

Growth Cycles in the Indian Economy

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1. INTRODUCTION

The Indian economy has not been free from substantial short term fluctuations in economic activity. In this study, we examine in some detail these fluctuations for the 25 years since the beginning of planning in 1951.

Fluctuations in the form of absolute increases and declines in key economic aggregates such as national income at constant prices, index of industrial production (general), gross fixed capital formation at constant prices in public and private sectors, estimated average daily employment in factories, etc., have not been entirely absent during the twenty five years. (See Appendix D, Charts D-1a, 1b). But these have been on the whole few and far between, being associated in the case of national income with sharp absolute declines in agricultural output and in the case of industrial production and factory employment mainly with the recession of 1966-67. In the case of gross fixed domestic capital formation, absolute declines have been somewhat more frequent, occurring in 1952-53, 1953-54, 1958-59, 1959-60 and 1972-73 in the case of the private sector and in 1958-59, 1966-67, 1967-68, 1973-74 and 1974-75 in the case of the public sector. Absolute declines in gross fixed domestic capital formation in machinery and equipment have occurred during the years 1952-53, 1953-54, 1958-59, 1966-67 and in 1974-75 while gross fixed domestic capital formation in construction shows absolute declines during 1952-53, 1957-58 and 1973-74.

Absolute increases and decreases which form the basis of the traditional business cycle analysis, however, have historically been associated with somewhat extreme fluctuations.¹ Fluctuations in the general economic activity have been milder during post-World War II years compared with those in the earlier decades even in the developed capitalist countries. The National Bureau of Economic Research in the U.S. has recorded four cycles of the traditional type to have occurred in the U.S. during 1948-1970. However, on several more occasions during the post-Second War years, there has been a slowing down of general economic