

India at the end of the Mughal Empire

- Second largest economy of the world
- Extensive handicraft sector

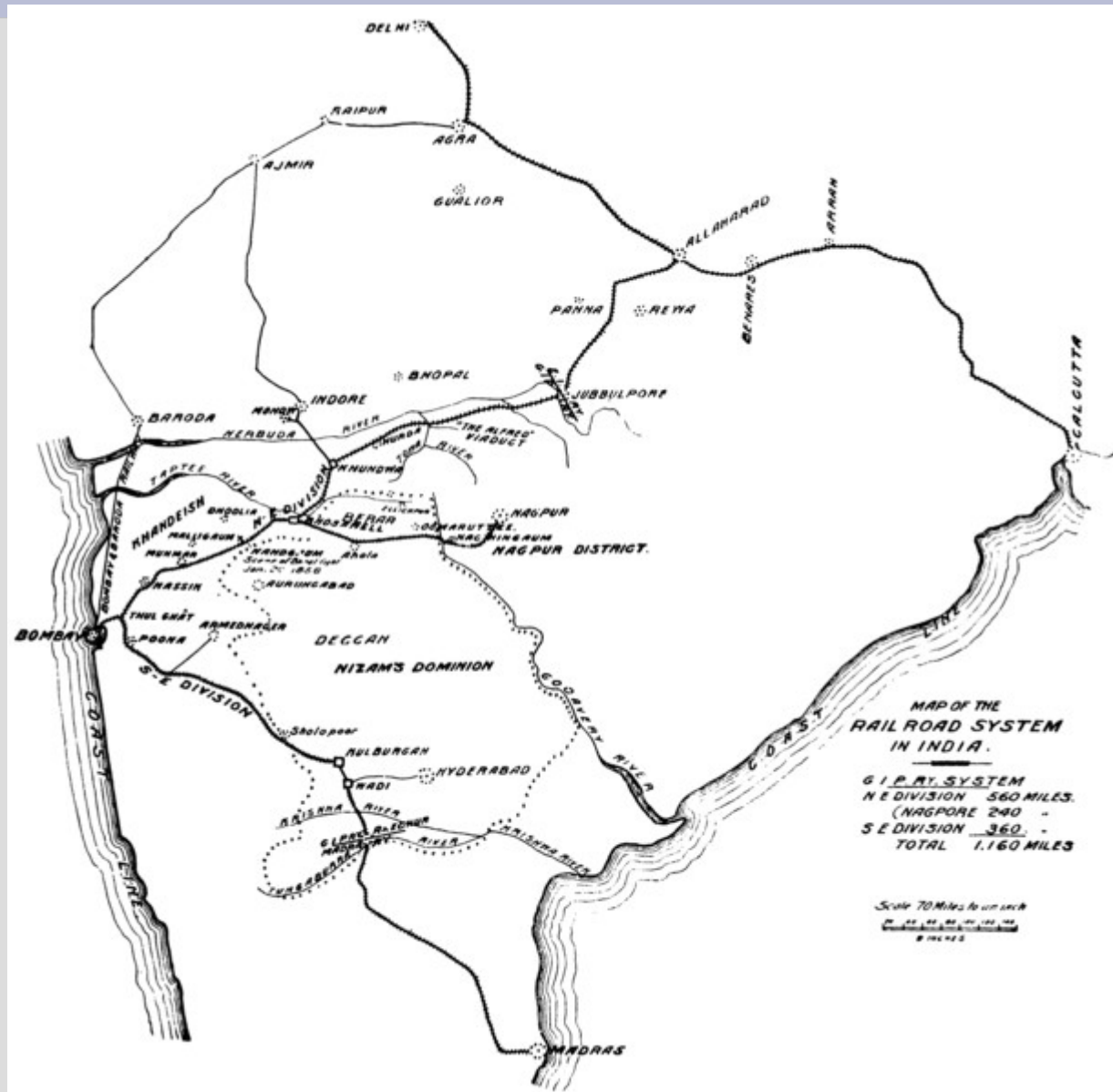
Decline under Colonialism

- Population depended on agriculture
 - mid-19th century: 55%
 - 1901: 68%
 - 1931: 72%
- Shift to import of cloth instead of export
- Import tariffs in England
- Ban on export of machinery to India

Early Industrialization in India

- 1850s-1860s
- Indian businessmen invest in mills in Bombay, Surat and Calcutta
- Kanpur – British businessmen set up leather and textile industry
- Growth of rail links, primarily for strategic interests

Indian Railways 1870



Social Origins of 19th Century Indian Industry

- Continuation of caste patterns in capital as well as labour
- Traders and the British
- Labour in Bombay and Kanpur
- Advantages and disadvantages of caste

Key Features of Caste System

- Varna, Jati, Gotra
- Endogamous units.
- Hierarchically graded.
- Ideology of purity / pollution
- Have a traditional occupation.
- Some common symbols of identity
- Often mechanisms of social control and conflict resolution.

Late 19th to Early 20th Century

- Active promotion of industry by German, Japanese, etc. states
- British state discourages growth of industry in India
 - Lack of permission
 - Lack of protection from external competition
 - Promotion of British competitors over Indian firms

Late 19th to Early 20th Century

- Some early efforts in spite of resistance – Jamsetji Tata, Indian owned textile mills, etc.
- Rising sense of frustration among Indian big industry & traders

Indian Industrialists Turn Against British

- First World War increases hopes and expectations
- British clamp down again in inter-war period
 - Under pressure place a few export restrictions, but with too many loopholes
- Indian industrialists turn against British and begin to support freedom struggle

The Era of State Socialism 1950-1991

- Mixed economy
- State owned industry as well as regulated private sector
- Plan as the instrument of state's will
- Change in nature of state
- Growth of many sectors, many communities
- Differentials in growth
- Collapse of umbrella coalition in state

Problems of Later Phase

- Rise in corruption
- License Raj
- Unequal opportunities

Global Changes in 1980s

- Balance of payment crisis in South America
- IMF / World Bank promote private industry and reduction of state expenditure
- Struggle between pro and anti Welfare State policies in UK and USA
- Margaret Thatcher and Ronald Reagan lead cutting down of welfare measures, but with mixed results

India 1989-90

- Internal political, agricultural and industrial problems
- Chandrashekhar and Narsimha Rao governments seek loans from IMF and World Bank
- Pressed from external sources to make changes

Conditions for Loans

- Remove licence requirements, except for coal, petroleum, alcohol, etc.
- Open up for Foreign Direct Investment (FDI)
- Privatize public sector
 - recommended only for loss-making units
 - actually took place of profit-making units
- Increase self-financing of universities, put that money into primary education

India Under Liberalization Regime (1991 - present)

- Change of culture away from state sector in favour of private sector
- Actually continued growth of state sector
- Shift in class structure
- Increase of middle / upper-middle income groups
- Increase of inequality
- Very slow growth of jobs in formal sector
- Continued blockage of opportunities

Change in Gross Domestic Product from 1951 to 2006

	Percent of GDP	
	<u>1950-51</u>	<u>1999-2000</u>
Agriculture	59.2	27.37
Manufacturing	13.29	24.3
Trade, Hotel, Transport, Communication	11.95	22.28
Finance, Real Estate, Insurance, Business Services	6.68	12.7
Public Administration, Defence, Other Services	9.41	13.36
Total in crores	140466	1148367

(Source: Economic Survey, 2005-2006)

Changes in Income Groups

Expenditure Class	Percentage Share	
	1993-94	2004-05
Extremely Poor (Upto 0.75PL)	11.5	6.4 (9)
Poor (0.75PL to PL)	19.2	15.4 (12)
Marginally Poor (PL to 1.25 PL)	18.8	19.0 (15)
Vulnerable (1.25PL to 2PL)	32.4	36.0 (20)
Middle Income (2PL to 4 PL)	15.5	19.3 (37)
High Income (>4PL)	2.7	4.3 (93)

PL= Poverty Line

(Rs average consumer expenditure per capita per day)

Report on Conditions of Work and Creation of Livelihoods in the Unorganised Sector, 2007, National Commission for Enterprises in the Unorganized Sector.

People in the Formal Sector

Employment (Millions)

Sector	Formal	Informal	Total
Organized	30.66	25.79	56.45
Unorganized	4.02	336.29	340.31
Total	34.68	362.08	396.76

2004-5 NSSO data, <http://mospi.nic.in/Manual%2003.doc>

Most Influential Groups in pre-1991 India

- State bureaucracy
- Big industry
- Big farmers
- Major trade unions
 - Sudipta Kaviraj

Most Influential Groups in Today's India

- State bureaucracy
- Big industry (up)
- Big farmers (down)
- Major trade unions (down)
- Media (up)
- Ethnicity based organizations (up)