



An Investigation of the Relation between Economic Components and Political Development: A Case Study in India

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Abstract

Economic and political developments are regarded as two important components in collective life of countries. Various scholars in different fields have studied the transposition of these two components. Some scholars consider economic development as superior to political development and vice versa. But as the recent studies reported, generally, there is no exact border between these two concepts and both can be created simultaneously and continued. The main purpose of the present research is to investigate the relation between economic components and political development conducted as a case study in India. Observation and opinion polling have been used through library method. As the findings reveal, India has been changed from a socialist system to an open market policy oriented country during the last decade; and adopting foreign policies has improved its relations with most countries without any tension.

Keywords: Political development, economic development, India, economic plans, political-democratic reforms.

Introduction

Considering the importance of academic and non academic discussion regarding political and economic developments in different countries, especially in less developed countries, it seems that there is a more accurate specification for this matter¹. In this regards, choosing a country as a case of study appears to be useful. The present study has selected India with respect to its various aspects of social and economic life. India with a long historical and religious background has experienced various events; a country which has been a colony and experienced independence movement in its social context². India is the second populated country in the world. It has nuclear weapon and is internationally equal with big powers of European unions and United States. It is also of countries criticizing global system in addition to its mutual cooperation with European unions and United States. India has a unique political system which can be mentioned along with other political systems in the world as an important alternative³. Therefore, it seems that India can be introduced as a country with various aspects as an analytical context of the relation between political development and economic development.

The most important variables of the research include political development and economic development with their globally accepted definitions. In other words, two developmental concepts are considered as independent variables and the research methodology is based on the relation between these two variables. Hence, two above concepts go beyond linear economic and political relations and their transpositions.

According to mere economic terms, during the last decade, development has evoked the concept of national economic ability to create annual growth constancy of national gross production with the rates of 5% to 7% and more; of course a national economy that its primary economy has been stagnant for an approximately long term⁴. For example, in UN resolution, the 1960s and the 1970s were named development decades and development mainly was defined based on achieving to the target of 9% annual growth rate in national gross production. The growth rates of national gross product per capita was another economic development index specifying a country's products development based on a rate faster than population growth rate⁵. The level and the rate of national gross product per capita (i.e. monetary national gross product per capita minus inflation rate) are usually applied in a broader concept to measure total economic welfare of a population⁶.

In the past, economic development has usually been investigated based on the planned manufacturing and occupation change in such a way that agricultural share in production and occupation is decreased while in industrial and services sectors' share (manufacture industry) is increased⁷. Therefore, development strategies have emphasized on rapid urban industrialization and often are harmful for agriculture and rural development⁸. Finally, the main economic development indices have been completed by general acceptance and quick reference to non economic social indices such as literacy, education, health conditions, services, and housing improvement.

New economic view of development: Unfortunately, the experience of the 150s and the 1960s, when a number of the

third world countries achieved the goal of UN growth but the level of people's life remained unchangeable, revealed that there are many defects about this limited definition, many economists and decision makers criticized giving up national gross production, and absolute poverty was attacked directly, and unfair distribution of incomes and unemployment was intensified⁹. Briefly, during the 1970s, economic development was redefined based on decreasing or eliminating poverty, inequality and unemployment in a growing economy framework. Prof. Dudley Seers aroused a main question regarding the concept of development and asserted that "the questions can be asked about a country's development include: How poverty has been changed? How unemployment has been changed? How inequality has been changed? And as three mentioned phenomena have been reduced during a period, the country has been developed undoubtedly.

If one or more cases, and especially all three cases, have been worst, it will be so strange to call the situation as development, even if per capita has been doubled.

The above mentioned phrase is not a null notion or an imaginary picture of conditions. For example, in some developing countries, there has been no improvement in employment, equality and real incomes 40% below their population although their income rate per capita was relatively high during the 1960s. According to the early definition of growth, these countries were developing in the 1960s while no development was observed based on newer criteria of poverty and unemployment.

In spite of a chronic case of underdevelopment, the phenomenon of development is not merely an economic issue or qualitative amount of income, occupation and inequality. Underdevelopment is the reality of more than two billions people's life and it is a mental state as much as a national poverty status.

Therefore, underdevelopment is generally the experienced state of deprivation; and it becomes unendurable especially when a greater number of people are aware of their communities' development and recognize there are technical and institutional means to diminishing poverty, illness and misery.

Development should be considered multi-dimensional involving basic changes in social structure, public attitude and national institutes, as well as economic growth acceleration decrease of inequality, and poverty eradication. Development, in principle, should indicate that the social system, align with various basic needs and the needs of individuals and social groups within the system, approaches to a spiritually and physically better state by passing from an undesirable life state¹⁰.

Development objectives: We conclude that development is defined both as physical reality and mental state based on which community provides necessary means through combining

social, economic and institutional processes for having better life. Whatever is the specific constitutes of such better life, development should follow at least three objectives: The possibility of achieving basic needs of life such as food, house, health, security, and their wider distribution. Increasing the life level such as higher incomes, more employment, better education, and more attention to cultural and human values, i.e. all things leading not only to financial improvement but personal and national self esteem. Expanding the range of individuals' and nations' economic and social choice through releasing them from dependency

Various structures and common features of developing countries: It is dangerous to generalize the issues of 145 developing countries. Although all the developing countries are poor but they have different culture, economic conditions and social-political structures. Therefore, the big size of country although is accompanied with complex national solidarity and their handling, it entails the advantages of relatively big markets and wider strand of resources and facilities for self sufficiency and economic variation as well. On the other hand, many small countries face with completely different problems such as limited markets, shortage of skills, lack of material sources, weak bargaining power, and low expectation in economic dependency.

As an effort to classifying countries, some analysts using UN classification prefer to classify developing countries into three classes: 44 countries named at the lowest level of development by UN, 88 non-oil exporter developing countries, 13 petroleum exporter countries (OPEK).

In another classification presented by *European* economic cooperation (OECE), developing countries encompass 61 low-income countries; 11 recent industrialized countries; and 13 petroleum exporter countries. Finally, international bank of reconstruction and development or global bank has a certain classification. In this classification, 125 countries (developed and developing) are classified into four classes. Total population of them is more than one million people based on their per capita as low-income countries, middle-income countries, upper-middle-income countries, and high-income countries. The countries of the first class are all developing countries (101 countries) while out of 24 high income countries, 19 countries are developed and 5 countries are developing (Hong Kong, Kuwait, Israeli, Singapore, Emirates).

However, in spite of such obvious differences, most of developing countries share a strand of common and clear objectives. The objectives include decreasing poverty, unemployment and inequality, supplying the minimum education, health, house, and food for people of country, as well as expanding economic-social facilities and creating national solidarity.

Regarding the economic-social-political objectives, there are

also common issues shared by developing countries; including chronic and wide absolute poverty, growing unemployment, growing difference of income distribution, low agricultural output level, lack of considerable and growing balance between life levels and economic achievements in cities and villages, inappropriate health and education systems, growing technology-dependency, inappropriate foreign value systems and institutes.

Economy structure of developing countries: Considering the structural variation of developing countries, seven parameters can be considered important factors: Size of country (geographical, population, income), Historical evolution, Material and human resources, Relative importance of public sectors and private sector, Nature of industrial foundation of country, Dependency amount of country to foreign economic and political powers, Power distribution and institutional-political structure within country

The research hypothesis: In India, political development has led to actualizing economic development capacities. In India, political development has led to actualizing political development capacities.

Methodology

Considering the research objectives, it was necessary to have a visit to India and gather the research data through observation and opinion polling; but library studies has been used instead due to some problems such as travel costs and necessary coordination. The researcher has used update information from authentic resources. So, in addition to noticing publications, reports and formal websites of India's State, its authentic academic centers as well as political, social, and cultural parties and institutes and opposition parties, the analyses and views of Western scholars have been considered as a comparative study (as a measurement criterion). In addition to making use of update and real information, a historical review has also been used to gain a holistic view. It has been avoided to make any judgment in studying all the resources. To gather required data, books, articles and electronic journals have been applied through note taking method in an explained way. As mentioned earlier, questionnaire and field tests have been avoided but some of views provided with Indian people and elites available in Internet in English language have also exploited with exact referencing and explanations by following scientific standards. Newspapers and reporting sites have also been avoided.

Results and Discussion

The effect of economic development in democracy: In developing communities, some basic questions have engaged the minds of scholars including: "what is the relation between economic development and democracy?", "is this relation mutual?", can democracy lead to economic development and welfare in community?"

There are various views in this regards. On is that economic development which I investment in infrastructural affairs and focuses on basic needs such as education, infrastructural affairs, environment, and so forth, cannot reveal its effect in people's daily life in a short term. Therefore, in communities in which economic development plans are inevitably accompanied with austerity, people's involvement in political affairs are influenced and decreased leading to a negative effect in the trend of democratization in community.

Of course, considering the fact that investing in infrastructural affairs such as health, education, water and power networks, etc. can both lead to development of country and public satisfaction, all dimensions cannot be considered as the dissatisfaction causes of people; so, it is not inconsistent with people's participation increase and democracy.

However, democratic government is the best choice for economic growth and development since democracy leads to the formation of stable government and efficient institutions. Since political stability is the main context to attract investors, accordingly, the risk of investment as a main factor of economic development is placed in a low level in politically stable conditions. The low risk of investing can both prevent domestic capitals outflow and facilitate foreign capitals inflow and accelerate it.

It can be claimed that in intense economic competition, attracting foreign investors is a considerable success in today world. Even the experience of countries which were under the control of other powerful countries but now are developed and independent countries reveal that investing of occupying countries has had an important role for economic growth of these countries. Of course, there are some occupied countries that have no investment and are still underdeveloped.

Also, since low investment risk is considered the most important factor of economic growth in a politically stable country, investment risk is high in a non democratic and politically unstable country and it prevents economic growth since high investment risk makes the foreign capitals inflow slow and even stop it sometimes while intensifies domestic capitals outflow.

In a democratic government, stability is accompanied with political pluralism, so economic competition with political pluralism will be followed with more guarantees for investment and economic developments continue. Furthermore, economic freedom prevents the focus of economic decision makings by states leading to private section's participation. Although economic freedom and competition under the dominance of autocratic governments is possible and has been experienced, the vulnerability of economic freedom and competition cannot be ignored in such governments.

Form other dimension, economic freedom leads to democracy

reinforcement and such event belongs to the time in which people have no need to be supported by government to supply political activities financially. As consumers are independent in economic activities and their behavior in economic freedom is based on full authority in this condition, they have also full authority in political activities and government involvement is minimized.

But again, by referring to the negative impact of such economy on democracy, economic critics assert that open and free economy have influenced various resources and capabilities of citizens and in fact, intensified inequality. The advocates believe that inequality intensification in economic resources and capabilities influence political equality as a democratic element.

However, the experience of non democratic governments also shows that state economy's policies deepens economic inequality between inside limited group and the majority of community and maintain political inequality at the maximum unexpected level.

The relation between democracy and economic development can be investigated from another aspect as well. Since economic development causes the growth of middle class and is followed by civil society's expansion and as mentioned, public training growth is a consequence of development, so economic development prevent full dominance of closed government.

As a result, in governments opposing democracy but insisting on economic development, i.e. the situation of economic development's superiority on political development, democracy grow gradually and the authority of closed government is challenged in the society's body.

Three historical dilemma of India to achieve strategic and fundamental objectives: Segmentation of South Asian subcontinent based on religion (in 1947, the subcontinent was segmented to India and Pakistan first and in 1971, it was then segmented to India, Pakistan and Bangladesh): it has caused internal fragmentation between Hindus and great population of Muslims (about 150 million people), long term disputes between India and Pakistan, separation of historical association with countries like Iran, Afghanistan and South East Asian countries leading to the limitations of India's decision making to achieve its objectives in all three scopes.

Socialist system governing India: such system led to economic collapse and limiting influence power of country in the years after India's independency. Socialist pattern of the state prevented new connections with the world leading to India's deprivation from its ideal civil scope market.

Cold war: The conditions of cold war led India to independency and lack of commitment and in the next stages to purchase the facilities of Soviet and Germany due to supporting Pakistan and China by America as well as play the role of non

official confederate for Soviet. Finally, by the end of cold war and Soviet's collapse, India was stopped in the big play of the second half of 20th century in spite of its high potential facilities such as the biggest democracy of the world.

At the last decade of 20th century, by diminishing at least two barriers of triple barriers (end of cold war, replacement of socialism with economic releasing, and globalization acceleration), India entered to a new world suddenly. In these conditions, new foreign policy design in accordance with new conditions and needs, strategic approach change relative to neighbors and the beginning of close cooperation with big powers of the world found a specific importance.

Theoretical changes: In the current foreign policy strategy of India, a set of ideological basic changes is evident that some of them derive from political leaders' thoughts' change and some are the result of failure in foreign policies in India.

Changing national will from creating a socialist society to establishing a modern capitalist society: socialist ideas begun to grow in political disputes of the late 1960s and finally were manifested in India's constitution amendment to establish a socialist republic state in 1976. But simultaneous with the collapse of Soviet as the socialism symbol, rational and legitimacy aspect of these thoughts as the notional infrastructure of India's state was questioned and liberalism and capitalism principles were replaced with them. Today, India seeks to adopt its political and economic conditions with the changes due to globalization and it is the fact which has been highly considered by Indian policy makers.

Adopting new economic approaches and centralizing them to compile foreign policies: India attempted to adopt new and efficient policies through a better understanding of new global conditions and prohibiting economic growth factors compared to other Asian countries like China. In fact, India experienced the pressure due to competition with emerging economies to gain various and secure markets. It entered Indian diplomacy into the scopes which were unknown to it before. Moreover, the relations of India with big powers, its regional competitors (China and Pakistan) and all its neighbors were changed. In the current state, attracting foreign direct investment and searching for market around the world is one of the basic preferences of Indian foreign policy. India has gained many success in these areas so that it has allocated the most proportion of investment in South Asia in 2005 (23/6 billion dollars). It is also predicted that by 2040, India will be changed into the biggest economy of the third world and by 2050, its economy will be equal with the economy of Japan and its per capita will be reached to 35 times more than the current level. the major proportion of India's achievement belongs to its private sector. The private sector has been reinforced through appropriate stock market regulation and financial system. Private companies of India are rapidly growing with an annual growth rate of 15%-25%. Additionally, India has high efficient companies in the scopes of capital

exploitation, management and global standard and various global companies such as Reliance, Infosys and Ranbaxy. These companies with a focus on their highly strong structures and financial systems have obtained many achievements. Moreover, communications industry sector has been wonderfully developed which is the result of intelligent and purposeful planning of the state.

Changing the “anti-west” supposition in Indian policy makers to direct foreign policy: In the 1970s, Indian policy makers considered the causes of all their problems in FBI and the interferences of America in their internal affairs while today, such supposition has been fully removed, even among public. Today, the second big democracy of the world has the greatest amount of adjustment with western values and Atlantic. There is agreement regarding the obvious direction change from “anti-west” policy among groups forming foreign policies and such approach is supported by right and left groups and security structure of the country.

Adopting pragmatic policy: From the 1990s, India has attempted to adopt pragmatic approaches by understanding that the ideological policies continue has imposed irrevocable damages to the economy of the country and subsequently, its international place. After independency, India always thought dreamed about the *superiority* of the *literary* and followed this idea through “the charter of the third world” and the policy of “anti-Imperialism”. But the obtained results not only did not put the expectations into reality but kept India behind other regional competitors. In fact, there was basically no actual coalition of the third world during this term that India could gain its leadership. Therefore, from the 1990s, India gave up its radical policies and proceeded with pragmatic policies and convergence with international markets.

Adopting realistic approach: finally, the last change is the change of idealistic approach to realistic approach in foreign and domestic policies of India. Naturally, there was idealism in the minds of Indian elites who tried to achieve independency from British. They considered power policy as the heritage of the 19th century which cannot be effective for their current state. But since India was not able to continue its foreign policies` idealistic assumptions from the early 1990s, the necessity of basic changes in acknowledged policies and realistic policies` follow up was clear. In the current state, India sought obtaining effective role in international and especially regional issues and searches for this fact through applying pragmatic policies with a new view to changing international conditions, accepting the existing realities and relying on endeavor to improve the state and its international place¹³.

Indian state of 1990 and 1991 executed an economic reform plan at macro and international level in the economy of the country. During those critical periods, the tariffs were reduced, exchange rate became flexible, the principles of export and import were facilitated, many monopolies of private sector were

disappeared, and tax system undergone comprehensive changes. The consequence of the two models applied and analyzed in the present paper revealed that these reforms have been successful altogether since they have led to the growth of investment trend so that real growth of GDP goes above 5%; the product of medium enterprises and the share of production factors is increased, the relation of exchange is increased in favor of agriculture, also products are extended in all sectors (agricultural, industrial and services), export and import sectors are significantly improved, poverty and unemployment is decreased to some extent, and public welfare is increased.

It is notable that the state of planning and the trend of plans` implementation have been systematic and step by step. Targeting at macro level, changes and reforms national currency affairs, taxes, and even the creation of more participation for private sector has been regular. Such planning and implementation easily indicates the serious distinction of reformed policies of Indian state compared with many other states (such as Iran). For instance, if the policy of national currency value reduction (to stimulate exports) is applied in India, it is targeted at a maximum level of 10% while the first national currency value reduction (regarding dollar) was applied with a rate beyond 8% in Iran¹¹.

There is a considerable report about financial discipline during the reform periods regarding the performance of Indian statement and economic policy makers. Accurate budgeting and supervising annual budget execution, precise taxes management, wages policy making, controlling current costs of public sector, and granting bank facilities were the instances of disciplinary policies with respect to the necessary preference (government of India, 1993). At the same time, the lack of financial discipline of state sector is a factor of enough achievement in the theory of structural balance in Iran and some other developing countries.

The significant participation of private sector, providing the opportunity of natural function of market leverages, information, supervisory and logistic directing relative to private sector, clear and enough principles are another factors of this plan`s success.

Peace and security of Indian community and low risk and lack of confidence also can be mentioned as the other causes of Indian economic plan`s relative efficiency. The positive effect of lack of risk in investment and enough security in the country has been emphasized in many studies¹². Relative clarity of rules, especially regarding ownership rights, mutual trust between people and state, relative saving esprit, low expectations of state are also affective factors in India`s economy. The significant cooperation of public and private sectors in India has provided the opportunity of producing a kind of social capital in this country affecting the development of reforms plan and the lack of such element has been a failure factor in Iran.

It seems also necessary to emphasize that there are still some basic difficulties in the areas of production, exports, unemployment reduction, and the competitiveness of some sectors of economy in the scope of incomes and wealth distribution. Such fact is discussed both among various income levels in each state and among states themselves. It seems that a part of distribution disorders can be found in the frame work of the theory of structural balance because principally, the plan of structural balance is efficiency oriented and has nothing to do with income distribution problem. The population of higher one billion and three hundred million in India should also be considered in any research, scientific and executive judgment. Furthermore, the relation of such crowd population and limited resources of the country clarifies the difficulty of its economic management and the problems remained after reforms can easily justified.

Ultimately, Iran (and other developing countries) can increase their reformist plans` efficiency by putting India as their performance pattern. Obviously, states should firstly provide a series of opportunities to make any reformist plan efficient. Among them, organizing state sector (especially financial and budgeting affairs), coordinating non economic powers with economic plans of state, involving people in economic decisions, solving the problems of ownership rights, trying to remove tensions, maintaining and creating economic security, culture building to form rational behaviors among families, enterprises and similar cases can be referred. When India with a population of about 20 times more than Iran`s population and more than 1000 religions, and 950 languages and accent can achieve growth and development by adopting rational strategies, it should be very simpler for Iranian statement to plan and develop in an acceptable manner.

Conclusion

India has embedded over 400 language and accent, various racial and religious ethnics, from idolaters to divine religions in a most turbulent region of the world with a bitter experience of being the colony of British for many decades. However, it has been able to embed the biggest democracy of the world in a country with above 1 billion people. As mentioned before, British colonialism is considered as the biggest factor of democracy in India but since such democracy is not seen in other colonial countries, this theory is rejected itself and it relates to India`s historical and cultural growth. Independency from British brought a huge body of problems for India but Indian policy makers have been able to cope with them by passing several economic development plans along with its political development during the recent decades so that it has been changed into an economic superpower in the region. During the future decades and with rapid economic growth rate, it is predicted that India is changed into the biggest economy of the world. Developmental plans in India caused the increase of income level, health, culture, education, and profession; leading to a condition in which it was changed from a socialist system to

an open market policy oriented country during the last decade; and adopting foreign policies has improved its relations with most countries without any tension so that currently, it has gained the title of the biggest democracy and the fourth economy of the world.

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