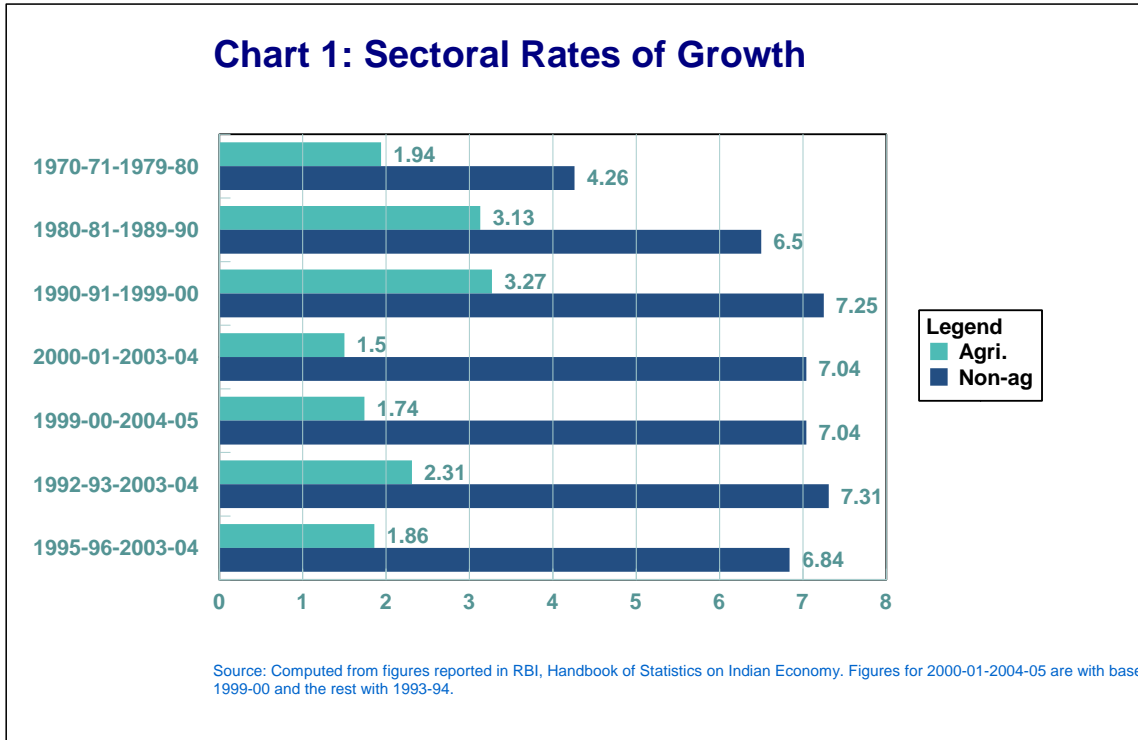


The Progress of “Reform” and the Retrogression of Agriculture

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The evidence of an acceleration in GDP growth in India increases, aided on occasion by periodic revisions in the base year used for constructing the estimates. According to official figures, GDP growth has accelerated from its “Hindu rate” origins of around 3.5 per cent in the 1970s and earlier to 5.4 per cent in the 1980s, 6.3 per cent during the decade starting 1992-93 and an annual average rate of more than 8 per cent during the three years ending 2005-06. Since this acceleration has occurred in a context of limited inflation, the government is now targeting a further rise to 9 and even 10 per cent over the Eleventh Plan.

While the factors accounting for this acceleration are still being debated, another unusual feature of this growth since the 1980s has received less attention: the growing disproportionality between agricultural and non agricultural growth. As Chart 1 shows the disparity in the rate of growth of agricultural and non-agricultural GDP increased significantly after the 1970s, with the process being particularly marked after the mid-1990s.



What is particularly remarkable is that the acceleration of non-agricultural growth during the 1990s was accompanied by a decline in the rate of agricultural growth. During the period 1999-00 to 2004-05, while agricultural GDP had grown at 1.7 per cent, the trend rate of growth of non-agricultural GDP exceeded 7 per cent. The disproportionality is visible even when the comparison is restricted to industrial and agricultural growth

(Table 1). Yet, intertemporally speaking, inflation is low, pointing to a new potential for non-inflationary growth of the system.

Table 1: Annual Trend Rates of Growth							
	Total	Man.	Min. & Qu.	Elec.	Foodgrain	Non-Food	All Agricul.
1950-51 to 64-65	7.2	7.1	5.9	13.6	3.0	3.9	3.3
1965-66 to 79-80	4.7	3.8	6.9	6.2	3.0	2.6	2.9
1965-66 to 74-75	4.3	2.7	9.4	3.8	3.4	3.0	3.2
1975-76 to 84-85	4.9	4.3	6.6	7.3	2.5	2.9	2.6
1985-86 to 94-95	6.2	6.2	4.2	8.3	3.1	5.7	4.1
1994-95 to 04-05	5.0	6.4	2.9	5.1	0.7	-0.5	0.6

Source: Computed from data collated from RBI, *Handbook of Statistics on Indian Economy*.

These trends suggest that domestic agricultural growth is now not a constraint on the growth of the non-agricultural sector. This does mark a structural shift in the pattern of growth when compared with the first three decades of post-Independence development, when the agricultural bottleneck was seen as an important factor responsible for the failure of the strategy of development based on the Mahalanobis model. The argument was that the Mahalanobis strategy underestimated the agricultural constraint by treating agriculture as a bargain sector in which output growth could be accelerated without much investment, by making suitable institutional adjustments (Chakravarty 1992, Patnaik 1995).

The argument that, given limits on the possibilities of transformation through trade, the institutionally-determined maximal rate of growth of production of agricultural necessities sets a ceiling on the non-inflationary rate of growth of the system was explicated, among others, by Kalecki (1972). This was one of the ways in which the availability of surplus real resources was seen to constrain the pace of development in predominantly agrarian economies.

There were, of course a number of extensions which could be made to this argument. First, the proximate determinant of the maximal rate of agricultural growth could be seen as given by production conditions rather than institutional factors, as Vaidyanathan (1977) suggested. Second, even if there existed a maximal rate of growth of production of agricultural necessities, it need not be the case that the system has attained that rate. Growth could be short of the maximal because of other inadequacies. For example, the “slack” in the system could possibly be exploited by increasing investments in irrigation, drainage and flood control, allowing the rate of growth to be raised without resorting to major institutional change. Failure to exploit that opportunity may have set the maximal rate of non-inflationary growth at a lower level, as a result of supply side constraints in the agricultural sector. Third, even though there may be such a maximum to the non-inflationary growth rate, actual growth may be even higher because of the willingness of the government to allow excess demand for agricultural necessities to spill over in the form of inflation, resulting in a redistribution of the available surpluses of agricultural goods among a larger number of non-agricultural workers, by squeezing the real incomes

of the already employed. Finally, governments may be able to ensure increased access to foreign exchange over the short-, medium- or long-run, facilitating imports of agricultural commodities and a higher rate of non-inflationary growth.

Needless to say, there were limits to which growth could be raised by allowing for a rising rate of inflation—the third of the options noted above. In fact, many of the explanations of the secular deceleration in industrial growth in the decade-and-a-half after the crisis of the mid-1960s, emphasised the role of the terms of trade shift that resulted from agricultural price increases in that period in causing the downturn (Chakravarty 2001, Mitra 1973). Chakravarty focused on the adverse implications of the terms of trade shift for the savings rate, realised *inter alia*, by two mechanisms: (i) a rise in the product wage in the non-agricultural sector leading to a squeeze in profitability in the private and public sectors; and (ii) a shift in the distribution of income away from sectors with a higher to one with a lower observed marginal rate of saving and subject to a lower marginal rate of taxation. By limiting savings in the private and public sectors, these factors were seen as responsible for limiting investment and growth, Mitra, on the other hand, drew attention to the non-homogeneity of the different sectors and the role of multiple terms of trades among classes in determining distribution. Shifts in the terms of trade reflecting the conflict over income shares results through supply and demand side mechanisms in a deceleration in growth.

What emerged from the debate, to which many others contributed, was that there were three forms of intersectoral linkages between the agricultural and non-agricultural sectors that were important (Raj 1976, Vaidyanathan 1977). First, with the agricultural sector accounting for 61 per cent of non-residential GDP in 1950/51 (at constant 1993-94 prices) and 76.2 per cent of employment, demand from the agricultural sector was seen as crucial to sustaining the demand for non-agricultural products and services, especially manufactured products. Second, since agricultural commodities constituted a significant share of input costs in some industries and of the wage basket in most, increases in agricultural prices were variously analysed as affecting industrial production. In particular, if an industry was agro-based or was characterised by a tendency for money wages to rise with increases in the prices of wage goods, it would experience an increase in costs that may not be neutralised by an increase in final product prices. In the event, profits could be squeezed and manufacturing investment affected adversely. Thirdly, increases in agricultural prices would constrain the growth of demand in the manufacturing sector, since consumers would allocate a larger share of their incomes to food consumption and a smaller share to manufactures demand and the government may reduce public expenditure to reduce absorption and dampen price increases. This constraint on demand growth would also adversely affect the ability of firms in industries producing mass consumption goods to raise prices in order to cover higher costs.

These different ways in which agricultural performance was expected to affect non-agricultural growth were predicated on the operation of two transmission mechanisms: first, increases in non-agricultural growth were expected to result in increases in the direct (inputs) and indirect (wage goods) demand for agricultural products. Second, since, agricultural growth was seen as constrained from the supply side, any dis-proportionality in industrial and agricultural growth was expected to result in an abnormal increase in the

prices of agricultural goods, since those prices were largely determined by the relative levels of supply and demand.

There were, however, three problems with these arguments. To start with, the supply-side element in them required assuming that the level of savings determined the level of investment. Second, on the demand side, while a shift in the terms of trade may explain a change in the structure of non-agricultural demand, it would not necessarily yield a deceleration in the aggregate demand for manufactures. Finally, so long as agricultural prices were seen as being determined by demand and supply, the process may provide an explanation of cycles (Patnaik 1994), but not necessarily of a secular deceleration.

A complete explanation of secular deceleration had, therefore, to take account of two other stylised facts. One was the impact of the remunerative prices policy adopted by the government as part of the new agricultural strategy of the late 1960s, which set a cost-plus floor to the prices of at least some agricultural products. The other was the oft-noted impact that rising food prices can have on public expenditure and investment, inasmuch as curtailment of such expenditure was a readily available device to dampen inflation that in the government's view was resulting in an unacceptable erosion of real incomes.

In the aftermath of the agricultural crisis of the mid-1960s, the problem was compounded by the fact that the provision of support to agricultural production in the form of cost-plus remunerative prices, offered a floor price that encouraged speculation. This was because, if speculative hoarding was not followed by the expected increase in prices, stocks could be disposed off at the cost-plus support price, which reduces the risk of large losses. As a result, increases in demand relative to supply inevitably raised prices, whereas increases in supply in years of a good harvest did not result in any significant decline in market prices. In the event, a secular deceleration of growth ensued.

While the agrarian constraint on non-agricultural growth was a problem that needed to be addressed, its existence was also a partial guarantee of some balance in the pattern of growth. An aspect of the above discussion which is of relevance is the understanding that this disproportionality was self-correcting. This was not just because price movements triggered changes in private investment allocation, as some have suggested. Rather, governments that initially responded to inflationary crises and/or balance of payments problems by curtailing expenditure, soon sought to improve agricultural performance in order to revive non-agricultural and overall growth. That is faced with inflationary crises governments in developing countries were forced to address the factors responsible for slow growth in agricultural output and productivity, which had agrarian distress as its concomitant. In fact, the adoption of Green Revolution strategies in many developing countries, including India, was a response to the overall impasse in development resulting from poor agricultural growth. Some combined this with programmes of land reform, while others did not. However, in most cases the problem was at least partially addressed, unless factors like political strife prevented such action.

It needs to be noted that these mechanisms are operative only if there are limits on altering domestic supply with imports. If foreign exchange can be accessed easily to finance such imports, the structure of domestic supply need not be largely determined by the structure of domestic production. Commodities in whose case domestic demand exceeds supply based on domestic production could be imported to hold down the price

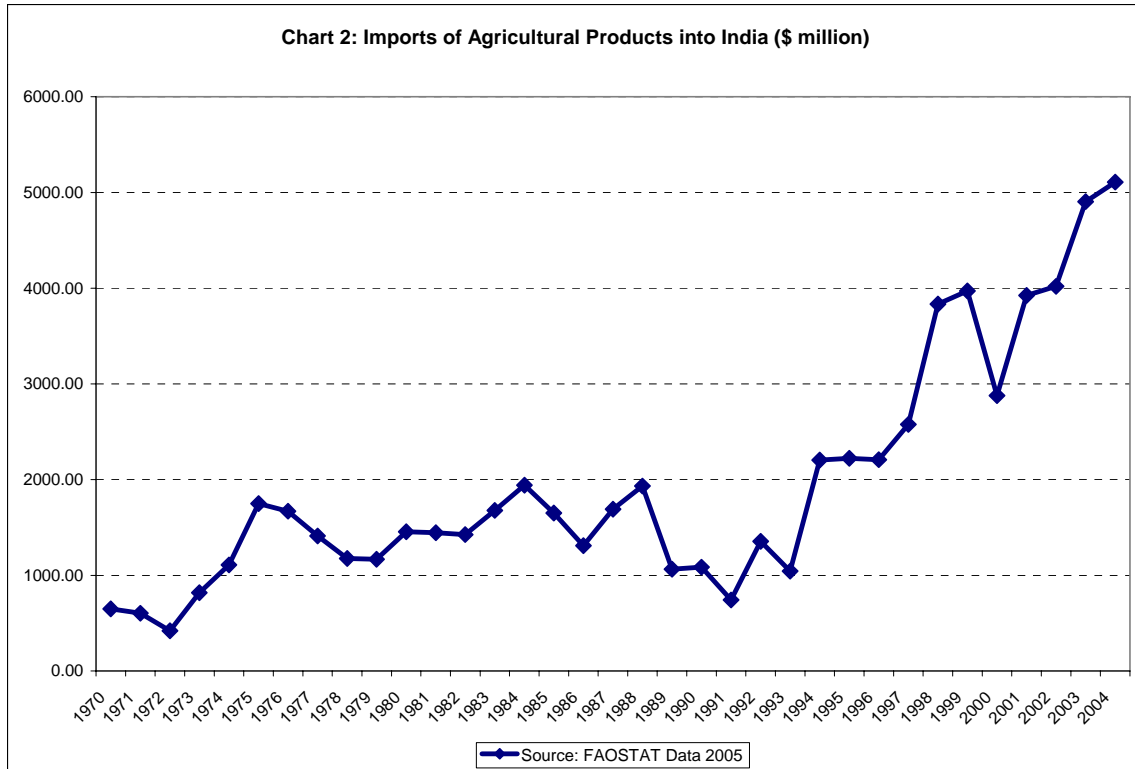
level. During the 1950s and early 1960s, India faced a binding balance of payments constraint, since access to foreign exchange was limited to export revenues, limited FDI inflows and flows of capital through the bilateral and multilateral aid network. Yet, the economy witnessed rapid non-inflationary growth in manufacturing even when agricultural growth was moderate because of access to food imports through the P.L. 480 route, which enhanced supplies and helped dampen price increases. It was when access to such imports was close for political reasons that the agricultural constraint proved binding, leading to the deceleration of manufacturing growth during the late 1960s and 1970s.

It is in this background that we need to assess the changed circumstances of the 1980s and during and after the 1990s, especially the latter, when the disproportionality in non-agricultural and agricultural growth widened considerably, without triggering inflation and limiting non-agricultural growth on account of an inflationary barrier.¹ In fact, changes in the environment and pattern of growth triggered tendencies that prevented the realisation of the denouement expected based on the 1960s and 1970s experience.

One element of change in the environment of obvious relevance was the transformation of the world of international finance that, for the first time, provided “emerging markets” like India access to private international finance. It is now widely held that the Indian government exploited that opportunity during the 1980s, to overcome the development impasse of the 1970s. Deficit-financed expenditure was used to accelerate non-agricultural growth, and the resulting disproportionality between non-agricultural and agricultural growth was managed by using imports financed largely with external debt to change the structure of domestic supplies and dampen inflation. And as Chart 2 indicates this was truer in the 1990s than in the 1980s.

However, this alone does not constitute the full explanation. Rather the change in economic regime instituted since the mid-1980s, and especially since 1991, has changed the pattern of growth in a way that has resulted in structural shifts in the nature of intersectoral linkages. An obvious change in the pattern of growth, which allows for growing disproportionality between agricultural and industrial growth, is a change in the pattern of demand and production, involving a reduction in the direct agricultural-input dependence of the non agricultural sector. As Sastry *et al.* (2003: 2392) have shown, the available input-output tables for the Indian economy indicate that: “In 1968-69 one unit of rise in industrial output was likely to enhance demand from agriculture by 0.247 units, which was reduced to 0.087 by 1993-94. On the other hand, in 1968-69, one unit rise in industry was to cause 0.237 units demand from the services sector, which increased to 0.457 units in 1993-94.” (Table 2). Not only was industry’s demand for agricultural inputs declining, but that sector’s ability to spur growth in services was increasing. This, together with linkages between segments within the services sector itself, would have given non-agricultural growth a degree of autonomy.

¹ For detailed discussions of the nature and implications of intersectoral linkages see (among others) Rangarajan, 1982; Bhattacharya and Rao, 1986 and Bathla 2003.



This reduction in agricultural input dependence of the non-agricultural sector would be greater once we take account of the growing share of services in non-agricultural GDP. While services accounted for 43 and 48 per cent respectively of the increment of GDP at current prices in the 1970s and 1980s, the figure rose to 58 per cent and 62 per cent respectively during the 1990s and the years 2000-01 to 2004-05. Given the much lower agricultural input dependence of services, this would have strengthened the tendency noted above.

Table 2: Sectoral Demand Matrices Reflecting Demand Linkages			
	Agriculture	Industry	Services
1968-69			
Agriculture	1.23	0.247	0.059
Industry	0.087	1.562	0.230
Services	0.035	0.237	1.141
1979-80			
Agriculture	1.214	0.260	0.083
Industry	0.135	1.601	0.191
Services	0.049	0.269	1.139
1989-90			
Agriculture	1.22	0.104	0.074
Industry	0.319	1.729	0.378
Services	0.144	0.404	1.318
1993-94			
Agriculture	1.187	0.087	0.066
Industry	0.297	1.704	0.330

Services	0.149	0.457	1.334
Source: Sastry <i>et. al</i> (2003).			

Secondly, there are reasons to believe that the pattern of manufacturing growth under an open economic regime is such that the responsiveness of employment growth to the growth in output tends to decline. As Patnaik (2006) notes, the combination of high output growth and low employment growth, is a feature characterising both India and China during the years when they opened their economies to trade and investment. This makes sense since (i) with tastes and preferences of the elite in developing countries being influenced by the “demonstration effect” of lifestyles in the developed countries, new products and processes introduced in the latter very quickly find their way to the developing countries when their economies are open: and (ii) technological progress in the form of new products and processes in the developed countries is inevitably associated with an increase in labour productivity. Hence after trade liberalisation, labour productivity growth in developing countries is exogenously given and tends to be higher than prior to trade liberalisation, leading to a growing divergence between output and employment growth.

This argument is, however, not a complete explanation of this divergence in the case of India because of the dominance of services in total growth noted earlier. Of the cumulative increase in GDP between 1990 and 2004, while 55 per cent was accounted for by manufacturing in the case of China, as much as 60 per cent was accounted for by services in the Indian case. Given the technological trajectory, it should be expected that the potential for increases in productivity is far greater in industry than in services.

The reasons why this is not so emerges from an analysis of the Software and IT-enabled services sector, which is one of the leading segments in the post-liberalisation growth of modern services in the country. In absolute and relative terms the size of the IT sector in India is now impressive. NASSCOM estimates² the size of the industry in 2005-06 at \$36.3 billion, of which \$29.5 billion consisted of revenues from software and services. As much as \$23.4 billion of these were export revenues: comprising of \$17.1 billion of software and services export revenues and \$6.3 billion of revenues from exports of IT-enabled services and business process outsourcing (BPO). The ratio of gross IT sector output to GDP rose from 0.38 per cent in 1991-92 to 1.88 per cent in 1999-00 and 4.5 per cent 2004-05

By way of comparison, the gross revenues from IT services was in 2004-05 about 20 per cent higher than the GDP generated in India’s construction sector and almost three times as much as the GDP in mining and in electricity, gas and water supply. What is more, gross revenues from IT services exceeded 12 per cent of GDP generated in India’s services sector as a whole, which accounts for more than 50 per cent of the nation’s GDP. Thus, even though the software and IT-enabled services sector started from a small or negligible base a decade back, its rapid expansion at an annual compound rate of more

² Figures from “Indian IT Industry Factsheet”, available at http://www.nasscom.in/upload/5216/Indian_IT_Industry_Factsheet_2006.doc accessed November 28, 2006.

than 30 per cent per annum between 1998-99 and 2004-05 has ensured that it is today an important presence in the economy.³

The fact that the rise to maturity of this sector has been driven predominantly by external demand is also well recognised now. Exports of software and IT-enabled services have risen at a compound annual rate of 48 per cent a year since 1990-91, and overwhelmingly explain the rapid rise of the sector. In 2005-06 exports of software and services as estimated by the Reserve Bank of India was, at \$23 billion, more than a fifth of India's merchandise exports and higher than one of India's principal commodity exports, viz. textile and textile products (including carpets).

This has made IT services exports an important component of India's total (merchandise and non-merchandise) exports. The ratio of IT services to merchandise exports has risen from 13.9 per cent in 2000-01 to an estimated 22.5 per cent in 2005-06. Further, the ratio of net IT services export earnings to total net invisible earnings far exceeds 50 per cent in both those two years.⁴

However, the sector's contribution to employment does not compare with its role in the generation of income and foreign exchange. According to the surveys of employment and unemployment conducted by the NSSO (2001 and 2006), employment in computer related services rose from 2,70,150 in 1999-00 to 8,84,080 in 2004-05.⁵ As the figures in Table 3 indicate, in 2004-05, relative to the current weekly status estimates of employment yielded by the NSS (2006) Survey on employment and unemployment, employment in India's IT sector amounted to just 0.7 per cent of the non-agricultural workforce in the country, 10 per cent of employment in the production of textile products and 0.21 per cent of the aggregate workforce. The fact that a sector with revenues amounting to 4.5 per cent of GDP contributes only 0.21 per cent of aggregate employment is indicative of the lack of responsiveness of employment growth to growth in revenues.

Table 3: Employment Indicators 2004-05 (millions)	
Estimated principal usual status workers in textile industry	8.84
Estimated principal usual status workers	416.92
Estimated non-agricultural workforce (principal usual status)	189.13
IT and enabled services sector employment (principal usual status)	0.88
Source: NSSO 2001 and 2006.	

To explain this we need to turn to the fact that the domestic industry has turned out to be a multi-layered, heterogeneous formation, with firms operating in different hardware, software and services segments, characterised by extremely wide margins. At the top are

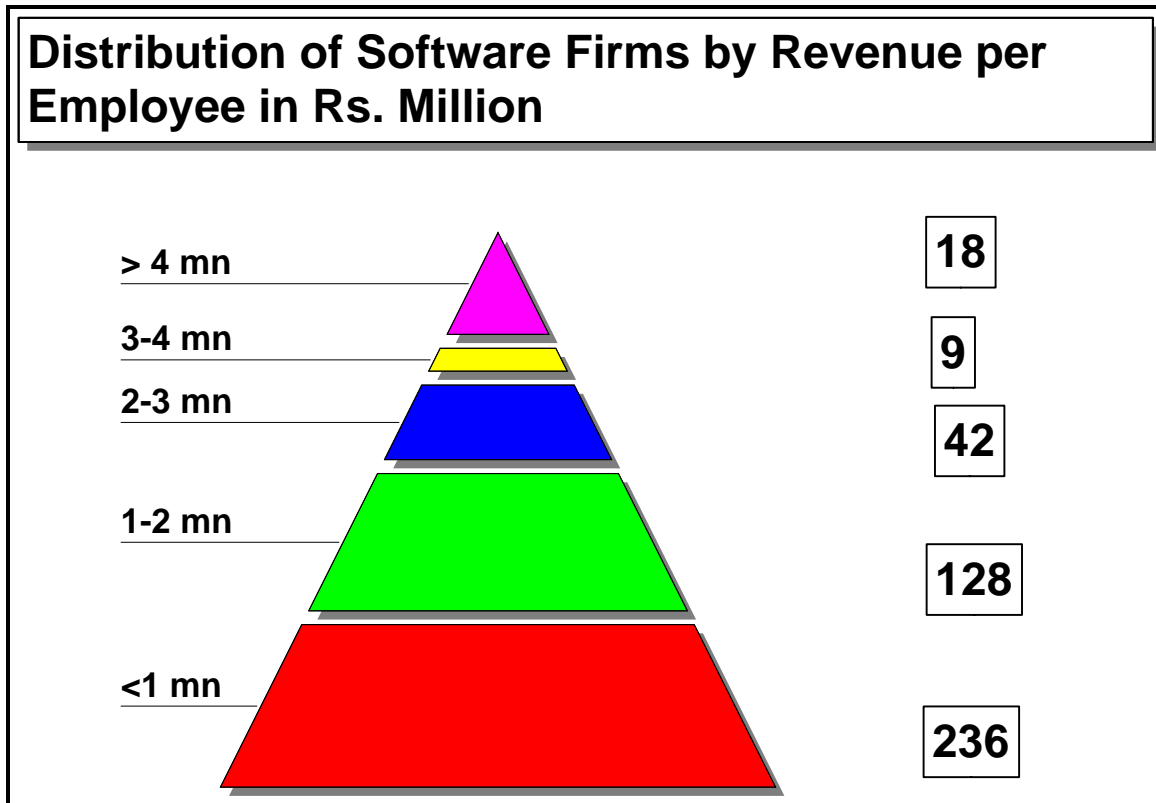
³ Based on CSO's national accounts statistics and NASSCOM's figures on revenues from IT services.

⁴ See figures on India's Overall Balance of Payments available at www.rbi.org.in.

⁵ NASSCOM on the other hand placed employment in the Indian IT-ITES sector at 2,84,000 in financial year 1999-00 and 10,45,000 in 2004-05.

the successful firms focusing on the export market for software and IT-enabled services, especially the former. At the bottom are the large numbers of independent assemblers who find their margins depressed by falling duties on imported systems and components.

Chart 3



Essentially, services relocated to India are ones in which in the developed countries the wage bill constitutes just a third to two-fifths of cost. Since value added is a high share of the price of services, surpluses are a large part of costs. India's competitive advantage lies not just in lower wages but also in the willingness of Indian providers to accept a reduction in surpluses. But, the structure of costs remains more or less the same or in fact the reduction in wage costs is proportionately higher than the reduction in the wage bill. This implies high revenues per employee in the case of the successful firms with a track record and image.

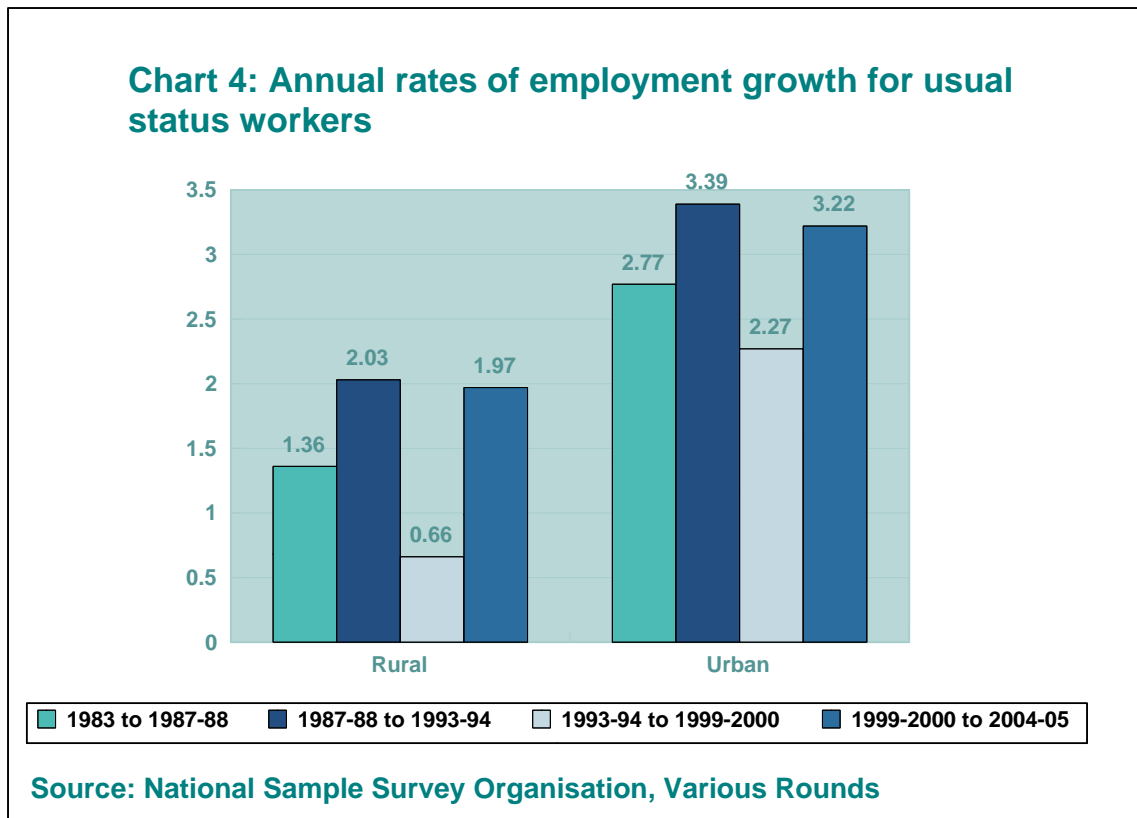
According to NASSCOM figures, in 2003-04 the top 20 software and IT services exporters accounted for as much as 61 per cent of total export revenues. But even within the services segment the industry is highly differentiated. Revenues per employee are distributed extremely unequally, with the few top players obtaining high margins and a large share of the market, and the industry being overcrowded with a number of small firms with low turnovers and extremely low margins (Chart 3).

A study of 65 small and medium enterprises in the IT sector (Shirsat 2006), with revenues ranging from Rs.10 crore to Rs.200 crore, found that their revenues in 2005-06

amounted to Rs.3,400 crore, which was just 8.9 per cent of the Rs.38,169 crore revenue garnered by the top four IT firms (TCS, Wipro, Infosys Technologies and Satyam Computer). Their profits aggregated Rs 575 crore or 6.9 per cent of the Rs.8,386 crore earned by the top four.

This skewed distribution explains the “winner-takes-all” scenario in the industry, showcased by a few highly successful firms with skyrocketing stock values and billionaire owners, while the fact that the experience of a majority of firms in the sector does not match this scenario goes unnoticed. Extreme concentration with attendant implications for income inequality is a core feature of the industry. And underlying that inequality is a sharp divergence in employment and “output” growth rates.

The net result has been that despite the rapid growth of services in the Indian economy, employment growth has failed to respond significantly to output growth. The late 1990s was a period of quite dramatic deceleration of aggregate employment generation, which fell to the lowest rate recorded since such data began being collected in the 1950s. However, the most recent period indicates a recovery, as shown in Chart 4 ⁶ While aggregate employment growth (calculated at compound annual rates) in both rural and urban India was still slightly below the rates recorded in the period 1987-88 to 1993-94, it clearly recovered sharply from the deceleration of the earlier period. The recovery was most marked in rural areas, where the earlier slowdown had been sharper (Chandrasekhar and Ghosh 2006a and 2006b).



⁶ Aggregate employment is calculated here by using NSS workforce participation rates and population estimates of the Registrar General of India based on Census data.

For rural males, labour force participation rates have recovered to the levels of the earlier decade, and conform to broader historical norms. Similarly, rural females show labour force participation rates only slightly higher than in 1993-94. However, for both males and females in urban areas, the latest period indicates significant increases in labour force participation according to both usual status and current daily status definitions.

However, a closer look at the data reveals the nature of this increase. First, there has been a significant decline in wage employment in general. In the past, while regular employment had been declining as a share of total usual status employment for some time now (except for urban women workers), wage employment had continued to grow in share because employment on casual contracts had been on the increase. But the 61st round survey suggests that in 2004-05 even casual employment has fallen in proportion to total employment.

Second, the fallout of this is a very significant increase in self-employment among all categories of workers in India. The increase has been sharpest among rural women, where self-employment now accounts for nearly two-thirds of all jobs. But it is also remarkable for urban workers, both men and women, among whom the self-employed constitute 45 and 48 per cent respectively of all usual status workers. All told, therefore, around half of the work force in India currently does not work for a direct employer. This is true not only in agriculture, but increasingly in a wide range of non-agricultural activities.

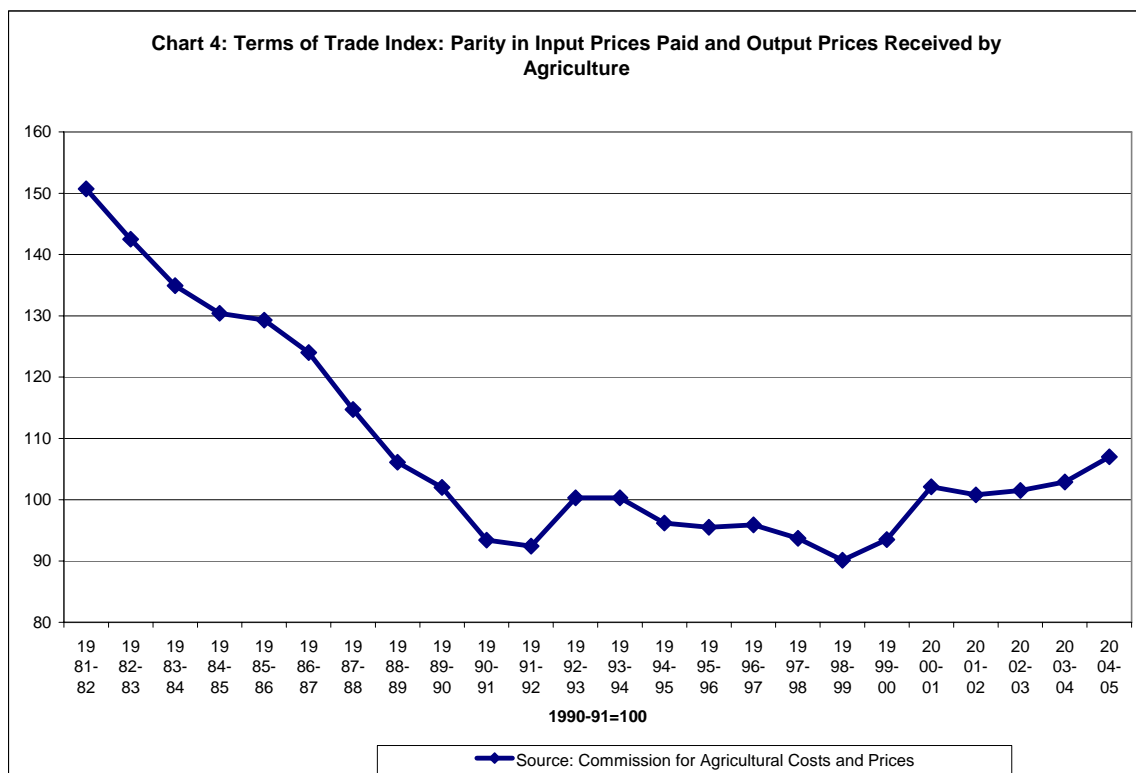
Third, examined in terms of principal occupational categories, while there has been a slight recovery in the rate of growth of agricultural employment, this is essentially because of a significant increase in self-employment on farms (dominantly by women workers) as wage employment in agriculture has actually fallen quite sharply. However, non-agricultural employment certainly appears to have accelerated in the latest period. In rural areas, this is the case for both self and wage employment, although the rate of increase has been more rapid for self employment. In urban areas, the increase has been dominantly in self employment.

Fourth, for most categories of regular workers, the recent period has *not* been one of rising real wages. While real wages have increased slightly for rural male regular employees, the rate of increase has certainly decelerated compared to the previous period. For all other categories of regular workers, real wages in 2004-05 were actually lower than in 1999-2000. The economy has therefore experienced a peculiar tendency of falling real wages along with relatively less regular employment for most workers. Further, while self employment has been rising, just under half of all self-employed workers do not find their work to be remunerative. This is despite very low expectations of reasonable returns – more than 40 per cent of rural workers declared they would have been satisfied with earning less than Rs. 1500 per month, while one-third of urban workers would have found up to Rs. 2000 per month to be remunerative. This suggests that a large part of the increase in self-employment – and therefore in employment as a whole – is a distress-driven phenomenon, led by the inability to find adequately gainful paid employment. So the apparent increase in aggregate employment growth may be

more an outcome of the search for survival strategies than a demand-led expansion of productive income opportunities.

Further, all this occurs in a context where employment growth has been increasingly short of economic growth and output per worker has risen significantly in the non-agricultural sector where output growth has been particularly high. Overall, GDP per worker, which rose by 2.30 and 1.87 per cent respectively during the 1950s and 1960s, fell to a low of 0.69 per cent in the 1970s. Since then the rate of increase has been remarkable, standing at 3.53 and 4.32 per cent respectively during the 1980s and 1990s (Sivasubramonian 2004: 4, Table 1.1). While a part of this rise in output per worker may have meant an increase in the wages of sections of the already employed, it would principally mean an increase in income inequality because of an increase in managerial salaries and profits. Both these tendencies imply that the demand for agricultural wage-goods would grow at a much lower rate than output partly because of the slower growth in employment and partly because increases in per capita incomes accrue to those whose demand for food is satiated. This explains in part the ability to sustain disproportional growth with limited inflation.

Finally, an ongoing study by Abhijit Sen based on recent NSS data suggests that even among the relatively poor the share of income allotted to food consumption is being squeezed by the growing requirements set by expenditures on health, fuel, transportation and education. The collapse of public provision in some of these areas, requiring purchases from private suppliers, and the increase in prices in others, is responsible for the enforced shift away from food consumption in the household budget.



The net result of all this is that agriculture is increasingly faced with a growing demand constraint at a time when input costs are rising. This is a reversal of the situation prevalent till the 1980s when the agricultural supply constraint constituted a barrier to rapid non-agricultural growth. As a result, as Chart 4 indicates, the input-output price parity in agriculture, which moved in favour of agricultural producers during the 1980s, has stagnated and moved against agricultural production during the liberalisation years since the early 1990s.

The consequence of these recent trends is that the Indian economy can record the observed creditable rates of non-inflationary growth of aggregate GDP even when the agricultural sector languishes. It appears that a feature of the growth process in a more open and liberalised environment is that the peasantry has a much smaller a role in sustaining economic growth and can thus be partially excluded from development. This is partly reflected in the fact that agriculture accounted for just 21 per cent of GDP in 2004-05. But neither the numbers constituting the peasantry nor those engaged as landless labourers dependent on agriculture shrink as fast, given the pattern of growth. It bears emphasising that these outcomes of the patterns of growth underlie the agricultural crisis and agrarian distress being reported from different parts of the country, at a time when the non-agricultural economy is on a roll and GDP is rising rapidly. What is disconcerting is that the self-correcting mechanism that existed in the earlier period to restore a semblance of balance between agricultural and non-agricultural growth are no more operative. This leaves the adjustment to political developments that are neither guaranteed nor the least disruptive.

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