

# **Development with Democracy for the Post Colonial South: From Dependancy to Globalisation**

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The revisionist view of colonialism which seeks to portray colonialism in a positive light has now become once again fashionable. This is particularly true for countries which in recent years have been doing very well, countries in East, South East and South Asia such as China, South Korea, Indonesia and India. Surprisingly, the view that is now being argued is that the current success of this region is closely connected with the colonial experience. It is suggested that it is the colonial opening up, which created the conditions for the economic take off in these countries.

A peculiar argument has emerged which tries to claim the credit for the current success of this region to their colonial past. By a virtual sleight of hand, the two processes of globalization one under colonialism, between the 16th and the 19th century, and the other after the Second World War adopted by independent nation states are conflated. The fact that in the colonial period there was an enormous movement of labour and capital, and an enormous expansion of trade is being conflated with a similar expansion, in fact in some ways even a larger expansion, of trade and movement of capital that was witnessed in the 20th century especially since the 1960s. No mention, of course, is made of the fact that in the later phase labour did not move as easily as it used to move in the early colonial phase or of the fact that the earlier process occurred under colonial hegemony for colonial purposes while the latter process was essentially mediated through independent nation states in a vastly changed global capitalist system.<sup>1</sup>

In this colonial understanding, the “bad” phase in the post-colonial countries like India was the nationalist, ‘protectionist’ phase which attempted to un-structure colonialism and promote national development. That is, in the Indian case, ‘the fly in the ointment’ was the Nehruvian phase. The “good” phases were the colonial period when the colonial economies were opened up to the world and again the open

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<sup>1</sup> For a brilliant analysis of the globalization occurring post World War II with world capitalism having reached a new phase see Eric Hobsbawm, *Age of Extremes: The Short Twentieth Century*, Harmondsworth, 1994.

economy after the so-called 'neo-liberal' economic reforms in the second half of the 20th century.

This kind of position is found not only in the writings of Niall Ferguson, the very title of whose book 'Empire: How Britain Made the Modern World' sums up his basic conclusion that Britain *made* the modern world through the empire.<sup>2</sup> One finds such positions taken in the writings of Tirthankar Roy whose neo-colonial work published by Oxford University Press as the Economic History of India would in my opinion embarrass even the conservative British Viceroy Lord Curzon because of the blatant manner in which it argues the colonial paradigm.<sup>3</sup> Similar positions are taken currently by economist like Lord Meghnad Desai, a former Marxist, who has moved considerably to the Right.

The basic position argued by these neo-colonialists is that colonialism had a positive impact on the colonies and that particularly the expansion of trade, creation of transport and communication infrastructure, etc., under colonialism was very beneficial for the colony and created positive initial conditions in the post colonial situation. It is also argued that the early post-colonial phase which was relatively protectionist was what was wrong in the development of these societies. As Meghnad Desai put it "the first 40 years of India's Independence (including the Nehruvian years) were wasted." He also argued that colonialism actually developed India and at independence left India among the top ten industrial countries of the world!<sup>4</sup> I have in detail critiqued these colonial views elsewhere.<sup>5</sup>

The Nehruvian effort at "un-structuring" colonialism and move in the direction of independent economic development was also critiqued, if not rubbished, from the opposite end of the ideological spectrum, based on a completely different set of assumptions. The orthodox Left, drawing its position from the 1928 VI Congress of the Comintern (Communist International) argues that no independent development is possible in not only the colonial situation but even after the colonial society has won political independence. It is argued that colonial economies and even post colonial 'peripheral' economies, necessarily developed in manner that led to the further structuring in of dependence, making it *impossible* for them to break out of this dependent status unless these societies broke out of the capitalist path altogether and went over to socialism. This view was argued by Baul Baran in the 1950s, when a

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<sup>2</sup> See Niall Ferguson, *Empire: How Britain Made the Modern World*, Penguin, London, 2003 for an unabashed defence of colonialism.

<sup>3</sup> Tirthankar Roy, *The Economic History of India: 1857-1947*, Oxford University Press, New Delhi, 2000, Second edition, 2006.

<sup>4</sup> Address at Bhoothalingam Centenary celebration, Nehru Memorial Museum and Library, New Delhi, 21 February, 2009, organised by the National Council of Applied Economic Research.

<sup>5</sup> Aditya Mukherjee, Presidential Address to the Indian History Congress (Modern India) entitled 'The Return of The Colonial in Indian Economic History: The Last Phase of Colonialism in India' in December 2007. ( Reprinted in *Social Scientist*, Vol.36, No.s 3-4, March-April 2008 and in *Social Science Probing*s, June 2008) and Aditya Mukherjee, "Empire: How Colonial India made Modern Britain", *Economic and Political Weekly*, Vol.XLV, No 50, 11 December 2010. The following section draws heavily from the first work cited above in this footnote.

major spurt of decolonization was taking place and was taken up, somewhat understandably, by some of the dependency theorists in Latin America like Gunder Frank, as well by recent Marxist and neo-Marxist scholars like Samir Amin, Hamza Alavi. Given the a-priori assumptions of this line of thinking India during Nehru's leadership could *not have* developed independently as India had not gone socialist. In fact the Communist immediately after independence declared that this independence was not 'real' and Nehru was 'a running dog of imperialism'. However, this line of thinking, termed the CBF Model (Comintern-Baran-Frank) by Bipan Chandra has been strongly critiqued in India from within the Left<sup>6</sup> and it has been questioned elsewhere too.<sup>7</sup> I have done an extensive critique of this position elsewhere.<sup>8</sup>

In this paper, I shall first, in brief, argue that the colonial legacy did not create positive "initial conditions" and that the path to development necessitated the "un-structuring" of colonialism. Second, I shall outline elements of the Nehruvian strategy for 'un-structuring' colonialism showing that the Nehruvian period rather than being wasted or leading to further dependency actually promoted independent development and created the structural conditions for rapid development in later years. The Nehruvian strategy, which I call the 'Nehruvian consensus' at independence, was a product of a particular historical conjuncture. 'Non-alignment' was one aspect of this consensus. The historical conjuncture was constituted by a number of factors such as the legacy of colonialism or the "initial conditions" at the point of independence, the nature of world capitalism and the global balance of power at that time.

I

## Colonial Legacy

A typical colonial economy often acquired features which though they appeared to be 'modern' or capitalist, they in reality performed completely different and distinctly colonial roles as they occurred within the colonial framework. For example, a colonial situation could witness, as it did in India, a high degree of commercialization (or generalized commodity production), rapid growth in transport and communications, close integration with the world market and a high degree of 'potential investible surplus' raised from within the economy — all features associated with capitalist development. Yet in the colonial context all these developments led to capitalist development in the metropolis but further colonial structuring in the colony. It ended up, to use the early Indian nationalist, Tilak's, expressive phrase, "decorating another's wife", while disfiguring one's own.

In the Indian colonial economy, which was forcibly internally disarticulated and extroverted, the above changes did not stimulate internal inter-sectoral exchanges between Indian agriculture and Indian industry, or between Indian consumer goods

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<sup>6</sup> See Bipan Chandra, "Transformation from a Colonial to an Independent Economy: A Case Study of India", in Bipan Chandra, *The Writings of Bipan Chandra: The making of Modern India from Marx to Gandhi*, Orient Blackswan, New Delhi, 2012.

<sup>7</sup> F.H. Cardoso and E. Faletto, *Dependency and Development in Latin America*, University of California Press, Berkeley, 1979.

<sup>8</sup> See Aditya Mukherjee and Mridula Mukherjee, "Imperialism and the Growth of Indian Capitalism in the Twentieth Century" *Economic and Political Weekly*, (EPW), 12 March 1988 and Aditya Mukherjee, *Imperialism Nationalism and the Making of the Indian Capitalist Class*, Sage, New Delhi, 2002.

industry and capital goods industry.<sup>9</sup> The circuit of commodity circulation was completed via the metropolis where colonial agriculture was linked to metropolitan industry, or colonial consumer goods industry (if and when it was allowed to develop) with metropolitan capital goods industry; the multiplier effects of these exchanges were thus transmitted abroad. Similarly, the surplus generated in the colonial economy did *not* lead to extended reproduction through investment (the key feature which distinguishes capitalism from pre-capitalist modes of production) thus raising the organic composition of capital and productivity to a higher level on a significant scale within the indigenous economy, but facilitated this process in the metropolis.<sup>10</sup> Traditional artisanal industry was destroyed,<sup>11</sup> (i.e., a process of de-industrialization occurred in a country which was the world's largest exporter of textiles in the pre-colonial era) and not replaced with modern capital intensive industry on any significant scale.

Capitalism did not grow in agriculture either. Commodity production in agriculture was in response to a "forced commercialization" to primarily meet the colonial state's revenue demands and not with a capitalist rationality, i.e., to earn profit for investment. Typically, agriculture witnessed a high degree of differentiation but it did not lead to capitalist farming through extended reproduction. The petty mode of production was perpetuated in agriculture with the large estates being let out to tenants with small holdings who continued to cultivate at more or less the same traditional levels of technology.<sup>12</sup> Moreover, agricultural output and exports, even when they grew,<sup>13</sup> they remained articulated with metropolitan industrial and other needs.

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<sup>9</sup> The question of exchange between the sector producing capital goods for the capital goods industry and the capital goods industry did not arise.

<sup>10</sup> See Aditya Mukherjee, "Empire How Colonial India made Modern Britain" *Economic and Political Weekly*, December 2010 for a detailed discussion on how the colonial process contributed to the capitalist development of the colonizing countries. Also see Hamza Alavi, "Structure of Colonial Formations," *op.cit.*, Samir Amin, *Accumulation on a World Scale*, New York, 1974 and "Accumulation and Development: a Theoretical Model", *Review of African Political Economy*, 1974 for a brilliant enumeration of what constitutes a colonial / peripheral structure as opposed to a metropolitan / central one.

<sup>11</sup> In some cases even existing modern industry was destroyed, witness the destruction of the textile, shipbuilding and armament industry, started by Mohd. Ali in Egypt in the 1830s, through colonial intervention. See for example V. Lutsky, *Modern History of the Arab Countries*, Progress Publishers, Moscow, 1969.

<sup>12</sup> This tendency has been shown to be true even in areas like Punjab in India, which it has been wrongly claimed was moving in the direction of capitalist agriculture, by Mridula Mukherjee, *Colonialising Agriculture: The Myth of Punjab Exceptionalism*, Sage, New Delhi, 2006. See also Aditya Mukherjee, "Agrarian Conditions in Assam 1880- 1890: A Case Study of Five Districts of the Brahmaputra Valley", *The Indian Economic and Social History Review*, XVI, 2, Apr-June, 1979, pp.207-232 for a discussion on how colonial structuring of Indian agriculture occurs in a vastly different situation (from Punjab).

<sup>13</sup> In some instances, such as the sugar plantations of Indonesia in the late 19th century, they were operated by foreign capital at high levels of investment and technology but yet they remained totally articulated to colonial needs and had no positive effect towards growth of capitalist agriculture in Indonesia. See for example Clifford Geertz, *Agricultural Involvement: The Process of Ecological Change in Indonesia*, Berkeley, 1963 and J. S. Furnivall, *Netherlands India*, New York, 1944 and *Colonial Policy and Practice*, New York, 1956.

Colonialism has to be viewed and evaluated as an overall structure. Growth in one or the other sector of the colonial economy or society can not be evaluated as ‘partial’ development (to be offset against the lack of such growth in another sector) if that sectoral growth was instrumental in creating the colonial structuring which led to overall stagnation and even decline. The development of railways, foreign trade, telegraph, agrarian transformation, a colonial civil service, etc., occurred in a manner that they became critical instruments in converting the pre- capitalist and sometimes emerging capitalist societies<sup>14</sup> into a stillborn colonial structure. The very *instruments* of the subversion of modern capitalist development in favour of colonial structuring cannot be treated as the ‘residual’ or ‘partial’ benefits of colonialism, a fallacy which unfortunately creeps into the thought of otherwise staunch liberal nationalists at the highest level and even some Marxists.

The structural distortions created by colonialism made the future transition to self-sustained growth much more difficult. It required the overthrow of colonialism, and the ‘un-structuring’ of the colonial structure for India to start its attempt to build independent capitalism after colonialism for nearly two hundred years ravaged its economy and society and deprived it of the opportunity of participating in the process of modern industrial transformation occurring in other parts of the world. Despite certain positive developments in the Indian economy in certain areas,<sup>15</sup> since W.W.I till 1947, India remained essentially backward and structurally colonial. The Indian economy at independence was still basically dependent on a stagnating, low productivity, ‘semi-feudal’ agriculture with modern industry (in 1950) contributing a mere 6 to 8 per cent of the national income and (in 1951) employing 2.3 per cent of the labour force (in 1946).<sup>16</sup>

What India inherited after two hundred years of colonial ‘benevolence’, which allegedly gave India the ‘advantages’ of ‘commercialization’, ‘exposure to the world market’, ‘transport and communication’, ‘a strong state’, ‘western scientific skills’, etc., benefits that Tirthankar Roy could hardly stop listing, was a very sorry state of affairs indeed.

As Angus Maddison’s monumental work shows, India was the largest economy of the world for the entire thousand years of the first millennium accounting for close to 30 per cent of the world’s GDP. Till as late as the beginning of the 18th century India’s was still the largest economy with about 25 per cent of the world’s GDP, more than *eight times* that of the United Kingdom. The decline started soon after and at the end of nearly two hundred years of colonial rule (during which Tirthankar Roy claims “colonial India experienced positive economic growth”)<sup>17</sup> India’s share had been reduced to a mere 4.2 per cent in 1950. A few decades were needed after

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<sup>14</sup> For example, Mohammad Ali’s Egypt in the 1830s.

<sup>15</sup> I have shown elsewhere how even these positive developments were not the result of colonialism but were wrenched from it and occurred *in spite of and in opposition to colonialism*. See for example, *Imperialism Nationalism and Making of the Indian Capitalist Class*, Sage, 2002, ch. 1.

<sup>16</sup> Raymond W. Goldsmith, *The Financial Development of India: 1860-1977*, Yale University Press, New Haven, 1983, p.68 and Bipan Chandra, “Colonial Legacy”, in Bimal Jalan, ed., *The Indian Economy: Problems and Prospects*, New Delhi, 1992, pp. 8-9.

<sup>17</sup> Tirthankar Roy, *op.cit.*, p.14.

independence before India could sufficiently shrug off the colonial legacy and begin to gradually claw her way back into improving her share of the global pie.<sup>18</sup> This aspect we will deal with shortly.

The impact of colonialism in human terms was traumatic and all too visible. At independence the *average* life expectancy was barely 30 years. The poor obviously died much younger. India was faced with acute food shortages creating near famine conditions repeatedly in different areas. The Bengal famine of 1943, just four years before the British left, claimed more than *three million* lives.<sup>19</sup> Between 1946-53 about 14 million tons of food grains worth Rs.10,000 million had to be imported, seriously affecting India's planned development after independence. In 1951, 84 percent of the people (92 percent women) were illiterate.

It was from these abysmal initial conditions that Independent India under Nehru had to commence its journey towards modernization. An important element at the beginning of this journey was the setting up of the process of “un-structuring” the colonial structure so that the Indian economy and society was ready for take-off. We will outline below the contours of the strategy followed to un-structure colonialism.

## II

### The Nehruvian Strategy

Apart from the abysmal initial conditions an equally important element of the historical conjuncture that determined the course followed by independent India was the legacy of the movement, which led to the creation of the independent Indian state. Evidently, the nature of the newly born state is critically determined by the nature of the movement that leads to the creation of that state. The three basic elements of the Indian national liberation struggle, which created a deep impact on the Indian state at independence, were a commitment to anti-imperialism or sovereignty, commitment to a democratic civil libertarian framework (which *inter-alia* meant creation of an inclusive, multi-cultural secular society) and the desire to maintain a pro-poor orientation.<sup>20</sup> Particularly the first two, i.e., maintenance of sovereignty and democracy became two non-negotiables within which the Nehruvian Consensus had to function. This led to the Nehruvian attempt at industrial transformation *with* democracy, an unique attempt. In Nehru's words a path “unique in history”.<sup>21</sup> Never

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<sup>18</sup> Angus Maddison, *The World Economy: Vol. I A Millennial Perspective, Vol.II Historical Statistics*, OECD, 2006, Indian Edition, New Delhi, 2007, table 8b, p. 641.

<sup>19</sup> See Amartya Sen, *Poverty and Famines: An Essay on Entitlements and Deprivation*, OUP, Delhi, 1982, Appendix D, pp.195-216 for a comprehensive exercise in estimation of famine deaths during the Bengal famine. While the Famine Inquiry Commission put it at 1.5 million Sen convincingly argues why the figure is closer to around 3 million. See also, Paul Greenough, *Prosperity and Misery in Modern Bengal: The Famine of 1943-44*, New York, 1982, where he argues a higher figure, and Rakesh Batabyal, *Communalism in Bengal: From Famine to Noakhali, 1943-47*, Sage, New Delhi, 2005.

<sup>20</sup> See my chapter “Political Economy of the Post Colonial Indian State” in Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, *India Since Independence*, Penguin, New Delhi, 2008 for a detailed discussion on the impact of the Indian national movement on the post colonial Indian state.

<sup>21</sup> Nehru was deeply conscious of this and often spoke about it. See e.g., Minutes of the fourth meeting of the National Development Council, New Delhi, 6 May 1955, File No 17(17&/56-PMS in *Selected*

before in history was the process of transition to industrialism or the process of primitive accumulation accomplished along with democracy.

The non-negotiable commitment to democracy meant that the necessary 'surplus' required for investment in order to facilitate the transition to industrialism could not be raised on the backs of the Indian working class and peasantry or on the basis of colonial surplus appropriation as happened in other countries in the past.<sup>22</sup>

The commitment to sovereignty meant that the transition could not be accomplished with foreign aid or intervention in a manner that would make it a junior partner of any advanced country, however powerful it may be. The imperative of maintaining sovereignty was a natural pointer towards non-alignment in the post World War II Cold War situation where the world was divided into two power blocs. The policy of non-alignment in other words was as much a function of the strategy of economic development chosen by India, as it was a product of the Indian national movement's commitment to world peace and sovereignty of nation states.

Nehru and the early Indian planners had correctly understood that political independence was of little value if it could not be used to acquire first economic and then intellectual independence. At independence, because of the nature of colonialism she was subjected to, India was virtually totally dependent on the advanced world for capital goods and technology for making any investment. India then produced virtually no capital goods. In 1950, India met nearly 90 per cent of its needs of *even machine tools*, leave alone machines, through imports. This meant that though India was politically independent it was completely dependent on the advanced countries for achieving *any* economic growth through investment.

This was a neo-colonial type situation, which needed immediate remedy. And this is the situation that the famous Nehru-Mahalonobis strategy tried to reverse by adopting a heavy industry or capital goods industry based industrialization. During the first three plans (1951-65) industry in India grew at 7.1 per cent per annum. This was a far cry from the de-industrialization process of the 19th century and the slow industrial growth between 1914-47. More important "the *three-fold* increase in aggregate index of industrial production between 1951 and 1969 was the result of a 70 per cent increase in consumer good industries, a *quadrupling* of the intermediate goods production and a *ten-fold* increase in the output of capital goods."<sup>23</sup> This pattern of industrial development led to a *structural transformation* of the colonial legacy. From a situation where to make any capital investment, virtually the entire equipment had to be imported 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

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*Works of Jawaharlal Nehru*, Second Series, Vol. 28, p.371. See also my introduction to Aditya Mukherjee, ed., *A Centenary History of the Indian National Congress*, Vol. V, 1964-84, Academic Foundation, New Delhi, 2011.

<sup>22</sup> See Aditya Mukherjee, "Empire: How Colonial India made Modern Britain", *Economic and Political Weekly*, Vol.XLV, No 50, 11 December 2010 for a detailed discussion of how colonial surplus appropriation aided the process of primitive accumulation in the West.

<sup>23</sup> A. Vaidyanathan, "The Indian Economy Since Independence (1947-70), in Dharma Kumar, ed., *The Cambridge Economic History of India*, Vol. II, Delhi, 1983, p. 961, emphasis mine.

cent in 1974, whereas the value of the fixed investment in India increased by about two and a half times over this period (1960-74).<sup>24</sup>

This was a major achievement and, as it considerably increased India's autonomy from the advanced countries in determining her own rate of capital accumulation or growth, it created the key condition for non-alignment or relative independence from both the power blocs. In my understanding no amount of diplomatic finesse could achieve and sustain the objective of non- alignment without the economic basis of relative autonomy having been created.

The heavy industry based industrialization had to be achieved without losing India's independence as after all the whole purpose of the following this path was to achieve such an independence. As India at independence did not have a sufficiently large indigenous private enterprise to take on the massive task of developing capital goods industries the only other option was to develop it through the public sector. The option of basing the development of this sector on foreign capital did not arise as the Nehruvian consensus was that sovereignty would be achieved only if its industrial development was primarily built indigenously and was not based on foreign capital. The public sector was clearly seen as the alternative to foreign capital domination and not necessarily as an alternative to the private enterprise if it was available.<sup>25</sup>

India adopted the path of a mixed economy where a large public sector would exist in partnership with the private sector. They would be complimentary and not in contradiction with each other.<sup>26</sup> The United States, with its virtual paranoia about socialism was unwilling to help India follow this path of independent industrialization based on a nationalised or public sector. The US insistence on the private sector and its own favoured model of development pushed India towards the Soviet Union. But then sovereignty and non-alignment meant that India would not be client state or junior partner to any of the super powers. When the US stance pushed India too hard in one direction India sought Soviet help to remain non-aligned and follow an economic path of her own choice. Soviet help did not mean that India accepted the economic framework favoured by them. Indian planning borrowed many elements of the Soviet model but was critically different in two aspects. First, it created a system where private enterprise could grow in tandem with the public sector rather than a system which would abolish it altogether. Second, planning in India was to be consensual and not a command performance. I.e., every aspect of the planning strategy had to be acceptable to different sections of Indian people in a democratic manner.

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<sup>24</sup> See Aditya Mukherjee, "Planned Development in India 1947-65: The Nehruvian Legacy" in Shigeru Akita, ed., *South Asia in the 20th Century International Relations*, Tokyo, 2000 also in Bipan Chandra, Mridula Mukherjee, Aditya Mukherjee, *India Since Independence*, *op.cit.*, ch.25. These figures are from an extremely persuasive piece by Vijay Kelkar, "India and the World Economy: A Search for Self Reliance", Paper read at Seminar on Jawaharlal Nehru and Planned Development, New Delhi, 1980, reprinted in *Economic and Political Weekly*, Vol 15 No5/7, February 1980.

<sup>25</sup> See Aditya Mukhrjee, "Indian Capitalist Class and the Congress on National Planning and the Public Sector," *Economic and Political Weekly*, Vol13.35, 1978 and Chs. 10 and 11 in *Imperialism, Nationalism and the Making of the Indian Capitalist Class*, Sage , 2002.

<sup>26</sup> See my chapter "The Indian Economy 1947-65, The Nehruvian Legacy" in Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, *India Since Independence*, Penguin, 2008 and Sudipto Mundle, "State Character and Economic Policy", *Social Scientist*, 2,10, May 1974.



Apart from increase in public expenditure the other way of reducing foreign dependence for achieving internal growth was to increase domestic savings and capital formation. Here too the years after independence saw a *structural* breakthrough. The last half a century of colonial rule (1901-1946) saw the gross capital formation in the Indian economy hover around 6 to 7 per cent of GDP.<sup>27</sup> The net capital formation during this period was perhaps nil or even negative as the drain or the unilateral transfer of Indian 'potential investible surplus' to Britain has been variously calculated to be between 5 to 10 per cent of her GDP.<sup>28</sup> The first fifty years after independence on the other hand saw the annual rate of capital formation rise consistently sharply from about 9 per cent in 1950-55 to about *five times* the colonial rate (assuming there was no drain) in 2005-6, a whopping 33.8 per cent.<sup>29</sup>

While reducing dependence on foreign capital and technology for making indigenous investment was one way of gaining and keeping the country's sovereignty intact there were other strategies adopted as well. India undertook a deliberate strategy of diversifying its foreign trade so that her dependence on any one country or bloc of countries was reduced. As a result the geographical concentration index (GCI) of trade with foreign countries declined sharply. GCI of India's exports declined from 0.69 in 1947 to 0.22 in 1975. There was a similar decline in GCI in case of imports. Significantly, the result of the declining GCI was that the share of the metropolitan country's of the West which earlier dominated India's trade declined sharply. For example, the share of UK and USA in India's exports, which was 45 per cent 1947 fell by more than half and by 1977 it was only 20 per cent.<sup>30</sup> This was partly achieved by the increase in India's trade with the Socialist bloc (which bailed out an extremely foreign exchange short India by allowing barter and Rupee trade) and other under developed countries.

The diversification was to keep dependence on any one country or bloc of countries low. The shift away from the UK and USA was however, not to lead to becoming a Soviet 'stooge'. That would defeat the whole point of non-alignment.

Care was taken to keep a similar attitude in the area of military dependence as well. India did move considerably towards the Soviet Union for its military requirement partly to offset its earlier virtual total dependence on the West in this area and partly because the Soviets offered better terms including a much higher degree of indigenization of defense equipment bought. Yet India avoided a total dependence on

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<sup>27</sup> R.W. Goldsmith, op.cit., Table 1-10, p.20 and Table 2-9, p.80.

<sup>28</sup> See Irfan Habib, "Colonisation of the Indian Economy", in *Essays in Indian History: Towards a Marxist Perception*, Tulika, New Delhi, 1995, pp. 304-6, Sayera Habib, "Colonial Exploitation and Capital Formation in England in the Early Stages of Industrial Revolution", *Proceedings of the Indian History Congress*, Aligarh, 1975, Utsa Patnaik, "New Estimates of Eighteenth-Century British Trade and Their Relation to Transfers from Tropical Colonies," and Shireen Moosvi, "The Indian Economic Experience, 1600-1900: A Quantitative Study" in *The Making of History: Essays Presented to Irfan Habib*, Tulika, New Delhi, 2000, pp. 386-390 and Bipan Chandra, "The Colonial Legacy" in Bipan Chandra, et.al., *India Since Independence*, Penguin, 2008.

<sup>29</sup> Computed from *Economic Survey 2006-07*, Government of India, New Delhi, 2007, Tables 1.4, 1.5, S-6 to S-9.

<sup>30</sup> These figures are from Vijay Kelkar, op.cit.

the Soviet Union either. If MIGs were bought so were Jaguars.

Moreover, while dependence on any one country or bloc of countries was sought to be kept low and decreasing, in the early decades after independence, the *overall* dependence on the outside world was also kept low. Total foreign trade (exports and imports) as a proportion of GDP remained low through the 1950s to 1970s, hovering around 10 per cent. (It rose to over 30 per cent in the new millennium as a result of the economic reforms which accelerated since 1991.) Dependence on foreign aid was also kept low and brought down sharply. Net aid as percentage of India's Net National Product declined from 3.88 per cent in the 2nd Plan to between 0.5 to 1.8 per cent in the 1970s.<sup>31</sup>

Another area of concern for the maintenance of India's sovereignty and ability to stay non-aligned was India's food security. This was learnt at great cost by India in the mid 1960s when massive food shortages made India greatly dependent on the United States for supply of foodgrains under the P1 480 scheme. This was a dependence which the United States used to keep India on a "tight leash" to use President Lyndon Johnson's shocking phrase. India was forced to experience what has been called a 'ship-to-mouth' existence and was arm-twisted into adopting economic policy measures asked for by the US.<sup>32</sup>

The quest for self-sufficiency in food was now pushed with greater urgency adopting what has been called the Green Revolution strategy. It produced dramatic results. The legacy of colonialism was such that at the end of colonial rule, per-capita agricultural output actually fell at an annual rate of 0.72 per cent between 1911 and 1941 and foodcrop output fell even more sharply by 1.14 per cent per year over the same period. Food grain *yields* per acre was declining at 0.44 per cent between 1921 and 1946.<sup>33</sup> No wonder at independence India was faced with chronic food shortages and famine conditions. This situation was getting reversed with Indian agriculture in the first three plans (upto 1964) growing at over 3 per cent per annum, *eight times* faster than in the half century preceding independence (1891-1946).<sup>34</sup> Moreover, areas like Punjab were showing massive increases in yields with the value productivity of 11 major crops increasing by 12.5 per cent per year between 1950 and 1970.<sup>35</sup> The combination of the land reforms and the investments in infrastructure like irrigation, electricity, etc., initiated by Nehru, and the Green Revolution strategy implemented after him led to a structural break in Indian agriculture. As a result, the net imports of foodgrains declined from over ten million tons in 1966 to less than half a million ton

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<sup>31</sup> Ibid.

<sup>32</sup> See Aditya Mukherjee, "Economic Challenges 1964-84: From Increased Dirigisme to Beginnings of Liberalization" in Aditya Mukherjee, ed., *A Centenary History of the Indian National Congress*, Vol. V, 1964-84, Academic Foundation, New Delhi, 2011.

<sup>33</sup> George Blyn, *Agricultural Trends in India, 1891-1947: Output, Availability, and Productivity*, Philadelphia, 1966, p.123 and p.102 and table 7.1, p.151, table 5a, p.327

<sup>34</sup> See Blyn, *idem.*, Table 5.8, p. 119, K. N. Raj, *Indian Economic Growth: Performance and Prospects*, New Delhi, 1965.

<sup>35</sup> See Mridula Mukherjee, *Colonialising Agriculture: The Myth of Punjab Exceptionalism*, New Delhi, 2006, pp.157-61.

in 1977. By 1980s India was self sufficient in food with buffer stocks exceeding 30 million tons.<sup>36</sup>

Last but certainly not the least Jawaharlal Nehru and the early Indian planners were acutely aware of India's backwardness and near total dependence on the advanced world in science and technology (an area left consciously barren in the colonial period) and therefore made massive efforts to overcome this shortcoming. Almost every known scientific institution in India was conceived in the Nehruvian period be it the IITs, the (BARC) Bhabha Atomic Research Centre, the National Physical Laboratory, the National Chemical Laboratory, the (CSIR) Centre for Scientific and Industrial Research and numerous such others. An unprecedented increase occurred 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 the stock of India's scientific and technical manpower increased more than 12 times from 190 thousand to 2.32 million. A spectacular growth by any standards. It is Jawaharlal Nehru's brilliant and precocious anticipation of the move towards a 'knowledge society' in world capitalism and his huge emphasis in this area from the first plan itself, which has enabled post economic reform India to reap the benefits of the global opportunities in the information and the knowledge sector.<sup>37</sup>

### III

In sum then, it is *the reversal of the colonial structuring* by creating a diversified industrialization leading to considerable self reliance for promoting growth, a dynamic growing agriculture creating food security, higher rates of domestic capital formation, greatly improved scientific and technical capabilities reducing foreign dependence on capital and technology which enabled India to chart out an independent foreign policy, relatively independent of both the power blocs in the Cold War period. It enabled India, still a very poor country to play a leading part in the Non-Aligned Movement, a movement which was seen with great suspicion particularly by the US led bloc. It explains Indira Gandhi's ability to withstand US efforts at playing big brother at India's most vulnerable moments.

Nehru with his personal international prestige and the prestige of the Indian national liberation struggle (which transformed the colonial world) behind him was in the initial years after independence able to pursue an independent foreign policy even *before* the process of colonial un-structuring had begun to bear fruit fully. However, such a stance was not sustainable in the long run without the Indian economy acquiring a relative autonomy. This was particularly so after Nehru passed away and the glow of the national liberation struggle began to wane.

The Nehruvian years far from being the 'wasted years' laid the foundations of building a sovereign democratic country by 'un-structuring' the colonial structure imposed on India. Without this foundation the Indian economy was not ready for an

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<sup>36</sup> See Aditya Mukherjee, "Agricultural Growth and the Green Revolution" in Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, *India Since Independence*, *op.cit.*

<sup>37</sup> See Aditya Mukherjee, "Indian Economy, 1947-65: The Nehruvian Legacy", in Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, *India Since Independence*, *op. cit*

economic 'take off' as a sovereign nation. It was this foundation, which enabled the Indian economy to participate in globalization process without compromising its sovereignty and with great advantage to itself, achieving an unprecedented growth trajectory. It is not an accident that both the former colonies or semi-colonies like India and China which had faced massive colonial exploitation and had been brought to their knees during the colonial period needed a few decades of colonial 'un-structuring' before they could once again open up to the world and achieve impressive indigenous development.

The Nehru years may have achieved slow growth, though compared to the colonial period they were quite impressive. The growth of per capita income in India in the colonial period was either zero or very low, remaining way below that of the independent countries of Europe, USA and Japan between 1820 and 1913. In the last decades of colonial rule, after colonialism had had its full impact, the per capita income in India actually *declined* at an annual rate of -0.22 per cent between 1913-1950. After independence, on the other hand, it grew at 1.4 per cent in the first couple of decades between 1950-1973. This was about 3 times faster than the *best* phase (1870- 1913) under colonialism.<sup>38</sup>

However, it is *after* the initial Nehruvian decades after independence that the growth rates shoot up, especially after the adoption of economic reforms and the greater participation in the globalization process. Between 1973-2001 the per capita income grew at an annual rate of 3.01 per cent, (a rate considerably higher than that achieved by West Europe, USA or Japan)<sup>39</sup> and in the four years (2003-4 to 2006-7) at an astounding 7 per cent (it was over 8 per cent in 2006-7) comparable to the explosive rates achieved by Japan (though in very special circumstances) between 1950-73.<sup>40</sup> Two points need to be noted about these high growth rates, First, that they were a *product* of the foundation laid in the Nehruvian period. Second, these growth rates could be achieved without compromising India's sovereignty or the choice of her path of democracy, again because of the foundations laid in the Nehruvian period.

Quite contrary to the argument of the orthodox Left post economic reform India has not surrendered her sovereignty to neo-colonial imperialist forces or the so-called 'Washington consensus'. Far from the Indian economy becoming more 'dependent' since the reforms it has considerably improved its bargaining power with external world. While certainly there has occurred a greater integration with the external world

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<sup>38</sup> The figures are based on Angus Maddison, *The World Economy: Vol. I A Millennial Perspective, Vol.II Historical Statistics*, OECD, 2006, Indian Edition, New Delhi, 2007, table 8b, p. 641.

<sup>39</sup> West Europe as a whole grew at 1.88 per cent between 1973-2001. Maddison, *ibid.*, p. 643.

<sup>40</sup> Figures for 2001-2007 are based on *Economic Survey, 2006-07*, Government of India, New Delhi 2007, Table 1.2, S-4, and Aditya Mukherjee, 'Indian Economy in the New Millennium', in Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, *India Since Independence*, Penguin, 2008. I have taken the per capita income growth rate for 2006-7 at a conservative 8 per cent. S. Sivasubramonian's comprehensive and detailed study confirms the sharp break in aggregate growth rates as well as in different sectors of the economy between 1900-1947 and 1947-2000. See, e.g., S. Sivasubramonian, *The National Income of India in the Twentieth Century*, New Delhi, 2000, Table 9.35, Fig. 9.5, pp. 622-28.

it has not occurred at the cost of India losing its sovereignty.<sup>41</sup> While non-alignment can no longer take the same form as it did during the Cold War period, with the emergence of the so called uni-polar world, Indian economic strategy and foreign policy retains the spirit and essence of non-alignment and has refused to get drawn into a junior partner relationship with any country or bloc of countries. India's participation in South-South cooperation, IBSA, BRICS and increasing interest in the ASEAN as well as the look East policy all appear to be under the rubric of non-alignment and opposition to big power hegemonic dominance.

One may add in the end that the commitment to 'democracy', the other imperative apart from the quest for sovereignty, which was bequeathed to Indian people as the legacy of her national liberation struggle, and which Nehru carefully nurtured, was very important in the maintenance of India's independent position. It is easier to dominate a country ruled by 'tin-pot' dictators than a functioning democracy. India would not be easy to push around even if there were certain governments which were weak or ideologically committed to any one bloc because the Indian people as whole would not accept it.

## Conclusion

To sum up then, the Nehruvian years succeeded in making a paradigmatic break from the colonial past and created the conditions for India entering the economic modernization process. This is quite contrary to the argument of neo-liberal enthusiasts and neo-colonialists who demonise the Nehru years, seeing them as the "wasted years" after independence with true development occurring in the colonial period and again only since the economic reforms and India opening up to the global economy.<sup>42</sup> It is the structural breaks that the Nehruvian period made in several areas such as creating a diversified industrial capacity, a scientific and technical educational infrastructure and land reforms and agricultural transformation that laid the foundation for the subsequent developments. India's developmental breakthrough since the economic reforms was not *despite* the Nehruvian phase but was made possible *because of it*.

It is equally wrong to demonise the shift to economic reforms involving a certain liberalization and participation in the globalization process and seeing it as a sell out to imperialism or as an eminent economist of the Left put it as the nation state now being "*dictated by the caprices of a bunch of international rentiers*".<sup>43</sup>

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<sup>41</sup> See Aditya Mukherjee, "The Indian Economy in the New Millennium", in Bipan Chandra, Mridula Mukherjee and Aditya Mukherjee, *India Since Independence*, Penguin, 2008 where I have argued this in detail.

<sup>42</sup> See for example, Meghnad Desai, Address at Bhoothalingam Centenary celebration, Nehru Memorial Museum and Library, New Delhi, 21 February, 2009, organised by the NCAER and Tirthankar Roy, *op.cit.*

<sup>43</sup> See Prabhat Patnaik, "Political Strategies of Economic Development" in Partha Chatterjee, ed., *Wages of Freedom: Fifty Years of Indian Nation State*, Delhi, 1998 and Prabhat Patnaik, *The Retreat to Unfreedom: Essays on the Emerging World Order*, New Delhi, 2003.

The broad consensus that has emerged in India in recent years, however, does not take such a dim view of the reforms. The commonly perceived need for a shift away from the excessively dirigiste, inward looking and protectionist strategy, which was leading to a dangerous fall in efficiency and productivity levels and the urge to participate in the globalisation process in the altered circumstances of world capitalism in recent decades, where major possibilities had emerged of utilising global capital and global markets for indigenous development, has led to the emergence of a broad consensus in favour of reform. This was a consensus reminiscent of the earlier Nehruvian consensus both in terms of the objectives and width of support. The desire to achieve the same goals set out at independence — of self-reliance, rapid growth and removal of poverty —and not their abandonment, now drew support for reform and the adoption of the new strategy.

The fact that India was able to demonstratively profit by participating in the globalisation process, including by opening its doors considerably to flows of foreign goods, services and capital, without being overwhelmed by it, and that China had continued to follow this path with greater enthusiasm and with remarkable success, further cemented the consensus around the need for change in the direction of economic reform that had emerged in India by 1991. It is no accident that so many of the very people who created, outlined or subscribed to the earlier Nehruvian strategy over time saw the necessity of reform. We have had, for example, apart from Indira Gandhi herself, the radical economist of the Nehruvian era K.N. Raj, the Marxist economist Lord Meghnad Desai, the Nehruvian Narasimha Rao, Left economists Late Sukhamoy Chakravarty, C.H. Hanumantha Rao, Arjun Sengupta and Nobel laureate Amartya Sen, and practicing Communist and Chief Minister of West Bengal for the longest tenure since independence, Jyoti Basu, his successor in the Communist led West Bengal Government, Chief Minister Buddhadeb Bhattacharya all implementing or arguing for economic reform involving liberalisation and participation in the globalisation process, though with different approaches and in varying degrees. Even the BJP despite the strong resistance of the RSS supported Swadeshi Jagran Manch, is essentially committed to pressing on with reforms.

In this context, it is very instructive to see the position adopted by the former Left Dependency thinker F.H.Cardoso, who as President of Brazil guided the country through economic reform and participation in the globalisation process. He made a major shift from his earlier position and pointed out how the nature of foreign capital had changed and could be used for indigenous development of under developed countries. He argued that globalisation was a fact that could not be ignored, and thus the relevant point of debate is not *whether* to globalise but *how* to globalise so that a better bargain is achieved for the backward countries and a proper cushion is provided to the poor so that they are not made to bear the cost of the initial transition. This is a view which the supporters of reform from the Left in India as well as the more sagacious business leaders have generally accepted. Very significantly, Cardoso emphasised that popular mobilisation and community work would be necessary to ensure that the poor were fully protected. He added that the democratic space in India and the tradition of resistance from the time of Mahatma Gandhi gave India a clear advantage over many other under-developed countries.<sup>44</sup>

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<sup>44</sup> F. H. Cardoso, "Social Consequences of Globalisation", Lecture at India International Centre, New Delhi, 27 January 1996.

In fact, the recent popular mobilizations in India, leading to progressive legislations by the UPA government after it came to power in 2004, like the National Rural Employment Guarantee Act and Right to Information Act are significant initiatives in the direction of deepening India's democracy and empowering the poor and underprivileged so that the chief challenge facing India today that of reaching to the poor the benefits of her economic success is met more effectively.