Selected Topics in Economic History: Political Economy of Late Development: 
Case of the Modern Indian Economy

2016 Early Summer (May-June)

Course Instructor: Deepanshu Mohan
Course Duration: 9 May – 14 June
Lecture Hours: Tuesdays & Thursdays (18:05 to 20:55)
Location: B-849 Loeb
Office Hours: TBA
E-mail: deepanshu.mohan@carleton.ca

Prerequisites:

Prerequisite(s): ECON 1000 or FYSM 1003, or permission of the Department—please see the Department of Economics Undergraduate administrator, Amanda Wright, about obtaining such permission.

Brief Course Description:

“Institutions that provide dependable property rights, manage conflict, maintain law and order, and align economic incentives with social costs and benefits are the foundation of long-term growth....State institutions are not the only ones that matter. Social arrangements can have equally important and lasting consequences....Modest changes in institutional arrangements...can produce large growth payoffs...[but]the required changes can be highly specific to the context This yields some general lessons for policy-makers in LDCs and transition economies who are contemplating market-oriented reforms and privatizations, and for their economic advisers from Western countries and international organizations. They must recognize that markets will not succeed unless they are supported by adequate governance institutions.”

-Dani Rodrik (In Search of Prosperity, 2000)

The Indian independence in 1947 culminated after a long struggle between the British government and the Indian independence movement, led by Mohandas Gandhi, but one of his most important lieutenant then, Jawaharlal Nehru later went on to become the first Prime Minister of independent India. The economy's rise since the dawn of its independence (1947) has been one of the most important economic developments in the South Asian region and for the modern global economic system.

In a more globalized world today, lessons on a nation like India's contemporary economic history will demonstrate the kind of political and economic problems, India and other developing countries face in the current times. This course will provide a comprehensive background of the Modern Indian Economy with deeper insights on its politico-economic trajectory that shaped the rough rise of this
“late industrializing developing” economy in decades since independence. Identifying distinctive phases in India’s economic growth cycle, the course shall introduce most of the economic literature on post-independent India that points at a deep metamorphosis undergone in the nature of economic policies i.e. from a perceived "pro-state" Nehruvian regime (1950s onwards) into a "pro-market" liberalized economic regime (post the 1990s).

The course will debunk some of the myths related with India’s economic planning processes and introduce secondary and primary evidence in supporting such hypothesis from its’ political and economic history. Elucidating the key role of economic planning in India for times ahead, the lectures will focus more on key issues related with India’s growth story and the main development challenges that continue to exacerbate problems such as economic inequality, underemployment, low manufacturing/industrial productivity etc. The topics covered thus, enquiring the nature of reforms through the lens of evidence on levels in economic development, distinctive phases in India’s economic growth will also provide cross-country comparisons with other Asian economies like China, South Korea etc.

Objectives of the course:

- Give a lucid background of the modern Indian economy and its progression in terms of economic growth & levels of development since the times of Independence.
- Introduce the transformation seen in the political economic landscape and policies implemented in the decades after Independence along with an organized discussion on the significant economic developments that have occurred in the last few decades.
- Develop an understanding of the kind of challenges developing economies like India face today surfacing from their progress to democratization and development as a post-colonial nation-state in the South Asian region, with the global diffusion of sub-continental Diasporas and culture.
- Introduce students to a brief history of other developing economies (South Korea, China and Botswana) in comparison to the India’s economic history.

Required Texts:

- **Book:**
  - *India: The Emerging Giant* by Arvind Panagriya
  - *In search of Prosperity* by Dani Roadrrik et al.
  - *State Directed Development: Political Power and Industrialization in the Global Periphery* by Atul Kohli
  - *India’s Tryst with Destiny: Debunking Myths that undermine progress and addressing new challenges* by Jagdish Bhagwati & A. Panagriya

- A detailed list of week-by-week references and topics will be provided in Course Manual (both the Course Manual along with a ‘Detailed Week Wise Topics & References’ will be mailed to all interested students in Week I). In addition to the mentioned books here, other references (mostly in the form of research papers) will be specified for most of the topics covered.
Additional References (Background Reading on Indian Economy & History)

- *Making Growth Happen in India* by V. Kumaraswamy
- *The Rediscovery of India* by Lord Meghnad Desai.
- *Saving Capitalism from the Capitalists* by Raghuram Rajan & Luigi Zingales
- *Indian Development: Regional Perspectives* by Amartya Sen & Jean Dreze
- *Rethinking Development Economics* by Ha-Joon Chang

**List of Class Topics & References**

**Week I & II**

**Political Economy of Late Development**

- The Idea of Growth & Development
- Growth vs./& Development: Who's job?
- Role of the State in Economic Development

**Reference Readings**

*Chapter 1: Introduction: What do we learn from Country Narratives?* by Dani Rodrik

*In Search of Prosperity (edited)* by Dani Rodrik

*Market Failure and Government Failure* by Mrinal Datta-Chaudhari

Source: The Journal of Economic Perspectives, Vol. 4, No. 3


**Additional Reference:**

*Symposium on the State and Economic Development* by Pranab Bardhan

Source: The Journal of Economic Perspectives, Vol. 4, No. 3

**Focus Questions**

- How can we define growth and the process in accounting for it (relevant to the case of developing economies)?
- In what way can the process of increasing economic ‘growth’ be linked to increasing economic ‘development’ within an emerging economy?
- How do we define “market failures” and “government failures”? In what way can these failures be corrected?
- What lessons can be drawn on “variations in state intervention” necessary for emerging economies in the analysis offered by Mrinal Datta Chaudhari in her paper, “Market Failure and Government Failure”?

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1 Please note that this list of topics is subject to change and the final list of Class Topics (Week Wise) will be provided in the Course Manual.
2 These would be updated every week.
**Week II & III**

**The Economic History of Modern India**
- Origins of a Fragmented Multiclass State and a Sluggish Economy-Colonial India
- Introduction to the Indian Economy (The Past)
- The Nehru & Indira Years

**Chapter 6 & 7, State Directed Development: Political Power and Industrialization in the Global Periphery** by Atul Kohli (pp 221-257; pp 257-288)

- Define the colonial state construction in India under the British regime (1857-1947)?
- To what extent the origins of a fragmented multiclass state and “nationalistic” opposition failed to present a coherent economic vision for a post-independent India? In case you do not agree with this, offer a counter view with explanation?
- In terms of the political economy of policymaking in India (after independence), how can you compare The “Indian under Nehru” with “India under Indira Gandhi”? Explain with an economic lens (drawing relevance from India’s Trade Policy, Foreign Investment Regime, Industrial Policy & outlook towards Agriculture)

**Week IV**

**Role of Economic Planning in India**
- Evolution of Planning: The Planning Commission
- India’s Development Strategy: Post Independence Era
- The Government, The State and The Market

**Chapter 4: Planning in India, Indian Economy**, by Uma Kapila

- India’s Development Strategy: Accidents, Design and Replicability by Nirvikar Singh

- On what basis can you distinguish the phases of India’s growth experience?
- Why India was able to shift its growth rate from less than 1% in the first half of the 20th century to 4.1% in the first 14 years of the post-independence era?
- In explaining the sharp decline in the growth rate (during Phase II-1965-80), to what extent both internal policy and external shocks were responsible as reasons for the same?
- In embracing socialism, to tackle poverty while ensuring equity for
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<th>Week IV</th>
<th>all where did Indira Gandhi fail/succeed in her vision?</th>
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| **India’s Economic Growth Story (1950-2013)** | Chapter 1,2,3,4,5 (pp 3-110)  
*India: The Emerging Giant by Arvind Panagriya* |
| - Periodization of India’s Growth Experience  
- Performance of the Economy in Distinctive Phases  
- India’s Growth Turnaround (1980s-90s; 2003-08)  
- End of the ‘License Raj’ | |
| **Week V (Cross Country Narratives)** | |
| **A Tale of Two Countries**  
(Analyzing the performance of the Republic of Korea in comparison to India’s growth experience-post independence) | Chapter 6: A Tale of Two Countries: India and the Republic of Korea  
*India: The Emerging Giant by Arvind Panagriya* |
| **Week VI** | |
| **An African Success Story: Case of Botswana** | Chapter 4: An African Success Story: Botswana by Acemoglu, Johnson & Robinson  
*In Search of Prosperity (edited) by Dani Rodrik* |
| **Week V** | |
| **How Reform worked in China** | Chapter 11: How Reform worked in China by Yingyi Qian  
*In Search of Prosperity (edited) by Dani Rodrik* |
<p>| <strong>Week VI</strong> | |</p>
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<th>Political Economy of Growth without Development: Case of Pakistan</th>
<th>Chapter 14: The Political Economy of Growth without Development: A Case Study of Pakistan by William Easterly</th>
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<td>In Search of Prosperity (edited) by Dani Rodrik</td>
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Week VI

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<th>Recalling Rodrik’s advice on Institutions, Geography and Integration</th>
<th>Chapter 1: Introduction: What do we learn from Country Narratives? by Dani Rodrik</th>
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**Course Evaluation**

Each student’s grade in the course will be calculated as a weighted average of scores for two Assignments 10% (each); Mid-term Exam 25% (in-class, Week III); Class Participation 10% (based on class response & attendance); Final End Term Take Home Exam 45% (TBA—scheduled by the University). Assignments will be due during the time of specific lectures (TBA).

- Two Internal Class Assignments 20%
- Class Participation 10%
- Mid-term Exam 25% (in-class, Week III)
- Final End of Term Paper 45% (end of semester)

One of the internal class assignments will include a **Class Presentation exercise** (further details to be given in Week I). In this Class Group Presentation (marked for 10%), students will form groups and select a topic to present on from a list. The list of topics shall be given in the first week of course itself and group presentations will start from Week II onwards. Each presentation can be in the form of a PowerPoint presentation, a video or an interactive discussion initiated by the respective group. Further Details on the exercise will be given explained in Week I of the course.

The (three-hour) final examination will take place during the Early Summer examination period (June 17-23) at a time and place set by the University. Students who can document a compelling reason for missing the mid-term examination will be excused and their final grade will be based on their performance in the rest of the course—i.e., the weight of each of the remaining evaluation instruments will rise by a factor of 1/.75 (e.g., the final examination weight will become 45% / .75 = 60%).

Students must fulfil all of the preceding course requirements in order to achieve a passing grade (D- or higher). Failure to earn 50% or more of the available participation marks, or failure to do one or both assignments or failure to write the mid-term examination (without a documented compelling reason) will result in a grade of FND (“Failure with No Deferred final examination allowed”). Failure
to write the final examination when the student has achieved satisfactory performance during the term will result in a grade of ABS ("ABSent from a required final examination").

See Academic Regulation 2.3 for the official meanings of these grades, and note that it stipulates that no course grades are final until approved by the Faculty Dean. Note also that course grades may be scaled upwards or downwards in a rank-preserving manner to better fit the relevant departmental distributional norm. Application to write a deferred final examination must be made at the Registrar’s Office.

**Plagiarism:**

Please be aware that plagiarism is serious offence at Carleton and should be recognized and avoided. For information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at

[www.carleton.ca/economics/courses/writing-preliminaries](http://www.carleton.ca/economics/courses/writing-preliminaries)