.27.
India was first among the major democracies of the world to appreciate cultural rights by establishing the principles of diversity and pluralism in the context of ‘choice rather than tradition’. The Indian approach provides large space for the development of a broad based democracy by suggesting that people have the right to linguistic and religious identities and it is the only ‘sustainable approach to development and democracy in diverse societies’. Secularism, democracy and federalism promote the political culture of integration of the marginalized, disadvantaged and minority sections of the Indian society. Pluralism guarantees inclusion and autonomy for cultural communities. In the cultural domain while the threat that liberalization holds are real there are also assertions of cultural identities which on the whole, seems to be very positive in India.

The Changing Nature of the Welfare State in India

Under liberalization, the Indian welfare State is not getting dismantled but it is redefining itself to suit the changing context. New Concerns seem to be brought before the state as discussed earlier. Competitive federalism, the politics of inclusion and the need for better human development capabilities have brought more challenges to make the welfare state more of outcomes than of rhetoric. It requires to emphasise action-oriented plans rather than stints of populism as the electorate also becomes more alert. The anxiety with regard to certain aspects such as labour, education, languages seem to be real. Affirmative action policies allocate jobs, promotions, business loans for higher education and legislative seats to the disadvantaged sections of the society. Without these policies group inequalities and socio-economic exclusions can be more glaring. There are voices arguing that privatization should be geared to achieve better investment and better solidarity to direct better opportunities to the disadvantaged too. Similarly it is said that voluntary organizations should be encouraged and monitored so as to achieve better outcomes.

India adopted a democratic constitution in 1950 and since then it has succeeded in promoting and adhering to the basic structures of democracy. The democratic institutions in India are constantly debated and reassessed. Incorporating the viable suggestions, the democratic structures in India have not changed radically

\[216\] Ibid.
and have retained their significance despite challenges. Economic disparities, social inequality, poverty, illiteracy, secessionist and ethnic tendencies, communal riots have not shaken the democratic foundations in India. On the contrary democratic precepts evolved mechanisms to manage the society by intervening to suggest and work out remedies. The citizen of India continues to look upon democratic institutions as instruments of popular aspirations and the changing context has rendered more space to caste leaders, social activists, press media and NGOs to be more vocal of the rights of the people and the role of democracy. "Today in spite of the leaders and elected representatives, it is the environment of public opinion which provides sustenance to democracy, .... one may be quite right in inferring that many a party and their leaders and other representatives are being tolerated because people want democracy."217

One of the distinct experiences that the democracy of India shares is that there is no singular set of practices but numerous claims and counter claims.218 The dalit movement and political mobilizations have acquired specific space. The Indian welfare state has established a web of institutions for the implementation of policies with regard to disadvantaged groups. Though a few of these institutions were established way back in 1950s they gained statutory status in 1990s.

In terms of policy measures, in 1990s the Indian economy moved away from planning and state intervention towards market and competition, from an interventionist state to a regulatory state. In social policy this shift meant a diminished and reduced role for the state’s redistributive agenda and a greater focus on group-based social justice and particularistic institutions. Such a shift in the larger context of the role of the state was also in part a response to the political mobilization and growing clout of the articulate sections of the disadvantaged groups demanding greater recognition and presence in decision-making structures.219 The National Commission for the Scheduled Caste (NCSC) and National Commission for Minorities (NCM) work to promote the welfare of the disadvantaged and compelling demands of social equality. "It marked, on the one

218 Ibid., p. 29.
hand, the institutionalized commitment to the protection and welfare of the marginalized and the disadvantaged on the part of the state and on the other, the creation of an organized mechanism for the representation of their concerns.\textsuperscript{220} The prevalence of such institutions helped in promoting the implementation of preferential treatment programme even at a time when powerful economic groups claim greater resources. Cultural and identity politics has displaced the earlier politics of economic and social inequality. The real empowerment and enablement of the disadvantaged sections of the society will take place only in a state and society where concrete strategies for empowerment are geared to achieve larger vision of securing substantive equality.

The identity politics plays a significant role in Indian politics today with a positive edge. Corbridge and Harriss look at both economic liberalization as well as Hindutva as attempts to 'reinvent' India\textsuperscript{221} as they have given rise to counter assertion of identities from lower echelons of society. It is also argued that 'the relative importance of state professionals and politicians in economic policy-making (as compared to other proprietary classes) diminishes with the inclusion of more people from the lower castes in politics and the bureaucracy.'\textsuperscript{222} Contrary to the theories of stable democracies, which argue that the political participation and mobilization on a large scale is not good for the health of democracy, the involvement of masses on a large scale in political struggles has made the democracy of India vibrant, dynamic and representative. In turn it has made democracy effective and viable.\textsuperscript{223} Javeed Alam argues that the disadvantaged sections of the society look upon democracy as a space where they can assert their self-respect and stake claims for their improvement. "Nonetheless we see that compared to any other section of society the ordinary and the vulnerable are the ones who feel more strongly for democracy and its institutional set up as well as the surrounding conditions."\textsuperscript{224} No doubt, the democracy of India has been facing the marginalization of social groups and communal tensions. Yet it provides enough spaces for the people to assert themselves and the power of dominant groups can

\textsuperscript{220} Ibid.
\textsuperscript{221} Cited in, Jos Mooij, \textit{op. cit.}, p. 27.
\textsuperscript{222} Ibid.
\textsuperscript{223} See, Rajendra Vora and Suhas Palshikar, \textit{op. cit.}, pp. 26-27.
\textsuperscript{224} See, Javeed Alam, \textit{op. cit.}, p. 95.
never be hegemonic.\textsuperscript{225} The rise of backward castes and identity politics can be a democratizing development, making them more participative.

\textbf{Anomalies and Contradictions of the Welfare State}

While the welfare state in India is holding itself against the insinuations of liberalization and rearticulating itself afresh it may be useful for us to keep in mind certain structural constraints in which it is located.

The Indian state took upon itself several concerns distinctive to itself which was not the case with the modern state in the West at any given time. It was at the vanguard of economic development and the planning process reinforced such a role of the state enormously. The state attempted to play out this role through the bureaucracy in general and developmental bureaucracy in particular. However, in this ‘avatar’ of the state it towered above citizens and increasingly tended to be paternalistic.

In India the state became the agency of extending preferential treatment to low castes and tribes. In pursuit of such an objective opportunities were set aside for these groups in public employment roughly in proportion to their demographic weight. A similar allotment was also made in terms of the resources and services at the command of the state. The limited scope of these benefits and their uneven reach led to the creation of a segment of beneficiaries who stood to gain disproportionately compared to the rest of the community. In fact the role of the state in preferential considerations of this kind led to the creation of an elite class. The socialist rhetoric was advanced to build political capital, but policies in favor of the poor were seldom pursued vigorously.\textsuperscript{226}

The state in India came to extend certain resources and opportunities to groups and communities of innumerable kind on account of certain disadvantages they suffer from. They were women, children, farmers, backward classes, people

\textsuperscript{225} Suhas Palshikar argues that the hegemonic section of the society itself has internal divisions which block them to achieve hegemony of their group. See, Suhas Palshikar, “Whose Democracy Are We Talking About? Hegemony and Democracy in India”, in Rajendra Vora and Suhas Palshikar, \textit{op. cit.}, pp.127-163.

living in backward regions etc. Some of these groups were targeted for special consideration on account of the explicit constitutional mandate in this regard. Again resources and opportunities were too scanty and they accrued unevenly to different constituencies. Some of these benefits were employed clearly for electoral gains and were susceptible to be influenced by the electoral arithmetic. Given the diffuse and discretionary nature of some of these benefits often bureaucracy and political interests came to entrench themselves claiming to dispense these benefits. In fact, they stood to gain out of them much more than the target population.

Given the hierarchical and segmented nature of the Indian society extending civil and political rights to certain communities and groups, such as towards untouchables, elicited from the state extensive interventions of diverse kinds. In the process the role of the state was reinforced affecting adversely the purpose it set out to pursue.

India was and continues to be a deeply diverse society with regard to cultural practices, beliefs and linguistic affinities. Some of them called for extensive support from the state to further their distinctive belonging and in some other cases to ward off and contain conflicts arising from the pursuit of such belonging. The welfare state was called upon to play this role.

The role that the state, came to play came to be defined in the context of electoral democracy with universal franchise. The welfare measures that were adopted were often dovetailed to the requirements specific to the conditions of such a democracy. Often scarce resources were allotted not on grounds of their optimum utility, considered on dispassionate grounds (if there, are any of the kind) but on the basis of pulls and pressures exerted from the electoral arena.

The Indian state with its claims on welfare came to function in an arena that federal was in nature. Overtime this federalism entrenched itself with the convergence of distinct social forces at the level of the Union on one hand and at the level of the states on the other. Given the division of powers between the Union and states several measures of welfare came under the purview of the states and the others of the Union.
The partition of the country and frequent wars with the neighbors strained the resources and priorities of the Indian state enormously. Often security considerations came to prevail over those of welfare and measures for welfare came to be entwined with security.

Welfare state dispenses welfare through a set of institutions. In India often such institutions had to be freshly crafted and they came to be fashioned in an ethos that was preceded by a hierarchical and highly rank conscious bureaucracy. The welfare state in India is a poor delivery device. It has been accused as being incompetent and unable to cater to the needs of the underprivileged and disadvantaged sections of the society. It has to be admitted that given the size and population of India, welfare measures in the country were relatively insufficient. The inability of the state to reach to the marginalized and the disadvantaged sections of the society led to the retreat of the state from social goals that the planning commission evinced. The deviation of the planning commission from the socialistic objectives planned immediately after independence is not less significant in this regard. Among the various aspects of economic liberalization policy, the central issue at stake was the relative role of the state and market in the operation and management of the national economy. Contemporary movement in economic policy reform has involved the retreat of state and giving up of many of its economic functions in favour of the market, which has been accorded a wider and increasingly important role. It is necessary also to question as to what ought to be the appropriate relationship between the state and the market for purposes of effective economic performance. In the existing dispensation it is not the public sphere, which needs to be fostered, but the essentially private realm of market exchange. It is not citizens who matters, but the consumers.

Therefore, in the welfare state in India different trajectories- of development, of distributive justice, of sustaining pluralism while wielding them into the bonds of a nation, of representative democracy, of fragility of public institutions, of federal impulses-converged making it a variant of a kind irreducible to its counterparts

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228 For more details see, Amit Bhaduri, and Deepak Nayyar, op. cit., 1996, pp. 123-155.
elsewhere, particularly in the West. A number of these issues that came to bear on the welfare state could not be easily reconciled and it created contradictions and cleavages of a variegated kind.

The Critique of the Welfare State in India

In India the state was basically a *ma-bap* state responsible for meeting a range of welfare needs of the people. The significant legitimization for state intervention in a wide range of economic and social areas was provided by the ideology of development. The dominant belief was that mass poverty at the root of India’s social backwardness and underdevelopment could be removed by such intervention creating conditions for a more egalitarian and just society.\(^{230}\) The equal and just society was primarily seen in terms of distribution of goods rather than in terms of rights.

However despite such a concern being displayed through planning, most of the policies remained at the populist level. Besides, even the Nehruvian model failed to institutionalize its ideological preferences. Indira Gandhi’s regime displayed greater interventionism and highlighted a policy of ‘uplifting the poor’ (Garibi Hatao). Yet it did not bring in much change except for the rhetorical deviations. The developmental model only perpetuated marginalization of millions of people and reinforced inequality. As a result, demand groups targeted the state for its failure. It was in 1970s, that few marginalized sections of the society grew to be assertive and demanded some or the other provision for their upliftment. The inability of the state to govern becomes the target of the protests alongside the unfulfilled agenda throwing up challenges before the Indian ‘socialist’ state as was the case with the European welfare states faced with a different set of problems.\(^{231}\)

Besides, the welfare policies often put across were not implemented seriously. The socialist commitments often pursued by the Indian leaders turned out


to be shallow. The socialistic rhetoric was advanced to build political capital, but policies in favour of the poor were seldom pursued vigorously.\textsuperscript{232}

The critique of welfare state in India had little bearing on the onset of liberalisation and Globalization. The anti-welfare ‘rolling back of the state’, policies of Ronald Reagan and Margaret Thatcher were not to become important ideological campaigns in India. Much of the opposition to welfare state in India did not come up through the ideological route but on grounds of ‘fiscal crisis’, of the state. Since the governments were facing resource crunch it affected the financial flow to public expenditure, leading to cutback in social services and other welfarist interventions.

**Welfare Programmes in India: An Assessment**

Among the important goals that India wanted to realize during its independence era was the ‘welfare of the society’. This goal remains central even today. “…reform policies cannot tilt too heavily in favour of the wealthier sections of the population and the welfare role of the state can not be done away with.”\textsuperscript{233} At independence the obvious imperative for welfare was the widespread poverty, including food security and social asymmetry. At the time of independence, 39 per cent of Indian population was officially subsisting BPL.

The welfare state in India since independence intervened through the domain of planning, policy-making and institution-building.\textsuperscript{234} Under the democratic polity, it sought to build up a mixed economy committing itself to a wide ranging roles and responsibilities. A regulatory system was acquired to keep the private sector under its control and also to exercise directive, protective, promotional and welfare responsibilities in relation to the economy and society. These responsibilities were carried with direct intervention but also through budgeting, fiscal, monetary and pricing policies etc. and securing outcomes of work by regulating minimum wages, working hours, social security provisions.


\textsuperscript{233} See, Jos Mooij, *op. cit.*, p.38.

Public provision for education and health services was also considered important and their significance was asserted in various plans. Constitutional safeguards were provided and special measures were taken for the religious and linguistic minorities. Development and social welfare became state priorities. The Children’s Act, the Dowry Prohibition Act, The Scheduled Caste s and Tribes (Prevention of Atrocities) were passed and numerous welfare schemes also were adopted to help specific sections of society—Scheduled Caste s and tribes, women, children and the disadvantaged.

From 1970s onwards several extensive programmes like the IRDP, the Tribal Development Programme and the Integrated Child Development Programme were directed to redress the problems of poverty, unemployment and marginalisation. Such programmes were also introduced at state levels. The Employment Guarantee Scheme at a minimum rural wage in the state of Maharashtra; the Antyodaya scheme in the state of Rajasthan, aimed at uplifting the poorest of the poor, were introduced. The preferential loans scheme, introduced under the SFDA programmes, reached some farmers with holdings of less than two hectares in many districts. Self-employment schemes for the youth and women were introduced. Schemes providing for social security, for the weak and vulnerable through the provisions of short-stay homes for the women in trouble, hostels for the working women, hostels for tribal girls, day-care-centres for the children working women, reservations etc. were introduced. The expenditure on other social spheres like health and education were also integrated under social welfare schemes.

With economic reforms India experienced a major shift though through the substantive articulation and consequences of it may not be wholly anticipated. Such a shift is yet to find a definite articulation. It provides for a reorganization of relations across the state, market and civil society affecting public domain.235 In the changing context, the role of the state is transformed from a regulator to a facilitator of the market. As such many regulatory practices are dismantled, though new ones are getting formed to respond to the changing scenario. Reduction of subsidies and privatization is secured along with the changing precepts of the welfare state. The role of international financial institutions is significantly increased even in defining

235 Ibid., p. 16.
policy and policy framework. At the same time there is also a significant growth in civil society institutions that argue for rights and justice of people.

The government seems to be convinced about providing viable safety nets to the people to manage the drawbacks of globalization. The Planning Strategy chapter of the Ninth Plan acknowledges the need for policy action in various sphere accepting globalization as a reality “which cannot be denied and also should not be avoided”, and ‘needs to be managed so that maximum advantage can be achieved from world markets’. There has been a general progress over the years in the provision of public consumption and welfare measures for the poor in the form of health and sanitation, drinking water, nutrition, housing, education, transport, roads, communication and electricity. But the facilities created are indeed meagre in proportion to the total minimum needs, even though the budget in these years allotted a considerable fraction of the budget to these ends. Jean Dreze says that even if the poverty reduction figures are valid, which many economists dispute, the economy would have to grow at a much faster rate than even the most optimistic estimates if it were to truly improve the lot of the poor.

Indian welfare state was crafted with the eight fold agenda of providing preferential policy to the lower strata of the society; dispense resources to vulnerable sections of society such as, women, children, backward classes; extension of civil and political rights to the vulnerable sections of society; protecting the cultural rights of the linguistic and cultural minorities; provision for federal structure; caring for the individual security of the citizen; institutions to protect national security; and a bureaucracy with developmental priorities. However, in the changed context many of these assumptions of such a welfare state have undergone significant changes. But given the nature of democracy in India as discussed earlier it is impossible to whittle down certain provisions of welfare. State is constrained to commit more welfare activities due to political compulsions today.

The National Common Minimum Programme (NCMP) that the government elected in 2004 espoused is very significant in this regard. By implementing reforms

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and challenging everyone to use the resources more efficiently it identifies efficient management and an improved delivery mechanism as the key to social sector development. The NCMP has emphasized on health, education, employment generation and poverty alleviation as key areas for action thus clarifying the need to investing in social sector as essential to boost up human development index.

The NCMP attaches priority to the development of social sector in order to secure the complete participation of masses in the process of economic growth and development. The significant thrust has been laid to developmental priorities by enumerating National food for work programme in 150 backward regions to provide for the generation of supplementary wage employment and provision of food security. Mid day meal programmes for the children to be attracted to school are prioritized and programmes like food for work, better health care, drinking water, roads and Sarva Shiksha Abiyan have received additional funds from the government. Health insurance for the poor and enhancing credit linking of SHGs are enumerated. One of the positive effects of the NCMP is assessed to be the passage of the Rural Employment Guarantee Act that covers 200 districts out of 600 districts.238

During the 1990s, the Indian economy has fared reasonably well in terms of economic growth and related macro economic indicators and it ranks among the ten fastest growing economies in the world, in contrast with its earlier image of laggard economy.239 The government has also initiated measures to persuade Ministries/Departments towards a close monitoring of the outcomes of the social sector measures.240 The inadequate health and education facilities can render the best policies hollow. Resource scarcity and inadequate mobilizations of resources can dislocate the best of the social sector measures and safety nets. Hence a close monitoring is essential to make the social sector benefits reach the target groups.

240 See, Dolly Arora, op. cit., p.20.