CHAPTER FIVE

PLANNING AND THE FATE OF DEMOCRACY:
STATE, CAPITAL, AND GOVERNANCE IN
POST-INDEPENDENCE INDIA

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Introduction

Processes of economic liberalization, deregulation and privatization, and opening up of the markets to global capital have thrown up interesting debates in India over the last two decades. While most political parties in India seem to have arrived at a consensus on the need for economic reform and liberalization, there is also fairly strong opposition to these changes from new social movements and peoples’ organizations. However, some leaders and spokespersons for the dalits – the ex untouchables – in India have welcomed these processes for their perceived ability to modernize society and the economy and destroy the remnant feudal and traditional social structure – which are seen as the agents of oppression, exploitation and domination over dalits, the adivasi (tribal or indigenous) population, and women. Such a position also stems from their perception of the state in India which they believe to have been captured by upper caste elites and is therefore no longer capable of bringing about social change and reform through the social engineering approaches favored in the decades after

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† Among others, the scholarly and journalistic writing of the sociologist Gail Omvedt has been the most visible and also the target of criticism by those who disagree with this position.
independence. Contrastingly, scholars and activists opposed to the new ‘good governance’ programs that are being imposed to accompany the structural adjustment and economic liberalization programs, still put their faith in the state as the most important agent capable of ensuring that the rights of the poor and the marginalized are protected in a deeply divided and hierarchical society (Jayal and Pai 2001; Harriss 2002; Byres 1999b). For them, ‘good governance’ approaches give too much importance to ‘civil society’ which, in India, is seen to be part of the problem rather than the solution to democratization and development problems. While identifying all sorts of developmental problems more or less accurately, the solutions advocated are usually state-centered – a quite traditional Marxist ‘public sector’ approach to development. A third important strand in the debates emerges from the perspectives and approaches of the new social movements and peoples’ struggles that are leading fights against globalization and liberalization because their members believe that these further impoverish and marginalize the poor and the disprivileged masses in India. These movements critique the state for colluding with neo-imperial and capitalist/elite interests in launching huge developmental projects that displace millions of the poor, deprive them of their sources of livelihood, and take away their basic rights2. While making use of the state as well as global alliances, such movements critique both the role of the state and of the forces of globalization for their adverse development approaches.

This chapter sets itself in the context of these debates to develop a perspective on state capitalism based on the Indian experience. Since the time of independence from British colonial rule, to the decade of the 1980s, the Indian economy adopted a ‘mixed economy’ approach, with a regulated private sector, and a large public sector. The Bombay Plan of 1944 (prepared by a group of leading capitalists - industrialists) provided an outline of the planning process that influenced the Nehru-Mahalnobis model of ‘socialist’ development and ‘democratic planning.’ A financial crisis in 1966 failed to open up the economy sufficiently due to strong opposition from big business, though there was a short lived trade liberalization. Nationalization of financial institutions in the late 1960s and early 1970s resulted in the rise of state

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2 The National Alliance of Peoples Movements in India which is an umbrella body, represents this perspective.