Review Article

Revival of growth in Nehru era: A Review
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ABSTRACT

Pulapre Balakrishnan focused on positive features of the growth in Nehruvian era, in a desperate attempt to rescue it from its critics. However, his comments on growth rate of Indian economy during the Nehruvian period in a comparative context needs to be analyzed with care. In his enthusiasm to unearth the merits of the Nehruvian era, he lost his focus on growth and entered the area of transformation without defining the concept of transformation of an economy. This is despite the fact that a well-known concept of structural transformation has been formalized by Kuznet. He goes to the extent of arguing in favour of rate of population growth as a better indicator of the extent and nature of economic transformation as compared to any estimated rise in rate of growth as growth rate. Even when growth rates in agriculture in the Nehruvian period emerged higher as compared to colonial era, the moot point is whether it emerged capable of feeding our population. Already existing scholarly studies provided evidence to the contrary. A similar problem crops up when he argues that growth in Nehru era was distinctly Indian, independent on foreign aid.

Keywords: growth, transformation, Nehruvian era.

Performance of Indian economy during the Nehruvian era has attracted a lot of research interest. One of the recent contributions in the area includes Pulapre Balakrishnan (2007) (PB henceforth). The author should be complemented for a very detailed comparative analysis of economic growth in Nehru era. It provided a fresh insight, which is a hallmark of original research.

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He pointed out a few achievements of the said strategy: igniting growth rate and transforming colonial economy, raising growth rate in agriculture, resource mobilization through public sector. It was also pointed out that growth in Nehru era was distinctly Indian, which was not dependent on either foreign aid or trade. He also argued that the politics and economics of the Nehru era was distinct because never since has the leadership has been autonomous from sectional interests, economic and political.

Let us begin with an analysis of growth in Nehru era conducted by PB. He used three standards for evaluating growth in Nehru era: growth of the economy in the colonial era, growth of other economies which are similarly positioned and growth of leading economies at early stage of their economic growth. While growth in Nehru era emerged as significant if compared its colonial era, PB’s analysis using the other two standards needs to be carefully looked into. PB referred to De Long (2004) which argued that India has over performed compared to most of Africa, but under performed compared to East Asia during the last five decades. This feature extends to 1950-64 if Korea is equated with East Asia. Korea had a rate of growth, which 50% higher compared to India during this period. On the other hand, we find that India’s growth rate was 25% higher than that of China.

PB argues that Nehru did not leave the economy at a great disadvantage as compared to China. One wonders what happens if China is replaced by Korea. It may be argued that China and India are not basically comparable because of their different political and economic system. India and Korea are not comparable as well. But exploring why India could not grow as fast as Korea despite having the advantage of a huge domestic market will provide important insights. There is no point in remaining complacent using China as the benchmark for growth, where growth is achieved at the cost of economic and political freedom of the population. And one missed altogether why India was compared with Africa. It is like choosing a small base while calculating growth rate.

Raj Krishna (1982) used per capita GDP and lamented that growth rate in post independent India till late 1970s was lower than hundred economies worldwide. PB criticizes that use of per capita GDP, used by Raj Krishna, has masked the degree of progress made in the Nehru era. This is because if population growth rate is high, it lowers growth rate of per capita GDP. He
argues that the growth of per capita income during 1950-64 would have exceeded 3% in case growth rate of population remained at the level achieved during the colonial period. PB argues in favour of rate of population growth as a better indicator of the extent and nature of economic transformation as compared to any estimated rise in rate of growth. PB argues the occurrence of economic transformation in India on the basis of the fact that life expectancy at birth rose from 32 years in the 1940s to 37 years in the 1952 and to 43 years in the 1960s.

PB’s use of rate of population growth as an indicator of transformation of economy needs to be critically looked into. He began his analysis of growth performance of Indian economy in the Nehruvian era and shifted his attention to transformation of the economy. As discussed above he justified transformation of the economy by means of rise in life expectancy. However, a rise in life expectancy without development of capability is not likely to be very meaningful. Development of capability cannot come without basic education, which PB concedes was a drawback of the Nehru-Mahalanobish strategy. Before an analysis of transformation of Indian economy, PB would have done well to provide a definition of transformation. A concept of structural transformation exists in development economics as a component of the concept of modern economic growth by Kuznet. Modern economic growth may be defined as a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and the institutional and ideological adjustments that it demands.

Modern economic growth in a country is characterized by a few characteristics. They include high rates of growth of per capita product and of population, high rate of rise in productivity, high rate of structural transformation of the economy, rapid change in extremely important structures of society and its ideology and increased power of technology, particularly in transport and communication. A comprehensive analysis of these components of growth is beyond the scope of this short piece. But any serious enquiry of growth process of an economy has to squarely address these issues. Rate of population growth as an index of transformation of an economy, is grossly inadequate. This much for PB’s analysis of growth in Nehruvian era and one wonders why the same parameters were not used for evaluating growth in agriculture in the same era. Comparison with colonial past only makes us complacent. Countries, with
liberated political systems, which successfully transformed their agriculture, could have served as additional numeraires\(^1\). The relevant issue is just not growth in agriculture, but transformation of agriculture. PB uses the word “transformation of the economy” but chose not to use it for agriculture. And one wonder why there is no mention of land reforms while he analyses issues related to agriculture. Agricultural transformation is the process by which individual farms shift from highly diversified, subsistence-oriented production towards more specialized production oriented towards the market or other systems of exchange (e.g., long-term contracts). The process involves a greater reliance on input and output delivery systems and increased integration of agriculture with other sectors of the domestic and international economies. Agricultural transformation is a necessary part of the broader process of structural transformation, in which an increasing proportion of economic output and employment are generated by sectors other than agriculture. Even when growth rates in agriculture in the Nehruvian period emerged higher as compared to colonial era, the moot point is whether it emerged capable of feeding our population. Given the fact the rate of growth of population has been over 2 per cent per annum during 1952-53 to 1964-65, it is apparent that agricultural production, particularly food production has barely managed to keep pace with this growth (Chaudhuri, Chapter 3, page 59)

PB commented that growth in Nehru era was distinctly Indian, which was not dependent on foreign aid. In this context, one would like to draw attention to Choudhary (1982) once more. It spells out the role of foreign aid in Indian economy out in details. Chapter four titled “Resource mobilization, stability and self reliance” is entirely devotes itself to the topic, and comments “In any case, foreign capital has come to play a highly important role in Indian development strategy.”

PB provided five positive features of the growth in Nehruvian era, as summarized in the beginning. The study can be credited for at least two revelations. First, it unearthed that true rationalization of public sector in Nehru-Mahalanobish model consisted of resource mobilization and not welfare motive.

\(^1\) For a comparable perspective, one may look at table 8.1 in page 273, chapter 8 in Hollis Chenery & T.N. Srinivasan(1988)
Second, the economic policy making was relatively free of narrow political considerations, when the goals adopted are independent of economic vested interests and the political imperatives of Westminster-style democracy. This should motivate potential researchers to rigorously enquire into how economic policy making was compromised for political gains in later years.

**References**


