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B O O K   R E V I E W

## Charting India's Economic Evolution

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Yanagisawa, Haruka, Mizushima, Tsukasa (ed.), and Sekimori, Gaynor (tr.) (2023), *Indian Economic Growth in Historical Perspective: The Roots of Development*, Routledge New Horizons in South Asian Studies, Routledge, Abingdon and New York, 326 pages.

The book under review is a monograph by Haruka Yanagisawa, originally published in 2014 in Japanese under the title *Modern Indian Economy: Roots of Development, Processes and Prospects*. It was rewritten in English by Tsukasa Mizushima and others after Yanagisawa's death in April 2015. Professor Mizushima must be commended for having undertaken the invaluable task of making this book available to scholars of the Indian economy.

The Introduction seeks to provide a summary of the main arguments of the book, which is in three parts. The first part, titled "Stirrings of Economic Development," has three chapters with a prefatory note. It seeks to provide a narrative on India's economic development from the end of the First World War till Independence in 1947. The narrative covers developments in agriculture and rural society (Chapter 1), growth in the manufacturing sector (Chapter 2), and the growth of small-scale enterprises and changes in consumption patterns (Chapter 3). The second part of the book, titled "State-led Import-Substitution Industrialisation," takes the reader "through the decades from Independence to 1980 when the foundation for post-1980 development was formed" (p. 63). It has three chapters that deal in succession with state-led import-substitution industrialisation (Chapter 4), agrarian development after Independence (Chapter 5), and changes in rural society, including the development of the rural economy and the growth of rural markets (Chapter 6). Part III deals with the accelerated growth of the Indian economy since the beginning of the 1980s

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and associated changes in the structure of the economy and society. It has five chapters dealing with the growth of small-scale industry (Chapter 7), growth in the services sector and associated socio-economic changes in rural society (Chapter 8), the growing connection between rural society and the urban informal economy (Chapter 9), economic reforms and the development of the large-scale formal sector (Chapter 10), and the structure of Indian society and economic growth (Chapter 11). A concluding note is on the prospects for, and possible nature of, further development.

### *THE NARRATIVE*

Yanagisawa starts the book with the following declaration:

I identify the following three factors as the most important factors behind contemporary economic growth: The long-term development of the agrarian economy and socio-economic changes in rural society; achievements in the import substitution industrialisation; and pro-market reforms, liberalisation, and globalisation of the economy. Growth since the 1980s has been particularly striking in the informal sector as well as in the technology-intensive industries. (p. 4)

The author goes on to formulate a number of propositions to be verified in the course of his analysis in the book. Differing from the more enthusiastic proponents of policies of liberalisation pursued since 1991, Yanagisawa asserts: “The agrarian sector and rural development have evidently sat at the heart of Indian economic expansion since circa 1980” (p. 6).<sup>1</sup> He asserts that, “agrarian development from the end of the nineteenth century formed one of the historical roots of contemporary economic growth” (p. 7). His third hypothesis concerns “the growth of emancipation movements since the beginning of the twentieth century and their fundamental role in crafting the foundation upon which agrarian growth rests” (p. 8).

He asserts that

the consumption behaviour of the rural masses rather than being based entirely on an economic rationale generally reflects their wish to climb the social ladder and tends to be oriented towards “quasi-branded goods.” (p. 8)

Against the purely neoclassical arguments that underlay the advocacy of neoliberal reforms in the 1990s, Yanagisawa states that

Contemporary economic development in which the global developments of technology-intensive industry plays a leading role, clearly owes much to what was achieved in the formation of a national economy, whose origins can be found in the nationalist movements of the colonial period. (p. 9)

<sup>1</sup> Yanagisawa does not use the term “neoliberalism” anywhere, giving us a clue to his position of generally welcoming policies of economic liberalisation pursued vigorously in India for more than three decades now, and for nearly 25 years at the time the book was published.

Yanagisawa emphasises the impact of agricultural change on the other sectors. He argues that the growth of emancipation movements among the economically and socially oppressed sections in rural areas played an important role in raising wages of rural labour over time, thus helping the domestic market expand.

### *POST-INDEPENDENCE DEVELOPMENT*

Yanagisawa advances a number of propositions concerning the nature of post-Independence industrial development:

Under a state-led import-substitution industrialisation strategy, the Indian economy succeeded in establishing an industrial structure, incorporating heavy industry and the manufacture of producer goods. (p. 63)

Between Independence and the new economic policy of 1991, India followed an import-substitution strategy based on a state-led model of a planned economy. (p. 65)

The state-led import-substitution system underwent some change after 1965, yet its basic framework continued until 1991. (p. 67)

Under a state-led import-substitution industrialisation strategy, the Indian economy succeeded in establishing a set of production goods, heavy and chemical industries, with an ability to develop basic production technologies and management, and technical human resources . . . Essential to these industrial and technological developments was the emergence by the end of the 1970s of a pool of cheap, but highly skilled, technical staff, on a scale larger than in any of the other NICs. (p. 80)

The post-1950s state-led import substitution industrialisation strategy formed the foundation for the growth of the industrial sector, encouraged the acquisition of technology in the form of “know-how” and adapted it to local requirements. That some of these adaptations became competitive internationally, however, owes much to the creation of a large reserve of scientific and technical personnel. (p. 81)

These propositions, while not being new, do convey the author’s view that the relatively more rapid growth of the Indian economy between 1991 and 2014 cannot be seen as being primarily the outcome of policies of liberalisation.

On agricultural development since Independence, the author’s claim of a “strong continuity between the period before the Green Revolution and that of the Green Revolution itself” (p. 88) does not adequately recognise the qualitative break represented by the Green Revolution. The validity of the claim that

an improvement in income among all rural classes and the rapid growth of rural demand for various services and industrial products mark the green revolution as an epochal event in the evolution of the Indian economy (pp. 94-5)

largely pertains to the period of the 1970s and early-mid 1980s. Even here, it must not be forgotten that the profitability of paddy and wheat cultivation in the early phase of

the Green Revolution ensured by substantial state support did lead to eviction of tenants and resumption of cultivation by landlords in some parts of the country. While discussing land reform, the author tends to go back and forth, asserting that

the land reforms plainly empowered the lower classes in rural villages and assisted them in raising them both economically and socially. A substantial amount of the land redistributed under the ceiling legislation went to landless members of the scheduled castes and tribes (p. 107)

but elsewhere saying that land reforms did not in any way break land monopoly and the concentration of land ownership.

While Yanagisawa repeatedly stresses the connections between limited progressive change in rural India and the possibilities that economic policies opened up for the working poor in the urban informal sector, he strikes a more realistic note when he concludes:

it seems that, though the members of the lower classes from the low castes with a low level of education can achieve a higher wage to some extent, the route to the middle- and high-income group is littered with obstacles. (p. 235)

### *ECONOMIC REFORMS*

Discussing economic reforms and what he calls “the development of the large-scale formal sector” (rather than using the term “corporate sector”), Yanagisawa is at pains to assert the rural origins of even the liberalisation reforms:

Expanding agricultural output, changes in rural society and caste advancement movements drove the rise of the new capitalists, but beneath all these lay the development of the local economy, (including the rural). Long-term changes in agricultural output and village society laid the groundwork for a prospering domestic market for non-farm goods and facilitated the emergence of a new group of entrepreneurs. These business owners helped set the direction of the 1991 reform and led industrial innovations, having been given a leg-up by the state response of the 1970s and 1980s, such as the small-scale industry reservation policy. (p. 247)

The author does draw attention to the dualistic nature of the changes brought about with the reforms:

To summarise, the prominence of technology-intensive industries in the Indian economy has risen greatly since 1980, and the international standards of product quality have been prioritised by employment guarantees and in-house training schemes. By contrast, labour-intensive industries have pursued a direction of cost reduction by depending on a low-wage, low-quality, insecure workforce and on outsourcing. (p. 257)

Following this, Yanagisawa draws more realistic conclusions:

Indian society is effectively two-tiered in structure. On the village side, the two tiers consist of a very small dominant class which owns most of the land and a majority of landless agricultural workers and tenant farmers. In the case of urban society, the division separates a middle class that derives from the village upper classes and an informal lower class from the bottom rungs of village society. Upward social mobility, though it does exist among the poor, has not been strong enough to eliminate the boundary between the upper and lower levels of Indian society. (p. 275)

He goes on to add, in the same vein, that

The village social structure . . . where a very few people owned most of the cultivable land and the majority of villagers were tenant-farmers or employed as agricultural labourers, has remained basically unaltered, despite the land reforms.

And further that

Staff – such as managers, technicians and highly skilled workers – in the large corporate sector of urban industries and services who need to be educated inevitably came from the landholding classes. (p. 277)

While recognising that when the Indian economy entered a phase of more rapid growth from 1980 onwards, the resultant expansion in the urban informal sector absorbed workers from rural areas, Yanagisawa adds:

the lower classes continued as they had in village society, the basis of cheap labour, only now supplied to the urban informal sector . . . The rural lower classes face manifold obstacles if they wish to escape poverty . . . The formal sector, like the informal, acts as a foundation that is stratified both socially and economically in terms of both markets and supply of personnel. (p. 278)

Yanagisawa ends his monograph on a pessimistic note:

First, and most importantly, the class structure places constraints on the further growth of the domestic market in the non-formal sector . . . with virtually no change in the pattern of landholding in rural areas, it is unlikely that the majority of classes can become independent as small-scale landed farmers. In the cities too, as long as people continue to work as labourers in the informal sector, they have no option but to go on labouring for low wages in employment that offers no future security . . . Second, . . . (the) present structure of a segmented informal sector, manufacturing low-cost goods without quality guarantee, will continue for a long time to come . . . Third, there are limited possibilities for labour-intensive industries, adapted to meet domestic demand for quasi-branded goods, to develop an export market . . . Fourth, Indian firms are highly socially stratified and managers and workers generally have completely different social backgrounds. . . . India's class-based social structure, reproduced in the corporate internal composition, hamstrings industrial development. (pp. 279-80)

Yanagisawa rejects the views of the neoliberal faithful who attribute all economic growth since 1991, including its supposed acceleration over the last three decades, to policies of liberalisation and globalisation. He agrees with the views of several scholars of the Indian economy that the break in the post-1970s economic growth trend was more likely to have occurred in the late 1970s/early 1980s. However, he does not attempt a class analysis of Indian economic development, and offers no insights on the class nature of the Indian state. Since his narrative ends in 2014, we can only speculate whether the collapse in economic growth over the period since 2014 would have made him reassess the nature of India's economic development. (Indeed, we may wonder whether developments in the Indian economy since 2014 may have enabled him to see the huge power of big capital, domestic and foreign, over the state, and the entrenched nature of the power of capitalist landlords now fusing with big capitalist farmers in rural India.)

On the changing nature of class relations in rural India, the findings of research done by the Foundation for Agrarian Studies (FAS) and various scholars had led some of us even by 2014 to posit that a new ruling class consisting of capitalist landlords and big capitalist farmers fusing into one had emerged in large parts of rural India. It is to me disappointing, then, that a perceptive scholar of rural India with a record of field work and with a keen interest in rural-urban connections did not see the role of big capital in India and finance capital globally in the pursuit of neoliberal policies in India after 1991. Nevertheless, one must appreciate both the insights and nuanced analysis that Yanagisawa offers on various specific aspects of the evolution of the Indian economy from the end of World War I to 2014. Beyond the analysis, one is both impressed and moved by his concern for the working people of India, both rural and urban, and his desire to see their lives improve significantly.