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Introduction

Information technology services and economic development: The Indian experience

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This special issue investigates the technology-driven economic development of India. India's development pattern over the last decade and a half is distinctive when compared to other developing nations. India has become a highly visible participant in the intellectual–capital-driven information technology services industry and to a lesser degree, the pharmaceutical industry.

India's pattern of development is different from those countries, such as Japan, Korea, and China. Countries that have achieved a developed status or that have made significant progress toward development during the past 50 years have gone through a fairly consistent process of four stages. In the first stage, labor-intensive, low-capital goods, like clothing, shoes, and toys, are used to build wealth through export. In the second stage, heavy industry (e.g., steel and shipbuilding) is developed. In the third stage, production of higher value consumer durable goods, such as automobiles, computers, televisions, refrigerators, washers, and dryers, occurs. In the fourth stage, economic activity focuses on the creation of innovation-based goods and services (e.g., information and communication technology and biotechnology).

India presents a different development profile. While it has a history of producing labor-intensive, low-value capital goods, it has focused on the domestic market and has had little participation in the world market. This may in part be related to the Gandhian view of development that was influential at the time of independence in 1947. Gandhi saw village communities as the backbone of the nation and believed in self-sufficiency. Jawaharlal Nehru, India's first prime minister expanded this notion and created a centrally planned economy

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based on a soft brand of socialism, Fabian Socialism, that while not seeking the destruction of capitalism tried to guarantee a range of state-sponsored social support.

One might expect contemporary India to march to its own drummer because it has a history of independence following a development strategy that has been distinctive. For example, India won its freedom from the British using an innovative strategy of nonviolent resistance perfected by Gandhi. During the cold war, India took the lead in creating the *nonaligned* movement. India is also distinctive in the fact that for over 50 years, after gaining independence in 1947, it has had a democratically elected government, unlike most of developing nations. This political stability seems especially remarkable given the combination of an extremely diverse society and pervasive poverty. Third, although India has had a committed democratic system and an espoused adherence to the nonaligned movement, most of its economic and industrial development for the first 40 years after independence took place in close affinity with the Soviet block. The result was the emergence of a sprawling public sector industry producing everything from fertilizers, machine tools, watches, steel, ships, and light aircraft. Jawaharlal Nehru, the charismatic prime minister of India during those formative years, was fond of using the phrase “commanding heights,” coined by Russian revolutionary Vladimir Lenin, to signify the place he wanted the public sector industries in India to reach for.

However, Nehru was careful not to prevent entrepreneurship from flourishing where the long arm of the state could not reach [1]. The emergence of the two major industrial powerhouses, the Tatas and the Birlas, during the 1950s (although their origins were in the late 1800s) and several more in recent years have again shown a unique model of public and private industries coexisting, even when the public sector companies enjoyed many monopolistic benefits. This pattern of “marching to its own drummer,” then, again has been manifested since 1991, when India began to dismantle the centralized control of the economy widely known as the *Licence Raj*.

Since the 1990s, India has been one of the fastest growing economies in the world. The growth has continued unabated into the new millennium. There are many highly ambitious predictions about India’s future economic growth. For example, in January 2004, Deputy Chairman K.C. Pant [2] of India’s National Planning Commission claimed that India could become the world’s third largest economy by 2020. According to Pant, the 10th Five Year Plan (2002–2007) is designed to make India the fastest growing economy in the world. A report authored by Goldman Sach [3] and published in October 2003 said that by the year 2050, India will become the third largest economy in the world, behind China and the United States. It should be noted that Goldman Sach gave China the first position. The report predicts that India’s GDP will overtake that of Italy by 2015, France by 2020, Germany by 2025, and Japan by 2035. This newfound confidence is grounded in some impressive economic fundamentals. India’s US\$100 billion foreign exchange reserve increased by US\$21.3 billion between March 2002 and March 2003. This is the highest increase recorded in a single year for any country in the world ever and has occurred despite a substantial increase in the price of oil plus other unfavorable developments, such as monsoon. India’s GDP grew at annual rate of 5.7% in the first quarter of 2002, much higher than widely expected. RBI, the central bank of India, reported recently that the Indian economy would grow by 6% in the fiscal year ending March 2004.

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