

# **GUPTA**

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# **CLASSES**

Useful For :

IAS, UPPSC, UKPSC, RO/ARO, GIC, CAPF,  
NDA, BANK, SSC, CDS, AF-CAT, RBI etc.

# **ECONOMY**

**Session 7, 8, 9**

Economic History of India



# **GUPTA**

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# **CLASSES**

## Course structure – Economy Cracker

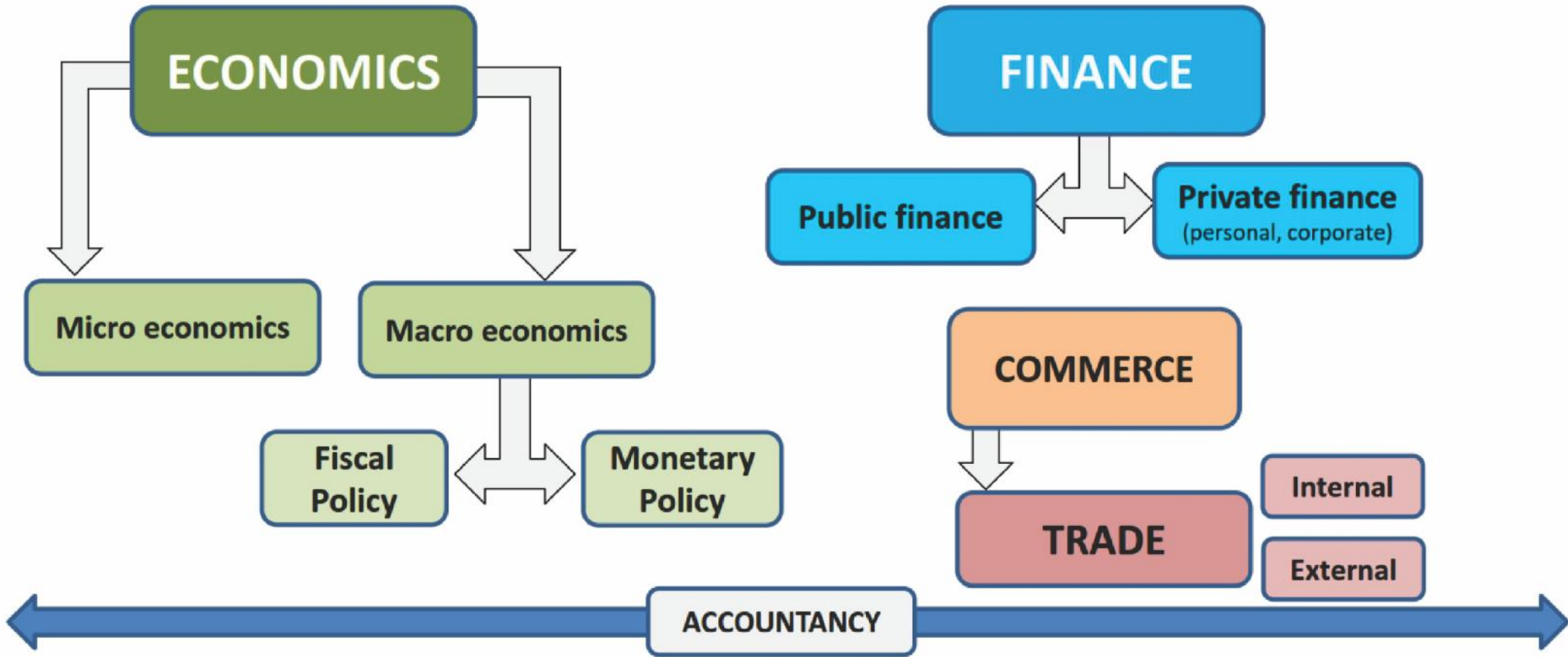
1. India – a Superpower in making	1	19. Indian Banking System and RBI – Part 1	7
2. Important definitions & concepts – 1		20. Indian Banking System and RBI – Part 2	
3. Important definitions & concepts – 2		21. Rural and agricultural economy in India	
4. Important definitions & concepts – 3		22. India – Taxation system – Part 1	8
5. Important definitions & concepts – 4	2	23. India – Taxation system – Part 2	
6. Important definitions & concepts – 5		24. Sovereign decision-making and Ratings	
7. Economic history of India - Part 1		25. Income, Wealth, Poverty and Demographics - Part 1	9
8. Economic history of India - Part 2	3	26. Income, Wealth, Poverty and Demographics - Part 2	
9. Economic history of India - Part 3		27. Economic and Social Development in India	
10. Understanding GDP, GVA and PCI - Part 1		28. Indian corporates - structure and working - part 1	10
11. Understanding GDP, GVA and PCI - Part 2	4	29. Indian corporates - structure and working - part 2	
12. Indian National Output – Deeper issues		30. Issues in inclusive development	
13. Consumer markets in India		31. Union Budget & Economic Survey - Part 1	11
14. Capital markets in India (stock markets)	5	32. Union Budget & Economic Survey - Part 2	
15. Debt markets in India (bond markets)		33. Union Budget & Economic Survey - Part 3	
16. FDI, FPI and Investments in India - Part 1		34. Cryptocurrencies and Concept of Money	12
17. FDI, FPI and Investments in India - Part 2	6	35. Investment – basic concepts and avenues	
18. India and the World economy		36. Future of Indian Economy – 2021-2030	



# Sessions # 2, 3, 4, 5 and 6

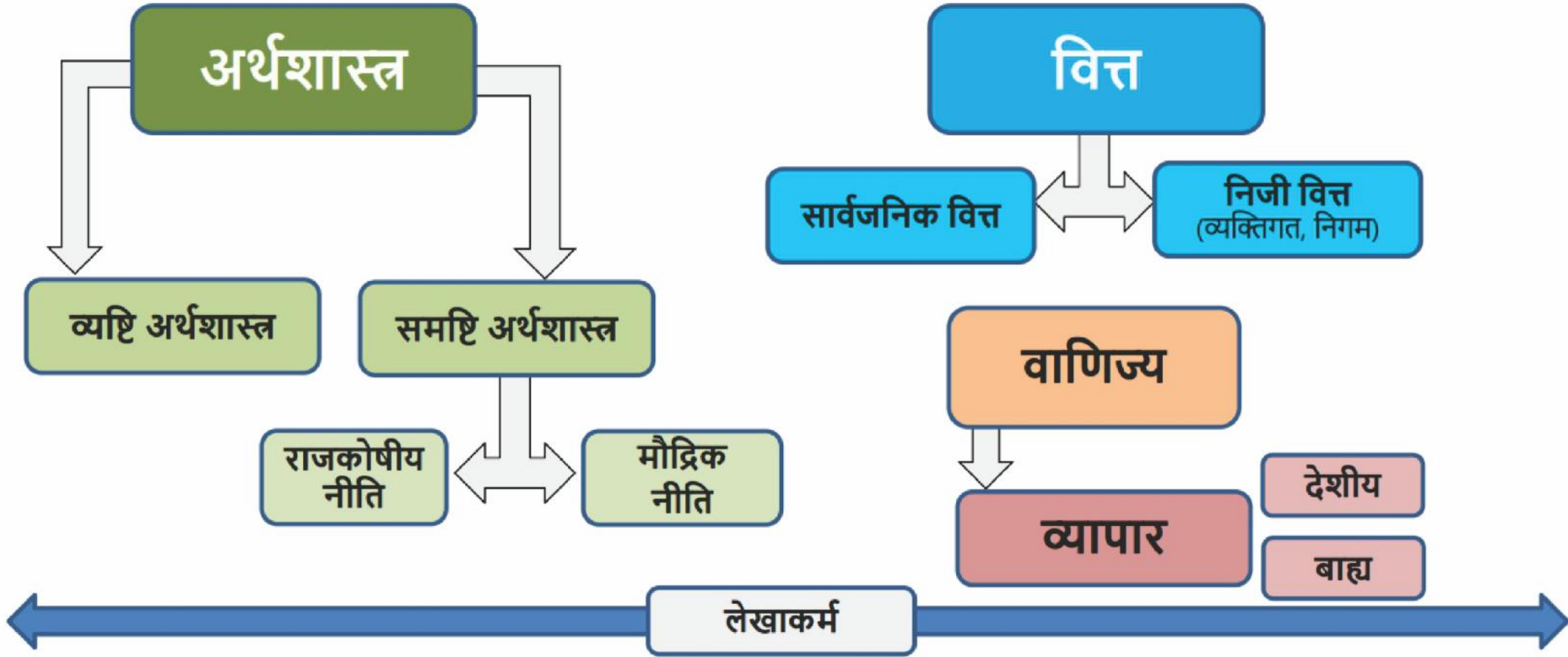
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|-----------------------------------------------------------------------|------------------------------|--------------------------------|---------------------------------------------|-------------------------------------|
| 1. Economics, Finance, Commerce, Trade, Fiscal, Monetary, Accountancy | 11. Amortisation             | 24. Full employment            | 36. Multiplier effect                       | 46. Basics of deficits              |
| 2. Zero Sum Game                                                      | 12. Animal Spirits           | 25. Gold standard              | 37. Irrational exuberance                   | 47. Five recessions in India        |
| 3. Asset Liability Mismatch                                           | 13. Anti trust               | 26. Herfindahl-Hirschman index | 38. Taper tantrum                           | 48. Stagflation                     |
| 4. Neoliberalism                                                      | 14. Arbitrage                | 27. Gresham's law              | 39. Monopoly, duopoly, oligopoly, monopsony | 49. Contagion                       |
| 5. Impossible Trinity                                                 | 15. Autarky                  | 28. Laffer curve               | 40. Circular economy                        | 50. The Great Depression 1929       |
| 6. Central Bank independence                                          | 16. Bank                     | 29. Phillips curve             | 41. China debt problem                      | 51. The Asian financial crisis 1997 |
| 7. Dividend from RBI to Government                                    | 17. Basel norms              | 30. Purchasing power parity    | 42. Washington Consensus                    | 52. The US housing crisis           |
| 8. MSCI Currency Index and Dollar Index                               | 18. Capital                  | 31. Transfer Pricing           | 43. Bretton Woods institutions              | 53. Limits to growth                |
| 9. Generalised System of Preferences                                  | 19. Comparative advantage    | 32. Unemployment               | 44. Trade War                               | 54. Balance of payments             |
| 10. Indian Accounting Standards                                       | 20. Demand and Supply        | 33. Wages                      | 45. Capital Output Ratio and ICOR           | 55. RBI foreign exchange reserves   |
|                                                                       | 21. Demand and Supply curves | 34. Winner-takes-all markets   |                                             |                                     |
|                                                                       | 22. Dollarisation            | 35. Yield and Yield Curves     |                                             |                                     |
|                                                                       | 23. Elasticity               |                                |                                             |                                     |

**First seven definitions - Economics, Finance, Commerce, Trade, Fiscal, Monetary, Accountancy**

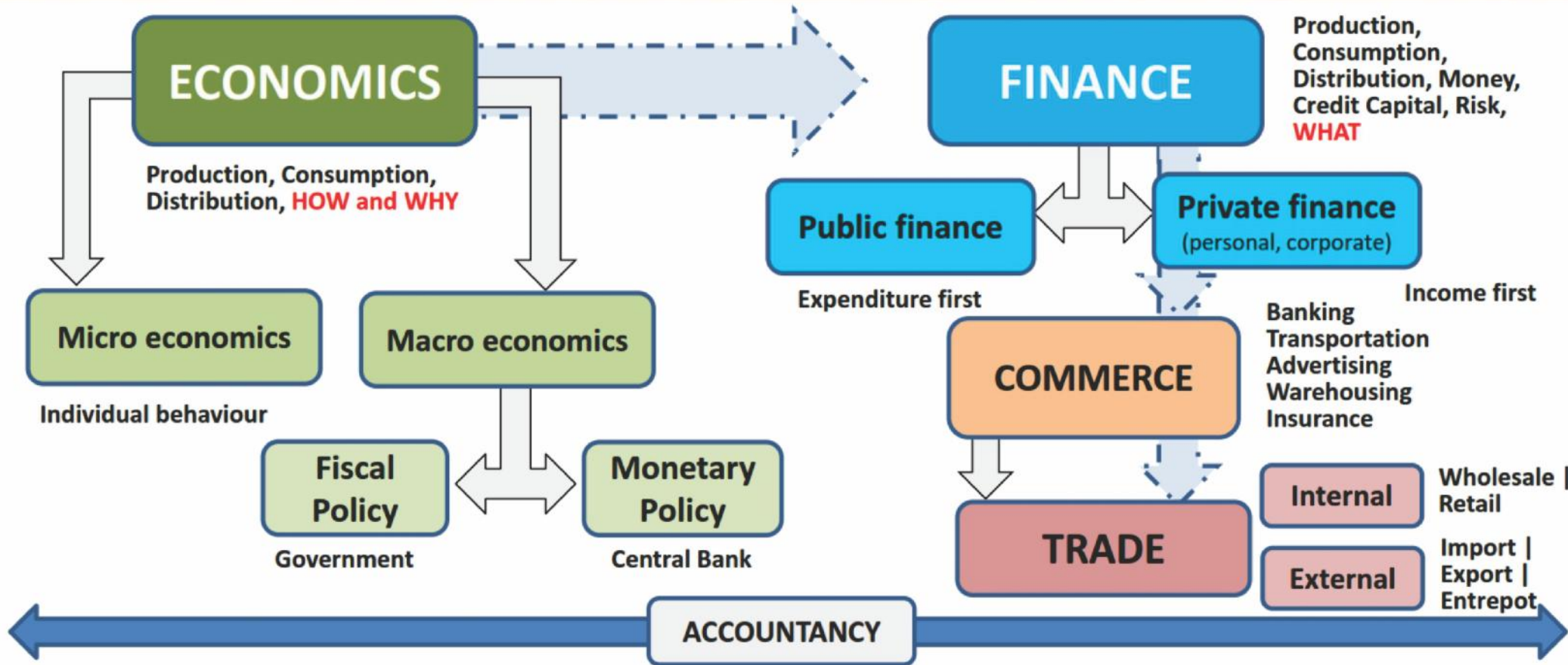




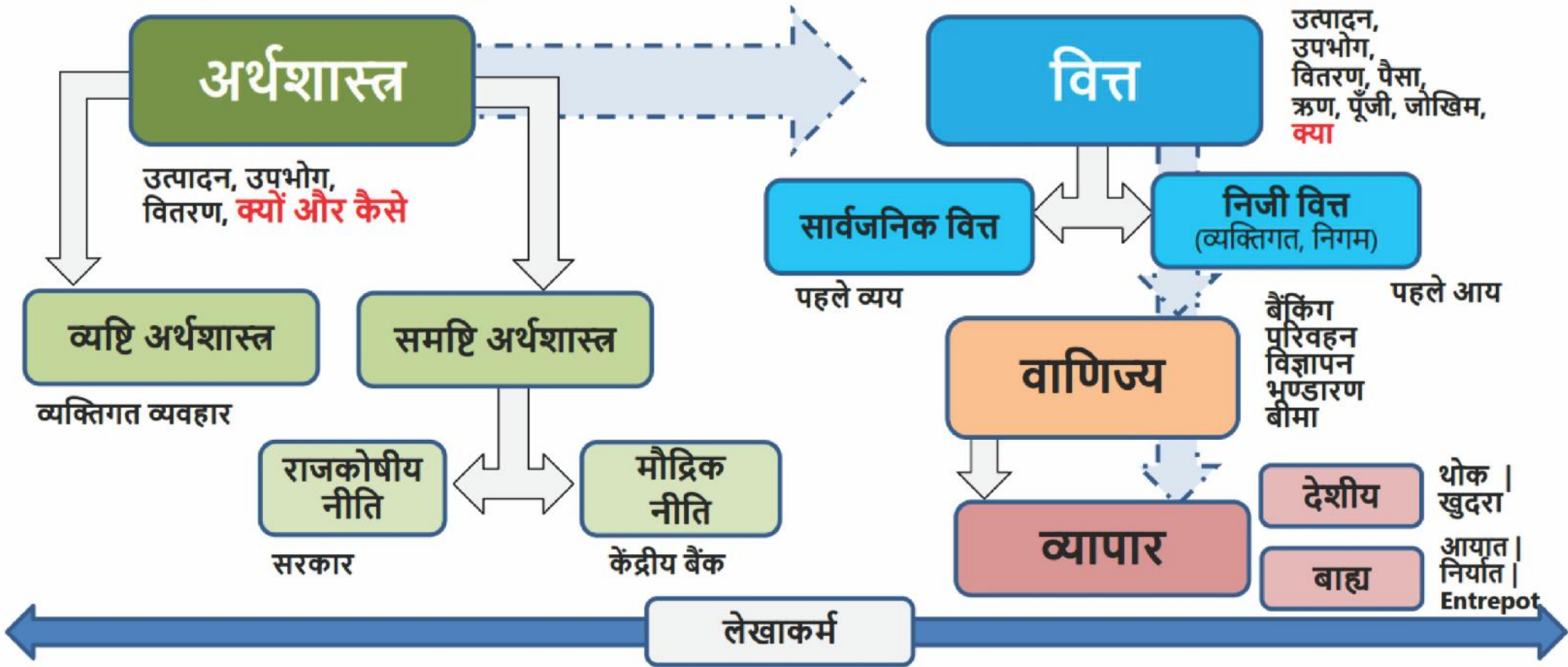
पहली सात परिभाषाएँ – अर्थशास्त्र, वित्त, वाणिज्य, व्यापार, राजकोषीय, मौद्रिक, लेखा



# First seven definitions - Economics, Finance, Commerce, Trade, Fiscal, Monetary, Accountancy



**पहली सात परिभाषाएँ – अर्थशास्त्र, वित्त, वाणिज्य, व्यापार, राजकोषीय, मौद्रिक, लेखा**





## **Economic history of India – 1947 to 2021**

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- **India emerged from two centuries of colonial bondage in 1947**
- **The national leadership immediately grappled with the challenges of mass poverty, illiteracy, rule of law, federalism, capital constraints, poor agriculture and threats to integrity of the nation**
- **The model adopted early on was the Fabian Socialist model**
- **A mixed economy was created, with public sector domination**
- **Through several reforms and modifications, opening up commenced in 1980s, picked pace in 1990s, and reached culmination in 2020, before reversing direction abruptly**
- **Nature of India's challenges have changed over the decades**
- **While poverty and human resources have remained a challenge, many others were either solved or ameliorated, like forex reserves**
- **Sectoral imbalance between Services and others (Industry and Agriculture) is a cause for concern**

## भारत का आर्थिक इतिहास – 1947 से 2021

- भारत 1947 में औपनिवेशिक बंधन की दो सदियों से उभरा
- राष्ट्रीय नेतृत्व तुरंत बड़े पैमाने पर गरीबी, अशिक्षा, कानून के शासन, संघवाद, पूंजी की कमी, खराब कृषि और राष्ट्र की अखंडता के लिए खतरों की चुनौतियों से जूझने लगा
- जिस मॉडल को सबसे पहले अपनाया गया वह था फेबियन समाजवादी (सोशलिस्ट) मॉडल
- एक मिश्रित अर्थव्यवस्था बनाई गई, जिसमें सार्वजनिक क्षेत्र का वर्चस्व था
- कई सुधारों और संशोधनों के माध्यम से, बदलाव और दिशा-परिवर्तन प्रक्रिया 1980 के दशक में शुरू हुई, 1990 के दशक में गति पकड़ी, और 2020 में परिणति तक पहुंची
- भारत की चुनौतियों की प्रकृति दशकों में बदल गई है
- जबकि गरीबी और मानव संसाधन एक चुनौती बने हुए हैं, कई अन्य को या तो हल किया गया था या विदेशी मुद्रा भंडार की तरह, पर्याप्त रूप से संशोधित किया गया था
- सेवाओं और अन्य (उद्योग और कृषि) के बीच क्षेत्रीय असंतुलन चिंता का कारण है

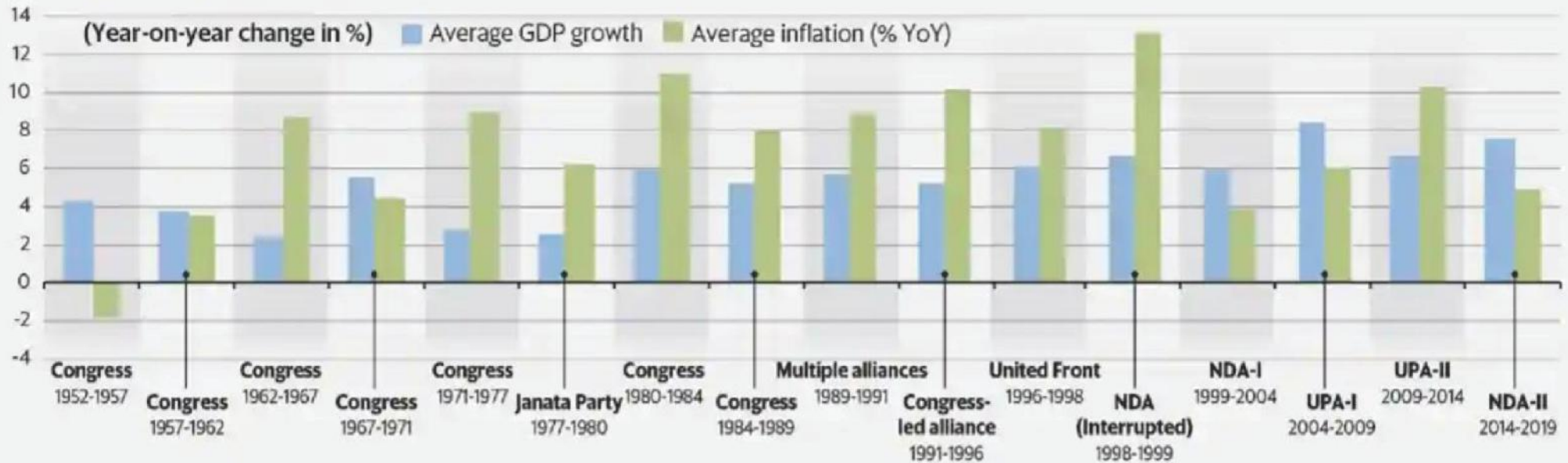
**DATA DRIVE**

**PT's IAS Academy**



# ECONOMIC PERFORMANCE OF ALL GOVERNMENTS

India's GDP grew at the slowest pace between 1962 and 1967, a period when the country went to war with China.



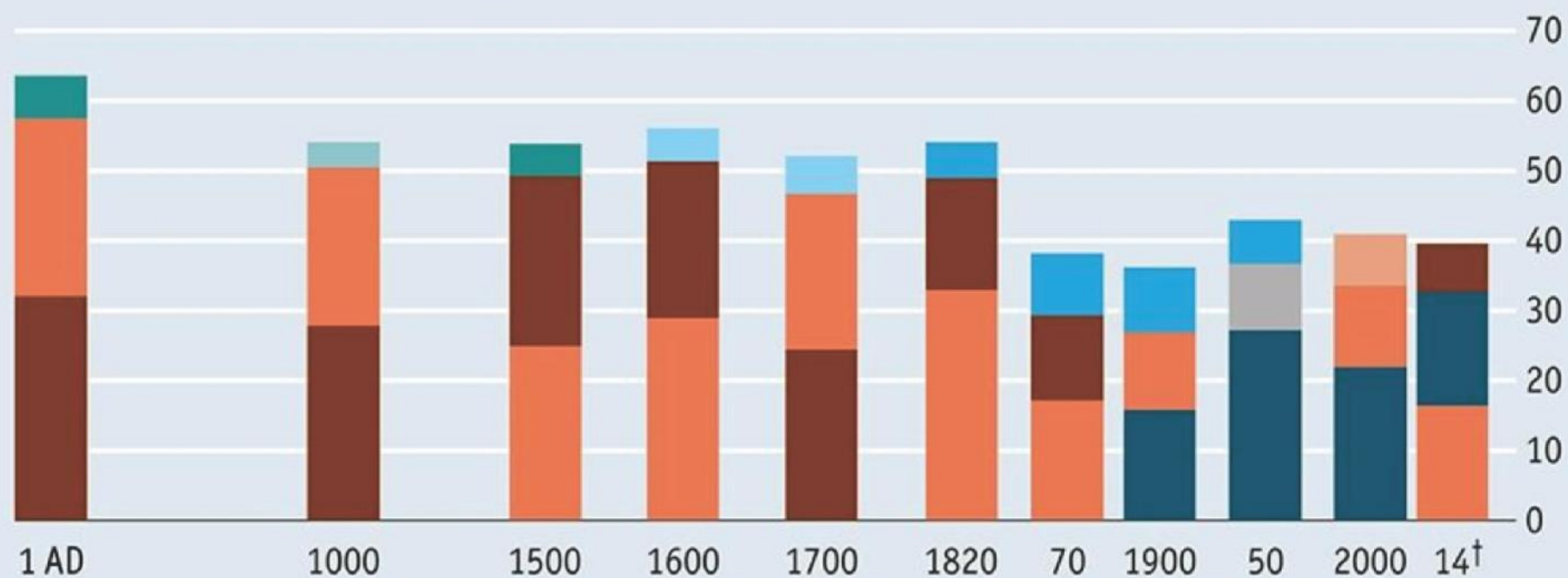
Notes: 1) GDP (Gross Domestic Product) has been considered at factor cost (old series) till 2013-14 and at market prices (new series) for 2014-2019  
 2) Inflation for the period 1952-1962 has been measured using WPI, and for other years, CPI-IW has been used since it provides the longest time series data on inflation in India

Source: RBI, CMIE, 'An Analysis of Inflation in India 1950-75', by V. Pandit, Indian Economic Review 1978, Mint calculations

## World's biggest three economies, GDP at PPP\* as % of world total

Historical output within the boundaries of modern countries

India China Italy Turkey France Britain US Russia Japan



Sources: Angus Maddison; IMF; *The Economist*

\*Purchasing-power parity †Forecast

# World GDP history

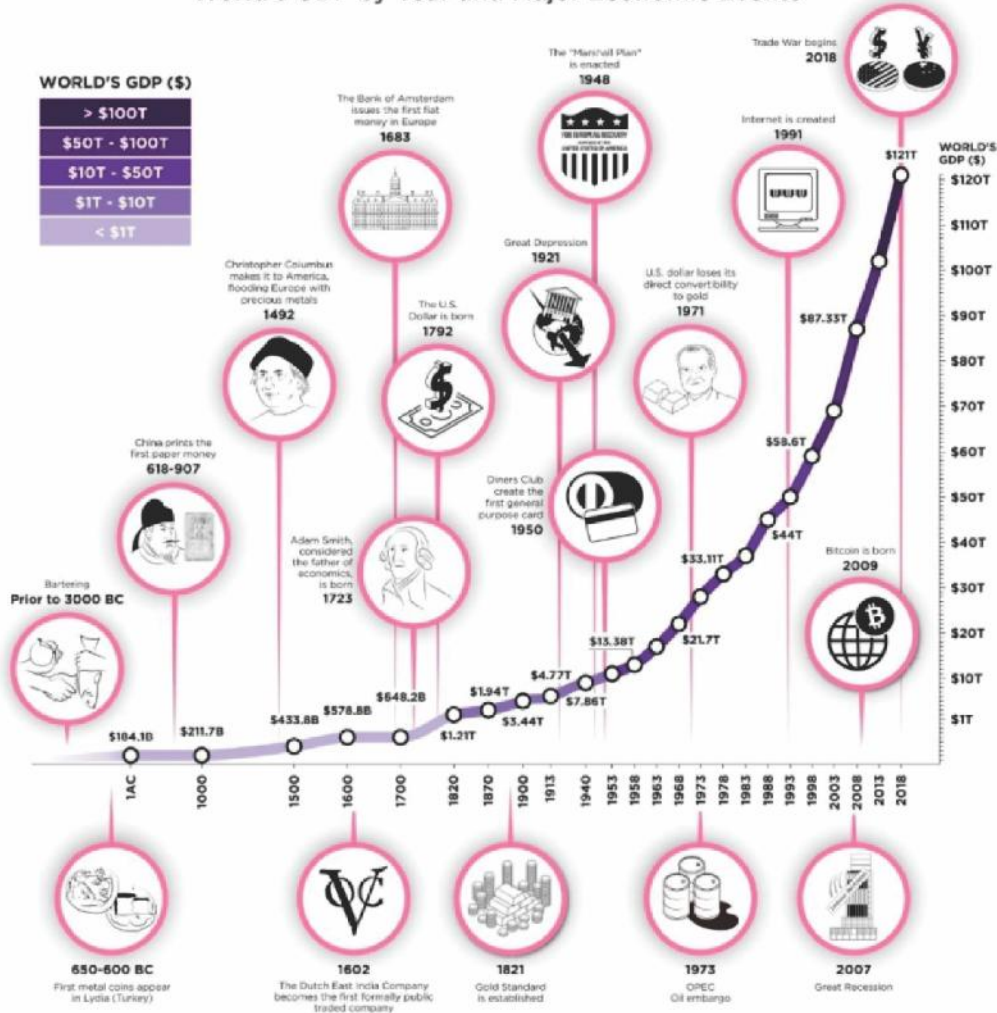
% of Total, 1990\$ @ PPP

	0	1000	1500	1600	1700	1820	'70	1900	'70	2008
India	33	28	24.5	22.5	24.4	16	13	8	3	5
China	25	22	25	28	22	32	17	11	6	18
Japan	1	3	3	3	4	4	2	3	8	5
France	2	2	5	5	6	6	7	6	4	3
Italy	7	2	4	4	4	3	4	3	4	2
Britain	0	1	1	2	3	5	9	12	4	3
USA	-	-	0.5	0.5	0.5	1.5	8	14	23	18

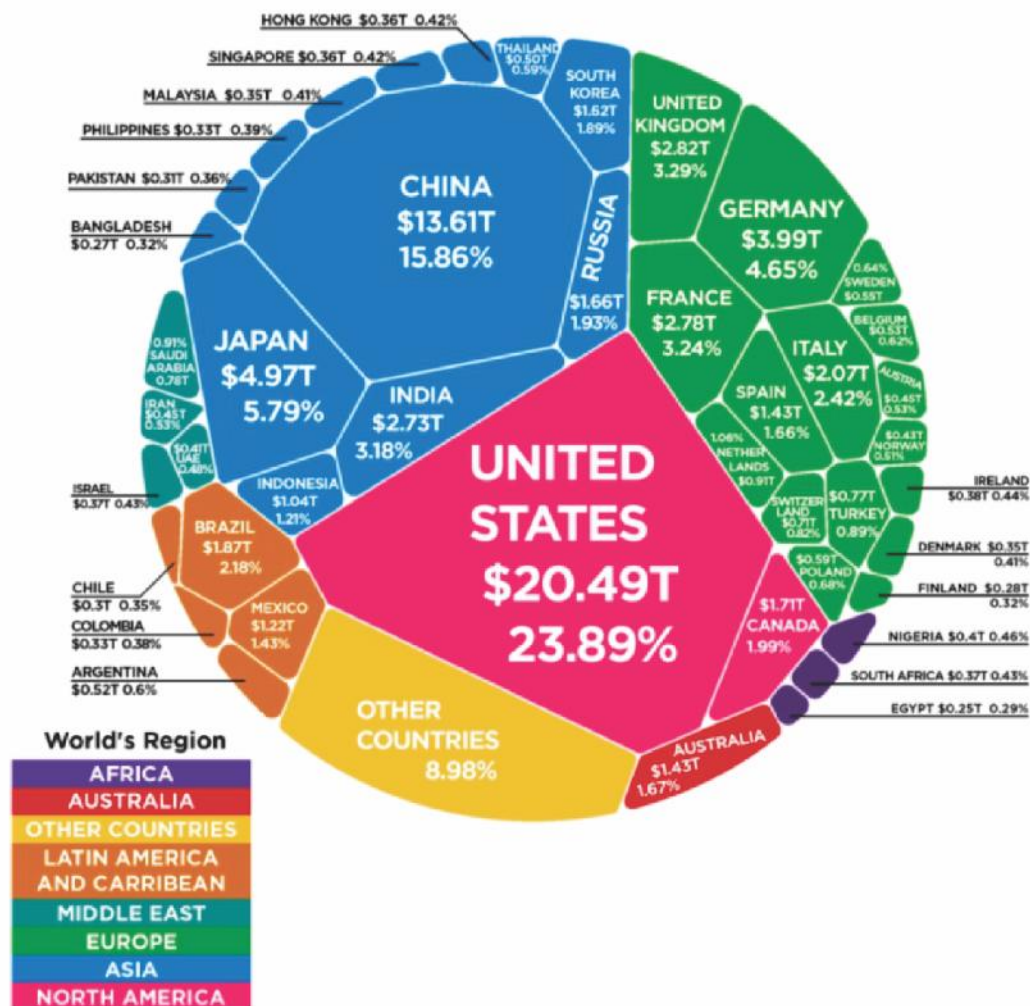


# A Timeline of the World's Economic History

World's GDP by Year and Major Economic Events



## GDP (2018)



Country/Economy	GDP growth (%)				GDP 2020 (billions of \$)		GDP per capita 2020 (\$)		Continent
	2020	Rank	2021	Rank	Nominal	Rank	Nominal	Rank	
United States	-4.272	75	3.078	136	20,807.269	1	63,051	5	North America
China	1.851	10	8.237	10	15,222.155	2	10,839	64	Asia
Japan	-5.273	98	2.321	160	4,910.580	3	39,048	23	Asia
Germany	-5.983	111	4.184	89	3,780.553	4	45,466	15	Europe
United Kingdom	-9.762	161	5.921	39	2,638.296	5	39,229	22	Europe
India	-10.289	164	8.804	8	2,592.583	6	1,877	148	Asia
France	-9.757	160	6.026	33	2,551.451	7	39,257	21	Europe
Italy	-10.645	166	5.240	52	1,848.222	8	30,657	27	Europe
Canada	-7.141	135	5.176	55	1,600.264	9	42,080	18	North America
Korea	-1.878	42	2.871	150	1,586.786	10	30,644	28	Asia
Russia	-4.116	73	2.816	152	1,464.078	11	9,972	66	Europe
Brazil	-5.801	108	2.828	151	1,363.767	12	6,450	88	South America
Australia	-4.159	74	2.953	147	1,334.688	13	51,885	10	Oceania
Spain	-12.830	177	7.154	20	1,247.464	14	26,832	33	Europe
Indonesia	-1.498	37	6.111	30	1,088.768	15	4,038	114	Asia
Mexico	-8.954	154	3.530	120	1,040.372	16	8,069	76	North America
Netherlands	-5.400	100	4.047	97	886.339	17	51,290	11	Europe
World	-4.359		5.152		83,844.988		10,954		

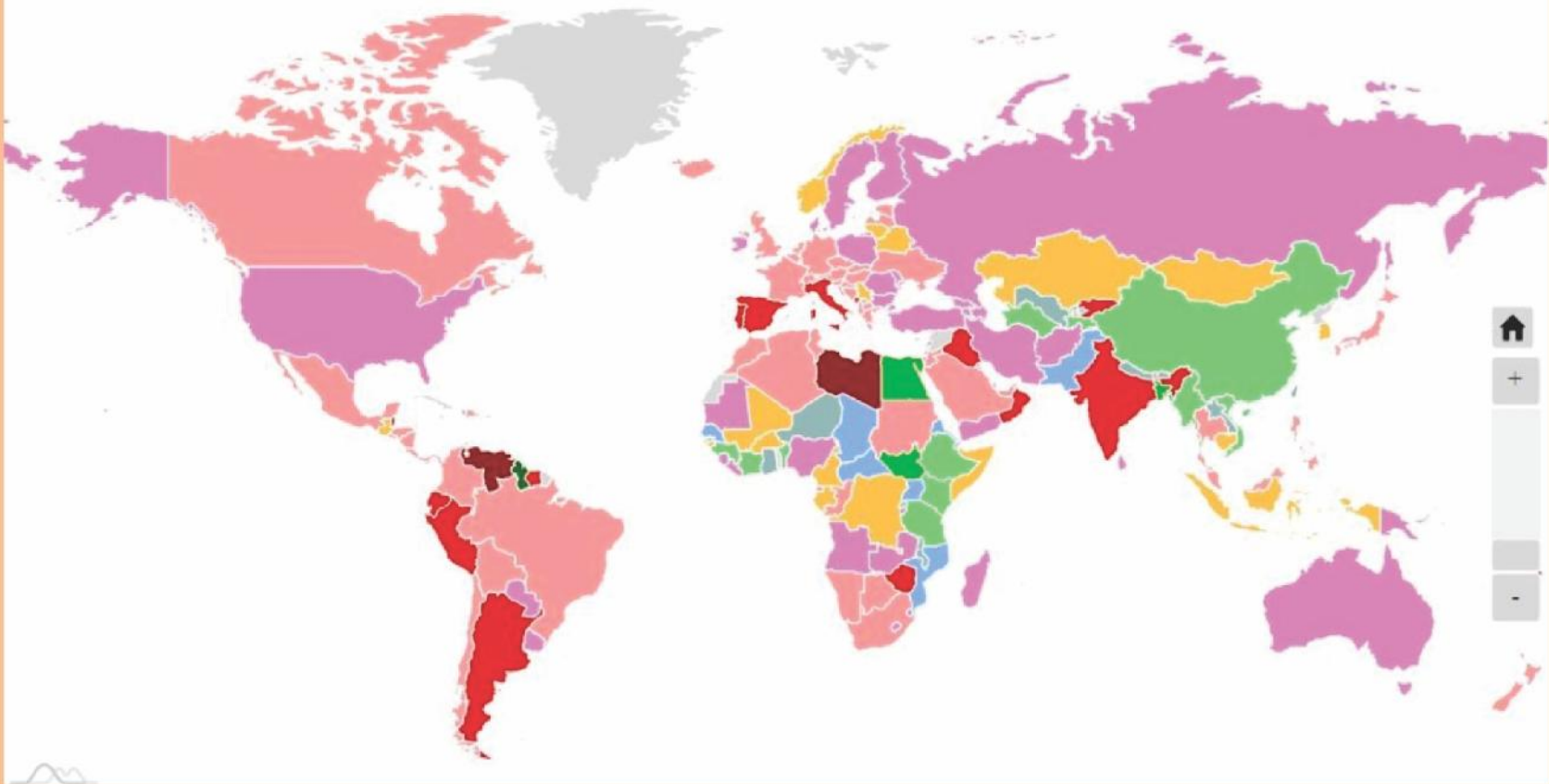
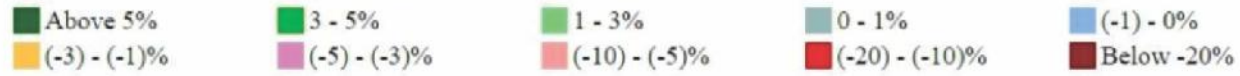
<http://statisticstimes.com/economy/countries-by-projected-gdp-growth.php>

Choropleth Map

Bubble Map

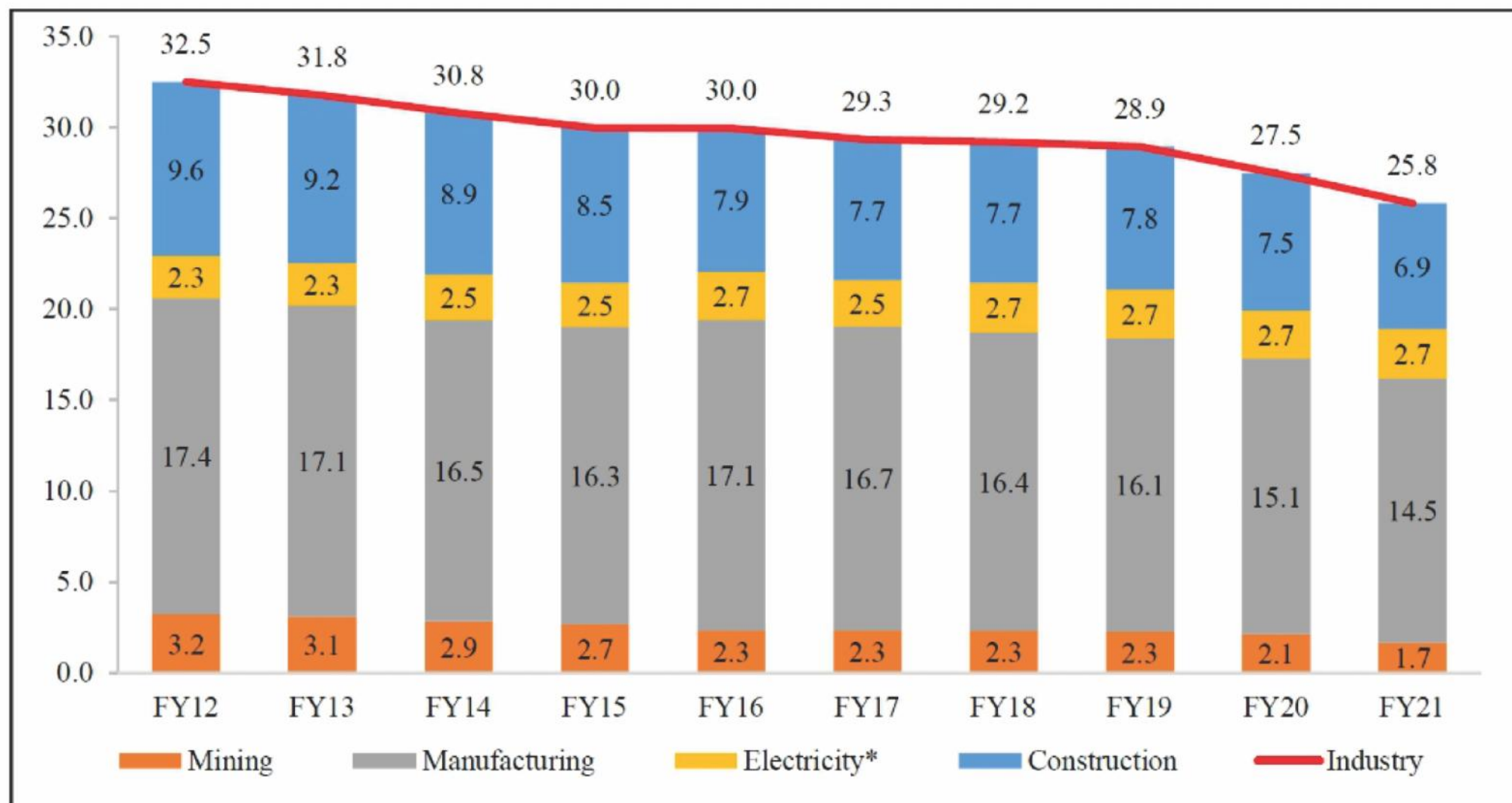
Bubble Chart

### Projected GDP Growth 2020





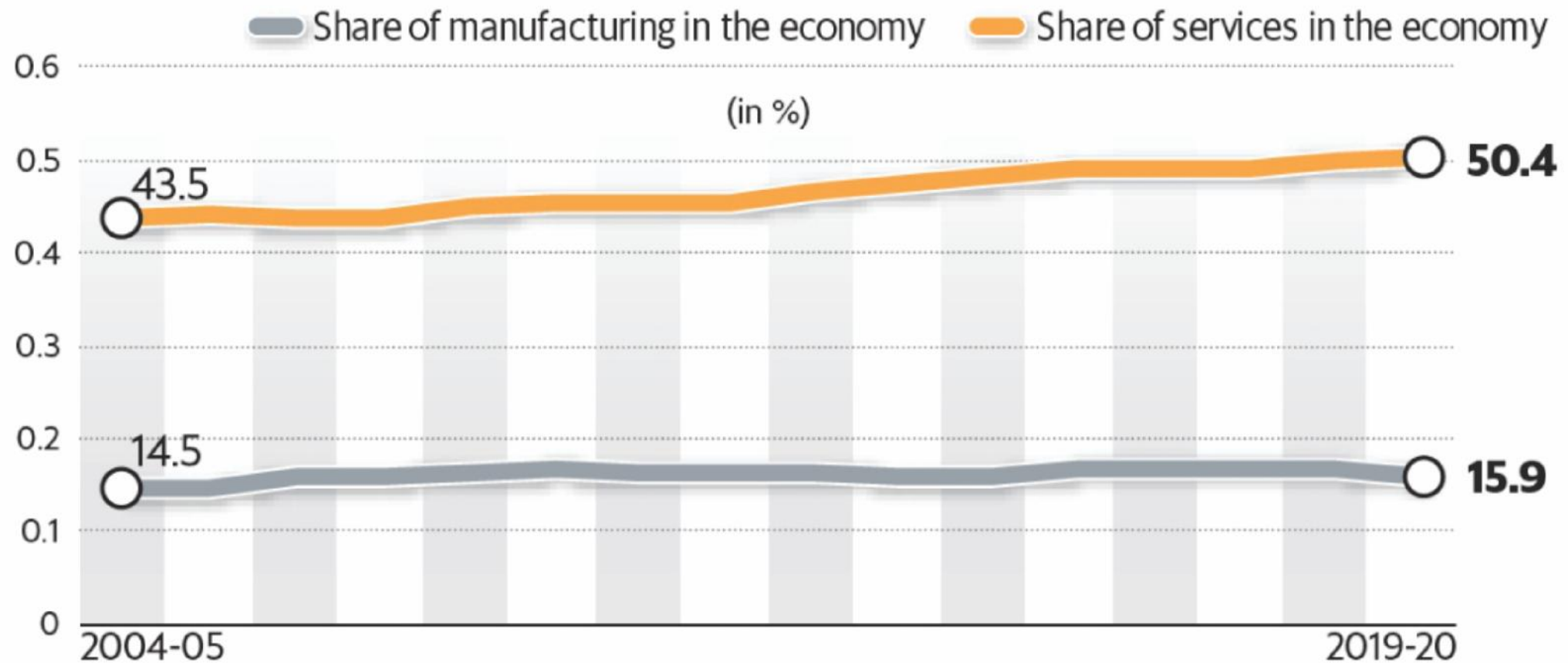
**Figure 1: Share of Industry and its Components in GVA (Current Prices, Per cent)**



\*Electricity, gas, water supply & other utility services.

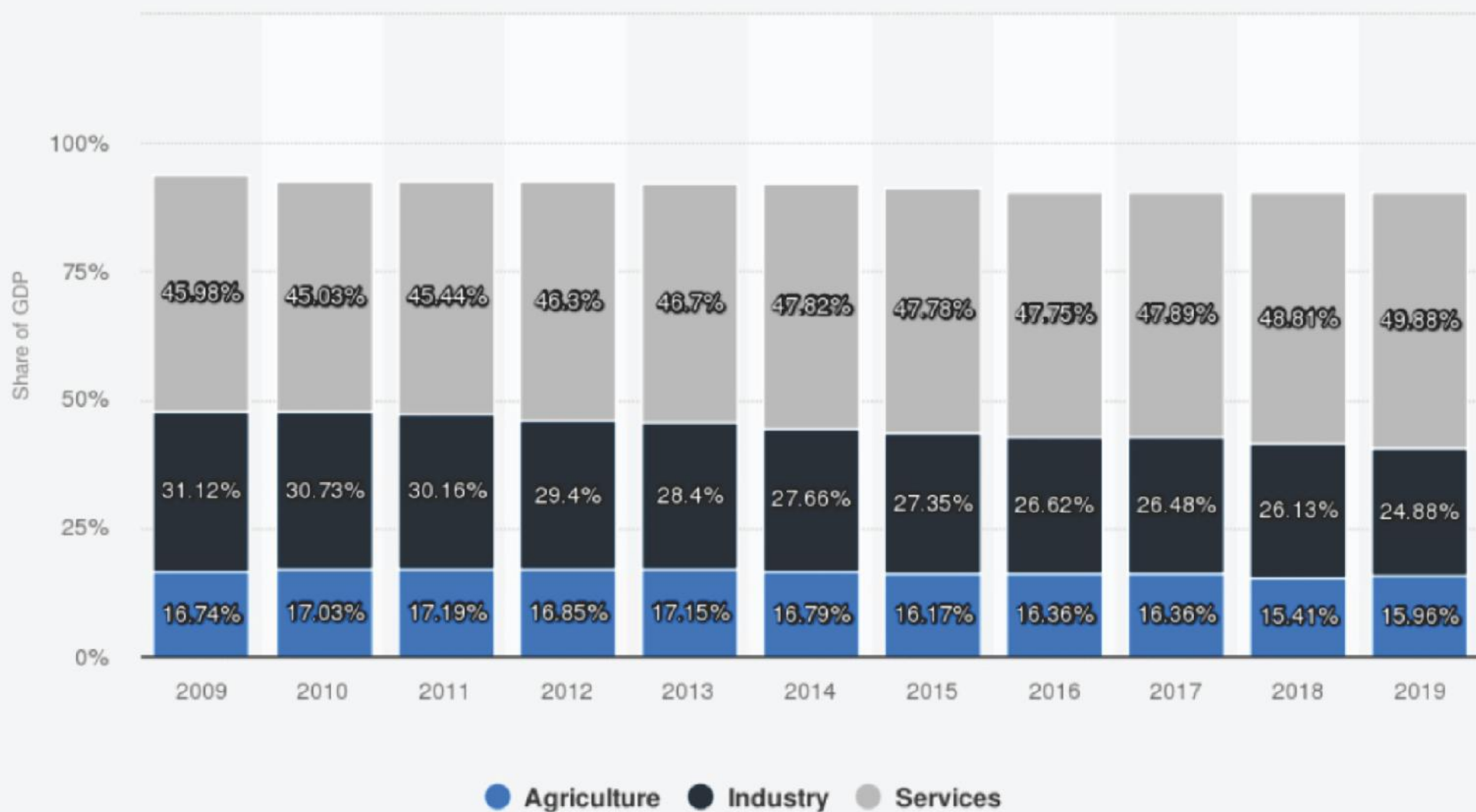
# Stark contrast

The share of manufacturing in the Indian economy has varied between 14.7% of GDP to 16.7%, between FY05 and FY20. In the same period, the services' pie has gone up from 43.5% of the GDP to 50.4%.



Source: Centre for Monitoring Indian Economy

## India: Distribution of gross domestic product (GDP) across economic sectors from 2009 to 2019



## **Economic history of India – 1947 to 2021**

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- **A huge turning point - India's independence was a turning point in its long economic history**
- **It was set to change in character, from a resource-centre for the British to a nation that would focus on its own progress**
- **India was very poor due to a conscious policy of deindustrialization followed by the British Raj**
- **Not more than 15% Indians were literate**
- **Abject all-round poverty and huge social differences had cast doubts in most minds on India's survival as one nation**
- **India's share of world income shrank from 22.6% in 1700 to just 3.8% in 1952 (as per Prof. Angus Maddison)**
- **So, the brightest jewel in the British Crown was the poorest country in the world in terms of per capita income**



## भारत का आर्थिक इतिहास – 1947 से 2021

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- एक बड़ा मोड़ - भारत की स्वतंत्रता अपने लंबे आर्थिक इतिहास में एक महत्वपूर्ण मोड़ था
- इसका चरित्र बदलने वाला था, ब्रिटिश के लिए एक संसाधन-केंद्र से एक राष्ट्र जो अपनी प्रगति पर ध्यान केंद्रित करेगा
- भारत अंग्रेजों की गैर-औद्योगिकीकरण नीति के कारण बहुत गरीब बना हुआ था
- 15% से अधिक भारतीय साक्षर नहीं थे
- चौतरफा गरीबी और भारी सामाजिक मतभेदों की वजह से भारत के एक राष्ट्र के रूप में जीवित रहने पर ज्यादातर लोगों के मन में संदेह था
- विश्व आय में भारत की हिस्सेदारी 1700 में 22.6% से घटकर 1952 में केवल 3.8% हो गई (प्रो. एंगस मेडिसन के अनुसार)
- तो, ब्रिटिश साम्राज्य का सबसे उज्ज्वल देश प्रति व्यक्ति आय के मामले में दुनिया का सबसे गरीब था

## **First PM Nehru and his vision for India**

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- **The model adopted for India was "the state's primacy over individual enterprise"**
- **PM Jawaharlal Nehru's development model envisaged a dominant role of the state as an all-pervasive entrepreneur and financier of private businesses**
- **The Industrial Policy Resolution of 1948 proposed a mixed economy for the new Republic of India**
- **Before this, the Bombay Plan was proposed by eight influential industrialists (including J.R.D Tata and G.D. Birla)**
- **That had envisaged a substantial public sector with state interventions and regulations in order to protect indigenous industries**
- **The political leadership believed that since planning was not possible in a market economy, the state and public sector would inevitably play a leading role in economic progress**
- **Had this model not been followed, there would have been a paucity of investment in core industries, and perhaps India would never have truly industrialised**

## पहले पीएम नेहरू और भारत के लिए उनका विजन

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- भारत के लिए अपनाया गया मॉडल "व्यक्तिगत उद्यम पर राज्य की प्रधानता" था
- पीएम जवाहरलाल नेहरू के विकास मॉडल ने एक व्यापक उद्यमी और निजी व्यवसायों के फाइनेंसर के रूप में राज्य की प्रमुख भूमिका की परिकल्पना की थी
- 1948 के औद्योगिक नीति प्रस्ताव ने भारत के नए गणराज्य के लिए मिश्रित अर्थव्यवस्था का प्रस्ताव दिया
- इससे पहले, बॉम्बे प्लान आठ प्रभावशाली उद्योगपतियों द्वारा प्रस्तावित किया गया था (जेआरडी टाटा और जीडी बिड़ला सहित)
- स्वदेशी उद्योगों की रक्षा के लिए राज्य के हस्तक्षेप और नियमों के साथ एक पर्याप्त सार्वजनिक क्षेत्र की परिकल्पना की गई थी
- राजनीतिक नेतृत्व का मानना था कि चूंकि बाजार अर्थव्यवस्था में नियोजन संभव नहीं था, इसलिए राज्य और सार्वजनिक क्षेत्र अनिवार्य रूप से आर्थिक प्रगति में अग्रणी भूमिका निभाएंगे
- अगर इस मॉडल का पालन नहीं किया गया होता, तो मुख्य उद्योगों में निवेश की कमी होती, और शायद भारत कभी भी औद्योगिक देश नहीं बन पाया होता



- ❖ **India did what no other newly independent developing country did**
- ❖ **It invested in politics first—establishing democracy, free speech, independent media, and equal rights for all citizens**
- ❖ **At one level all progressive leaders around the world tried this**
- ❖ **After the end of World War II, as nations broke from the yoke of imperialism and became independent, we had not just Jawaharlal Nehru in India, but Bung Karno Sukarno in Indonesia, Mohammad Ali Jinnah in Pakistan, Kwame Nkrumah in Ghana, Julius Nyerere in Tanzania, and several other leaders trying to put their nation on an even keel politically, and build political institutions to promote inclusive economic development**
- ❖ **In most cases it did not last, as coups, chaotic responses, and the lust for power caused democracy to collapse in one nation after another**
- ❖ **The only exception was India!**



- ❖ भारत ने वो किया जो किसी अन्य स्वतंत्र विकासशील देश ने नहीं किया
- ❖ इसने पहले राजनीति में निवेश किया- लोकतंत्र की स्थापना, स्वतंत्र अभिव्यक्ति, स्वतंत्र मीडिया और सभी नागरिकों के लिए समान अधिकार
- ❖ एक स्तर पर दुनिया भर के सभी प्रगतिशील नेताओं ने यह कोशिश की
- ❖ द्वितीय विश्व युद्ध के अंत के बाद, साम्राज्यवाद की जंजीरों से बंधे अनेक राष्ट्र स्वतंत्र हो गए, और तब हमारे पास भारत में सिर्फ जवाहरलाल नेहरू नहीं थे, बल्कि इंडोनेशिया में बंग कारनो सुकार्नो, पाकिस्तान में मोहम्मद अली जिन्ना, घाना में क्वामे नकरमाह, तंजानिया में जूलियस न्येरेरे थे। और कई अन्य नेताओं ने अपने देश को राजनीतिक रूप से और समावेशी आर्थिक विकास को बढ़ावा देने के लिए राजनीतिक संस्थानों का निर्माण किया
- ❖ ज्यादातर मामलों में यह टिक न सका, क्योंकि तख्तापलट, अराजक प्रतिक्रियाएं और सत्ता की लालसा ने लोकतंत्र को एक के बाद एक राष्ट्रों में धराशायी कर दिया।
- ❖ एकमात्र अपवाद भारत था!

- ❖ **But looking back, India's downside turned out to be its economy**
- ❖ **With growth sluggish, large swathes of population living in abject poverty, and widespread illiteracy, the country trudged along decade after decade**
- ❖ **Several other nations, like South Korea, Taiwan, Singapore, and Hong Kong, starting from roughly the same level of economic prosperity in the 1950s, took off in spectacular ways**
- ❖ **Some say that this sluggishness was in part caused by India's democracy and progressive politics, and that, if there had been a dictator, he or she would have pulled the economy out of the vicious circle of poverty**



- ❖ लेकिन पीछे मुड़कर देखें तो भारत की अर्थव्यवस्था उसकी कमी रही
- ❖ विकास की गति धीमी रहने के साथ, गरीबी और व्यापक अशिक्षा में रहने वाली आबादी बड़े पैमाने पर रही, और देश ने दशक के बाद दशक में समस्या झेली
- ❖ 1950 के दशक में दक्षिण कोरिया, ताइवान, सिंगापुर और हांगकांग जैसे कई अन्य राष्ट्रों ने आर्थिक समृद्धि के समान स्तर से शुरुआत की, किन्तु शानदार तरीके से उड़ान भरी
- ❖ कुछ लोग कहते हैं कि यह सुस्ती भारत की लोकतंत्र और प्रगतिशील राजनीति के कारण थी, और अगर कोई तानाशाह होता, तो वह अर्थव्यवस्था को गरीबी के दुष्चक्र से बाहर निकाल देता



## First budget of independent India

- India's first finance minister was R.K. Shanmukham Chetty who presented the first Union budget in Parliament on 26 November 1947
- He was India's delegate to the World Monetary Conference at Bretton Woods in 1944 (at the end of World War II)
- That meeting had set up the global financial architecture that governs the world even today
- In the Constituent Assembly, RKS Chetty had made many suggestions pertaining to fiscal federalism (He was from Tamil Nadu, like many illustrious successors)



**R K Shanmukham Chetty**  
1947



**T T Krishnamachari**  
1956, 1957 (Interim)  
1957, 1964 & 1965



**C Subramaniam**  
1975, 1976



**R Venkataraman**  
1980 (Interim),  
1980 & 1981



**P. Chidambaram**  
1996, 1997, 2004, 2005,  
2006, 2007, 2008, 2013,  
2014 (Interim)



**Nirmala Sitharaman**  
2019

## स्वतंत्र भारत का पहला बजट

- भारत के पहले वित्तमंत्री थे आर.के. शनमुखम चेट्टी जिन्होंने 26 नवंबर 1947 को संसद में पहला केंद्रीय बजट पेश किया था
- वे 1944 में ब्रेटन वुड्स में विश्व मौद्रिक सम्मेलन में भारत के प्रतिनिधि थे (द्वितीय विश्व युद्ध के अंत में)
- उस बैठक ने वैश्विक वित्तीय वास्तुकला की स्थापना की थी जो आज भी दुनिया को नियंत्रित करती है
- संविधान सभा में, आरकेएस चेट्टी ने राजकोषीय संघवाद से संबंधित कई सुझाव दिए थे (वह तमिलनाडु के थे, कई शानदार उत्तराधिकारियों की तरह)



**R K Shanmukham  
Chetty**  
1947



**T T Krishnamachari**  
1956, 1957 (Interim)  
1957, 1964 & 1965



**C Subramaniam**  
1975, 1976



**R Venkataraman**  
1980 (Interim),  
1980 & 1981



**P. Chidambaram**  
1996, 1997, 2004, 2005,  
2006, 2007, 2008, 2013,  
2014 (Interim)



**Nirmala  
Sitharaman**  
2019



# HISTORY DRIVE

**PT's IAS Academy**



# From Hawick to Hawick: The story of James Wilson

The life and times of *The Economist* founder who presented India's first Budget in 1860

G SREEKUMAR  
20 January

In May 2019, a 12-foot statue was reinstalled in Hawick, a small Scottish town with population below 14,000. Sculpted in 1863 in Edinburgh by John Steell, Queen Victoria's official sculptor, it came from a single block of carrara marble. So restored to a due honour was James Wilson, the first finance member of the Viceroy's Executive Council, who presented India's first Budget in 1860.

Born into a Quaker family in 1805, fourth among 15 siblings, Wilson wanted to study law, but the Quaker tradition frowned upon the profession. He became an apprentice to a hat manufacturer, spending his nights reading economics and other subjects. Wilson's father, a woollen manufacturer, purchased the firm for him and a brother. Having outgrown Hawick, the brothers moved their business in 1824 to London, where it flourished.

In 1839, Wilson published *Influences of the Corn-Laws*, the first of his pamphlets, crusading for free trade. In September 1843, he established *The Economist* to campaign for abolishing the Corn Laws. In 1844, he retired from business, to expand his magazine. He

wrote most of the lead articles. It soon became quite influential, as it continues to be today.

To support *The Economist* with the benefit of political office, Wilson contested and was elected to the House of Commons in 1847. He made such a good impression that within six months, Prime Minister John Russell made him a secretary of the Board of Control, which oversaw the East India Company. He continued there till February 1852. Introduction of railways in India, against stiff opposition, was one area where Wilson played a role.

Foreseeing the decline of the East India Company, Wilson mooted a Chartered Bank of India, Australia and China, to control banking in the East. The prospectus was published in *The Economist*. The bank would merge in 1969 with the Standard Bank of South Africa, to become Standard Chartered Bank.

In January 1853, he became financial secretary to the Treasury for five years. This stint established Wilson's reputation as a financial administrator. A self-taught

economist, his business success, remarkable memory, influential articles, ability to simplify complex issues, balanced judgement and quick decisions combined to build his reputation.

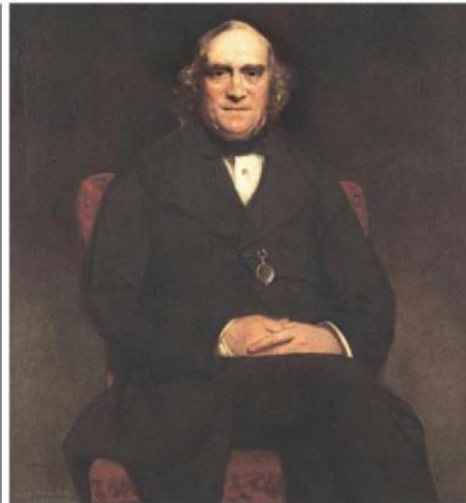
In June 1859, Wilson became vice-president of Board of Trade, paymaster general, and a privy councillor. He was soon identified to

**Wilson rationalised various duties, and announced an income tax, licence tax and tobacco duty. The taxes were to remain stable for five years**

become the first finance member of the Viceroy's Executive Council in India, to put order into chaos. Wilson was reluctant. He was expecting a Cabinet position, and was concerned about

*The Economist*. He finally relented as a sense of duty. Walter Bagehot, who had married Wilson's eldest daughter, was put in charge of *The Economist*. Bagehot would later author, among other classics, *Lombard Street: A Description of the Money Market* (1873), his lasting contribution to central banking. Wilson left England on October 20, 1859.

Soon after reaching Calcutta in December, Wilson travelled up to Lahore, meeting with revenue officials on the way, deciding "it was a fine



A portrait of James Wilson. Presented to his wife in 1859, it was given to the National Portrait Gallery, London, in 1928

country to tax." His plan of putting order into chaos involved five points. First, taxing the trading classes. Second, a government paper currency. Third, reform of the financial system with budgets and estimates, a Pay Department, and audit. Fourth, a civil police. Fifth, public works and roads. Wilson would claim great progress in the first four. He also set up a Military Finance Commission and a Civil Finance Commission.

Wilson presented his Budget — India's first — on February 18, 1860, and a Minute detailing the paper currency framework, completed with his idea of currency circles, on March 3. He rationalised various duties, and announced an income tax, licence tax and tobacco duty. The taxes were to remain stable for five years. It was so well received for ending uncertainty in taxation that Wilson called himself "the most fortunate of tax-gatherers". The dissenting

voice came from Charles Trevelyan, governor of Madras, who made public his disapproving Minute. He was promptly recalled for insubordination. But, the damage was done. Charles Canning forced Wilson to drop the licence tax and tobacco duty.

A disappointed Wilson would say: "Firmness and justice are the only policy for India: no vacillation, or you are gone. They like to be governed; and respect an iron hand, if it be but equal and just." Wilson compared the Indian exchequer to a huge machine, the English treasury being nothing in comparison for complexity, diversity, and remoteness of points of action. He assessed the Indian administration as follows: "Time, distance, and divided authority, with the sacrificing consequences of procrastination and shirking responsibility and the tendency to get rid of difficulties by compromise or delays are fatal elements in the character of the Government of India."

The increasing heat, fallout from the Trevelyan affair, and hard work, took a toll on Wilson. His wife and daughters were in Ootacamund to escape the heat. Wilson stayed on, conscious of the need for his presence to effect the changes he was introducing. With the onset of monsoon, he suffered

from dysentery. On August 2, he shifted to his doctor's home. Canning, after meeting him, wrote that he saw death in Wilson's face. Wilson used the meeting to commend certain officers, and outline the pending work. He passed away on August 11, 1860, aged 55. His body was interred in a cemetery in Mullick Bazaar, Calcutta. Though in India for just eight months, his funeral procession, two miles long, was the largest Calcutta had seen.

The mercantile community of Calcutta had a full-length statue of Wilson installed at the Dalhousie Institute in 1865. He shared space with former governor generals and viceroys. Evan Cotton in his 1907 book on Calcutta observed that all the others were moved to the Indian Museum pending transfer to the Victoria Memorial. He wondered why "James Wilson has not been permitted to follow them". The answer lies in George Curzon's February 1901 address to the Asiatic Society, where he outlined the shape the Victoria Memorial would take. One or more galleries were to be devoted to full-length sculptures for eminent persons. Others would only have portraits, busts, or mementoes. Wilson, an autodidact who had not gone to Eton or Oxford like Curzon and died too early to be

knighted, figured in the second list.

Wilson's statue remained in stately isolation for over five decades. In 1960, the Dalhousie Institute building made way for the Telephone House. Someone had the statue sent to London. It was with *The Economist* till 2017, when they gifted it to Hawick, while shifting their office.

The original location in Hawick was found unsuitable after two right hand fingers went missing, probably due to vandalism. In his final destination, Wilson looks in the direction of High Street, where he was born. Though Wilson's mortal remains are in Calcutta, Hawick is proud and honoured to keep the statue of their famous son. Wilson himself would have been delighted to be back home, also content that his accomplishments were as varied, far-reaching, and enduring as those of any other. He could be humming the old Scottish song:

*"...the mist covered mountains of home!  
There shall I visit the place of my birth.  
They'll give me a welcome the warmest on earth.  
So loving and kind, full of music and mirth,  
The sweet sounding language of home."*

*The writer is a former central banker*



1. **India's first Budget:** James Wilson presented India's first Budget in 1860, as the first finance member of Viceroy's Executive Council. He was born in 1805, as the fourth of fifteen children in the Quaker family, of Hawick, Scotland.
2. **Education and early years:** His desire to study was disliked by the family, and he started an apprenticeship with a hat manufacturer. His father was a woolen manufacturer, and their business grew quickly, and he moved to London. He would study economics and other subjects at night.
3. **Free trader:** Wilson was a natural free trader, who published "Influence of the Corn-Laws" in 1839. He started publishing "The Economist" magazine from 1843, to campaign for abolishment of the Corn Laws. The Economist soon became very influential, and remains so, today.
4. **Politics:** He was elected to the House of Commons in 1847, and PM John Russell soon made him a secretary of the Board of Control, to oversee the East Indian Company. He helped bring railways to India. He saw that the East India Company would soon decline, and proposed the creation of a Chartered Bank of India, Australia and China. That bank later merged with another, and the Standard Chartered Bank was born!
5. **Financial Secretary to Treasury:** Wilson became the Fin Secy in 1853, on the back of the self-taught knowledge in economics and finance. He kept growing in stature, and by 1859, was set to be the first Finance Member of the Viceroy's Executive Council India. He didn't want that, as The Economist needed time. But he agreed, and Walter Bagehot (his son-in-law) took charge there.
6. **Coming to Calcutta:** Wilson reached India and travelled widely, meeting revenue officials. He made a five-point plan to put order into chaos.
  - (a) Tax the trading classes
  - (b) Have a government paper currency
  - (c) Reform the financial system with budgets and estimates, audit and Pay department
  - (d) Have a civil police
  - (e) Start public works and roads.He also set up a Military Finance Commission (FC) and a Civil FC.
7. **First Budget of India, 1860:** He presented the first budget, on 18 Feb, 1860. He launched the income tax, licence tax and tobacco duty. These were to remain stable for five years, and were generally welcome for ending uncertainty, giving him great joy. The opposition came from Charles Trevelyan, the Governor of Madras, and as a result, the tobacco duty and licence tax was dropped.
8. **His views on Indians:** If you are vacillating, you are gone. Firmness and justice are the only ways forward. An iron hand that is just and equal is respected. He saw that in governing India, time, distance and divided authority were biggest challenges. Complexity was far greater than ever imaginable in Britain! Wilson died soon thereafter, at age 55, due to seasonal sicknesses. He had been in India only for 8 months, but was beloved of many.
9. **Not an elite:** Wilson was an autodidact, who had not gone to Eton or Oxford, and died too early to be knighted. His full height statue, made by the traders of Calcutta, was in a way abandoned, and in 1960 was sent to The Economist, London. They finally sent it to Hawick, his birthplace.
10. **Summary:** This was an extraordinary person, self-taught, who died too young to be noticed by royalty.



## **Focusing on growth parameters – Planning Commission**

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- **The government first set up the Planning Commission (PC) in 1950 (it was disbanded in 2014 by PM Modi)**
- **The PC was not a constitutional body, but an executive one**
- **The PC was to oversee the entire range of planning, including resource allocation, implementation and appraisal of five-year plans**
- **The five-year plans (FYPs) were centralized economic and social growth programmes modelled after those prevalent in the USSR**
- **Joseph Stalin was the motivation for this model**
- **India's first five-year plan was launched in 1951, and focused on agriculture and irrigation to boost farm output**
- **Why? Because India was losing precious foreign reserves on foodgrain imports**
- **It was based on the Harrod-Domar model that sought to boost economic growth through higher savings and investments**
- **The First FYP plan was a success, with the economy growing at an annualized 3.6%, beating the target of 2.1%**



## विकास मापदंडों पर ध्यान केंद्रित करना – योजना आयोग

- सरकार ने पहली बार 1950 में योजना आयोग (पीसी) की स्थापना की (इसे 2014 में पीएम मोदी ने भंग कर दिया था)
- पीसी एक संवैधानिक निकाय नहीं था, लेकिन कार्यकारी निकाय था
- पीसी को पूरी योजना की देखरेख करनी थी, जिसमें संसाधन आवंटन, कार्यान्वयन और पंचवर्षीय योजनाओं का मूल्यांकन शामिल था
- पांच साल की योजना (FYPs) USSR में प्रचलित केंद्रीकृत आर्थिक और सामाजिक विकास कार्यक्रम थे जोसेफ स्टालिन इस मॉडल के लिए प्रेरणा थे
- भारत की पहली पंचवर्षीय योजना 1951 में शुरू की गई थी, और कृषि और सिंचाई पर ध्यान केंद्रित करके कृषि उत्पादन को बढ़ावा दिया गया था
- क्यों? क्योंकि भारत खाद्यान्न आयात पर कीमती विदेशी भंडार खो रहा था
- यह हैरोड-डोमर मॉडल पर आधारित था जिसने उच्च बचत और निवेश के माध्यम से आर्थिक विकास को बढ़ावा देने की मांग की थी
- पहली FYP योजना सफल थी, जिसमें अर्थव्यवस्था सालाना 3.6% बढ़ रही थी, 2.1% के लक्ष्य को आसानी से पाते हुए

❖ **NATIONAL DEVELOPMENT COUNCIL** - It was set up on 6 August 1952 to strengthen and mobilize the effort and resources of the nation in support of the Five Year Plans made by Planning Commission, to promote common economic policies in all vital spheres, and to ensure the balanced and rapid development of all parts of the country.

#### Functions of Developmental Council

The resolution constituting the National Development Council lays down the following functions:

- a) To review the working of the national plan from time to time;
- b) To consider important questions of social and economic policy affecting national development; and
- c) To recommend measures for the achievement of the aims and targets set out in the national plan, including measures to secure the active participation and cooperation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and, through sacrifice borne equally by all citizens, build up resources for national development.





## **Focusing on growth parameters**

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- **Today, in 2021, India has no centralised planning of this nature at all**
- **All FYPs (five year plans) were dumped from 2018 onwards, when the 12th and last FYP ran its course (2012-2017)**
- **Now, the NITI Aayog (which replaced the PC) presents its plans as per the "15-7-3 strategy"**
- **15-year vision, 7-year strategy and 3-year action plan**
- **The 15-year perspective plan is linked to the long-term social and sustainable development goals, and is coterminous with the UN's 2030 SDG plans**
- **To convert the longer vision into implementable policy and action, a seven-year strategy from 2017-18 was formulated as part of national development agenda**
- **A three-year framework from 2017-18 to 2019-20 was aligned to predictability of financial resources**



## विकास मापदंडों पर ध्यान केंद्रित करना

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- आज, 2021 में, भारत के पास इस प्रकृति की कोई केंद्रीयकृत योजना नहीं है
- 2018 से सभी पंच वर्षीय योजनाएं त्याग दी गईं, जब 12वीं और अंतिम ने कार्यकाल पूर्ण किया (2012-2017)
- अब, नीति आयोग (जिसने योजना आयोग को प्रतिस्थापित किया) अपनी योजनाओं को "15-7-3 रणनीति" के अनुसार प्रस्तुत करता है
- 15 साल की दृष्टि, 7 साल की रणनीति और 3 साल की कार्य योजना
- 15-वर्षीय परिप्रेक्ष्य योजना दीर्घकालिक सामाजिक और सतत विकास लक्ष्यों से जुड़ी हुई है, और संयुक्त राष्ट्र की 2030 एसडीजी योजनाओं के साथ सुमेलित है
- उस लंबी दृष्टि को लागू करने योग्य नीति और कार्रवाई में परिवर्तित करने के लिए, 2017-18 से सात साल की रणनीति को राष्ट्रीय विकास एजेंडे के हिस्से के रूप में तैयार किया गया था
- 2017-18 से 2019-20 तक तीन साल की रूपरेखा को वित्तीय संसाधनों की भविष्यवाणी के साथ जोड़ा गया था

**Table 2: Growth Performance in Various Plans**

<b>PLAN</b>	<b>TARGET</b>	<b>ACTUAL</b>
First plan (1951-56)	2.1%	3.6%
Second plan(1956-61)	4.5%	4.21%
Third plan(1961-66)	5.6%	2.72%
Fourth plan(1969-74)	5.7%	2.05%
Fifth plan (1974-79)	4.4%	4.83%
Sixth plan(1980-85)	5.2%	5.54%
Seventh plan(1985-90)	5.0%	6.02%
Eighth plan(1992-97)	5.6%	6.68%
Ninth plan(1997-2002)	6.5%	5.35%
Tenth plan(2002-07)	8.0%	7.7%
Eleventh plan(2007-12)	9.0%	8.0%
Twelfth plan(2012-17)	8.2%	-----





#### **Cabinet Resolution, March 15, 1950 constituting the Planning Commission**

The Constitution of India has guaranteed certain *Fundamental Rights* to the citizens of India and enunciated certain directive *Principles of State Policy*, in particular, that the State shall strive to *promote the welfare of people* by securing and protecting as effectively as it may a *social order in which justice, social, economic and political*, shall inform all the institutions of the national life, and shall direct its policy towards securing, among other things:

- a) that the citizens, *men and women* equally have the *right* to an adequate means of livelihood;
- b) that the ownership and *control of the material resources of the community* are so distributed as best to *sub serve the common good*; and
- c) that the operation of the economic system *does not result in the concentration of wealth and means of production* to the common detriment.

Having regard to these rights and in furtherance of these principles as well as of the declared objective of the Government to promote a rapid rise in the standard of living of the people by *efficient exploitation of the resources* of the country, *increasing production*, and *offering opportunities to all employment in the service of the community*, the Planning Commission will:

- 1) make an assessment of the material, *capital and human resources* of the country, including *technical personnel*, and investigate the possibilities of *augmenting such of these resources as are found to be deficient* in relation to the nation's requirements;
- 2) formulate a Plan for the *most effective and balanced utilisation* of the country's resources;
- 3) on a determination of priorities, define the stages in which the Plan should be carried out and propose the *allocation of resources* for the due completion of each stage;
- 4) indicate the factors which are tending to retard economic development, and *determine the conditions which, in view of the current social and political situation, should be established for the successful execution* of the Plan;
- 5) determine the *nature of the machinery* which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;
- 6) appraise from time to time the *progress achieved* in the execution of each stage of the Plan and recommend the *adjustments of policy and measures* that such appraisal may show to be necessary; and
- 7) make such interim or ancillary *recommendations* as appear to it to be appropriate either for *facilitating the discharge of the duties* assigned to it; or, on a consideration of the prevailing economic conditions, *current policies, measures and development programmes*; or on an examination of such specific problems as may be referred to it for *advice by Central or State Governments*.

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- a) that the citizens, *men and women* equally have the *right* to an adequate means of livelihood;
- b) that the ownership and *control of the material resources of the community* are so distributed as best to *sub serve the common good*; and
- c) that the operation of the economic system *does not result in the concentration of wealth and means of production* to the common detriment.



- ❖ **NITI had said - "By 2031-32, we must transform India into a prosperous, highly educated, healthy, secure, corruption-free, energy-abundant, environmentally clean and globally influential nation"**
- ❖ **In 2015-26, NITI said that "China's GDP has increased by 300% in last 15 years. Further, China added more than 310 million in urban population. China has achieved a remarkable growth in last 15 years and uplifted millions of people out of poverty. This can be great learning lesson for Indian economy. India achieved only 200% growth in the same period (2000-15). But the base number (2000) was quite small compared to China. There is need to accelerate the growth. Niti Aayog has set a target of 250% growth in next 15 years."**

- ❖ NITI ने कहा था - "2031-32 तक, हमें भारत को एक समृद्ध, उच्च शिक्षित, स्वस्थ, सुरक्षित, भ्रष्टाचार-मुक्त, ऊर्जा-प्रचुर, पर्यावरण-स्वच्छ और विश्व स्तर पर प्रभावशाली राष्ट्र में बदलना चाहिए"
- ❖ 2015-26 में, NITI ने कहा कि "पिछले 15 वर्षों में चीन की जीडीपी में 300% की वृद्धि हुई है। आगे, चीन ने शहरी आबादी में 310 मिलियन से अधिक को जोड़ा। चीन ने पिछले 15 वर्षों में एक उल्लेखनीय वृद्धि हासिल की है और लाखों लोगों का गरीबी से उत्थान किया है। यह भारतीय अर्थव्यवस्था के लिए बहुत बड़ा सबक हो सकता है। भारत ने समान अवधि (2000-15) में केवल 200% वृद्धि हासिल की। लेकिन चीन की तुलना में आधार संख्या (2000) काफी कम थी। विकास को तेज करने की आवश्यकता है। नीती आयोग ने अगले 15 वर्षों में 250% वृद्धि का लक्ष्य रखा है।"



“Incubator of ideas for effective governance”

# NITI (National Institution for Transforming India) Aayog replaces PlanComm

A pro-people, pro-active and participative development agenda is the guiding principle behind NITI Aayog -Prime Minister Narendra Modi



## Objective

To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states in the light of national objectives

## The Aayog will

- Seek to provide a critical directional and strategic input into the governance process
- Develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government
- Ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy
- Pay special attention to the sections of the society that may be at risk of not benefiting adequately from economic progress

## Through commitment to a cooperative federalism-

- Promotion of citizen engagement
- Egalitarian access to opportunity
- Participative and adaptive governance
- Increasing use of technology

● Prime Minister Narendra Modi in his Independence Day speech last year had announced the need for replacing the Planning Commission, a socialist era institution, with a new body keeping in view the changed economic scenario

● The new body has been set up by a resolution of Union Cabinet as done in case of Planning Commission which was established on March 15, 1950



## Aayog will have-

Prime Minister to be the Chairperson

Vice-Chairman and a CEO  
Full time members, number unspecified

Up to two part-time members from leading universities and research organisations

4 union ministers as ex-officio members

Governing council comprising all Chief Ministers and Lt Governors

Regional Councils which will be formed to address specific issues and contingencies impacting more than one state or a region

\*Experts, specialists and practitioners with relevant domain knowledge as special invitees

PTI GRAPHICS

# New India @75

Niti Aayog sets goals for 2022, the platinum jubilee of India's independence

## BIG TARGET

- ▶ Average GDP growth of **8%** between 2018-23
- ▶ Economy grows to **\$4 trillion**



## HOW TO BE ACHIEVED

- ▶ Raise investments rate to **36%** by 2022-23 from 29% now
- ▶ Increase tax-GDP ratio to at least **22%** by 2022-23



## DETAILED STRATEGY

- 41 sectors identified for action
- Industry and Infrastructure**
- ▶ Enhance skills and apprenticeships
- ▶ Complete codification of central labour laws into four codes by 2019
- ▶ Enhance female labour force participation



## To address rural/farm stress

- ▶ Better ecosystem for innovation
- ▶ Augmentation of industrial infrastructure
- ▶ Promote MSMEs, improve ease of doing business
- ▶ Double the mining area explored from 10% to 20%
- ▶ Modernise agricultural technology, increase productivity
- ▶ Crop diversification & reorientation of fertiliser subsidy
- ▶ Adopting the Model Agricultural Produce and Livestock Marketing Act
- ▶ Amend the Essential Commodities Act, stable export policy
- ▶ Infrastructure status for agriculture value chains
- ▶ Link production to processing, village level procurement centres



## Financial Inclusion

- ▶ New scheme for comprehensive financial literacy
- ▶ Review banking correspondents and give better incentives
- ▶ Tech use assessment of credit-worthiness for households



## Better living

- ▶ Provide every family with a pucca house
- ▶ Water connection, toilet facilities
- ▶ Make 24x7 power available to all by '19



ET GRAPHIC | Illustration: Anirban Bora



## NITI'S POLICY MAKING INITIATIVES



**Road-map for Revitalization of Agriculture**



**Model Land Leasing Law**



**Road-map on Pradhan Mantri Krishi Sinchayee Yojana**



**National Energy Policy**



**Road Map on Poverty Elimination**



**Development Strategies for North East & Hilly areas**



**Digital Payments**



**Targeting 50 Olympic Medals: Let's Play Initiative**



**Appraisal of 12th five-year plan**



**Review of Scholarships schemes for SC students**



**Revitalization of NGO-PS Portal**



**National Nutrition Strategy**

## Objections to Central Planning model

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- Thinkers like B.R. Shenoy advocated free market liberalism
- In his dissent note, he had warned that the second five-year plan's dependence on deficit financing to promote "heavy industrialization" was a recipe for trouble
- Government control over the economy would undermine a young democracy
- Soon, India faced an external payments crisis a year after the plan period began
- He was also critical of the Nehru government's approach for import substitution (2020's Atmanirbhar Bharat Abhiyan)
- He was ignored in his lifetime, but his ideas have become part of India's mainstream economic doctrine since 1991
- The form of socialism India followed is best described as state capitalism. A few large public sector firms and banks were established, there were lots of private firms and enterprises, with some polarization between the very large and very small (with a missing middle), the state tried to command and direct from the top, and, finally, all this was wrapped up in a profuse rhetoric of socialism.



## केंद्रीय योजना मॉडल पर आपत्ति

- बी.आर. शेनॉय जैसे विचारकों ने मुक्त बाजार उदारवाद की वकालत की
- अपने असंतुष्ट नोट में, उन्होंने चेतावनी दी थी कि "भारी औद्योगीकरण" को बढ़ावा देने के लिए घाटे के वित्तपोषण पर दूसरी पंचवर्षीय योजना की निर्भरता परेशानी का एक नुस्खा थी
- अर्थव्यवस्था पर सरकारी नियंत्रण एक युवा लोकतंत्र को कमजोर करेगा
- जल्द ही, योजना अवधि शुरू होने के एक साल बाद भारत को बाहरी भुगतान संकट का सामना करना पड़ा
- वे आयात प्रतिस्थापन के नेहरू सरकार के दृष्टिकोण के भी आलोचक रहे (2020 का आत्मनिर्भर भारत अभियान)
- उन्हें अपने जीवनकाल में नजरअंदाज कर दिया गया था, लेकिन उनके विचार 1991 से भारत की मुख्यधारा के आर्थिक सिद्धांत का हिस्सा बन गए हैं
- भारत ने जिस समाजवाद को अपनाया उसे राज्य के पूंजीवाद के रूप में वर्णित किया गया है। कुछ बड़े सार्वजनिक क्षेत्र की कंपनियों और बैंकों की स्थापना की गई थी, बहुत सारे निजी फर्म और उद्यम थे, कुछ बहुत बड़े और बहुत छोटे (एक लापता मध्य के साथ) के बीच ध्रुवीकरण के साथ, राज्य ने शीर्ष से कमान और निर्देशन करने की कोशिश की, और, अंत में, यह सब समाजवाद की एक गहन बयानबाजी में लिपटा हुआ था।



## Modern statistics and spirit of Swadeshi

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- **The second five-year plan (1956-61) laid the foundation for economic modernization**
- **It was launched in 1956, based on the PC Mahalanobis model that advocated rapid industrialization with a focus on heavy industries and capital goods**
- **Prasanta Chandra Mahalanobis was the single most important individual in directing Indian development planning (in that era)**
- **He was the chief adviser to the Planning Commission from 1955, had founded the Indian Statistical Institute (ISI) and was the father of modern statistics in India**
- **The Mahalanobis plan was about the spirit of swadeshi or self-reliance**
- **After many decades, in 2020, again PM Modi spoke of the need for self dependence, *Atma Nirbharta*, when faced with Chinese aggression on LAC**

## आधुनिक आँकड़े और स्वदेशी की भावना

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- दूसरी पंचवर्षीय योजना (1956-61) ने आर्थिक आधुनिकीकरण की नींव रखी
- यह 1956 में पीसी महालनोबिस मॉडल के आधार पर शुरू किया गया था, जिसमें भारी उद्योगों और पूंजीगत वस्तुओं पर ध्यान केंद्रित करके तेजी से औद्योगिकीकरण की वकालत की गई थी
- भारतीय विकास योजना (उस युग में) को निर्देशित करने में प्रशांत चंद्र महालनोबिस सबसे महत्वपूर्ण व्यक्ति थे
- वह 1955 से योजना आयोग के मुख्य सलाहकार थे, उन्होंने भारतीय सांख्यिकी संस्थान (ISI) की स्थापना की थी और भारत में आधुनिक सांख्यिकी विज्ञान के जनक थे
- महालनोबिस योजना स्वदेशी या आत्मनिर्भरता की भावना के बारे में थी
- कई दशकों के बाद, 2020 में, फिर से पीएम मोदी ने LAC पर चीनी आक्रामकता का सामना करने पर आत्म निर्भरता की आवश्यकता की बात की



## **British Raj goes, Licence Raj begins!**

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- **The second five-year Plan and the Industrial Policy Resolution 1956 (the 'economic constitution of India') laid the foundation of Indian public sector**
- **But sadly, it also brought the licence Raj, that degenerated into a "Licence Quota Permit Raj"**
- **The resolution had a national objective as the establishment of a socialist pattern of society**
- **It categorized industries into three groups - (a) Industries of basic and strategic importance were to be exclusively in the public sector, (b) The second group comprised industries that were to be incrementally state-owned, (c) The third, comprising mostly consumer industries, was left for the private sector. The private sector was kept on a tight leash through a system of licences**
- **The negative fallout of this was evident by 1980s as Indian industry lagged behind its global peers in terms of competitiveness**



## ब्रिटिश राज गया, लाइसेंस राज शुरू!

- दूसरी पंचवर्षीय योजना और औद्योगिक नीति संकल्प 1956 ('भारत का आर्थिक संविधान') ने भारतीय सरकारी क्षेत्र की नींव रखी
- लेकिन दुख की बात यह है कि इसने लाइसेंस राज भी ला दिया, जो कि "लाइसेंस कोटा परमिट राज" में बदल गया
- संकल्प का राष्ट्रीय उद्देश्य था समाज के एक समाजवादी पैटर्न की स्थापना
- इसने उद्योगों को तीन समूहों में वर्गीकृत किया - (ए) बुनियादी और सामरिक महत्व के उद्योगों को सार्वजनिक क्षेत्र में विशेष रूप से होना था, (बी) दूसरे समूह में वे उद्योग शामिल थे, जो राज्य के स्वामित्व वाले थे, (सी) तीसरा, जिसमें ज्यादातर उपभोक्ता उद्योग शामिल थे, निजी क्षेत्र के लिए छोड़ दिया गया था। निजी क्षेत्र को लाइसेंस की एक प्रणाली के माध्यम से कठोर विनियमित रखा गया था
- 1980 के दशक तक इसका नकारात्मक नतीजा सामने आया क्योंकि भारतीय उद्योग प्रतिस्पर्धा के मामले में अपने वैश्विक साथियों से पिछड़ गया

## **India's first financial scam – the Mundhra scam 1957**

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- **A debate in the Lok Sabha exposed a nexus between the bureaucracy, stock market speculators, and small businessmen**
- **The subject was the Mundhra scandal, free India's first big financial scam, raised by Feroze Gandhi, Nehru's son-in-law**
- **He had found evidence that under governmental pressure, Life Insurance Corporation (LIC) had bought fraudulent stock worth ₹1.24 crore—the largest investment the public-sector entity had made in its short history**
- **This was in six companies owned by Kolkata-based Haridas Mundhra, without mandatory consultation with its investment committee**
- **This led to the resignation of then finance minister T. T. Krishnamachari and jailing of Mundhra**

## भारत का पहला वित्तीय घोटाला – मूंदड़ा घोटाला 1957

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- लोकसभा में एक बहस ने नौकरशाही, शेयर बाजार के सट्टेबाजों और छोटे व्यापारियों के बीच सांठगांठ को उजागर किया
- विषय था मूंदड़ा घोटाला, मुक्त भारत का पहला बड़ा वित्तीय घोटाला, जिसे नेहरू के दामाद फिरोज गांधी द्वारा उठाया गया
- उन्होंने पाया था कि सरकारी दबाव में, लाइफ इंश्योरेंस कॉर्पोरेशन (LIC) ने ₹ 1.24 करोड़ का फर्जी स्टॉक खरीदा था, जो कि सार्वजनिक क्षेत्र की संस्था के छोटे इतिहास में सबसे बड़ा निवेश था
- यह कोलकाता स्थित हरिदास मूंदड़ा के स्वामित्व वाली छह कंपनियों में था, जो अपनी निवेश समिति के साथ अनिवार्य परामर्श के बिना था
- इसके चलते तत्कालीन वित्त मंत्री टी. टी. कृष्णामचारी का इस्तीफा हुआ और मूंदड़ा को जेल जाना पड़ा



## **The temples of a modern India**

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- **PM Nehru identified power and steel as the key bases for planning**
- **He described the 680 ft Bhakra multi-purpose project on the Sutlej river in Himachal Pradesh as the new temple of a resurgent India**
- **The huge Bhakra-Nangal dams are among several hydel projects India built to light up homes, run factories, and irrigate crops**
- **The second plan set a target to produce 6 million tonnes of steel**
- **Germany was contracted to build a steel plant in Rourkela, while Russia and Britain would build one each in Bhilai and Durgapur, respectively**
- **The Indian Institutes of Technology and the Atomic Energy Commission were the other “modern temples”**
- **Nehru wanted to nurture a scientific temper and set up the Indian Atomic Energy Commission on 10th August 1948**
- **This later gave India its entire nuclear and space research organisations**

## एक आधुनिक भारत के मंदिर

- पीएम नेहरू ने योजना के प्रमुख आधारों के रूप में बिजली और इस्पात की पहचान की
- उन्होंने हिमाचल प्रदेश में सतलज नदी पर 680 फीट भाखड़ा बहुउद्देश्यीय परियोजना को एक पुनरुत्थान भारत का नया मंदिर बताया
- विशाल भाखड़ा-नांगल बांध कई जलविद्युत परियोजनाओं में से हैं, जिन्हें भारत में घरों को चलाने, कारखानों को चलाने और फसलों की सिंचाई के लिए बनाया गया है।
- दूसरी योजना में 6 मिलियन टन स्टील का उत्पादन करने का लक्ष्य रखा गया था
- राउरकेला में स्टील प्लांट बनाने के लिए जर्मनी को अनुबंधित किया गया था, जबकि रूस और ब्रिटेन क्रमशः भिलाई और दुर्गापुर में एक-एक प्लांट बनाने वाले थे
- भारतीय प्रौद्योगिकी संस्थान और परमाणु ऊर्जा आयोग अन्य "आधुनिक मंदिर" थे
- नेहरू एक वैज्ञानिक स्वभाव का पोषण करना चाहते थे और 10 अगस्त 1948 को भारतीय परमाणु ऊर्जा आयोग की स्थापना की
- इसीने बाद में भारत को अपने संपूर्ण परमाणु और अंतरिक्ष अनुसंधान संगठन दिए



## **Agri troubles in India**

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- **The desire to quickly industrialize caused a large reallocation of funds away from the farm sector**
- **Agriculture outlay was nearly halved to 14% in the second Plan**
- **Food shortages worsened, and inflation spiked**
- **Imports of foodgrains depleted precious foreign exchange reserves**
- **Chakravarti "Rajaji" Rajagopalachari, a friend-turned-critic of Nehru, was a staunch proponent of economic freedom**
- **He fell out with Nehru on the question of excessive state involvement in the economy**
- **On 27 May 1964, after the shock of China's betrayal on the borders, Nehru died, but had cemented his legacy as a modernizer**



## भारत में कृषि संकट

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- जल्दी से औद्योगिकीकरण की इच्छा ने कृषि क्षेत्र से दूर धन का बड़ा पुनः आवंटन किया
- दूसरी योजना में कृषि परिव्यय लगभग 14% था
- भोजन की कमी और खराब हो गई, और मुद्रास्फीति बढ़ गई
- खाद्यान्नों के आयात से कीमती विदेशी मुद्रा भंडार कम हो गया
- चक्रवर्ती "राजाजी" राजगोपालाचारी, नेहरू के मित्र-आलोचक, उपभोक्ता स्वतंत्रता के कट्टर समर्थक थे
- अर्थव्यवस्था में राज्य की अत्यधिक भागीदारी के सवाल पर वह नेहरू के विरुद्ध हो गए
- 27 मई 1964 को, चीन द्वारा सीमा पर दिए धोखे से आहत नेहरू की मृत्यु हो गई, लेकिन एक आधुनिकतावादी के रूप में उनकी विरासत मजबूत रही

## Arrival of Lal Bahadur Shastri

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- **Lal Bahadur Shastri was a minister without portfolio in Nehru's cabinet**
- **He succeeded him as PM on 9 June 1964 when the war with China had exposed India's economic weakness**
- **Chronic food shortages and price rise convinced Shastri that India needed to move away from centralized planning and price controls**
- **He renewed focus on agriculture, accepted a larger role for private enterprise and foreign investment, and trimmed the erstwhile Planning Commission's role**
- **India's victory over Pakistan in the 1965 war gave him the political capital to consider economic reforms of the kind that took place 25 years later**

## लाल बहादुर शास्त्री का आगमन

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- लाल बहादुर शास्त्री नेहरू के मंत्रिमंडल में बिना विभाग (पोर्टफोलियो) के मंत्री थे
- वह 9 जून 1964 को पीएम के रूप में तब नियुक्त हुए जब चीन के साथ युद्ध ने भारत की आर्थिक कमजोरी को उजागर किया था
- भोजन की सतत कमी और मूल्य वृद्धि ने शास्त्री को आश्चस्त किया कि भारत को केंद्रीकृत योजना और मूल्य नियंत्रण से दूर जाने की जरूरत है
- उन्होंने कृषि पर नए सिरे से ध्यान केंद्रित किया, निजी उद्यम और विदेशी निवेश के लिए एक बड़ी भूमिका स्वीकार की, और पूर्ववर्ती योजना आयोग की भूमिका की छंटनी की
- 1965 के युद्ध में पाकिस्तान पर भारत की जीत ने उन्हें आर्थिक सुधार लागू करने की राजनीतिक पूंजी दी (जो 25 साल बाद हुए उस तरह के)



- ❖ **RECESSIONS** - A recession is generally defined as a fall in the overall economic activity for two consecutive quarters (six months) accompanied by a decline in income, sales and employment
- ❖ In independent India's history, four such years of negative GDP growth were registered - **1957-58, 1965-66, 1972-73 and 1979-80**
- ❖ The latest is the ongoing recession in **2020-21**
- ❖ India saw contraction in output of - **1.2% (FY58), - 3.66% (FY66), - 0.32% (FY73) and - 5.2% (FY80)**
- ❖ Previous contractions in India's GDP had common reasons - **weak monsoon and energy crisis**

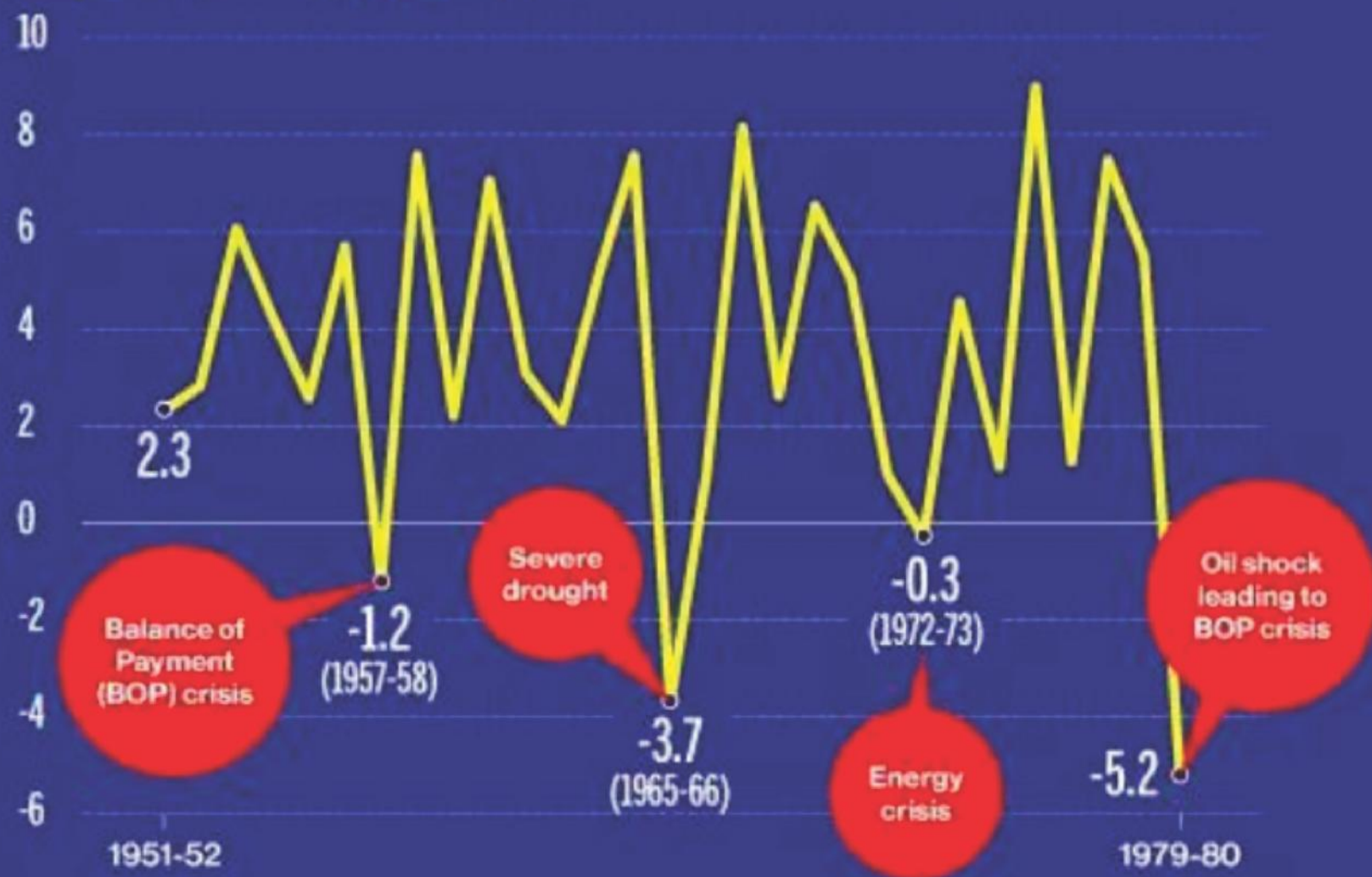
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# INDIA HEADED TOWARDS WORST-EVER RECESSION

Recession in FY21 will be the fifth and most severe for India after independence

— GDP growth (%) ● Reason



Source: RBI



## The Green Revolution

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- **PM Shastri's focus on food security was because India was on the verge of a mass famine in late 1960s**
- **Food aid imports from the US were beginning to hit India's foreign policy autonomy**
- **That was when geneticist Dr. M.S. Swaminathan, along with Dr. Norman Borlaug and others, stepped in with high-yield variety seeds of wheat, building what came to be known as the Green Revolution**
- **Today, Dr. Swaminathan champions environmentally sustainable agriculture, sustainable food security and the preservation of biodiversity**
- **He calls this an "evergreen revolution"**
- **The key elements of Green Revolution were HYV seeds, electricity-driven irrigation and chemical fertilizers**