Looking Back at the Nehru - Mahalanabis Strategy : A Discourse Analysis

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Abstract

This paper discussed the constitutive relations between the Nehru-Mahalanabis strategy and the discourse of planning that had characterized Indian economic policy-making over 40 years after independence in their continuities and discontinuities of interaction. It understood and analyzed the theoretical underpinnings behind the heavy-scale industrialization policy through public investment (under export pessimism) in reflection of the predominant discourse of development that the third world subscribed to at that period — that of central-planning led capitalist accumulation. Rather than engaging in the multiple debates that had raged the political-economic policy-making of the post-reforms period, like that of agriculture vs. industry, state planning vs. market motive, growth vs. equity, etc., it cut through the analysis by the discourse method, which identified the particular way of knowing the reality – how the discourse produced and disseminated effects of truth, and brought players (e.g., the State) to act and intervene, thereby securing the legitimacy and power of the representation, or the regime of truth of the discourse.

Keywords : **heavy-scale industrialization, public sector investment, export pessimism, planning as discourse, discourse as hegemonic**

JEL Classification Codes : B1, O2, P1, Z1

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The Indian economy has achieved an average of 6–7% GDP growth annually in the last three decades of its development, and since 2014 it has maintained the position of the world's fastest-growing major economy (7.1% (2016–17), 6.7% (2017–18), and 7.3% (2018–19)), surpassing China (Chancel & Piketty, 2019), at least till the pandemic. Such remarkable indications of high economic performance over a considerable period reflect quite an achievement for India, given its diversity in terms of language, religion, caste, and culture as compared to other countries of the world. Moreover, the credits have been given to the effectiveness of the New Reforms Policies that the policymakers had to opt for under the government of PV Narasimha Rao in 1991 when India faced a major economic crisis in terms of huge fiscal and trade deficit and accelerating inflation. As a result, the International Monetary Fund agreed to provide financial assistance, but conditional on the adoption of policies of macroeconomic stabilization (cutting down fiscal deficit and growth of money supply) and introducing structural reforms toward deregulations in production and greater openness in trade.

Since then, the notions of privatization, liberalization, and globalization have been recurrent themes among policymakers in their decision-making, imparting a definite trajectory to Indian economic development. The development has been characterized by continuous withdrawal of state interference in spheres of production and distribution, promotion of private sector as the driver of growth, acceptance of trade liberalization and competitiveness in the international sphere, and global integration with the world economy. What is common in all these neo-liberal policies is the proclaimed efficiency of the market mechanism, i.e., the self-adjustment of the

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"invisible hand" of demand and supply to determine the market price of any factor, thus acting as its prime signal of competitiveness. The underlying rationale in the Indian context was as follows: as liberalization and globalization would ensure free mobility of labor, capital, finance, and technology across nations, global private investment, founded on profit-maximizing rationality, would find its most efficient use in the developing countries, following the principle of the market signal that scarcity of capital here implies higher returns to it. Along with technological diffusion and increasing competitiveness, the global market would ensure the efficient-most allocation of resources, thereby driving the wheels of further production, employment, and high economic growth of the Indian economy. It can be seen from the figures mentioned above that, at least as per the GDP growth rate, the free-market prophecy has not failed to deliver its promises for India.

On the eve of Indian independence, a similar priority toward economic growth was observed among the planning authorities and their policy-making (Chakravarty, 1987). But the role of the engine of growth, as per the Nehru-Mahalanabis strategy, was attributed to the vast government-regulated and directed public sector, which would take part in the expansion of productive capacity of the underdeveloped country, investing in heavy-scale basic industries, thereby creating labor employment and income. The arguments in favor of such planned growth were that strong government interference would restrict big private monopolies from controlling the market and propel a big push in the major infrastructure and long gestation industrial base (unlike private investment on quick-return consumer goods sector), thereby ensuring a long-term and egalitarian development. However, the goals of profit-oriented growth for further reinvestment and that of social equity via administered pricing and trade barriers often came into conflict with each other. This can be seen from the GDP figures. The adult per capita real income growth was below 2% between the 1960s and 1970s, compared to an average of 4.7% since the 2000s (Chancel & Piketty, 2019). These conflicts led to further departures from the growth-oriented strategy by the 1970s.

The present status of the Indian economy as a global market-oriented laissez-faire economy is analyzed in this series of essays, in terms of its emergence through history, by establishing the relations between the various forces in the structural and superstructural levels active in a particular period. Rather than viewing the Indian development experience as a series of changing policies, these shifts in the policy regimes and public actions are considered to be inevitably linked to the different perceptions of poverty at different periods (Dreze & Sen, 1989). In this particular essay, we show how the perception of what constitutes poverty—its nature and causes—changed in the 1950s to determine the changing attitudes of the Indian government at that time in defining the "Nehru-Mahalanabis" strategy in the domain of public action. In that sense, the very experience of poverty reduction in India had been marked by continuities and discontinuities in perceptions of poverty over time (Chaudhuri, 1993).

In our previous essay on colonial poverty and land reforms, I explored how the role of planning emerged in the hands of the postcolonial state at the time of independence in terms of its three economic objectives—the abolishment of the exploitative land tenure system through land reforms, infrastructural development in irrigation as well as essential services like primary education, basic health care, etc. (referred together as "external economies"), and investment in basic industries through the public sector. This last function, best described as the Nehru-Mahalanabis strategy, was most clearly represented in India's Second and Third Five Year Plans (1956–1961 and 1961– 1966) as it gave a direction—a specific trajectory—to India's path of development over the next 40 years (Chakravarty, 1987). The evolution of centralized economic planning in the hands of the postcolonial state with accumulation as the organizing principle is addressed here through discourse analysis. The discourse method provides us with a view by which development is seen here as a regime of representation and power that the international developmental organizations, universities, and research institutions produce from the actions, their modalities, and the strategies that their practice involves. Their statements regarding the object of knowledge (here, the third world economy) involves a particular way of knowing the reality (of underdevelopment), that produces and disseminates effects of truth (of development) and bringing into play agents (like the state) who then intervene and act accordingly. We contend here that development is to be seen as simple hegemonic, in the Gramscian sense of the term, where the organization of the discourse corresponds to the singular nodal point of capitalist accumulation in providing the closure, however provisional, to the discourse of development in those times, thereby marking the specificities of postcolonial capitalism in the Indian context. But before delving deeper into the issue, let us first see why India had accepted the strategy as a 25-year perspective, as per the Plan documents, which later proved inadequate to meet the claims and hence, an alternate strategy was sought in the Fifth Five Year Plan, as discussed via various debates that went on in the fifties, sixties, and seventies involving the facets of planning and public policy-making, to prepare the ground for the changes witnessed later.

The Nehru - Mahalanabis Strategy

The deindustrialization policies of British colonial rule had left India with an underdeveloped industrial base and weak infrastructure. As a response, the postcolonial state was already committed to modernizing India through rapid industrialization over the following years. The Planning Commission was setup accordingly in 1950, and the Five-year plans were launched. Although serious concerns toward industrial development can be traced back to the Statement of Industrial Policy, 1945, the post-independence industrial policies like Industrial Policy Resolutions, 1948 and the Industries (Development and Regulation) Act, 1951 were founded on the same spirit that government would take responsibility toward modernizing India. But the Industrial Policy Resolutions 1956 was a distinct break in the direction of the development of industries toward capital goods, based on the Mahalanabis model that he presented as the blueprint of the Second Five Year plan. Owing to the Harrod-Domarian influences on the overall strategy having its origins in the question of development of the erstwhile USSR as answered by Feldman in 1928, the Mahalanabis model has often been criticized simply on socialist grounds (Price, 1968; Vasudevan, 1968). Instead of entering such ideological debates, let us analyze the logic of the four-sector disaggregated development model (Mahalanobis, 1955) in the light of the considered problems of structural backwardness that the planners perceived about the Indian economy at that time—the logic of capital-good oriented economic growth.

In any economy, a variety of commodities are produced. The act of production generates income for people, which is then used to buy the commodities, generating demand in the market. Now, goods produced can be classified into two groups—the consumption goods consumed by the household and capital goods produced to make other commodities. The firms demand capital goods to expand their production or replace worn-out machinery. But the question is if production by firms generates income and income is spent by households on consumption goods, then where does the market for capital goods come from? The answer is households save after spending an amount on current consumption. The part of the income they don't consume forms the pool of funds that the households save, which firms use now to buy capital goods. This is the act of investment; investment creates a market demand for capital goods. These goods are crucial because they add to the stock of capital in the economy and endow it with an even larger capacity for production in the future. This is how an economy grows, generating further employment and income for people. This logic of capital accumulation—better known as economic growth—implies that the entire growth process stands on the capital goods market. Thus, the crucial question becomes: in what ways to divide the national output into consumption goods for the masses and capital goods to be forgone for future consumption. Most of the debates on the development of the third world in the post-World War II scenario was founded upon this vital issue (Ray, 1998, p. 60). The capital good is supplied from the pool of savings, so its supply depends on the economy's saving rate. In turn, this increase in capital stock increases the output next year by the incremental capital-output ratio (ICOR). The capital-output ratio, or the amount of capital required for a unit of production—the technology parameter of the economy—determines the investment demand in the capital goods market as per its competitiveness. Thus, these two factors—the savings rate and the capital-output ratio—formed the crucial factors behind the desirable high rate of economic growth in the the-then Indian economy.

In those early days, the state would intervene in the development of the Indian economy in three moments—how much to save, how much to invest, and in what forms to invest. This was done through a plan (Chakravarty, 1987, p. 10). That is why, besides various fiscal and monetary policies to increase the savings potential of the population, like taxing the elite, the state would create demand for real investment in capital goods by developing a modern heavy-scale basic industry sector. This was the summary of the elitist, modernist strategy of two highly educated persons in Indian economic history, which has been accused later of failing to generate employment and the development of the masses. That the trickle-down effect of investment in a small modern industrial sector would never reduce the impoverishment of the traditional rural sector was one of the leading arguments in the 1970s against the Nehru-Mahalanabis strategy. At the most, there have been consolations to the theoretical strength of the model on the grounds of the implementation failures by state bureaucracy and corresponding corruption problems, etc. But the question remains: In what way did the postcolonial developmental state, with the help of the specific industrial strategy adopted by it, articulate the strategic alliances and restraints between the three major sectors: the large private capitalist class in agriculture, the private industrial class confined to relatively labor-intensive, light consumer goods, and a modern, capital-intensive public sector?

The discussion could be addressed through a series of rigorous debates that went on in the fifties and sixties on Indian economic development, such as the agriculture vs. industry debate, the light consumer-goods industries for employment generation vs. capital-intensive heavy scale industrialization debate, the balanced vs. unbalanced growth debate or the export-led growth vs. import substitution debate (Bhagwati & Desai, 1970; Desai, 1998, 2007; Joshi, 1979; Srinivasan, 1996). These perceived alternatives and the corresponding choices could be shown to have later culminated in the "crisis of Indian planning" in the mid-sixties on the grounds of "urban bias" and "neglect of foreign trade" in the overall strategy (Chakravarty, 1987, p. 18), thereby justifying the shift toward the populist strategy of "Redistribution from growth" of the 1970s. Here, we avoid such a line of argument and the consequent dualism that it entails in its very inception and instead try to bring out the conditions specific to a newly independent postcolonial nation in the light of the predominant discourse of development that the third world subscribed to at that period—the shortage of capital stock in relation to the availability of employable persons (Chakravarty, 1987, p. 9).

The analysis involves a study of the regime of representation to show Indian economic development as part of the historically produced discourse (Escobar, 1995) — as a system of economic, political, and cultural power that produces specific forms of subjectivity and knowledge to secure its dominance. The predominant representation that provided the conditions of possibility to the heavy industrialization policy was as follows: India, a backward overpopulated rural subsistence economy, with agriculture providing 82% of the employment, had to follow the path of economic growth to combat the conditions of underdevelopment characterizing any third world economy. The crucial factor, as already discussed, was the savings constraint (Chakravarty, 1987, p. 5). Savings arise out of the profits of agriculture and industry, and profits are, in turn, determined by labor productivity, which again depends on the degree of labor specialization and adoption of new technology. But, as per the classical Smithian argument, "the nature of agriculture does not admit of so many subdivisions of labor, nor of so complete a separation of one business from another, as manufactures" (Smith, 1975, p. 16). The land is a fixed factor of production; when any variable factor (capital/labor) is added to it, its marginal product will eventually fall. Known as the law of diminishing returns in agriculture, this limits labor employment, after which there is disguised unemployment (so that removing such labor does not reduce output).

But in industries, there are increasing returns to scale as there is greater scope for capital accumulation by enabling complex processes to be broken up into simpler processes permitting the use of machinery, resulting in rising labor productivity and per capita income. With the help of innovations in machinery and skills, industries are the source of profit, which is further reinvested for output expansion in the sector. As demand for labor rises alongside the disguisedly unemployed workers in agriculture, the surplus labor, in Lewis' (1954) terms, with negative marginal productivities and meager wages (in cash/kind), migrate to the urban areas to be absorbed in the modern industrial sector for higher wages. Agriculture being important to the industry from such a supply side, the greater purchasing power in the rural population would further create greater demand for non-agricultural products. With industry demanding food from agriculture to feed workers and agriculture exchanging its surplus, such a model of reciprocal demand between agriculture and industry would lead to a cumulative and self-generating process of economic growth (Thirlwal, 1972, p. 100).

It is to be made clear that the increasing returns are not confined to factors that raise productivity within individual industries but are related to the output of all industries, which must be viewed as an interrelated whole—hence called the macroeconomics of scale. Because of these externalities, the relative prices fall, and proportionately more is bought, resulting in a higher rate of capital accumulation by the economy because, as a whole, it raises productivity for all individual firms, thus raising the rate of return at the individual level. This increases the payoff from investment so that investment by one agent has a positive effect on investment by another. Such "complementaries" formed the basis behind the "big push" of the balanced growth theorists like Rosenstein-Rodan (1943) and Nurkse (1953), who perceived underdevelopment as a massive coordination failure among sectors. Hence, they prescribed a policy that simultaneously creates a coordinated investment in all of them, thereby reaping the benefits of the forward and backward linkages that connect them in a specific whole.

The diversion that the Nehru-Mahalanabis strategy proposed was toward an unbalanced growth strategy, much in line with Hirschman (1958), who suggested that instead of following the big push as per the policy of "balanced growth," follow a deliberate policy of unbalanced growth. That is, selectively promote the development of certain key economic sectors. As the linkages generated by these key sectors make their presence felt, the market will respond to the unbalanced situation by increasing investments in other sectors. As attention began to shift from the size of investment to its composition, policymakers realized that India needed to make substantial investments in the capital goods sector. Why heavy industry (or investment goods sector) was chosen for such a targeted push through public investment raises the question of foreign trade with respect to a small open economy like India to realize the full relevance of the arguments like expanding the industrial base and removing possible future bottlenecks in machine-producing capacity. We address this using the Mahalanabis four-sector model (Karmakar, 2012).

Mahananabis extended his basic two-sector model (the one we explained) to a four-sector model where he retained the emphasis on investment goods but divided the other sectors into three sub-sectors: (a) industrial, (b) agriculture and cottage industry, (c) services, education, and health. Using the model, he showed that only one-third of the total investment should go to the investment sector, whereas two-thirds will be devoted to the three other sub-sectors (Karmakar, 2012). The allocation of a higher proportion of total investment to capital goods industries was based on the possibility that the output level in the capital goods industry within the economy might constrain the overall rate of real investment in the economy. Thus the Mahalanabis model represented an alternative approach that focused on bottlenecks created by the shortage of capital goods rather than a shortage of aggregate savings as emphasized in the earlier Harrod-Domar model. Such prescriptions were founded on two key assumptions regarding the status of the Indian economy in matters of foreign trade. Firstly, there are no exports, or there are severe constraints on the growth of exports. Secondly, the growth rate of aggregate investment in the economy is equal to the growth rate of output in the capital goods sector within the economy. Thus the model assumes away the possibility of acquiring additional capital goods through imports.

Such assumptions in the model are a part of the attitude of export pessimism that reigned among the policymakers in the post-WWII situation, especially in the newly independent underdeveloped economies (Balasubramanyam, 2010). However, a deeper analysis of the previous literature on international trade is required here. In economics, the conventional view was that free trade ensures specialization and efficiency in world production. As a result, free trade leads to an international division of labor by which poor countries (in Asia, Africa, and Latin America) tend to specialize in agricultural activities (diminishing returns), and richer countries (Western Europe and the USA) tend to specialize in increasing returns activities (industries). Thus, the theory of comparative advantage formed the basis for this rich-poor divide between countries. Their argument was that the exchange of industrial goods for agricultural products by the poor countries was to their advantage as technical progress in the richer countries would result in lower prices for industrial exports, and over the long run, progress would accrue to the poor countries without them having to industrialize (Thirlwall, 1972).

A rigorous criticism of such abstract universal economics came from the "structuralist" camp, which fought for the specific historical contexts and natural situations of these poor countries, their different social structures, and behaviors. Prebisch (1959) and Singer (1950) showed that Latin American countries were underdeveloped specifically because of their peripheral position to the central industrially advanced countries. Their emphasis on primary goods in the export basket was the actual cause of their lack of progress because of a long-term decline in the periphery's terms of trade (the ratio between the value of exports and the value of imports). Moreover, technical advances benefitted the center countries rather than the entire world. Rejecting underdevelopment as a temporary phenomenon and bringing it out as the structural characteristics of global capitalism, these radical theories led to an attitudinal shift among the policymakers of the third world. They sought to industrialize quickly, often using a policy mix involving trade barriers and exchange rate controls, taxes on export activities, and import substitutions (Peet & Hartwick, 2009, p. 65). The Indian development experience was no exception to this.

Under stagnant or slowly growing exports and a shortage of foreign exchange to import capital goods, the Mahanalabis strategy tried to develop its own capital goods sector (Raj,1965; Rao, 2004). It was believed that only after industrialization had proceeded some way and the country had become self-reliant in producing capital goods and related commodities the increased production would be reflected in larger export earnings. However, this strategy had a major disadvantage. It was capital deepening, and the commitment of large amounts of capital to heavy industry was to be counteracted with a highly labor-intensive and employment-generating textile sector. The development of a heavy capital goods base over time would lead to the diversification of the export basket in the direction of manufactured goods, including machinery and equipment. The increase in employment, leading to an expanded demand for consumer goods, would be met by pursuing "capital-light" methods of production (Chakravarty, 1987, p. 17). Thus the plan was to attempt an internally coordinated set of investment decisions suitable for accelerated growth of a mixed economy building up a modern industrial sector by providing cheap labor and food from agriculture, given the technological and other parameters in the absence of external shocks. It looked like an achievable target with sufficient agricultural production and a reasonable volume of net aid out of the Cold War scenario (Bhagwati & Desai, 1970).

It was two major exogenous shocks that shook the Indian economy in the late sixties—sharp increases in defence spending after the border troubles with China in 1962 and two successive monsoon failures in 1965 and 1967 that led to the abandonment of the five-year planning in favor of annual plans for the next three years. The sudden decline in food production resulted in high inflation, which forced the government to show reluctance toward any further investment that might result in inflationary price expectations. Serious cutbacks in public investment dampened the economy, leading to low demand for a range of goods produced by the private sector with the simultaneous emergence of excess capacity in the heavy and capital goods sector. With severe problems in producing foodgrains and cotton, and hence employment, it culminated in the nationwide food grain crisis and the corresponding setting up of the Agricultural Prices Commission and Food Corporation of India in 1965. The grave error in the Nehru-Mahalanabis Plan, an established point in the literature on Indian planning—the neglect of agriculture and small-scale employment generation (Krishna, 1982; Patnaik, 1999; Rao, 1971)—has often been used to clarify grounds for lesser government intervention in production (both agriculture and industry) in the post-Reforms era. Other arguments against the strategy, like the incompetency of the textile sector and other consumer goods industries for exports owing to various licensing and government regulations and inefficiencies arising due to state bureaucracy favoring a selected few businesses and groups of industries, have quickly followed in their discussions (Bardhan, 1984, p. 32).

Patnaik (2015), as a defender of the strategy, argues that they miss the pro-agricultural argument in the heavy industry strategy. He dismisses the neglect of agriculture and foreign trade on the ground that it was specifically to shift the industrial structure away from agriculture, easing the pressure on the demand for land and expanding the mining and mineral-based industries. Similarly, emphasizing the production of cotton textiles and jute textiles for export growth (since tea, cotton, and jute were India's three main export items) would have pushed more land away from food grains, worsening the country's food security. Such perspectives offer a differing view on the relationship between the Nehru-Mahalanabis strategy and the food grain crisis of the 1960s.

Planning as a Discourse

The issue, we believe, lies deeper. An inward-looking, closed-door strategy of national economic development like the Mahalanabis model must be addressed in relation to the question of transition concerning the economic formation of a postcolonial third-world nation—the transition from tradition to modernity, from unreason to reason, from pre-capitalism to capitalism (Sanyal, 2007, p. 111). The heavy-industry capital good strategy under dominant public ownership has been the cornerstone of major differences in opinions on public policy between the liberal and the Marxist traditions as per their presumably unbiased criteria of efficiency and incentivization between private players and state or market mechanism and public pricing policies. However, in both these schools of modernization theories, there is inscribed a story of failure, of incompleteness in the trajectory of transition of the underdeveloped economy, that is, a successful transition to capitalism has not taken place. While the liberals focus on fundamental structural changes, where the traditional economic, social, and cultural institutions are replaced by a set of modern institutions, creating conditions of sustained economic growth, the Marxists always see development as a transition from a stagnant pre-capitalist mode of production to a dynamic capitalist mode of production (Desai, 1998). The arguments behind the concerns for raising productivity and efficiency have widely ranged from transforming the relations of production through state intervention (often called the radical socialist path) or importing technology and capital (i.e., external agents of surplus extraction), but what is often missed is how the mode of appropriation and distribution of surplus involves the question of power and agency. The institutions are themselves sites from where statements are made, statements regarding the object of knowledge (here, the third world economy), that involves a particular way of knowing the reality (underdevelopment), that produces and disseminates effects of truth (i.e., of development) and brings into play agents (e.g., the state) who intervene and act as the source of legitimacy and power of the discourse of development.

A deeper analysis—a discourse analysis—is thus required to go beyond the vast literature on comparative analysis of the Nehru-Mahalanabis strategy with the free-market regime of the post-Reforms period (and the corresponding debates on state vs. market, efficiency vs. welfare, growth vs. equity) and try to grasp how the discourse of planning emerged at that time to cater to the idea of development and transition that the international developmental organizations, universities, and research institutions produced from the actions, their modalities, strategies, and practices, including the instrument of a strongly committed postcolonial nation-state. Thus, we can understand planning as a discourse of development, a regime of representation and power.

The question of the development of the third world emerged after the Second World War when people's massive poverty and misery became a matter of concern for economists (Todaro & Smith, 2012: 110). It was accredited to the traditional, backward structures of the economies that prevailed largely in this part of the world. Accordingly, when the discourse of development was established by the World Bank and International Monetary Fund (both originated in World War II, in 1944, as part of the concerted effort to reconstruct devastated Europe and develop the newly decolonized Third World) to address this, it was primarily based on the transformation of the age-old structures to a modern, capitalist one to remove the mass structural poverty in the third world. That is why the IMF, in its early phase, would provide loans to create conditions of accumulation through structural changes and maintain aggregate demand in these countries to stop further global depression as of the 1930s. A crucial difference, as Sanyal (2007: 108) noted, in the conceptualization of development that emerged in the 1950s as a discursive construct from the previous colonial context was that the development of the colony was a matter of concern of the colonizer, the responsibility lied with the imperial power and its agencies, the discourse of backwardness produced by the colonizer followed from the agency of a concrete, centered, and visible form of territorialized political authority of the imperial state. On the other hand, in the postcolonial context, development is a body of techno-scientific knowledge produced and disseminated by specific institutions like research institutions and universities. The real power of the discourse was derived from the supposed neutrality and universality of the knowledge itself. Let us elaborate.

If we look back at the case of the transition of Western Europe from a feudal society to a modern commercial economy, it is evident that the way the classical political economists like Smith and Ricardo saw it, development was conceptualized as a process of economic transformation. As social changes were happening in Europe, mostly in terms of the "enclosure" of the feudal common lands by the noble landowners, Smith justified the emergence of capitalism on "naturalist" grounds, as against the "artificial" mercantilist state, based on the claims that private property regime and modern social institutions of market guaranteed the natural freedom of the self-seeking, enlightened individuals disciplined (ordered and restrained) by virtue of mutual exchange (Peet & Hartwick, 2009, p. 32). Thus, while classical economics can be seen as contributing to the one long class struggle between the landed nobility and the new bourgeoisie, in favor of the latter, for the control of the state, control over ideas, and control over the economy and its products, what is crucial to note that the process was only to be recorded, analyzed and, at the most, facilitated. What changed in the colonial context was that the process now had to be initiated: the colony *needed* to be developed. A discrete structural change had to be brought about by purposeful interventions through which the materiality of the discourse of underdevelopment and poverty of the colony was to be secured by the political authority of the imperial state. Thus, the colony's development was represented as the colonial state's responsibility through rational conscious action on the macro level. It was a process not just to be analyzed but a task to be monitored and a mission to be achieved. The object of the process to be transformed, i.e., the colony, was what legitimized its rule, its discursive materiality or effectivity derived from the colonial discourse (Sanyal, 2007: 110).

With the non-revolutionary decolonization of the third-world countries of Asia and Africa in the late 1940s and 1950s (Stiglitz, 2003), the previous legacy was now to be carried forward by the postcolonial independent state, but with a characteristic shift in the discourse: the real power of the postcolonial discourse of development was derived not from the political authority of the nation-state, but from the supposed neutrality and universality of the knowledge that the specific institutional sites like developmental organizations, research institutions, and universities. The statements through which the institutions legitimize, i.e., the body of techno-scientific knowledge on development constituting the discourse (Foucault, 1972, 2001), now imparted great significance to the postcolonial nation-states, but its role as an agent of social change was to be derived from the effects produced by the discourse. Planning and state-oriented interventions are only instances of the discursive practices legitimized by experts, practitioners, and professionals who would now act as trustees of rationality rather than political power. This is to emphasize our point that the specificity of the discourse of post-coloniality is the dominance of the discourse of the university, a discursive formation such that, with its technology of power and modalities, it renders the process of developing an apolitical status, impartiality situated in the realm of reason. Such depoliticization of the process of development provided planning its conditions of emergence of its object (i.e., the third world) as well as the concept of its development to produce effects of truth and stability of the object and subject of the knowledge (Sanyal, 2007: 80).

Once development becomes a matter of economic and social engineering, devoid of any political and social conflicts, once the development process is professionalized and bureaucratized, then the state comes to be represented as a politically neutral agent of social change, hiding the extremities of the heavily fought social conflicts that characterized Western Europe in its process of transition, namely the economic-political-cultural confrontation between the traditional landlords and class of small manufacturers during the agricultural and industrial revolutions (1600–1850). The description of the process in terms of classes as actors with specific class interests and conflicts between them is nullified by the representation of development in the postcolonial context. In that sense, development as a discourse is not an academic exercise. Still, it has to be viewed as a representative strategy, a constructed hegemony (Chatterjee, 1993), by which postcolonial capital, with a different dialectic of its own, negotiates with non-capital in a relation of contradiction and mutuality.

Development as Simple Hegemonic

The term "hegemony," used here in the specific sense of that of discourse—the discourse of development (and not of a particular class)—emerged in the context of the nationalist movement against the colonial rule when the Indian capitalist class entered into a series of alliances with the other pre-capitalist dominant classes. The Indian capitalist class did not represent the nation as in the aspirations of the popular masses and hence could not launch a frontal attack on the colonial rule to establish a modern state committed to ensuring conditions of capitalist accumulation. Instead, it sought to limit the former power of the pre-capitalist landlord classes, neutralize them where necessary, attack them only selectively and bring them around to a position of subsidiary allies within a reformed state structure (Chatterjee, 1993: 212). The legitimization of a dynamic "modern" sector based on accumulation and innovation required the recognition of the other constituent elements of the nation. This was precisely what the role of the state was to be: to remove the constraints of the development of the Indian economy within the framework of a democratic system based on universal adult suffrage. But that would limit the developmental state in its coercive functions of breaking the unity of labor and land and the consequent creation of a wage-labor force. Instead, the state would have to initiate a persuasive approach in the form of a politically neutral process of planning by addressing the developmental needs of the vast pre-capitalist sector that constitutes the "outside" of capital. Such legitimization in the form of developmental programs toward pre-capital in the hands of the state for the expansion of the modern capitalist sector marked postcolonial capitalism as distinct from the classical case of Western capitalist development (Sanyal, 2007: 113).

It is crucial to note how the economic needs of postcolonial capital had to ensure its political and ideological conditions of existence (Gramsci, 1971). As representative democracy allowed for a complex economic formation of capital and pre-capital (or its outside) existing together, each locked in relations of ambivalence and contradictions with the other, the superiority of capital had to be secured by positing the ideals of progress and rationality to capture the social imaginary. In the spirit of "catching up" with the West, the process of development was depoliticized of the class conflicts via a politically neutral regime of planning, thereby eliciting consent, both at the level of civil society and macro-state, for the expansion of the domain of capital to be carried out at the cost of the annihilation of the vast pre-capitalist formations. Such persuasive principles, by which the Planning Commission and its techno-bureaucratic apparatuses were able to extricate the question of development from the rhetoric of nationalist politics, pushing its political nature out of sight, was the basis for planned modernization and industrialization, ensuring that capitalist accumulation occupies the center stage around which the discourse of development was to be organized in the third world. In this sense, we call the discourse hegemonic: meanings of economic entities are fixed provisionally within the totality produced by the discursive articulation organized around certain nodal points (Laclau & Mouffe, 1985). It is the hegemonic practice of suturing the totality into a closure that is our primary concern here to understand the specific articulation of the discourse of the 1950s; it is a way of organizing the conditions of reproduction of a class rule and the shifts it had to undergo later in the 1970s.

The representational strategy or the hegemonic discursive articulation was built around the nodal point—capitalist accumulation. It was posited as the key to development as it would lead to further investments, expanding production capacity, and employment. In the space of development thus produced, other signifiers like production, consumption, employment, market, etc., acquired their meanings in relation to the privileged discursive position occupied by accumulation. Reading it in the light of any classical model of economic dualism, such as that of Lewis (1954), the modern capitalist sector, defined by the two properties of production of surplus by workers and its utilization for additional capital, will dynamically expand on its logic of accumulation, generating employment and drawing labor from the traditional subsistence sector, defined in terms of absence of reproducible capital and presence of surplus labor, thereby transforming the agriculture-based family workers into wage-labors via incentivized migration to the modern sector until wages are balanced in both the sectors signaling a withering away of the backward sector. This transformation logic, fed by the capital-non-capital dualism of the latter in the image of the former (Escobar, 1995), is how the narrative of transition produced a specific image of the economy to discursively produce the truth and knowledge of development, obliterating from the discursive field the fierce political battle that must be fought to clear the space in which the initial conditions for sustained capital accumulation can be ensured (Sanyal, 2007).

With accumulation as the overarching logic of development, the state is foregrounded in the discourse as a facilitator of accumulation and obliterates other possible forms of providing entitlement. As its discursive practices, the state derives its functions from heavy-scale investments and regulatory interventions, thereby creating conditions conducive to accumulation. The huge public sector, in production as well as the financial system, and the vast middle class that the state bureaucracy supported (Bardhan, 1985, p. 51) are evidence that in the representation of postcolonial development in the early years, the ideals of development were conflated with the notions of accumulation, thereby providing conditions of emergence and reproduction of a specific mode of class-exploitation termed as state-capitalism. The production, appropriation, and distribution of surplus in the hands of the state bureaucracy, as compared to the private capitalists as in the Lewis model, under the justifications of progress and modernization, was thus following the organization of a discourse, the discourse of development, with its modalities of power as established here—its presumed apolitical character, positing of the ideology of the capitalist as the ideology of the nation for its development, and principles of coercion blended with those of persuasion to elicit consent. That the nature of the hegemony was not that of a specific class but of the discourse of planning will be crucial to our dealings in the later essays on the post-reforms public policies and their theoretical underpinnings. But for now, we have established how the Nehru-Mahalanabis strategy served to establish the “hegemonic” role of development in the “simple” sense of the term that the organization of the discourse corresponded to the singular nodal point of capital as accumulation in providing the closure, however provisional, to the discourse of development of a newly independent postcolonial economy like that of India in those times.

But, with the food crisis of the late 1960s and the advent of the Green Revolution, there was a change of attitude in public policy-making as institutional factors became priorities in the public discourse leading to the revamping of the land reforms, nationalization of the banking sector, monopoly-restrictive practices, etc. (Chattopadhyay, 1973; Malamasuri et al., 2013). The most important of them all was the price-support policies through which prices became a part of the political process (Ahluwalia, 1993; Dantwala, 1993; George, 1996; Mooij, 1994), as the issue of persistent absolute poverty made its way into the rational, coherent discourse of accumulation of the modern industrial sector. A shift was witnessed in the development discourse in the 1970s, a shift from accumulation to redistribution, which forced the state to adopt a different set of practices and interventions, through which it now attempted to secure the organization of the various aspects of the development of the Indian economy as per a different logic for the first time away from the role of modernizer through public investment toward an approach aimed at meeting the basic needs of the masses. These shifts in discourses, which were consequences of the political contradictions that emerged from centralized planning toward capital accumulation and were resolved under a different mode of organization of the discourse, had to be understood in terms of their reproduction of conditions of class exploitation here, to prepare for the theoretical grounds on which the economic reforms that the Indian economy has gone through in the recent decades were founded and legitimized.

Conclusion

India today has marched on to its thirtieth year of neo-liberalism since the so-called reforms period of the nineties. India has undertaken an extensive set of economic policies in these years premised on the three tenets of privatization, liberalization, and globalization to steer the economy from a tightly controlled state-led economy toward a free-market-oriented path of high economic growth. Not just India but the majority of the countries of the present world have undergone significant macroeconomic changes in the specific direction, especially since the collapse of the Soviet Union. In the contemporary global political-economic discourse, any state intervention, whether in the spheres of agriculture or industry, or any form of a license, or tariffs or other regulations in trade or finance, has been viewed with deep suspicions of inefficiency, corruption and lack of competitiveness that impinges with the natural mechanism of the market producing distorted incentives and outcomes for the economy. Accordingly, the government's role in developing countries has become limited to creating conditions for the free operation of the market mechanism (like infrastructure and skill development). We can say that with globalization, the Smithian prophecy of the invisible hand has come true.

It has been a task in this essay to go beyond the duality inherent between the state and market, between protectionism and free trade regimes. By framing the question in terms of transition, we have tried to move away from such debates, rather bringing into light how the logic of capital utilizes the representations of centralized planning and state-led accumulation to create conditions of existence and reproduction of the discourse of development in the postcolonial context. The discourse of development becomes hegemonic only when it ensures the political, economic, and cultural conditions of capital. This is the sole purpose, the reason we use the notion of simple hegemony here, to highlight the elements of coercion (via aggressive accumulation by the state) as well as persuasion (positing the ideals of progress, rationality, and modernization) in our discussion on the emergence of planning as the discourse of development in those times, thereby marking the specificities of postcolonial capitalism in the Indian context.

I have been advised to end with a fine conclusion, but I believe it is indicative of the impossibility of a resolution in this work. It is a matter of contestation between the discourses, a struggle for the claim of truth, a power struggle that remains unfinished to this day. For it has to be ensured every moment to be hegemonic, to hold the suturing that negotiates with its outside, to secure the legitimization and power of the representation—the discourse.

Author's Contribution

Samyo Basu is the sole author of this paper. He conceived the idea and wrote the manuscript.

Conflict of Interest

The author certifies that he has no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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