

DEMOCRACY, DEVELOPMENT AND GROWTH

The Indian Experience

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Abstract: *In India Industrialisation has been perceived as synonymous with development by the elitists in pre-colonial period and later by the elite leadership in the post independence periods of State led growth and market led growth. Agriculture has been perceived an area of diminishing returns. Industrialisation has got greater emphasis in Development at the cost of Agriculture and Rural Development Schemes. The Chasm between the rich and the rural poor has continued to be widened during the periods of Market led growth and Government led growth. Poverty has increased and the number of poor is not coming down. Rich are getting richer. The growing development chasm is putting strains on the Indian Democratic system. Politics of violence is rearing and consolidating. Largest segment of people are dependent on agriculture and related professions. India has reasonable base in agriculture; in its achievements and has still untapped potential. It is time that we start paying greater emphasis on agriculture and its related infrastructure which would open greater avenues of employment for the rural poor and close the gap between the rich and the poor. The experiment of re-emphasis could begin from Bihar where agriculture potential is high and new industries have been shy of coming. Let Bihar not be following the elitist based concept of Industry for Industry's sake.*

The advent of Political Democracy in India was unique and distinct. The Constitution of India as adopted in November 1949, created a democratic republic and pledged to secure justice, liberty, equality and fraternity for all its citizens. Universal adult franchise was provided at one go, compared to the very limited franchise under which the elections of 1937 and 1945–46 were conducted. Provisions were built in the Constitution of affirmative action in favour of the historically disadvantaged sections; and secularism to guarantee the pluralism of society, culture, civilization, religion and polity. Of the hundred or more countries that came to liberation in the years following 1947, India was the only one to translate Independence for the country into freedom of her people. India has since strengthened the Political Democracy by giving constitutional sanctity to the Panchayati Raj in Rural and Municipal Bodies in Urban areas, creating 3 lakhs elected units of local self government to which have been elected no less than 32 lakhs members as many as 12 lakhs of whom are women, and 86000 of whom hold office as President and Vice-President of their respective local bodies.

The way democracy was brought about in India by a Constituent Assembly constituted through a limited franchise, would reflect that it was constructed by an enlightened elite in

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accordance with its conception of a modern state. It was a democracy from above provided to the people and was not as claimed by the people from below. Possibly, there was a grain of expectation of this happening because of the participation of people from below in the Freedom Movement led by the elite leadership. So stage was set for the state to assume the role of mediator in reconciling the conflicts among different groups and classes having equal political rights. The leadership had pledged on the eve of Independence of wiping tear from each eye and the Nation would dedicate itself to the service of millions of poor who suffer. Gandhi had envisioned India of his dreams in which the poorest shall feel that it is their country.

The leadership had adopted resolutions before independence towards the goal of deliberately state-led development; it was axiomatic that development process must set in.

In fact development process had been conceived and schemes executed in pre-independence administration as well and also in the areas administered by Native States who were somewhat autonomous for devising schemes of development for their subjects. The degree of efforts and achievement was dependent upon the vision of the Ruler, Dewan and Civil Servants of the Native State who were among the elitist Chandan Gowda¹ has studied the motivation of such an elite group to undertake development and the model adopted. Gowda concludes that through developmental efforts, the objective was to seek civilisational recognition with respect to India's capacity for development and in the process become heroes in the eyes of nationalists throughout India since they provided evidence of how splendidly Indians could govern themselves.

Such elites were educated in Western thought and were at the receiving end of the orientalist negative impressions of India. Therefore, they were out to dispel their negative impressions by adopting their developmental models without caring to go into the vitality of the models. West had progressed through Industrial Revolution and the Great Britain's achievements were by far more remarkable than France and Germany. These elitist also took a leaf on the protectionist policies as adopted by those countries to protect their industries.

Thus in keeping with the 19th century European evolutionist view of history, the Mysore state elite also understood industrialization as development and the great need to stir up

¹ Gowda, Chandan (2010). Advance Mysore: The Cultural logic of a Developmental State, *Economic & Political Weekly*, July 17. Vol XLV No. 29.

industrial enterprise and progress was felt. It was remarked by the Dewan of that state "If we want to know in what direction to move, we must compare ourselves with, and be guided by the experience of, progressive countries". "Agriculture was viewed as a sector sure to become marginal in future".

In this background and the leadership being with the elites, economic development at the dawn of independence was shaped by the colonial past and the nationalist present. Thus state was to play dominant role in the process of development and the upcoming industries would need protection and there would be conscious effort to limit the degree of openness and of integration with the world economy. This approach had the consensus of the time. A view was adopted, in consonance with the elitist approach of the colonial period, that agriculture was subject to diminishing return whereas industrialization promised not only increasing return but also productive employment for surplus labour from the rural sector. At this juncture, a dye was cast for the concept that industrialization was synonymous with development. In this scenario, scarce investible resources were preferentially deployed for industry to the relative neglect of agriculture. This approach not only reflected consensus on the strategy of development but also included in itself the political consensus as well because of the dominance of Congress Party, which represented within itself coalition of interests. Conflicts on approach were resolved within the party after debating the issues. People at large were not vocal enough at this stage of evolution. They had implicit faith in the leadership. Thus public interest and national interest were congruent. While the strategy of Industrial Development took primacy, there were certain actions to address the exclusion of the poor and exploited. Land Reforms Legislation were adopted, community development programmes for the rural areas were initiated and Panchayat institutions were encouraged. There were affirmative legislations for bringing about reservation for the disadvantaged sections in government employment and admissions to the institutions of learning.

In this era, while political leadership within the Congress Party was in the hands of elites who came from Industrialist capital class, the land owning class and the educated class. The debates within the party would accommodate interests of these classes by way of appropriate tradeoffs in the economy by the alignments of subsidies and concession. In the absence of vocal spoke persons for their causes, the poor had to settle for with the phrases such as "Socialistic Pattern of Society" and commanding heights of economy". A policy of building up industrial capitalism with accompanying rhetoric was emerging with the objective of eradicating poverty of the people and put the country to industrialization.

Sooner or later, the democratic processes which were set in motion through Universal Suffrage of franchise were to assert. The pro poor rhetoric did not deceive the people. It became evident that the strategy adopted by the Government had bypassed the poor and the economic growth accrued to the rich. In fact the number of poor and the number of those below the poverty line increased significantly. Still worse was the explosive of the inability of government to tackle draught situation accentuating not only the miseries of the poor but also driving the nation to a stage of dependency on imported food grains. Such a situation was bound to affect the process of industrialization and economy in general so much so that even economic planning had to be suspended for a period of three years.

Political Democracy, on the other hand, was growing towards its adulthood. Ideology of nationalism was on the wave particular with the passing away of the charismatic leaders. Now there was a generational change of leadership all across the political spectrum. With the operation of political democracy as impacted by development strategy was throwing up the leadership from regions. People of strata at the lower end of the spectrum were searching for political spaces having realized the power of their vote. Some aspirants among them, having a perception of being bypassed from the stream of development, took to militancy also. Compulsion of political democracy were now before the second generation leadership. For winning an election, they had to address the constituency of vast majority of the poor. In case these constituents felt that a particular political party failed to come upto their expectations, its future was black. The elections of 1967 effectively demonstrated that the Congress party could not assume support of the poor for granted.

With the dawn of such realities in the political democracy front, there was bound to be change in economic development strategies.

Emphasis of economic development shifted towards agriculture with the twin objective of making the country self reliant in food and also co-opting the farmers and peasants as more vigorous participant in the benefits of economic development. A list of subsidies were introduced in the farm sector lowering the costs of inputs of fertilizers, seeds, water, power or credit and providing higher costs to their outputs by way of procurement prices for producers. Such programmes benefited undoubtedly the rich peasantry, which was a political compulsion of the time. A separate set up programmes were initiated to target the landless and poor farmers to generate employment opportunities for them. Rather an attractive slogan was coined directed at the poor i.e. *Garibi Hatao*. With a view to

demonstrate governments credentials to bring about socialist pattern of society, banks were nationalized and privy purses of the princes were abolished. These policies were dictated by the compulsions of political democracy. A hope was raised that with the nationalization of Banks, Government would assume social control on them to direct the credit to sub serve greater goal of the people of different strata. Differential rate of interests were introduced for credits to the disadvantaged sections.

With such initiatives, there was rapid growth in agriculture making the country self-sufficient in food grains and ensured food security. With this growth, there was growth in savings, investment and also expenditure. This revived the industry. There were immediate political dividends. The Congress party returned to power in 1971 decisively. However, there is continuous dynamism in democratic processes. This phenomenon has been more pronounced in India because of its pluralities and structured relationships among the hierarchy of castes. Diversity of social structures varies widely from region to region yet different regions are emotionally integrated to one another because of several historical and cultural factors. The mandate received by the Government in 1971 was massive; rather than this leading to stability sharpened the aspirations of hitherto excluded classes, to lend their voices to the mainstream development and be participants in the associated economic and social changes. Leadership to emerging movement among these classes, who were termed as backward classes yet not included as scheduled castes, was being provided by student leaders such as Lalu Prasad Yadav and Nitish Kumar under the veteran leader Karpoori Thakur articulating inclusion of backward classes in the developmental processes. There was simmering discontent in Gujarat seeking probity in public life. The regional movements became pan India movement when Jaiparakash Narayan, a veteran Gandhian, agreed to take command of the movements. While these movements were on, Indira Gandhi was unseated from her seat in Parliament following a verdict of the Allahabad High Court on the petition which was filed challenging her election. Instead of taking the verdict as one within the Constitutional framework, the process of democracy was sought to be stifled and resort was taken to the emergency provisions of the Constitution and fundamental rights were suspended and leaders who had been participating in the movement were imprisoned. However, such a state of affairs could not continue as by this time democratic mindset of people at large was firmly rooted. Within two years of the invoking of emergency provisions, fresh elections had to be called to let the democracy have free play. In the ensuing elections, there was realignment of political forces and different factions of the political spectrum vied for sharing power. In fact the outcome of the election results was stunning for the observer

at the macro-level. Indira Gandhi herself lost election and Congress party, which had a resounding performance in the earlier election, lost out in numbers. Resultantly, the other side put their act together hurriedly to clobber up a coalition to form a government styled as Janata Government. This coalition was of those groups who had come together for a common cause of fighting emergency and had no ideological bounding or well thought out common programme. Resultantly there were squabbles and development process had a setback. Political democracy once again responded by voting back Congress Party in 1980 with the message that economic development and that too inclusive one involving people of different strata must be taken up a priori. So the process of economic development was reordered to accommodate all groups and thus it had to be populist and not necessarily most efficient.

This led to important changes in policies. The sectors qualifying for subsidies were widened to include fuel, fertilizers and exports resulting increased government expenditure. Services such as irrigation, electricity and transport were underpriced. Products of public sector including steel and coal were also at concessional rates. There was munificence of government for rich peasantry and industrialists. Liberal bank credit was also made available to the Industry besides cheap inputs from the Public sector units who carried losses. Loan waivers were also granted to the industrialist classes. Non-performing assets were taken over by Government which brought additional costs on government. To boost the growth, private consumption was encouraged by increasing the salaries of government employees. Government also took up poverty alleviation programmes in a big way. All these efforts, in economic sense, maintained levels of consumption to support the associated growth process. The outlays on the programmes described above left very little for education, health care and social security.

Such a set of economic policies at the behest of centre, would naturally set in process the phenomenon of doing better than the other when the political parties compete for soliciting votes. This is what exactly happened at the state level also. All the parties, irrespective of their stated ideology, performed the same pattern of governance as at the Centre – including something for everybody sacrificing efficiency. This had several effects on the political process. The parties lost on their ideologies; the limited resources could not be adequate to meet all the promises made by parties. As the gap between the promises made and promises kept increased, the capacity of state to manage conflicts dwindled. This resulted in politics of patronage and a class of Political Managers emerged who would

manage the voters, in a variety of bewildering ways, who were otherwise disillusioned. Though, by increasing spending Government was able to demonstrate growth in National Income and somewhat reduction in rural poverty, seeds of fiscal crisis and debt crisis were sown. In the field of Political Democracy, disturbing phenomenon of political management caught up with all political parties. The combined effect of the two was financial instability of Government and democratic process getting beset with process of management. Consequently, the role of money acquired a decisive edge in the battle of ballot. The elected representatives became a commodity who could be traded by the political managers. Thus profit maximization became an important motive for political acts or deeds; the resolution of conflict between the economics of markets and politics of democracy was circumvented.

The populist politics and economies of subsidies and increased expenditure resulted in government living beyond its means i.e., on borrowed money. The day of reckoning had to come. In 1991, India's external debt position became critical and balance of payment position unmanageable. The spectre of high rate of inflation loomed large. Government had to set its house in order and had to shift to policy of economic growth with economic efficiency. Political management was through the development of a belief that overall economic growth would automatically bring about reduction in poverty. The state would reduce its role in market/economy. Private sector would take a lead in economic development under the impression that investible resources would be used towards optimal economic gains. The domestic prices and international prices would get linked with the opening of Indian Markets. Foreign capital and foreign technology would play an effective role. So a stage for market capitalism was set in replacing the state led capitalism. The change of policy brought about was crisis driven and not strategy based. Thus the trajectories of the interface of economics and politics in India would get redefined. The year of 1991 is thus a watershed for the economy.

It would be worthwhile to summarise the achievements on economic and political fronts until 1991 when India had completed four decades of planning and also of democratic process. On the economic front India was on growth curve overcoming the stagnation that existed before independence, there was sufficiency of food. There was upswings in savings and growth. Government might have become bankrupt needing restructuring of its finances, country at large had developed inherent strengths in economy. However, the forces of development did not significantly improve the conditions of the common people. Persistent poverty and absolute deprivation remained the reality for a large majority. Despite

significant reduction in the incidence of poverty during the 1980s, the number of poor in 1990 was larger than the total population of India in 1947. Thus the balance sheet of achievements in the four decades of economic growth led by State Capitalism demonstrates that objective of eradicating poverty of the people and placing the country on the path of sustained industrialization was not quite realized.

India has been through the phase of market led growth for two decades. The report card in respect of the condition of the poor despite visible significant growth of 8–9 per cent, remains the same if not worse. Thus the differential among the upward mobile industry and knowledge based segments have widened *vis-a-vis* the traditional societies. The benefits of growth have been siphoned off by a small segment of the populations; while bulk of the people have been deprived of the trickle down benefits. Naturally, this is challenging in a democratic Government and to democracy itself, and it would impact the growth rate finally. It has been demonstrated times and again that the under classes have the knack of striking at the buckles in a silent way at the poll hustings. Their silence becomes more vocal if they perceive the disparities widening when they soured the “Shinning India” of the NDA regime in 2002 elections.

Historically such classes are also not averse to take on to the militancy riding on the availability of recruits from the classes left out of the development process. Low intensity war is raging on in at least in 158 districts—amounting to between one-fourth to one-third of all administrative districts in India—are partially or entirely convulsed in Maoists or Naxalite violence, of which 35 districts have spun out of control of Government of India, being virtual fiefs of the insurgents². Aiyar fears that Democracy is very demanding. If disillusionment with development is not checked, it could lead disillusionment with democracy and this would be the loss of single most achievement since independence. The alternatives would be draconian for people and development.

During the liberalisation phase commencing in 1991, the industrial development once again was reiterated to be the only way to lead to the economic growth. Every state in the Union led by respective Chief Minister started vying with one another in attracting the entrepreneurs by promising give aways without taking into consideration the consequences that such give aways would be finally detrimental to the people living off agriculture and

² Aiyar, Mani Shankar (2010). “The Dilemma of Development and Democracy in India”, M.P., National lecture series, Nehru Memorial Museum; 24 November.

those dependent on agriculture. The entrepreneurs were allowed to choose areas for their projects which had connectivity, water and were bearing multiple crops. Some of the targeted areas were fragile from environment angle. Some areas were predominantly in tribal areas. Industrialization would result in displacement of population and rehabilitation plan of the displaced population remained unimplemented. In a densely populated country like India, it would be difficult to locate areas where the displaced could be settled and alternative means of employment avenues created. The State Machinery was wantonly used in acquiring land and in the process Constitutional protection as provided to Scheduled Tribes was compromised. The directions on the states as provided under articles 38 and 39 of the Constitution were set at naught. Even the rights as guaranteed under article 21 of the Constitution stood usurped. National Rehabilitation policy, 1994, Government of India mentions that 15.5 million people stood displaced and 74.52 per cent displaced people were still awaiting rehabilitation. 40 per cent of these displaced persons were tribals and another 20 per cent were Dalits. One in every seven tribals is a displaced person³. The stated policy of rehabilitating the displaced person remains an unfulfilled promise. When the state itself is perceived by a section of its people as the trigger towards violation of their Constitutional Rights and Human Rights, it would be causing the rise of Politics of Resistance. Cumulative effect has been that during the liberalization period, with the massive drive for acquisition of land and the shrinking avenues of employment, the Maoist movement has fanned out. The State has to bear huge costs to contain such uprisings and low intensity resistance. The projects in such areas stand derailed. Acquisition of Land has come to a standstill.

Government has woken up to realities which it should have anticipated and is hoping to contain the situation through a combination of development package and legislative responses like Land Acquisition Bill, Food Security Bill, Rehabilitation Bill etc. though the political consensus on the proposed legislations is yet to emerge. Schemes such as National Rural Employment Guarantee, and food grains to the poor at subsidized rates are sought to provide succour to the rural areas. The delivery mechanism is admittedly flawed. As reported in Times of India, dated 7th December 2010, a fair percentage of food grains meant for the poor is diverted to open market and according to another report it is being exported to neighbouring countries. In the shifting blame game of centre and states, the poor are not getting the relief meant for them. Thus the gap between promise and fulfilment further gets widened.

³ Sahoo, Sanbeswar (2005). "Tribal Displacements and Human Rights Violation in Orissa", *Social Action: Quarterly Review of Social Works Trends*, April-June, Vol. 55, No.2

The Cumulative effect is that India perceived to be among the top ten countries of the world in Economic Development fares poorly and is along with sub Saharan countries as far as Human Development Index is concerned. Suffice to say that resultantly India is labelled as an area where infant mortality is high, number of malnourished people abound and illiteracy levels are high. Thus after two decades of market led development, India remains qualitatively worse as far as the poor are concerned. Undoubtedly, therefore, benefits of rapid growth in this period has been skimmed off by the upper edge. As on date, the affluence levels are so high that the Rich and Powerful of India are seconded to none in their class in their achievement and are competing well with their counterparts in all walks of life.

Thus India stands divided truly in two India's broadly speaking. In a democratic society, we would term that there is one India which is dominant in market and lags in vote bank and there is another India which lags in market but is strong in vote. In a country which swears by being Socialist Democratic Country where disadvantaged would be specially taken care of such a situation is vitriolic.

It is obvious that in India, four decades of state led growth and two decades of market led growth have not been able to bring down the number of poor but both the systems did add upward mobility. Both the systems of growth gave primacy to Industrial Development and marginal support to agriculture and employment generation schemes. Half hearted efforts have been taken towards redistribution of assets. There are obvious constraints to industrialization in the sectors which need land and water which would be true for Mining, Manufacturing, Power, Infrastructure, Real Estate etc. There would be relatively less constraints on knowledge based sectors. Majority of the poor population is rural based and dependent upon agriculture. Their number is in millions and the capacity of industry can never be enough to address the employment concern of such a huge number. Deliberately greater emphasis needs to be brought on agriculture and agriculture related infrastructure and associated employment generation so that the hinterland booms with economic activity surrounding agriculture. The mindset that industrialization is synonymous with development needs to be reversed in favour of agriculture as synonymous with development. Political consensus should be steered towards the direction that stability in rural area with increased productivity in agriculture and increased in agriculture related infrastructure employment would provide space necessary for industrial growth.

Agriculture is so indigenous to the genius of India that quietly it has made strides to place itself 2nd in world agricultural output. It is the largest producer in the world for milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It is the second largest producer of wheat, rice, sugar, groundnut oil and fish. It is the third largest producer in tobacco is home to 10 per cent of world food output and first in production of fruits like banana and sapota. Cattle population of the country at 193 million is highest in the world. Therefore there is abundant scope in boosting Agriculture linked infrastructure and industries with the Government and Media reorienting the thought process. India has the potential to become the food bowl of the world. Such an approach is inclusive of the indigenous pattern of culture and harmony glossing over of which has led us to the present state.

Before parting with these thoughts, it be recalled that Political mandate has been renewed for the government of Bihar by the people of Bihar in the recent elections. Generally, the massive mandate has been interpreted as vote for development over the Caste politics hither to practised vigorously. At least it is a simplistic interpretation under the euphoria of massive victory. On a micro analysis, one would come to a conclusion that caste equations still subsist and it is the arithmetic of delimitation which has favoured one side at the cost of other though the stress on development for positive political mandate is healthy. It needs to be recalled that Bihar registered a growth of 11 per cent in the year gone by without any addition of industry worth its name. Bihar is blessed with fertile land and has abundance of water. Its people are sturdy and hardworking who have contributed to the economic activities throughout India. Bihar, where industrial development has shied away would be an ideal laboratory to test the model of Agriculture led growth and related infrastructure development with an arrowed objective that this state alone would be producing sufficient food to sustain the entire country and also the neighbouring countries in its North. If it follows the beaten track of Industry led growth it would also have similar constraints as other states are having.

Right emphasis on agriculture, if it adds to income in the hands of the professions dependant on agriculture, would also take care of the endemic problem of failed delivery systems as such programmes in the present form may become redundant. May be India can bring about balance between the vote bank equations leading to flowering of democracy and growth.