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Author(s): PULIN B. NAYAK

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## Planning and Social Transformation: Remembering D. P. Dhar as a Social Planner

PULIN B. NAYAK<sup>1</sup>

*Centre for Development Economics  
Delhi School of Economics*

### 1. INTRODUCTION

The Indian Planning Commission was set up by a Resolution of the Government of India in March 1950. The chief advocate for adopting planning as a necessary prerequisite for giving direction to and coordinating the process of development was Pandit Jawaharlal Nehru. For Pandit Nehru, planning had to be an intrinsic function of government in any developing country that was avowedly committed to socialism. As early as the years 1910-12, while in London as a student, Nehru had been attracted to Fabian socialism, and a philosophical commitment to a socialistic pattern of society was the sheet anchor of his entire political thought process. As a young political leader who later made a mark in the struggle for India's independence from British colonial rule, Nehru was invited to the Soviet Union in 1927 on the tenth anniversary of the October Revolution. Subsequently he keenly followed the spectacular progress achieved by the Soviets after they embarked on their first five year plan in 1928.

In 1934 when some of the younger members of the Congress Party - including, among others, Jaya Prakash Narayan and Acharya Narendra Dev - formed a socialist caucus within it, Nehru was a strong intellectual support for this group, though he himself never formally became a part of it. And when, in 1938, as the Congress President, Netaji Subhash Chandra Bose decided to set up the National Planning Committee (NPC), the obvious person to head it had to be Jawaharlal Nehru. India was still under the colonial yoke, and clearly the deliberations of the NPC were essentially a matter of theoretical interest, yet the conclusions of the NPC offered pointers to the strategies for economic and social development that were to be adopted after the country became independent.

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<sup>1</sup> Centre for Development of Economics, Delhi School of Economics, University of Delhi, Delhi 110007.  
Email: pulin.nayak@gmail.com.

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After the country's independence and the accompanying trauma of partition, perhaps the first substantial task was to frame and adopt the Constitution of India and then embark on the arduous path of economic and social development for a country that was still mired in poverty, illiteracy and ill health for vast masses of its population. And it is this task to which Pandit Nehru and his cabinet colleagues, most of them persons of the highest moral integrity, pledged themselves. There were many other younger members of the political firmament in different parts of the country who had participated in the freedom struggle under the leadership of Gandhi and Nehru, and who had imbibed the social, political and moral ethos of these epochal leaders. One such individual on whom we focus our attention for the purpose of this essay is a person by the name Durga Prasad Dhar. D.P. Dhar was to later play a pivotal role in the economic decision making of India as the Deputy Chairman (1972-74) of the now defunct Planning Commission for a period of around two and a half years during a very crucial phase of India's post Independent nationhood.

Durga Prasad Dhar (1918-1975), or D.P., as he was popularly known, was a prominent politician of Kashmir during the early days of India's Independence, and later, a major Indian diplomat who was India's ambassador to the Soviet Union for two terms – between 1969-1971, and again, for a second term in 1975, till his untimely death due to a heart attack on 6 December 1975, at the age of 57. He was instrumental in finalizing the 1972 Indo-Bangladesh treaty of peace, friendship and co-operation. As possibly the closest confidante of Prime Minister Shrimati Indira Gandhi, D.P. played a significant role in the Shimla agreement between India and Pakistan that was signed also in 1972.

Prior to the Bangladesh War in late 1971, it was D. P., who, as India's ambassador to the Soviet Union, had helped ink the 1971 Indo-Soviet Friendship Treaty. Without this India could not possibly have played the role it did in the creation of Bangladesh. At the height of the political crisis that had engulfed West and East Pakistan in 1971, D.P. was in the frontline in trying to mobilize international support in favour of Bangladesh – an attempt which often fell on deaf ears of the mature democracies of Europe, China, and also the US, led by Nixon with advisory inputs from Henry Kissinger. D.P. also played a special role in support of the Mukti Vahini in the Bangladesh Liberation war.

In between his ambassadorial assignments D.P. held two crucial posts in the Indian government. He was recalled from his first stint in Moscow in 1971 and appointed Chairman of a newly set up and extremely powerful Policy Planning Committee under the auspices of the Ministry of External Affairs. D.P. bypassed the External Affairs Minister, Sardar Swaran Singh, and reported directly to the Prime Minister. This was a one-man committee, solely concerned with the Bangladesh crisis. His fellow Kashmiri compatriot, Shri P N Dhar, had the following to say about D.P.'s role in high politics at that conjuncture:

'D.P.'s task was formidable but he was eminently qualified to undertake it. His winsome manner, his brilliant sense of humour, and his acute intelligence were all invaluable assets in his new job. He had the gift of flavouring his exposition of the same theme with subtle nuances in order to reassure and satisfy interlocutors of different shades of opinion. He also had the rare ability to listen to fools as well as knaves calmly, without losing patience or showing signs of irritation. He could talk to soldiers, politicians, journalists and radicals of different hues in their own idiom' (Dhar (2000), pp. 168-169).

The Simla Agreement was signed on 2nd July 1972, bringing the Bangladesh War to a close. On 23rd July, 1972 D.P. was appointed the Deputy Chairman of the Planning Commission and Minister of Planning in the Government of India. Owing to the heavy military expenditure due to the War the finances of the Central government had been stretched to an inordinate degree. The country was about to mark twenty five years of its Independence. After the Chinese debacle of 1962, the border conflict with Pakistan in 1965 and then the trauma of the Bihar drought of 1966-67, the strong role played by India in the creation of Bangladesh had raised the political spirits in India and the expectations and aspirations of the common man were higher than ever before. Even though the pace of development after four five year plans had been somewhat unspectacular, there still was much expectation from the more engaged among the political classes that economic planning will ultimately deliver positive results for this country which was still afflicted with large pockets of poverty, malnutrition and regional inequality.

Accordingly, D.P. was chosen by Shrimati Gandhi to take up the reins of the behemoth planning commission which was the institution that channelized huge sums of Plan funds to the various States and Ministries. The Deputy Chairman of the Planning Commission was a member of the Union Cabinet and wielded considerable political power. More than anything else, D.P. was possibly the closest political confidante of Shrimati Gandhi at that juncture. He was also the most dynamic of the trio comprising of a small band of close advisers of Shrimati Gandhi that was referred to as the Kashmiri mafia, the other two being P N Haksar and P N Dhar. D.P. took up his position in the Planning Commission at a time when he was widely acknowledged to be the hero of the Bangladesh war and the Shimla agreement. Therefore, all in all, D.P. enjoyed formidable political clout as the head of India's Planning Commission.

D.P. was principally a doer. He was not an academic and he had not been a student of economics. The written output of D.P. is extremely meagre. This is no doubt because his active involvement in politics right from his student days in Kashmir and Lucknow, where he completed his law degree, left little time for serious writing. Some of his essential ideas are contained in his book 'Planning and Social Change' which was published posthumously in 1976. This is a collection of the speeches D.P. gave in various places when he was Deputy Chairman of the Planning Commission. In the preface D.P. candidly makes the following observation about himself: 'I am a politician, who necessarily has to believe in the efficacy of the spoken word (Dhar (1976), p. xv)'.

A perusal of Dhar (1976) reveals a mind with an extremely keen sense of social reality and a sharp intellect. D. P. was 29 when India gained Independence in 1947. In 1946 he had joined Sheikh Abdullah in his struggle against Maharaja Hari Singh of Kashmir. At a relatively young age of 30 he was thought to possess enough political sagacity and stature to be appointed the Home Minister of Kashmir when Sheikh Abdullah formed the government of Jammu and Kashmir as Prime Minister. D.P. was also a Member of the Jammu and Kashmir State Constituent Assembly from 1951 to 1957 which confirmed Kashmir's accession to India. During 1957-67 he was a Member of the State Assembly and was appointed Cabinet Minister in charge of various portfolios.

D.P. was a proud Indian whose political hero was Pandit Nehru. He firmly believed in the transformative role of economic planning which was the cornerstone of Nehru's economic philosophy. It was this aspect of D.P.'s outlook, his youthful verve and his strong role in the politics of Kashmir for nearly quarter century that attracted him to Mrs Gandhi who had need for an all-purpose pointsman to help tackle many critical issues that came up for urgent attention.

D.P.'s appointment as Ambassador to the USSR in 1969 was a purely political act. D.P. was not a career diplomat and this was often resented by the mandarins of the external affairs bureaucracy. But D.P. not only had the ear of the Prime Minister, but was a person with considerable social grace and, as mentioned earlier, 'acute intelligence', and he quickly established his authority in the corridors of power. From the headship of the powerful Policy Planning Division in South Block to the top position of the Planning Commission was definitely quite a long sweep, but this was all at par because D.P. was already known to be a man for all seasons.

As mentioned earlier, D.P. was neither a trained economist nor sociologist. He was conscious of it, but this did not make him feel diffident in any way in his role of being a planner. He knew that for his intellectual mentor, Pandit Jawaharlal Nehru, planning was an integral part of social and economic transformation and it is this belief which propelled him during his tenure in Yojana Bhavan. In the preface to book 'Planning and Social Change', D.P. writes:

'Some may question my credentials for this task. They may do so but I have no regrets or apologies to offer them. I may not be a professional sociologist or economist or political theorist. But I am an Indian and a politician and hence have a right to talk about matters that concern me even if this means my poaching in the groves of Academe. Planning and social change are too important to be studied by professional social scientists. In fact even the academic disciplines of economics and sociology are too important to be left to them. To paraphrase – social scientists are not special sorts of persons; every person is a special sort of social scientist (Dhar, 1976, p. xiv)'.

It is to the theme of planning and social transformation that we now turn.

## 2. PLANNING IN INDIA: THE ANTECEDENTS

The idea of planning was central to the thought processes of a number of major political leaders of India well before the country gained Independence in 1947. As mentioned earlier the most prominent among them was Jawaharlal Nehru who had already been attracted to the Fabian socialism of Sidney and Beatrice Webb, George Bernard Shaw, H G Wells and Annie Besant, among many others. The key objective of this group was to bring about a socialistic pattern of society by making use of gradualist and reformist intervention in a parliamentary democratic set up. None of these individuals was in favour of the violent revolution of the kind that Russia went through in 1917 with its massive social upheaval and huge loss of lives. The political situation had stabilised a decade after the October Revolution and the Soviets embarked on their 5 year plans in 1928. The results were soon seen to be very positive and Nehru was one of the early converts to the idea of planning to bring about rapid economic and social development when India would gain independence.

Among those in the Congress Party who were keen about economic issues, other than Jawaharlal Nehru, were Subhash Chandra Bose, Jayaprakash Narayan, Acharya Narendra Dev, Achyut Patwardhan, Ram Manohar Lohia, Asoka Mehta and Minoo Masani, in the main. Even though they differed in the details, they all subscribed to a socialist pattern of society as an integral part of their vision, though Masani was to dramatically alter his views much later. In 1934 a Congress Socialist Party was founded as a socialist caucus within the Indian National Congress.

Of course Gandhiji was also there, who had articulated his economic philosophy as early as 1909 in his *Hind Swaraj* (Gandhi, 1909). Gandhiji's notion was one of giving emphasis to self-sufficient village economies, which meant giving primacy to agriculture as well as encouraging village and cottage industries. The younger group comprising the Congress Socialist Party explicitly rejected the anti-rational mysticism of Gandhiji and made it a point to emphasise that they were interested to study economic and social phenomena on a scientific basis.

At the instance of Subhash Chandra Bose, the then Congress President, the National Planning Committee (NPC) was set up in 1938 with Jawaharlal Nehru as its Chairman (see Nehru, 1946). It consisted of 15 members plus representatives of provincial governments and such Indian states as chose to collaborate with the Congress. It comprised of well-known industrialists, financiers, economists, professors and scientists. It was of course well understood that the attainment of political freedom was a prerequisite for any of the policies that were agreed upon to be actually implemented. The purpose of planning was not just to improve the economic status of the masses. It was also to deal with, and eliminate, social backwardness, regressive customs, superstitions and an excessively traditional outlook. In short, the idea of planning called for nothing short of a complete social transformation.

The Committee met a number of times, but the proceedings were disrupted owing to the Second World War. Nehru was arrested in October 1940 and sentenced to a long term of imprisonment. Some of the other members too were arrested. Despite these disruptions a number of key issues were articulated in detail. The NPC addressed the entire gamut of issues including agriculture, industry, trade, commerce, education, health and what have you. A key objective was national self-sufficiency, and the main thrust of planning was to adopt a cooperative, socialist approach in commandeering the available resources in the country to attend to the staggering task of removing poverty, malnourishment, illiteracy and ill health.

Nehru was never temperamentally in favour of a full social ownership of all means of production. He was willing to have the private capitalist sector work side by side with a public sector with the caveat that the latter was supposed to take charge of the 'commanding heights' of the economy. As he would repeatedly and pointedly hold forth in meetings and in his writings, he had a marked antipathy towards the 'profit motive' that was the driving force of capitalism. In his vision of the new India, it was to be what one might call 'social purpose' rather than the 'profit motive' that was to propel the wheels of development.

By 1940 there was a fair presence of a capitalist class in India concentrated around the metropolitan cities of Bombay, Ahmedabad, Calcutta, Delhi, Kanpur and Madras. After Gandhiji's call for 'Quit India' to the Britishers in 1942, the independence of the country definitely seemed to be very much on the cards and it was also quite clear that it would be Pandit Nehru who would be holding the reins of the government. This was a matter of no small concern to the captains of Indian industry. Accordingly, several prominent members among them got together in 1944 to author what is known as the 'Bombay Plan' (BP), a document entitled 'A Plan of Economic Development for India'. The group included J. R. D. Tata, G. D. Birla, Sir Ardeshir Dalal, Sir Purushottamdas Thakurdas, Sir Shri Ram and Kasturbhai Lalbhai, among others.

The BP envisaged a doubling of the per capita income in 15 years. It acknowledged its debt to the NPC and wished to underline the nationalist credentials of the industrialists who were part of the group. The BP also suggested that in the initial stages after Independence focus should be put on development of industries for power and capitalist goods, with the ultimate objective of reducing our dependence on foreign countries (for an excellent account see Zachariah, 2005, pp 220-226). The BP envisaged that essential consumption goods could be produced by small-scale and cottage industries, which would offer employment to the large labour force as well as reducing the need for purchasing expensive foreign machinery. The BP also defined a minimum standard of living and public health, and special attention was paid to maternal health and literacy. It also recommended cooperative farming as a solution to the problem of fragmentation of land holding.

Having adumbrated the above, the BP went on to stress that there is a significant domain in which the private sector could contribute effectively. It suggested that private enterprise 'in spite of its shortcomings possesses certain features which have stood the test of time and have enduring achievements to their credit', and that 'it would be a mistake to uproot an organization which has worked with a fair measure of success in several directions'. The documents of the NPC and the BP essentially articulated a similar set of concerns about the developmental path to be undertaken in a newly independent country, the key difference being that the BP tried to demarcate a clear role for the private capitalist sector in the economic development of a nascent state.

It is worth mentioning here that there was a third document that also appeared, like BP, in 1944. This was the colonial government's 'Second Report on Reconstruction and Planning', published by the Planning and Development Department of the Government of India (Zachariah, 2005, p. 223). This tried to give a veneer of being truly concerned with the development of the country in the twilight years of colonial rule, and expectedly lacked authenticity. However it is significant that when the issue of economic development was at stake, the need for 'planning' was perceived to be common to the freedom fighters, the home capitalists as well as the colonial masters at the last stages of their imperial rule.

As mentioned above Gandhiji was not in agreement with the economic conceptions of Nehru and the members of the Congress Socialist Group, just as the latter vehemently and fully reciprocated the sentiment. In addition to the notion of village self sufficiency, Gandhiji had also advocated the notion of 'trusteeship' for the capitalist class, who would be expected to utilise their plants and machinery, and wealth generally, only towards the public purpose and the common good of the masses. It was this 'trusteeship' notion of capitalism which Gandhiji offered as his version of socialism. He thought that this would bring about the Ramrajya of his dreams which would ensure 'the rights alike of the prince and pauper'. Jayaprakash Narayan responded with a trenchant critique: 'A Ramrajya of paupers and princes! Why not? How else will the noble soul get an opportunity to practice deeds of high-minded philanthropy and thus prove the Hindu conception of human nature! (see Zachariah, 2005, p.67).

Even though Gandhiji was against planning and modern industry, there was much in Gandhiji's formulation that rang true in the Indian setting. Gandhiji's key concern was to provide gainful employment to the teeming masses, and he thought that this could be best done by promoting village industry and not by importing heavy and expensive machinery that would displace labour. This is an important issue of choice of techniques that Ricardo had raised in his chapter on 'Machinery'. It was not obvious to Gandhiji then, nor is it obvious now, more than century after Gandhi wrote his main tract, that the heavy industry route would be able to adequately provide jobs for the country's teeming millions.



Gandhi, like Nehru, was not a trained economist, but his understanding of India's economic problems was rooted in his deep familiarity with the Indian masses living in villages and engaged in agriculture and village industries. By the late 1920s, Gandhiji also had attracted some strong adherents to his way of thinking. A major one among them was J.C. Kumarappa, who studied economics at Columbia, and who, in fact, coined the term 'Gandhian economics'.

In the last years before Independence Gandhiji was keen to engage in, and had in fact initiated, a serious debate with Jawaharlal on matters concerning the economy. It is entirely possible that the two would have arrived at some synthesis if they could have had a reasonable amount of time after the country's Independence, followed by the long period of trauma, lasting several months, due to partition. But that was not to be. Gandhiji was assassinated less than six months after the country's Independence. Jawaharlal was now the unquestioned master of the forces that would shape economic and social policy in this newly independent sub-continent.

Nehru's sorrow was palpable on 30<sup>th</sup> January 1948 at the loss of his political mentor, as he paid his tribute to the father of the nation in a moving radio broadcast. After the Planning Commission was set up in 1950 Nehru showed no undue haste in forcing his heavy industry approach to the first five year plan (1951-56) formulation. This was to wait till later, when Nehru incorporated the formulations of another old Cambridge hand, the physicist-statistician, Dr Prasanta Chandra Mahalanobis (see Khilnani, 1997, and French, 2011, for an interesting account of Mahalanobis's role in planning). The Nehru-Mahalanobis formulation was built into the second five year plan (1956-61) that gave explicit priority to the capital goods, as opposed to the wage goods sector.

In my own estimation, I believe that too much is made of the so called Nehruvian emphasis of heavy industry. It is of course true that Nehru stood for the scientific temper and a modernist approach to life, and also wanted rapid industrialization to close the gap between India and the advanced western countries. Since at the time of Independence the private sector was not in a position to engage in – because of paucity of their own resources and due to inadequate development of the banking and the financial intermediation sector - the massive task of infrastructure creation, viz., roads, railways, power generation, telecommunications, schools, colleges and hospitals, etc., he knew that the state had to step in in a major way to take care of the commanding heights of the economy.

Nehru described Bhakra Nangal as one of the 'new temples of resurgent India', and he also went on to establish the steel plants at Rourkela, Bhilai and Durgapur in the public sector to augment the much needed steel required to build a rapidly developing country. All of these had both a material and symbolic function. But more importantly, Nehru had also, during this phase, helped set up the new IITs, the AIIMS in Delhi, and the new IIMs, other than setting up bodies such as CSIR to promote scientific research.

There was a huge push given to new universities and colleges, possibly at the cost of neglecting primary education, as was argued by some scholars (see Sen, 1971). At least in Nehru's mind, the entire education system, and particularly higher education, had to be substantially in the state sector.

This was very much in the Fabian socialist tradition of the state taking care of basic health and education for the common people. There are very good theoretical reasons why these two sectors should largely be in the realm of the state sector, or at least, should be very closely governed by a strong regulatory set up of the state. Most of the present day academic class of India, as well as many of our successful brothers and sisters in Silicon Valley California today, are the beneficiaries of the Nehruvian system of almost free public sector education.

The point that needs to be emphasized here is that even though Nehru's interest in promoting the scientific temper had not weakened, and that he continued to place emphasis on industry, a decade after India's Independence, he began to see the need for emphasizing agriculture and rural industry to a much greater degree. This is evidenced in his regular letters he wrote to Chief Ministers on all manner of issues. One may say that a decade after Mahatma Gandhi's death, Nehru had perhaps come to appreciate his mentor's ideas more, not less, as compared to their respective positions on economic issues in the mid-1940s before the country's Independence. In the last years of his life Nehru's stature had taken a strong beating on account of the Chinese debacle, and he was also physically and emotionally wearing down. But through all this, he was possibly in a position to better evaluate Gandhiji's core thoughts, without giving up on his idea of modernizing India's production structure.

The Third Five Year Plan (1961-66) was Nehru's last. As the Chairperson of the Planning Commission he was known to be always careful about drafting the approach to the plan. The substantial importance attached earlier to the industrial, and in particular the capital goods sector, was no longer there. The fourth paragraph in the approach document reads as follows:

'In the scheme of development during the Third Plan the first priority necessarily belongs to agriculture. Experience in the first two Plans, and especially in the Second, has shown that the rate of growth of agricultural production is one of the main limiting factors in the progress of the Indian economy. Agricultural production has, therefore, to be increased to the largest extent feasible, and adequate resources have to be provided under the Third Plan for realizing the agricultural targets' (Planning Commission, 1961).

### 3. THE INDIAN EXPERIENCE

When planning began in India in 1950, though the first five year plan was launched in 1951, the average growth rate of India's GDP in the previous half century was under 1 percentage point. The average income levels were low; and there was high illiteracy and high incidence of ill health. India was under the colonial yoke of the British and this kind of growth experience was rather the norm. On the positive side, the railways had been introduced in India during the 1850s, the posts and telegraph department too was reasonably well functioning, there was a measure of modern industry, specially in textile and steel. But it was also true that a substantial degree of deindustrialization had occurred during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries in India owing to the explicit trade and commercial policies followed by London that facilitated Indian raw materials and inputs to be shipped to England in return for finished goods from their factories in Sheffield and Manchester to flood Indian markets (see Gadgil, 1933). The British came to India as traders and there was a substantial drain of wealth from India to London that had been well emphasized in the writings of Dadabhai Naoroji (1901), among others.

In a chilling account of British rule in India, Sutherland (1908) goes into the number of lives lost in the famines during British rule in India. He quotes from the account of an Englishman by the name W.S. Lilly who had served in India and wrote a book entitled 'India and Its Problems'.

"During the first 80 years of the 19<sup>th</sup> century, 18,000,000 of people perished in famine. In one year alone – the year when her late Majesty assumed the title of Empress – 5,000,000 of the people in Southern India were starved to death. In the district of Bellary, with which I am personally acquainted, - a region twice the size of Wales, - one fourth of the population perished in the famine of 1876-77. I shall never forget my own famine experiences: how, as I rode out on horseback, morning after morning, I passed crowds of wandering skeletons, and saw human corpses by the roadside, unburied, uncared for, and half devoured by dogs and vultures; how, sadder sight still, children, 'the joy of the world', as the old Greeks deemed, had become its ineffable sorrow, and were forsaken by the very women who had borne them, wolfish hunger killing even the maternal instinct" (Sutherland, 1908).

The last major famine of India was the Bengal famine of 1943 in which approximately 3 million people died. As Amartya Sen has argued, there was no particular shortfall of food output. The problem was one of lack of exchange entitlement, or, simply put, a section of the population did not have the purchasing power to buy grains, or even more simply, a section of the population did not have the money to buy the grains available in the market.

In the 69 years after India's Independence there has been nothing close to the Bengal famine of 1943, though we have gone through some precarious patches as in 1966-67, when, due to drought conditions in Bihar, there was a serious famine like situation. But while we have managed to ward off famines as such – our democratic polity and the free press have ensured that this does not happen – we have a persistence of chronic malnutrition or undernutrition in several pockets even up to this day.

Talking about growth rates proper, the average growth rate of India's GDP during the first three decades after planning was initiated was in the range of about 3.5 per cent, which was famously christened the 'Hindu rate of growth' by the late Raj Krishna (see Krishna, 1980). This was clearly a huge jump over anything that was achieved previously during nearly two centuries of British rule in the country. There were however some significant changes slowly occurring. Fresh from a border war with Pakistan in 1965 the financial situation of the country was not particularly sound. Our foodgrain stocks during the Bihar drought were particularly precarious. India went around accepting even small amounts of food aid from Italy and Australia. This was a humiliating experience. The US came forward with sale of wheat against Indian rupees as part of their PL 480 programme. This was not without its political costs, as Shrimati Gandhi realized even as a relatively inexperienced Prime Minister.

Fighting a personal battle for her own political survival Shrimati Indira Gandhi must today be credited with two significant initiatives, which we take for granted today, exactly a half century after she came to assume charge as the Prime Minister. The first was the push given to HYV seeds in the agriculture sector, along with subsidized sale of fertilisers and cheaper availability of irrigation in large swathes of Punjab, Haryana and elsewhere in the country. She had an able and highly efficient Minister for Food and Agriculture in Shri C. Subramaniam, who, with the advise of Norman Borlaug took the political decision of introducing high yielding varieties of seeds. The results were dramatic. This was a text book case of keeping the Malthusian spectre at bay: there was record output of wheat in 1972 and the Indian Green Revolution had already arrived. It is a matter of some interest that Shri C. Subramaniam went on to become the Deputy Chairperson of the Planning Commission immediately preceding the term of Shri D.P. Dhar who assumed charge on 23<sup>rd</sup> July 1972.

The second was the bank nationalization of 1969. The latter was admittedly a political move, where Shrimati Gandhi split from the old Congress managed by the syndicate of Atulya Ghosh, S. Nijalingappa and S. K. Patil. Much has been written and researched about the economic implications of bank nationalization. I think it would be fair to say that most studies have shown 1969 to be a watershed in the banking history of the country where financial intermediation became on the whole more efficient as well as more equitable.

The planning regime that was put in place by Pandit Nehru in the '50s had given rise to a license-permit syndrome, and corruption, or rent seeking, was the order of the day in most government dealings. By the beginning of the 1980s, Shrimati Indira Gandhi had returned to power after a brief Janata interregnum. The common man as well as the intelligentsia seemed to be tired of the dirigiste regime which seemed to suppress the best instincts of individual enterprise in the country. Accordingly there were pressures to free up the shackles of excessive governmental rules and regulations.

The assassination of Shrimati Gandhi in 1984 was a turning point in the old style political dispensation where the Congress Party ruled at the Centre as well as most of the states, barring Kerala and West Bengal, which had witnessed a rise of popular left government. Already there were emerging leaders with different regional aspirations in Andhra Pradesh, Assam, Tamil nadu and elsewhere and the nature of federal governance was undergoing a radical change. With the exit of Shrimati Gandhi from the Centre and the entry of a relatively young, reluctant, political novice Rajiv Gandhi, the nature of politics changed dramatically. Impatient for change, Rajiv brought in substantial new changes in the nature of governmental functioning, and began with doing away with a number of constricting regulations and physical controls. Along with this Rajiv understood the importance of improved communications and gave personal support to the telecommunication sector by encouraging the initiatives of a relatively unknown figure, Mr Sam Pitroda, who undertook to connect up the country with a system of STD and ISD booths in the remotest far flung areas and tribal belts. I do not believe that there has been an adequate assessment to date of the astronomical benefit-cost ratio of this initiative of the Rajiv government.

The opening up of the Indian economy of the 1980s pushed up the growth rate to the 5 per cent range, a clear improvement over the Hindu rate of growth. The last year of Rajiv Gandhi's Prime Ministership was clouded by the Bofors scandal, and he was succeeded by Shri V P Singh. Mr Singh unleashed the Mandal Commission report for his own political survival, the reverberations of which continue to stir even after more than a quarter century and show no signs of abating. The country was in for a round of political instability, where Mr Singh could not complete even a year in office and his successor Shri Chandra Shekhar lasted less than 8 months.

The assassination of Rajiv Gandhi in 1991 altered the political scenario dramatically. A sympathy wave gave a huge mandate to the Congress Party. The government's finances were in the doldrums. Foreign exchange reserves were adequate barely to buy two weeks' worth of imports whereas a safe level is supposed to be at least 5 or 6 months' worth. India's gold reserves were pledged in London to obtain a line of credit. It is in this setting that Shri P.V. Narasimha Rao assumed charge as Prime Minister. I believe that it is he more than anyone else who ought to be credited with taking the political decision of ushering in liberalization and economic reforms.

As an astute observer of the Indian political economy Shri Rao might have figured that the economic situation he found himself in could not possibly get worse. He was firmly of the view that there were enormous reserves of pent up potential in the indigenous Indian genius which ought to be given a free hand. In particular, Rao believed that the market in India had been too constrained so far, and that the basic entrepreneurial reserves of Indians ought to be allowed a free play. His first task was to find a suitable Finance Minister. This he found in Dr Manmohan Singh, whose credentials were impeccable. The duo made a formidable team in terms of sheer intellectual fire power. In his maiden budget Shri Manmohan Singh quoted Victor Hugo to say “no power on earth can stop an idea whose time has come”. He then went on to add: “I suggest that the emergence of India as a major economic power in the world is one such idea”.

Dr Manmohan Singh helped initiate sweeping reform measures. He set up two important committees, one headed by Professor Raja Chelliah to usher in comprehensive tax reforms and the other headed by Shri M. Narasimham to chart out a blueprint for financial sector reforms. The reports of both these committees were highly influential and they helped spur the latent growth potential in the economy. Liberalisation and opening up of the economy to market forces pushed up the average growth rate of GDP to the 6-6.5 per cent range during the 1990s. (See Byres (1998) for a consideration of some of the major perspectives)

It was in the first decade of the new millennium that the growth rate of the Indian economy moved up to an altogether new zone. This occurred when Dr Manmohan Singh was now at the helm as the Prime Minister. For three years, during 2005-08, the growth rate of GDP tipped the 9 per cent mark. It is this development alone which possibly brought India into a new international focus and admiration. The only other major country which had maintained a growth rate of this magnitude and over a much longer period – more than 30 years – was China.

India and China both had roughly the same level of per capita income in terms of US dollars around the late 1970s. Mao, the great helmsman, had passed away in 1976 and the new dispensation was headed by Deng Tsiao Ping who embraced the market system with a vengeance. Even though the Chinese growth momentum has recently weakened somewhat, the one result of the sustained rapid growth rate over a period of more than three decades was that by 2015 the per capita income of China, in nominal US dollars, was nearly four times that of India's. This was a simple case of what John Maynard Keynes had referred to as the power of compound interest.

After a dip of the growth rate owing principally to the international financial crisis of 2008, but also due to some other structural as well as scandal ridden political constraints, India has returned to being one of the fastest growing major economies of the world. India's GDP grew at 7.5 per cent during 2015-16. This tipped the growth rate of China which was 7.1 per cent. Brazil and Russia, two of the BRICS countries,

actually experienced a negative growth rate of GDP during the past year. In terms of the global outlook, real GDP in the world at large grew at 2.8 per cent during the past year. The rich countries of the world grew at about 2 per cent, while the developing countries as a whole grew at a rate of about 4.4 per cent.

#### 4. THE IMPERATIVE OF SOCIAL TRANSFORMATION

There is no doubt that the Indian growth rate at the current juncture, in comparison to the performance of other major economies, is gratifying. But the question arises: should we be satisfied with our performance? The answer, paradoxically, is in the negative. Hidden within this seemingly top growth performance are some deep economic and social problems that need urgent attention.

It is easy to see why India has lately been posting a high growth rate. In recent years the savings rate of the Indian economy has been in the range of 35 to 36 per cent of GDP, recorded during 2005-2008, though in the year just gone past the rate seems to have dipped to about 30 per cent, which is still reasonably high. The investment rate has been about 1 to 1.5 percentage points higher. With the capital output ratio of about 4, a growth rate of 9 per cent plus for the years 2005-2008 and about 7.5 per cent for the past year would be implied by a crude Harrod-Domar formulation. It is conceivable that this saving and investment rate, and therefore the implied growth rate, may be sustained at least in the medium, if not the long, run.

The key feature of this growth is the momentum that has been generated by the service sector. Post 1950 the share of agriculture has declined from about 55 per cent of GDP to about 13.7 per cent now. This has been matched by a steady rise in the share of income originating in services. A notable aspect of the Indian development experience is that the share of manufacturing in GDP has remained constant at around 15 to 16 per cent over a long span. It should be noted that it is manufacturing that is regarded to be the dynamic part of the industrial sector, and one that has the highest potential of generating jobs and absorbing labour. The share of manufacturing as a fraction of GDP in China is double, at around 32 per cent. The relative constancy in income originating in the manufacturing sector in India has meant that employment has remained stagnant, and possibly declined, in the organized sector, giving rise to the phenomenon of 'jobless growth'.

In the agriculture sector, relative income has been squeezed secularly through the past half century and more. At the beginning of planning, nearly 65 per cent of the labour force was engaged in agriculture. Presently the share of agriculture in the labour force has declined to around 50 per cent, whereas, as mentioned above, the share of agricultural income in GDP has steeply gone down to 13.7 per cent. Services now account for as much as 59 per cent of the GDP of the country while it accounts for about 28 per cent

of the workforce. This is at the heart of the problem of accentuation of inequality in the Indian economy.

A substantial body of recent work by Piketty (2015), Atkinson (2015) and Stiglitz (2012) has established that there has been a significant increase in inequality of income and wealth across the globe in the past half century. This has affected the entire swathe of Western Europe, North America and Japan. Interestingly, both China and India seem to have a somewhat alarming evidence of rising inequality of income in the past quarter century or more. It is clear that the very strategy of liberalization and greater reliance on the market mechanism surely paces up the growth rate, but also brings about a more skewed distribution of income. Piketty and Atkinson, in particular, have marshalled and analysed a voluminous amount of data with great acumen and arrived at this important conclusion.

There are of course other additional systemic reasons behind the sharpening of inequities. They have to do with the highly unequal and stratified social structure organized within the traditional dictates of the caste system. In India this afflicts not only the majority Hindu community, but its tentacles spread inexorably to other religious minorities as well. It is almost as if we in India cannot think of our identities without our caste labels. The founding fathers of our constitution were optimistic in their belief that with increases in living standards and spread of education and awareness, the role of caste would slowly wither away. In fact, some of the more naïve among them were of the view that we would be able to get rid of caste based reservation of jobs for SCs and STs in about 15 years' time. More than 65 years after the adoption of the Constitution, the country seems to be hurtling deeper into the caste arithmetic. What to speak of removing reservations for SCs and STs, there are emerging movements amongst Jat, Patel and Kappu communities, who seem to have intensified their demands seeking OBC status and reservation in jobs.

In addition to the sharpening inequalities, it is also the case that about thirty percent of the population is still below the poverty line. What this implies is that one can post a fairly creditable growth rate driven largely by the top 5 to 10 per cent of the population, most of which is in the service sector, while the bottom thirty per cent, or even half, of the population may be completely bypassed by the growth process.

There are two major implications of this skewed growth process. First, the persistence of such a developmental path ultimately becomes socially and politically unacceptable. While it might not give rise to a revolution in the Marxian mould, it certainly gives rise to widespread social unrest, as has been attested to in India in the past two decades, and more. Secondly, a skewed distribution of income would lead to a suppressed aggregate demand, and the growth momentum would ultimately peter out. For growth to be sustainable, the gains have to be dispersed to the bottom rungs of the population as well. This has regrettably not happened in the past quarter century of neo liberal growth in India. Thus the key precondition for sustainable growth is that it ought to be equitable.



In addition to difficulties on the front of distributive justice India's performance in the social sector is particularly weak. In a listing of 188 countries compiled by UNDP India occupies a position of 130. About 48 per cent of children in the age group 0-5 are undernourished. We have some of the worst statistics in the world in terms of maternal health. Our gender ratio is among the lowest in the world. Despite substantial gains in literacy, the quality of education in state run schools is very poor. Public expenditure on health is a pitiful 1.3 per cent of GDP. The figure for China is 2.9 per cent, and that of major European countries in the range of around 8 per cent.

Equity was of central importance in D.P.'s conception of development. In any number of places in his lectures contained in Dhar (1976) D.P. emphasizes the need for regional balance. This is nothing but a concern for equity across geographical space. D.P. was acutely conscious of the fact that if a region of the country perceived itself to be outside of the mainstream of the development process, it would give rise to fissiparous tendencies that would ultimately harm the well being of the entire polity.

There are three other aspects of the development process that were central to D.P.'s vision of India. The first had to do with the centrality of secularism in India. It is clear from Dhar (1976) that D.P. had a firm grasp of the Marxian mode of analysis. For him secularism, modernization and a scientific spirit went hand in hand, and were the prerequisites for being a modern Indian, be he or she a Hindu, Muslim, Christian, Sikh, Buddhist or Jain. D.P. grew up in that part of the country where he was a member of the religious minority. The true culture of Kashmiriyat might have contributed to his robust secularist ideas. In his youthful days in Kashmir he was a close colleague of Ghulam Mohammad Sadiq, a sophisticated intellectual with radical views who believed in the power of ideas (Dhar, P.N., 2000, p. 28). And, of course, he worked closely with Sheikh Abdullah as a Member of the National Conference and the Sheikh had no problem in acknowledging D.P.'s considerable cerebral talents.

The second aspect had to do with the need for self reliance, a value which D.P. strongly shared with Shrimati Indira Gandhi. He was a proud Indian and he knew that lack of self reliance in critical areas like food and power might jeopardise our political sovereignty as a nation, and he was never willing to compromise on that.

The third had to do with his suspicion of the profit motive, a point of view he shared with his mentor, Pandit Nehru. During his tenure as Deputy Chairman in the Planning Commission, D.P. at one point, in 1973, passionately advocated wholesale trade in foodgrains. One of the Members, B.S. Minhas did in fact resign on this issue. This was too big an issue that D.P. dared to take on, and the vested interests in this sphere were, and still continue to be, after more than four decades, far too entrenched. This particular move of D.P.'s was doomed to failure. But if one considers the simple fact that when, recently, the price of onions had shot up to Rs 80 per kilo in the retail market, it was also known that the growers would be getting no more than Rs 16 to Rs

20 a kilo, it becomes obvious that there is a huge spread that accounts for the surplus going to middlemen and wholesalers, which is a necessary characteristic of the market mechanism. It is this surplus generation that D.P. was interested in curbing. This is a critical feature of the monopolistic practices adopted by the cabals of 'aadiyas' in rural mandis. The problem continues to be of relevance 40 years after D.P. had tried to raise the issue.

In D.P.'s mind, as in the mind of his mentor, Pandit Nehru, planning was to be the vehicle to tackle all of the above issues and to work towards a modern, secular, progressive society where everyone would imbibe a scientific temper. It was planning that was purported to ultimately help bring about such a social transformation. This was a tall order. The recent history of India seems to suggest that we might actually have regressed.

It is also necessary to underline that the task of economic and social development need not be the preserve of economists and sociologists, as D.P. used to often emphasise in his speeches and writings. It is entirely possible that people from diverse walks of life can legitimately and effectively contribute to the process of development (Nayak, 2015).

The Planning Commission has now been wound up. Regrettably, a whole host of issues as regards the Indian economy continue to be a matter of disturbing concern despite the moderately high growth rate India happens to be posting lately. With his demise in 1975 - at a relatively young age of 57 - D.P. is perhaps a forgotten figure today, but it would be a mistake to ignore some of the core concerns mentioned above which defined his life. This is so because many of his fundamental ideas continue to be as relevant today as they were when D.P. was articulating them with his acute charm and his great powers of persuasion.

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