

## I. EVOLUTION OF INDIAN ECONOMY

### 1. CHANCE MEETING WITH ANDREWS MILTON

We met Andrews Milton when we were waiting for our breakfast at Leela Palace in Bengaluru. What brought us to Andrews was our astonishment to find that he was gulping down *Gol-gappas* and *Papdi chhat* like the way we had never been before. Excitement was at its his face. We were surprised by the fact that he preferred this *chhat* over scores of other delicacies. We were in two minds. Should we ask him, or should we simply pocket our astonishment and let it go? Finally, at the risk of a rebuff from him, we chose to ask him about his preferences. He turned out to be an intelligent, inquisitive and sobre gentleman. We came to know that he was on the last lap of his fact-finding tour to know more about Oriental culture and peoples. The matter rested there; he proceeded to the airport to take a flight to Mumbai, before finally going to New Delhi and taking flight back home to Boston, USA.

We caught up with him at the IGI Airport, New Delhi. We were also proceeding to Boston with a break at Frankfurt for about eight hours. As it turned out, he was rich with his experiences; we were keen to listen to him. All the same, we decided to be patient and give him an ear.

What follows is an edited version of the recorded conversation.

#### Andrews Milton Speaks

“I landed at T3 of the IGI Airport at 1 a.m. on 12.07.2014. We walked down straight as a glittering, shining world welcomed us. The outside air had some not-so-pleasant smell. But we were impressed not only by the architecture of T3, but also by the efficiency of the authority and its officials who showed care and concern towards passengers.

I drove in a big luxury car that the hotel had arranged for. I had reserved a room for myself with the hotel almost a year in advance.

The drive to the hotel, and finally the hotel, forced me to think if this was part of “India—the land of snake-charmers and elephants roaming on the streets?”

The whole experience was nostalgic, especially after visiting many cities, villages and distant places.”

**We** : Andrews, why were you feeling so concerned?

**Andrews** : I was feeling concerned because the picture I had in mind was totally different.

## **A. Indian Economy During the Beginning of the British Rule**

**We** : Please comment about Indian economy at the beginning of the British rule in India.

**Andrews** : I have done my own research about India.

I knew the Britishers had deep trade interests in India. Indo-European trade was on the rise. The East Indian Company (EIC) was set up. Very soon, it got a monopoly charter on the trade between India and England. Similarly, other European countries also had their own interests in India.

Meanwhile, the Industrial Revolution (IR) had started in England. It was the beginning of the process of Modern Economic Growth (MEG). The success of the IR required: (i) a permanent and stable source of raw materials for feeding machines; and (ii) a big market. India was the right candidate. Soon, the EIC became highly ambitious. Equipped with superior technology and back-up support from the British government, the EIC began to conquer and gain political control over a large part of the country. Thus began the process of colonization of India.

**We** : Did this development prove a blessing for India?

**Andrews** : See I cannot give you a one-word answer. But yet I can count on both sides of the coin.

### ***Positives***

- Introduction of Railways.
- Introduction of telegraphic and other technological marvels.
- Introduction of the British system of education.
- Organisation of bureaucracy and civil services.
- Peace and stability.

### ***Negatives***

- The supremacy of British interests.

Supremacy of British interests simply implies that the Britishers captured India for a long haul. They found in India a jewel of inestimable value.

The result was the western world was flourishing and enjoying the fruits of fast-evolving new technology, India was on the back-foot, suffering due to de-industrialisation.

In short, Indian economy, as it emerged on the eve of independence in 1947, sounded like an under developed, dependent and sucked up economy.

Andrews was in full flow; he had done his research meticulously and correctly. More important, he sounded passionate about India. It was obvious because we had got totally absorbed in his. We even missed the first security check call.

## **B. Indian Economy since 1947 to Date**

Andrews did some check on his laptop, and resumed with his part of the story with renewed passion.

Andrews narrated the saga now.

India got its hard fought independence in 1947.

Three words: “*Tryst with Destiny*” spoken when the clock struck 00:00 a.m. They still echo in the halls of the Indian Parliament.

The drive towards “*Tryst with Destiny*” began with the adoption of a democratic Constitution in 1950.

Thereafter, in 1950 itself. The Planning Commission was set up. It was charged with the responsibility of formulating a Five Year Plan with the primary objective of attaining rapid equitable economic growth. The task was challenging. A young economist, Professor K.N. Raj, in his early twenties, did the marvelous job. The First Five-Year Plan (FFYP) for the period 1951-56 began on April 1, 1951. Since then, Twelve Five Year Plans have been formulated and implemented.

*Finally*, we had to respond to the last warning call for the security check. We had to take a pause. Each one of us had a sip of water. But we all were with Andrews. The whole thing was that this pause was not entertaining.

After the mandatory security check, Andrews was once again at it.

## **2. INVESTMENT MODEL**

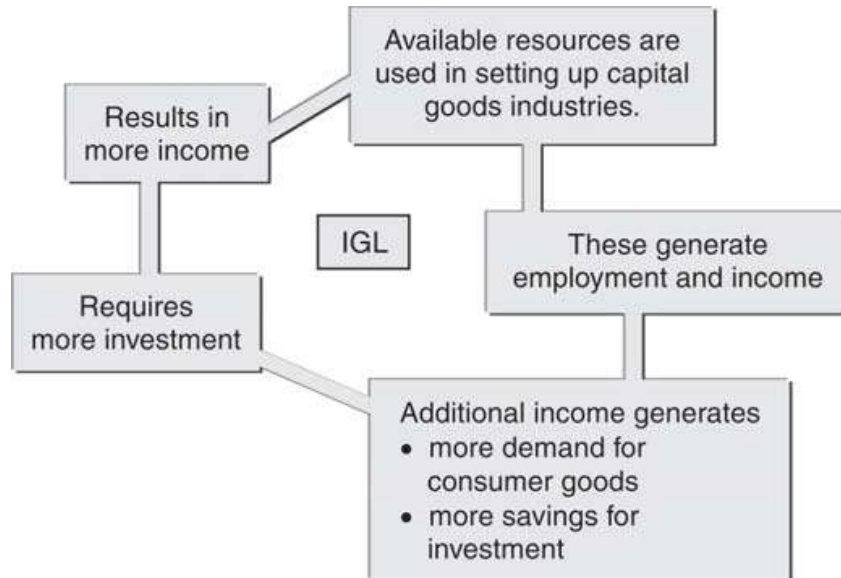
We wanted Andrews to comment on some of the initial difficulties the Planning Commission had faced and what their implications were.

**Andrews :** First and foremost, there were some academic issues and political concerns. Well, I do not have time and space to tell about those political issues. I will confine myself to economic decisions.

Well, the planners had to choose between two alternative investment models: Investment-Led-Growth and Consumption-Led-Growth (CLG).

## A. Investment-Led-Growth (ILG)

The ILG works like as follows.



It would be apparent to you that ILG requires the following:

- Building up of capital goods production capacity.
- Protection to upcoming capital goods industries.
- Treating these industries as natural monopolies.
- Ploughing back of a large part of the additional income into capital formation to develop these industries.
- Private enterprise and capital are not motivated to invest in these industries.
- Private enterprise is not expected to be approached to raise huge sums of capital.
- Given these considerations if ILG has to be successful, it is imperative that the government should play a proactive role to gain “commanding heights of the economy.”

**We** : Did India accept this investment model? If not, why not? If yes, what was our experience?

**Andrews** : I hope you are liking this discourse and if not we will take a break and continue the story at some other opportune time.

**We** : No, please! We are with you. But please let us have a cup of coffee at the Starbucks cafe located right ahead.

The break proved useful. Andrews was about to pick up the threads again. But just then, it was announced that it was time to board the plane.