The Nehruvian Consensus

A meaningful appraisal of India's development experience after independence would have to place it both in a historical and comparative context. The level and stage from which the beginning was made, and the uniqueness of the effort to undertake an industrial transformation within a democratic framework need to be taken into account; the achievements should be measured with other countries at a comparable stage of development.

We have seen in the chapter 'The Colonial Legacy', the pitiful condition of the India that we inherited at independence after colonialism had ravaged the economy and society for nearly two hundred years and deprived it of the opportunity of participating in the process of modern industrial transformation occurring in other parts of the world. Apart from extreme poverty, illiteracy, a ruined agriculture and industry, the structural distortions created by colonialism in the Indian economy and society (such as the rupture of the link between various sectors of the Indian economy and their getting articulated with the metropolitan economy in a dependent manner) made the future transition to self-sustained growth much more difficult.

It is this legacy of colonial structuring which independent India had to undo so that conditions could be created for rapid industrial development. The task of attempting a modern industrial transformation, two hundred years after the first industrial revolution and nearly a hundred years after several other countries had industrialized, was a stupendous one. Besides this handicap created by colonialism and the several built-in disadvantages faced by the latecomer, India had to confront political and economic conditions which had changed radically. New and innovative strategies were called for if success was to be achieved.

While undertaking this difficult and complex task, India, unlike many other post-colonial societies, had certain advantages. First, a small but independent (Indian owned and controlled) industrial base had emerged in India between 1914 and 1947. This was achieved, amongst other things, by the Indian capitalist class seizing the opportunities created during this period by the weakening of the imperialist stranglehold during the two world wars and the Great Depression of the 1930s. By the time India gained political independence in 1947 Indian entrepreneurs had successfully competed with European enterprise in India and with foreign imports, in the process capturing about 75 per cent of the market for industrial produce in India. Indian capitalists had also acquired dominance over the financial sphere, i.e., banking, life insurance, etc.[1]

By independence, therefore, India had, 'in spite of and in opposition to colonialism', developed an *independent* economic base from which to attempt a take-off into rapid independent industrialization.[2] She did not, like many other post-colonial countries, get pushed into a neo-colonial situation where, while formal political independence was achieved, the erstwhile colony's economy continued to be essentially dominated by metropolitan interests.

A mature indigenous entrepreneurial class, which could serve as the *agency* for carrying out a substantial part of the post-independence planned development was an asset to India. Further, a high degree of concentration and consolidation had led, during the colonial period itself, to the emergence of large business conglomerates like the Birlas, Tatas, Singhanias, Dalmia-Jains, etc., with interests in different areas like trade, banking, transport, industry and so on. Such conglomerates, like the *zaibatsu* in Japan or the *chaebol* in South Korea, were extremely important in enabling late entrants to world capitalism to successfully compete with the already established foreign capital and especially multinational corporations. The absence of the *agency* of a mature, indigenous entrepreneurial class was sorely felt in many of the post-colonial African states and can be seen as a critical drawback even today, for example in most parts of the former Soviet Union.

Second, India was fortunate to have a broad societal consensus on the nature and path of development to be followed after independence. For example, the Gandhians, the Socialists, the capitalists as well as the Communists (barring brief sectarian phases), were all more or less agreed on the following agenda: a multi-pronged strategy of economic development based on self-reliance; rapid industrialization based on import-substitution, including of capital goods industries; prevention of imperialist or foreign capital domination; land reforms involving tenancy reforms, abolition of zamindari, introduction of cooperatives, especially service cooperatives, for marketing, credit, etc., growth to be attempted along with equity, i.e., the growth model was to be reformist with a welfare, pro-poor orientation; positive discrimination or reservation, for a period, in favour of the most oppressed in Indian society, the Scheduled Castes and Tribes; the state to play a central role in promoting economic development, including through direct state participation in the production process, i.e., through the public sector, and so on.

Most important, there was agreement that India was to make this unique attempt at planned rapid industrialization within a democratic and civil libertarian framework. All the industrialized countries of the world did not have democracy and civil liberties during the initial period of their transition to industrialism or period of 'primitive accumulation'. Nehru and others including the capitalists were acutely aware that they had chosen an uncharted path. Yet, they were committed to it. Nobody in India ever argued for a variant of the model followed in parts of Latin America, East Asia, etc., where an authoritarian government in partnership with the capitalists would push through a process of rapid development in a hothouse fashion. It is this consensus, a product of the nature of the national movement in India, which enabled India, virtually alone among the post-colonial developing nations, to build, retain and nurture a functioning democracy.

Planning and the Public Sector

As early as the late nineteenth century, in the economic thinking of the early nationalists such as M.G. Ranade and Dadabhai Naoroji, the state was assigned a critical role in the economic development of India. This trend of seeking state intervention and not leaving economic forces entirely to the market got further crystallized and acquired widespread acceptance in the inter-war period, partly due to the influence of Keynesian economic ideas, the experience of the New Deal in the US and the Soviet experiment. In 1934, N.R. Sarkar, the president of the Federation of

Indian Chambers of Commerce and Industry (FICCI), the leading organization of Indian capitalists, proclaimed: 'The days of undiluted laissez-faire are gone for ever.' Voicing the views of the leadership of the capitalist class, he added that, for a backward country like India, a comprehensive plan of economic development covering all aspects of the economy, agriculture, industry, power, banking, finance, and so on, chalked out and coordinated by a high-powered 'National Planning Commission', was essential for India to make a structural break with the past and achieve her full growth potential. In 1938, under the leadership of Jawaharlal Nehru, the greatest champion of planned economic development for India, the National Planning Committee (NPC) was set up, which through its deliberations over the next decade, drew up a comprehensive plan of development, its various subcommittees producing twenty-nine volumes of recommendations.

Apart from the general recognition of the need for state planning, there was a wide consensus emerging around the notion that the role of the state would not only involve the proper use of fiscal, monetary and other instruments of economic policy and state control and supervision over the growth process, but would also have to include a certain amount of direct participation in the production process through the public sector. The famous Karachi Resolution of Congress in 1931 (as amended by the AICC) envisaged that 'the State shall own or control key industries and services, mineral resources, railways, waterways, shipping and other means of public transport'.[4] Indian business leaders were also, along with Nehru and the NPC, among the early proponents of the public sector and partial nationalization. The critical reason for business support to the public sector was elaborated in the *Plan of Economic Development for India,* popularly called the Bombay Plan, authored by business leaders in 1945. The Bombay Plan saw the key cause of India's dependence on the advanced countries to be the absence of an indigenous capital goods industry. Anticipating a basic element of the Second Plan strategy, the Bombay Plan declared, 'We consider it essential that this lack (of capital goods industries) should be remedied in as short a time as possible. Apart from its importance as a means of quickening the pace of industrial development in India, it would have the effect of ultimately reducing our dependence on foreign countries for the plant and machinery required by us and, consequently, of reducing our requirement of external finance.'[5] It was felt that in the development of capital goods industries and other basic and heavy industries, which required huge finances and had a long time lag for returns, the public sector would have to play a critical role. While Nehru and the left nationalists on the one hand and the capitalists on the other were agreed on this issue of the need for the public sector to reduce external dependence, they differed on its scope and extent. The former saw planning and the public sector as a step in the socialist direction, whereas the latter saw it as an instrument of promoting independent capitalism and of pre-empting socialism by helping combine equity with growth. This tension between the two approaches was to persist for some time, particularly in the early years.

In 1947, for example, when the Economic Programme Committee appointed by the AICC and headed by Jawaharlal Nehru not only laid down the areas, such as defence, key industries and public utilities which were to be started under the public sector but also added that 'in respect of existing undertakings the process of *transfer from private to public ownership should commence* *after a period of five years*',[6] the capitalists were alarmed and howls of protest ensued. Signs of accommodation were seen in the 1948 Industrial Policy Resolution (IPR) which, while delineating specific areas for the public and the private sectors, added that the question of nationalizing any existing industry would be reviewed after ten years and dealt with on the basis of circumstances prevailing at that time. Even after the Indian parliament in December 1954 accepted 'the socialist pattern of society as the objective of social and economic policy' and Congress in its Avadi session (1955) elaborated the sharp leftward swing on these lines, the 1956 IPR and the Second Plan, while considerably expanding the scope of the public sector, made no mention of nationalizing existing industries.[7] In fact, the model projected was of a 'mixed economy' where the public and the private sectors were not only to coexist but were to be complementary to each other and the private sector was to be encouraged to grow with as much freedom as possible within the broad objectives of the national plan. It is another matter that the great emphasis on heavy and capital goods industries in the Second Plan by itself led to a major shift towards the public sector as these were areas which, it was commonly agreed, could be basically developed by this sector.

It may be noted that Nehru refused to push his own ideological positions beyond a point, much to the disappointment of sections of the left, still under the influence of a Stalinist type of orthodox Marxism or, 'Stalin-Marxism'. In the evolution of Nehru's thought, from as early as the late 1930s, socialism had become inseparable from democracy. Therefore, any step in that direction, such as planning and the public sector, had to be introduced in a democratic manner, capable of carrying society along in the effort. Planning for Nehru had to be *consensual,* and not a *command* performance, even if it meant toning down many of his objectives.

This was the perspective with which the Planning Commission (established on 15 March 1950) functioned, despite the enormous *de facto* power it exercised with Nehru himself as its chairperson. The First Plan (1951–56) essentially tried to complete projects at hand and to meet the immediate crisis situation following the end of the war. Independence had come along with the dislocation caused by Partition, including the massive problem of refugees resulting from the largest mass migration in history in the space of a few years. It is with the Second Plan (1956–61) that the celebrated Nehru–Mahalanobis (Professor P.C. Mahalanobis played a leading role in drafting the Second Plan) strategy of development was put into practice and it was continued in the Third Plan (1961–66). A basic element of this strategy was the rapid development of heavy and capital goods industries in India, mainly in the public sector. (Three steel plants were set up in the public sector within the Second Plan period.) Import substitution in this area was seen as an imperative not only because it was thought to be critical for self-reliance and reduction of external dependence but also because it was assumed that Indian exports could not grow fast enough to enable the import of the necessary capital goods and machinery—an export pessimism which has been criticized in later years, though it was quite commonly accepted at that time. The model also saw some foreign aid and investment as essential in the initial phase to finance the massive step-up in investment though the objective was to do away with this need as soon as possible by rapidly increasing domestic savings. (In fact, in the initial years after independence, Nehru had tried to woo foreign investments into India, much to the chagrin of, as yet not too confident, Indian capitalists.)

The shift in favour of heavy industry was to be combined with promoting labour-intensive small and cottage industries for the production of consumer goods. This, as well as labour-absorbing and capital-creating community projects in agriculture, promoted by community development programmes and agricultural cooperatives were seen (too optimistically, as later events showed) as the immediate solutions to the escalating problem of unemployment, without the state having to make large investments in these areas.

Another critical element of the Nehru–Mahalanobis strategy was the emphasis on growth with equity. Hence, the issue of concentration and distribution in industry and agriculture was given a lot of attention though perhaps not with commensurate success. It may be added that the strategy did not posit equity against growth but assumed that higher growth enabled higher levels of equity and was critical for meeting the challenge of poverty; utmost attention was therefore given to rapid growth.

State supervision of development along planned lines, dividing activity between the public and the private sectors, preventing rise of concentration and monopoly, protecting small industry, ensuring regional balance, canalizing resources according to planned priorities and targets, etc.—all this involved the setting up of an elaborate and complicated system of controls and industrial licensing, which was done through the Industries Development and Regulation Act (IDRA) of 1951. Further, the balance of payments crisis and acute shortage of foreign exchange that occurred in 1956–57, at the very start of the Second Plan, led to the imposition of stringent import and foreign exchange controls. The seeds of the Kafkaesque web of licence quota rules and regulations were thus laid and in later years it was found that it was not easy to dismantle a system that had acquired a vicious stranglehold over the Indian economy. The bureaucracy–politician nexus and certain sections of business that were beneficiaries of the system resisted such a change.

Achievements

We shall now briefly review some of the bold beginnings made in the Nehru years during which the first three Plans were conceived, though the full impact of many of the initiatives was to be felt in the years following his death.

Considerable progress on several fronts was made during the first phase of the development effort, spanning the first three Five-Year Plans, i.e., by the mid-1960s. The overall economy performed impressively compared to the colonial period. India's national income or Gross National Product (GNP) grew at an average rate of about 4 per cent per annum, between 1951 and 1964–65 excluding the last year of the Third Plan, i.e., 1965–66, which saw an unprecedented drought and a war). This was roughly four times the rate of growth achieved during the last half century of colonial rule. The rate of growth achieved by India after independence compared favourably with the rates achieved by the advanced countries at a comparable stage, i.e., during their early development. To quote eminent economist Professor K.N. Raj:[8]

> Japan is generally believed to be a country which grew rapidly in the latter part of the 19th and the first quarter of the 20th century; yet the rate of growth of national income in Japan was slightly less than 3 per cent per annum in the period 1893–1912 and did not go up to more than 4 per cent per annum even in the following decade. Judged by criteria such as these the growth rate achieved in India in the last decade and a half (1950–65) is certainly a matter for some satisfaction.

Stepping up the rate of growth required a substantial increase in the investment rate. An important achievement in this period was the rise in the savings and investment rates. On the basis of rather rudimentary data, the draft outline of the Fourth Plan estimated that domestic savings and total investment in the Indian economy were both 5.5 per cent of national income in 1950–51, rising to savings of 10.5 per cent and investment of 14 per cent in 1965– 66. The gap between domestic savings and investment in later years was met partly by liquidating the foreign exchange reserves (mainly the huge sterling balances, about Rs 16 billion, that England owed India in 1947, because of the forced credit England had extracted from India during the war) and partly through foreign borrowing and aid. It has been estimated that the total investment in 1965–66 was nearly five times the 1951–52 level in nominal terms and more than three times in real terms.

On the agrarian front, the comprehensive land reform measures initiated soon after independence, the setting up of a massive network for agricultural extension and community development work at the village level, the large infrastructural investment in irrigation, power, agricultural research, and so on, had created the conditions for considerable agricultural growth in this period. During the first three Plans (again leaving out 1965–66), Indian agriculture grew at an annual rate of over 3 per cent, a growth rate 7.5 times higher than that achieved during the last half century or so of the colonial period. The growth rates achieved compared very favourably with what was achieved by other countries in a comparable situation, say China or Japan. For example, Japan achieved a growth rate of less than 2.5 per cent between 1878 and 1912 and an even lower growth rate till 1937. What was particularly creditable was that India, unlike most other countries (such as China, Japan, Korea, Taiwan, Soviet Union, Britain, etc.) achieved its land reforms and agricultural growth in the context of civil liberties and a modern democratic structure. However, the commendable agricultural growth achieved during this period was not sufficient to meet the growing demand of agricultural produce, necessitating increasing imports of foodgrains throughout the first three Plans. Since 1956, India had to rely heavily on food imports from the US under the controversial PL-480 scheme. It was only after the process of the Green Revolution took off, since the late sixties, that this dependence on imports ceased. (The whole issue of land reforms and agricultural growth which affected the lives of not only the vast majority of the Indian population dependent on agriculture but the Indian economy as a whole has been dealt with separately in later chapters.

Industry, during the first three Plans, grew even more rapidly than agriculture, at a compounded growth rate of 7.1 per cent per annum between 1951 and 1965. The industrial growth was based on rapid import substitution, initially, of consumer goods and particularly, since the Second Plan, of capital goods and intermediate goods. The emphasis on the latter since the Second Plan was reflected in the fact that 70 per cent of Plan expenditure on industry went to the metal, machinery and chemical industries in the Second Plan and 80 per cent in the Third Plan. Consequently, 'the *threefold* increase in aggregate index of industrial production between 1951 and 1969 was the result of a 70 per cent increase in consumer goods industries, a *quadrupling* of the intermediate goods production and a *tenfold increase* in the output of capital goods,' a stupendous growth of the capital goods sector by any standards.[9]

Tables 25.1 and 25.2 reflect this growth pattern (over a longer period) in which intermediate and capital goods industries like basic metals, chemicals, transport equipment and electrical and non-electrical machinery grew very rapidly and much faster than consumer goods industries like textiles, particularly between 1951 and 1971.

Table 25.1: Indices of Industrial Production in India: 1951–1979

1960 = 100 (for 1951–1971) and 1970 = 100 (for 1978–79)

Industrial Group	*1951*	*1961*	*1971*	*1978–79*
General	55	109	153	186
Textiles	80	103	106	110
Basic Metals	47	119	209	144
Machinery	22	121	373	208
Electrical Machinery	26	110	405	162

Source: India: A Reference Annual, *GOI, New Delhi, 1980, p. 312, cited in B.L.C. Johnson,* Development in South Asia, *Harmondsworth, 1983, p. 136.*

This growth pattern went a long way in reducing India's near-total dependence on the advanced countries for basic goods and capital equipment, which was necessary for investment or creation of new capacity. At independence, to make any capital investment, virtually the entire equipment had to be imported. For example, in 1950, India met 89.8 per cent of its needs for even machine tools through imports. In contrast to this, the share of imported equipment in the total fixed investment in the form of equipment in India had come down to 43 per cent in 1960 and a mere 9 per cent in 1974, whereas the value of the fixed investment in India increased by about two and a half times over this period. In other words, by the mid-1970s, India could meet indigenously more than 90 per cent of her equipment requirements for maintaining her rate of investment. This was a major achievement, and it considerably increased India's autonomy from the advanced countries in determining her own rate of capital accumulation or

Table 25.2: Rates of Growth in Indian Manufacturing: 1951–52 to 1982–83 (per cent)

Industry Group	*1951–52 to 1959–60*	*1960–61 to 1969–70*	*1970–71 to 1982–83*
Textiles	2.98	0.70	5.36
Rubber, Petroleum and Plastic Products	17.54	10.40	3.82
Chemical Products	7.90	8.39	5.76
Basic Metal and Alloys	6.52	7.01	5.46
Non-electrical Machinery	21.02	17.00	16.09
Electrical Machinery	17.64	14.01	6.17
Transport Equipment	14.83	7.66	3.34

Estimates are trend growth rates based in semi-log functions and relate to the factory sector of Indian manufacturing.

Source: Selected from Sukhamoy Chakravarty, Development Planning: The Indian Experience, *Delhi, 1987, Table 13, p. 111.*

growth. It was this, and the food security India was able to achieve once the process of the Green Revolution took off, which explains India's ability to retain an independent foreign policy, by withstanding enormous external pressures.

Dependence on external resources, foreign aid or foreign private investment, was kept quite low. Net aid utilized by India was only 0.4 per cent of Net National Product at factor cost during the First Plan, rising to 2.25 and 3.17 per cent during the Second and Third Plan and again falling drastically since the end-1960s. Also, external resources came mainly as official aid, and according to one estimate net aid and net foreign private investment came in the ratio of 6:1 between 1948 and 1961. More than 71 per cent of the foreign aid in the First Plan was used for wheat loans, whereas in the Second and Third Plans foreign aid was used overwhelmingly, nearly 98 per cent, to fund iron and steel projects and general industrial development, transport and communication and power. Overall, in the first three Plans, industry, transport and power utilized about 95 per cent of the foreign aid. (The counterpart funds generated by the PL-480 food aid from the US were allocated to the above areas.)[10] Soviet aid came in the Second Plan priority areas, i.e., core and basic industries and that too in the public sector.

The weight of the public sector in the overall economy increased rapidly, and it captured the 'commanding heights' of the economy, further marginalizing the presence of an already small foreign sector. (In India, unlike certain Latin American countries, the public sector did not grow in collaboration with foreign private capital or multinational corporations.) The total paid-up capital in government companies as a proportion of the total paid-up capital in the entire corporate sector rose from 3.4 per cent in 1951 to 30 per cent in 1961. In the early 1970s the proportion had risen to about 50 per cent and by 1978 it had reached a whopping 75 per cent.

Apart from industry and agriculture, the early planners gave utmost priority to the development of infrastructure, including education and health, areas greatly neglected in the colonial past. The average actual Plan expenditure on transport and communication during each of the first three Plans was about Rs 13 billion, accounting for an average of about 26 per cent of the total Plan expenditure in each Plan. The corresponding figures for social/community services and power were Rs 9.4 billion and 19.9 per cent and Rs 6.16 billion and 10.6 per cent respectively. Over time, Plan investment in these areas (and in irrigation) was to prove critical both in stepping up private investment and improving its productivity, as was seen so clearly in the case of agriculture with the coming in of the Green Revolution.

Table 25.3 shows the rapid per capita increase in the availability of some of the infrastructural and social benefits as they grew several times faster than the population. In 1965–66, as compared to 1950–51, installed capacity of electricity was 4.5 times higher, the number of town and villages electrified was 14 times higher, hospital beds 2.5 times higher, enrolment in schools was a little less than three times higher and, very importantly, admission capacity in technical education (engineering and technology) at the degree and diploma levels was higher by 6 and 8.5 times respectively. The population had increased only by a little over one-third during the same period.

Jawaharlal Nehru and the early Indian planners were acutely aware of India's backwardness in science and technology (an area left consciously barren in the colonial period) and therefore made massive efforts to overcome this shortcoming. Nehru's 'temples of modern (secular) India' consisted not only of steel and power

Table 25.3: Growth in Infrastructure, Health and Education

Item	*Unit*	*1950–51*	*1960–61*	*1965–66*	*Percentage change between 1950–51 and 1965–66*
Electricity: Installed capacity	Million KW.	2.3	5.6	10.2	393.5
Towns and villages electrified	'000	3.7	24.2	52.3	1,313.5
Railways: Freight carried	Million tonnes	93	156	205	120.4
Surfaced roads	'000 km	156	235	284	82.0
Hospital beds	'000	113	186	300	165.5
Enrolment in schools	Million	23.5	44.7	67.7	188.1
Technical Education: Engineering and technology (admission capacity)					
(a) Degree level	1000	4.1	13.8	24.7	502.4
(b) Diploma level	1000	5.9	25.8	49.9	745.8
Population	Millions	357	430	490	37.3

Source: J. Bhagwati and P. Desai, India: Planning for Industrialisation, *London, 1970, p. 74.*

plants, irrigation dams, etc., but included institutions of higher learning, particularly in the scientific field. During the First Plan itself, high-powered national laboratories and institutes were set up by the Council of Scientific and Industrial Research for conducting fundamental and applied research in each of the following areas: physics, chemistry, fuel, glass and ceramics, food technology, drugs, electro-chemistry, roads, leather and building. In 1948 the Atomic

Energy Commission was set up, laying the foundations of the creditable advances India was to make in the sphere of nuclear science and related areas. This was in addition to the unprecedented increase in the educational opportunities in science and technology in the universities and institutes. National expenditure on scientific research and development kept growing rapidly with each Plan. For example, it increased from Rs. 10 million in 1949 to Rs 4.5 billion in 1977. Over roughly the same period India's scientific and technical manpower increased more than 12 times from 190, 000 to 2.32 million. A spectacular growth by any standards, placing India, after the dissolution of the Soviet Union, as the second country in the world in terms of the absolute size of scientific and technical manpower. This was a major achievement despite the fact that the quality of education in general, and particularly in the university system, tended to deteriorate over time and there was massive brain drain, mainly to the US, of a significant part of the best talent produced in the country. Yet, it is an achievement of considerable significance, as increasingly today 'knowledge' is becoming the key factor of production and there is a global awareness of the necessity to focus on education and human resource development. That India can even think of participating in the globalization process in today's world of high technology, with any degree of competitiveness and equality, is largely due to the spadework done since independence, particularly the great emphasis laid on human resource development in the sphere of science and technology.

In the enthusiasm to support the very necessary economic reforms being undertaken by India today (since 1991), it has become fashionable in some circles to run down the economic achievements of the earlier periods, particularly the Nehruvian era. Nothing could be more short-sighted and ahistorical. It is the Nehruvian era that created the basic physical and human infrastructure, which was a precondition for independent modern development. Today's possibilities are a function of the achievements of the earlier period; they have not arisen despite them.

Also, the Nehruvian phase has to be seen in the global historical context of that period. As Dr Manmohan Singh, India's prime minister and brilliant economist, who as finance minister inaugurated the structural adjustment programme for India in 1991, was to acknowledge: 'In 1960, if you had asked anybody which country would be on top of the league of the third world in 1996 or 1997, India was considered to be the frontrunner.'[11] There was a consensus among a wide variety of economists, including prominent ones in the West—W.W. Rostow, Rosenstein-Rodan, Wilfred Mandelbaum, George Rosen, Ian Little, Brian Reddaway, to name just a few—that the direction of the Indian planning effort was a very positive one with great potential. (It was common to eulogize the democratic Indian path as opposed to the model followed by totalitarian China.) There was, in fact, a dialectical relationship between the evolution of contemporary development theory and the Indian experience. As reputed economist Sukhamoy Chakravarty noted, 'Dominant ideas of contemporary development economics influenced the logic of India's plans, and correspondingly, development theory was for a while greatly influenced by the Indian case.'[12]

Surely, over time, changes needed to be made, learning from the experience of this novel effort to bring about industrial transformation in the modern (mid-twentieth century) environment of a post-colonial backward country, while fully maintaining a functioning democracy. Clearly, some of the policy instruments— industrial licensing, price and distribution controls, import restrictions shielding inefficient domestic producers, dependence on an increasingly inefficient public sector, etc.—needed to be given up or amended. Also, changes in the nature of world capitalism called for novel ways of seeking economic opportunity, which, *inter alia,* involved a greater opening up to the world economy. However, the possibility of such a change got shortcircuited by a series of crises faced by India in the mid-1960s and changes in the international and internal political situation which forced her to move further in a protectionist, inward-looking and dirigiste direction. We look more closely at this aspect in the next chapter.