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Towards an Alternative Economic Development Framework for India: The Challenge of the Developmental State Approach

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Abstract

The overarching intention of this contribution is to propose an alternative economic development framework for India taking into account the country's historical, social, cultural, institutional, and political characteristics. The main focus of the paper is to sketch out the policy framework that might be advisable to promote an internally-propelled growth pattern and diversify the production lines of India while broadly spreading the socioeconomic gains. To this end, a "developmental state argument with Indian characteristics" is proposed as a realistic alternative policy framework for the support of selected industries of high potential and achievability while leaving space for further social and political advancement.

Keywords: *Development Plans; Industrial Targeting; Developmental State; Sociocultural Traits; Politico-institutional Factors; India*

I. Introduction

In recent years, India has experienced notable economic growth. Since the mid-1980s, India has slowly opened up its markets through . After more fundamental reforms since 1991 and their renewal in the 2000s, India has moved towards a (World Economic Forum, 2019). In the late 2000s, India's growth varied from 7.9% to 8.5% but declined slightly to almost 7% during the last two years. India is the world's seventh-largest economy, being between the economies of France and Italy, and is than any other large economy except China (World Bank, 2020). The Indian GDP growth has helped to ensure that South Asia is the fastest-growing region in the world. By 2050, India's economy is , behind only China. In addition, the country's population is 1.34 billion people –18% of the world's population– and may overtake China as the world's most populous country by 2024 (World Economic Forum, 2019. It has the , but doesn't yet fully capture potential demographic gains since over 30% of India's youth are not in employment, education, or training.

Moreover, based on recent publications and reports by international organizations, the country's technological trends are promising. India has moved up the rankings on technological readiness due to improvements in indicators such as internet bandwidth per user, mobile phone and broadband subscriptions, and internet access in schools. India also plans to build on its tech start-up prospects, since its economy possesses more companies than anywhere other than the US and UK. The country scored well in the on access to finance for business development, and has made modest progress in closing its gender gap over the last decade moving from 98th to 87th in the World Economic Forum's . India is making conscious efforts to translate its growing economic influence into 'soft power'

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on the global stage by pursuing creative initiatives –for example, by promoting and by . India's space agency is , while the international outreach of Bollywood films is growing (the Dangal movie, for instance).

Yet, this rosy economic growth outlook masks the fact that the country faces significant social, economic, developmental, environmental, cultural, and institutional challenges. In reality, India faces serious economic and social issues as a direct result of excessive dependence, underdevelopment, and economic exploitation by transnational corporations and international institutions. Such vexing issues include a clash of interests of the Indian people with foreign interests, racial discriminations, and the revelation of India's disproportionate dependence and blocked development. India ranked a disappointing 60th among the 79 developing economies assessed in the World Economic Forum's latest . This is reflected in as India's richest 1% own over 53% of its wealth, up from nearly 37% in 2000. The increase in inequality is being added to a society that is already fractured along class, religion, region, and gender lines, and compromises the pace at which India is lifting people out of extreme poverty. About one-third of the world's population living on under $2.0 USD –some 224 million people. Oxfam has previously calculated that if India were merely to stop inequality from growing further, it could have lifted 90 million people out of extreme poverty (Oxfam 2019).

Intellectually, mainstream interpretations of the Indian experience mainly emphasize 'total factor productivity,' 'market-supremacy' policies, and recent politico-institutional arrangements based on 'efficiency' considerations. However, in complete contrast to these ahistorical, apolitical, context-free orthodox and neoliberal analyses, this contribution relies on an 'internally -propelled developmental state framework with Indian characteristics', instead of 'externally-promoted neoliberal remedies', by placing emphasis on heterodox –including evolutionary-institutional– conceptions like emergence, path-dependence, power, idiosyncrasies, and national development acumen. Besides, a glimpse in policy implications of economic complexity theory is taken into account. With some explicit considerations accounted for, the paper reveals the importance of long-standing heterodox threads, namely, the role of history, institutional structures, political economy, local culture and social psychology, and international relations (Elsner 2019).

With such an alternative theoretical background in mind, the paper is structured as follows. The first two main sections (2 and 3) outline the Indian economic development context by discussing historical, sociocultural, and politico-institutional aspects as well as the country's growth performance since Independence. The subsequent main section (4) describes important aspects of an endogenous development framework for India based on the developmental state argument, and offers necessary policy suggestions for the successful implementation of such a nationally-planned radical proposal while intentionally taking the country's sociocultural and politico-institutional traits into account. Some concluding remarks end the paper.

II. India's Political History and Development in Retrospect

The historical phases of globalization have been the subject of wide-ranging research and ongoing debates. Most scholars regard globalization as a recurrent phenomenon with a long history. Indeed, as early as the prehistoric period, roots of globalization could be found. Since olden times, people began to link together disparate locations on the globe into systems of migration, resources, wealth, power and interconnections. Humans have sought places to inhabit, produce, and exchange goods enabled by improvements in methods of production and forms of transport. Territorial expansion to all continents was an essential component in establishing a globalization period, which was initially furthered by the development of agricultural activities and international commodity trade.

A well-known proponent of a deep historical origin of globalization was Andre Gunder Frank (1998) who claimed that a form of globalization has been in existence since the trade relations between Sumer and the Indus Valley Civilization in the third millennium BC. Evidently, the history of India begins with the birth of the Indus Valley Civilization, which flourished between 2500 and 1900 BC in the western part of South Asia –what today is divided between the two independent countries of India and Pakistan. After the Indus Valley Civilization, several events took place which have marked India's rich history (Wright 2009):

- In early second millennium BCE, continuing drought caused the population of the Indus Valley to disperse to villages, and Indo-Aryan tribes into the Punjab region. Subsequently, the Vedic period was marked by large collections of hymns of these tribes which expressed religious culture and gave rise to Hinduism. Later during this period, the 'caste system' created hierarchical structures of priests, warriors, and free peasants but excluded indigenous people (Sen 2017).
- For the next 1500 years, various parts of India were ruled by different dynasties, among which the Gupta Empire stands out. This period witnessed a Hindu religious and intellectual renaissance and is known as the

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'Golden Age of India.' During this era, aspects of Indian civilization, administration, culture, and religion (Hinduism and Buddhism) spread to much of Asia. During the 5th and 11th centuries, the most important event was the Tripartite struggle, which saw the rise of several imperial powers (Singh, 2009).
- Since the 8th century, Islamic conquests took place, which resulted in the founding of the Delhi Sultanate in 1206 CE. During the early 12th to early 14th century, Muslim Central Asian Turks ruled major parts of Northern India, but declined in the late 14th century because of the emergence of several powerful Hindu states and the introduction of Sikhism in the 15th century. However, internal battles among Indian kingdoms gave opportunities to European superpowers to gradually gain political influence and appropriate lands. European traders first came to Indian shores in 1498 (Keay, 2010).
- The early modern era began in the 16th century when the Mughal Empire conquered most of India and the territory became the greatest global economy and manufacturing power. But during the 18th century, the Mughal Empire underwent a gradual decline while large regions of India were occupied by the East India Company that was acting as a sovereign authority on behalf of the British government. Dissatisfaction with the East India Company led to the aggressive Indian Rebellion of 1857, which led to the closure of the Company. Afterwards, India was ruled directly by the British Crown becoming one of Great Britain's colonies.
- One of the most important events of the 19th century was the rise of Indian nationalism, leading Indians to seek first 'self-rule' and later 'complete Independence'. After , a nationwide struggle for Independence was launched by the , led by , and noted for . Later, the started advocating for a separate Muslim-majority . Along with this strong desire for Independence, tensions between Hindus and Muslims had also been developing over the years. As a result, in August 1947, the British Indian Empire was divided into two separate countries, India and Pakistan, each gaining its Independence (Clothey 2006).
- Since gaining Independence from Britain in 1947, India has become a newly industrialized country, has a history of collaboration with several countries, is a component of the BRICS, and a major part of the developing world. India was one of the founding members of several international organizations like the United Nations, the Asian Development Bank, the Asian Infrastructure Investment Bank, the New Development BRICS Bank, G-20, and the founder of the Non-Aligned Movement. India has also played an important and influential role in other international organizations such as the East Asia Summit, World Trade Organization, the International Monetary Fund, and the Shanghai Cooperation Organization. The country has taken part in several UN peacekeeping missions, has exerted significant influence in global affairs, and may be classified as an emerging superpower.

All in all, India's history has been a narrative of rise and fall of strong and weak rulers, a frequent restructuring of its geographical borders, and the development of lasting philosophical traditions and religious incarnations. However, India's development experience remains heavily contested and has produced contrasting interpretations. Since the mid-1980s, the country's increasing openness enabled India to reap significant economic gains from its interaction with the global economic environment. Evidently, the economic and socio-political landscape in India has changed over the last few decades and has developed disproportionately across the country. In reality, India's economic growth has generally been more rapid in particular urban areas, and there are significant disparities in per capita income, employment generation and production levels between its regions. The consequence is a vast wealth disparity between different regions, and between certain cities and rural areas. Furthermore, foreign investment remains important to India's remarkable expansion in world trade and has been a main factor in the growth of urban job creation (see the subsequent Section 3 and the attached Table). Nowadays, when discussing the future of the world capitalist economy, India is among the most highly debated countries. With a population of more than 1.3 billion people and an economy that once was based on primary production, India has become heavily focused on services and has a significant impact on global trade.

In spite of these positive developments, competition with China for regional influence has lately intensified, e.g., a over the disputed area of Doklam in Bhutan. India has keenly opposed China's 'One Belt One Road' initiative, which aims to construct new infrastructure for trade by land and sea in surrounding countries –including development of a disputed region of Kashmir. However, trade between India and China remains important. China is market of India's imports, and its third-largest export market after the US and UAE, providing a strong incentive for cooperation between these two economic powers.

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III. India's Development Efforts and Growth Performance since Independence

Before Independence, India was a largely agriculture-based country. Although there was a relatively significant manufacturing sector in some parts of the country, it was mainly in the form of small-scale local enterprises such as spinning, weaving and woodwork industries. These businesses served their local markets, which meant that large-scale expansion of an industry was very difficult at that time. Post-independence, the main objective of India's development strategy has been to establish a 'socialistic form' of society through economic growth with self-reliance, social justice, and alleviation of poverty. These objectives were to be accomplished within a democratic political framework using the mechanisms of a mixed economy, and rapid industrialization has been seen as the country's main development effort. The entrepreneurial role of the state was evoked to develop India's industrial sector. This great emphasis on industrialization exertion also led to changes in the country's population dispersion and settlement patterns.

In order to assure the success of the government's chosen strategy in the 1950s, complementary measures were also put in place. Most industries were given significant trade protection so that their growth was not hampered by competition from more efficient and established foreign producers. An industrial licensing system was set up to ensure that private industries would not expand beyond the limits that national planners had set for them. The system required all private firms –beyond a certain small size– to obtain a license whenever they wanted to expand capacity, change their input mix, produce new products, import inputs, or relocate plants. As a result, the system put the activities of the private sector under significant government control. India's development strategy of increasing agricultural production was based on plans to reform agrarian institutions. According to the thinking of the planners, the poor performance of Indian agriculture was due to the fact that peasants did not own the land they worked, so they had little incentive to make those land improvements that would increase long-term productivity. The government planned to implement legislation to redistribute land from large landlords to actual farmers. The government also planned to organize small farmers into cooperatives so that their resources could be pooled in order to buy modern equipment and tools thereby increasing production levels and productivity. In addition to increasing agricultural production, such reforms were also expected to alleviate the poverty of the huge class of peasants (Chatterjee and McCartney 2019).

The selected industries were those producing basic and heavy industrial products such as steel, tools and machines, power, locomotives, and chemicals. Industrialization exertion was pursued because leaders and some economists believed that the industrial sector offers the greater score of domestic production growth, and not because the Indian agricultural sector offered no scope for growth. Industries producing basic and heavy products were chosen for investment over consumer goods because the government wanted to reduce the country's reliance on imports of basic and heavy industrial goods in line with the belief in the great importance of national self-reliance (Chatterjee and McCartney 2019). The production of consumer products like clothing, furniture, personal care products, and similar goods was left to small privately-run cottage industry firms that had the additional advantage of being labour-intensive and, therefore, a potential creator of mass employment (OECD 2007).

Since the 1950s, the Indian economy was premised on the notion of planning, which was carried through the 12 five-year plans that were developed, implemented, and monitored by the country's Planning Commission during the period 1951-2014, and from 2015 by the National Institution for Transforming India (NITI Aayog). Until 1990, India's government adopted a particular strategy of economic growth focusing on industrial development by implementing seven five-year plans since the primacy of agriculture was believed to be characteristic of a backward economy. These five-year plans involved raising huge amounts of resources and investing them in the creation of industrial enterprises (often state-owned). Planners and policy makers suggested the need for using a wide variety of policy instruments such as state allocation of investment, licensing, and other regulatory measures to steer Indian industrial development.

The first five plans exemplify the government's continuous use of development planning as the main instrument to pursue industrial expansion. However, the national savings were low and inadequate to finance higher levels of productive investments. Budget deficits and fiscal, monetary, and exchange rate challenges came along since the late 1970s, and hampered India's development planning and industrial growth efforts (McCartney 2019). But the 6th five-year plan (1980-1985) marked the beginning of India's economic liberalization. This was the only five-year plan that was done twice and was a success as the target growth rate was 5.2% and the actual growth rate 5.7%. Based on a 15-year period of striving towards steady growth, the 7th five-year plan (1985-1990) was focused on achieving the prerequisites of self-sustaining growth by the year 2000 by laying emphasis on improving economic productivity, increasing food production, generating employment through 'social justice', promoting anti-poverty

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and social programmes (e.g., full supply of food, clothing and shelter, and removal of forms of oppression), and upgrading of technology. The 7th five-year plan was also a success as the target growth rate was 5.0% and the actual growth rate 6.01% (OECD 2007; World Bank 2019).

During 1990-1992, no five-year plan was formulated as these years were a period of economic and political instability. In 1991, India faced a growing budget deficit, and a foreign-exchange crisis and foreign debt. Therefore, under pressure, the country took the chance of reforming its economy and beginning its liberalization and privatization efforts. Modernization of industries was a major focus of the 8th five-year plan (1992-1997) and energy was accorded a special priority. Under this plan, the gradual opening of the Indian economy to the international competitive environment was undertaken and the country became a member of World Trade Organization in 1995. The 8th five-year plan appeared to be a greater success as the target growth rate was 5.6% and the actual growth rate 6.8%. The subsequent 9th (1992-1997), 10th (2002-2007), 11th (2007-2012), and 12th (2012-2017) five-year plans were focused on accelerating growth, transforming the structure of India's economy, satisfying basic social needs and necessities, providing more and better public services, empowering socially disadvantaged classes, reducing gender inequality, providing high-quality jobs (at least to the addition to the labour force), boosting agricultural and rural development, promoting environmental sustainability and green initiatives, and improving and expanding banking services and micro-finance options. In 2014, Prime Minister Modi's Government decided to wither the Planning Commission that was replaced by a think tank called the NITI Aayog. Post-2017, with the Planning Commission being dissolved, no more formal plans are made for the economy, but Five-Year Defence Plans continue to be made (Chatterjee and McCartney 2019; World Bank 2019).

On the whole, India's industrial growth and restructuring plans and efforts have experienced successes, shortcomings, and challenges (Adil and Rajadhyaksha 2020). In its early years of Independence, development planning was the government's approach to centrally promote industrial advancement and national progress. In fact, government actions were taken with regard to the domestic economy. However, the growing openness of national economies to international competition and the 'national ability to compete on international grounds' (as the 'New Competition' argument suggests) were not taken appropriately into consideration. Indian governments have placed much emphasis on various incentives and regulatory measures, instead of conducive macroeconomic management policies along with thorough planned spending on the accelerators of endogenous growth and competency, which should be considered of primary importance for the improvement of the overall competency of the national economy. The state-owned enterprises could not generate high levels of employment because of capital and skill requirements rather than labour-intensive character. Several enterprises were overstaffed and faced insufficient demand for what they produced, forcing them to render idle part of their industrial capacity. The plan for the reform of agrarian institutions was a modest success too as the push for land redistribution ran into political opposition and clashed with the requirements of due process, so as little as 5 percent of the land was actually redistributed (McCartney 2019). The creation of agricultural cooperatives did not materialize due to difficulties of organization and lack of enthusiasm and motivation.

Clearly, the emphasis placed on higher growth targets have contributed to the neglect of adverse developments ('growth-mania' vs. 'people's prosperity'), such as, rising inequality, social evolution shortfalls, structural imbalances, environmental pollution, and regional trade and power conflicts in Asia. Another point of argument is the role and contribution of plans, which do not appear to have guided the market successfully. The 'authority' of governments, at both central and state levels, to enforce their decisions has eroded over time. Besides, opportunities for corruption have long been created by favouritism and patronage, in addition to the often-confusing patchwork of taxes across India's 29 states. The rhetoric and fallacy of the 'market supremacy' narrative have sternly neglected endogenous development, social, cultural, and institutional aspects of India's economy and society. Thus, all these adverse developments have greatly strengthened the argument for broadening government action beyond the general narrow focus on higher economic growth rates (McCartney 2019). Such government policy action is outlined in the next main section and is based on a "developmental state approach with Indian characteristics."

IV. Towards an Alternative Development Paradigm: The Developmental State Approach

The Indian economy is overly dependent on foreign initiatives and investments while poverty and unemployment are high. Politically, democratic institutions are rather weak, and a culture of patronage permeates several aspects of India's economy. An alternative development paradigm for India must consider the country's sociocultural and institutional matrix, and must be framed within the context of the institutions that shape and define it (Karagiannis and Madjd-Sadjadi 2007). Clearly, the Indian society faces several challenges: some stem from the values and practices of its traditions, while others rise from the legacy of European, and particularly British colonialism. Hence, the argument that 'modernity' must be equated with Western values and institutions is challenged, as modernity must be forged creatively within the furnace of India's sociocultural and institutional matrix. Likewise, the Schumpeterian process of 'creative destruction' amalgamates not only in a reinvention of production lines but also the institutions within which production occurs.

Despite the enormous impact of processes associated with globalization and financialization, the developmental state remains a viable and influential feature of the development process. More to the point, the 'post-industrial era,' intently coupled with hyper globalization and financialization, called for a resurgence of industrial growth and revived a strong interest on 'go-back-to manufacturing' strategies and policies to achieve endogenous growth and better standards of living (Kaldor 1966, 1968). Nowadays, the relevance and importance of industrial policy have been acknowledged by heterodox and mainstream economists and by different political leaders worldwide. In addition, economists have placed special emphasis on the mechanisms and calibrated policy actions to foster the growth of specific 'economic engines,' that is, industrial increase, rejuvenation and strategic repositioning of targeted sectors, activities and networks. At the same time, imposed by global and national asymmetries in resource mobilization, rapid technological developments, market power and political influence, fresh interventionist approaches in selected industrial policy arenas have become once again attractive. Within the context of an Indian development framework, there are powerful historic forces that define the role of the government and the magnitude of the impact of foreign capital.

Theoretically, pulling together the writings of major contributors, a detailed developmental state analysis comprises ten distinctive elements: 1. developmentally-oriented leadership; 2. competent state bureaucracy; 3. pilot agency; 4. embeddedness; 5. sufficient state autonomy; 6. policy selectivity; 7. capacity to mastering the market; 8. ability to organize civil society; 9. competence to organize private interests; and 10. good performance and legitimacy (Wade 1990; Leftwich 1995; Chang 2010). The first five facets relate to the nature and quality of the organizational structure and personnel of the developmental state apparatus; the next two features illustrate its effective intervention mechanisms; and the rest refers to the outcomes of the first seven features of the developmental state model. To successfully become a functional developmental state, it must be able to manage the private interests of the country (by its centralized control of resources, notably finance) and strategically lead the development process (by its selective use of industrial policy), in addition to achieving good performance and trust (Johnson 1982; Evans 1995).

The state that Indians inherited from their colonial past was modern and democratic but not all that effective as an economic actor. Given the mixed outcomes that have emanated from India's past development efforts, e.g., rates and patterns of industrialization, a discussion on the country's political determinants of its economic performance raises crucial questions about the design and capacity of its state authorities. Therefore, in framing an alternative development paradigm for India, the developmental state view is being recommended here by emphasizing two main sets of theoretical notions: politico-institutional and sociocultural traits; and economic development management and industrial targeting aspects. These sets of notions are discussed in the following two sub-sections.

i. Sociocultural and Politico-institutional Elements

India is one of the most religiously and ethnically diverse nations in the world, with some of the most deeply religious societies and cultures. Religion plays a central and definitive role in the life of many of its people. The culture of India refers collectively to the thousands of distinct and unique cultures of all religions and communities present in India. India's languages, religions, architecture, values and customs differ from place to place within the country. Indian culture, often labelled as an amalgamation of several cultures, spans across such a large territory and has been influenced by a history that is several millennia old. Many elements of India's diverse cultures have a profound impact across its different regions and the world. Evidently, the majority of Indians are poor, and roughly half the Indian population lives below the poverty line. Yet, modern currents in India have evolved and contended with deep changes in the domestic socio-political milieu since the 1980s. Deep religious faith and belief in the nation's populist philosophy and values have prevented social disintegration, and India's national identity continues being one bound by entrenched narratives of a shared religious background and history (Wright 2009).

Despite efforts to modernize Indian society, the pull of traditional values remains strong. Besides, the strong influence of Dharma is a key concept with multiple meanings in Indian religions. Much weight, particularly in

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political circles, is given to Hinduism's Rita, the order that makes life and universe possible. Such duties, rights, laws, conduct, and virtues influence changes in both the government and the society. Their activities shape the Indian electorate, its social and political preferences, and by extension the political/policy milieu. By vacillating between submitting to the state in certain public and formal institutions and contesting it in certain extra-institutional or associational realms, Hinduism may change shape in the years to come but will remain a fixture in Indian social and political life. Hence, the Indian case does not elide the spaces where 'ceremonial' contestations of political and religious authority occur (Clothey 2006).

The Indian government is a multi-party republic with a constitution and a strong presidency, and the state exercises considerable control over India's mass media. However, there is a strongly felt divide in Indian society between the political elite and the majority of the population, who feel largely disenfranchised and powerless. As the Indian people feel that they are not represented in the government, there is a high degree of social frustration. This degree of social exasperation is exacerbated by both poverty and unemployment. Yet, controversial changes that seek to transform existing structures can face severe challenges that may cause upheavals in the socio-economic milieu and thus may be politically problematic. To cope with these crucial challenges that can run contrary to the imperatives of 'instrumental' progress in India and tip the debate in the direction of those social and political forces who seek a developmental state approach, appropriate and supporting political, economic, and other social institutions will have to be in place. Besides, 'a developmental state with Indian characteristics' would require broad political consensus, wide consultation, power-sharing, focus, mutual trust, a strong sense of realism, and realignment of decision-making with pressing national development goals to facilitate the pathway to successful production-oriented interventions. Such an alternative and radical proposal that seeks to overcome politico-institutional hurdles would be a long-term assignment requiring multidimensional changes and would need a set of conditions favourable to such a policy shift.

Therefore, unless the necessary politico-institutional requisites are met, any attempt to promote endogenous development in India, and steer and diversify the country's areas of competitive strength will be stifled. Considering that India is built upon its own legacy, social values, codes of behaviour and ethics, its policy-makers must work with the country's stakeholders to develop a new partnership model for organizing and managing the relationships between the national government, different regional authorities, and industrial targets. To achieve this, the government must bring together various interest groups representing the public and private sectors, as well as the broader Indian society, to build consensus on vital and pragmatic strategic goals and objectives to be supported and executed by well-educated, well-trained, efficient, trustworthy, experienced, and morally committed technocrats. These executive bureaucrats and planners can form an entrepreneurial-type strategic planning agency –i.e., an autonomous and more efficient NITI Aayog near the top of government– that has the long-term commitment and the powers to intervene decisively and take necessary policy action (Karagiannis and Madjd-Sadjadi 2007).

The Indian Government would benefit greatly from a cross-party planning team to coordinate development priorities and industrial expansion initiatives, thorough technically proficient strategies, and a coherent set of policies. These resilient planners need to be powerful members who are answerable to the President, the political directorate, and the National Assembly of India. The members of such a powerhouse would also need to have the necessary understanding of the required policy areas and sufficient knowledge of technological advances to 'create winners' and ensure a transition to a higher trajectory development path. In addition, the central core should be determined to administer and coordinate strong links between government, commercial firms, universities and technological labs, and funding agencies i.e. network building (Cowling 1990; Karagiannis 2002).

Accordingly, the Indian public sector will have to be effective, competent and corruption-free, and this would require honesty and vigilance. This is especially important when few sectors, such as information technology and engineering, are the driving engines for India's growth as rent-seeking behaviour, and exploitation of various loopholes and exemptions tend to appear more frequently when the stakes are higher. However, the strategic planning process should be participatory and inclusive at all levels as participation would allow different social segments and national, regional, and local political forces to 'buy-in' to the goals and objectives that are clearly defined. However, the 'nature' of the Indian developmental state would derive from more comprehensive state-society relations (Wade 1990). As such a state in India would exist in conjunction with national and international capitalist groups and politicized labour classes and other social forces, special emphasis needs to be on expanding the space for public deliberation on the direction of technological development and on policies of social inclusion to make sure that the society 'buys in.' In the absence of such participation, marginalized social and political forces and religious groups may refuse to support or go along with any controversial change or 'instrumental transformation.' These multifaceted changes cannot occur without the strategic partnership between the state and

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market participants, and without strong links with civil society, to reshape the Indian economy through targeted, dynamic, and promising sectors. Investment needs to be increased in both quantitative and qualitative terms, and linkages need to be strengthened so that development efforts and policy do not result in failure, exasperation, and waste of valuable resources on projects that would lock India into a low growth-high unemployment mode for years to come. The impetus for this collaboration would have to come from local entrepreneurs themselves if they wish to achieve growth and reap industrial gains. Without the above preconditions, such an alternative development framework will founder on short-term expedients, the limitations of the Indian civil service, the existing structure of socio-political power and certain economic interests or the resistance of 'ceremonial' arrangements and institutions.

ii. Economic Development and Industrial Targeting Aspects

The Indian oil industry has made a relatively limited contribution to the country's socioeconomic progress. This can be seen, for example, in the levels of unemployment during the past two decades (see Figure 1: World Development Indicators 2020). However, due to the need to conserve foreign exchange and encourage productive investments, strategic planning needs to be limited to selected sectors and activities. By focusing on the most promising economic priorities that can take care of the human, material, financial, and politico-institutional requisites and direct local resources effectively, policy-makers can create the necessary conditions for the successful implementation of an alternative development pathway. The key is not to allow short-term issues –e.g. instability in unemployment and economic growth rates– and ad hoc solutions hamper vital long-term parameters. Moreover, the COVID-19 pandemic provided an extraordinary shock to the Indian economy and society because this outbreak affected 'all the sectors at macro level across the country' (Kumar and Kumar 2021).

A major problem is the lack of backward and forward linkages to the domestic economy. Clearly, modern externally-enacted service sectors, by their very nature, not only cannot drive real production diversification and continuous structural changes but also exacerbate the country's exposure to the vagaries of the international environment. Instead, India should make a greater and better use of its productive resources and capacity as the expansion of indigenous production lines would result in a better and more egalitarian industrial and trade performance while easing balance-of-payments constraints. The upgrading of complementary and related service industries, such as information systems, communication and digital development, will help aid the growth of local production and enhance the Indian competitiveness in the global knowledge economy. Contrary to neoliberal thought, the state has an indispensable role in helping the development of promising sectors of high potential and achievability that would drive planned structural changes through active industrial policy –thus, leading to the kind of overall industrial upgrading and diversification that sustains long-term growth.

Crucial national purpose, internally-specified goals will enable India's decision and policy-makers to figure out 'domestic' solutions to 'domestic' needs and challenges. As the Indian agricultural and industrial landscapes have not been developed on platforms of production for domestic needs and internal requirements, such a production-oriented developmentalist approach would centre around a flexible and dynamic mixture of inward focus and outward orientation, and would require a technically competent government that has the ability and the teeth to engage in thorough, technically proficient planning. In addition, the mutual benefits among agro-industrial growth, manufacturing, and services would boost forward and backward linkages, and would bring about diversification while developing a broad and more stable supplier base. More to the point, development of the capacities of indigenous sectors and firms will significantly expand the country's technological landscape and skills and would reduce the exposure to the vagaries of the world market forces and crises. Consequently, even if India is not yet economically competitive in these areas at present, it will likely become so in the near future (Karagiannis and Madjd-Sadjadi 2007).

The need for such development-promoting linkages is particularly pronounced in India due to foreign exploitation and underutilization of local resources. Therefore, aggregate demand management policies can contribute much towards improving the country's macroeconomic performance, can boost industrial growth, and will facilitate its development efforts. As prudent macroeconomic management must seek to 'crowd in' private productive investments and promote national purpose goals within budget constraints, fiscal policy along 'functional finance' lines is very important and relevant here, at least in the short and medium-term (Lerner 1943). The 'functional finance' view would claim that whether budget deficits and national debt are too large ought to be assessed against the 'functional finance' benchmark and would place special emphasis on the role of fiscal policy in supporting selected local dynamic sectors and industries and securing higher levels of economic activity. On the other hand, the objectives of monetary policy must maintain an interest rate policy that allows promising firms to acquire

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necessary capital, encourage financial stability, and promote longer time horizons. These monetary policy goals for India are quite different from a 'flexible inflation targeting framework' that has largely been adopted since 2015 (Adil and Rajadhyaksha 2020).

However, to address the country's 'broader capacity deficit,' special emphasis needs to be placed on the overall competency and competitiveness of the economy. As 'traditional' financial schemes like loans or microfinance options often recommend temporary assistance, they may inspire squandering, favouritism and rent-seeking, and can offer marginal solutions without getting at the root of the problems. Thus, there could be two useful fund-related options in the industrial policy arsenal:

Large segments of India's labour force are unskilled. Given that many jobs in the country's industries require specific skills, this fact contributes to high unemployment. Considering the gender gap and women's labour force participation, India's economy could have much to gain from getting more women into the workforce over the forthcoming years. Government policy can address this capacity deficit with strategic infrastructural investments and improvements in human capital together with a special emphasis on finance and guidance of higher levels of investment and capital accumulation. Planned production-oriented spending on specific training programmes, skills, knowledge, research and development, and innovation can align finance with industrial targets; increase the quantum of skills and expertise linking productivity improvements with incomes; help 'socialize risks and rewards,' and support prioritized sectors and activities while improving the industrial competency and overall competitiveness of the Indian economy (Karagiannis 2002; Mazzucato 2013). Besides, gross capital formation (% of GDP) needs to increase in order to fuel industrial and regional growth policies.

Tax policy selectivity by sector, location, and ownership can be a useful tool in the industrial policy arsenal. Broadening its tax base would enable India to make much-needed progress in increasing the inclusivity of its economic growth. Taxation can alter competitive advantages and push markets into new dynamic areas because it can play a significant role towards focusing on industrial targets. However, these policy options need to emphasize performance, should be fund and time-limited, and would need effective systems of checks and balances. Discriminatory policy options through revenue enhancement or by channelling investment into targeted sectors can be part and parcel of good industrial policy when cost discovery is at issue. Discriminatory incentives and disincentives can not only transfer financial resources from disfavoured firms and activities to favoured industries and sectors but also release capital for industrial development. Although WTO rules are more restraining for some policy choices and instruments than for others, selective incentives and disincentives are reasonably impermeable to international challenge because they offer no clear advantage to the country using them. This has the extra benefit of simultaneously adding sectors that are being emphasized (Karagiannis and Madjd-Sadjadi 2007).

As indigenous technological capabilities are the basis for a gradual correspondence between local production and demand structures, investment priorities and the choice of techniques ought to be determined by the strategies of transformation and diversification, and by the product choices to which these strategies give rise. Sector targeting can help greatly in this regard and reflects a desire to support the indigenous industry. By accepting differentiation of key sectors and industries, industrial targeting can improve policy intervention effectiveness, strength and evaluation while increasing rigour and transparency in government strategic decisions. Rather than measuring economic success by the number of jobs created or higher growth rates, this alternative approach focuses instead on manufacturing value-added, overall productivity, efficiency and distribution of gains among related industries, especially when resources for endogenous development have faced certain constraints in India. Targeting and support of selected sectors also require detailed information on the quantity (how much) and quality (what type) of modern factors, which are needed by these sectors so that the quantitative and qualitative parameters of planned industrial investment are thoroughly taken care of (Karagiannis 2002; Mazzucato 2013).

Strategic sectors are considered as those with: a significant and/or growing weight in the Indian national economy in terms of their manufacturing value-added and employment generation; high and rising productivity and compensation of labour; high capital intensity as well as high propensity of private firms to invest in these sectors; and the best trade performance or competitiveness (i.e., sector ability to compete in international markets). Some (Sen 1999; UNDP 1990) would add that strategic sectors can not only produce economic growth and jobs but can also influence people's quality of life by providing merit goods and services and fundamental capabilities for increasing people's participation in economic and political processes. Consequently, given the country's past and present development efforts, the current state of affairs, and future prospects, it is imperative to aggressively pursue the expansion of certain dynamic, propulsive sectors (e.g., 'new agriculture' and food processing; knowledge process and competitive intellectual property; solar, renewable energy and green technology; health care; telecommunications; transport; heritage and cultural tourism; entertainment; and banking and financial services) as there is potential to market opportunities for their growth. These industrial engines can open up possibilities and set up incentives for a wide range of new economic activities and are expected to be supply chain partners for the country's other sectors, thereby resulting in a more balanced economic structure. Moreover, the government can emphasize selected 'growth poles' as an important element of its strategic industrial policy. The expansion of the growth poles can bring about the expansion of output, employment, related investments and technical, technological and psychological benefits based on anticipation of future demand.

Such an industrial expansion is often characterized by core (key) industries around which linked industries develop, mainly through direct and indirect effects and positive spillovers. Even though reasonable production costs are expected, modern production techniques can make it possible to manufacture in small series on a viable basis. So long as local firms are dynamic and swift footed and the government is competent, trustworthy and visionary, locally competitive industries can quickly achieve the necessary production levels to be globally competitive. This will result in improvements in both resource utilization and the balance of payments. As the Indian economy becomes more competitive technologically and on a human capital basis, and as the product base grows, additional opportunities for endogenous growth will come up.

In line with regional development and diversification efforts, the government can direct national resources in such major areas that have high growth potential. In other words, the government needs to outline a thorough technically proficient plan for action and undertake various initiatives to boost investments in selected growth poles and industrial clusters in India (i.e., the 'regional growth dimension' of industrial targeting). Hence, the new targeted areas, singled out by 'a developmental state with Indian characteristics,' may need to be organized around certain indigenous firms of high potential and achievability that show the ability to dynamically address the current challenges and would require substantial financial support. Moreover, using an endogenous development framework over that of globalization not only provides a better understanding but also puts forward concrete alternative policy suggestions.

Evidently, India's policymakers have overemphasized higher levels of foreign direct investment (FDIs) without serious consideration of any other plausible direction to activity. What's more, there are two very important industrial policy-governance related concerns: 1. careful studies have found little systematic evidence of technological and other externalities from FDIs (Hanson 2001); and 2. foreign investors often exploit various 'exceptions' and local resources while weakening a country's tax base (Cowling and Tomlinson 2011). Although FDIs and joint ventures are policy options, in sharp contrast to neoliberal proposals, an intelligent government pursuing a strategic industrial policy will not have a 'uniform' policy stance towards foreign investments across industries. Each industry serves different functions in the greater scheme of industrial development, and it would be totally unwise to have either uniformly restrictive or uniformly liberal policies towards FDIs across different industries. Instead, a more 'appropriate' approach towards foreign initiatives ought to be designed in the context of the long-term strategy for overall development. What exactly the 'strategic way' means depends on various crucial factors, such as India's relative negotiating position, the technological nature of the industry, the role of the particular industry concerned in the bigger scheme of the country's industrial diversification, and the broader social and economic needs of the nation (Chang 2003).

V. Concluding Remarks

This paper examined the origins of India's state-led development planning and assessed its economic performance; reviewed past development efforts since 1957; analysed the present context of the country's economy; and described main aspects of an alternative economic development framework. Finally, policy suggestions were made to support a developmental state framework for India. The contribution contended that institutional policy intervention should be an important positive force within the present context of globalization and financialization. Evidently, conservative social and political forces inside and outside India engage in unwise 'market supremacy' experiments that result in significant growth disparities, vexing social inequalities and misery despite astonishing technological developments taking place worldwide. What is more, the blind pursuit of neoliberal policies over the past three decades suggests that free market fundamentalism cannot be relied on to promote the required economic egalitarian adjustment, especially when considering the country's historical legacy, political economy, and sociocultural matrix.

In complete contrast, a developmental state with 'Indian characteristics' can pursue national priorities; harness national resources; direct incentives through a transparent policy-making process; bolster the quality and competitiveness of local firms in the domestic and global markets; and protect the country's economy from long-term crises. However, such an alternative framework will have to be underpinned by a strong commitment to national

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development and by strategic collaboration among government, productive and dynamic industries, and civil society. While current global political economy circumstances might constrain developmental choices and policy instruments, the accomplishment of national development goals requires better government action, which is most likely achieved from developmental state policies (Karagiannis and King 2019). The developmental state argument is advanced here as a necessary mechanism for support of selected growth industries in India while leaving space for stimulating further social and political advancement.

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