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RESEARCH ARTICLE

THE POLITICAL ECONOMY IN INDIA: 1951-1991.

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Abstract

The article defines the perimeter of political economy as an independent field of enquiry emerging out of the discipline of International Relations during the growth of behavioral approaches in the study of global politics. This understanding is applied to trace the development of political economy in India from 1951 to 1991 to assess how the post-colonial economy grew to adopt the neo-liberal measures in 1991. The study analyses the impulses that prompted the policy direction soon after independence in 1947, during the 1960s and 1970s and finally in the 1980s to prepare the economy with modest neo-liberal economic measures. Peter Evans' theory of embedded autonomy has been used to study the nature of state intervention in economic affairs and Michal Kalecki's concept of intermediate classes in intermediate regimes have been applied to understand how certain classes have always stood to gain more from policy planning, irrespective of the orientation of policies.

Introduction:

Political economy was studied as an independent field of enquiry even prior to the inception of Politics or Economics as autonomous disciplines. The studies of the French Physiocrats for instance, investigated the prevalent politico-economic conditions of society (Meek, 1962). However, Political Economy had not developed into a trans-disciplinary field of study as we understand it today, until the 1970s when International Relations came under the influence of growing behavioral trends in order to make the subject more scientifically oriented (Ball, 1994). Political Economy hence came to be viewed as an independent, yet inter-related stream of study with an inter-disciplinary approach to research in the aftermath to the behavioural revolution[1] in social science (Sharma and Sharma, 2006). The theoretical lineage of International Political Economy can be traced to the publication of Robert

[1] Behaviouralism is an approach that gained popularity in American social sciences from 1950s until well in the 1970s as a protest against the traditional approaches that were deemed as too descriptive or speculative, lacking the rigour and ambition of analytical theorization and hence incapable of cognitive growth.

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Gilpin's[2] *The Political Economy of International Relations,* which marked the official acknowledgement of Political Economy as a sub-discipline of International Relations (Gilpin, 1987).

It is now quite common to assess governmental policies in politico-economic terms since much of what happens in policy-making is influenced by the economic prerogatives. In case of India too, policy dynamics weigh the probable economic outcomes during formulation and execution. This has however, not been the imperative always in India. The Indian economy has evolved from the post-colonial inheritance into the regulated economic space, before it adopted liberalization, privatization and globalization. For most of the early decades following independence, policy-making was conditioned by the Nehruvian principles of foreign and economic policy. This conditioning has guided the course of the Indian economy in the subsequent years as well, although the developments within the country and in global processes have redirected policy directions from time to time. The study of India's political economy during the early years after independence, especially in the 1950s and 1960s has moved along a lateral and simultaneous assessment of the politics and the economics of development.

Scope of Study:-

The paper assesses the trajectory of Indian politics through the tenures of the different central governments in order to ascertain the nature of their policy orientations and discern the factors that influence such orientations. This is accomplished through the assessment of governmental positions on policies, identification of ideological biases in policy positions and the review of choices and compulsions that determine a bias in policy. The period of study chosen here (1951-1991) is a broad frame of time. The assessment of politico-economic developments during this phase is simplified by classifying the period into terms of the nature of governance, characterised by the evolution of the party-system along with the corresponding changes in leadership.

The study as such, operates on three levels. At one it delineates the phases in the evolution of India's party-system from the Nehruvian period of one-party dominance (1951-1967) when the Indian National Congress (referred to as Congress in the paper) held majorities at the Centre and in most of the state legislative assemblies as well. Although the Congress has governed the country soon after independence, 1951 is chosen as the starting period of study since India hosted the first elections in 1951, following the adoption of the Constitution on January 26, 1950. The second phase (1967-1979) is marked by the growth of competing elements in the political system, witnessed by the declining influence of the Congress in national politics. The final phase (1980-1991) in the present study locates the political changes that completely alter the Congress dominated party system in the country, marking the beginning of regionalization and increasing fragmentation of the political system.

The subsequent layer of study assesses the changes in the leadership patterns that have accompanied the development of India's party-system. The first phase (1951-1967) has seen the undisputed leadership of Jawaharlal Nehru and the rather lukewarm acceptance of his daughter, Indira Gandhi towards the end of the period, following his death in 1964. The second phase (1967-1979) witnessed the consolidation of power and centralization of authority by Mrs. Gandhi, reflected in the nature of her policy directives like the nationalization of banks or the decision to fight for the liberation of East Pakistan, leading to the formation of Bangladesh to the imposition of national emergency in 1975. The final phase (1979-1991) have been the most turbulent in the political history of India, when the country had to come to terms with the logic of minority governments, hung parliaments and coalitions. The decade also saw the political assassination of two Prime Ministers from the same family – Indira Gandhi in 1984 and her son, Rajiv Gandhi in 1989. The resultant insecurities, political instability accompanied by the increasing number of smaller regional parties with growing influence in the Parliament somewhat balkanized the political atmosphere in India.

The third layer reviews the impact of leadership and changes in the party-system on the policy-positions of governments to ascertain if the waning of political dominance or the management of multiple dynamics within the government (in a coalition or in a minority) changes the course of formulation and implementation of policies. The study involves the assessment of the role of the state and the extent of this role is explained with the theory of embedded autonomy, developed by Peter Evans. While the role of the state determines the nature and course of policy formation, the implementation of policies affects the people (the electorate). This electorate could be viewed as a collective of interest groups, simply because each group (be it regional, or linguistic, or based on an age or caste

[2] Robert Gilpin was a scholar of International Political Economy and a Professor Emeritus as the Woodrow Wilson School of Public and International Affairs at Princeton University.

or position) has a certain interest that it desires fruition of. It is natural therefore that any policy stands to benefit certain groups more than the others. As such it lies in the interest of these groups to preempt and motivate policies for themselves. The role of such intermediate categories in developing societies like ours is explained through the Polish economist, Michal Kalecki's concept of Intermediate classes.

Importance of the Study:

The research identifies the underlying layers of classes that operate in the newly industrialised economies like India to show how the petit bourgeoisie dominate the state apparatus to rule the system in a manner that is gainful to them. The analysis is helpful in the recognition of the ineffective subsidies that continue to paralyse the policy pronouncements and prevent the employment of scarce resources for actual development and growth.

Theoretical Premise:

The paper reviews the narration of India's political development from 1951 to 1991 to study its impact on economic policy. The role of the state in policy-making is assessed through the theoretical premise of Peter Evans' embedded autonomy (Evans 1995). The paper employs the concepts of Intermediate classes and Intermediate regimes, developed by Michal Kalecki to understand how the role of classes evolve along with the politico-economic changes that a society undergoes (Kalecki, 1993).

Since much of this paper deals with the concept of Political economy, it is perhaps advisable to define 'political economy' as it applies in the present context. Political economy had originally been used as a method of enquiry to investigate the phenomena of wealth. In this, Adam Smith employed political economy as a deductive approach as well as a historical method so long as it served his purpose of research (Keynes, 2017). The application of political economy in this paper however, is in a wider context. It involves not just the method and scope of enquiry into the phenomenon of wealth understood in economic terms; but also affords equal importance to the aspect of politics in so far as it influences economics, by deliberating on the role of the state and the extent of its intervention in matters of the economy.

One-Party Dominance (1951-1967):

The Congress dominated India's politics for almost twenty years following independence. Although the Congress enjoyed two whole decades on dominance in post-independent India, it did not operate as a monolith (Kochanek, 1968). In fact, the party has attempted to adhere to the procedures that could ensure the development of democratic processes in the country. As such, India could not be said to have broken away from democracy despite a significantly long duration of single-party dominance exercised by the Congress.

It might be difficult to conceive of a congruency in the term political economy and apply the same in the Indian context soon after Independence. The state of turmoil that affected human lives through the Partition of India reflected in the political and economic reorganization of the erstwhile, undivided government. The notions of politics and economics evolved independently with a certain degree of interface and an absence of overlap as can be observed today. As such, a discussion of the political economy of India during this time ought to traverse the historiography and the accompanying definitions of territoriality in the sub-continent at the time.

The economy that India inherited at the time of independence had been rooted in the history of colonial domination that conditioned it over the two hundred years of imperial exploitation. The logic of imperial dominance like in all other colonies resulted in deprivation following targeted economic exploitation of the indigenous resources in the pursuit of colonial interests. As such, the Indian economy had functioned only as a passive agent of modern industrial capitalism, suffering all its ills with hardly any of its advantages.

The economy was largely agricultural and rural. Almost 85 percent of the population depended on agriculture that employed traditional techniques of cultivation that rendered low levels of productivity (Kapila, 2008). Despite the dependence on agriculture, the country was not self-sufficient in meeting the domestic demand for food. The deficiency reflected itself not just in the quantity but also in the quality of produce. The new government therefore focused on controlling food shortages and persistent inflationary pressures to manage the repercussions of the Partition.

Table 1:-Distribution of National Income and Workforce (Sector-wise)

Sector	**National Income (1948-49)**	**Workforce (1950-51) In percentage terms**
Agriculture, Animal Husbandry, Forestry, Fisheries	49.1	72.3
Mines, Manufacturing Industries, Small Enterprises	17.1	10.7
Trade, Transport and Communications	18.5	7.7
Other Services Professions, Administration Domestic Services	15.7	9.3
Total	**100**	**100**

(Bettleheim, 1971)

Table 1 shows how agriculture and allied activities accounted for almost 50 percent of the national income, engaging more than 70 percent of the population. Mining, manufacturing and small enterprises added up to less than one-sixth of the national income, registering less than 11 percent of the workforce in the oraganised industrial sector. The figures also reflect the low levels of industrialization in the economy and the sluggish rate of growth denoted as the Hindu rate of growth of the 1950s.

Unlike the advanced economies of the West where people spent only about 50 percent of their income on basic needs, in India during the initial years following independence people spent almost 70-80 percent of their earnings on bare necessities like food and shelter. Even that failed to afford them a decent standard of living. Famines were a regular feature in different parts of the country leading to severe loss of human lives. The absence of basic health care led to further loss of lives from the spread of mass communicable diseases during these times.

The initial years following independence was marked by little industrialization, low agricultural productivity, low levels of national per capita income, slow economic progress along with significant levels of unemployment and underemployment. There were only a few cottage and small-scale industries, which perished amidst the adversities of colonial rule. Along with the challenges emanating from a nascent economy, the politics of Partition rendered its own set of social implications that left the newly independent country reeling for stability amidst the trauma of the largest human displacement in the sub-continent. Such politico-economic background conditioned the policy-decisions of the new government.

Indian independence was earned over a long struggle with a multiplicity of legacies and heritage that influenced the post-colonial society in several ways. Until the adoption of the Constitution for instance, the affairs of the state were regulated according to the mandate of the Government of India Act of 1935 (Brass, 1994). In several ways, the Constitution attempted to continue and expand the general orientation of the Government of India Act widening its scope through guarantees like the Fundamental Rights and assurances like the Directive Principle of State Policy by extending universal adult suffrage.

The political orientation of independent India was structured largely according to the ideological adherences of the first Prime Minister Jawaharlal Nehru. Nehru's overwhelming victory in the 1952 General Elections further entrenched his supremacy in the government and the party. His personality, attitudes and leadership influenced all aspects of Indian politics during this time. Nehru articulated a clear set of ideological and policy goals like adherence to non-dogmatic socialism, secularism, economic development through state-directed planning and non-alignment in international affairs (Brass, 1994). These parameters channeled the socio-economic direction of state policies. Nehru sought to understand society and social classes in Marxist terms, although he resisted the Marxian implications of economic interpretation of political reality and remained largely opposed to *Doctrinaire Socialism*. At the time of independence, he stayed clearly committed to non-alignment, which conditioned his policy choices for the newly decolonized nation.

Nehru's fascination with Soviet style developmental planning coupled with the timing of the Roosevelt administration's adoption of the New Deal[3], favouring a government-regulated economy in order to balance conflicting economic interests and prevent the lopsided concentration of wealth in the hands of a privileged few further convinced him of the merits of economic planning. A centrally directed economic planning did not intrinsically feature in the Constitution. Yet, the Directive Principles of State Policy, adopted in the Constitution indicated the broadly egalitarian socio-economic goals prompted by a clear socialist conditioning.

The Directive Principles provided for a key role of the state in socio-economic development by acknowledging every citizen's right to adequate means of livelihood, regulation of ownership and control over national resources so as to serve the larger good and prevent concentration of wealth and means of production in the hands of few.

The agrarian structure of the Indian society at the time of Independence and Nehru's acknowledgement of the widespread maladies of peasants also played a role in tempering his political response of socialism. The oppressions of *taluqdars*, *zamindars*, landlords and moneylenders had precipitated into a parallel agrarian movement alongside the political movement. This trend intensified with the disastrous blight of the Great Depression. Nehru realized that the solution to this volatility lay in the abolition of the feudal fabric that violated basic human dignity and led to the pauperization of the Indian peasantry (Ganguly, 1964).

The government also adopted the approach to coordinated planning for developmental action, thus formulating the Planning Commission to allocate material, capital and human resources to enable optimum utilization of the limited resources. The introduction of Planning and the inception of the Planning Commission redefined the role of the state in direction policy decisions and realigned the influence of the bureaucracy over the following decades in India (Visvesvaraya, 1936).

End of One-party Dominance and Gradual Proliferation of Parties (1967-1979):

The 1967 elections brought the Congress back to power at the centre with a reduced share of votes, as a result of the loss of its influence in several states. The party saw its first major split in 1969 when the powerful "Syndicate" within the party tried to contain the growing personality cult of Mrs. Gandhi (India Today, 2007).

The central party organization of the Congress had grown into a viable force under Nehru's patronage in order to consolidate power at the center and in the states. By 1964, the Congress was dominated by a "Syndicate" of party bosses under the leadership of the Party President, Kamaraj Nadar, who played a critical role in the scheme of succession following Nehru's death.

The political landscape of India between Nehru's death in 1964 and Indira Gandhi's consolidation of power by 1971-72 was brindled with a prolonged crisis of succession and struggle for power. Despite the brief interregnum of Lal Bahadur Shastri's tenure from 1964-1966, and the despicable performance of the party under Mrs. Gandhi's leadership in 1967 she succeeded in consolidating her position and authority over her next five years in office.

The developments within the party, domestic political changes coupled with regional and global calculations consolidated Mrs. Gandhi's indisputable authority. Morarji Desai's defeat in the Congress Parliamentary Party (CPP) in 1967, the nomination of V.V Giri (in opposition to the official nomination of Neelam Sanjiva Reddy) for the office of the President following the sudden demise of Dr. Zakir Hussain, her overwhelming victory in the 1971 elections and the foreign policy masterstroke towards the liberation of East Pakistan, leading to the formation of Bangladesh (Brass, 1994) made Indira synonymous to India, securing her leadership in the Party and position in the government.

Mrs. Gandhi's personal victories in the 1971 and 1972 elections led to the further concentration of her power and she asserted her authority with unprecedented use of the executive. Even within the party, she established her personal control and centralized authority (Kochanek, 1976). The emergency (1975-77) witnessed further centralization of authority and personalization of power by Mrs. Gandhi. She had used her control over the party to alter the dynamics of centre-state relations too by replacing independent Congress chief ministers with leaders that

[3] Opposed to the traditional American policy of laissez-faire, the 'new deal' for the 'forgotten man' was the American government's domestic programme between 1933 and 1939 under the Franklin D. Roosevelt Administration to bring immediate economic relief from the ravages of the Great Depression.

owed allegiance to her. Such excessive centralization led to the disintegration of Congress governments alongside the rise of mass protests that intensified during the years of emergency.

By the late 1960s most of East Asia had begun to adopt liberal economic policies, while India under the leadership of Mrs. Gandhi became even more inward looking, and more skeptical of capital and the private sector than even her father. Her orientation to the extreme left was motivated less ideologically and more by the compulsions of realpolitik. In her attempt to contain influential leaders like Morarji Desai within the party and manage the larger domestic constraints, she launched a series of policies that left a lasting impact on the Indian economy.

Mrs. Gandhi's tenure may be viewed in two distinct phases in terms of her orientation towards economic policy making. Mrs. Gandhi remained in office from 1966-1975 and thereafter from 1980-1984. She imposed a national emergency between 1975-1977 and lost power to the Janata Party in the 1977 elections until her return to office in 1980. During the first phase of her office (1966-75), Mrs. Gandhi's economic policies inclined to the left of center, emphasizing populist measures and the growth of the public sector. Her policy orientation during 1975-77 and later between 1980-84 displayed more pragmatic liberal trends.

In the first phase, the nationalization of banks, of general insurance, commodity-wise programmes to control imports and exports was introduced to exercise larger state control over investible resources for the express purpose of serving a social cause, based on the assumption that government control affords better welfare than private control (Evans, 1995). As such, policies like the Monopolies and Restrictive Trade Practices Act (MRTP) of 1969 and Foreign Exchange Regulation Act (FERA) of 1973 were introduced to control the private sector and expand the cooperative sector with the plea to provide for the minimum needs of the community, operationalise a rural works programme and remove the privy-purses of ex-rulers in 1969. The 1970s also witnessed a surge of direct action plans for the poor under "Garibi Hatao" like the small farmers development agency, marginal farmers' and agricultural labourers' programme, antyodhaya, drought prone areas programme, crash scheme for rural employment, employment guarantee scheme, food for work and 'Operation Barga' (Bhargava, 1988).

Distinct from her first phase in governance, Mrs. Gandhi in her second phase in power following the Janata Interlude (1977-1979) introduced policies that prepared the Indian economy for the subsequent phase of liberalization. The policy measures like deregulation of the cement industry in 1982 can be read in terms of modest inception of liberal norms (Guru, 2015). The general politico-economic situation of the country also played an important role in the formulation of her policies. When Mrs. Gandhi assumed office in 1966, the country was faced with severe food shortages from droughts, had critical foreign exchange reserves and very low industrial output. By the end of her tenure however, the country was not only self-sufficient in the production of food but had substantial buffer stock, foreign exchange reserves were healthier and India had joined the club of Newly Industrialised Countries (NIC) (Bhargava, 1988).

The 1970s and 1980s however vindicated a clear connect between the politics and economics of governance. Mrs. Gandhi's political power played a major role in the nature of the economic policy decisions she took. The influence of global developments also tempered the policy actions. The status of foreign exchange reserves or the level of industrial exports prompted adjustments in her economic policy positions to enable corrections towards betterment.

The development is interesting since it is around the 1970s too that International Relations woke up to the scope of the sub-discipline of Political Economy. There grew a general consensus over the influence of political developments on economic decisions and the need to study this interface was acknowledged. Global Political Economy harnessed significant academic interest and reflected this trend on the dynamics among states and within them.

Regionalisation, Multi-party system (1980-1991):

The assassination of Mrs. Gandhi in 1984 was the biggest political assassination in the history of independent India since that of the Mahatma in 1948. In course of the anarchy that followed the death of Mrs. Gandhi, Rajiv Gandhi was anointed the Prime Minister so as to continue the Nehru-Gandhi lineage and commemorate the martyrdom as Congress clamoured for stability through the reassurance of a vote-catching name.

Rajiv Gandhi came to power with a landslide victory, riding a sympathy wave across the nation. Though a reluctant politician, unwillingly thrust into the public office by the turn of events, Rajiv Gandhi was determined to make something of it. He initiated the telecoms revolution, brought in computers and simplified the government processes. He replaced the chant of tired slogans with liberalization, technology and modernity, preparing India for the twenty-first century. He managed to strike peace with the rebellious Sikhs in Punjab, the agitating students in Assam and with the unreconciled guerillas in Mizoram, inducting them into the electoral process that they had wished to subvert (Tharoor, 2016).

The election of Rajiv Gandhi marked the turning point for policy reform in India's software and computer industries. His government was the first to emphasise on the need for new policies for electronics, software, telecommunications and emerging industries. The computer policy announced by his government in November 1984 recognised software as an "industry" making it eligible for investment allowance and other incentives. It was the Rajiv Gandhi administration that computerized the railway reservation system and other government processes. One of the most innovative contributions of the government was the creation of the Centre for the Development of Telematics that enabled indigenous digital switching technology to facilitate India's shift from electromechanical to digital switching and transmission (Saxenian, 2002).

It is said that as a Prime Minister, Rajiv Gandhi ran a halfway house between Nehruvian socialism and the promise of a hi-tech twenty first century India. According to I.Z Bhatty, the honorary Director of the National Council of Applied Economic Research (NCAER) however, he made the halfway count since he nudged the economy out of its moribund systems and prepared it for liberalization (Chakravarti, 1991). He harboured the vision of India as a global power and implemented his principle of decentralization, usage of technology for the service of man, resource-based agricultural growth alongside economic reforms to propel the Indian polity into the twenty-first century (Alagh, 2013).

According to Atul Kohli, it was the governments of Indira Gandhi and Rajiv Gandhi that began to steer the economy towards big business between 1980 and 1989 (Kohli, 2002). Although foreign investment had not become a priority yet, some joint ventures were brokered in the autos sector. This was a marked departure from Mrs. Gandhi's anti-capital (particularly foreign capital) stance of the 1970s. Mrs. Gandhi gradually relaxed her commitment to 'garibi hatao' to prioritise economic growth by embracing Indian business as her ruling ally (Kohli and Singh, 2016). The government undertook measures to alter the balance of capital formation in the country during the 1980s – parts of the MRTP were relaxed, efforts were made to liberalise credit for large companies, steps were taken to control labour activism in the organized sector and private sector investments were encouraged with limited tax concessions.

Indira Gandhi's assassination and the subsequent assassination of Rajiv Gandhi within a few years led to the end of the dominance of Congress family rule in Indian politics at least for the time being. Although democracy had been firmly established in the country by then, proved in particular by the elections that decided the fate of governance despite the political mayhem, the expectation from these governments or their ability to deliver remained uncertain.

The Indian Prime Ministers from Indira Gandhi (1966-77, 1980-84) to Rajiv Gandhi (1984-89) to Morarji Desai (1977-79) and Charan Singh (1979-80), Vishwanath Pratap Singh (1989-90) or Chandra Shekhar (1990-91) adopted gradual to stealthy measures of deregulation from time to time despite the prevalent socialist rhetoric (Jenkins, 1999). Of them all Rajiv Gandhi was perhaps the most proactive exponent of the private sector although his liberalization initiatives remained heavily contested politically by factions within the Congress Party and the Indian industry. There were powerful groups that had operated successfully for years within the regulated economy and had developed a stake in preserving the status-quo (Mukherji and Ganguly, 2010).

The beginning of the 1990s has been the most significant period in any study of India's political economy. It has been as strategic politically as it was turbulent economically. In the 1989 elections, the reins of political power for the first time shifted out of the Nehru-Gandhi family. Rajiv Gandhi lost the office of Prime Minister despite being the leader of the single largest party, with 197 seats and a vote share of 39.5 percent in the Parliament (Indian Express, 2015). The legitimacy of his government (1984-1989) came into question after the revelations of the Bofors scandal, which came under the scanner in the face of his cabinet minister Vishwanath Pratap Singh's crusade against governmental corruption.

V.P Singh formed the Janata Dal led National Front government with the Left parties and external support from BJP. It won 85 seats in the 1989 elections.[4] Singh had remained careful in maintaining a distance from the BJP in public platforms in order to preserve a secular image for the Front. The dream of this coalition however, remained short lived. The agenda of anti-Congressism and the awkward balance of polar ideologies of the Left and the BJP collapsed soon in the face of economic crises and political challenges.

Singh had garnered popular support drawing on the Bofors agenda but once in power, his government did nothing to redress the scandal. His tenure also witnessed the re-emergence of militant Sikh separatism in Punjab and the worst insurgency in Kashmir[5] causing the largest refugee migration in the history of independent India with as many as 90,000 Hindu Kashmiris migrating out of the valley, resigning themselves to the status of internally displaced persons (IDPs).

The country encountered the trilateral challenge of the three M's – Mandal, Masjid and Market that altered the face of Indian politics. In August 1990, V.P Singh tabled the Mandal Commission report in the Parliament causing an upheaval that brought an entire generation of backward classes into the forefront of Indian society. The Commission recommended a 27 percent reservation for Other Backward Class (OBC) candidates across all services and in education, paving their way into the lexicon of India's social justice movement. The Congress and the BJP rallied support against the Mandal Commission report as anti-Mandal protests took over the whole of North India. Rajiv Goswami, a Delhi University student immolated himself in September 1990, making the image the poster of anti-Mandal protest (Business Standard, 2015).

It was not just the country's political elite that faced problems, the economy too approached bankruptcy as an imminent financial crisis ensued following a reasonably long phase of sustained growth (Corbridge and Harriss, 2000). The economy opened itself to multi-pronged crisis amidst abnormal price rises and deplorable foreign exchange reserves running up to a situation where only the International Monetary Fund (IMF) could rescue the economy. Singh was however, advised against approaching the IMF, since the government depended on the support of the Communists for its stability and they remained ideologically averse to the neo-liberal diction. The situation was compounded by the oil price shocks that emanated from Saddam Hussein's invasion of Kuwait (Raghavan, 2013).

Amidst such turmoil and in the midst of awakening communal sentiments in the country, the V.P Singh government fell and Rajiv Gandhi agreed to support Chandra Shekhar from outside as he went on to become the next Prime Minister. A hastily formed minority government that was not expected to sustain office for more than a few weeks but Chandra Shekhar won public support and surprised dissenters with his surprisingly forthright attitude about national issues.

Chandra Shekhar opened talks with insurgents in Punjab and Kashmir, keeping the VHP and the All India Babri Masjid Action Committee (AIBMAC) together at the negotiating table, securing the much needed funds from IMF and taking a bold stand on the Gulf War by allowing the US planes to refuel in India and secured reasonably warm ties with his Pakistani counterpart, Nawaz Sharif. Though lacking a distinct direction in foreign affairs or definite initiative in domestic policy, Chandra Shekhar appeared serenely in command of the government (Aiyar, 1991).

The General Election to the tenth Lok Sabha in 1991 was held following the dissolution of the previous Lok Sabha within sixteen months of its formation. This election had been touted as the Mandal-Masjid election as the contest of stability revolved around raging concerns over the Mandal Commission report and the Ram Janmabhoomi-Babri Masjid issue. Soon after the first phase of polling, the former Prime Minister Rajiv Gandhi was assassinated. In the midst of political uncertainties and absence of any clear majority, the Indian National Congress formed a minority government under the leadership of P.V. Narasimha Rao.

The political economy of growth and development since 1975 produced a fiscal situation with the dependence on commercial banks became unsustainable after May 1991. Such compulsions in the economy prompted liberal statesmen and technocrats like Montek Singh Ahluwalia and Manmohan Singh to consider the rationale of private entrepreneurship and economic globalization in 1991. The 1980s had ideologically conditioned the country for this shift in the economy and somewhat prepared it for the 1991 watershed in India's economic history.

Narasimha Rao acknowledged the complicity of his politico-economic situation as he encountered unprecedented economic crisis. The situation was further confounded by the course of international developments. The Cold War had just ended underscoring the urgency to restructure India's relationship with USSR particularly in matters pertaining to market and imports. This also afforded the opportunity to consider new alliances with other Asian countries, the U.S and the West to reap the benefits of the growing pattern of global economic interdependence (Mukherji and Ganguly, 2010).

The government afforded pre-eminence to technocrats like Montek Singh Ahluwalia, C. Rangarajan, Rakesh Mohan and Raja Chelliah who gained importance in the policy circle as the new Prime Minister and his Finance Minister Dr. Manmohan Singh sought to embrace globalization to an extent that would perhaps not have been permissible in the absence of a crisis of such stature. The IMF was respectful of the views of the Indian technocrats in so far as it allowed substantial country-ownership of its programme. Labour laws for instance remained untouched and India was allowed to run fiscal deficits in excess of what the IMF though was optimal beyond the first year of the programme (Mukherji and Ganguly, 2010).

The Rao government thus moved steadily to "adjust" the deeper structures of the economy. Efforts were made to liberalise India's trading regime and the industrial policy was refurbished opening the Indian market to foreign direct investments. The industrial licensing pursued in 1950s was dismantled in all but eighteen identified sectors like drugs, pharmaceuticals, cars, sugar etc. (Corbridge, 2009).

Even the Communist Party of India Marxist (CPM) came to accept the ethos of liberalism despite reservations on certain aspects. The Left parties were warned against strong opposition to the economic agenda, since the collapse of the Rao government could lead to the rise of Hindu nationalists in New Delhi. Viewing the growth of BJP in the 1980s, the Congress used the destruction of the Babri Masjid in 1992 as a foil for its economic agenda (Corbridge, 2009).

The domestic political environment had grown to accept the rationale of reforms by the 1990s. The erstwhile opposition to economic reforms had mellowed with the gradual familiarity with liberalization during Rajiv Gandhi's tenure in the 1980s. The two elections in quick succession leading to hung parliaments in 1989 and 1991 dissuaded the opposition to bring the minority Narasimha Rao government down for fear of plunging the country into greater instability. Further, the opposition was too fragmented to offer any viable alternative to the government (Sarangi, 2014).

The decline of Congress hegemony during the 1980s met with the development of two simultaneous political trends – the rise of the Bharatiya Janata Party (BJP) especially in India's hindi-speaking heartland and the growth of regional and caste-based parties (Kohli and Singh, 2016). It is noteworthy here that the regional political parties in the 1960s and 1970s pressed for democracy to offer resistance to the Congress dominance, but the imminence of regional parties in the 1980s and 1990s centered around the mobilization of regional and caste identities, thus marking the beginning of regionalization in India's politics.

The developing trend of regionalization of politics in India was coupled with a growing tide of communalism that was fueled by the Bharatiya Janata Party (BJP), which tried to distract popular attention from the Mandal Commission report by drawing focus on the Ram Temple, as L.K Advani set off his *rathyatra* from the Somnath temple in the west to Ayodhya in the east in the wake of the Babri Masjid controversy (Aiyar, 1991).

Table 2:- Phases in the Political Economy of Post-Independent India

Era	**Political Orientation**	**Policy Focus**	**Macroeconomic Management**
Nehru (1950-67)	Fabian Socialist	Industrialisation, pro-public sector, Central government bias	Fiscal conservatism
Indira Gandhi (1967-84)	Rhetorical Socialist with anti-urban bias trending to	Food-security, anti private sector, import substitution	Fiscal conservatism

	populist		
Rajiv Gandhi (1984-91)	Populist	Industrial de-licensing and de-regulation, technological modernisation	Fiscal profligacy and debt monetisation
Decentralised Politics (post 1991)	Neo-populist (Coalition-based)	Structural economic reforms, globalization	Fiscal consolidation

Source: Lall and Rastogi, 2007.

The table summarises the phases in the evolution of political economy, coursing through the broad political chapters of development under distinct Prime Ministerial leaderships in order to capture the essential differences in political posture, policy focus and approach to macroeconomic management over the four distinct political economy eras in post-independent India.

Conclusion:-

The extent of state intervention has evolved alongside the political discourse of the country, along with the scaling and waning of Congress dominance and with changes at the level of leadership. As such, the role of the Nehruvian state has been different from the role of the Gandhian state (of Mrs. Gandhi) to the role of the state during Rajiv Gandhi's tenure or during V.P Singh or Narasimha Rao's term. This changing role of the state is read in terms of the Sociologist, Peter Evans' theory of embedded autonomy.

Evans studied the newly industrialised countries (NICs) like Brazil, Korea and India to analyse the role of the state in promoting industrial growth in order to show how this role intensifies during stages of economic transformation (Evans, 1995). Wealth creation according to Evans is not just a function and nature of markets. It involves effective statecraft as well. It requires the state to don a "transformative role" (Evans, 1995). The passive debates about "how much" states should intervene should instead be replaced by the nature of state involvement and the impact of such involvement because in contemporary economies the involvement of the state is a given and 'withdrawal' or 'involvement' is not an alternative (Evans, 1995).

This paper uses Evans position to study the role of the Indian state. While Evans precludes state intervention to be a given in contemporary economic structures, the Indian experience reveals that the role of state has been prescient through the different phases of India's political economy. It has been seen in Nehru's orientation to planning, in Mrs. Gandhi's pro-poor reforms ideated in through the nationalization of banks or in her later attempts to regulate the market, enacted through measures like the deregulation of the cement industry in 1982, in Rajiv Gandhi's overall attempts towards greater privatization and liberalization of the economy.

The variations in the nature of state's involvement however, cannot be generic since no two states are alike. They have to be historically aligned to the experiences of the individual contexts. India for instance, has largely depended on agriculture and exhibited traits of autarky from time to time within the framework of a multinational subcontinent. Brazil on the other hand has displayed the most textbook incidence of "dependent development", where industrialization has been augured through a mix of investments by transnational corporations coupled with the demand for consumer durables that increased levels of inequality (Evans, 1995).

Just as every government uses state power in different measures to enact policies, every class (viewed as big business or middle peasants or land-owning class etc.) stands to gain differently from the governmental policies. It is only natural for such groups to act in a manner that preserves their interests. In developing countries like India such interest groups occur somewhere in between the polar ends of the rich capitalist class and the peasantry. This category according to the Polish economist, Michal Kalecki constitute the 'intermediate classes' in 'intermediate regimes' (Kalecki, 1993) that are seen in the newly decolonized countries like India and Egypt and operate as the ruling class (Raj, 1973).

According to the veteran Indian economist, K.N Raj's observation, state policy in India remained circumscribed largely because of the loose coalition of interest of such intermediate groups constituted by the urban poor, the organized working class, small entrepreneurs, the middle peasantry etc. These groups worked as a nexus leading to manipulate policies towards ineffective concessions and subsidies that used up the already meager resources, rendering them unavailable for growth and development strategies (Raj, 1973).

Writing on the subject over a decade later, the Indian economist, Pranab Bardhan acknowledged the absence of collective action in a heterogeneous economy like India to have been primarily responsible for economic stagnation. Bardhan contended that politics in India has been dominated by the interests of big business, large landowning classes and the organized working class. The absence of a unified policy-agenda even among these classes have led to the absence of any long-term public investment resulting in the most ineffective distribution of resources and the most undeserving nature of handouts and subsidies (Nagaraj and Motiram, 2017). According to the economist, Prabhat Patnaik neoliberalism has brought about a schism between the peasantry and the urban middle class (the two essential components of the intermediate class). The peasantry has been a victim of the neo-liberal policies that have resulted in the shrinking credit available to them leading to the re-emergence of private moneylenders. The urban middle class on the other hand have been the beneficiaries of the neoliberal policies that have encouraged them to pursue the development agenda in isolation from the peasantry (Patnaik, 2014).

Over a fairly long time after Independence, the Indian economy only showed modest to mediocre growth leading economists and academics to wonder how the Indian experience has been bereft of the success lessons of several of her Asian peers. Although the economy had emerged from the years of colonial stagnation, it reeled under the aegis of the rather modest growth rate trend of 3.5 percent, which defined the pattern of Indian growth during the first three decades following independence.

In this paper, the researcher has chronologically examined the development of political economy in India as a concept as well as a practicality. Although the chapter was not initially designed according to the leadership categories as exemplified in the table above, the analysis has chronicled itself into its political components quite readily. As such, the study has flowed from the cult of Nehruvian socialism (1950-67) into Mrs. Gandhi's centralization followed by nuanced liberalism (1967-84) to Rajiv Gandhi's stealthy liberalization (1984-91) into the age of coalitions and liberal economic reforms (1991 onwards).

The BJP led National Democratic Alliance (NDA) that government came to power in 1998 under the leadership of Atal Behari Vajpayee as a coalition of a capsule conglomerate of regional parties vindicated the overlapping interface between political positions and economic decisions tempered by the compulsions of coalition dynamics. By this time in the nineties, political parties were more accustomed to the rationale of globalization and economic reforms and brandished the merits of liberalization more enthusiastically as it proffered positive stakes for its supporters. Although the crests and troughs of coalition pressures remained intermittently regular, successive governments have handled the changing realities of India's political economy to facilitate its passage into the twenty-first century.

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