

# [Economic development of india](https://assignbuster.com/economic-development-of-india/)

The economic development of India throughout history was marked by different changes in policy from the subsistence farming, to royal family controlled ownership of the means of production, to the occupation of the country by the British Empire, to the socialist policies during the period following India’s independence. The country in its early history has been considered one of the richest and the most attractive trading partners (just like China) yet ultimately, it was Europe that started to lead the world economically finally succumbing to the US economic dominance. The following essay explores the Indian economy in a greater detail focusing both on the modern economic situation yet paying the greatest attention to the economic history of India. The essay attempts to shed light on the early period of Indian development in order to understand why and how India’s economic superiority and might was lost to the European economic leadership. It will note that before the Industrial revolution India and other Asian nations played and extremely important role in the world, yet the positive changes brought by the Industrial revolution as well as the British control of India that did not allow the spread of the modern Industrial-era technology was the main reason why India ultimately lost its scientific and educational capacity and turned into a resource appendix of the British Empire.

Snapshot of the Current Economic State of India.

Starting in 1980s India started to open its markets for the global organizations and companies attempting use economic liberalization as a tool of economic advances. The previous socialist policies that existed in India since its independence (from the British occupation) were ineffective. They formed numerous regulations and red tape (License Raj) and as a result were responsible for a miniscule 1% per annum GDP per capita growth. It is only in the early 1990s India managed to proceed from the reforms that endorsed economic liberalization to the market economy. The market economy allowed India to start some rapid economic development at rates of around 8% per annum. Current the standards of living in India are rising rapidly (at an average 6% GDP growth per annum) yet the majority of the population (75%) still lives on less than $2 a day. This figure is even higher than for the Sub-Saharan Africa, where only 73% of the population live on less than $2 a day. As it has been in the past thousand years, the majority of the population is employed in the agricultural sector, especially in the rural areas. These rural areas remain extremely unproductive and inefficient, so the cities and towns at present make up over 75% of the GDP (Keay, 154).

The World Bank at present believes that the main focus of the Indian government was to initiate public sector reforms in order to introduce modern technology into the undeveloped rural areas and to overcome resistance to change. India scores low on the Ease of Doing Business Index and on the Index of Economic Freedom, meaning that it is rather problematic to start a new business and to sustain an old business. It is for this reason India cannot use its full potential to improve the economy and hence the lives of its people.

Early Economic History of India

India is one of the oldest civilizations in the world and hence has the greatest history. Throughout the history of India, agriculture was the main source of income. India was lucky to have fertile lands with various rivers, lakes and water bodies that provided enough moisture. At the same time the favorable climate allowed having several harvests per annum throughout the country. One should also note that the early ancient Indian civilizations such as the Indus Valley, the Aryan civilization, Mauryan Empire, Gupta Empire and most other dynasties had a command/planned economy organized by the advisors of the rulers. Even though some early dynasties issued coins, in reality the main form of trading throughout India was barter, i. e. the exchange one type of goods for other type of goods. The farmers and producers were required to pay taxes in the form of barter too, i. e. to contribute certain of crafts and certain amount of grains to the ruler, to the local lords and chiefs (Walsh , 210).

The Muslim Rule did not initiate much economic changes India as the focus was on the spread of religion. It is for this reason under the Muslim rule India continued to be an agricultural country. Still, one should note that in the later Mughal period, India managed to develop some important trade relations with the British Empire, the French and the Portuguese traders. When the British Empire determined that India could be used as a very profitable colony, it managed to gradually assert its power over India starting with the Battle of Plassey when the British East India Company came into power.

While it may sound that colonial rule has detrimental effect on the country’s economy and development, yet in reality the British occupation of India in fact was one of the most significant parts of India’s development. Still that amount of development was much less than what is required for India to keep up with the change and developments that took place in Europe and especially after industrial revolution took place. The British introduced the money and enforced the use of money to pay the taxes. The British introduced a complex taxation policy such as the revenue and property taxes. Such taxes negatively hit the independent craftsmen yet ultimately contributed to the formation of larger trade groups, trade unions, if you will.

As for the positive elements of the British occupation one should note that the British were directly responsible for the modernization of the Indian economy and bringing it to the new level. The British brought with them the modern financial and the banking system and the single currency unit to be used as means of exchange, store of value and a unit of account. They developed the currency market and the capital markets.

The British were also responsible for the standardization of various weight and measures without which it would be impossible to establish any capital markets or the modern trade. Before the British, there were no standards, so each seller was charging any price he hoped to gain for any liberally chosen amount of product. Since the farmers also created their own packaging, each farmer was selling the same product (e. g. wheat) in different bags, hence different weight.

The development of the proper infrastructure should also be credited to the British who did everything possible to create the infrastructure conducive to trade. The British create new (paved) roads; they developed the system of railway communication and the telegraph. The main problem was that the British did not do anything to improve the education and sciences of India, so the country remained in the “ Dark Ages” throughout the British occupation that cared about the Indian development only as much as it could bring direct profits to the British Crown. Since education demanded huge investments, the British Empire chose not to educate the Indians, limiting their efforts to English language training to have each Indian enough understanding of the English language to serve the British.

## Analysis of the history

Speaking about the history of the economic development of India in comparison to the European nations, one should note that Northern Europe historically lagged behind Asia and the Islamic world until about 1400 to 1500 when it experienced a transformation called the Renaissance or rebirth of the Greco-Roman civilization. Indeed, prior to that period the so-called “ Dark Ages” of Christianity completely halted effective economic, social, cultural or political development in Europe following the fall of the Roman Empire. It is only starting with the Renaissance period that involved relative liberalization of culture, economy and technological thought that Europe started to observe some rapid changes and improvements that ultimately led this nation economically ahead of its Asian neighbors (India and China). The changes included advances in science and technology. At the same time it has been widely believed and still held today by many historians that the economic changes in Europe were largely a European endeavor owing nothing to the outside world. Still, clearly it would be absolutely silly to support such position primarily because Europe was never fully isolated from the Middle East, Central Asia and African countries that actively traded with Europe and hence were responsible for the exchange of various technologies and sciences. Indeed many science and technologies upon which Europe was building were derived from Asia – largely China and India – and passed through to the West through the Islamic (and occasionally Buddhist) cultures of Central Asia and the Persian and Arab world.

During the Maurya Empire (that existed roughly during 321-185 BC), the Indian economy underwent some important changes and innovations. In fact it was the first period in India’s history when the country was united under one single ruler. While to modern readers it may sound as something unimportant (taking into account that so many countries and states trade with each other) unification was extremely important for security purposes. While in the past due to the multitude of nations, city-states and hence multiple rulers and governors it was impossible to guarantee safe movement of goods and services across the border. The unification of India was the first step to assure uninterrupted and safe movement of goods meaning that the trade became much safer and more efficient. As the number of risks fell the number of businesses increased. It was only after the unification when India started to invest in the development of the basic infrastructure such as road building. During the Maurya Empire rule Chanakya rote Arthasastra, which can be considered to be the most important and the most comprehensive textbook on politics, management, administration and economics. The book was intended for the emperor providing recommendations on how to manage the whole empire and how to pass policies that would benefit all people.

In fact the economics of India during the Maurya rule can be compared to the economics in the Roman Empire but only several centuries later. In fact the Roman Empire, which symbolizes the European development just like India during the Maurya empire had well-developed business organizations, international connections and corporation-like entities. It is necessary to note that Maurya Empire was probably more capitalist and democratic than the Roman Empire. While in Rome all corporation-like organizations were tied to the top leaders who used them to carry out various state projects, most corporation-like organizations in Maurya Empire were created purely for the private owners. It appears that the Maurya leadership wanted to maintain population satisfaction therefore, it seldom interfered into the business-interests of the larger organizations in India. These larger organizations comprised independent interest groups that could potentially challenge Maurya leadership. In the Roman Empire the leaders since the very start managed to take care of the business activities, i. e. they exercised fully control and prevented the powerful interest (business) groups from forming or becoming too powerful.