

Planning and Markets in Indian Development Process*

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This paper traces the rationale for the post-1991 shift in the Indian development strategy from a public sector dominated, autarchic industrialisation to a market driven industrialisation based on private initiative and greater integration with the international economy. It is argued that this shift was primarily made in order to put the Indian Economy on a rapid growth path that has proved to be a powerful instrument for making a durable dent on the longstanding problem of absolute poverty. The shift was also necessitated by the unworkability of the pre-1991 direct discretionary control regime that had to accept an uneasy and often overhearing presence of the functioning markets and private ownership of means of production that was an inevitable consequence of the democratic political framework accepted at the time of independence.

It is my proud privilege to be associated with this function of renaming the Servants of India Society Library after the towering intellectual of our generation and the first Director of the Gokhale Institute of Politics and Economics, the late Professor Dhananjayrao Gadgil in his birth centenary year.

Professor Gadgil possessed a fascinating combination of academic pursuits and social activism. He was known for his forthright views and criticisms of government policies and planning which were backed by deep understanding of social and economic institutions and logical analysis. This tradition has been carried forward by Professor Sovani and Professor Dandekar. It would be my honest endeavour today to follow this tradition by placing selective writings of Professor Gadgil in the contemporary context of the role of planning and markets in the Indian development process with reference to industrialisation-the focal point of the post-independence development strategy.

Since 1991, India has made a major and decisive shift in the strategy of development away from public sector dominated, centrally planned, autarchic industrialisation with emphasis on basic and heavy industries to a market-driven industrialisation based on private-sector initiative and greater integration with the international economy. Why did we make this shift?

Ten years since the beginning of economic reforms, there is still a widespread impression even amongst the intelligentsia that the shift in the development strategy was forced on us by the World Bank and the International Monetary Fund. Did we make the shift because it was forced on us by the international agencies? If so, we should have retracted from it as soon as the external payments crisis was over some eight years ago. It is interesting to note that almost all the political parties across the ideological spectrum swear by the process of economic reforms involving liberalisation and globalisation while several intellectuals express apprehensions about them. It is, therefore, important

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