Big Business and Economic Nationalism in India.

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Institute for Studies in Industrial Development

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BIG BUSINESS AND ECONOMIC NATIONALISM IN INDIA

Surajit Mazumdar[*]

*[**Abstract**: This paper emphasizes that economic nationalism in India both contributed to and coexists with the liberalization process initiated since 1991, which marked a decisive break in India's economic policy and pushed her towards increased integration with the global economy. It is however an inherently more exclusive form of economic nationalism in which capitalist priorities press down harder on an already constrained state. India's capitalists embraced rather than resisted the liberalization process, in contrast to their active support for a strategy of autonomous development at independence. The paper focuses on this shift in the outlook of the capitalist class represented by India's big business and tries to identify the reasons why it initially emerged and why it has gathered strength over time. The paper argues that this transformation reflected the development and evolution of Indian capitalism resulting from industrialization under the older autonomous strategy. Embracing liberalization became both possible and necessary for India's capitalists. The shift in the Indian state's policy thus was a response to the imperatives of national capitalist development, and the state has continued to assist Indian capital's growth and development in different ways. Indian capital has in fact gained increased leverage with the state and with its support has grown rapidly and stepped on to the global stage. In the process it has also changed – become less industrial, and more integrated into global production and financial systems. This growth and transformation of Indian big business in turn has reinforced its support for liberalization.]*

1. Introduction

Many have questioned mutually related conventional wisdoms about globalization—namely, that it is synonymous with the 'retreat of the state' and the demise of economic nationalism (Patnaik 1992, Wood 1999, Shulman 2000, Helleiner 2002, Pickel 2003, D'Costa 2009). This paper shares the broad perspective sceptical of one-dimensional interpretation of the increased international economic integration stressing merely the

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erosion of national economic sovereignty and the narrowing of policy space. Specifically, I emphasize the class dimension of the phenomenon to reinforce the view that while economic nationalism is intrinsic to capitalism the ways in which it manifests itself is historically contingent. Economic nationalism is neither exclusively the pursuit of statist and protectionist economic policies nor incompatible with economic liberalism. This paper shows this with reference the specific case of India's transition from autonomous development to liberalization.

The nature of the Indian economy's relationship with the global economy, as well as Indian capitalist opinion about it, has changed over the different stages of Indian capitalism. Born in the context of a colonial economy, the Indian capitalist class came to oppose the economic liberalism imposed by a foreign power. It actively contributed towards shaping the strategy of autonomous development that was put into practice after India's independence in 1947. This strategy remained broadly in place until the economic reforms from 1991 decisively established liberalism as the underlying philosophy of economic policy. This time around, however, it was a national state rather than a colonial one which pushed India towards increased integration with the global economy. India's capitalists too, in contrast to their earlier attitude, have embraced rather than resisted this new liberalism. This paper focuses on this shift in the outlook of the capitalist class represented by India's big business. I try to identify the reasons why it initially emerged and why it has gathered strength over time. These questions are designed to bring out important national factors working with external pressures to bring about the swing towards economic liberalism by a quintessentially *Third World* capitalist state. A greater emphasis on the capitalist class than is usual in most commentaries on the political economy of Indian liberalization is due to the premise that the capitalist class has always constituted a powerful social force in shaping independent India's economic policy. For understanding the historical dynamics of economic nationalism in India, therefore, the development of this class and its changing attitude towards Indian economy's external economic relationship merits examination.

The central argument of this paper is that economic nationalism in India both contributed to and coexists with the liberalization process. Indian capitalist opinion moved away from old-style economic nationalism because industrialization after independence altered the business environment. Embracing liberalism became both possible and necessary for India's capitalists, and they then went on to gain tremendously from increased integration with the global economy. This was accompanied by a shift from manufacturing to services as the main driver of corporate growth. Like the earlier strategy of autonomous development, liberalization too can be seen as a response of the Indian state to the imperatives of national capitalist development. Precisely for that reason state support to such development did not cease but adapted to the new context paralleling the apparent retreat of the state. This dual role has been as important to the post-liberalization success of India's capitalists just as it was for their preceding development.

Economic nationalism has thus remained a key influence on economic policy making in India, but the forms in which it is expressed have changed as a result of capitalist development. In a context such as India's at independence, many different meanings could of course be attached to the expression *capitalist development*. It could simply mean the quantitative growth of the capitalist sector of the economy and its associated qualitative changes. However, in an underdeveloped economy with a significant non-capitalist segment, it could also signify the greater penetration of capitalist production relations into other spheres of the social economy or the elimination of economic backwardness through capitalist expansion. Capitalist development in these different senses need not proceed at the same pace. In India, the extent of such development after independence was limited whichever of these one may consider. It was however much greater in the growth sense than the others. India remains a Third World capitalist country but its capitalist class has advanced considerably. This changed rather than eliminated the nature of support the capitalist class needed from the state, which in turn has tended to intensify uneven development.

The paper is divided into three main sections. The first section underscores the significance of Indian liberalization as a case study for examining the relationship between economic nationalism and globalization in the Third World. The second section brings out the role of import-substituting industrialization in generating the internal impetus towards liberalization in Indian capitalism. I emphasize two main outcomes in this regard. One was the increasing technological requirements of a technologically-dependent economy and the other was strengthening of Indian big business within the limits of such dependence. If the former made Indian capitalists inclined towards India's opening up, the latter made the resultant exposure to global competition less threatening. The third section shows how and in what manner Indian big business has indeed benefitted from liberalization. I show here that unlike the industrialization based expansion of the past, services played a more central role in Indian corporate growth. I argue that the processes of liberalization and the ceding of space by the state to the private sector have been designed and carried out in a manner that has made increased international integration complementary to Indian capital's growth and imparted durability to the liberal course of Indian economic policy.

2. Globalization and Third World Economic Nationalism: Indian Liberalization in a World Historical Perspective

Economic nationalism can be said to result from the contradictory combination of a political division of the world into nations and a capitalist economic system whose spontaneous tendencies are toward global expansion rather than confined within individual nations. Capitalist states are class states in the sense that protecting and advancing the interests of dominant capitalist classes is their prime function. These states however historically also came into being as national states. This is true of states, in the advanced regions where capitalism first emerged, in Third World countries after they achieved political independence, or more recently in transition economies. National states have often erected barriers to interaction across national economies. They have also however been the key instruments of capitalism's internationalization. The point is that in acting in either manner, states are always motivated by *national* rather than global imperatives - the promotion of national economic performance and of the interests of national capitals at home or abroad – in a world where other similarly driven national states also exist. Hence, internationalization of capitalism in turn has reinforced economic nationalism. Economic nationalism understood in this way is also naturally a dynamic phenomenon. The specific measures states take in order to promote national economic interests, and the ideologies rationalizing these measures, change in response to shifting contexts.

While the general propositions laid out above should apply to contemporary capitalism as much they did to earlier phases of capitalism's history, globalization does pose a specific challenge. How does one explain the trajectories of economic nationalisms of so many diverse countries coalescing into the global triumph of economic liberalism that made globalization possible? A rough-and-ready generalisation that could be derived from historical experience is that the proclivity of states towards liberalism or protectionism is dependent on the levels of *relative* development of their national capitalisms. Economic liberalism is more likely to be favoured and propagated by advanced and dominant capitalist classes and states. Younger or weaker ones seeking to develop in the shadow of more developed rivals would be inclined towards protectionism. This rough-and-ready generalization however does not make for a plausible story of the shifts in so many Third World countries. Strategies of autonomous development had been the initial response of these countries to their subordinate position in capitalism's global order. However, these were mostly abandoned in favour of economic liberalism despite the fact that economic openness has had more constraining effects on Third World states. Part of the explanation of course lies in precisely the unequal position of Third World capitalisms, which makes them subject to significant external pressure. However, explaining the crossover to liberalism in the Third World is in such terms alone would amount to accepting the demise of economic nationalism in the Third World. If not, then the relationship between the interests of their national capitalist development and the transition to liberalization has to be established.

India represents an important case study for examining this relationship. India's history until then made it one of the least obvious cases for adopting liberal economic policies in 1991. An extremely large country, India had experienced one of the longest histories of colonial subjugation by a capitalist power. After independence India adopted and sustained for over four decades an industrialization strategy which apparently made it one of the most statist, autonomous and inward-looking of Third World capitalisms. It was also politically distanced from the leading capitalist powers to a greater extent, and for a longer period of time, than any other major non-socialist Third World nation. It experienced a primarily domestic market based industrial growth that created a fairly large and diverse industrial sector. Industrialization in India however did not produce a transformation of the kind seen in some other East and South East Asian developing countries. India remained one of the most agrarian and poorest countries at the time she made her rather dramatic shift towards liberalization. Indian industry also never managed to create a sufficiently strong base for the self-development of technology (Alam 1985, Tyabji 2000).

In short, India was not amongst the likes of South Korea which had built internationally competitive firms and industrial structures, but nor was it a banana republic that could be simply bullied into responding to the dictates of international capital. Yet its economic policy regime made a shift that has proven to be a durable one, surviving way beyond the passing of the foreign exchange crisis in 1991 that was its immediate trigger.

Judged in terms of aggregate economic performance, Indian capitalism's integration into the global economy also appears to have been extremely successful. Though there are serious issues regarding the distribution of the benefits associated with globalization, India has been along with China one of the fastest growing economies of the world in the last two decades[1]. It has escaped so far also the kinds of currency crisis that have struck so many of its developing country counterparts. India also seems to have weathered the storm of the current global crisis better than most countries.

The Indian case therefore is of a Third World capitalism opening up when it was still a fair distance behind advanced capitalisms and yet managing to hold its own under globalization[2]. The investigation of the why and how of this case can therefore contribute to a more complete understanding of the relationship between the evolution of economic

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1 However, till 2003-04 Indian growth rates after liberalization were not higher than in the 1980s.

2 Pedersen (2007) has highlighted this apparent paradox.

nationalism across capitalist economies in an unequal world and the unfolding of the globalization process itself.

3. Capitalist Development after Independence and the Shift to Liberalism

In the colonial period, the rising class of Indian capitalists reflected as well as reinforced Indian nationalism that grew in opposition to the political and economic subjugation of India (Ray 1985). As the end of British rule approached, Indian businessmen also participated actively in the process of shaping the form and substance of the post-independence strategy of planned development. Their attitude towards other elements of that strategy, specifically the disciplining of private capital by the state that was implied in it, is a subject of some debate (Chibber 2004). However, that they were firmly in favour of protection and autonomous development is beyond doubt. Indeed, greater protection from foreign competition had been virtually the sole objective that India's capitalists had pursued in the battles on economic policy in the colonial period (Bagchi 1980).

Until 1991, Indian economic policy remained within its original broad framework of economic nationalism. The relative autonomy of the Indian economy was maintained and the public sector share in the economy steadily increased. There was some liberalization of the external sector in the 1980s. This, however, only enlarged a little the window for sourcing foreign technology that had existed throughout the life of the import-substituting industrialization strategy. The far more comprehensive liberalization of the 1990s did much more to open up India to international trade and capital flows. Fiscal conservatism, privatization and ultimate abandonment of the attempt to direct private investment also came as part of the package. The 1991 reforms must therefore be considered the decisive turning point in the history of Indian economic policy. With these, the trajectory of the Indian economy became subject much more than before to the operation of international economic forces.

The 1991 liberalization also revealed a remarkable metamorphosis in the attitude of Indian capitalists compared to what it was at independence. The change in the policy paradigm in 1991 was somewhat abrupt, and implemented without much warning. Indian big business therefore did take some time to adjust and sections of them did initially raise some concerns about the pace of changes particularly of external sector liberalization (Tyabji 2000, Chandrasekhar and Ghosh 2002). An informal group of industrialists called the 'Bombay Club' was formed to lobby for a "level playing field"[3].

[3] 'Manmohan to look into Bombay Club demands', *Business Standard*, 11 November 1993, is one of the many media reports outlining the demands of this group.

The head of one of the major Indian industry associations later also criticised what he called the "cowboy" tactics of foreign partners in joint-ventures[4]. However, the resistance to liberalization came from other segments of Indian society rather than its business class. Any ambiguity in the capitalist attitude towards liberalization that may have existed initially soon disappeared. Indian big business came to eventually actively push the 'reform' agenda and contributed to firmly establishing the direction shift in economic policy that first emerged in 1991 (Pedersen 2007, Kohli 2009b).

3.1 Import-Substituting Industrialization and Private Capital

The chief propeller of the growth and development of Indian big business till 1991 was industrialization. Manufacturing was earmarked within the industrialization strategy mainly for private sector development, and Indian private business in fact became highly concentrated in the manufacturing sector.

Indian industrialisation after independence was marked by great instability but resulted in considerable expansion and diversification of the industrial sector by the end of the 1980s. The tempo of industrial growth picked up greatly after independence (Sivasumbramonian 2000). A manufacturing structure initially dominated by light industries was transformed to one where chemical and engineering industries became predominant. This diversification of India's industrial structure represented the typical pattern associated with the diffusion of industrialization to the Third World in the second half of the twentieth century, which brought their industrial structures closer to that of advanced countries (Table-1).

The extent of Indian industrialization measured in terms of diversification of her industrial structure was greater than in terms of the growth of industrial output or its share in aggregate output. Industrialization had been based on a growing but nevertheless narrow domestic market (D'Costa 2005). Diversification had therefore a major weight in the long-run expansion of industrial output even without that output achieving very high per capita levels. In the formal or organized manufacturing sector, the sphere of big business activity, the transformation in the pattern of manufacturing output in India (Table-2) was even greater. At independence, the organized mills accounted for four fifths of fabric production in India's large textile industry. A combination of government policy and prolonged crisis in the industry however led to a massive shift in fabric production to the informal or unorganized power loom sector (Misra 1993).

4 Javed Syed, 'Tarun Das Breathes Fire on MNC Entrants One-Night Stand', *Economic Times*, 20 March 1996.

Table-1

Structure of Manufacturing Value Added in 1991 (Percentage Shares)

Branch (ISIC)	*Developed Market Economies*	*Developing Countries*	*World*	*India*
31 - Food, beverages and tobacco	11.9	17.3	13.3	11.9
32 - Textiles, wearing apparel, leather and footwear	5.5	12.6	7.1	15.9
33 - Wood products including furniture	3.1	2.3	2.9	0.4
34 - Paper, printing and publishing	9.1	4.6	7.9	3.8
35 - Chemicals, petroleum, rubber and plastic products	17.1	23.1	17.7	21.9
36 - Non-metallic mineral products	3.9	5.1	4.1	5.1
37 - Basic metals	5.3	7.1	5.8	13.8
38 - Metal products, incl. machinery and equipment	43	26.6	39.8	26.8
39 - Other manufacturing industries	1.2	1.4	1.4	0.4

Source: UNIDO, Industrial Country Statistics (www.unido.org)

Table-2

Composition of Gross Value Added of Registered Manufacturing in India, 1950-51 and 1990-91 at Current Prices, (Percentages to Total)

Industry Group	*1950-51*	*1990-91*
food products	15.62	8.10
beverages and tobacco products	2.84	2.37
textile products	42.60	13.47
leather & fur products	0.81	0.89
wood and wood products,furniture, fixtures etc	0.81	0.39
paper and printing etc.	5.07	4.27
Total of Above 6 industry groups	**67.75**	**29.50**
rubber, petroleum products etc.	2.64	8.22
chemical and chemical products	7.30	14.63
non-metallic products	3.45	5.47
basic metals	4.67	12.85
metal products and machinery	3.04	11.20
electrical machinery	0.81	7.01
other manufacturing	2.23	3.47
transport equipment	7.91	7.65
Total of Above 8 industry groups	**32.05**	**70.50**

Source: Central Statistical Organisation (CSO), National Accounts Statistics, Back series

In line with the features of Indian industrialization, the industrial spread of corporate capital changed more visibly than in its relative size within the economy. The organized private sector share in net domestic product (NDP) stayed at around or below 15 per cent[5], but the industries that were prominent for private corporate capital changed. At independence, large business firms had been heavily concentrated in a few traditional industries like the cotton and jute textile industries, mining, tea manufacture, etc. By the 1980s their presence in many of these had become limited or absent and these industries were rarely important for large firms. Instead big businesses were often built around presence in one or more of a range of other industries that had grown over different time periods such as steel and steel products, chemicals, cement, automobiles and automobile products, industrial and other machinery and consumer electronics.

As a result of the changes in the pattern of control over corporate capital and industrial assets, Indian big business consolidated its position and reflected most the shift in industrial spread (Mazumdar 2006). The final demise by the mid 1970s of surviving old European controlled firms reduced the significance of direct foreign control. The presence of multinational companies (MNCs) fluctuated somewhat in response to policy shifts[6]. Pervasive, however, was their indirect presence in the technical collaborations and joint ventures of Indian business groups. Through these or otherwise, Indian family controlled business groups clearly took a lion's share of the expansion opportunities that arose in non-traditional industries of the kind mentioned earlier. Elements in the policy regime reining in MNCs also helped Indian capital make major inroads into industries where MNC dominance had been marked for long stretches of time (Encarnation, 1989).

The change in the industrial spread of Indian big business as a result of import-substituting industrialization was more than simply that, bringing about its development along many dimensions. The expansion in newer and more 'modern' industries increased the level of technological sophistication that Indian big business became capable of dealing with. Indian firms learnt to find, absorb, adapt, and use technologies and technological advances across the industrial spectrum even if they themselves did not develop them. The kind of demand their production was geared towards also changed. For the cotton textile industry products, a populous but poor country had provided some kind of a mass market. The ultimate markets for the products most big Indian firms produced on the eve of liberalization were generally narrower but with considerably higher average incomes. Big business and oligopolistic dominance were

[5] The private corporate sector in India is a subset of the private organized sector, but its dominant component.

[6] Developments like nationalization of the oil industry eliminated the MNC presence in that sector while domestic regulations induced some MNCs, Coca Cola and IBM being prime examples, to withdraw from India. At the same time there was new entry of MNCs, mainly up to the mid-1960s and then of a few in the 1980s.

also brought in closer touch with each other in the process as the industries into which Indian corporate capital spread by the end of the 1980s had a more concentrated character than the older textile industries.

3.2 The Transformation of Indian Capitalism and the Transition to Liberalization

Import-substituting industrialization contributed to Indian capitalism gaining strengths even as some old weaknesses persisted. There was a coming of age of Indian corporate capital as it acquired capabilities that it did not possess at the time of independence. Collectively, Indian big business had to an extent "caught up" with its international counterpart in terms of the industries it operated in, the kind of technologies it handled, the demand pattern it responded to, and in its oligopolistic character. The supporting institutions of Indian capitalism, in particular the financial sector, were also considerably more developed by the end of the 1980s. But this maturing of Indian capitalism had remained limited. The new and old constituents of Indian big business on the eve of liberalization had all grown in the sheltered environment provided by protectionism. They had built businesses that were mainly 'national', producing, selling in and raising finances from the domestic economy[7]. Their scales of operation in most industries were considerably smaller than international scales and technological gaps still existed. The most important weakness however was the continued dependence on foreign technologies.

Import-substituting industrialization had also by 1991 altered the context for future capitalist development in India, increasing the scale and frequency at which technological advances needed to be introduced. The closing of the gap with the structure of industries at the international level had reduced the scope for industrial expansion through a successive diffusion of industries. Continued expansion had to be based primarily on existing industries rather than on new ones, and that too under conditions of a narrow domestic market. Such an expansion had to mirror the international pattern or constitute a niche within it. Either way, the technological requirements were different from those of the past. Under import-substituting industrialization, the critical requirements of technology or know-how were usually at the point of entry into a new industry and limited to the firms making such an entry. Expansion on the basis of existing industries however meant that all firms required recurrent technological advances in all industries.

[7] There was some foreign investment by Indian business firms in the 1970s, mainly in South East Asia and Africa, but the scale of internationalization remained limited.

In these circumstances, the strengths and weaknesses of Indian capital worked in tandem to move Indian business opinion towards favouring a greater degree of integration with the world economy. As subsequent experience was to prove, the strengths acquired through industrial development had enhanced the general ability of Indian big business to confront international competition. That by itself could not however have been sufficient reason for it to welcome such competition particularly because of its technological weakness. This very weakness however made freer interaction with the international economy an imperative for meeting the new technological requirements of Indian capitalist development. This was a collective need of the Indian industrial capitalist class. Under conditions of oligopolistic rivalry in markets reflecting international demonstration effects, it would have also been felt as an individual need by the different constituents of the class. Given these, the threat from international competition strengthened rather than weakened their orientation towards liberalization. The challenge of withstanding that competition created an additional need for greater 'freedom' being accorded to Indian business firms to pursue their strategic imperatives. Thus old economic nationalism and the entire edifice of state regulations through which it had been given effect became an anachronism for Indian big business. The complete self-realization of this by the class may not have been instantaneous in 1991 and may have developed unevenly across its different segments. Nevertheless, this was the reason that a stiff resistance to liberalization by Indian big business never materialized.

4. Liberalization, Indian Big Business and the New Economic Nationalism

As argued, both the old form of economic nationalism and newly instituted liberalization had the objective of maximizing the scope for capitalist development within the historical limits of Indian capitalism's prevailing context. One gave way to other only because it had served its purpose. In the process, many of the overt forms of economic nationalism of the past had to be dispensed with or toned down. The new reconstructed economic nationalism also has less explicitly the appearance of a strategy of guiding the economy in a definite direction. Indian liberalization on the other hand has always been justified by the state in terms of 'national interest'[8]. It has also been increasingly portrayed as a means of national economic success that has set India on the path to becoming an economic superpower. The nationalist element is however not limited to the ideological discourse on liberalization. Its substantive appearance is in the form of the tailoring the

[8] See for instance *Statement on Industrial Policy*, July 24 1991, which announced many of the reform measures (Reproduced in Government of India, Ministry of Commerce & Industry, Office of the Economic Adviser, *Handbook of Industrial Policy and Statistics*, 1999 and other years).

process of liberalization to enable Indian capital to succeed in competition at home and abroad.

That economic liberalism marks the demise of economic nationalism is based on a misconception that the state's role in the economy becomes very limited under liberalization. Liberalization is a process that can take place in many ways with results that are not identical. The speed at which it happens; its degree and sequencing; the pattern of variations in its extent across different spheres; the extent to which the state gives up doing the specific things it did earlier and the new tasks it assumes: these are all sources of such variability. In choosing their specific path towards liberalization individual states may not be entirely free of external constraints. Indeed liberalization itself results in some constraints once undertaken. However, this does not mean that states are reduced to being simply passive instruments of liberalization.

The Indian state has played an important part in the post-liberalization story and not as a representative of capital shorn of any national identity. Precisely because it has played such a part, heightened integration of India into the global economy has been complementary rather than antithetical to the growth of Indian big business in at least quantitative terms. It has helped Indian big business face the new challenges posed by liberalization and take advantage of the new opportunities opened. In that process the state has also tilted more in favour of big business relative to the rest of Indian society. The results have been more rapid growth of corporate capital and profits. This has naturally reinforced the endorsement of liberalization by big business and strengthened the commitment to liberalization.

4.1 The Transition to Corporate-Led Growth

After 1991, the long-standing stability in the share of the Indian private organized sector in India's aggregate NDP gave way to a rapid rising trend (Figure 1). From a little over 14 per cent in 1990-91 it went up to over 23 per cent by 2007-08[9]. The private corporate sector's role in determining the tempo of investment in the economy also increased. It has been responsible for a third of the increase in the net fixed capital stock (at 1999-00 prices) since 1991, raising its share from less than 11 per cent in the early 1990s to over 26 per cent by 2008.

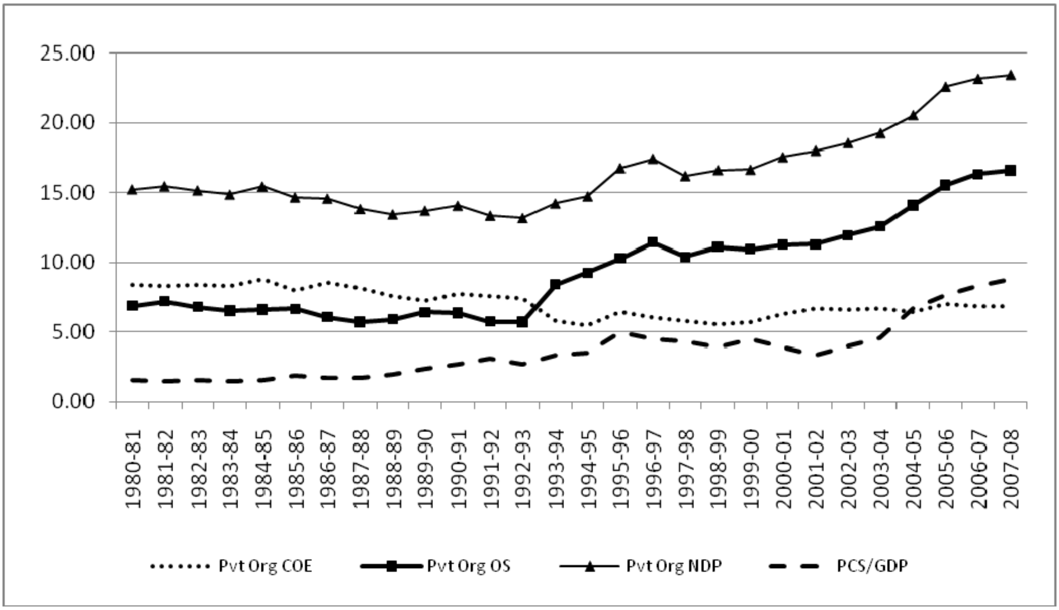
A particularly striking aspect of corporate growth in India is that it has gone entirely into the kitty of surplus incomes. The share of compensation of employees in the private

[9] All figures in this sub-section, unless otherwise mentioned, are from CSO, National Accounts Statistics

organized sector to the economy's aggregate NDP has on average been *lower* after 1991 than in the 1980s. In other words there has been a massive redistribution of incomes within the organized private sector, with the operating surplus share increasing from just above 45 per cent to nearly 71 per cent. This has also reflected itself in the quite dramatic increase in private corporate savings. In the four decades before liberalization, such savings were generally below two per cent of Gross Domestic Product (GDP). In 2007-08, this figure stood at 8.8 per cent[10].

Figure 1

Shares of Private Organized Sector and its Components in Aggregate Net Domestic Product and of Private Corporate Savings in Gross Domestic Products, 1980-81 to 2007-08 (Percentages)



Note: COE = Compensation of Employees; OS = Operating Surplus; PCS = Private Corporate Savings

Source: CSO, National Accounts Statistics

Corporate growth under liberalization has also had a highly concentrated character. Thus, nearly 55 per cent of the total profits of over 400,000 companies filing income-tax returns in 2007-08 was accounted for by just 190 companies with profits over Rs. 5 billion[11]. Some of these were of course public sector companies. However since all 1808 public sector companies together accounted for less than 22 per cent of the total profits, private corporate profits clearly were highly concentrated in a few companies and even fewer business groups.

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10 Government of India, Economic Survey 2009-10.

11 Government of India, Receipts Budget 2008-09, Annex-12.

4.2 The Shift to Services Dominated Growth

While corporate growth in India outpaced the rest of the economy after 1991, industrial growth did not. Leaving aside construction the slow post-independence rise in the share of the industrial sector in aggregate GDP in fact completely ceased after the mid-1990s (Mazumdar 2010). Industrial expansion continued to be plagued by demand-related instability, and two episodes of faster growth were separated by a six-year period of slowdown beginning in the second half of the 1990s (Table-3). The largest component of industry, the manufacturing sector, exhibited an identical pattern.

Table-3
Annual Average Rates of Growth of Real Gross Domestic Product in Indian Industry
(Per cent per annum)

Sector	*1991-92 to 1996-97*	*1997-98 to 2002-03*	*2003-04 to 2007-08*
Mining & Quarrying	3.87	3.97	6.02
Manufacturing	8.10	4.07	9.11
Electricity, Gas & Water Supply	7.68	4.50	5.74
Construction	3.37	6.92	13.68
Industry	**6.58**	**4.71**	**9.69**

Source: CSO, National Accounts Statistics

It is expansion in services rather than through industrial growth that the enlarging of the share of the private organized sector in the Indian economy's production has been possible. Private business firms have found lucrative opportunities in externally as well as domestically demanded services, and of late also in construction. Services have consequently decisively displaced manufacturing as the principal sphere of private corporate activity (Table-4). This change in the distribution of its output would suggest that private corporate capital in India has been *de-industrializing* during the liberalization process.

This should not be construed to mean that private capital is exiting from manufacturing activity or that manufacturing in India is dying. Indian manufacturing has survived import liberalization and continued to expand. India's manufactured exports have grown after liberalization and diversified somewhat away from her traditional labour-intensive products. Many major Indian business enterprises are still mainly manufacturing firms, and in some industries like pharmaceuticals Indian firms are competing globally. Much of the invested private corporate capital is also still in the manufacturing sector, the growing services not using comparably significant amounts of capital. In fact the private corporate ascendancy in India's investment process has actually found its fullest expression in the manufacturing sector. As a result, the share of organized manufacturing in the increase in fixed capital stock between 1990-91 and 2007-08 went up to nearly 30 per cent from less than 19 per cent in the 1980s. A lack of private interest and investment has thus not been the problem for industrial expansion.

Table-4
Distribution of Private Organized Net Domestic Product (NDP) (Percentage Shares)

Sector	*Distribution of Private Organized NDP*				*Private Organized NDP to Aggregate NDP*			
	1990-91	*1996-97*	*2002-03*	*2007-08*	*1990-91*	*1996-97*	*2002-03*	*2007-08*
Agriculture	15.49	12.44	7.49	5.14	2.21	2.18	1.39	1.21
Industry	57.32	55.06	46.05	45.76	8.18	9.66	8.55	10.72
Industry excl. Construction	*45.13*	*45.77*	*36.77*	*31.53*	*6.44*	*8.03*	*6.83*	*7.39*
Services	27.19	32.50	46.45	49.10	3.88	5.70	8.62	11.51
Services and Construction	*39.38*	*41.79*	*55.73*	*63.33*	*5.62*	*7.33*	*10.35*	*14.84*
Total	100.00	100.00	100.00	100.00	14.26	17.55	18.56	23.44

Source: CSO, National Accounts Statistics

Despite these qualifications, the rising importance of services in the Indian corporate scene is an undeniable fact. The major firms that have risen from relatively modest size to the top rungs of the Indian corporate hierarchy in the liberalization era have achieved this through growth in services. Examples of this kind are Infosys (software) and Bharti (communication). Others like Wipro (software), and HDFC and ICICI (financial services), have also moved up into the top league through services. Big industrial groups like Tata, AV Birla, and Reliance, have also built up a substantial presence in a range of services like software, communication, retail, financial services, etc.

The manufacturing sector's rising share in investment has also not been matched by its contribution to India's aggregate output growth. Instead, organized manufacturing's share in GDP growth fell from 13 per cent in the 1980s to under 9 per cent in the period after 1991. This imbalance has undermined the sustainability of corporate and manufacturing investment growth (Mazumdar 2008b). Like manufacturing growth, these investments have also exhibited instability with a similar time-pattern but of a higher order—a period of complete collapse being placed between two phases of extremely rapid growth (Table-5).

Table-5
Annual Rates of Growth of Gross Fixed Capital Formation at Constant Prices in India
(per cent per annum)

At 1993-94 prices			*At 1999-00 prices*		
Period	*Registered Manufacturing*	*Private Corporate Sector*	*Period*	*Registered Manufacturing*	*Private Corporate Sector*
1990-91 to 1996-97	19.5	21.94	1999-00 to 2002-03	-4.91	-2.02
1996-97 to 2002-03	-6.06	-3.75	2002-03 to 2007-08	28.51	31.39

Note: The series with base year 1993-94 does not extend up to 2007-08 while that with the base year 1999-00 also begins from 1999-00.
Source: CSO, National Accounts Statistics

Compared with many other developing countries India is still a minor location of production of manufactured products for the world market. Growth of exports has also been accompanied by a sharp rise in manufactured imports. Relative to India's GDP, her aggregate merchandise deficit as well as its non-oil component have after liberalization attained levels far beyond those witnessed in the run up to the balance of payments crisis of 1991. If no such crisis has hit India after liberalization it is because of a large surplus in her invisibles trade based on services exports and income remittances.

De-industrialization of corporate capital and the rise of services in India are products of the same set of conditions that have generated rapid corporate growth. They reflect the combined operation of domestic income-distribution trends and the position in globalization's international division of labour India is getting slotted into. India has experienced under liberalization a highly concentrated process of growth in incomes (Sengupta, Kannan and Raveendran 2008, D'Costa 2010). One side of that has held back the expansion of a mass market for industrial consumer goods, while increasing incomes of a minority has led to a greater diversification in their demand in favour of services. In external markets too, India's spectacular success has been in services rather than in manufactured exports. Public investment, capable of both generating demand for industry as well as contributing to the international competitiveness of domestic industry, has become a victim of the fiscal conservatism associated with liberalization. Given these fundamental demand constraints, manufacturing growth has become heavily reliant on corporate investment for generating demand. That is why the two have moved up and down together.

The trajectory of a services-dominated growth, and its impact on corporate capital, has great significance for the post-liberalization course of economic nationalism in India. On the one hand the rapid growth of services has enabled a national capitalist expansion which would not have been possible to the same degree relying mainly on industry. This has also contributed to the sustained endorsement of liberalization by big business. The de-industrialization of corporate capital is also however changing the context for economic nationalism in a fundamental long-term sense. It leads to weakening of the link between capitalist advance and a national *industrialization* process. This in time may weaken the commitment of the capitalist class to industrialization, which was the central concern of old economic nationalism. Key elements of that nationalism like trade protection have little positives but many negatives for the growth of important services. Software, for instance, is mainly reliant on external markets, while communication and trade are not subject to import competition. At the same time, the software and communication sectors rely heavily on import of equipment thus undermining national production.

4.3 Foreign Capital and Indian Big Business after Liberalization

With liberalization, the growth of Indian capital became dependent on the degree and nature of success it could achieve against international competition at home and abroad. The domestic economic space was no longer reserved for it in the way it was under old economic nationalism. Yet Indian capital has been the principal beneficiary of rapid corporate growth in India and much of the Indian corporate sector has remained in 'national' hands. At the same time Indian firms have taken important steps in the direction of greater internationalization, mainly through acquisitions abroad (Nayyar 2008, Athukorla 2009).

One implication of capital account liberalization has been that Indian corporate capital has become deeply tied up with global financial interests in a mutually beneficial relationship. A major part of capital inflows into India after 1991 has consisted of portfolio capital or private equity. The volatility associated with such flows have created problems of exchange-rate instability and narrowing of the policy space of the state. However, Indian big business firms have also derived benefits from financial globalization. Foreign Institutional Investors (FIIs) have become important movers of the Indian stock market and contributed to creating conditions whereby Indian firms could raise cheap capital. The financing options of Indian private firms have also increased through better access to foreign finance, and their recourse to such sources has been quite significant in some years (Reserve Bank of India 2009). These have also facilitated foreign acquisitions by Indian firms. Large capital inflows have indirectly also financed internationalization of Indian firms by covering India's current account deficit and allowing accumulation of reserves, without which the easing of norms for acquisitions abroad would have been difficult.

Foreign Direct Investment (FDI) by multinational firms in India has also increased, and the presence in India of such firms has certainly become more pronounced after liberalization. An increasing number of leading MNCs from diverse sectors now have Indian affiliates (Table 6). Liberalization has also enabled and induced multinationals to move towards increasing the level of control in their Indian affiliates (Basant 2000, Nagaraj 2003), buying out their partners in joint-ventures or becoming the dominant partner, and acquiring other firms. From Parle and Tomco in the early part of the liberalization era to the more recent cases of ACC and Ranbaxy, a number of prominent Indian firms have passed into foreign hands. In some individual industries, the extent of MNC presence has increased after liberalization and they completely dominate some of them like passenger cars, scooters, consumer electronics, soft drinks, etc.

Table 6
Illustrative List of MNCs in Different Sectors in India

Sector	*Prominent MNCs*
Financial Services	Citigroup, HSBC, Merril Lynch, Goldman Sachs.
IT services	IBM, Microsoft, Adobe, Oracle, Cisco, Hewlett-Packard
Media	News Corp, Sony
Electronics including Consumer Electronics	Nokia, Whirlpool, Samsung, LG, Motorola, Sony, Hitachi, Canon
Automobiles	Suzuki, Honda, Toyota, Ford, GM, Hyundai Kia Automotive, Daimler Chrysler, BMW
Consumer Goods	Unilever, Proctor and Gamble, Colgate-Palmolive, Nestle, Cadbury, Johnson and Johnson, Henkel
Machinery and equipment	Robert Bosch, Siemens, Caterpillar, JCB, SKF, Alfa-Laval, ABB, Cummins
Chemicals	Bayer, Mitsubishi Chemical, Monsanto, Akzo Nobel, BASF
Drugs and Pharmaceuticals	Pfizer, Novartis, GlaxoSmithKline, Sanofi-Aventis
Non-Metallic Mineral Products	Holcim, Lafarge, Saint-Gobain
Petroleum and Products	ExxonMobil, BP, Royal Dutch Shell, Total
Outsourced Services	Convergys, Sykes, Accenture
Contract Manufacturers	Flextronics, Jabil Circuits

Source: Author's Compilation

However, rather than any foreign takeover of the Indian corporate sector it is the lack of FDI into India that has been the chief concern of Indian big business and the state. Underlying this is the reality that India has not emerged as a very important FDI destination, and MNCs have played a very limited role in drawing Indian manufacturing into global production networks. The scale of presence of foreign affiliates in India's economy has remained restricted and the degree of their export orientation has been even less. Table-7 shows the stark contrast on these counts with not only China but also many significantly smaller economies.

Table-7
Assets, Sales and Exports of Foreign Affiliates in Selected Host Countries (Millions of Dollars)

Economy	*Sales ($ million)*		*Exports ($ million)*	
	2004	*2005*	*2004*	*2005*
China	698 718	..	338 606	444 209
India	**34 139**	**41 237**	**3 798**	**4 906**
Czech Republic	98 681	112 535	35 607	39 682
Ireland	108 393	..	100 301	..
Singapore	79 512	95 922	58 464	67 596
Slovenia	14 345	14 954	6 674	7 229

Source: UNCTAD, World Investment Report

Not only has multinational interest in India been mainly of the market-seeking variety, it has also remained limited in terms of its spread. Table-8 highlights this by providing illustrative lists of products/activities of three different kinds, mostly in manufacturing. These do not include products, many in the capital goods sector, where imports are often very large compared to sales by firms based in India. The aggregate sales figures for each these product groups are also given simply to give a sense of the magnitudes involved. These indicate that in many sectors, a large part of selling activity in India is still done mainly by Indian firms.

Indian firms have played a more important role than MNCs in pushing Indian manufactured exports. The same is actually also true in the case of services. However, in the IT-BPO (Information Technology-Business Process Outsourcing) sector, while Indian firms are the main suppliers of services, multinational firms are their major clients, many of whom have also set up their own captive units[12]. Such outsourcing to Indian firms by multinational firms has also happened to an extent in manufactured products. A prominent example is the automobile components sector where leading Indian groups like Kalyani (Bharat Forge), TVS, Mahindra, Rane and Amtek, have succeeded in establishing themselves as suppliers to the Indian and foreign operations of global auto companies. However, manufacturing outsourcing to India is not comparable in scale to that in services[13].

[12] A Infosys study of 394 leading global firms engaged in a variety of different services and manufacturing activities showed that as many as 309 of them (78 per cent) were offshoring services to India, with 124 of them setting up captives. (Rajeevan et al 2007)

[13] Even in automobile components trade India has a deficit, and imports have been growing faster than the exports and the total turnover of the domestic industry (Automotive Components Manufacturers' Association, India Auto Component Industry Performance Review 2009-10, http://www.acmainfo.com).

Table-8
Illustrative Lists of Sectors with Varying MNC Presence

Category	*Products/Activities*	*Sales in 2006-07 – Rs. Crores/US $ million*
MNCs Dominant	Passengers Cars,Scooters,Refrigerators,Fuel Injection Pumps,Infant Milk Foods,Malted Milk Foods,Sauces Ketchup Jams,Soft Drinks,Oxygen,Printing Inks, Leather and textile Auxiliaries,Glass,Razor blades and Shaving System,Lifts and Escalators,Drilling Equipments	65577 / 15521
Leading MNCs Sharing Market with Indian Firms	Soaps,Synthetic Detergents,Paints and Varnishes,Synthetic Resins,Pesticides,Dyes and pigments,Drugs and Pharmaceuticals,Ice Cream,Tea,Coffee,Footwear,Cement,Engines,Bearings,Earth Moving Machinery,Motors and Generators,Transformers,Switchgears,Lamps and Tubes,Dry Cells,Air Conditioning Equipments,Washing Machines,Audio Equipments,TV Receivers,Telephone Instruments,Brake Assemblies,Piston and Piston Rings,Industrial Construction,Lube Oils and Lubricants	279405 / 66131
MNCs Largely Absent	Polyester Fibre and Yarn,Paper,Benzene,Xylenes,Linear Alkyl Benzene,Ethylene Glycol,Pthalic Anhydride,Caustic Soda,Soda Ash,Poly Vinyl Chloride (PVC),PVC Pipes and Fittings,Polyester Films,Biaxially Oriented Poly Propylene,Floor and Wall Tiles,Glass Hollowares,Steel,Alloy Steel,Forgings,Transmission Tower Structures,Steel Pipes and Tubes,Steel Wires and Ropes,Wires and Cables,TV Picture Tubes,Medium & Heavy Commercial Vehicles,Light Commercial Vehicles,Multi Utility Vehicles,Three Wheelers,Axle Shafts,Shock Absorbers,Aluminium Products,Boilers,Steam & Hydro Turbines	312730 / 74019

Source: Based on CMIE, Industry Market Size and Shares

As mentioned earlier, apart from manufacturing, Indian firms have also played a dominant role in the expanding services sectors and those where public sector prominence has tended to recede. These include sectors like telecommunications, banking, construction, retail, and oil and gas. In banking for instance, it is Indian private banks that have displaced the public sector to some extent, with foreign banks remaining a somewhat peripheral segment (Table-9).

Table-9
Distribution Pattern of Bank Deposits and Credit in India (Percentage Shares)

Bank Group	*Deposits*			*Credit*		
	March 1991	*March 2002*	*March 2009*	*March 1991*	*March 2002*	*March 2009*
SBI and Associates	26.5	24.1	24.1	27.9	25.0	23.1
Nationalised Banks	60.9	51.0	49.5	57.4	47.3	50.5
Foreign Banks	5.6	5.0	5.2	7.5	7.3	5.9
Regional Rural Banks	2.4	3.9	3.0	3.0	2.9	2.3
Other Scheduled Commercial banks	4.3	16.0	18.2	4.0	17.5	18.2

Source: Reserve Bank of India: Banking Statistics March 1991 and March 2002; and Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks March 2009

The success of Indian firms in the liberalization era has not been achieved by eliminating the old weakness in the technological sphere, but despite it. Indeed, the evidence suggests that barring the pharmaceutical industry, there has been no significant increase in the innovative capacity of the Indian private sector (Mani 2009). Table-10 shows that most Indian firms have very low levels of R & D expenditure. Moreover all the 16 groups with R & D expenditure to net-Income ratio above 3 per cent are pharmaceutical firms. Even in pharmaceuticals, however, Indian firms lack drug development capabilities. They have therefore basically utilized their established strength in generics due to India's earlier protective patent regime, and licensing of molecules developed by their own R & D efforts (Chaudhuri 2008, Jha 2007). In the other highly internationalized sector, software, innovative activity in India has been mainly by foreign R & D units (Mani 2009) and Indian firms have found their niche in a relatively subordinate position to the internationally dominant firms (D'Costa 2004).

In other sectors Indian firms have circumvented their limited technology development capability in a variety of other ways like sourcing technology from specialized technology suppliers, outsourcing to foreign firms, and wherever possible through the older traditional routes of technological collaboration and joint ventures with multinational firms. The pattern of growth has also helped because in a number of services and construction activities, the role of self-development of technology in any case tends to be limited. Increased technological sophistication in these has been facilitated by technical equipment suppliers and software service providers. Even the foreign acquisitions by Indian firms, enabled mainly by their financial strength, have been perhaps attempts to acquire missing competitive strengths such as innovative capacity (Nayyar 2008).

Table-10
R & D Intensity of Indian Business Groups and Independent Companies, 2008-09

R & D Expenditure to Net-Income Ratio Range	*No. of Groups*	*No. of Companies*	*Average R & D Expenditure to Net-Income Ratio (%)*	*Share in Total Income (%)*	*Share in Total R & D expenditure (%)*
> 10%	4	6	11.87	0.42	8.79
5-10%	7	21	6.87	1.33	16.17
3-5%	5	12	4.56	0.53	4.25
2-3%	3	8	2.33	1.06	4.39
1-2%	25	154	1.67	10.48	30.97
0.5-1%	31	155	0.73	4.76	6.16
0-0.5%	146	639	0.15	44.1	11.59
0%	211	441	0	9.64	0
All Groups	432	1436	0.64	72.31	82.32
Other Companies		2854	0.36	27.69	17.68
TOTAL		4290	0.56	100	100

Source: CMIE, Prowess Database

4.4 Big Business and the State under Liberalization: The New Economic Nationalism

A close cooperation between the state and Indian big business has developed under liberalization through a mutually reinforcing two-sided process. On the one hand the state for its own imperatives has calibrated the liberalization process to safeguard national economic interests particularly of Indian capital. On the other hand, as private capital's role in the economy became larger and more dominant, its influence over policy making also increased. Hence, in India, though there has been no ambiguity regarding its direction, liberalization has been a comparatively slow and gradual process. Instead of a one-shot adoption of free trade protection levels were brought down in stages. Even today, despite significant tariff reductions the Indian market is still amongst the most protected in the world. India has also repeatedly taken recourse to anti-dumping measures to protect a range of domestic industries, and in fact leads the world in this regard[14]. While India has signed free-trade-agreements with many countries, it has remained reluctant to have such an agreement with China, a major source of imports into India[15]. Capital controls in general, and specifically the policy towards foreign investment, have also been progressively liberalized rather than at one go. Caps on foreign investment, some still existing and others gradually raised, have been used. In

[14] World Trade Organization, Statistics on Anti-Dumping, http://www.wto.org.

[15] Indian policy makers have also been emphasizing that India's trade deficit with China is unsustainable.

addition, some foreign exchange earning obligations were imposed in the earlier stages of liberalization. These, it has been argued, contributed to the development of automobile component exports from India which has continued even after the obligations were phased out (Kumar 2008).

Where liberalization measures resulted in significant threat to Indian business from foreign capital, the state also showed a willingness to take countervailing measures. One prominent example of this is the virtual killing of the 'market for corporate control' that was sought to be established in the initial flush of liberalization. Indian big business argued that it was unfair that while foreign firms were being allowed to hold large blocks of shares in companies, they were still subject to restrictions on inter-corporate investments. This made their companies apparently vulnerable to takeovers by big foreign firms. The state responded to big business lobbying and eased these restrictions and introduced other measures which would enable them to increase their stakes (Rao and Guha 2006). As a result, a situation emerged where incumbent managements of most large companies in India, domestic or foreign controlled, became virtually immune to hostile takeover.

The retreat from state monopoly in many key sectors has also been undertaken in a manner that has supported domestic capitalist development. In almost all the major sectors that have been de-reserved and/or opened up for increased participation of the private sector - telecom, power, mining, petroleum and gas, banking, insurance, airlines, etc. - the state has had to set up mechanisms for regulating them. The withdrawal of the state in one form has therefore necessitated its reappearance in another. While creation of new public enterprises has virtually completely ceased and some old ones have been privatized, a significant public sector survives in India today in many of these sectors. In most of them there was virtually no Indian private sector presence before liberalization. A swift wholesale privatization of these sectors would most likely have handed over these sectors to MNCs. Instead, a high degree of national ownership has been maintained not only through public sector firms but also by enabling domestic private sector firms to set themselves up in these sectors. Each of these sectors now has important Indian (or part Indian) private firms – for example Reliance and Essar in Petroleum and Gas; HDFC and ICICI in banking; and Bharti, Tata, and Idea (AV Birla) in telecommunication. This private sector development has been achieved in various ways. In the insurance sector virtually every private firm is a joint venture between an international firm and a prominent Indian business group. A foreign investment cap in this sector has played a crucial role in creating this situation. In telecommunications a combination of foreign investment caps, managed competition, an initially restricted licensing of private service providers which was gradually liberalized, and sale of a major state firm to an Indian group, achieved the result of creating Indian firms. In banking, while more foreign banks have been licensed than domestic private banks, regulations governing expansion of operations have favoured the latter.

The gradual and in some respects restricted nature of Indian liberalization has checked foreign acquisition of Indian assets and facilitated the adaptation and adjustment of Indian big business to the new competitive context. Domestic capitalists have also been able to leverage their strengths such as deep familiarity with local conditions because policy protected them. The relatively limited success of India in attracting FDI, often attributed to policy not being sufficiently friendly, may therefore be interpreted as a success as much as a failure of Indian economic nationalism under globalization. The implied favouring of domestic capital has been critical for generating a rapid capitalist expansion in India that foreign capital could not have produced even with more FDI friendly policies.

Even in the development of the private sector dominated and export-oriented IT sector, the state's role has been important (D'Costa 2009). The state has sponsored the development of software technology parks from 1991 and provided other infrastructural support to the sector. The software sector has been the greatest beneficiary of fiscal incentives like an extended tax holiday. The state has also politically supported the sector's efforts to gain and maintain international market access, including in the recurrent controversy over outsourcing. Above all, the critical need of the IT sector of a skilled workforce has been met to a great extent by public tertiary education institutions. Some of these institutions may be a legacy of the past, but they have been maintained along with efforts to expand their number.

Continued public sector presence in many spheres indicates that the forms of state support to private capital characteristic of old economic nationalism have not entirely disappeared in India. Such support has also assumed new forms beneficial to private capital. For instance, public-private partnerships in infrastructure development have institutionalized state engagement with private capital in what was originally primarily the state's domain. Similarly, the state has sponsored infrastructure development by private capital through promotion of Special Economic Zones (SEZs) and the granting of numerous fiscal concessions. The state has also been actively involved in the process of private capital acquiring land on a vast scale for industrial projects, special economic zones, and real estate projects. Mining rights to private firms are granted by the state.

Liberalism has not eliminated the state as an important factor in the economy, but it has meant ceding of the commanding heights of the economy to private enterprise which has *structurally* increased its leverage with the state. Constrained in its ability to drive the economy's growth process through public investment, the state has had to induce the private sector to play that role. Policy has therefore had to be oriented towards encouraging private investment. In a liberal regime, this often has meant 'concessions' and 'incentives'. In a federal set-up like India's, the leverage of private capital over the state has been enhanced by the competition for investment between states that liberalization has forced them into. The ability of capital to extract tax concessions and other benefits like provision of land at low cost has been enhanced by liberalism. The implications of these measures for state revenues have further reinforced the dependence on private capital. At the same time large business firms which have established themselves in key sectors have increased their clout and thus influence on regulatory policy in many of these sectors.

Economic nationalism under globalization has also reinforced the power of Indian big business. Indian enterprises that can succeed and be players in the global economy have come to symbolize 'successful' integration. Big Indian business firms have successfully set themselves up as the principal instruments of national economic achievement, champions of 'national interest' and the symbols of national pride and success[16]. The tendency to view national success as something that coincides with business success has been actively promoted by Indian capital, and has also gained wide currency in the socially influential Indian middle class. This process first began perhaps with the success story of India's information technology sector but has become now more widespread. The status enjoyed by corporate capital and its voice and influence over policy making process, have perhaps never been greater than what they are today. Using this, Indian big business enterprises have been able to secure significant individual and collective benefits and dictate policy priorities.

Economic nationalism therefore survives in India after liberalization but in a form where it is more exclusively tied to advancing the interests of Indian big business. Directed towards strengthening the ability of Indian capital to compete at home and abroad it has also increased their stranglehold over policy making. This has made it more difficult for the development of India's capitalists to be the means of a wider process of development. Indian capital has been proactively supported by the state and this has been crucial to its competitive strength and enabled it to lead a rapid process of capitalist expansion in India. However, the interests of other claimants to the state's attention – industrial

[16] The reactions to the few successful cases of major acquisitions abroad by Indian companies, which includes the public sector State Bank of India stepping forward to provide a $1 billion loan to the Tata group for financing the acquisition of Corus and proudly declaring that it cleared the loan in a mere five minutes, serve to corroborate and underline this. See D'Costa 2009.

labour, the urban and the rural poor, the agricultural and unorganized sectors – have consequently been hurt and remain at best addressed in a limited way[17].

5. Conclusion

This paper has argued that the shift in the outlook of Indian big business towards favouring India's increased integration into the global economy reflected the development and evolution of Indian capitalism under the older strategy of relatively autonomous development. This evolution had a dual character, the gaining of certain strengths even as weaknesses and dependence particularly on the technology front remained, which ensured that Indian capitalism had not graduated out of its Third World status. Yet Indian capitalists own interests in such circumstances, rather than the abandonment by the state of *Indian* capital, was an important factor underlying the durable shift in Indian economic policy from old style economic nationalism. In fact, the state has continued to support Indian capital's growth and development in the new context in different ways. Economic nationalism in that sense has survived, but it is an inherently more exclusive form in which capitalist priorities press down harder on an already constrained state. Indian big business also has every reason to be happy with the outcomes of India's increased integration into the global economy. It has grown significantly, more rapidly than in the past, stepped on to the global stage, and can leverage the state more than before. In the process since 1991 Indian big business has also changed – it is less industrial, and more integrated into global production and financial systems. As the costs and gains of old-style economic nationalism become more unfavourable for it than before, Indian capital has tended to press for more rather than less liberalization.

[17] It is this reality that has evoked the following conclusion:
"It is, then, plausible to suggest that this latest phase of in independent India is characterized by an intensification of conflict in the economy, in the polity, and in the interaction between economy and polity. There can be no doubt that the need for conflict resolution is much greater than ever before. But the task has become more difficult. And the effort is much less." (Nayyar 1998: 3129)

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