CHAPTER I

INTRODUCTION

Elite is a valuefree term inclusive of all those who score highest on scales measuring any social value or commodity, such as power, riches, knowledge.¹ The scientific notion of the 'elite' as a tool of analysis is to be found particularly in the works of Vilfredo Pareto (1848-1923). For Pareto the word in its etymological sense means the strongest, the most energetic, and most capable for good as well as evil. He insisted upon viewing society, as a natural scientist would, without fear or favour, as a working out of laws of human behaviour that could form the basis for prediction and a limited degree of control. So the state, far from being the super-structure resting on the dominance of the bourgeoisie, as the communists believed, was usually the master of the business classes. But this belief is not completely true. Robert Michels in his "Political Parties" (1915) revealed the apparently irresistible tendencies of groups, organised in democratic ways for democratic aims to develop into groups run by a few men mostly for their own goals. Thus with a view to wielding power and influencing the decision-making, vested interests organised themselves into pressure groups and started working clandestinely behind the curtain of the actual authority and took the real strings to make the governments dance to their tune.²

² B.K. Srivastav, Pressure Politics in India, Progress Pub. 1979, p-3.
The party-politics of modern democracies is the outcome of a social system which produces a political culture of its own. The political culture has certain inputs with its corresponding outputs. Inputs comprise the whole of the infrastructure and the groups of interested people who very well know that their interests can be articulated through groups aggregating in a party for pressurizing legislature and administration. Thus the role of pressure groups mainly consist of interest articulation, communication of group demands to the authorities concerned, and generation and mobilization of support so as to pressurize the decision making centres. Pressure groups may be called such groups as 'private associations formed to influence Public policy.' They are a medium through which people with common interests may endeavour to affect the course of public affairs. In general by pressure group we mean "any organization which seeks to influence government policy without at the same time being willing to accept the responsibility of public office."³ In this sense pressure group is a formally organised group of people, sharing a common interest, that tries to influence political parties, particularly the ruling party and the government, for the attainment of its goal without participating in the electoral process. Non-participation in governmental power is the characteristic that distinguishes a pressure group from other political groups in a political system.

The term interest group and pressure group have been used both interchangeably and to mean different entities. Earlier scholars

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³ S.E. Finer, "Interest Groups on Four Continents" Ed. Henry W. Ehrmann, Pittsburgh, University of Pittsburgh Press, 1958, p-237 (quoted in Om Gautam's article 'Pressure Group Analysis', H.P. University, Simla. (Unpublished)).
Bantley, Truman and Key used the term interest group while later scholars have preferred pressure group. Some prefer to distinguish between the two on the ground that whereas an interest group is simply a voluntary association articulating an interest, or a value, a pressure group is an interest group that tries to protect its interest before the government against other competing interests. So long as a group or an organization makes certain claims upon other groups in the society, community or even within a political party to persuade its vested interest, it should be called an "interest group" and when an interest group acts at the political level seeking to influence governmental policy without willing to accept the responsibility of public office, it should be called a "pressure group". Governmental policy input is thus crucial in converting an interest group into a pressure group.

The functions performed by associational interest groups in Western Systems proved in a broader sense that every political system has some way of articulating interests, claims, and demands for political action. The particular structures which perform the articulation function and the style of their performance determine the character of the boundary between polity and society. In this direction Almond's four types of structures are generally used.

1. Institutional interest groups
2. Non-associational interest group
3. Anomic interest groups

4. Associational interest groups

Under the institutional groups, the study will include the political and factional groups operating in the legislature, partly caucus and state election committees, and bureaucracy. Among the non-associational groups especial attention will be paid to the regional, lingual and ethnic groups. The anomic groups signify such structures which are more or less spontaneous viz. riots, strikes, demonstrations, etc.

Among the associational interest groups, organized business and trade unions are the major pressure groups actively operating in the Indian political process. Because several groups often have conflicting desires on a particular policy issue, public officials are confronted with the necessity of having to choose from among, or reconcile conflicting demands. Groups that are well organized and active are likely to fare better than groups whose potential membership is poorly organized and inarticulate. Organized pressure groups try to maintain close contact with governmental agencies with a view to influencing the legislation and administration. They also strive to influence public policies by winning the support of public opinion. They use their means and persuasive power to obtain certain political decisions without having or seeking the power to make them.

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Trade unions have not been effective agents of interest articulation in India. Because of the ready labour supply from the ranks of the unemployed, the labour movement has been weak and unable to bargain effectively. "Unions are poorly organized, membership turnover is great, dues-paying is limited to a few and is irregular and union activities are limited to strikes, demonstrations and election works."

Business interests show a much stronger tendency to form modern type of pressure groups in India. The associations representing the business elite in India are far more efficient and rational than might be expected. From the associational point of view, they are expected to advance the desired objectives of Indian businessmen and Indian society as a whole. These Indian economic elite includes the very rich on the rural as well as the urban front - the big landlords and the big business of India. It does not necessarily form part of the Indian ruling elite nor is the latter only an agency of the former - "to carry out its wishes as efficiently as possible." For the present purpose, however, we shall concentrate on big business of India. Even where the term economic elite has been used the focus is on big business only.  

The reason behind the big businessmen or industrialists rising as a pressure group is the growth of big business and big labour

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5 Although according to the 1961 census figures the agricultural workers formed not less than 69.50 per cent of the total working population in the country, there are no worthwhile strong unions among them. Diffused nature of their habitation and working sites and lack of enough interest and patience on the part of the labour leaders to organize them (perhaps because the "striking power" of the agricultural workers is limited) have reduced the effectiveness of agricultural workers as a pressure group.

V.D. Devekar, "Planning Process in Indian Policy."
which was the result of far-reaching technological innovations that enlarged the operations of economic activity to unimaginable scale. The Second World War gave impetus to the industry which was accompanied by the growth of associations in the field of engineering, cycles, textiles etc. In India entrepreneurial activities have been concentrated in certain religious and regional groups like Gujaratis, Parsis and the Marwaris. Among the non-European groups making a transition from commerce to modern industry, the Parsis were the first and the Gujaratis were the second. But the Parsis started their career as big industrialists in Gujarat only. After Parsis paved the way, other business community followed. Of these the most important were the Gujaratis. In the later part of the 19th century, members of the Gujarati community built textile mills at Bombay and Ahmedabad. However, most of the Ahmedabad mills were built early in the twentieth century.

The leaders of the Bombay Gujaratis worked in close cooperation with the leading British and Parsi groups in Bombay. The two leading Gujarati managing houses running textile mills from Bombay in 1914 were owned by two old Gujarati families, the N.G. Morarjees and the Khatau Makenjis. An important Gujarati businessman who served as a director of these Gujarati firms, and of Parsi and British firm, as well was the most well known Sir Lallubhai Samaldas. He moved to Bombay and became a broker, organized the important Bank of Baroda and in 1913 was the President of the All India Industrial Conference.

The analysis of ownership by the age of companies show that Gujaratis are the most important source of private individual share capital. Among the companies belonging to the Indian communities the performance of Parsee companies is the best, followed by that of Gujarati companies.

to stimulate the development of modern industry in India. These three leading Gujarati families together with the Walchand family which moved to Bombay from Sholapur were responsible for establishing the Scindia Steam Navigation Company in 1919, a company which has since come to dominate all private shipping carried on by Indians.

The sources of strength of these families lay in either case in their wide financial powers, dominating interests in diverse fields - social, economic and political - and lastly patronage of a solicitous government willing to industrialise an underdeveloped economy. This entrepreneurial spirit or culture took root in Gujarat several centuries ago partly because the state has a long coastline because of which its inhabitants have since long been exposed to foreign trade practices and elementary management concepts. Consequently over the years a business culture of getting things done that cuts across all sections of society has become a way of life in this geographical area. And this solution oriented culture has been inculcated into the bureaucracy and the administration. Traditional folklores and proverbs also support the commercial culture of Gujarat to a great extent. "The Bania forsees, the Brahmin lingers behind," and such other numerous proverbs, popular stories and children tales have created appreciation of Bania culture which socialise the Gujarati child towards accepting the wisdom of the commercial class.\(^7\) These traditions and proverbs are indicators of the values and practice of

life in Gujarat. It is because of this tradition that unlike in other parts of India, the word "Bania" is not looked down upon in Gujarat, but often used along with the Brahmins. In India, the usual phrase for the traditional social elite is "Brahmin-Kshyatriya". In Gujarat they use the "Bania-Brahmin" while respectfully referring to the traditional social elite. Such a culture has contributed to a peculiar pattern of political culture of Gujarat i.e. "wisdom does not count before power," a widely accepted proverb indicating the pattern of political behaviour i.e. the approach and orientation of the Gujarati people to power and its operators. In the Muslim period and thereafter the wise mahajans - commercial guilds of the cities of Gujarat flourished by supporting and helping the rulers from time to time. So also in the modern time (till recently) the puritanic way of life of Gujarat's leading economic elite and the rich tradition established by its mahajans - Kasturbhai Lalbhai and Arvind Mafatlal in carrying sustained and generous effort to help the periodically distressed by famines and floods. Their contributions in the field of education, culture, religion and social welfare have earned them a sort of legitimacy that is noticeable as compared to other parts of India. Pragmatism is still another dominant feature of Gujarat's political culture. Getting the work done by persuasion and subtle relation with the government representatives and the bureaucrats rather than open, skiting criticism of the government policies that is supposed to be injuring interest of community, characterises the style of various interests in managing the government and the power that be. So also incremental change and gradual adoption of radical policy rather than sudden, abrupt change
or revolutionary rhetoric inform the behaviour of its elite. Sharp ideological debate would hardly find place in the public life in Gujarat. In the style of managing relations with the government, the people of Gujarat have emphasised persuasion rather than conflict. "Tact is superior to force" has been an adage frequently and approvingly used by the Gujaratis. The leading men in the industry have generally elected to desist from getting involved in the controversy of the public vs. private sector. On the other hand, governments belonging to different parties have made use of the managerial skill of the industrialist - business leaders on government boards and corporations and the latter have readily extended their hands for the same. However, the economic elite of Gujarat evinces a pattern of behaviour which characterises them more as having commercial culture rather than industrial culture. Commercial culture puts premium on profit through trade and does not undertake risk: without an assured profit or gain. Passivity, continuity, stability and adjustment rather than aggressive risk-taking characterise the commercial culture of Gujarat. Thus, it is not to be taken as greedy, out-for-scramble after position and money attitude. Also the impact of the Jain tradition has made it less ostentatious and more puritan. The style and mode of communication have therefore been such that it has not been conduction to class-conflict. Gradual incremental change rather than revolutionary outburst has been its pattern of political development; co-operation and conciliation rather than deep cleavage and conflict generally been its pattern of elite-mass and government-business relationship. It defies only when rudely treated.

8 P.N. Sheth, ibid, p. 263.
Till 1960, industrial economy of Gujarat consisted primarily of the textile industry and textile ancillaries. With the discovery of oil and gas, the setting up of a refinery, fertilizer factories and a petro-chemical complex, a significant shift has taken place towards chemical and downstream petrochemical units. Along with this, dyes and pharmaceuticals, salt production and mineral exploration has also received an added impetus. Today Gujarat produces country's 95% soda ash, 65% salt, 71% azo-dyes, 49% clocks etc. On 31st December 1960, there were 3,649 industrial units registered under factories Act providing employment to 3.46 lakh workers. By the end of 31st Dec. 1980, the number of factories went up to 10674 providing employment to 6.35 lakh workers.\textsuperscript{9} Active nurturing and nourishing of industrial environment growth by the state government, by provision of attractive incentives and infrastructural facilities had not only resulted in strengthening and diversifying the industrial structure but also infused new dynamism in the economy of the state.\textsuperscript{10} In view of favourable investment climate in the state not only large number of entrepreneurs from different states are attracted to Gujarat but also considerable scope for foreign collaboration has sprung up due to Gujarat Industrial Investment Corporation (GIIC)'s joint sector projects which today number about 59 and involve about Rs 1000 crores investment. Thus in India, Gujarat is today the

\textsuperscript{9}'Excellent climate for industries' by Bhikhoobhai N. Shah, 'Times of India, Ahmedabad publication, February 2, 1981.'

\textsuperscript{10} Lalbhai Group, who had previously confined their business to textile, have now started other industries like chemicals, fertilizers etc.
fastest growing industrial state. With the dynamic attitude, pragmatic approach and deep insight into the working of trade and commerce etc. the enterprising businessmen and industrialists of Gujarat have not only achieved unique position in the trade and commerce but also business of various important centres both in India and abroad and the business is centralised in the hands of Gujaratis. While complimenting the Gujarati businessmen the Indian Year Book has pointed out that the "Ganias of Gujarat can be recognised as one of the most intelligent business communities of the world." 11

Even today in Gujarat there is a productive rapport between government and industry. Modest and moderate, Gujarat politics has, on the whole, been gentle and peaceful in tradition and commercial in style and technique. Its predominant feature is moderation, its philosophy pragmatic, and its keynote its secular character. It has been devoid of anti-Brahminism or rabid caste and communal rivalries. Its political development has been characterised by simultaneous pattern of change and continuity which has been informed by incremental and steady reforms, not convulsions. Stability had been the hallmark of the political life of Gujarat with undivided congress as its central and guiding political force. Its politics had been informed comparatively by high norms of political life. This gave Gujarat a comparatively stable and calm position of an island even in the unstable and turbulent sea of state politics till 1970.

11 P.N. Sheth, ibid, p. 299
On the other hand, the industrial force is distinctly marked out in Gujarat for its peaceful tradition and behaviour. Gujarat has a fairly large class of merchants and industrialists. Its producers account for 15% of the population as against all-India average of 14.4%. And the commercial class constitutes 8.6% of the population against the all-India average of 6.1%. But these classes have been generally indifferent to politics and thus their representation in the Gujarat Assembly has been proportionately low. Exceptions like patronising Maha Gujarat Sima Samiti to fight the case of unilingual Maha Gujarat in 1955-56 and supporting Jivraj Mehta, the then Chief Minister against the GPCC in 1963 apart, they have remained dormant in state politics. They have preferred to support the ruling party even though not infrequently sympathising privately with the Rightist Swatantra in the past. In the true Mahazan tradition whose pragmatic culture is expressed through the famous Gujarat proverb "satta aagal shanpan shun kaamanun" (what is wisdom before power) this important class has preferred not to be led away by its ideological orientations.

After the creation of new Gujarat State the industrialists have made several claims from the government. They have demanded higher tariffs to protect infant industries and to encourage the creation of new industries, called for more credit facilities, lower taxes, a more satisfactory sterling-rupee exchange rate and in general urged the creation of conditions that would facilitate the growth of internal industry. However, with a view to maintaining and protecting their interests they have largely worked through informal channels. They
would develop, mostly individually, productive contacts with politicians, bureaucrats and the press in Gujarat. "It is through informal personal contact that businessmen, as individuals and through chambers, most frequently gain access to government," says Fadia. The Indian business community is represented by a multiplicity of associations. These include trade and industrial associations and chamber of commerce. In Gujarat there are many local associations, like Rajkot Chambers of Commerce, Junagarh Chamber of Commerce, Federation of Gujarat Mills and Industries. But the activities of these local associations are coordinated by larger chamber of commerce located in the capital city of Ahmedabad. The Gujarat Chamber of Commerce and Industry (GCCl) is the most important in size, prestige and influence among the apex organizations of the Gujarat State. At present the chamber covers 171 trade associations scattered throughout the state. This chamber is not exclusive and permits businessmen outside the state to become members. This regional chamber serves as regional spokesman for members and member-organization vis-a-vis the state government. It undertakes both representative and promotional activities. So far as the representative functions are concerned these chambers generally do not take up the difficulties of individuals or individual companies for representation. But, when the difficulties are experienced by a number of members, the chamber feels it necessary to take action. Since independence, the chamber's intake of legislative proposals bearing on trade and industry has been considerable. After independence both the state and the central governments have recognised the importance

12 Babulal Fadia, "Pressure Groups in Indian Politics." Radiant Publishers, 1980, p. 57
of the influence exercised by the business community and the need
for granting adequate representation to the chamber of commerce
on the various consultative and advisory committees. 13 The legis­
lators also welcome the information obtained in the memoranda submitted
by the chambers. Even the hard-working law-makers cannot digest
all the legislative issues upon which they are called upon to vote.
Legislators, therefore, appreciate constructive suggestions from
chambers provided the data and the information are presented in an
objective manner. If the presentations of the chamber are in the
public interest, the law-makers are ever ready to study the proposals
sent by chamber of commerce. The chamber renders a necessary service
in a democracy by making much valuable data available to governmental
agencies and to the public in general. They supply necessary infor­
mation and accurate statistics to policy makers. With the help of
the data supplied by the chamber, the legislators can support
necessary arguments. Thus, from the mass of conflicting information
and views, the truth can always be discerned. In recognising the
importance of the business elite of Gujarat, Chief Minister Madhavsinh
Solanki once remarked "we would not have been able to reach these
heights without the spirit of enterprise and the far sighted management
displayed by industrial entrepreneurs of our state.... Government can
only provide the right mix of policies, the necessary infrastructure

13 Speaking at the concluding session of the two-day seminar on the
corporate strategies organised by the Indian Institute of Management
at Ahmedabad, Mr. Solanki (C.M.) had said, "there is a need for
constant interaction between the industry and government."

Times of India, Ahmedabad publication,
February 6, 1982
critical industrial raw materials and help businessmen in getting financial assistance quickly. But taking full advantage of what this environment has to offer and making the best use of managerial and entrepreneurial skill are matters which lie in their hands. With the increasing demand for industrialisation, the preponderance of Indian wealth has come to be controlled by businessmen. The power of wealth in politics is an age-old phenomenon. The holders of wealth have great stakes in the outcome of the political struggle, they have the time to devote to political manoeuvre or the money to employ others to do so. Agriculture, a relatively declining "industry" in the entire state economy, occasionally fights a rear-guard action against business but more often allies itself with industry. The labour occasionally makes an assault on the business citadel. Yet business retains great influence and a position of potent leadership in the affairs of the State.

File No. FED 113 EST 8(3)4, Gujarat Chamber of Commerce and Industry, Ahmedabad (report).

V. O. Key, Politics, Parties and Pressure Groups, New Delhi 1964, p 102.

Few years back a question was framed for ICSSR project with a view to knowing the perceptions of different categories of voters about the relative domination of various groups in Gujarat. In all 19.4% identified "only industrialists and businessmen" as the dominant group. 0.9% identified only farmers, 0.7% as only the labour and the working class, 0.9% as only the princess and his gerasdars, and only 0.2% felt that the middle class were the most dominant group in Gujarat. Thus the most significant and clear finding has been the domination of the industrialists - businessmen (perceived together in this frame) who lead all other important groups in terms of influence.

P. N. Sheth, ibid. p 266.