CHAPTER VIII
INDIAN ECONOMIC POLICY AND SOCIAL JUSTICE

“Satisfy my mind, satisfy my speech,
Satisfy my vital power, satisfy my eye,
Satisfy my ear, satisfy my spirit,
Satisfy my progeny, satisfy my herds,
Satisfy my people, let not my people thirst”
Yajur Veda VI. 31.¹

From the time immemorial, man and society has strived to achieve the maximum satisfaction by attempting at various modes and methods. Indian philosophy always advocated and preached self-realisation and spiritual evolvement - a stage with humanity that transcends the temporal characteristics of man².

Indian ideals of life are based on four concepts viz. Artha (wealth), Kama (pleasure), Dharma (righteousness) and Moksha (self-realisation), all these concepts designate the wholeness of life. Human beings should identify oneself with all other living beings and his all pursuits of pleasure must be within the framework of social responsibility. Indian social thought believes in synthesis between science and spirituality and science and technology must always be subordinated to the pattern of social

life and to the societal values. Societal values, social justice and
social welfare were always balanced and equilibrated with
individual upliftment. Claim for 'rights' were considered only
when the duties were performed according to 'dharma'. The
whole social order was based on the eternal principles of justice
and equality.

EVOLUTION OF INDIAN ECONOMIC POLICY IN POST-INDEPENDENCE ERA:

After independence, the Indian philosopher and leaders who
always nurtured these values and principles and were well
conversant with different politico-social systems practised in
different nations of the world tried to give Indian people the best
system they considered, to provide the Indians, solace from
centuries old exploitation and colonialism. Being pragmatic and
not dogmatic in their attitude to all social problems, they tried to
find the middle course between the conflicting claims of diverse
'isms' instead of running their wagon on the set rails of any
particular variant of social philosophy. They conceived of 'the

3. Ibid.
4. During post-vedic, Muslim, British invasion eras, this
equality and societal outlook was degraded and casteism,
separatism and 'divisive outlook was entered into Indian
society which is still present even after decades of
independence.

613
A socialist pattern of society for India which is a harmonious blend of the many good qualities inherent in various economic 'isms'. In concrete terms, the concept of socialist pattern conveys the firm and unbending determination of the State to reduce the income differential and disparities of wealth and provide equal opportunities to all for a fuller and richer life.

In pursuance to achieve this socialist ideal, in its election manifesto of 1945-1946, Indian National Congress expressed its concern for the poverty-stricken Indian masses and resolved to remove the curse of poverty and raise the standard of the masses and to prevent concentration of wealth and power in the hands of the individuals and groups, so that free India may develop into 'Co-operative Commonwealth'. Therefore, it can be seen that the congress started with “Co-operative Commonwealth” and reached

5. The socialist ideal has always been implicit in the congress ideology. As a matter of fact, Gandhism itself has provided a fertile soil for the growth of egalitarianism. The freedom struggle, although its targets were essentially political and nearly all problems had political precedence, continued to imbibe the necessary social and economic content. Only it is difficult to trace with precision the exact origin of socialistic beliefs in terms of Gandhian values.
7. Ibid., p.2.
the ‘Socialist Pattern’ via the ‘Welfare State’.

Mr. Shankerrao Deo, General Secretary of the All India Congress Committee (AICC) in his statement also declared the aim of congress on August 4, 1947 as; (even prior to Independence) which was published in headlines in reputed newspapers:

“To create New Society Based on Social Justice and equality. 'There will be no high no low, nor will there be special privileged classes, nor honours given or homage paid for mere birth. In the ideal society of free and equal men of the future, the status of a man will depend solely on the useful functions he performs, and he will be honoured only for the service that he renders to society’.

Gandhiji always emphasised that life should be judged by its usefulness to society. That test, indeed symbolises the soul of socialism.

9. Supra note 6 at 6. (In historical perspective, the Karachi Congress Resolution in 1931 can, however, be specified as the starting point of Congress socialism, because for the first time a concrete social policy was laid down. It was stated therein that “in order to end the exploitation of masses, political freedom must include real economy freedom of the starving millions”. Further, the Congress Working Committee’s Quit India Resolution of 1942 had declared that in free India, workers and peasants would come into their own and control affairs of the State).


11. Supra note 6 at 8.
After independence (1947) the AICC at its Delhi Session emphasised the urgency of establishing a just social order by mitigating the sufferings of the poor. The resolution stated:

"To establish a first social order and to raise the standard of living of the people, it is necessary to bring about equitable distribution of the existing income and wealth and prevent the growth of disparities in this respect with the progress of industrialisation of the country."\textsuperscript{12}

Jawaharlal Lal Nehru, the architect of Indian Planning, greatly admired the achievements of Soviet Planning and so borrowed the concept of socialism from the Russians, but he also regarded the democratic values of the capitalist society as indispensable for the full growth of a just society.\textsuperscript{13} Thus, in his endeavour to take advantage of the virtues of the two extreme societies which were themselves also undergoing a transformation, Nehru's vision of the new society that was sought to be developed

\textsuperscript{12} All India Congress Committee, Report of the Economic Programmes Committee, New Delhi, 1948.

\textsuperscript{13} Jawahar Lal Nehru set up the National Planning Committee (NPC) in 1938, which considered all aspects of planning and produced a series of studies on different subjects concerned with economic development. The Committee aimed at doubling the standard of living of the people in 10 years.
in India was described as ‘democratic socialism’\textsuperscript{14}. In such a society, socialism and democracy are the means for the creation of a society in which all have equal opportunities to education, employment etc.; and exploitation of one class by another is abolished. To foster the free and fuller growth of human personality is the supreme goal of democratic socialism. If poverty, inequalities of income and wealth are conceived of as obstacles to the realisation of this supreme goal, then it is equally true that the absence of democracy is also an impediment to the realisation of this supreme goal. It is, therefore, of vital significance to reconcile the ideas of socialism and democracy so as to evolve a new pattern of society in which man can realise his self, or his innate nature in a fuller manner, as also to attain a higher standard of material comfort. The basic criterion of economic decisions in a socialist economy is not private profit but social gain and that the pattern of development and the structure

\textsuperscript{14} Ruddar Datt and K.P.M. Sundharam, \textit{Indian Economy} 136-37 (1998). (Recent disintegration of Soviet Russia and political and economic upheavals in other East European socialist countries resulting in the introduction of market-based economy have proved that the vision of Nehru conceived of a holistic approach to development, rather than having a bias only in favour of economic forces, neglecting the urge for freedom and democracy as a part of the development process. India too has been liberalising its economy, reducing government controls and regulations, but at the same time, not throwing overboard the Nehruvian ideology of democratic socialism).
of socio-economic relations be so planned that they result not only in appreciable increase in national income and employment, but also greater equality in incomes and wealth\textsuperscript{15}.

Planning is an essential part of democratic socialism. To be precise, socialism consists of fifty percent planning and fifty percent social justice. Of course, the control is to be exercised not with a view to develop state totalitarianism, but making planning an instrument for social progress. Purposeful planning does not stifle individual initiative. Indeed, by harnessing it new dynamism gets added to social action. There is nothing in conscious planning, which is inherently incompatible with freedom\textsuperscript{16}.

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\textsuperscript{15} \textit{ibid.}, pp.136-138.
\textsuperscript{16} \textit{Supra} note 6 at 9. Also see, \textit{supra} note 14 at 133. (Jawahar Lal Nehru, the architect of planning in India set up the National Planning Committee towards the end of 1938. The Committee considered all aspects of planning and produced a series of studies on different subjects concerned with economic development. Besides, the NPC, eight industrialist conceived “A plan of Economic Development” which was popularly known as the Bombay Plan. There was also a Gandhian Plan which was prepared by Shriman Narayan. The world famous revolutionary M.N. Roy formulated the People’s Plan. All these plans are of historical importance only because they were paper plans which were never implemented. Just after the attainment of Independence, the government set up the Planning Commission in 1950 to assess the country’s need of material capital and human resources so as to formulate plan for their more balanced and effective utilisation. The First Five year Plan commenced in 1950-51 and it was followed by a series of Five Year Plans).
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The socialist objective provided a motive force to millions to move forward in common endeavour, with a single social purpose. A new and dynamic spirit of nascent India, has thus been created. All the efforts extending to the social and economic fields directed towards rebuilding the present social system on a just and equitable basis. The high adventure, although so exhilarating and exciting, calls for a dedicated service of a less spectacular kind, than called for, in the days of freedom struggle. In fact, the State can be said to be steering the process of economic transformation. The State in independent India was envisaged as an active agent and promoter of that process. The Constitution gave the State the responsibility 'to promote the welfare of the people by securing and protecting as effectively as it may be a social order in which justice, social, economic and political, shall inform all the institutions of the national life'.

This noble intention of establishing a social order informed by justice in all spheres was to be operationalised through a mixed economy in which both the private and public sector would have their legitimate roles. In the mixed economy, government also

18. The Division was specified in the Industrial Policy Resolution of 1956.
has a positive role to play in the field of economic activity. The public sector quantitatively less important than the private sector in many respects, was nevertheless assigned a prominent and key role in planned economic development. According to a clear and definite economic plan the public sector will have to be operated according to certain priorities and to achieve certain social and economic goals. Some sectors of strategic and national importance would only be state owned. Private sector should reconcile the elements of self interest with the element of social interest and in certain cases the survival of private enterprises may be made conditional on the fact that it should serve the community at large.

POST-INDEPENDENT ECONOMIC AND PLANNING POLICIES:

In 1948, Government of India adopted Industrial Policy for accelerating the industrial development of the country, a comprehensive package of policy measures which covers various issues connected with different industrial enterprises of the country. This policy was essential for devising various

19. Supra note 14 at 140-41. [The socialistic ideas were also crystallised by Nehru, in his report of the Economic Programme Committee of the AICC, submitted to the Congress President in January 1948, Among other things the report laid down that “our aim should be to evolve a political system, which will combine efficiency of administration with individual liberty and an economic structure which will create a proper balance between urban and rural economies. Such a social structure can provide an alternative to the acquisitive economy of private capitalism, and the regimentation of totalitarian state”].

620
procedures, principles, rules and regulations for controlling such industrial enterprises of the country. The pace, pattern and structure of industrialisation in a country was highly influenced by its industrial policy. A planned economy like India needs a number of well defined policies for different sectors. A sound industrial policy was a necessity for rapid industrialisation. This Policy Resolution contemplated a mixed economy which included both the public sector as well as private sector in the industrial front.

20. P.K. Dhar, *Indian Economy* 484(1998). [The industrial policy also incorporates fiscal policy, monetary policy, the tariff policy, labour policy and the Government’s attitude towards the public and private sectors of the country. Before independence there was no proper policy for determining industrial development of the country. It is only after independence a beginning has been made in this direction].

21. Industrial Policy 1948 divided the various Indian industries into four broad categories i.e. *State Monopolies* which belong to the exclusive monopoly of State like the manufacture of arms and ammunition, the production and control of atomic energy and the ownership of railways; *Basic Industries* like coal, iron and steel, ship building, aircrafts and telephones, new plants of which would be taken only by the Government; *Regulated Industries* includes certain basic industries such as automobiles, tractors, heavy machinery, cement, sugar etc., which would be regulated only by government; *Private Industries* included all the other industries except the above. This Policy Resolution also stressed the importance of cottage and small scale industries, for maintaining sound industrial relations between management and labour and regulated foreign capital - and enterprise especially in respect of industrial technique and knowledge for enhancing the pace of industrialisation in the country. For details see, *ibid.*, pp. 484-485; *Supra* note 14 at 155-56.
Planning in India derives its objectives and social promises from Directive Principles of State Policy enshrined in the Constitution of India. In 1950, Planning Commission was set up to prepare the blueprint of development, taking an overall view of the needs and resources of the country.

Regarding Plans, Jawahar Lal Nehru voiced this sentiment in 1951 at AICC Session when he said:-

"Whatever plan we might make, the test of its success is how far it brings relief to the millions of our peoples, who live in bare subsistence level, that is the good and advancement of the masses of our people. Every other interest must be subordinated to this primary consideration...The whole system of production and distribution has to be reorganised with deliberate object of achieving the ends of social justice"22

Nehru again reiterated this viewpoint at the 59th session of AICC in 1954, when he said:-

"After the attainment of independence, our urgent task has been to devote ourselves to the economic betterment of our people, to raise their standard of living, to remove the curse of poverty and to promote equality and social justice"23.

22. Supra note 8 at 94.
23. Ibid., p. 95.
In pursuance to these objectives, the First Five Year Plan (FYP) (1951-56) also tried to lay a foundation for future development of the economy and rapid agricultural development for self-sufficiency, social justice and to contain inflationary pressures. The First Five Year Plan had a two fold objective to correct the disequilibrium in the economy caused by the second world war and partition of the country and to initiate simultaneously a process of all round balanced development which would ensure a rising national income and a steady improvement in the living standards over a period of time. The overall achievements of First Five Year Plan were more or less satisfactory. The National Income of the country increased by 18% as against the target of 11% and the net output of the agricultural and allied sectors rose by 14.7%. The Plan removed the shortage of food supply and reduced the price level by 13%. Consequently, it was felt that the Indian economy had reached a stage where agriculture could be assigned a lower priority and a forward thrust made in the development of heavy and basic industries of the economy for a more rapid advance in future.

It can be seen that remodelling of existing agrarian structure was thought to be extremely essential in order to ensure the

24. Supra note 20 at 720-730; Supra note 14 at 238.
achievement of the desired objectives in agricultural production in conformity with the well accepted concepts of social justice. The main objectives of land reforms in India were to alter the pattern of land ownership and to bring a systematic structural change in rural society for the attainment of the goal of production and justice\textsuperscript{25}. Therefore, for abolition of zamindari system and intermediary tenures, regulation of rent, security of tenancy, ceiling on land holdings and their consolidation, many legislations were enacted by different states to implement land reforms and to increase agricultural productivity through the removal of agrarian disparities.

But when these legislations were challenged by big landlords and zamindars as violative of their fundamental rights under Arts. 14,19(1) of and 31 (2) diverse opinions were taken by the different High Courts of the country\textsuperscript{26}, which obstructed and delayed the move for the implementation of such agrarian reforms. With a view to set at rest the uncertainty regarding these reforms.

\textsuperscript{25} Supra note 20 at 328-329.

\textsuperscript{26} In Kameshwar Singh v. State of Bihar, AIR 1951 Patna 91, the Bihar Land Reforms Act, 1950 was held to be unconstitutional. In Surya Pal v. State of U.P., AIR 1951 All. 674, the Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1951 was held to be Constitutional. In Shankari Parshad v. U.O.I., AIR 1951 SC 458, the Supreme Court also acknowledged the validity of these agrarian laws.
the Constitution (First Amendment) Act, 1951\(^\text{27}\) was passed, by which Articles 31-A and 31-B were added for saving the laws for acquisition of any estate or any rights therein and saving of laws was specified in newly added Schedule IX (13 entries) which primarily contained land reforms and land tenancy laws abolishing proprietary, zamindari and jagirdari rights.

But then, on the question of adequacy of compensation i.e. compensation equivalent to market value of property acquired or full compensation was made a justiciable issue by the zamindars and controversies appeared and again socio-economic progress of community was adversely affected\(^\text{28}\).

Then, the Parliament passed the Constitution (Fourth Amendment) Act, 1955, which amended Art. 31 (2) and added Art. 31 (2A) providing that when the State compulsorily acquires private property for public purpose, the scale of compensation

\(\text{27.}\) The Union Government with a view to put an end to all this litigation brought forward this Constitution (First Amendment) Bill, which later on passed by requisite majority as Constitution (First Amendment) Act, 1951.

prescribed by the authorising legislation could not be called in question in a court. Ninth Schedule was also amended to add entries from 14-20 related to agrarian reform legislation. The Constitution (Fourth Amendment) Act, 1955 further amended Art. 31A and expanded its scope by adding subclauses (b) to (e) to Art. 31 A (1)

The objective of Indian economic development was declared to be economic growth together with social equity. A resolution by Lok Sabha in 1954 went on to adopt a 'socialistic pattern of society' as its ultimate goal. This was to be achieved through planned and rapid economic growth. Parliamentary democracy and a mixed economy, with the State playing a crucial role, was to provide the institutional framework for economic advance. The correct interpretation of December 1954 Resolution of Parliament and the usual generalisation meant:

"that planning should result in greater equality in income and wealth, that there should be progressive reduction of concentration of incomes, wealth and economic power and that benefits of development

should accrue more and more to the relatively less privileged classes of society, and, in particular, the Scheduled Castes and the Scheduled Tribes."31

The period from 1951 to the mid-1960s was also devoted to accelerating industrial growth32. To control and regulate the process of industrial growth in the country, an Act was passed by the Parliament in October 1951, known as the *Industries (Development and Regulation) Act, 1951* which came into force on May 8, 1952. Though it aimed at both, development and regulation of private sector, its main task over the years has been to concentrate more on the 'regulation' aspect. The main aim of the Act is to channelise the private sector investment as per the direction of the FYPs, making way for balanced regional development, preventing small scale industries from the uneven competition from the large scale industries, preventing

31. The text of the Resolution, adopted by Parliament in December 1954, reads as under:
“(1) The objective of economic policy should be socialistic pattern of society; and (2) Towards this end the tempo of economic activity in general and industrial development in particular should be stepped up to the maximum possible extent.”
This makes the socialist pattern of society, squarely co-extensive with rapid economic development. Also see, D.H. Butani, *India of the 1970s* 44-45(1970).

32. Georgen Rosen, *Industrial Change in India (1970-2000)* 3 (1988). [The indices of industrial growth rose from an annual rate of about 5% after the Second World War, to 7% in the decade of the 1950s, to 9% during the first five years of 1960s].

627
concentration of economic power to particular industrial houses, regulating and taking over those industrial enterprises which are going against public interest.

In order to check the unfair practices adopted by the industries, some restrictive provisions like registration and licensing for new industries or for extension of the existing units and cancellation in case of wrong information, investigations relating to performance of certain specified industries were made. Certain reformative provisions incorporated in the Act include direct regulation or control by government, control on price and supply and constructive measures such as establishing Central Advisory Councils with Development Councils for different products. Initially 37 industries were brought under the purview of the Act and later on their number was raised to 702. All these regulatory and licensing provisions of the Act, 1951 constitute

33. S.K. Mishra and V.K. Puri, *Indian Economy* 556-557 (1998). [Moreover, the Government passed the Indian Companies Act, 1956, Monopolies and Restrictive Trade Practices (MRTP) Act, 1969, Industrial Licensing Policy 1970, so as to restrict, regulate and control the working of the private corporate sector. The MRTP Act, 1969 was designed to prevent restrictive trade practices and also to control the concentration of economic power. The MRTP Commission was assigned with the power to investigate and control monopolies and restrictive trade practices of the MRTP Companies].

34. *Supra* note 20 at 490-491.
Industrial licensing policy, which was criticised on the ground that it led non-utilisation of production capacity, expansion of large industrial houses and economic concentration, increased regional imbalances and promotion of inefficient enterprises.\footnote{Industrial Disputes Act, 1947; Factories Act, 1948; Minimum Wages Act, 1948; Employee’s State Insurance Act, 1948; Employee’s Provident Fund and Misc. Provisions Act, 1952.}

To resolve any kind of industrial crisis and to regulate and co-ordinate industrial activities and progress smoothly, many industrial/labour welfare legislations were codified during this time period.\footnote{Punjab Relief of Indebtness Act, 1934; Punjab Backward Classes (Grant of Loans) Act, 1951.} To provide easy loans and to improve village and small scale industries\footnote{Punjab Khadi and Village Industries Board Act, 1955.} and for the socio-economic upliftment of the villagers, many State Acts were codified. With the advent of industrialisation, to protect and safeguard the interests of consumers from malpractice of manufactures and dealers etc. many consumer laws were enacted.\footnote{Drugs and Cosmetics Act, 1940; Drug Control Act, 1950; Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954, Prevention of Food Adulteration Act, 1954; Essential Commodities Act, 1955.}

\footnote{In 1988-89, the government announced the Industrial delicensing package in which the system of licensing was abolished for those industrial set up in backward areas having investment less than Rs. 50 crores and for those industries located in non-backward areas.}
and legislative actions taken during these preliminary years after independence provided a sound substratum for proper and effective economic planning for the subsequent years.

The Industrial Policy Resolution, 1956 clearly stated the inherent right of State to acquire any industrial undertaking due to which there was rapid expansion of the public sector in basic and heavy industries and private sector investment zoomed in the wake of public sector expansion40.

Resolution adopted at 61st session of the AICC in 1959 also stated:

"the claims of social justice, both in its individual and regional aspects, should always be kept in view and should be made through changes in economic organisation and suitable administrative and fiscal measures. Existing disparities in income and wealth

40. Industrial Policy Resolution of 1956 classified industries into three Schedules: Schedule A (17 industries) industries were to be an exclusive responsibility of the State. Schedule B (12 industries) those which were to be progressively State owned and in which the State would generally set up new enterprises, but in which private enterprise would be expected only to supplement the efforts of the State; and Schedule C - all the remaining industries and their future development would in general be left to the initiative and enterprise of the private sector. These industries had to fit in the framework of social and economic policy of the State and be subject to control in terms of the Industries (Development and Regulation) Act and other relevant legislations. See, H.Venkatasubbiah, Indian Economy Since Independence 94 (1961).
should be removed progressively. The endeavour should be to ensure that the benefits of economic development should accrue to the less privileged classes of society.  

During this phase, two five year plans were adopted. The Second Five Year Plan (1956-61) was a bit more ambitious and bolder in comparison to First Five Year Plan as it was conceived in an atmosphere of economic stability. The basic philosophy of the Second FYP was, give a big push to the economy so that it enters the take off stage. The Plan aimed at rapid industrialisation with particular emphasis on the development of basic and heavy industries, large expansion of employment opportunities and reduction of inequalities in income. The Plan took a strong attempt for rural development and also to achieve socialistic pattern of society. In particular, it stressed that the benefit of economic development should accrue more to the relatively less privileged sections of society and there should be a progressive reduction in the concentration of incomes, wealth and economic power.  

41. *Supra* note 8 at 95. (Even in Avadi Resolution, U.N. Dhebar observed: “Broadly speaking, our aim is the establishment of a social order, which will secure to the individual citizen in the country equal opportunity to evolve himself, free from exploitation of any kind”).

During Second Five Year Plan, national income increased by 20% against the target of 25% and per capita income increased by 8% only. Industrial sector achieved a remarkable progress. Small scale and village industries also achieved a good rate of progress. During this plan social services like education and health services also improved a lot.\(^43\)

**Third Five Year Plan (1961-66)** aimed at securing a marked advance towards self-sustaining growth with the help of community development programmes.\(^44\) The objectives of the Plan were to secure an increase in the national income, to achieve self-sufficiency in food-grains and increase in agricultural production, to expand basic industries and to establish machine

\(^43\) For details see, *supra* note 20 at 730-731; Manorama Yearbook, p. 532, (2000).

\(^44\) Community Development Programmes (CDPs) were started during early fifties to carry forward Gandhi's concepts of grass root level of self reliance and voluntary planning. It is a process of social action in which the people of a community organise themselves in planning and action; define their common and individual needs and problems; make group and individual plans with maximum reliance upon community resources and supplement these resources where necessary with service and material from governmental and non-governmental agencies outside the community. CDPs was to bring with its ambit agriculture and irrigation, education, health and housing, communications and social infrastructure, employment and training. It was also considered as an attempt to change the attitudes and orientation of the rural people and draw them into the main stream of national development. See, *supra* note 17 at 69.
building capacity to utilise fully the manpower resources of the country and ensure substantial expansion in employment opportunities and to establish progressively greater equality of opportunity and bring about reduction in disparities of income and wealth\textsuperscript{45}.

The Bhubaneswar Session of AICC in 1964 also adopted a resolution which emphatically stated its resolve to curb the prevalence of anti-social practices which have a bearing on the concentration of wealth, growth of disparities and monopolistic trends. The presence of large amount of unaccounted money in the hands of unscrupulous individual, resulting in large distortions in the economy should be met by systematic and strong action\textsuperscript{46}.

The Third Five Year Plan itself admitted the fact that the benefits of community development programmes did not reach the less privileged sections of the village community in adequate measures. However, it maintained that the welfare of the weaker sections is closely related to that of the village community as a whole. Hence, the essential aim must be to bring about a more productive agricultural economy and a larger range of non-agricultural occupation in the village so as to increase production.

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45. Supra note 14 at 238.
46. Supra note 8 at 95.
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The implication was that despite earlier experience economic growth by itself was be expected to raise the levels of living of the weaker sections, possibly via the 'trickle down effect'.

Although the Third Five Year Plan started with much hope but its result was disappointing. The Plan had to face number of difficult situations which arose due to financial difficulties, foreign exchange crisis, adverse weather, Chinese aggression and Indo-Pak War. All these factors led to serious shortfalls in achieving various targets. The annual average growth rate during the Third Five Year Plan was just 4% as against the target of 5%. During the Plan, national income increased by only 12%. Production capacity of only some of the important industries were expanded substantially. Import substitution programme made a good progress and some petro-chemical industries were also set up. As the country had to face a lot of hurdles during this Plan.

47. D.S. Thakur, *Economic Growth, Development and Distributive Justice in Developing Countries with Special Reference to India* 343 (1996).
48. ibid., pp. 86-87. (Trickle Down Hypothesis is the assumption that at higher levels of economic growth, equitable distribution of income and productive assets will take place automatically. According to this hypothesis the inequalities in income distribution first increases then declines with growth).
thus the launching of Fourth FYP was delayed by three years and during this period 1966 and 1969 three adhoc Annual Plans were continued.\footnote{Supra note 20 at 733.}

Due to considerable strain on economy and severe drought in the first of the three \textbf{Annual Plans (1966-69)} targets regarding agriculture, irrigation and industry could not be achieved. Fortunately during 1967-68, a process of recovery set in and it continued in 1968-69 also. National income rose due to good harvest. In the third Annual Plan i.e. in 1968-69, the agricultural production attained in 1967-68 was maintained and led to a stability in prices and a striking improvement in the balance of payments. To sum up, at the end of the three Annual Plans i.e. on the eve of the Fourth Plan, the economy was in a phase of relative economic stability and provided favourable condition for carrying the economy forward in the Fourth Plan.\footnote{Supra note 14 at 24.}

It may be recalled that in 1960 the Government of India appointed a Mahalanobis Committee on the 'Distribution of Income and levels of Income'. Two reports were submitted by this Committee, one in 1964, the other in 1969. As regards agriculture, the committee found "no appreciable reduction in inequality."

\footnote{Supra note 20 at 733.} \footnote{Supra note 14 at 24.}
between 1953-54 and 1959-60, inspite of the fact that a good many land reforms measures had been enacted during the period. The Committee also observed that there was concentration of economic power in the private sector and that the working of the planned economy itself was mainly responsible for growth of big companies. It also observed that years of planning had created considerable degree of inequality and a small section of society was controlling a major part of the private sector. The Committee therefore, firstly advocated the institution of Monopolies Inquiry Commission (MIC) to go into the details of concentration of monopoly capital, then recommended for a permanent body for the purpose of checking the growth of concentration of economic power in few hands, then Monopolies and Restrictive Trade Practices Commission (MRTP Commission) was set up on 6th Aug, 1970.

In continuation with the land reform efforts, vide Constitution (Seventeenth Amendment) Act, 1964, Article 31-A was further amended and 31-A (1) proviso was added and 31-A (2) (a) was recast. Schedule IX was amended and 44 new land reform laws were added. Again the Amended Act raised the controversial question of compensation provided that if State

51. Quoted in supra note 8 at 3.
acquires land which is under personal cultivation of the owner and within the ceiling limit; compensation has to be paid at the market value of the property so acquired. Then Supreme Court clarified its stand that extent of adequacy of compensation cannot be question in a court, but the issue of justifiability of compensation can be entertained by the courts if it is illusory or preceded upon principles irrelevant to its determination. But in the very same year, the Supreme Court reverted back to the 'just equivalent' doctrine, which implied that the question of granting of compensation and adequacy thereof are justiciable issues and court has the jurisdiction to deal with them.

Many socio-economic welfare legislations were passed during this phase to improve labour conditions and conditions relating to women and children.

**QUALITATIVE MEASURES OF DEVELOPMENT:**

The Fourth Five Year Plan (1969-70 to 1973-74) was

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formulated in 1969 with a view to putting the economy back on the planned path. Extensively quoting from the Constitution and earlier plan documents, the Fourth plan stated: 'the broad objectives of planning could be rapid economic development accompanied by a continuous progress towards equality and social justice and the establishment of social and economic democracy'. The narrowing of disparities of income and levels of living is recognised to be necessary so that 'the process of economic development does not lead to social tensions endangering the fabric of democratic society'. These statements show a clear awareness of the social tensions emerging during the deceleration phase\textsuperscript{55}

The Fourth Plan set before itself two main objectives 'growth with stability' and 'progressive achievement of self-reliance'. The Plan aimed at an average 5.5% rate of growth in the national income and the provision of national minimum for the weaker sections of the community - the latter came to be known as the objectives of 'growth with justice' and 'Garibi Hatao' (Removal of Poverty)\textsuperscript{56}. It aimed at accelerating the tempo of development in conditions of stability and at reducing fluctuations

\textsuperscript{55} supra note 47 at 343-344.

\textsuperscript{56} supra note 14 at 239.
in agricultural production as well as the impact of uncertainties of foreign aid. It aimed at raising the standard of people through programmes which at the same time designed to promote equality and social justice. The Plan laid particular emphasis on improving the conditions of the less privileged and weaker sections of the society. The Fourth Plan introduced the New Agricultural Strategy or Green Revolution for the modernisation of agricultural sector, to increase agriculture production and productivity. But due to widespread drought, the growth rate of agricultural sector was slowed down. The Green Revolution was confined to Punjab and Haryana and its extent or coverage was limited to wheat production alone. Although the Plan aimed at growth with stability but due to failure in both agricultural and industrial front, the price level reached the highest level till then.

In short, the Fourth Plan turned out to be a plan with shortfalls all along: foodgrains shortage, commercial crops with shortages, power shortage, steel ingots short, cement, coal, iron, sugar, aluminium, cotton cloth short by varying percentage. All these shortages clearly indicate a poor performance. The concern

57. Supra note 20 at 734-735. (The Fourth Plan had to face a lot of adverse situations like Indo-Pak war in December, 1971, huge influx of refugees from Bangladesh, widespread drought, power breakdown, suspension of foreign aid, run away inflation, oil price hike since Sep, 1973).
for growth and social justice became genuine with the realisation that the much expected “trickle down” - on which so much hope for poverty alleviation was based did not come about. While this is true in general about most of the developing countries of the world, the problem became particularly acute in case of India, where four decades of planning did not cause any substantial upliftment of the poor. In fact, doubts still persist about the kind of strategy adopted, growth achieved and benefits distributed in India.\(^5^8\)

Pertinent questions in the context of poverty eradication relate to the mechanisms by which poverty is eradicated and their feasibility in a given institutional framework. As regards the mechanisms, there are broadly two logical alternatives. First, if a continuous growth can be sustained and the percolation effect ensure, absolute poverty would decline overtime and eventually be eliminated. The faster the rate of economic growth, the shorter the period required for the removal of poverty. Alternatively given the magnitude of poverty, if the maximum feasible rate of economic growth is likely to take an unacceptably long time for poverty eradication, or the removal of poverty is to be a

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\(^5^8\) Supra note 47 at 250.
precondition for growth, then a re-distributive strategy\textsuperscript{59} becomes unavoidable. Moreover, the eradication of persistent poverty requires raising the earning potential of poor households in a sustained fashion which, in turn, necessitates a reorganisation of production and distribution processes. It is obvious, therefore, that in implementation, re-distributive strategy is bound to create social conflicts on a much higher scale than what is implied in growth oriented strategy. Consequently, the feasibility of poverty eradication programmes is crucially governed by the capacity of the institutional framework to resolve such conflicts and effectively transmit those programmes at the ground level\textsuperscript{60}.

At the land reforms level, to nullify the effect of judicial decisions and surmount the difficulties in implementation of socio-economic reforms, the Constitution (Twenty-fourth Amendment) Act, 1971 and the Constitution (Twenty-fifth Amendment) Act, 1971 were passed. The word ‘compensation was substituted and ‘amount’ was inserted to resolve the issue of compensation and expressly declared the ‘adequacy of amount’ is

\textsuperscript{59} Redistribution, by its very nature, involves voluntary or forced sacrifices from the existing economically and socially dominant sections of the community in order to benefit the weaker sections.

\textsuperscript{60} Supra note 47 at 292.
non-justiciable issue. Article 31-C was added to provide immunity to the laws enacted for the implementation of Directive Principles of State Policy contained in Article 39 (b) and (c), notwithstanding their inconsistency with Fundamental Rights conferred by Arts. 14, 19 and 31. The total attempt was patently to redeem the dream of founding fathers. In historical judgment given by Supreme Court in *Kesavananda Bharati v. State of Kerala*\(^\text{61}\) by majority of 7:6 held that under Art. 13 (2), the amending power or the constituent power of Parliament was plenary and unlimited except to the extent of inviolability of basic structure of the Constitution. The court upheld the main provision of Article 31-C, but struck down the latter portion contemplating that no court on the ground that the same violated basic structure of the Constitution of judicial review and reposing finality to judge the ingredients of the validity in the legislature\(^\text{62}\).

In 1969, the Chief Ministers’ Conference was called in

\(^{61}\) AIR 1973 SC 1461.
Delhi which laid emphasis for a Central Body for watching the progress of land reforms. This demand was further reiterated in 1970. Accordingly, a Committee which is known as Central Land Reforms Committee was organised under the chairmanship of Union Agriculture Minister. The Committee was to advise the government from time to time upon the operation progress and effects of measures on land reforms.  

Many important legislations relating to land reforms, ceiling on land holdings and distribution of surplus land were codified for further removal of disparities and concentration of wealth and resources.

Many employment programmes were launched to solve the problem of ever increasing unemployment such as Rural Works Programmes to generate employment opportunities and for the construction of civil works of a permanent nature; Marginal Farmers and Agricultural Labourers (MFAL) Development agencies for marginal farmers and agricultural labourers for assisting them with subsidised credit support for agricultural and subsidiary occupations like poultry, fishery, dairy, horticulture etc.; Small Farmers Development Agencies to provide small

farmers with credit so that they could avail latest technology for intensive agriculture to diversify their activities; Half-A Million Job Programme to tackle the problem of educated unemployment; Cash Programme for Rural Employment for generating additional employment through the introduction of various productive and labour-intensive rural projects and many other similar schemes and programmes.

Contract labour was also regulated and abolished with the help of enactment of Contract Labour (Regulation and Abolition) Act, 1970. Payment of Gratuity Act, 1972 was also passed. Environment Protection received some attention in the wake of increasing industrialisation and especially Water (Prevention and Control of Pollution) Act, 1974 was passed to give foremost priority to conserve and protect this basic necessity of mankind.

Another important attempt at institution transformation was the nationalisation of the major commercial banks in 1969 vide Bank Nationalisation Act, 196965. This was presented as the

65. Fourteen banks were nationalised in order to avoid concentration of wealth to the common detriment, but the attitude of judiciary was a bit non-cooperative at this point of time. In R.C. Cooper v. U.O.I., AIR 1970 SC 564, the Supreme Court declared the Act void under Article 31 (2) again on the question of compensation, the effect of which was nullified with the help of the Constitution (Twenty-fifth Amendment) Act, 1971. It also added new Article 31 (2B) and 31 C.
crucial step to ensure that the public sector controlled and directed the ‘commanding heights’ of the economy, thereby shaping its transformation. In particular, it aimed to get the banking system (hitherto urban-based) to move out into the rural areas and cater to agriculture and other identified priority sectors. Bank credit was also to be made available to the less advantaged\textsuperscript{66}.

\textit{Vide}, Constitution (Twenty-sixth Amendment) Act, 1971, the Parliament abolished privy purses and withdrew the privileges and recognition given to former rulers of princely States. The courts interfered with the Presidential order abolishing privy purses and held it unconstitutional\textsuperscript{67}. Parliament again safeguarded social interest by repealing Articles 291 and 363\textsuperscript{68} and newly added Art. 363 (A) provided for the withdrawal of recognition granted to the to former rulers of princely states to cease and thereby abolition of privy purses.

Amidst large institutional and structural changes, \textbf{Fifth Five Year Plan (1974-79)} was passed. The two main objectives of the

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66. \textit{Supra} note 17 at 70.

\normalsize
Fifth FYP were the removal of poverty and attainment of self-reliance through promotion of higher rate of growth, better distribution of income and a very significant step up in the domestic rate of saving.

Fifth Plan Document laid emphasis on the generation of employment in rural areas and aimed at absorbing the increments in the labour force during the Plan period by stepping up rates of public investment. Food-for-work-scheme was introduced in April, 1977 for benefiting the rural poor and more particularly the landless agricultural labourers.

The Licensing Policy initiated in 1951 was analysed and reviewed by the Industrial Licensing Policy Enquiry Committee appointed by the Government in 1967. Consequently, Dutt Committee Report held that the industrial licensing which was supposed to act as an instrument of industrial development

69. Under this scheme, apart from wages those workers engaged in rural works were also paid in terms of food grains. The Central Government supplied these food grains to the State Government free of charge. In this way, off-season employments were made available to rural unemployed.

70. The Government of India appointed a Committee in July, 1967 known as Industrial Licensing Policy Inquiry Committee to enquire into the working of the licensing system during the past two years, under the guidance and chairmanship of Mr. Subimal Dutt, thus known as Dutt Committee, which submitted its report in July 1969.
became an impediment. According to this Committee's report, the industrial licensing system failed to achieve the objective of planned economic development as well as of preventing concentration of economic power. Preference given to large private industrial sector of metropolitan towns and cities as compared to small towns for grant of licences highlighted the locational concentration of licences. The licensing system in actual practice provided a disproportionately large share in new licensed capacity to the large industrial sector. Thus, in a way, it resulted in pre-emption of capacities much in excess of the levels of production. This situation forestalled the entry of new entrepreneurs. The licensing system also did not help in balanced regional development of the industrial structure and failed with respect to foreign collaboration. This Committee recognised the fact that industrial licensing was a negative instrument and suggested a number of measures for improving the licensing system. The Committee advocated for the establishment of a 'core sector' consisting of industries of basic, critical and strategic importance to the economy and the industrial houses should be restricted to this core sector only. The Committee felt that it would check the infiltration and proliferation of large industrial houses in large number of products and industries and
this would also limit them to a restricted area of bumpy investment. The Committee also advocated for the setting up of a joint sector and recommended that government should take an ‘active part in direction and control’ of the aided industrial projects so as to ensure their management as per the overall policies laid down by the Government71.

Then, therefore, on the recommendation of Dutt Committee Report. New Licensing Policy, 1970 was introduced, which accepted this report in principle and Schedule A industries of Industrial Policy Resolution, 1956 were made ‘core sector’ reserved for public sector. The concept of ‘joint sector’ was also accepted. The existing policy of reservation for the small scale sector was to be continued and the area of such reservation was to be extended. The exemption limit from licensing provisions including licensing of new undertakings and substantial expansion of existing units was to be raised from Rs. 25 lakh to Rs. 1 crores72.

Industrial Policy Statement of 1973 modified licensing policy and procedures further and initiated a wave of liberalisation. The Government delicenced 21 industries and

71. Supra note 14 at 164; supra note 21 at 491-493.
72. Ibid.
permitted unlimited expansion beyond the licensed capacities to foreign companies and monopoly houses in 30 other important industries\(^73\). Cooperatives and small and medium entrepreneurs were encouraged and joint sector was developed as a promotional instrument in priority areas by the Government (both Centre and the State). This policy also expanded the area of core sector which would now include 19 industry groups as compared to 9 industries permitted in 1970 policy\(^74\).

In March, 1977, with the change in Government at the Centre, Fifth Five Year Plan was terminated the at the end of the fourth year of the Plan in March 1978\(^75\) and work was initiated for a new Plan for the next five years with new priorities and programmes with a changed socio-economic outlook. The new concept of continuous long term called ‘rolling programme’ or

\begin{itemize}
\item \(^73\) The unlimited expansion of production by monopoly houses and foreign companies was allowed subject to the condition that the excess production was either exported or sold in accordance with directions of the Government.
\item \(^74\) Supra note 20 at 493.
\item \(^75\) There were two Sixth Five Year Plans - the Janta Party Sixth Plan (1978-83) and New Sixth Plan (1980-85) after the change in government in 1979.
\end{itemize}
'rolling plan' was formulated. The Sixth Five Year Plan (1978-83) sought to reconcile the objectives of higher production with those of greater employment so that millions of people living below the poverty line could benefit therefrom. The focus of this Plan was enlargement the employment potential in agriculture and allied activities, encouragement of household and small industries producing consumer goods for mass consumption and to raise the incomes of the lowest income classes through Minimum Needs Programme.

In 1977, the Govt. also declared Industrial Policy Statement (IPS). The main thrust of this policy was to encourage small scale and cottage industries as against the large scale industries dominated by big industrial houses and multinationals.

This Policy restricted the scope of large business houses so that no unit of the same business group acquired a dominant and monopolistic position in the market. The role of large-scale industrial sector would be related to the programme for meeting the basic minimum needs of the population through wider dispersion of small scale and village industries and to the strengthening of the agricultural sector. The Industrial Policy Statement, 1977 prescribed basic industries, capital goods
industries, high technology and other industries outside the list of reserved items for small-scale sector for large-scale sector. Promotion of technological self-reliance through the inflow of technology in sophisticated areas is another feature of Industrial Policy Statement, 1977. It also put emphasis on reducing the occurrence of labour unrest. The Government encouraged the worker’s participation in management from shop floor level to board level. The policy also further liberalised the industrial licensing system by raising the ceiling of exemption limit from 1 crore to 3 crore for some units and M.R.T.P. Companies with some conditions.

The Planning Commission in the Draft Five Year Plan 1978-83 observed that ‘trends in the distribution of income and wealth are difficult to discern, but the evidence of persistence of gross inequalities is clear.’ There was greater concentration of income in the urban sector than in the rural sector. The estimated average annual income of the top most decile was about eighteen times that of the lowest decile in urban sector, while for the rural sector

76. Supra note 14 at 157-159; supra note 21 at 487-488.
Causes of income inequalities can be numerous such as, inequalities in land ownership policy and concentration of tangible wealth in the rural sector; private ownership of industries, trade and buildings only with a microscopic minority (control over vast assets by few) inequalities in professional training (incomes of professionals, business executives quite high, only children of elites has access to higher and professional education), income distribution, inflation and price rise, inequity in credit facilities, urban bias in private investments (70% of population lives in rural areas and 70% of private investment goes to industries in urban areas) etc.

The trend towards socio-economic upliftment of the country culminated with the specific addition of word ‘socialist’ in the

77. Government of India, Planning Commission, Draft Five Year Plan (1978-83). [Analysis of consumption expenditure (data source: National Sample Survey - 28th Round) shows that in 1973-74 the lowest 20% amounted for 9.5% of total consumption in rural areas while the highest 20% accounted for 38%. For urban areas the corresponding figures were 9.2% and 40%. The concentration ratios for two distributions were 0.27 and 0.30. The inequality of income for both groups would be greater than consumption inequalities. Taking all the estimates together, it can be said that the bottom 20% of the population had a share of about 7.5% of total personal income; the top 20% of the population had a share of about 47%].
solemn resolve contained in the Preamble vide Constitution (Forty-second Amendment) Act, 1976. This amendment made many sweeping and fundamental alterations in the Constitutional structure that it was aptly described as ‘mini Constitution’ engrafted on the main document. Upliftment of caste-ridden population by providing them justice in every avenue in the society is the march towards ‘socialist approach’ in this phase by legislative efforts which were supplemented by the judiciary. Apart from amending Article 31-C so as to provide immunity to the laws enacted for the implementation of any of the Directive Principles of State Policy i.e. Part IV instead of those contained in Articles 39 (b) and (c) only78. This Amendment Act also sought to make Directive Principles more meaningful and elaborate by inserting new provisions in this part of the Constitution, such as Arts. 39-A79 43-A,80 48-A81 Part IV A82 and substituting

78. Inserted by the Constitution (Forty-second Amendment) Act, 1976. [Held unconstitutional and as violative of the basic feature of the Constitution in Minerva Mills v. U.O.I., AIR 1980 SC 1789].
79. Inserted by ibid. [Art. 39-A: Equal justice and free Legal Aid].
80. Inserted by ibid. [Art. 43-A: Participation of workers in management of industries].
81. Inserted by ibid. [Art. 48-A: Protection and improvement of environment and safeguarding of forests and wild life].
82. Inserted by ibid. [Part IV-A, Art. 51-A (a) - (j):Fundamental Duties].
Equal Remuneration Act, 1976 was also passed to give equal remuneration to all classes and categories of workers. Bonded Labour was abolished totally and was made punishable to practise in any part of the country. For further streamlining the land reforms and to regulate the land in urban areas, the Urban Land (Ceiling and Regulations) Act, 1976 was passed. Punjab Agricultural Indebtness (Relief) Act, 1975; Punjab Prevention of Anti-Social and Hazardous Activities Act, 1976; Cigarettes (Regulation and of Protection) Act, 1975; Standard of Weight and Measures Act, 1976 are some other enactments enacted during this phase of socio-economic development.

In 1974, Parliament passed the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA) as an economic adjunct of Maintenance of Internal Security Act, 1971 (MISA). MISA was repealed in 1979, but COFEPOSA still remains.

During this period, the Government’s major achievement

83. Inserted by ibid. [Art. 39(f) : Certain principles of policy to be followed by the State with respect to children].
85. Urban Land (Ceiling and Regulation) Act, 1976 has been repealed by Urban Land (Ceiling and Regulation) Repeal Act, 1999.
was to make right of property a ‘legal right’, which was hitherto a Fundamental Right and which had created many problems in the implementation of agrarian reforms. This amendment repealed Art.19 (1) (f) and Article 31. The provision of Clause (1) of Article 31, however, has been re-enacted as Article 300-A which provides:

Article 300-A: Persons not to be deprived of property save by authority of law - No person shall be deprived of his property save by authority of law.86

Now the right of property is more firmly and comprehensively secured under the Constitution than ever before87.

86. The Constitution (Forty-fourth Amendment) Act, 1978. [Article 300-A ‘Right to Property’ has been kept under Part XII of the Constitution].

87. But some authors have also criticised this change. See, P.K. Tripathi, “Right to Property after Forty-fourth Amendment: Better Protected than Ever Before”. AIR 1980 (Journal) 49-52 at 49; H.M. Seervai, Constitutional Law of India, vol II, pp. 1072-1073 (1984); Dr. T.K. Tope, “Forty-Fourth Amendment and Right of Property” (1979) 4 S.C.C. (Journal) 27 at 33; Upendra Baxi, Indian Supreme Court and Politics 168 (1980). These authors criticised this amendment. According to them, the fundamental freedoms mentioned under Arts. 19 (1) (a) to (e) are interconnected and the remaining freedoms cannot be enjoyed unless there is right to acquire, hold and dispose of property and this change has been made only to fulfill a part of pledge given in Janta Party Manifesto for the 1977 parliamentary elections.
Judiciary also continued its positive trend in upholding the various socio-economic legislations. The Supreme Court had played an active role in implementing agrarian reforms and have shown their creative attitude to give meaning to the Directive Principles and to create a social order based on social justice\(^88\).

The Constitution (Forty-fourth Amendment) Act, 1978 also amended certain Fundamental Rights including under Arts.31-A,\(^89\) 31-C\(^90\) and Directive Principles under Art. 38\(^91\) for securing a better social order based on justice and equality.

**PARTIAL LIBERALISATION AND PERIOD OF HIGH GROWTH:**

The **New Sixth Five Year Plan (1980-85)** was again introduced with the change in govt. aiming at a direct attack on the problem of poverty by creating conditions of an expanding

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89. The Constitution (Forty-fourth Amendment) Act, 1978. [In Art. 31 A(1), for the words ‘Articles 14, 19 or 31’, the words ‘Articles 14 or 19’ shall be substituted].

90. *Ibid.* [In Art. 31-C for words ‘Articles 14, 19 or 31’ the words ‘Articles 14 and 19 shall be substituted’].

91. *Ibid.* [Article 38 (2) was inserted].
economy. It declared that the removal of poverty is the foremost objective, but then goes on to add that the attack on the problem of poverty is most effective only in the conditions of an expanding economy. It admits, however, that since growth by itself may not suffice, other programmes and policies will need to be adopted with the specific aim of improving the living conditions of the masses and to bring about a reduction in inequalities of income and wealth. Consequently, unlike the previous version for 1978-83 the primacy of the growth objective has been restored and there is a return of the growth with redistribution strategy of the Draft Fifth Plan92.

The Plan, inspite of all odds against it was a success. The targets regarding growth rate, production and poverty alleviation were achieved. The realised rate of growth in industrial sector was much below the Plan target; otherwise the Plan made a fairly convincing success in strengthening the impulse of overall growth and justice93.

Many Employment policies in the Sixth Five Year Plan were launched such as, National Rural Employment Programme

92. Supra note 47 at 346.
93. The percentage of population below poverty line has declined from 48.3% in 1977-78 to 37.3% in 1983-84 and then to nearly 35% in 1984-85.
(NREP) which replaced Food-For-Work Programme in October, 1980. In this programme, State Govts. received Central assistance both in terms of foodgrains and cash for undertaking productive works in the rural areas on 50:50 sharing basis between the Centre and the State. Under NREP, development projects aimed at generating employment for the rural poor during lean agricultural period. Integrated Rural Development Programme (IRDP) was introduced on 2nd October, 1980. This programme was a multi-pronged attack on the problem of rural development and was designed as an anti-poverty programme. It, however, through a programme of asset endowment also meant to provide self employment in a variety of activities in primary, secondary and tertiary sectors. The assets provided to these households were financed through a mix of government subsidy and institutional credit. The operational strategy of IRDP intended to follow the 'household approach' rather than individual approach. The poorest households would be identified and the economic upliftment of these households would be sought through a package of activities involving all working members with particular attention being given to women. It was proposed to cover 3000 families on an average in each block and bring them above the poverty line over
the full 5 years period (1980-85). It is important to emphasise that during 1975-80 although the industrial licensing system was not formally withdrawn but the restrictive measures were reduced. During this period, the regulatory mechanism of industrial and import licensing system was relaxed to pave way towards deregulation and liberalisation of the economy.

New Industrial Policy, 1980 was announced by the Government, which endorsed the Industrial Policy Resolution, 1956 and intended to follow a 'pragmatic' approach. It reversed the trend followed by Industrial Policy Statement, 1977 and launched a drive to revive the efficiency of public sector undertakings and asserted the integrating industrial development in the private sector by promoting the concept of 'economic

94. For further details see, supra note 14 at 247-248; supra note 20 at 813. [During Sixth Plan, overall growth rate of employment increased by 4.32% and other programmes were introduced such as IRDP and RLEGP, which continued during Seventh Plan also].

95. Based on recommendations of Sondhi Committee and Alexander Committee, the import of capital goods, industrial raw materials and components were substantially liberalised in 1978 and 1979. The Trade Policies of 1977-78 sought to reduce the number of controls and regulations to a minimum and to enlarge substantially the scope of liberalisation of import to boost exports. A large number of raw materials components and consumables were put in the Open General Licence (OGL) list. The number of items whose imports was banned was reduce from 59 to 17.
federalism'. Industrial Policy, 1980 obliterated the artificial diversion between small and large scale industry under misconception that their interests are essentially conflicting. The Industrial Policy, 1980 redefined small units to increase their investment limits and emphasised the need to promote suitable industries in rural areas to generate higher employment and higher per-capita income for the villagers in the country without disturbing the ecological balance. Industrial Policy, 1980 further simplified the procedure for regularisation of unauthorised excess capacity in excess of the licensed capacities. All these efforts were made to be for the utilisation of capacity and maximization of production 96.

The Industrial Policy, 1980 was guided merely by consideration of growth. It liberalised licensing for large and big business but by blurring the distinction between small scale and large scale industries it seeks to promote the latter at the cost of

96. For further details see, supra note 14 at 16-61; supra note 20 at 488-490. (Earlier such liberalisation was made in 1975. year after year, the Government is to regularise the illegally installed capacities. The rationale behind the government legislation to control economic activity was to curb the growth of monopoly capital. Obviously, the government intends to gloss over the socio-economic objectives of concentration of economic power in favour of the pragmatic policies to boost production).
the former. Broadly speaking, the Industrial Policy, 1980 chose a more capital intensive path of development and thus it underplayed the employment objective97.

The Government of India’s Economic Survey for 1984-1985 states:

"[Our] industrial performance has been unsatisfactory and a large area of the industrial sectors has been facing chronic structural problems.....[Such] disappointing performance.....is not limited to the Sixth Plan Period. (1980-85). It was also a feature of the preceding fifteen years......[If] the economy is to enjoy sustained growth at annual rates of 5% or higher, then the long term growth of industry must accelerate to 8 or 9% a year......The efficiency of industrial enterprises will have to improve marked by. The framework of industrial policy may also require changes, but such reforms will only yield expected results if industry responds with dynamism and responsibility"98.

During eighties, various steps were taken by the Government for liberalising the industrial policy of the country. In order to liberalise the industries, the exemption limit of licensing was continuously enhanced for non-MRTP and non-

97. Ibid.
FERA companies. The Government made provisions for various relaxations to these companies in order to expand industrial production and also to promote exports. In order of encourage industries, the Government delicensed many broad categories of industries, (which do not fall within the purview of MRTP Act or FERA) which do not produce those articles reserved for small scale industries and the undertaking is not located in an urban area. Re-endorsement of capacity for maximum capacity utilisation, broad banding of industries, minimum economic scales of operation to encourage and expansion are the other features of

99. The Monopolies and Restrictive Trade Practices (Amendment) Act 1980 revised the definition of dominant undertaking alongwith the definition of the term production of an undertaking so as to mean goods produced by it for the domestic market. The Amendment Act of 1982 classified the dominant undertakings covered under IDRA 1951 into those having licensing capacity and others not having licensed capacity. Another important change in the MRTP Act was related to the power given to the government so as to grant outright exemption in respect of certain proposals for considerable expansion and also new units from the purview of MRTP Act. These exemptions are mostly related to the proposals of (a) industry of high national priority (b) raising production exclusively for export and (c) industry which is established or proposed to be established in a free trade zone. The Amending Act of 1984 attempted to clarify certain definitions for including certain categories which were earlier left uncovered. As per the recommendation of the Sachar Committee, the monopolies in the public sector has been included within the purview of MRTP Act.
In order to develop backward areas, the Government extended the scheme of delicensing in March 1986 to MRTP and FERA companies engaged in 20 industries in Appendix I for their location in centrally declared backward areas. Later on the scheme was also extended to many other industries and income tax relief was also granted to new industrial undertakings. In order to promote exports, the Government announced various concessions in its industrial and export-import (EXIM) policy. Investment limit of small scale and ancillary units was also enhanced and many reserved items were dereserved and kept open for medium and large scale sector.

The Seventh Five Year Plan (1985-90) has been framed against a long term perspective covering the 15 year period, (1985-2000). The investment programmes and the policy initiatives for the Seventh Plan were related to the goals that the nation has for the year 2000, as it emerges into the 21st Century. In more concrete terms this means the elimination of poverty and creating conditions of near full-employment, the satisfaction of the basic needs of the people in terms of food, clothing and

100. Supra note 20 at 494-495.
shelter, attainment of universal elementary education and access to health facilities for all. The aim was to create, by the year 2000, the conditions of self-sustaining growth in terms of both the capacity to finance growth internally and the development of technology. In the sphere of industry, efficiency must be progressively improved so as to attain international competitiveness in major products. The aim was to make India a modern, technologically progressive economy with expanding capacity to provide the basic material and cultural requisites of well-being for all people. Thus, the Seventh Plan laid emphasis on development, equity and social justice through the achievement of self-reliance, efficiency and increased production. Thus the Seventh Plan was mainly devoted to carry on ceaseless works 'food, work and productivity'. Besides, the Seventh Plan also envisaged the confirmation and expansion of NREP (National Rural Employment Programme) and Rural Landless Employment Guarantee Programme (RLEGP) (which was started in the Sixth Five Year Plan)\textsuperscript{101} and the scheme of Training Rural Youth for Self Employment (TRYSEM) which was initiated in 1979 with the objective of tackling unemployment problem among the rural

\textsuperscript{101} Supra note 14 at 259.
youth. The Govt. also announced a new wage employment scheme in February 1989 for intensive employment creation in 120 backward districts named Jawahar Rojgar Yojna (JRY). But wrong identification of families to be helped, outright leakages through corruption and malpractices, overwhelming bias towards animal husbandry, inadequacy of banking infrastructure in certain areas and non adoption of the cluster-group approach were identified as the major weaknesses in the effective implementation of these programmes. Forest Conservation Act, 1980; Air (Prevention and Control of Pollution) Act, 1981 and Environment Act, 1986 were enacted for the conservation and protection of natural resources and environment in the wake of increasing industrialisation.

It is heartening to note that per capita national net

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102. Under this scheme 40 youths were to be selected from each block and for being eligible for selection, the person should belong to a rural family having an income less than Rs. 3500 per year. In making selection, members of Scheduled Castes and Scheduled Tribes were given preference.

103. However, later on, it was felt that there was no need to separate NREP, RLEG and JRY. These wage employment programmes have the same objective and similar thrust. Therefore, these programmes were merged into JRY, a single rural employment programme i.e. JRY on April 1989.
production (NNP) and rate of gross domestic product (GDP) increased during the Seventh Plan. The GDP performance of agricultural sector and industrial sector was also satisfactory. High deficit financing, balance of payments situation, trade deficit due to increase in imports and less exports were the areas of major concern at that time. Therefore, it was thought that by suitable policies of import substitution and import restrictions, the balance of payments deficit should be reduced, because scope for export promotion is limited by exogenous factors and is therefore, not a very dependable long term instrument.


104. Gross Domestic Product (GDP) is the combined gross output in all the sectors of the country except the foreign sector at factor cost. The gross national product (GNP) at factor cost is determined by adding the net factor income from abroad to GDP at factor cost.

105. Supra note 14 at 266-268.
(Prevention) Act, 1987, Essential Services Maintenance Act, 1989 were the important legislations enacted for socio-economic development.

DECADE OF ECONOMIC LIBERALISATION:

New Industrial Policy, 1990 was announced by the Govt. on May 31st, 1990, which incorporated certain changes in the previous industrial policy. The main thrust of the Policy was on the development of small scale industries of the country and on large scale employment generation. Promotion and development of small scale industries and agro based industries, reorientation of industrial growth to ensure employment generation, dispersal of industries in rural and backward areas, increasing the exports of small scale industries, changing the procedures for industrial approvals and licensing to boost market competition, foreign collaboration and investment and its ceiling were the main features of industrial policy, 1990.

106. New Industrial Policy, 1990 was judicious mixture of the philosophy of Janta Dal and the philosophy of indiscriminate liberalisation policy followed by Congress(I). Under the liberalisation wave, blanket liberalisation of imports by the newly established industrial units has resulted discontent in the indigenous capital goods sector. Thus, by introducing a principle of automaticity in import neglecting the desirability criterion, the Government had nullified its import export policy for cutting inessential imports.
By mid 1991, the Indian economy was facing a critical situation, an 'unprecedented economic crisis' marked by a huge fiscal deficit, a serious balance of payments (BOP) position and double-digit inflation and stagnant industrial production. Therefore, the Government of India firstly announced the New Trade Policies (NTPs). Before the nation could digest the meaning of the NTPs, the announcement of New Industrial Policies (NIPs) started bombarding the people. The budget that followed; a path breaking one by all commits, continued the sequence. More changes followed throughout 1991-1992 touching

107. N.S. Ramaswami and S. Namakumari, Strategic Planning for Corporate Success 1-3 (1994). [Over a period of time, the fiscal deficits of the Central Government had risen to a disturbing level. Rising interest repayment obligations, heavy outflow on subsidies, mounting budgetary support to Public Sector Undertakings and larger outflow towards assistance to States had pushed the budgetary as well as fiscal deficits up. Budgetary Deficit (1990-91) stood at the alarming figure of Rs. 11,347 crore; skyrocketed fiscal deficit Rs. 44650 crores and also an (ever increasing internal debt to the tune of Rs. 3,06,876 crores)].

108. Ibid. [Trade deficits accumulated over the years, dwindling foreign exchange reserves, burgeoning imports and exports failing to catch up; mounting external debts and external deficits - all these factors led to eventual BoP crisis].

109. Ibid. [Inflation Rate climbed to 13% by June 1991. Deficit financing and BoP crisis together contributed greatly to inflation].

110. Ibid. [Shortage of bank credit due to curtailment of credit availability and enhancement of the cost of credit and shortage of imported inputs due to forex crisis could not kept moving the wheels of industry].
each and every aspect of economy of the country. All these measures together constitute the New Economic Policies (NEPs).

New Economic Policy, 1991 was a significant factor of the process of dismantling 'licence-permit-subsidy Raj' and to infuse liberalisation in the management of the economy. It seeks to scrap the undesirable restrictions controls and licensing over investment, imports and production. The philosophy to NEP has been aptly summed up: “one must first get clear about what liberalisation involved. What it involved was a relaxation of bureaucratic controls on the allocation of resources”. Initiating the 1991-92 Union Budget, Union Finance Minister, Dr. Manmohan Singh had stated, “the Government have decided to take the series of measures to unshackle the Indian industrial economy from the cob-webs of unnecessary bureaucratic controls.\textsuperscript{111} Though the policies and measures introduced under the NEP to serve three distinct purposes. In economic parlance, these are termed as liberalisation, economic reforms and structural adjustments, respectively\textsuperscript{112}. These reforms are also known as liberalisation, privatisation and globalisation.

\begin{flushright}
\end{flushright}
New policy explicitly stated that the licence-permit Raj instead of helping our developmental process had hampered it and it needed to be scrapped. It rightly recognised that the country had a treasure house in the shape of its entrepreneurial talent and that the national interest will be best served when entrepreneurs were left free to decide as to what to invest and how much to invest. This new approach, to be precise, aims at facilitating rather than controlling the economic development. It makes the first step in making the Government and all agencies related to the developmental process partners rather than the masters and servants or as adversaries in the great national venture of development\textsuperscript{113}.

\begin{flushleft}
112. Liberalisation includes changes in industrial and trade policies, aimed as freeing industry from the shackles of licensing system and restrictions on imports and exports. Economic reforms go beyond liberalisation. They include reforms of fiscal and monetary policies, besides liberalisation of trade and industrial policies. They also encompass reform of the economic institutions. Structural adjustments (SA) is even larger in its sweep; it is an all encompassing process, containing elements of liberalisation, elements of economic reforms and other elements having a bearing on employment and income distribution. Structural adjustment amounts to a drastic course correction and therefore a more painful process for an economy to go through. The role of external agencies by means of conditionalities is also substantive in the case of SA. As an economy moves from liberalisation to SA, the scope, direction and rate of change in the policy parameters also alter drastically.

113. Supra note 111 at xii.
\end{flushleft}
The liberalisation exercises began with the introduction of major changes in the industrial policy, which amounted to a radical transformation of the entire industrial environment of India. A whole range of industries were liberated from the clutches of licensing and control. Besides, substantive changes were also introduced in other aspects of industrial policy like foreign investment, import of foreign technology, MRTP, FERA and the role of public sector. Together, they have come to be known as the New Industrial Policy (NIP). The new industrial policy accords the pivotal role to market mechanism in determining the allocation of resources. It seeks to ensure the elimination of costly delays, inefficiencies and wastages. It has consciously opted for the development of an industrial structure.

114. The various measures under Industrial policy reforms include-abolition of the scheme of industrial licensing for all industrial projects excepting 18 industries related to security and strategic concerns, hazardous chemicals or environmental concerns and items of elitist consumption; dereservation of the areas of the public sector industries in order to open up area of investment for the private sector; elimination of the system of pre-entry scrutiny of investment decision of the MRTP companies and controlling only “unfair or restrictive business practices”; liberalisation of location policy; abolition of phased manufacturing programmes earlier enforced to increase the pace of indigenisation etc.
based on technological dynamism and international competitiveness\textsuperscript{115}. With the licensing liberalisation, and abolition of registration requirements, entrepreneurs can concentrate on setting up the industries of their choice instead of spending their time and energy on the procurement of the licenses\textsuperscript{116}.

In a bid to attract foreign investment, automatic clearance for foreign equity upto 51 percent (earlier 40\%) has been allowed in 34 high priority industries i.e. encouragement of Foreign Direct Investment (FDI) became the cornerstone of the New Industrial policy. A specially empowered Foreign Investment Promotion Board (FIPB) was created for existing direct foreign investment in certain select areas. The board negotiate with large international firms and apporve foreign investment proposals.\textsuperscript{117}

\begin{itemize}
\item[115.] Supra note 107 at 22-23.
\item[116.] In the earlier era, entrepreneurs and industrialists were required to wage a battle, sometimes extending to a few years for getting industrial licence of their choice. Since the power for approving and refusing applications for licenses, were concentrated in the capital of the country, so the repeated visits to New Delhi, establishing liaison offices, organising follow up of the application at different levels of bureaucracy and at the political level attending a plethora of meetings by Government departments and agencies concerned and answering their never ending queries may or may not result in the grant of desired license.
\item[117.] Supra note 107 at 20-21. (Sector after sector opened up for foreign direct investment: Power, oil and electronics included in the list).
\end{itemize}
Accordingly, non-resident Indians (NRIs), Overseas Corporate Bodies (OCBs) were permitted to invest up to 100% foreign equity in high priority industries including hotels, tourism related industries, shipping and hospitals etc. in Schedule III items reserved for small scale sector in 100% export oriented units and also in the scheme for the revival of sick units by NRIs etc., provided the export obligation criterion prescribed for the industry is satisfied. Automatic clearance was also be given for import of capital goods where foreign exchange availability is ensure through foreign equity. Direct investment in the reverse, by Indians in other countries were also liberalised.\textsuperscript{118}

Sweeping changes were made in respect of MRTP regulations as well. No MRTP clearance will now be required for investment applications. No approval is needed either for establishing new undertakings for implementing expansions, mergers, amalgamations and take overs. The existing restrictions on acquisition/transfer of shares also have been removed.\textsuperscript{119}

Substantial amendments to FERA were carried out in order to

\textsuperscript{118} Ibid., p. 10.
remove the impediments to direct foreign investment\textsuperscript{120}. As a result of this, companies with more than 40 percent of equity are now to be treated at par with fully Indian owned companies. FERA companies have been exempted from restriction on the establishment of branches and acquisition of any company in India in business other than agriculture and plantations. Indian companies and Indian nationals are now allowed to start joint ventures abroad. All these liberal measures were introduced to globalise Indian economy.

The Government brought in radical changes in trade policy as well. As part of our strategy in the context of globalisation and to promote the international integration of our economy. Foreign trade became totally free, with all controls removed, subject only to a small non-permitted list of items; and imports were completely taken out of licensing hassles. The Government also decanalised most of the foreign trade. The canalisation agencies start acting as other trading house, which would reduce the scope of public sector monopoly, including most export items and significant number of import items. In this context, the Government introduced Export-Import Policy 1992-1997 for the

\textsuperscript{120} The Foreign Exchange Regulation Act (FERA) 1973, was liberalised through an Ordinance in January, 1993.
first five years and on 31st March, 1995, the Government further liberalised this EXIM Policy. Exports and imports were to be governed by a self-balancing system. Imports were to be made only with the forex earned and made available in the market by the exporters. Industrial units would enjoy all freedom to secure imports, set up exports, generate foreign exchange resources for imports and thus continue the cycle. Therefore, the reform meant that exim activities will henceforth have to operate on the premise that "you cannot import if you don't export." The Government also brought about a general lowering of import tariffs. Over the years, a sharp cut in import duties had been thought of by successive governments so as to expose Indian industry to global competition, to make Indian products cost competitive internationally and to boost India's exports. 

In addition to liberalisation of industry and trade, macro economic adjustments and reforms were also made. It prepared a package of economic reforms for implementation over the medium term which touched practically every aspect of macro economy. The Government recognized that fundamentally the reforms should be able to eliminate waste and inefficiency on the macro economy and improve its productivity. Simultaneously they

121. Supra note 14 at 222; supra note 20 at 1093; supra note 107 at 11, 34.
should inject a new element of dynamism into the growth processes of economy so that the economy becomes vibrant and internationally competitive.\textsuperscript{122}

The fiscal reforms centred around reduction of fiscal deficits, reforms of the tax system (direct and indirect tax system) and containment of public debt\textsuperscript{123}. For achieving this target, the Government strictly controlled public expenditure and aimed at higher-tax and non-tax revenues. The Government imposed fiscal discipline both on the Central and the State Governments.\textsuperscript{124} Governments centred around establishing strict discipline in Government borrowings, reduction of interest liability through premature retirement of public debt and use of the proceeds from disinvestment in Public Sector Undertakings and sale of Government real estate for buying back public debt the Government also took steps for creating a public debt redemption fund. The reforms in monetary and credit policy aimed at slowing down monetary expansion and arresting inflation. With this end

\begin{thebibliography}{99}
\bibitem{122} {Supra note 107 at 45.}
\bibitem{123} {Ibid., p. 13. (The Government brought down the fiscal deficit to 6.5\% of the GDP in 1991-92 from 8.5\% in 90-91 and further down to 5\% and 4.5\% respectively in 1992-93 and 1993-94).}
\end{thebibliography}
in view, the Government jacked up the bank rate with corresponding upward. It also introduced a stringent credit squeeze. Industry was told that they were free to raise their working capital through various financial instruments at higher interest rates. Credit control measures were extended to the State Governments as well. Therefore, a restrictive monetary policy was pursued to reduce inflationary pressures and support the targeted balance of payments improvement.\textsuperscript{125}

The Government also introduced a series of measures to contain the mounting inflation. Pursuits to tight money policy including credit cards and high interest rates, reduction of fiscal deficits, Government expenditure, subsidies, reduction in budgetary support to public sector undertakings and transfers and assistance to states were the measures adopted for containing inflation. To promote more flexible price structure, the Government increased the administered prices of various commodities and inputs (Petroleum products and fertilizers) and gave greater freedom to public sector enterprises to set price as per market forces.\textsuperscript{126}

\begin{itemize}
\item \textsuperscript{124} Ibid.
\item \textsuperscript{125} Ibid., supra note 14 at 221.
\item \textsuperscript{126} Ibid., p. 14; supra note 14 at 222; supra note 20 at 1091.
\end{itemize}
A series of innovative reforms were carried out in the capital markets. The capital market reforms in 1992 were designed to make financial system of the country to work with least possible restriction. The Capital Issues (Control) Act, 1947 was repealed in May 1992. Companies were made free to approach the capital market without prior permission from the Government subject to getting offer documents cleared by Securities and Exchange Board of India (SEBI). Control over prize and premium fixation was removed and most issuing companies were free to fix the price of their securities for public as well as right issues. In pursuance with the recommendations of Narsimham Committee, the RBI has framed new guidelines to govern entry of new private sector banks to make banking sector more competitive. Banks have been given freedom to rationalise their existing branch network to attract the flow of public savings into the capital market and from there into industry. The Government also opened up the capital markets of India to Foreign Institutional Investors (FIIS), by permitting FIIs such as pension funds, mutual funds, investment trusts, asset management companies, nominee companies and incorporated/ institutional portfolio managers or their power of attorney holders to become players in the capital markets of India. A number of concessions were also extended to
such investment. And by the beginning of 1993, investments by
FIs in Indian stock markets became a reality, with a couple of
FIs actually putting in their money in some Indian scripts.127

The Eighth Five Year Plan (1992-97) recognised the need
for re-orientation of planning in keeping with the process of
economic reforms and restructuring of the economy. The Planning
Commission of India incorporated human development and
employment as focal points of policy of the Eighth FYP. Human
development encompasses three broad objectives: growth, equity
and democracy. Therefore, it requires greater attention to be paid
to the problems of employment, poverty reduction, empowerment
of weaker and under-privileged sections of society, greater
participation by the people in the process of growth and long-term
sustainability. So the purpose of growth should be to enrich
people's lives.128

This Plan emphasised on the clear prioritisations of
sectors/projects for investment in order to facilitate
operationalization and implementation of the policy initiatives
taken in the areas of fiscal, trade and industrial sector and human

127. Supra note 107 at 15-16.
128. See, United Nation Development Programme (UNDP),
development; making available the resources for these priority workers and ensuring their effective utilization, and completion of projects on schedule avoiding cost and time over runs; creation of a social security net through employment generation, improved health care and provision of extensive education facilities throughout the country and creation of appropriate organisations and delivery systems to ensure that the benefits of investment in the social sectors reach the intended beneficiaries. Based on this approach, the following objectives were accorded priority; (i) generation of adequate employment to achieve near full employment by the turning of this century; (ii) containment of population growth through active people's cooperation and an effective scheme of incentives and disincentives; (iii) universalisation of elementary education and complete eradication of illiteracy among the people in the age group of 15 to 35 years; (iv) provision for safe drinking water and primary health facilities, including immunisation accessible to all the villages and the entire population, and complete elimination of scavenging; (v) growth and diversification of agriculture to achieve self-sufficiency in food and generate surpluses for exports; (vi) strengthening the infrastructure (energy, transport,
communication, irrigation) in order to support the growth process on a sustainable basis.129


Panchayati Raj Institutions131 and provisions relating to Municipalities132 were also incorporated in the Constitution to

129. Supra note 47 at 347-348.
130. The Constitution (Sixty-sixth Amendment) Act, 1990 [Entries after entry 202 and before the explanation i.e. entries 203-257 were inserted].
131. The Constitution (Seventy-third Amendment) Act, 1993. [Part IX and Schedule XI were added. For details see, Chapter VI, pp.463-468].
132. The Constitution (Seventy-fourth Amendment) Act, 1993 [Part IX A and Schedule XII were added. For details see, Chapter VI, pp. 469-472].
provide grass root level administration so as to fulfil Constitutional imperatives effectively.

Although the macro-economy performed reasonably well in the Eighth FYP, but some major weaknesses emerged. In particular, the growth pattern neither benefited the poor and the under-privileged, nor yielded any result in enlarging employment to reach a stage of full employment, nor did it make a serious dent on poverty. The Human Development Report (1996) therefore, underlined the need to avoid jobless, ruthless, voiceless, rootless and futureless growth. Therefore, the broad objectives of the Ninth Five Year Plan (1997-2002) evolved from the ‘Common Minimum Programme’ of the Government and the Chief Ministers’ Conference on Basic Minimum services are (i) priority to agriculture and rural development with a view to generating productive employment and eradication of poverty; (ii) accelerating growth rate of the economy with stable prices.

133. Where growth of economy mostly benefit the rich, leaving millions of people struggling in ever-deepening poverty – (Ruthless growth); not accompanied by an extension of democracy or empowerment of poor and the under-privileged – (Voiceless growth); which causes people’s cultural identity to wither – (Rootless growth); where present generation squanders resources needed by the future generations – (Futureless growth).
(iii) ensuring food and nutritional security for the vulnerable sections of the society, (iv) providing for the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter and connectivity to all in a time bound population (v) containing the growth rate of population (vi) ensuring environmental sustainability of the development process through participation of people (vii) empowerment of women and socially disadvantaged groups (SCs, STs and OBCs and Minorities); (viii) promoting and developing Panchayati Raj, cooperatives etc and (ix) strengthening efforts to build self-reliance. All these objectives reflect multi-dimensional 'growth with equity' highlighting the need for improvement in quality of life of the citizens, generation of productive employment, regional balance and self-reliance.

The new economic policy was adopted with a great fanfare and zeal under 'changed economic environment'. During the last few decades, Indian economy has undergone a radical transformation both apparent and silent. The country has witnessed changes of great magnitudes. The economy has experienced both expansion and contraction – positive and negative consequences of the new approach. To assess the impact
of these policies, it would be appropriate to study and analyse, new economic policy with reference to its main components which are delicensing and deregulation of Indian economy, privatisation of public sector, reduction in budget deficit, abolition of a refine of subsidies, throwing open the door for foreign investment, export oriented growth policy etc.

Industrial and trade policy reforms of the 1990s were driven by a desire to improve the productivity performance of Indian industry. This was sought to be achieved not only through domestic deregulation and market orientation of the industrial policy regime, but also a bold decision of opening up of the Indian economy, albeit gradually, to foreign trade and investment\textsuperscript{134}.

After the fairly wide ranging reforms initiated in 1991, Gross Domestic Product (GDP) accelerated from 0.8% annual growth rate in 1990-91 to 7.8% in 1996-97. However, this encouraging trend did not last. GDP growth rate dropped to over the next two years; industrial growth decelerated even more

sharply from a peak of 13.2% growth rate below 5% in 1998-99. In 1998-99, GDP growth rate marginally increased to 6.0% despite an agriculture recovery of 7.2% from a slump in the previous year (-1.0%). See, Table 1\textsuperscript{135}.

\begin{table}[h]
\centering
\caption{Growth Rate}
\begin{tabular}{|c|c|c|c|}
\hline
Year Period & GDP Growth % & Industrial Growth & Agriculture and Allied Activities \\
\hline
1991-92 & 0.8 & -1.9 & -2.3 \\
1992-93 & 5.3 & 4.3 & 6.1 \\
1993-94 & 6.2 & 7.6 & 3.7 \\
1994-95 & 7.8 & 10.3 & 5.4 \\
1995-96 & 7.6 & 13.2 & 0.2 \\
1996-97 & 7.8 & 6.7 & 9.4 \\
1997-98 & 5.0 & 6.3 & -1.0 \\
1998-99 & 6.0 & 4.0 & 7.2 \\
1999-2000 & 5.9 & 6.9 & 0.8 \\
\hline
\end{tabular}
\end{table}

In the licenced era, industrial production was governed by the licensing system. In the new de-licenced regime, production patterns are market driven, conforming to demand patterns and income distribution patterns\textsuperscript{136}.

\textsuperscript{135} Source: Central Statistical Organisation, quoted in Dr. Subramaniam Swamy, \textit{India's Economic Performance And Reforms} 112-113 (2000).

\textsuperscript{136} \textit{Supra} note 107 at 121.
Table II displays the significance the factor of 'workforce' in political economy of privatisation.

**TABLE II : EMPLOYMENT IN PUBLIC SECTOR**

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Public Sector Employment</th>
<th>Employment without Agriculture</th>
<th>Total Urban Employment</th>
<th>Share of Public Sector in Urban Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>19.06</td>
<td>18.50</td>
<td>74.12</td>
<td>25.00%</td>
</tr>
<tr>
<td>1991-92</td>
<td>19.21</td>
<td>18.64</td>
<td>74.34</td>
<td>24.40%</td>
</tr>
<tr>
<td>1992-93</td>
<td>19.33</td>
<td>18.77</td>
<td>78.63</td>
<td>23.90%</td>
</tr>
<tr>
<td>1993-94</td>
<td>19.45</td>
<td>18.91</td>
<td>80.99</td>
<td>23.30%</td>
</tr>
<tr>
<td>1994-95</td>
<td>19.47</td>
<td>18.93</td>
<td>83.42</td>
<td>22.70%</td>
</tr>
<tr>
<td>1995-96</td>
<td>19.43</td>
<td>18.90</td>
<td>85.92</td>
<td>22.00%</td>
</tr>
<tr>
<td>1996-97</td>
<td>19.43</td>
<td>18.89</td>
<td>90.22</td>
<td>21.54%</td>
</tr>
<tr>
<td>1997-98</td>
<td>19.56</td>
<td>19.03</td>
<td>94.73</td>
<td>20.65%</td>
</tr>
</tbody>
</table>

Over the last two decades, about a quarter of the non-agricultural workforce has been in the public sector. Share of the public sector in urban employment has drastically been reduced over the years since 1990-91 from 25.00% to 20.65% in 1997-98.


138. Moreover, thoughtless introduction of Voluntary Retirement Scheme (VRS) has resulted in rapid depletion of technical and managerial cadre in PSUs leaving the public sector with employees whose opportunity cost in the market was lower than their present wage levels.
In India, unemployment has been a serious problem for decades. According to an estimate, there are about 40.00 million persons (including post-graduates) partially or full unemployed in India in 1997, which is about 10.45% of the total labour force\textsuperscript{139}. Since economic reforms, one credible estimate puts the rate of growth of employment as having sharply declined from 2.39% per year to 1.70% (See, Table III). \textsuperscript{140}

**TABLE III: MOVEMENT OF EMPLOYMENT**

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Organised Sector (in lakhs)</th>
<th>Unorganised Sector (in lakhs)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>270.6</td>
<td>3297.0</td>
<td>3567.6</td>
</tr>
<tr>
<td>1997-98</td>
<td>282.5</td>
<td>2346.0</td>
<td>3828.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth Rate of Employment (Annual Average in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983 to 1990-91</td>
</tr>
<tr>
<td>1990-91 to 1997-98</td>
</tr>
</tbody>
</table>

The majority of the labour force is unorganised of the working population, only about 8% is employed in the organized sector. The share of public sector in the total employment in the


\textsuperscript{140} Compiled from Household Consumption Survey, NSSO, quoted in Business Line, 1 Feb. 2000.
organized sector had increased from 68% in the 1987 to 71% in 1991. Since then the share has declined because of the poor growth rate of employment. The high level of population growth during the last 15-20 years has demographically caused an unprecedented growth in the employable population, resulting in a higher incidence of unemployment.

The Eighth FYP (1992-97) also aimed at bringing employment into sharper focus in a medium-turn perspective with the goal of reducing unemployment to negligible proportion by 2002 A.P. But, in post-reform period, due to privatisation, disinvestments, introduction of Voluntary Retirement Scheme etc., improperly designed programmes and labour policies, despite generation of additional job opportunities, employment growth rate slowed down paving way for 'jobless growth of economy'.

Inflation effect of reforms is much more immediate than the growth effect. Inflation impact affects the economy adversely directly as well as indirectly at numerous layers and levels of the economy. The general inflation rate was relatively constant around 8.59 between 1987-90; increased drastically to 11.3 during 1991-95. Cumulative increases in the prices during the post-reform period have raised the cost of food and all commodities for industrial workers by as much as 91 and 82 percentage points.
while cost of living has gone up by as much as 68 and 350 percentage points for urban non-manual employees and agricultural workers. The per-capita availability of essential items have also been declined, whereas availability of such goods as oils, sugar, clothing have increased. Combined with steep inflation, these changes in availability/supply imply accentuation of hardships to common man.\(^{141}\)

**CONCLUSIONS AND APPRAISAL OF ECONOMIC POLICY AND SOCIAL JUSTICE:**

The systematic exposition of the concept of social justice requires the background of a broader setting of socio-economic progress encompassing interaction between social objectives and traditionally understood economic growth.\(^{142}\) The instrument objections for attaining higher economic growth are: the expansion of capital investment; enlargement of export potential; expansion of productive potential of public as well as private sector etc. On the other hand, social objectives comprise of improving incomes and material living standards of the wide social strata and particularly eradicating mass poverty; eliminating

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141. For details see, *supra* note 111 at 52-57.
mass unemployment and under-employment by creating adequate employment opportunities; improving health and social care; raising educational standards and improving qualitative features of individual, bringing about more equal distribution of incomes and opportunities and creating conditions for cultural advancement of the nation. 

Therefore, essential factors in determining the pattern and tempo of this socio-economic progress are those that govern the behaviour and action of man, his abilities, talents and social attitudes. Man is the fundamental force in the fundamental process. To treat him so, equality and social justice become not only desirable socio-economic goals, but very important areas of enhancing mass capabilities, thus accelerating the overall programme and imparting dynamism to life. Therefore, the social objectives of development must be viewed as part and parcel of the economic developmental process rather than mere welfare oriented measures.

For overall assessment of socio-economic development of India since 1950, some indicators, references and comparisons have been made. Firstly on the basis of economic survey, some social

143. Ibid., p.4.
144. Ibid., pp. 4-5.
and economic indicators have been selected which shows over-all pace of development in various fields, such as population, birth and death rate, educational and health facilities gross domestic products and saving, foreign trade.

From Table IV\textsuperscript{145}, it is quite clear that population has increased approximately three times in the last 50 years, despite the reduction in birth rate (1.4%) and death rate (1.9%). Literacy rate has also improved from 18% (in 1950-51) to 63% in (1998-99), which is higher in case of males (46%), than in case of females (43%) approx.

Health facilities have also improved drastically as the availability of Registered Medical Practitioners has risen up to eight times and that of beds for patients have increased thrice since 1950-51.

Economic indicators also show 13.4% of increase in G.D.P. domestic savings (as percent of GDP). Centre's budgetary deficit and foreign exchange reserves has also improved substantially.

In 1950, it was generally believed that the stage of social justice would be reached after you had crossed the stage of a certain minimum level of economic development. But it is now

### TABLE IV SELECTED INDICATORS 1950-51 TO 1999-2000

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</tr>
</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td>361.1</td>
<td>439.2</td>
<td>548.2</td>
<td>683.3</td>
<td>846.2</td>
<td>846.2</td>
<td>898.0</td>
<td>934.02</td>
<td>959.02</td>
<td>974.74</td>
<td>990.41</td>
<td></td>
</tr>
<tr>
<td>Birth Rate (per 1000)</td>
<td>39.9</td>
<td>41.7</td>
<td>36.9</td>
<td>33.9</td>
<td>29.5</td>
<td>29.2</td>
<td>28.7</td>
<td>27.5</td>
<td>27.2</td>
<td>26.5</td>
<td>26.1P*</td>
<td></td>
</tr>
<tr>
<td>Death Rate (per 1000)</td>
<td>27.4</td>
<td>22.8</td>
<td>14.9</td>
<td>12.5</td>
<td>9.8</td>
<td>10.1</td>
<td>9.3</td>
<td>9.0</td>
<td>8.9</td>
<td>9.0</td>
<td>8.7P*</td>
<td></td>
</tr>
<tr>
<td>Life Expectancy at birth (in Years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(a) Male</td>
<td>32.5</td>
<td>41.9</td>
<td>46.4</td>
<td>50.9</td>
<td>58.6</td>
<td>59.0</td>
<td>60.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Female</td>
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<td>40.6</td>
<td>44.7</td>
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<td>59.0</td>
<td>59.7</td>
<td>61.8</td>
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<tr>
<td>Total</td>
<td>32.1</td>
<td>41.3</td>
<td>45.6</td>
<td>50.4</td>
<td>58.7</td>
<td>59.4</td>
<td>61.1</td>
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<td>Education literacy Rate (Percentage)</td>
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<tr>
<td>(a) Male</td>
<td>27.16</td>
<td>40.40</td>
<td>45.95</td>
<td>56.50</td>
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<td>70</td>
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<td>(b) Female</td>
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<td>Total</td>
<td>18.33</td>
<td>28.31</td>
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<td>43.67</td>
<td>52.2</td>
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<td>59</td>
<td>62</td>
<td>63.1</td>
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<tr>
<td>Health &amp; Family Welfare Registered Medical Practitioners (RMP)(thousand)</td>
<td>61.8</td>
<td>83.7</td>
<td>151.1</td>
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<td>442.6</td>
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<td>475.7</td>
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<tr>
<td>RMP per 1000 Population</td>
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<td>Beds (all types) per 1000</td>
<td>3.2</td>
<td>5.7</td>
<td>6.4</td>
<td>8.3</td>
<td>9.5</td>
<td>9.7</td>
<td>9.4</td>
<td>9.1</td>
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### ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>(i) at Current Prices (Rs. Core)</th>
<th>(ii) at constant Price (Rs. Core)</th>
<th>Per capita net national product, at 1993-94 prices (Rs.)</th>
<th>Gross Domestic Capital formation (as % of GDP)</th>
<th>Gross Domestic Savings (as percent of GDP)</th>
<th>Wholesale Price Index (Base : 1993-94=100)</th>
<th>Consumer price Index (Base 1982 = 100) @</th>
<th>Plan Outlay (Rs. Crores)</th>
<th>Centre’s budgetary Deficit/Draw down of Cash Balance (Rs. Crore)</th>
<th>Foreign trade:</th>
<th>Export (Rs. Crore)</th>
<th>Import (Rs. Crore)</th>
<th>Foreign Exchange Reserves(exchanging gold and Rs. Crore)</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>9549</td>
<td>16222</td>
<td>42227</td>
<td>130194</td>
<td>511089</td>
<td>598273</td>
<td>781345</td>
<td>1073271</td>
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<td>1390042</td>
<td>16160338</td>
<td>1786459Q</td>
<td>140477</td>
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<td>401162</td>
<td>693051</td>
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<td>970083</td>
<td>1016266</td>
<td>1083047P</td>
<td>1151991Q</td>
<td>10204Q</td>
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<td>14.4</td>
<td>15.4</td>
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<td>23.3Q</td>
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<td>9.0</td>
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</tbody>
</table>

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**P** = Provisional  
**Q** = quick estimates  
*a.* As on March 1951 and so on upto 1980-81 and 1990-91 as per Census of India.  
**.** Includes beds in Hospitals, dispensaries, P.H.Cs, Clinics, Sanitoriums etc.  
accepted that with conscious efforts, it is possible to avail of the benefits of social justice and high cultural levels at different stages of economic growth.\textsuperscript{146} In 1990, Human Development Report prepared under the overall guidance of Mehmood-ul-Haq for the first time, articulated and researched the dynamics of development and the linkages between economic growth and social concerns. It established that development is not merely an expansion of income and wealth, but a process of enlarging people's choices—the three essentials being a long and healthy life, acquisition of knowledge and access to resources for a decent standard of living. Purposeful and productive employment is a further essential prerequisite for the exercise and enjoyment of enlarged choices.\textsuperscript{147}

Human Development Index (HDI) as worked out in the Report reflects three major yardsticks of development measured as life expectancy, literacy and GDP per capita in 'real' term. Of the 174 countries for which the HDI was constructed in 1999, 45 were in the high human development category (with an HDI value

\begin{footnotesize}
\begin{enumerate}
\item[146.] K.L. Dalal, \textit{Human Development : An Indian Perspective 5} (1991). [Better record of human development with relatively lower per capita income can be found as in the case of Srilanka].
\end{enumerate}
\end{footnotesize}
equal to or more than 0.800), 94 in the medium human
development category (0.500-0.799) and 35 in the low human
development category (less than 0.500). Wide disparities in
global human development persist. Canada, Norway and the
United States are at the top of the HDI ranking and Sierra Leone,
Niger and Ethiopia at the bottom. The countries having better HDI
ranking have been successful in translating economic resperity
into better lives for people. India falls in the category of medium
human development (0.500-0.799) with value of HDI 0.575 at the
rank of 132. Table V\(^{148}\) shows average annual rate of change in
percentage in HDI value. India has shown 3% annual average
increase in rate of change percentage in economic growth since
1975 upto 1977 which is double the value of increase in the case
of Canada, otherwise having maximum HDI value Singapore has
done remarkably well with the average annual rate of increase as
5.7% which is even double the value of India's rate i.e. approx. 4
times than that of Canada. China is ahead of all these Asian
countries showing 7.8.% rate of growth which is more than double
as compared to India (3.0%) and Pakistan (2.9%) inspite of large

\(^{148}\) Ibid., pp. 155-158.
### TABLE V. TRENDS IN HUMAN DEVELOPMENT AND ECONOMIC GROWTH.

<table>
<thead>
<tr>
<th>HDI Rank and Country’s Name</th>
<th>Reduction in shortfall (I-HDI) in Human Development Index (HDI) Value (%)</th>
<th>Lowest Value during Year</th>
<th>Highest Value during Year</th>
<th>Average Annual Rate of Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGH HUMAN DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. CANADA</td>
<td>12.1 18.2 22.8 10.4 11,832 11,872 1975 16,525 1997 16,525 1.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. SINGAPORE</td>
<td>11.2 12.4 18.8 32.5 4,557 4,557 1975 15,467 1997 15,467 5.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MEDIUM HUMAN DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90. SRI LANKA</td>
<td>9.1 8.5 6.8 8.9 278 278 1975 551 1997 551 3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>98. CHINA</td>
<td>6.8 7.7 8.6 20.7 109 101 1976 564 1997 564 7.8</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>132. INDIA</td>
<td>... ... ... ... 251 250 1976 465 1996 465 3.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>138. PAKISTAN</td>
<td>4.6 5.9 7.1 9.6 222 222 1975 417 1997 417 2.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LOW HUMAN DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>174. SIERRA LEONE</td>
<td>... ... ... ... 256 156 1995 260 1980 159 2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. The earliest year for which data are given in 1975, and the latest year 1997, unless otherwise specified.

b. 1996*
Economic performance of these countries have been analysed in Table VI.\textsuperscript{150} Average performance shown by India can be due to high annual rate of inflation percentage (6.3\%) since 1985, offsetting other developments in social and economic fields. India shows its average annual rate of inflation (1985-96) as 9\% as compared to Canada (2.7\%) and Singapore (3.1\%). India's GNP annual growth rate percentage (1975-95), if compared with that of other Asian countries i.e. China, Sri Lanka and Singapore (the countries having high HDI ranking 98, 90 and 22 respectively) is slightly higher than that of Sri Lanka, but China and Singapore (9.1\% and 7.8\%) have very high rates than that of India which is 5\%. Even Pakistan is doing fairly well (6\%), whereas Sierra Leone the country with lowest HDI value has

\textsuperscript{149} To study India's overall human development on the basis of HDI ranking, comparative analysis has been done by taking Canada (HDI-1) as it has highest HDI value, Four Asian countries \textit{viz.} Singapore, Sri Lanka, China and Pakistan (HDI values -22, 90, 98, 138 respectively) due to their geographica proximity and somewhat similar socio-economic patterns with that of India alongwith Sierra Leone (HDI-174) having the lowest HDI ranking. China was especially chosen as despite being the most populous country of the world, it has better HDI ranking than India. (which is the second largest populated country of the world after China)

\textsuperscript{150} \textit{Supra} note 147 at 180-183.
<table>
<thead>
<tr>
<th>HDI RANK AND COUNTRY'S NAME</th>
<th>GNP (US $ billions)</th>
<th>GNP Annual Growth Rate % 1975-95</th>
<th>GNP per capita (US $) 1997</th>
<th>GNP per capita Annual Growth Rate % 1975-95</th>
<th>Average Annual Rate of Inflation (%)</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>1. CANADA</td>
<td>595.0</td>
<td>2.7</td>
<td>19,640</td>
<td>1.4</td>
<td>2.7</td>
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<tr>
<td>22. SINGAPORE</td>
<td>101.8</td>
<td>7.8</td>
<td>32,810</td>
<td>5.8</td>
<td>3.1</td>
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<tr>
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<td></td>
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<tr>
<td>90. SRI LANKA</td>
<td>14.8</td>
<td>4.8</td>
<td>800</td>
<td>3.2</td>
<td>10.9</td>
</tr>
<tr>
<td>98. CHINA</td>
<td>1055.4</td>
<td>9.1</td>
<td>860</td>
<td>7.7</td>
<td>9.2</td>
</tr>
<tr>
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<td>357.4</td>
<td>5.0</td>
<td>370</td>
<td>2.8</td>
<td>9.0</td>
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<tr>
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<td>64.6</td>
<td>6.0</td>
<td>500</td>
<td>3.1</td>
<td>9.2</td>
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<td><strong>LOW HUMAN DEVELOPMENT</strong></td>
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<tr>
<td>174. SIERRA LEONE</td>
<td>0.8</td>
<td>-0.7</td>
<td>160</td>
<td>-2.8</td>
<td>58.3</td>
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</table>
negative GNP annual growth rate (-0.7%).

Assessment or estimation of poverty gives an idea regarding material well being of the country. Poverty is the inability to attain a minimal standard of living. Table VII\textsuperscript{151} shows estimates of poverty in India since 1973 till 1993-94, which proves the decline in all India rate from 54.9 to 36.0 and recently upto 1999-2000, it has further been declined to 23.33%

**TABLE VII ESTIMATES OF POVERTY (% AGE)**

<table>
<thead>
<tr>
<th>Year</th>
<th>All India</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>54.9</td>
<td>56.4</td>
<td>49.0</td>
</tr>
<tr>
<td>1977-78</td>
<td>51.3</td>
<td>53.1</td>
<td>45.2</td>
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<tr>
<td>1983</td>
<td>44.5</td>
<td>45.7</td>
<td>40.8</td>
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<tr>
<td>1987-88</td>
<td>38.9</td>
<td>39.1</td>
<td>38.2</td>
</tr>
<tr>
<td>1993-94</td>
<td>36.0</td>
<td>37.3</td>
<td>32.4</td>
</tr>
<tr>
<td>1999-2000</td>
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</tr>
<tr>
<td>30 Day Recall</td>
<td>26.10</td>
<td>27.9</td>
<td>23.62</td>
</tr>
<tr>
<td>7 Day Recall</td>
<td>23.33</td>
<td>24.2</td>
<td>21.59</td>
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</table>

Overall progress in the development of human beings i.e. life expectancy, literacy and purchasing power, standard of living etc., based upon social as well economic criteria has been

\textsuperscript{151} Source: Planning Commission (Percentage Of Population Below Poverty Line Prepared By Modified Expert Group Methodology)
calculated an HDI value which has been given in detail in Tables VIII\textsuperscript{152} and IX.\textsuperscript{153} Table VIII shows that a good increase in life expectancy at birth (years) in India and Pakistan (13.5 and 14.8 yrs respectively) as compared to Canada (6.4 yrs), Singapore (8.3 yrs), Sri Lanka (8.6 yrs), China (7.8 yrs) and Sierra Leone (2.8 yrs). But rates regarding infant mortality under five years (per 1000 live births) do not show improvement and which is very low in India, Srilanka and China (59,48 and 47 respectively) as compared to the better rates of even Sierra Leone (24) and Pakistan (23) (the countries with low HDI value than India)and Singapore (18) or Canada (13) (the countries having high HDI value than India). During, the period between 1970-1997, Adult Literacy Rate (%) has shown 55% in India as compared to 99% in Canada and 66% in Sri Lanka as in 1997.

Thereby, India has been placed in the medium human development category with 0.545 HDI value as on 1997 and real GDP per capita (PPP$) rank minus HDI rank is -1 whereas, for Canada HDI value is 0.932, HDI rank is 12 better than real GDP per Capita (PPP$) rank. Even Sri Lanka with HDI value of 22 and China with value of HDI as 6 rank are better than India for their

\begin{itemize}
  \item 152. \textit{Supra} note 147 at 168-171.
  \item 153. \textit{ibid.}, pp.134-137.
\end{itemize}

700
TABLE VIII  PROGRESS IN SURVIVAL

<table>
<thead>
<tr>
<th>HDI RANK AND COUNTRY NAME</th>
<th>Life Expectancy at birth (years)</th>
<th>Infant mortality Rate (per 1000 live birth)</th>
<th>Under five mortality Rate (per 1000 live birth)</th>
<th>People not expected to survive to age 60 (as % of total population)</th>
<th>Maternal mortality rate (per 1,000,000 live births)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH HUMAN DEVELOPMENT</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1. CANADA</td>
<td>72.6</td>
<td>79.0</td>
<td>19</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>22. SINGAPORE</td>
<td>68.8</td>
<td>77.1</td>
<td>22</td>
<td>4</td>
<td>27</td>
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<tr>
<td>MEDIUM HUMAN DEVELOPMENT</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>90. SRI LANKA</td>
<td>64.5</td>
<td>73.1</td>
<td>65</td>
<td>17</td>
<td>100</td>
</tr>
<tr>
<td>98. CHINA</td>
<td>62.0</td>
<td>69.8</td>
<td>85</td>
<td>38</td>
<td>120</td>
</tr>
<tr>
<td>132. INDIA</td>
<td>49.1</td>
<td>62.6</td>
<td>130</td>
<td>71</td>
<td>206</td>
</tr>
<tr>
<td>138. PAKISTAN</td>
<td>49.2</td>
<td>64.0</td>
<td>118</td>
<td>95</td>
<td>183</td>
</tr>
<tr>
<td>LOW HUMAN DEVELOPMENT</td>
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<td></td>
</tr>
<tr>
<td>174. SIERRA LEONA</td>
<td>34.4</td>
<td>37.2</td>
<td>206</td>
<td>182</td>
<td>363</td>
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</table>

TABLE VIII  PROGRESS IN SURVIVAL

<table>
<thead>
<tr>
<th>HDI RANK AND COUNTRY NAME</th>
<th>Life Expectancy at birth (years)</th>
<th>Infant mortality Rate (per 1000 live birth)</th>
<th>Under five mortality Rate (per 1000 live birth)</th>
<th>People not expected to survive to age 60 (as % of total population)</th>
<th>Maternal mortality rate (per 1,000,000 live births)</th>
</tr>
</thead>
<tbody>
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<td>HIGH HUMAN DEVELOPMENT</td>
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<td></td>
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<tr>
<td>1. CANADA</td>
<td>72.6</td>
<td>79.0</td>
<td>19</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>22. SINGAPORE</td>
<td>68.8</td>
<td>77.1</td>
<td>22</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>MEDIUM HUMAN DEVELOPMENT</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90. SRI LANKA</td>
<td>64.5</td>
<td>73.1</td>
<td>65</td>
<td>17</td>
<td>100</td>
</tr>
<tr>
<td>98. CHINA</td>
<td>62.0</td>
<td>69.8</td>
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</tr>
<tr>
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<td>49.1</td>
<td>62.6</td>
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<tr>
<td>138. PAKISTAN</td>
<td>49.2</td>
<td>64.0</td>
<td>118</td>
<td>95</td>
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</tr>
<tr>
<td>LOW HUMAN DEVELOPMENT</td>
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<tr>
<td>174. SIERRA LEONA</td>
<td>34.4</td>
<td>37.2</td>
<td>206</td>
<td>182</td>
<td>363</td>
</tr>
<tr>
<td>HDI RANK AND COUNTRY'S NAME</td>
<td>Life Expectancy At Birth (Years)</td>
<td>Adult Literacy Rate (%)</td>
<td>Combined I, II &amp; III level gross enrolment ratio (%)</td>
<td>Real GDP Per Capita (PPP$)</td>
<td>Life Expectancy Index</td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------------------</td>
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<td>-----------------------------------------------------</td>
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<td>28,460</td>
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<td>MEDIUM HUMAN DEVELOPMENT</td>
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<td>90. SRI LANKA</td>
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<td>174. SIERRA LEONE</td>
<td>37.2</td>
<td>33.3</td>
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a. A positive figure indicates that HDI rank in better than the real GDP per capita (PPP$) rank, a negative apposite.
real GDP per Capita (PPP$), (See, Table IX) which shows a vast improvement in the field of human development. Trickle down or percolating effect of economic growth needs to be accelerated, so as to impart multi-faceted human development bringing an equal and ideal human society based on social justice.

In the last decade after the advent of new economic policy, service sector of Indian economy has expanded relentlessly, contributing more than half of our national income. An explosion in information technology fuelled the upsurge in telecom, software, finance and banking, accountancy, law, entertainment and retailing etc.\textsuperscript{154} However, the industry could not grow as expected due to various reasons, such as 40 years of restrictive licence raj, a closed economy, anti-employment labour laws and growth-inhibiting small sector reservation etc. Industry’s anaemic growth is particularly disturbing since economic reforms in the 1990’s were aimed at strengthening India’s industrial might\textsuperscript{155}. Moreover, poor infrastructure i.e. on roads, power, water, drainage etc. costs India 3% of GDP every year. Government investment in infrastructure has also fallen from 4% of national

\textsuperscript{155} Ibid.
income in 1991 to 3% in 1998. Therefore, public investment in infrastructure and human development like health and education must be stepped up in the medium term until the private sector is attracted into infrastructure in a big way.

Prime Minister I.K. Gujral speaking at conference organised by the Confederation of Indian Industry on 16th Aug. 1997 stated in a very forthright manner, “Moreover, it must be understood that liberalisation and globalisation are not ends in themselves, they are only means for achieving social goals. These goals are high growth rate, self-reliance, full employment, bettering the lots of the poor to put it in a nutshell, growth with equity. Globalisation if it has to have a meaning for the developing countries, should help to improve the lot of 85% of the world population living in these countries. Ironically, globalisation is helping 15% of the population of the industrially advanced countries. They are able to take advantage of unequal bargaining power at the World Trade Organisation (WTO) and force the developing countries (India


being no exception) to open their potentially huge markets to foreign goods and service and capital and financial flows, without giving adequate concessions in return. Human Development Report (1996) categorically states, “while globalisation has often helped growth in strong countries, with 20% of the world's people, have seen their share of the trade fall between 1960 and 1990 from 4% to less than 1%. And they receive a meagre of 0.2% of the world's commercial lending.” The question arises, therefore, is that globalisation is for whom and for whose benefit? Therefore, it can be seen that liberalisation and increasingly globalisation, is exposing the Indian economy to major changes which demand pursuing a number of goals, including macroeconomic stability, growth and reduction of poverty. The extent to which India will be able to reconcile such goals and minimise any negative effects of the new thrust is rooted in solving pre-liberalisation economic problems. Need is to rectify, modify, and improve our pattern of development to keep face with the modern changes being brought in the Indian economy by liberalisation, so as to realise the dream of an ideal social order based on equality and social justice.