

The Developmental State: Explaining India's Continued Developmentalism

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Abstract: The paper addresses the nature of development in India with respect to Marxian theory of class relations. The study traces the economic growth of the country since independence with key developments that took place in the five-year plans. The case study of MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) is done where the main points of the Act are analyzed and findings are given about the success of this measure to bridge the class divide and as a tool to empower the have-nots. Findings of the study indicate that MGNREGA was an effective measure taken up by the government to provide employment to the poor, alleviate the poverty-like conditions among those living Below Poverty Line (BPL). Yet it falls short of complete makeover of the situation of labourers in the country. Many such schemes need to be implemented and carried out efficiently in order to make India truly a 'developmental state' which takes care of all sections of society, and steers the country towards 'inclusive growth'.

Keywords: Class relations, development, economic growth, Indian economy, Marxian theory

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I INTRODUCTION

The Indian state has been more penetrated by social actors than many East and Southeast Asian states (Mukherji, 2014b). Unlike China, India could neither abolish private enterprise nor could it embrace globalization with the same speed and ferocity (*ibid*). There is a need for a both state-driven nationalization and state-driven globalization for it to become a nation friendly for industrialists, farmers and trade unions alike. This paper discusses the twists and turns in India's economic development policy since the time of independence in 1947, which resulted in high growth trajectory and the rising inequality in India. The paper argues that unless India becomes a 'developmental state' promoting welfare of the working class which needs to be 'incorporated' within the state, India's growth trajectories will remain incomplete. The paper studies 'MGNREGA' or The Mahatma Gandhi National Rural Employment Guarantee Act 2005 implemented by the Ministry of Rural Development in the light of the Marxian theory assessing how it is a step towards development of the country; yet lot more needs to be done.

The paper discusses the literature related to the 'developmental state', the idea of the developmental state, theoretical framework of Marxian theory of class relations, adopts the research methodology of analyzing the MGNREGA scheme in light of the above-mentioned concepts and theories, indicating its success and ways in which its implementation can be improved.

II LITERATURE REVIEW

2.1 India's economic planning models

Independent India was declared to be a planned and a mixed economy. India needed national planning, which was decided by the political leadership almost a decade before Independence. India was not only facing regional disparities at the level of resources, but inter-regional disparities were also prevalent, since centuries (Singh, 2017). Mass poverty could only be remedied once the government started the process of economic planning. Economic planning was thus considered an established tool of doing away with such disparities. Though India was constitutionally declared a federation of states, in the process of planning, the authority of regulation, directing and undertaking economic activities got more and more centralized in the Union government (Jalan, 1993).

Economic planning in the world was first taken up by the Soviet Union in 1928 for a period of five years. However, India felt the need for economic planning and had begun in the 1930s itself. The credit of proposing the first blueprint of Indian planning is given to the popular civil engineer and the ex-*Dewan* of the Mysore state, M. Visvesvaraya. His ideas of state planning were an exercise in democratic capitalism (similar to the USA) with emphasis on industrialization- a shift of labour from agriculture to industries, targeting to double

the national income in one decade. In 1934, a serious need of national planning was recommended by the Federation of Indian Chambers of Commerce and Industry (FICCI). By the late nineteenth century, the economic thinking of the nationalists (such as M.G. Ranade and Dadabhoi Naoroji) was in favour of a dominant role of the state in the economy and doubted the prudence of the 'market mechanism'. Though the Gandhians and some of the business and propertied representatives were opposed to commit the party to centralized state planning (including Mahatma Gandhi), it was on the initiative of the INC president Subhash C. Bose that the National Planning Committee (NPC) was set up in October 1938 under the chairmanship of J.L. Nehru to work out concrete programmes for development encompassing all major areas of the economy. In 1945, yet another plan was formulated by the radical humanist leader M.N. Roy, Chairman of the Post-War Reconstruction Committee of Indian Trade Union. The plan was based on Marxist socialism and advocated the need of providing the people with the 'basic necessities of life'. By early 1960s, Jayaprakash Narayan had become highly critical of the Indian planning process, especially of its increasing centralizing nature and dilution of people's participation in it.

Disregarding the humble advice of the committee, central schemes like small farmers development agency (SFDA), drought-prone area programme (DPAP), intensive tribal development programme (ITDP), intensive agricultural district programme (IADP), etc. were introduced by the government and were put totally outside the purview of the Panchayats. Thus the aim of development became the centrestage of most economic plans. The main objectives of planning remained- economic and social planning; the Constitution includes provisions for promoting cooperation on a voluntary basis between the Union and the states and among states and groups of states in investigation of matters of common interest, in legislative procedures and in administration, thus avoiding the rigidities inherent in federal constitutions (Articles 249, 252, 257, 258, 258-A and 312). The Constitution also sets out in broad outline the pattern of the welfare state envisaged and the fundamental principles on which it should rest. Thus a broad consensus developed around economic growth, poverty alleviation, employment generation, controlling economic inequality, self-reliance and modernization. Let us now take a look at how the Five-Year plans fared:

2.2 The Five-Year Plans

The First Five-Year plan was from 1951-56 and accorded the highest priority to agriculture where about 44.6 percent of the plan outlay went in favour of the public sector undertakings (PSUs). The Second Plan period was 1956-61. The strategy of growth laid emphasis on rapid industrialization with a focus on heavy industries and capital goods (Chakravatri, 1989). The plan was developed by Professor Mahalanobis. The Third Plan period was 1961-65. The plan incorporated the development of agriculture. During this time, India went to war with China in 1961-62 and the other with Pakistan in 1965-66 and a severe drought-led famine was faced; this plan failed to meet the targets. The period of the three consecutive Annual Plans was 1966-69. This period is also known as a 'Plan Holiday'. Then came the Fourth Plan in the period 1969-74. In this period Gadgil strategy was implemented yet the Pakistan war of 1971-72 created a financial crunch. This plan and the nationalization and politicization of economic planning began with this five-year plan. There was greater and greater centralization from now on till the 1990s. The Fifth (1974-79), Sixth (1980-85) and Seventh (1985-90) were more about poverty alleviation and social justice. Slogans like *Garibi Hatao* were introduced now the *Jawahar Rozgar Yojana* (JRY) was launched in 1989 with the motive to create wage-employment for the rural poor. Some of the already existing programmes, such as the IRDP (Integrated Rural Development Programme), CADP (Command Area Development Programme), DPAP (Drought Prone Area Programme) and the DDP (Desert Development Programme) were reoriented. Then again due to unstable governments two Annual plans were introduced from 1990-91 and 1991-92.

However, the Eighth Plan was introduced in a typically new economic environment. As the economy moved towards liberalization, several criticisms came out against it:

- As economy moves towards market economy, planning becomes irrelevant
- When the state is rolling back, planning makes no sense
- Planning process should be re-structured
- Increased thrust on 'social sector' is the need of the hour

As issue of fiscal consolidation became important, the following points became relevant in the Ninth Plan (1997-2002):

- Sharp reduction in revenue deficit of the government
- Reduction in subsidies, wages, pension, PF, etc.
- Decentralization of planning

While the Tenth Five-Year Plan started with greater participation of NDC in their formulation, the Eleventh Plan emphasized the idea of 'inclusive growth' while the Twelfth Plan focused on improving the quality of life of the people. A thrust was given to schemes relating to poverty alleviation, employment

generation in rural areas, housing, education, family welfare and health, protection of environment and many other schemes.

A common objective which still remains to be achieved is a restructuring of the distribution of profits of the government among people equally so that each and every citizen can enjoy its fruit equally. In order to understand that it becomes important to understand the Marxian theory of class relations and the notions around the 'developmental state'.

2.3 Developmental state

A developmental state is a coalition consisting of government ministers and state bureaucrats that prioritises economic growth over all else (Johnson, 1982; Woo-Cummings, 1999). This combination of political power and economic expertise gives the developmental state the necessary transformative capacity over the economy, organizing and directing capital and labour to participate in national economic policies (Weiss, 2000). For example, developmental states have used their economic power to 'persuade' domestic capitalists to collaborate on national projects through the use of targeted financial incentives (Amsden, 1989). At the same time they have used political (and military) power to discipline or demobilize labour, ensuring that production is not interrupted (Thompson, 1996). It was argued that this 'developmental state model', as it came to be known, was instrumental in bringing about industrial transformation and economic growth in Japan from 1950 onwards, South Korea from 1960 onwards and Taiwan from 1970 onwards (Wade, 1990). Can such a model be beneficial for India?

From a class relations perspective the Singapore developmental state was most effective because it was much more powerful than the other two social agents in society: the domestic capitalist class and the working class. Although the workers were forced into cooperating with the state, they soon agreed to a lot of its programmes after an improvement in growth and their quality of life (Rodan, 1989). At the same time Singapore's domestic capitalist class remained marginalized by the state's policy of collaborating the transnational capitalist class. Since transnational capital is usually uninterested in domestic politics, as it is only interested in accumulation, it too was willing to maintain the status quo because doing business in Singapore was profitable (Sklair, 2001). The class relations perspective holds that the devolution of the developmental state should begin, not only when there is growth, but when domestic capitalists become more economically independent and the working class more affluent as a consequence of growth (Castells, 1992). This paper seeks to answer a few such questions vis-à-vis India.

Chibber (2004) argues that the process of building a developmental state in India was stunted because of a highly organized and concerted offensive launched by the capitalist class against the idea of 'disciplinary planning'. The Indian capitalist class did not support the idea of a 'developmental state' (*ibid*). He says that the Indian capitalist class opposed disciplinary planning because in the import substitution industrialization (ISI) model chosen it was rational for capital to do so. In ISI model there is attenuation of competitive pressures and firms are under little systematic pressure to modernize and technologically upgrade their operations. Chibber argues that besides the mobilization of concerted opposition to the installation of a developmental state by the Indian capitalist class, a full explanation of the failure of the Indian National Congress to institute disciplinary planning would include the fact that the party leaders also demobilized massive and quite organized labour movement- thus reducing the state's leverage against the state's capitalist class. In the aftermath of the second world war, there was a huge upsurge in labour, which for a time intimidated the capitalist class, enough to ask the unions for a truce. But the Indian National Congress chose to split the All-India Trade Union Congress (AITUC) and divide the labour movement by creating the Indian National Trade Union Congress (INTUC) and then demobilized it.

Thus we see that there was a focus on getting programmes and policies announced but there was a weaker will to implement these effectively. Chibber also believes that among private capitalists, fears grew that the upsurge against colonial rule bore the potential of transmuting into a call against the rule of capital. On the whole the author finds the Indian 'developmental state' institutions weak, dysfunctional and incapable of reform. This brings us to the question: what exactly does Marxian theory of class relations talk about? Is it applicable realistically in the Indian scenario? The paper rests on the theoretical framework of Marxian theory.

2.4 Theoretical Framework

2.4.1 Marxian theory of class relations

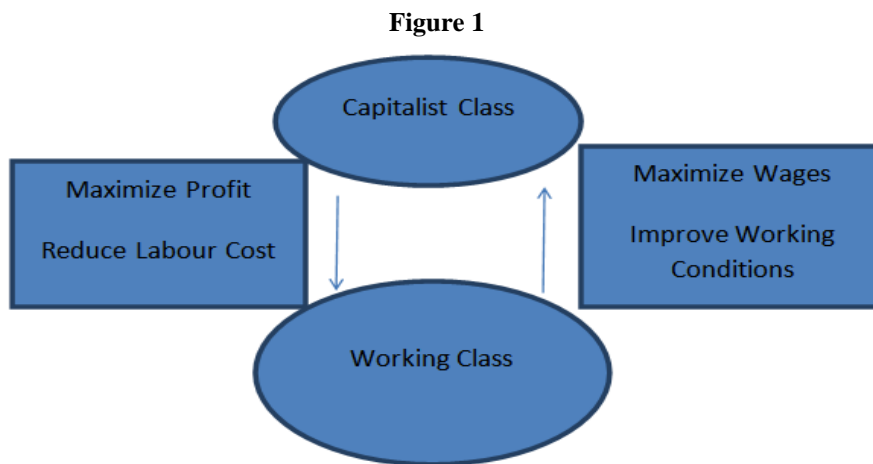
Marxian economics refers to several different theories and includes multiple schools of thought which are sometimes opposed to each other as it concerns itself with the analysis of crisis in capitalism, the role and distribution of the surplus product and surplus value in various types of economic systems, the nature and growth of economic value, the impact of class struggle and class on economic and political processes, and the process of 'economic evolution' (Wolf et al, 1987).

In the *Communist Manifesto* Marx & Engels say that:

..with the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses...The various interests and conditions of life within the ranks of the proletariat are more and more equalized, in proportion as machinery obliterates all distinctions of labour, and nearly everywhere reduces wages to the same low wages (1848: 43).

Marx's argument in *The Communist Manifesto* concerning the stages of development of the proletariat is that with the development of industry the numbers of workers brought together increases and they begin to form combinations or unions against the employing class. This is supported by Olson when he argues that class action by individuals can occur not when the groups at the point of production are small but when they are what Olson calls "intermediate groups".

Neo-Marxist theory of Class Conflict maybe shown thus:



Source: Drawn by author

Therefore neo-Marxist theories focus on the economic structure of society and on the relationship of societal definitions of deviance to the process of class conflict. Based on such theories of class conflict which exist even today, the paper looks in to one policy measure by the government to inquire whether it is a step towards reducing the class struggle.

III RESEARCH METHODOLOGY

The paper seeks to answer few of the questions:

- Do Indian policies work to bridge class divisions?
- Does MGNREGA provide for adequate wages and benefits?
- Is MGNREGA a possible solution towards solving class conflict in society?
- Is MGNREGA a positive policy measure for labourers?

These research questions are answered with the help of a hypothesis:

H1: MGNREGA offers a solution to the current class conflict in society

3.1 Methodology

The conceptual paper studies and analyses the different schemes and policies under MGNREGA to see whether it was a success and to what extent it benefitted the classes which work towards a living through daily wages. It analyses what measures could further help improve the well-being of labourers so it is a more equitable society.

3.1.1 Evaluation of MGNREGA

Mahatma Gandhi National Rural Employment Guarantee Act 2005, also known as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is Indian legislation enacted on August, 2005. It provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage. The Ministry of Rural Development, Government of India is monitoring the entire implementation of this scheme in association with state governments.

3.2 Objectives of MNREGA

The main objectives of this scheme were:

- Improving purchasing power of the people
- Improve quality of life of people living Below Poverty Line (BPL)
- Bridge the gap between rich and the poor
- Providing and guaranteeing work to rural women

- Priority to water conservation and water-harvesting projects

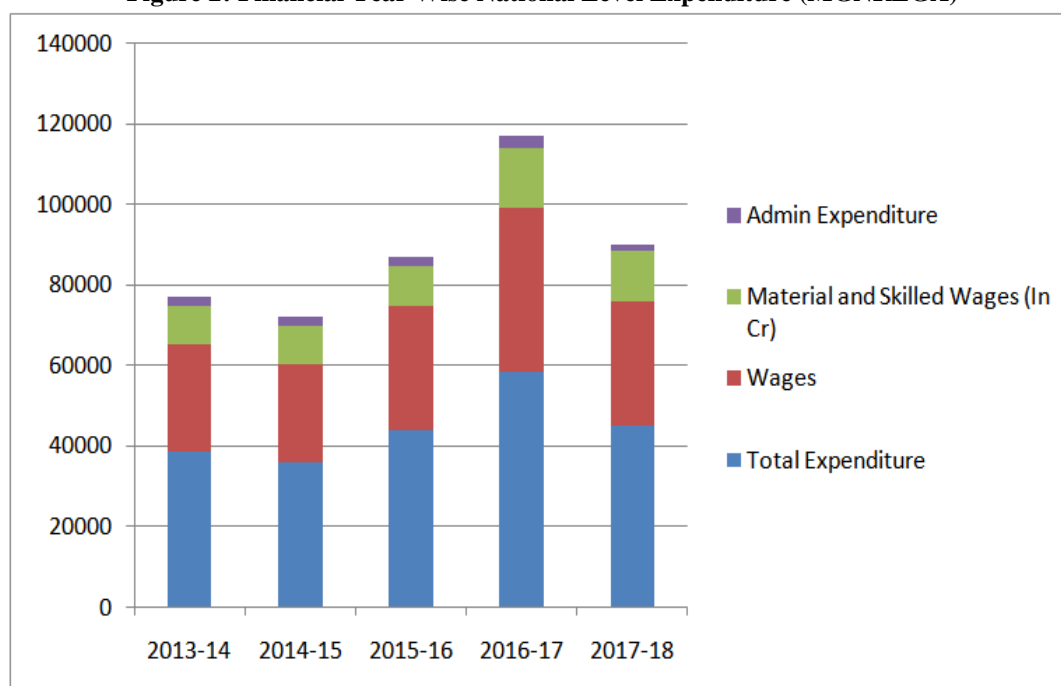
3.3 Key features

The main features of this scheme were:

- It guarantees hundred days of wage employment in a financial year to rural households
- Within 15 days of submitting the application or from the day work is demanded, wage employment will be provided to the applicant
- Right to get unemployment allowance in case employment is not provided within fifteen days of submitting the application or from the date when work is sought
- Receipt of wages within fifteen days of work done
- Variety of permissible works which can be taken up by the Gr/am Panchayats
- It provides 'green' and 'decent' work
- Social audit of MNREGA works is compulsory, which leads to transparency and accountability
- MGNREGA addresses climate change issues and helps protect farmers from related environmental risks
- It conserves natural resources
- Gram Sabha is the principal forum for wage seekers

Some of the important data regarding MGNREGA is as follows:

Figure 2: Financial Year Wise National Level Expenditure (MGNREGA)



Source: Ministry of Rural Development of India, GOI (2017)

This table shows that while total expenditure (in crores) is 38, 552 for the year 2013-14, it is 36, 025 for the year 2014-15, increased to 44, 002 for the year 2015-16, further increased to 58, 527 for the year 2016-17, and lowered to 45, 003 for the year 2017-18.

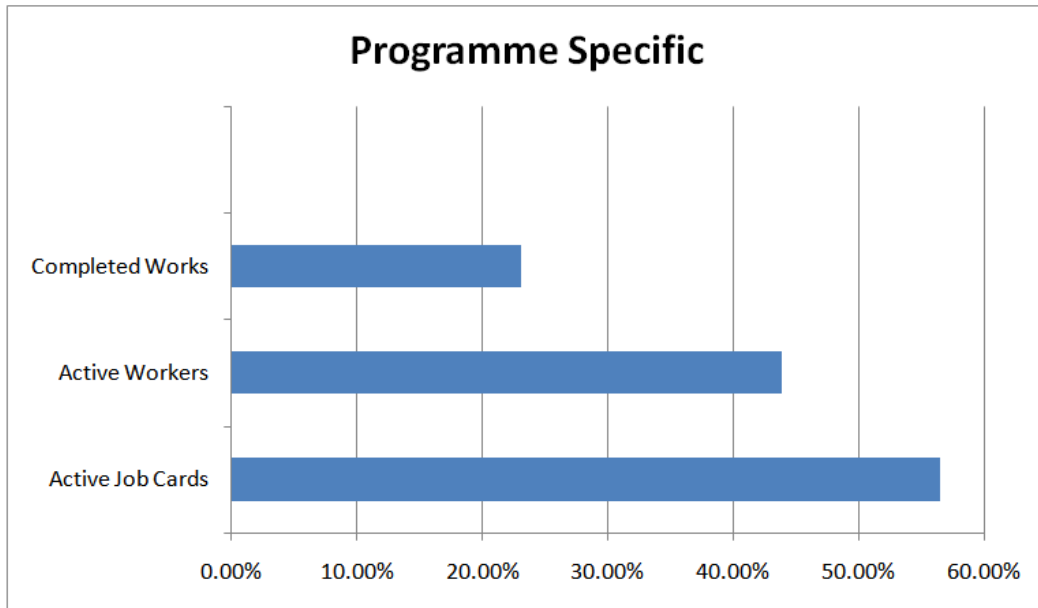
Similarly total wages (in crores) were at 26, 491 in 2013-14, 24, 187 in the year 2014-15, increased to 30, 890 in the year 2015-16, further increased to 40, 789 in 2016-17 and lowered to 30, 953 in 2017-18.

Material and skilled wages (in crores) were at 9693 in 2013-14, at 9421 in 2014-15, 9693 in 2015-16, increased to 14, 841 in 2016-17, and were at 12, 472 in 2017-18.

Admin expenditure (in crores) was at 2367 in 2013-14, at 2416 in 2014-15, 2367 in 2015-16, 2896 in 2016-17 and decreased to 1576 in 2017-18.

According to different programmes, the percentage of work done has been tabulated thus:

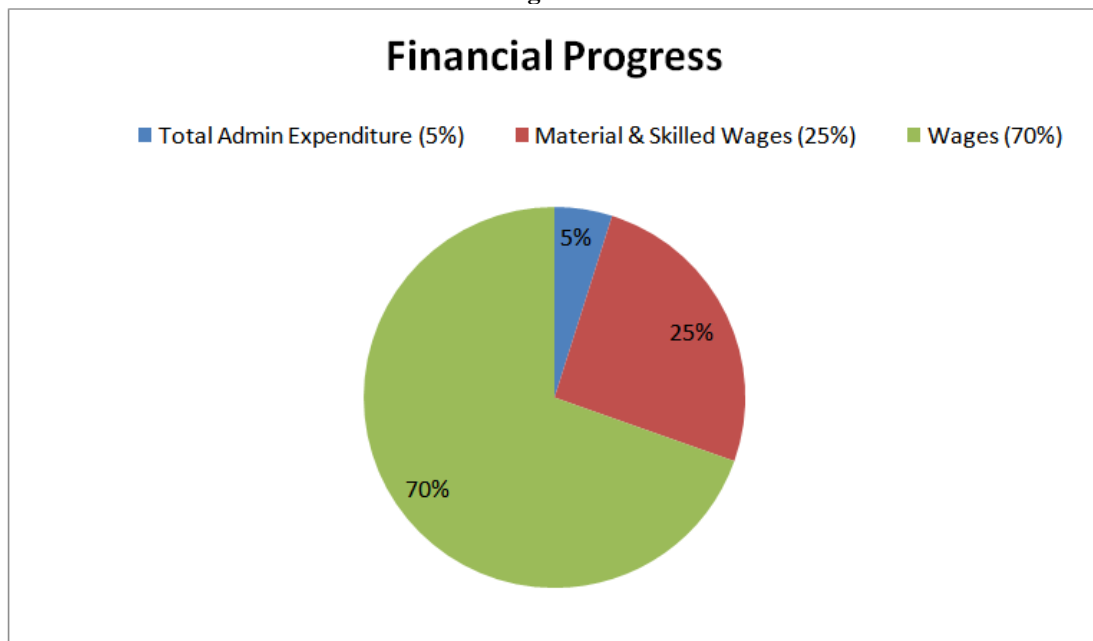
Figure 3



Source: Ministry of Rural Development, GOI

This diagram thus shows that the programme specific targets of the scheme were met out- with 56.51% getting active job cards, 43.93% active workers and 23.07% completed works. In the state of Uttar Pradesh, following achievements were highlighted:

Figure 4:



Source: Ministry of Rural Development, GOI

This diagram shows that total percentage utilization of the scheme was 90.1%, material use of skilled wages was 26.78%, admin expenditure was 4.92% while average cost per day person (in Rs.) is 227.63.

3.4 Evaluation

MGNREGA has stood on its promise of inclusive growth, right to work and dignity of labour, which has been vindicated by the people.

The government should, however, focus on simplification and strengthening of procedures for the effective implementation of MGNREGA. Lessons can be learnt from better-governed states, from creating improved financial management systems to using technology-enabled banking solutions like smart cards, social audits and building grievance redressal systems. The focus should be on evaluating these experiments and drawing lessons to improve administration in the poorly governed states.

Corruption should be dealt harshly but cutting funds to development programmes is definitely not a plausible solution. Corruption can be fought through the use of IT and community-based accountability mechanisms like social audits.

It should have an intensified focus on marginalized communities in the most backward blocks and on skill development of households that have completed 100 days. In addition the Act can be linked with the socio-economic caste census to better targeting.

Some of its successes are:

- Reduced the distress in agriculture and economy due to low agricultural productivity and small landholding size thus provided them better livelihood opportunities.
- Most of MGNREGA works is directed towards building irrigation canals, tanks, etc. thus provides resource base for further rural development.
- It has reduced rural distress and intensive urban migration.
- The provisions like work upto 5 km from home, equal wages promotes women empowerment, gender parity and directed towards backward section of society.
- The programme has generated over 1980 crore person-days. In the short span of 10 years that the Act has been in existence, it has generated 19.86 billion person-days of employment benefitting 276 million workers, with more than half the jobs going to women workers and almost a third to members of scheduled castes and scheduled tribes.
- It has resulted in social upliftment for all sections.
- The legislation has reduced distress migration in traditionally migration-intensive areas.
- MGNREGA has played a much vital role in revitalizing the labour market in rural areas. Not only has it led to the creation of a class of workers who are using the MGNREGA as a safety net, but these workers are also able to use it as a bargaining tool for extraction of higher wages.

3.5 Some of the challenges faced by MGNREGA scheme are:

- Corruption, leakages and inordinate delays in releasing wages.
- Uneven implementation across states.
- The average work days generated is much less than stipulated 100 days.
- Low funds available with the government.
- Poor asset quality created as a part of the programme.
- The reports have found rampant corruption and swindling of public funds which raises doubt on the amount of money spent and the scheme's claim of improving rural wages.

IV ANALYSIS

Thus it may be said that MGNREGA does offer a solution to the current class conflict in society but only partially. There is an attempt to bridge class divisions in society through the promotion of such policies.

- It would have been more effective had it been implemented a little more effectively.
- It is a positive policy measure for labourers but it does not benefit all and in equal measure.

V CONCLUSION

It may thus be noticed that MGNREGA was a success in terms of providing employment to a few daily wage labourers but failed on not providing equitable distribution of jobs to all. The scheme started off well but fizzled out due to its improper implementation. It would have done better had it been implemented better in all states. MGNREGA in general has been a success in states like Uttar Pradesh but better policies are needed to provide employment to the rural and urban poor.

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