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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provide dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

# **LAISSEZ – FAIRE TO WELFARE STATE: TRACING THE EVOLUTION, IMPACT AND TRANSFORMATION OF ECONOMIC THOUGHT IN INDIA**

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## **ABSTRACT:-**

The transformation of Indian economic thought from classical laissez-faire philosophies to the establishment of a welfare state encapsulates a dynamic and multifaceted evolution shaped by both indigenous perspectives and global influences. This research paper traces the major milestones in India's economic theoretical landscape, beginning with ancient treatises such as Kautilya's Arthashastra, which advocated for a proactive and interventionist state, and traversing through colonial economic policies that emphasized free markets and minimal state engagement. The colonial era saw thinkers like Dadabhai Naoroji and M.G. Ranade critique the adverse impacts of laissez-faire in India's agrarian and handicraft sectors, making early calls for the necessity of state action to address poverty and stimulate industrialization. With independence, India faced the monumental challenge of balancing economic growth with social equity. The adoption of mixed economy principles drew from both Keynesian welfare concepts and indigenous interpretations of collective well-being, as reflected in the constitutional commitment to social justice and inclusive development. The paper analyzes how economic policy and thought shifted toward welfare through planned interventions, especially under the Mahalanobis model and Five-Year Plans, targeting poverty alleviation, education, and agricultural reforms. As India transitioned into the contemporary era, economic liberalization and globalization introduced new challenges and opportunities, prompting an evolved understanding of the welfare state's role amid rapid socio-economic changes. Modern policies, while continuing to grapple with persistent inequalities, have shown an increased focus on targeted schemes, public investment, and the sustainability of welfare initiatives. This paper synthesizes the intellectual and practical journey from laissez-faire to welfare state ideology in Indian economics, emphasizing the interplay between tradition, colonial legacy, nationalist aspiration, and global trends. Ultimately, it offers a nuanced analysis of the theoretical evolution's impact on policy formulation and societal transformation, providing insights for future research and policy direction in Indian economic thought.

### **KEYWORDS:-**

Laissez – faire, welfare state, economic thought, Indian nationalism, state intervention and economic transformation.

### **INTRODUCTION:-**

The evolution of economic thought in India is a rich and complex journey that spans ancient, colonial, and post-independence periods. Indigenous economic ideas can be traced back to classical texts such as Kautilya's Arthashastra, which emphasized state intervention and welfare, long before Western economic theories gained prominence. However, during British colonial rule, the laissez-faire doctrine, advocating minimal state intervention, heavily influenced Indian economic policies, often to the detriment of local industries and agrarian sectors. In response, Indian economic thinkers and nationalist leaders began to challenge the absoluteness of laissez-faire economics, advocating for a welfare-oriented state that could address poverty, social justice, and economic development in a rapidly changing socio-political context. Post-independence India embraced a mixed economy model, incorporating welfare principles to promote inclusive growth through state planning and intervention.

### **RATIONALE:-**

This study recognizes that the trajectory from laissez-faire to welfare state ideas in India is not just a linear policy shift but a transformation deeply intertwined with India's unique history, culture, colonial experience, and socio-economic challenges. Understanding this evolution is crucial for comprehending how economic thought in India has shaped policy choices and affected societal outcomes, particularly in terms of poverty alleviation, social equity, and economic modernization. This research seeks to fill gaps in understanding the synthesis of indigenous and Western economic ideas and their Impact on India's economic strategies.

### **OBJECTIVES:-**

The primary objectives of this study are:

- To trace the historical evolution of economic thought in India from classical laissez-faire doctrines to welfare state principles.
- To analyze key economic thinkers and their contributions within the Indian context.
- To examine the impact of these evolving ideas on economic policies and socio-economic outcomes over time.

- To explore the ongoing transformation of the welfare state in contemporary India amid challenges like globalization and liberalization.

### **CONCEPT OF LAISSEZ – FAIRE:-**

The concept of laissez-faire is an economic philosophy advocating for minimal government intervention in the marketplace. Originating from 18<sup>th</sup>-century French economists, the term literally means “let it be” or “leave it alone.” The doctrine asserts that economies function best when market forces of supply and demand operate freely without government interference. The role of the government, according to laissez-faire principles, should be limited to maintaining peace, protecting property rights, and enforcing contracts, rather than regulating business activities or economic transactions. Laissez-faire promotes the idea that individuals pursuing their self-interest in a free market will naturally contribute to overall societal prosperity through competition and innovation. It opposes government-imposed regulations such as tariffs, price controls, trade restrictions, and excessive taxation, which are seen as impediments to economic growth. While laissez-faire emphasizes economic freedom, it does not advocate for no government at all; rather, it supports government involvement only when necessary to protect individual rights and maintain order. Historically, laissez-faire economics rose to prominence during the Industrial Revolution and has been influential in shaping classical economic thought as well as free-market capitalism. However, it has also faced criticism for neglecting social welfare and enabling economic inequalities, leading to later calls for regulated markets and welfare state policies.

### **THEORETICAL FOUNDATIONS:-**

The theoretical foundations of Indian economic thought comprise a rich tapestry weaving together indigenous ideas, colonial influences, and modern economic theories. This foundation has evolved over centuries, reflecting India’s unique social, political, and cultural fabric as well as global economic developments.

#### **Indigenous Economic Thought -**

Ancient Indian economic theory was embedded in classical texts such as the Arthashastra by Kautilya (4<sup>th</sup> century BCE), the Manusmriti, and scriptures like the Vedas and Upanishads. Unlike Western economics, Indian economic ideas were closely interlinked with ethics, politics, and social norms rather than being a separate analytical discipline. Economics was

viewed as Artha (material wealth), one of the four aims of life (Purusharthas), emphasizing welfare, moral order, and dharma (duty). Kautilya's Arthashastra, a pioneering treatise on statecraft and economics, advocated a strong role for the state in regulating the economy, taxation, trade, and welfare policies to maintain social order and prosperity. Indian thought emphasized fiscal prudence, the welfare state's responsibilities, and ethical governance.

### **Colonial Impact and Shift to Laissez-Faire -**

With British colonialism, Western economic ideas, especially classical liberalism and laissez-faire, influenced Indian economic policies. The colonial administration applied free-market principles advocating minimal interference in trade and industry. However, this approach often neglected India's socio-economic realities, causing impoverishment and stagnation in traditional sectors. Indian nationalist economists like Dadabhai Naoroji critiqued these policies, focusing on poverty, the "drain of wealth" to Britain, and the need for protective and developmental state roles.

### **Modern Economic Thought and Welfare State Emergence -**

Post-independence, Indian economic thought integrated Keynesian economics and welfare state principles. The robust theoretical foundation of planning, mixed economy, and state intervention was formulated particularly through the Mahalanobis model, emphasizing industrialization, poverty alleviation, and equitable growth. Economic planning focused on balancing market mechanisms with social objectives, influenced by Gandhian ideals of self-sufficiency and trusteeship alongside socialist and capitalist theories.

### **Synthesizing Tradition and Modernity -**

The theoretical foundations demonstrate a synthesis of indigenous welfare-oriented economic reasoning and modern economic frameworks, reflecting India's socio-political aspirations. Indian economic thought remains dynamic, addressing emerging challenges like globalization, liberalization, and sustainable development while holding on to the welfare ideal.

## **HISTORICAL EVOLUTION:-**

### **Ancient and Classical Period -**

Economic thought in India dates back to ancient times, deeply embedded in classical texts such as the Arthashastra by Kautilya (around 4<sup>th</sup> century BCE), the Vedas, Upanishads, and epics like the Ramayana and Mahabharata. These treatises did not separate economics from ethics,

politics, or social duties, but rather integrated economics within a broader framework of Dharma (righteous conduct) and social welfare. Kautilya's Arthashastra, often regarded as the earliest systematic work on political economy, emphasized the role of the state in regulating the economy, managing resources, promoting trade, and ensuring the welfare of its citizens. This period marked a welfare-oriented outlook on economics, stressing governance, agrarian management, taxation, and market regulation aimed at sustaining social order and prosperity. Economic activity was largely agrarian, and urban centers thrived as trade hubs connected by extensive trade routes. The Mauryan Empire (circa 322-185 BCE) fostered a common economic system, enhancing agricultural productivity and trade, with the state playing a pivotal role in economic coordination while maintaining law and order.

### **Medieval Period and Early Modern Influences -**

During the medieval period, India experienced a series of Islamic empires followed by the rise of the Mughals. Despite political instability, economic activity in agriculture, crafts, and trade flourished, and economic ideas continued to be influenced by earlier traditions. The Mughal Empire's administration was known for its effective revenue system and promotion of internal and international trade, with institutional frameworks that supported market exchanges and agrarian production. The fragmented political scenario led to regionally diverse economic thoughts, but a welfare-oriented approach persisted with emphasis on agriculture, commerce, and social responsibility of rulers.

### **Colonial Era: Introduction of Laissez-Faire Economics and Nationalist Critique -**

The advent of British colonialism marked a sharp shift in Indian economic thought influenced by Western classical liberalism and laissez-faire economics, which advocated minimal state intervention in economic matters. The British administration implemented free-market policies focused on raw material extraction and free trade, which undermined traditional industries and exacerbated rural poverty. Indian economic thinkers and nationalist leaders responded critically to these policies. Pioneers such as Dadabhai Naoroji highlighted the "Drain Theory," emphasizing the economic impoverishment caused by colonial exploitation and laissez-faire neglect of Indian welfare. Thinkers like M.G. Ranade and G.K. Gokhale called for protective industrial policies, state intervention to develop manufacturing, and reforms in agrarian economy to address poverty and unemployment. During the early 20<sup>th</sup> century, the National Planning Committee (1938) and the Bombay Plan (1944) reflected emerging consensus around the need for a planned economy with significant state involvement to rectify colonial economic

legacies. These plans advocated for industrialization, public sector development, and social welfare programs, signaling initial transitions toward welfare economics.

### **Post-Independence Period: Welfare State and Mixed Economy -**

After independence in 1947, India adopted a planned economic model blending capitalism and socialism, inspired by Keynesian economics and welfare state ideals. The Constitution incorporated commitments to social justice, poverty alleviation, and equitable development. The Five-Year Plans formulated under planners like P.C. Mahalanobis aimed at balanced industrial growth and agrarian reforms. Economic thought shifted decisively towards state-led development, with emphasis on public investment, regulation, and welfare schemes to bridge inequality gaps. Welfare became a central policy goal, reflected in initiatives addressing education, health, land reforms, and poverty reduction.

### **Contemporary Economic Thought and Liberalization -**

From the 1990s onward, economic liberalization policies ushered India into a globalized economy, challenging conventional welfare state models. Economic thought adjusted to find equilibrium between free markets and targeted welfare interventions. Privatization, deregulation, and globalization reforms were balanced with social safety nets and direct benefit schemes to maintain social welfare objectives amid rapid economic transformation. Indian economic thought today continues to grapple with integrating traditional welfare concerns and modern economic efficiency, addressing new challenges of sustainability, inclusivity, and global competitiveness.

## **EMERGENCE OF WELFARE STATE:-**

The emergence of the welfare state in India is a distinctive and multifaceted phenomenon rooted in a blend of ancient social values, colonial legacies, nationalist movements, and post-independence development aspirations. Unlike the Western welfare states that primarily evolved as responses to industrialization and labor movements, India's welfare state grew from a synthesis of traditional caretaker roles, social reform initiatives, and modern constitutional commitments, addressing the vast diversity and socio-economic challenges of the country.

### **Historical and Pre-Independence Foundations -**

The ideological roots of India's welfare state can be traced to ancient times, where monarchs like Emperor Ashoka (3<sup>rd</sup> century BCE) championed welfare-oriented policies emphasizing

moral governance, social justice, and wellbeing for all subjects. Over centuries, indigenous support systems, religious and social reform movements played significant roles in uplifting marginalized sections. Reformists such as Raja Ram Mohan Roy, Jyotirao Phule, Swami Dayanand Saraswati, and later Mahatma Gandhi advocated for social equality, education, and eradication of social evils like caste discrimination and untouchability, laying the societal groundwork for welfare-oriented governance. During the British colonial period, social reform movements like the Brahma Samaj, Arya Samaj, and efforts by reformers such as B.R. Ambedkar further shaped public consciousness regarding social justice and welfare, despite limited state action by the British government in these areas. The Indian National Congress under leaders like Jawaharlal Nehru envisioned a planned welfare state to combat poverty, illiteracy, and inequality as essential pillars of a sovereign nation.

### **Constitutional Embodiment and Legislative Foundations -**

With independence in 1947, India adopted a constitution in 1950 that explicitly recognized welfare as a core state responsibility. The Directive Principles of State Policy laid down in the constitution mandated the state to strive for adequate livelihood, equitable distribution of resources, protection of vulnerable groups, and provision of public health and education. This conferred a quasi-legal obligation on the state to ensure social security and welfare, bridging traditional caretaker roles with modern economic governance. The Indian welfare state was distinctively democratic and hybrid. It incorporated socialist ideals such as planned economy and state intervention, influenced strongly by Nehruvian socialism and Gandhian village-based development, while preserving private property rights and democratic governance frameworks. Early post-independence policies emphasized the public sector, land reforms, community development, and social welfare programs, reflecting a commitment to inclusive development.

### **Expansion of Welfare Policies and Programs -**

Throughout the subsequent decades, the welfare state expanded progressively with targeted programs aimed at poverty alleviation, rural employment, social security, health, and education. Landmark initiatives like the Public Distribution System (PDS) for food security, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Rural Livelihood Mission (NRLM), and several health and educational missions manifested the state's role in providing safety nets for millions. Reservation policies ensuring affirmative action for Scheduled Castes, Scheduled Tribes, and other disadvantaged groups materialized social justice goals. The welfare approach sought to combine redistributive mechanisms with

economic growth strategies to tackle widespread poverty and social disparities inherent in India's complex socio-economic fabric.

### **Challenges and Contemporary Transformations -**

The Indian welfare state remains a work in progress, grappling with challenges of scale, implementation inefficiencies, political complexities, and fiscal constraints. Since economic liberalization began in the 1990s, the welfare state has undergone a transformation, shifting from universal, state-led welfare to more targeted and rights-based programs, aiming to increase effectiveness while managing limited resources. Modern welfare policies increasingly seek to balance market efficiencies with social justice, integrating technology for better welfare delivery and expanding the scope of social protection. Despite challenges, India's welfare state continues to reflect its foundational ethos of social equity, constitutional obligation, and democratic governance.

### **IMPACT AND IMPLICATIONS:-**

The emergence and expansion of the welfare state in India have had profound social, economic, and political impacts, shaping the developmental trajectory of the country and influencing the lived realities of millions. The welfare state's efforts to address widespread poverty, inequality, and social exclusion have had multifaceted implications for socioeconomic outcomes and governance.

### **Poverty Alleviation and Social Inclusion -**

One of the most significant impacts of the welfare state in India has been its role in poverty reduction. Welfare programs such as the Public Distribution System (PDS), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), and housing schemes like Pradhan Mantri Awas Yojana (PMAY) have provided critical support to vulnerable populations, particularly in rural areas. These initiatives have helped improve food security, create employment opportunities, and enhance access to affordable housing, thereby reducing income insecurity and vulnerability to economic shocks. For instance, MGNREGA has ensured guaranteed wage employment to rural households, which has increased incomes and reduced seasonal unemployment. However, the effectiveness of these programs varies across regions due to administrative and governance challenges. Welfare policies have also contributed to promoting social inclusion by targeting marginalized groups such as Scheduled Castes,

Scheduled Tribes, and women. Affirmative action and reservation policies have facilitated greater access to education, employment, and political representation, fostering social empowerment and equity.

### **Economic Growth and Local Development -**

Social welfare programs have had important economic implications beyond direct aid. By injecting financial resources into local economies through wage employment and subsidies, welfare schemes have stimulated consumption and demand in rural and economically backward areas. This boost to local markets benefits small businesses and catalyzes economic activities in ancillary sectors. The creation of infrastructure under welfare initiatives, including roads, housing, and sanitation, has supported broader economic development and improved quality of life. Furthermore, investments in health and education under welfare policies contribute to human capital development, which is crucial for long-term economic productivity and growth. Improved health outcomes and literacy rates enhance labor force capabilities, fostering a more skilled and productive workforce.

### **Governance and Policy Implications -**

The welfare state has also reshaped governance paradigms in India. It has expanded the role of government in delivering social services and managing redistributive policies. Significant government expenditure on welfare programs requires efficient budgeting, resource allocation, and administrative capacity. Welfare policies have increasingly integrated technology, such as Aadhaar-based digital identification, to enhance transparency and reduce corruption in program delivery. However, the scale and diversity of welfare programs pose challenges related to implementation efficiency, regional disparities, and fiscal sustainability. Some programs face difficulties in reaching intended beneficiaries fully due to bureaucratic hurdles, leakages, and political interference. Ensuring equitable and effective delivery remains an ongoing challenge for policymakers.

### **Social Stability and Political Impact -**

Welfare policies have also contributed to social stability by acting as safety nets for economically vulnerable populations, reducing social unrest and fostering a sense of inclusion. The emphasis on social justice and equitable access has reinforced democratic values and political participation among historically marginalized groups. Politically, welfare state imperatives influence electoral politics and governance priorities, with welfare schemes often

being important tools for governments to deliver visible benefits to constituents. This dynamic shapes policy agendas and public discourse around development and equality.

### **CONTEMPORARY TRANSFORMATIONS IN THE GLOBAL ERA:-**

India's welfare state has undergone significant transformation in the context of globalization, technological advancements, economic liberalization, and evolving socio-political dynamics in the 21<sup>st</sup> century. This transformation reflects India's unique adaptation to global pressures while maintaining distinct cultural and constitutional commitments to welfare.

#### **Liberalization and Targeted Welfare Approach -**

The economic reforms initiated in 1991 marked a pivotal shift in India's welfare approach. Unlike the traditional universal welfare models seen in many Western countries, India's welfare system evolved into a targeted approach aimed at providing social protection to vulnerable and marginalized groups. The state began retreating from direct economic production and large-scale subsidies, instead focusing on targeted social programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the Targeted Public Distribution System (TPDS), and the National Rural Health Mission (NRHM). This phase signified a pragmatic balance between embracing market reforms and fulfilling welfare obligations. India's efforts also included rights-based legislations such as the Right to Education Act and the National Food Security Act, legally entrenching welfare as a citizen's right rather than mere state benevolence. The shift to targeted welfare recognized India's socio-economic diversity, addressing caste, gender, regional disparities, and occupation-based vulnerabilities through categorical benefits rather than a one-size-fits-all model.

#### **Technology-Enabled Welfare Delivery and Direct Benefits-**

A defining feature of contemporary welfare transformation has been the integration of digital technology to enhance welfare delivery. The JAM trinity—Jan Dhan bank accounts, Aadhaar biometric identification, and Mobile connectivity—has revolutionized beneficiary identification and direct benefit transfers (DBTs). This digital infrastructure has reduced leakages, curbed corruption, and ensured timely delivery of welfare benefits to intended recipients. Programs like PM-KISAN (income support to farmers), Ayushman Bharat (healthcare insurance), and various scholarship schemes utilize direct transfers to beneficiaries' bank accounts, shifting the welfare state from provider of services to enabler of access and choice. This digital model represents an innovative hybrid, combining state responsibility with

efficient, transparent delivery mechanisms.

### **Competitive Welfare Politics and Electoral Dynamics -**

India has also witnessed the rise of competitive welfare politics in its vibrant democracy. Welfare promises and schemes have become integral to electoral strategies, with political parties leveraging welfare to mobilize voters. This phenomenon—sometimes criticized as “freebies” or “populism”—has expanded the reach of welfare programs but has also opened debates about fiscal sustainability and policy priorities. At the same time, the decentralization of welfare provision within India’s federal structure has seen states innovate with their own models of social protection, sometimes competing politically but collectively contributing to an expanded welfare landscape.

### **Hybrid Welfare Model and Future Challenges -**

India’s welfare transformation is marked by a hybrid model that balances traditional concepts of the state as a caretaker with requirements of modern governance, economic efficiency, and global integration. It differs from both the universal welfare states of Europe and the minimalist models of neoliberal economies.

## **CONCLUSION:-**

The journey of India’s economic thought from laissez-faire principles to the establishment of a welfare state reflects a profound transformation shaped by indigenous traditions, colonial experiences, and global influences. This evolution signifies India's persistent quest to balance economic freedom with social justice and inclusivity. The welfare state in India emerged as a response to the economic and social challenges inherited from colonial rule, with its roots embedded deeply in India’s ancient philosophies and aligned with constitutional commitments to ensure equity, justice, and development for all citizens. India’s welfare state has significantly impacted poverty alleviation, social inclusion, and economic development through diverse programs targeting vulnerable populations. Its welfare architecture, characterized by a hybrid model combining welfare ideals with market economy principles, has sought to address the complex realities of India's social diversity and pervasive inequalities. The welfare initiatives have improved food security, employment, education, health, and social protection, enhancing quality of life and social stability. However, challenges of governance, funding constraints, regional disparities, and implementation gaps persist, highlighting the need for continuous reforms.

In the contemporary global era, India's welfare state is undergoing a dynamic transformation characterized by targeted welfare, digital integration, and rights-based policies. The adoption of technology-enabled delivery systems like the JAM trinity (Jan Dhan, Aadhaar, Mobile) and direct benefit transfers has enhanced efficiency, transparency, and coverage. Simultaneously, the competitive politics of welfare and decentralized governance reflect a complex interplay shaping India's welfare trajectory. Looking forward, India's welfare state must evolve further by strengthening democratic accountability, enhancing fiscal sustainability, and expanding inclusive coverage. Emphasizing empowerment rather than mere compensation, integrating technology with participatory governance, and fostering local innovation will be essential to build a robust welfare system. India's welfare state remains a living, adaptive institution crucial for achieving its developmental goals and realizing the constitutional promise of social justice and economic security for all its citizens.

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