In the preceding chapters we have discussed the evolution of the industrial policy framework in India. The big business interests, through the FICCI, sought to keep up the pressure to influence the formulation of industrial policy at all levels.

This chapter seeks to examine the changes in stated industrial policy during 1956 to 1963 and the advantages, if any, reaped by the large industrial houses dominating the Indian organized private sector. The cumulative effect of policy changes and the extent to which these may have altered some of the basic features of the industrial policy framework established by 1956, is examined.

\textbf{Pragmatism & the 1956 Industrial Policy Resolution}

In September 1957, an industrialists delegation went to the U.S.A., Canada and Western Europe. The delegation was led by G.D. Birla and included Babubhai Chinai (FICCI President), G.L. Bansal, (FICCI Secretary-General), and few other important industrialists including B.D. Garware, D.P. Goenka, Shriyans Prasad Jain, S.S. Kanoria, S.L. Kirloskar, D.C. Kothari and Ramnath A. Podar. The composition of the delegation was largely from among the FICCI associated industrialists.
Prior to the departure of the delegation to the U.S.A., there was a meeting between T.T. Krishnamachari (TTK), the then Finance Minister, Morarji Desai, the Commerce and Industries Minister, and Nehru. The Industrial Licensing Policy Inquiry Committee (ILPIC), found in its investigations into the development of the aluminium industry, a noting on a file by Dr. Nagaraja Rao, Chief Industrial Advisor in the Ministry of Commerce and Industry which revealed:

"that the question of permitting the private sector to develop the aluminium project was considered just before the Finance Minister (TTK) went to the U.S.A. for the visit... There was a discussion between the Prime Minister, the Finance Minister and the Commerce and Industry Minister, so as to evolve a picture of the specific industries which could be thrown open for development in the private sector even among those which had been included in Schedule 'A' and Schedule 'B'. The Advisor (Dr. Nagaraja Rao) thought that it was on the basis of decisions taken during this discussion that both Shri G.D. Birla and Shri Venkataswami Naidu were encouraged to contact possible American collaborators for the two proposed aluminium plants."(1)

The aluminium industry had been included in Schedule B of the 1956 Industrial Policy Resolution which consisted of industries,"which will be progressively State-owned and in which the State will therefore generally take the initiative in establishing new undertakings..."(2)

The throwing open of the aluminium industry to the private sector, and that to the Birla and V.R. Naidu groups, amounted to a clear


2. Appendix B, para 7. See also Chapter VII above.
deviation from the Industrial Policy Resolution of the previous year.(3) Moreover, the fact that at the above high-power meeting involving the Prime Minister, the Finance Minister, and the Commerce and Industry Minister, there was a discussion of the "specific industries which could be thrown open for development in the private sector even among those which had been included in Schedule 'A' and Schedule 'B'..."(4) clearly indicates that wide-ranging deviations from the Industrial Policy Resolution had been approved by the political leadership, barely a year after the announcement of the new industrial policy.(5)

When the Indian Industrial Delegation, (the industrialists delegation), left India in September 1957, they departed with the "full blessings" of the Ministers of Commerce and Industry, and of Finance.(6) TTK was already in the U.S.A. on an official visit when the industrialists arrived. The FICCI report claims that the two delegations worked "as a team." TTK assured prospective foreign investors, (as well as Indian private entrepreneurs), "that the future

3. The term 'deviation' here, as throughout our study, is used in a non-prejorative sense. It is used in the same manner as in the ILPIC Report which in reference to the above case stated that, "the (Government) approach seems to have been that such deviations could be permitted without affecting the long term pursuit of the (Industrial) Policy." cf. India, Ministry of Industrial Development, Internal Trade & Company Affairs, Report of the Industrial Licensing Policy Inquiry Committee,(Delhi: Manager of Publications, 1969), Main Report, p.107.

4. See above.

5. The extent of the deviations in industrial policy that followed will be examined in the Appendix to Chapter IX and in Chapter X below.

role of the private sector would be double that of the public sector." This statement FICCI noted, "caused much satisfaction."(7)

In March 1957, at the 5th meeting of the Reviewing Sub-Committee of the Central Advisory Council for Industries (CACI), it was reported that a licence had been granted to M/s Textool Company Ltd., Coimbatore to manufacture 750 tonnes of pig iron per mensem. L.K. Jha, Secretary, Ministry of Heavy Industries explained that though iron and steel was in the Schedule 'A' industries, this was "no absolute bar to government allowing privately owned units in this field in exceptional and special circumstances."(8) Thus apart from the continuance of the privately-owned Tata Iron and Steel Company (TISCO) and Indian Iron & Steel Company (IISCO of the Martin Burn group), a new privately owned unit was allowed entry into the iron and steel industry.

Within a year of the announcement of the 1956 Industrial Policy Resolution, a government spokesman had stated that there was "no absolute bar" to private sector entry even into the Schedule 'A' industries. The deviations from the industrial policy framework as earlier planned in the high-powered meeting referred to above, had begun.

FICCI & the 1957 General Elections

Some leading members of FICCI viewed the results of the 1957 General Elections with some disquiet. At the 1957 Annual Session S.S.

7. Ibid., p.552.
8. Minutes of the 5th Meeting of the Reviewing Sub-Committee of the CACI, held on 18 March 1957, Ibid., p.776.
Kanoria, (who in 1971 was to become FICCI President), referred to the "contempt, hatred and suspicion" with which big business was, "looked upon...in our country. It is therefore no surprise that no political party in India ventured to advocate and support our cause in the general elections. As things are now moving, we cannot deny that our days appear to be numbered and our system is on the way out in India. And if the end comes, I am afraid it may go unwept, unsung and unhonoured."

Kanoria also warned that,

"The recent elections have clearly indicated a Leftist trend, and any further delay in the economic advancement of the common man...may turn the country entirely red. It is therefore the bounden duty of the businessmen to join hands with the Government...(to) make the plan a success..."(9)

The FICCI President, Lakshmipat Singhania differed with Kanoria, and claimed that "The Federation has been showing very good results and success and (has been) helping trade, commerce and industry". He further disagreed with Kanoria that the days of the business community were limited. He however agreed that the policy of criticising the government was "wrong".(10)

Nehru, in his speech at the session, reassured the business community that the government was "not rigid..(or) dogmatic." (11) While speaking in Hindi, he clarified that his government had accepted a very flexible concept of socialism. (12) Thus while moving the vote of

10. Ibid., p.32.
11. Ibid., p.58.
12. Ibid., pp.52-53.
thanks, Babubhai Chinai was able to offer the business community's help in achieving the goal of a socialistic pattern of society. (13)

Of course, as we have already seen in the preceding section, the industrial policies of the "socialist pattern" had already been diluted to favour business interests. Thus FICCI would obviously have been only too happy to offer its "help" to the government.

**FICCI and the 1957 Budget**

Yet another instance of the effectiveness of FICCI lobbying during this period is that of the 1957 budget.(14) The 1957 budget was introduced only on 15 May 1957, a delay occasioned by the General Elections. The Minister of Finance, TTK, had introduced a number of tax measures which included a sharp increase in company taxation, increases in excise duties, as well as in wealth and expenditure taxes. The wealth tax was to be levied both on individuals and companies.(15)

FICCI reacted fairly sharply to the tax imposts. Babubhai Chinai, the FICCI President as also a Congress M.P., in a press statement on 15th May, described the budget "as a bold and imaginative one." He however criticised the new tax measures.(16) A more detailed critique

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13. Ibid., pp.61-62.

14. This has been analysed in Stanley A. Kochanek, Business and Politics in India, (Berkeley: University of California Press, 1974), pp.246-249. Our analysis is more detailed.


of the budget was contained in a FICCI E.C. press statement of 22nd May, copies of which were sent to the Ministers and concerned officials.(17)

Later meetings were held between FICCI delegations and TTK in Calcutta and Bombay. In Calcutta on 18th June, Chinai led a FICCI delegation which included G.D. Birla, Kasturbhai Lalbhai and B.D. Garware, among others to meet the government representatives who apart from TTK, included the Governor of the Reserve Bank of India, the Chairman of the State Bank of India, as well as H.M. Patel, the Minister's Principal Secretary.(18) At the meeting, TTK agreed that some adjustments in wealth and expenditure tax could be made, particularly at the Select Committee level.(19) Thereafter, the FICCI secretariat prepared a detailed memorandum on the "1957-58 Budget -- Taxation Structure and Second Plan," for submission to TTK as well as to the Select Committee of Parliament.(20) Later on 1st August, a FICCI delegation testified before the Select Committee.(21)

A major concession sought was the exemption of the shipping industry from wealth tax. Shortly after the budget speech, representatives from the shipping industry had sought this exemption from TTK on the grounds that the wealth tax levy would have a devastating impact on the industry's growth. TTK refused to grant the

17. Ibid., pp.390-395.
18. Ibid., p.395.
19. Ibid., pp.396-397.
20. Ibid., pp.397-453.
concession. Thereafter Sumati Morarjee, a director of the Scindia Steam Navigation Company, who was newly elected President of the Indian National Steamship Owners Association (INSOA), went to Delhi to discuss the matter with various ministries. Several days before the Select Committee meeting Mrs. Morarjee and the INSOA delegation arrived in Delhi to meet privately with ministers and influential Select Committee members. During these discussions, Mrs. Morarjee and the delegation which included M.A. Master, a former director of Scindias and a former FICCI President (1947-48), succeeded in enlisting the support of the Transport Minister Lal Bahadur Shastri, Director-General of Shipping Nagendra Singh, and several key members of the Select Committee, notably Feroze Gandhi, Nehru's son-in-law.

When the INSOA delegation met the Select Committee, its Chairman Asoke Sen, the Law Minister, told the delegation that the Committee apart from receiving the INSOA memorandum, had already heard the testimony of the FICCI delegation who had presented the views of the shipping industry. Sen therefore stated that, since "it is impossible at present to make a distinction between shipping companies and other companies," he saw little point in hearing the delegation. At this stage, Feroze Gandhi and Minoo Masani, another member of the Select Committee, notably Feroze Gandhi, Nehru's son-in-law.

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Committee, intervened and requested the Chairman to hear the delegation's case, to which the latter agreed.

Master spoke for INSOA. He stated that Indian shipping which was not subsidised by government, lacked the funds to finance even the limited development proposals under the Second Five Year Plan. He claimed that the proposed wealth tax would reduce the industry's investible resources and hence slow down its long-term growth, while providing only limited revenues for the government.(25)

After Master's testimony, according to Mrs. Morarjee,

"Some (select committee members) like Shri Feroze Gandhi and others said that they were convinced they (the shipping industry) should not only be exempted from...the wealth tax, but must be given further relief such as exemption from the capital gains tax, and so on."(26)

The shipping industry lobby also obtained the support of Lal Bahadur Shastri, then Transport Minister, who supported the former's case before the Lok Sabha.(27) Shastri also strongly advocated the industry's case in private discussions with TTK, the Finance Minister. As Master later admitted,"Had it not been for the strong pressure that was brought from Shri Lal Bahadur Shastri...we may not have achieved the results that we have achieved today."(28)

27. Scindia, Ibid., p.20; quoted after Kochanek, Ibid., p.249.
28. Scindia, Ibid., p.42; quoted after Kochanek, Ibid. See also Jog, n.22, p.213, wherein it was stated, "INSOA...made out a strong case for exempting shipping companies from the tax and succeeded in getting an exemption."
As a consequence of the lobbying by the INSOA, and by the FICCI itself, the Select committee made several concessions to private enterprise. These were the exemption from taxation of shares held by one company in another company; the provision of a tax holiday of five years from the date of incorporation for new companies and new units of existing companies; and the exemption of the shipping industry from wealth tax. (29) TTK accepted only some of the recommendations including the exemption of the shipping industry from wealth tax, which was a "major concession." (30)

This entire episode is a revealing instance of lobbying by business associations. FICCI and its constituent INSOA, lobbied at both the select committee level and with select ministers. Moreover, they, particularly FICCI, must have ensured the compliance of the rest of the Congress Party leadership, to ensure that the concessions were made.

However, business lobbying at this stage succeeded also because of the extent of the Congress victory in the second General Elections, and the relative weakness of the Opposition, particularly from the Left. In later attempts at lobbying, when the Left, both inside and outside the Congress was relatively stronger, concessions were not granted. (31)

30. Ibid.
31. See below.
Abridgement of Public Sector Expenditure

In May 1958, the Second Plan was cut by 20 per cent. The proposed shift towards state dominance in public investment did not materialize. Instead of the projected 53 per cent of all monetized investment during the First Plan and 61 per cent during the Second, the actual investment worked out to only 43.7 per cent and 51.1-54.1 per cent in the respective plan periods. On the other hand, the private sector investment considerably exceeded targeted investment. In the First Plan, this amounted to Rs.1,800 crores, or Rs.200 crores more than the target. In the Second Plan, private investment was Rs.3,300 crores, some Rs.900 crores or nearly 40 per cent more than the projected target. Thus the proposed dominance by the public sector of the "commanding heights of the economy" was already curbed a couple of years after the Plan was announced.

Further Deviations in Industrial Policy, 1958-1959

Of the seventeen industries listed in Schedule 'A', no less than seven were thrown open to the private sector around 1958. These included arms, and heavy plant and machinery, a large part of whose output was produced by ACC-Vickers-Babcox, Larsen & Toubro and Walchandnagar Industries — all of these were licensed in early

33. Ibid., p.142.
34. Ibid.
1959. (35) Heavy electrical plant machinery, where there was already substantial private sector production, was also thrown open to English Electric in early 1959. (36) The processing of lead and zinc was opened to the private sector in 1958-1959; the production of telephone cables and telegraphic equipment, and the generation and distribution of electricity and coal, (in which there was already considerable private sector participation), were also opened to further private investment in this period. (37)

In the Schedule 'B' list, of the total of twelve industries, in as many as nine, the bulk of the production was in the private sector since 1957-1958. (38) Though expansion in aluminium production was allocated for the public sector in the Second Plan, a private sector project was announced in March 1958, (39) and in early October the same year, a collaboration agreement was reached between Kaiser (U.S.A.) and Birlas to set up a 20,000 tonne aluminium plant. (40) The machine tools, and ferro-alloys and tool steels industries were also further opened to the private sector. In the latter by 1961, of the 261,000 tonnes licensed capacity, fully 160,000 tonnes were in the private sector. (41) The basic chemicals and intermediates, and the antibiotics and other

35. Ibid., pp.143-144.
36. Ibid., p.144.
37. Ibid.
38. Ibid.
39. This later fell through cf. Ibid.
40. Ibid. This was a consequence of the earlier decision taken by Nehru, Morarji and TTK. See above.
41. Ibid., p.1445.
essential drugs industries followed a similar pattern, as public sector projects were drastically curtailed, and the industries opened to the private sector in 1958-59. (42) The fertilizers industry was also opened for private sector investment, as was the production of synthetic rubber. Production in the latter was wholly in the private sector. (43)

Furthermore, though in 1950-51, the nationalisation of road transport was accepted as government policy, this was finally rejected in early 1958. Private operators were in fact, assisted to set up viable operations. (44) In the case of sea transport, the private sector was helped to grow through the Shipping Development Fund. (45)

From the above discussion, it is apparent, that the 1956 Industrial Policy Resolution was consistently changed within a few years of its enactment. These deviations from the Resolution enabled the private sector to grow rapidly and allowed the large industrial houses to become a leading force in the private corporate sector, as would be evident from Tables I and II below.

As can be seen from Tables I and II, the top twenty groups markedly increased their share of share capital, net fixed assets and gross capital stock in the private corporate sector, between 1951 and 1958. The top thirteen groups also increased their share in these three areas. Therefore, the government's industrial policies over the period only

42. Ibid.
43. Ibid., pp.145-146.
44. Ibid., p.146.
45. Ibid.
<table>
<thead>
<tr>
<th>SHARE CAPITAL</th>
<th>GROSS CAPITAL STOCK</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1951</td>
</tr>
<tr>
<td>Net Complex</td>
<td>202.7</td>
</tr>
<tr>
<td>(of 20 groups)</td>
<td></td>
</tr>
<tr>
<td>All Non-Govt.</td>
<td>591.0</td>
</tr>
<tr>
<td>Companies</td>
<td></td>
</tr>
</tbody>
</table>

**GROWTH OF THE INDUSTRIAL HOUSES 1951-58**

**TABLE - II**

**SHARE OF THE 20 GROUPS IN THE SHARE CAPITAL & PHYSICAL ASSETS OF ALL NON-GOVT. PUBLIC COS. (PERCENTAGES)**

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Net Fixed Assets</th>
<th>Gross Capital</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Complex (of 20 Groups)</td>
<td>34.30</td>
<td>40.56</td>
<td>37.81</td>
</tr>
<tr>
<td>Net Complex (of the top 13 Groups)</td>
<td>33.09</td>
<td>38.41</td>
<td>36.31</td>
</tr>
<tr>
<td>All non-Govt. Public Companies</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

served to strengthen the hold of the monopoly houses over the private corporate sector, as the above Tables show. Thus, the industrial policy framework as it evolved, and the deviations from it, despite the heightened socialist rhetoric in the second half of the fifties, actually served, in large measure, the interests of the industrial houses largely represented by FICCI.

The growth of the monopoly stratum of the private corporate sector was also facilitated by the credit policies of the larger scheduled banks. A survey conducted by the Mahanalobis Committee revealed that in the top fourteen banks in 1959-60, no less than 51 per cent of the directors were from industrial houses. For eight banks, the corresponding figure was nearly 77 per cent. Significantly, the government owned State Bank of India had no less than 48 per cent of its directors connected to industrial houses. Given this composition of the Board of Directors, it was inevitable that the credit policies of these banks would favour the private corporate sector.

The Ideological Retreat

The 1958-59 period was also marked by a considerable softening of the ideological postures of government. Addressing the 31st Annual Session of FICCI in March 1958, Nehru said, "you (FICCI) represent a very important section of opinion... (to which it is) desirable for any Government to pay the greatest attention..." He reassured the


industrialists that the government accepted that, "the private sector is of great importance and fulfils an important purpose in the development of the country...it should be encouraged in every way."(48)

During this period various important Congress Leaders, explained the existence of public sector projects, as necessitated only by the inability of private enterprise, and not due to ideological or policy reasons. While opening Tata's ferro-maganese plant in Orissa, H.K. Mahatab, the Chief Minister,

"pointed out that even the three steel plants under the public sector would have gone to the private sector if (only a) sufficient number of private people had come forward..."(49)

It is sometimes argued that this ideological shift, as well as the deviations from the Industrial Policy Resolution, was occasioned by the foreign exchange crisis, which in this period had become quite acute.(50)

The ideological shift continued in 1959. Commenting on a resolution on planning and economic development finalised by the Congress Working Committee (CWC) and adopted by the 64th Session of the Congress, Commerce noted that "the socialism of the Congress Party is the vaguest of its kind in the world, for it has never been fully defined."(51)

48. Ibid., p.19. Kidron is apparently unaware of this speech, and states that Nehru's speech at the 1962 FICCI Session "crystallized the new tone...," i.e. the more friendly attitude towards big business. cf. Kidron, n.32, p.148.


At the 32nd Annual Session of FICCI, its President B.P. Singh Roy praised Nehru's 19th February Statement in Parliament wherein the latter had stated,

"A great majority of the people in the private sector had tried their best to co-operate with the Government. The private sector has a great domain to work in this country. Just to push it out will be utterly wrong and injurious to this country at the present moment and for a considerable time to come." This Roy noted, had "put heart in those who...apprehended a reversal of governmental policy."(52)

Nehru in his speech at the Session welcomed the "friendly approach" of Roy's speech.(53) He further played down the public versus private sector controversy.(54)

In a speech at the 8th March FICCI Luncheon Meeting, G.B. Pant, the Home Minister stressed the "supplementary and complementary" nature of the public and private sectors.(55)

The ideological shift was accompanied by a relaxation in the industrial policy towards the private sector. In January 1959, Commerce noted that, "the Government of India has taken certain welcome steps to expedite the issue of licenses for the expansion of industries in the private sector."(56) These included the removal of the earlier mandatory reference to the Licensing Committee, for the production of new articles by existing undertakings, if these did not involve the

53. Ibid., p.15.
54. Ibid., p.19.
55. Ibid., p.74.
installation of additional machinery and use of imported materials.(57)

The Budget also contained concessions for the private sector. Commerce praised the concessions in the Budget noting that, "it is apparent that the private sector has heaved a sigh a relief."(58) It praised Morarji's "proposal to abolish the wealth tax on companies and the excess dividends tax...(as) a courageous step for a Minister of a Socialist (sic) Government to take."(59)

The Swatantra Party & FICCI

On 4 June 1959, the formal decision to establish the Swatantra Party was made public in a meeting held in Madras.(60) However the origins of the Swatantra Party, which was to be the most openly pro-business party in the Indian political scene, went back to the foundation of the Forum of Free Enterprise (FFE) in 1956.(61)

Active in the founding of the FFE had been a group of Bombay businessmen led by A.D. Shroff, (who as we have seen earlier had been active in FICCI), as well as Minoo Masani, a former Tata executive.(62)

57. Ibid.
59. Ibid.
61. Ibid.
62. Ibid., p.66.
Both Shroff and Masani were associated with Tatas, who were generally known to have provided "strong support" to the FFE. (63) The FFE was unabashedly pro-private enterprise, as its name itself indicates, and it sought to educate the public "on the fundamentals of free enterprise and on the contributions which it can make to national welfare." (64) Though the FFE claimed to be a "non-political and non-partisan organisation" it was in effect, anti-Congress.

Shortly after its formation, at the FICCI Annual Session, Lalchand Hirachand, a senior and influential FICCI leader, supported the FFE, and rhetorically asked why it could not "be organised on a large scale" by the Federation. (66) N.S. Siamwala, and others who spoke, rejected this proposal, with Siamwala noting that the FFE had been formed to "put up a fight and (to) challenge the government." (67) Winding up the discussion, Lakshmpat Singhania, (the FICCI President), rejected the policy of criticising one's own government as "wrong." (68)

The FICCI reaction to the Swatantra Party was similar. As Kochanek has noted,

64. Forum of Free Enterprise, Basic Documents, (Bombay: FFE, 1966), quoted after Kochanek, Ibid., p.204.
67. Ibid., p.21.
68. Ibid., p.32.
"Although the vast majority of the industrialists shared pro-Swatantra sentiments... (their) lack of enthusiasm for the Swatantra party is based on the conviction that, attractive though its program(me) may be to business, it has little hope of becoming a major political force in India". (69)

This was recognised by Minoo Masani himself, who considered,

"it would be futile...to wait for Big Business to make up its mind to give us support... The reason for this state of affairs... lies in a controlled economy...(which necessitates) the supine attitude to government and the pathetic desire to clutch at any straw that may come their way in the shape of soft words thrown at them occasionallly by government spokesmen, dispayed by certain sections of Business...".(70)

The business elite as organised in FICCI, was not only aware of the constraints of the controlled economy, as somewhat bitterly stated by Masani, but also of the political reality of virtually unchallenged Congress rule.(71) The FICCI strategy therefore continued to be one of influencing the ruling party. Support to the Swatantra was low-key and directed only at putting pressure on the Congress.

**The Third Plan**

As in the case of the Second Plan, a FICCI delegation had a meeting with the Planning Comission on the formation of the Third Plan. A twelve member FICCI delegation led by its President M.R. Ruia, met

69. Kochanek, n.14, p.39; Erdman has also noted that "the names of Birla, Bajaj, Sarabhai, et.al. have been conspicuous by their absence from the roster of Swatantra supporters." See Erdman, n.60, p.141.


71. The Congress defeat of 1967 is outside the purview of our study. Even then, the Congress control of the Central Government remained. At that time however, a significant section of Indian big business, including members of FICCI apparently supported the Rightist Opposition parties. cf. Kochanek, n.14, p.223.
members of the Planning Commission and the Minister of State for Industry on 7 July 1959.(72) Ruia proposed a greater emphasis on industry in the Plan, without neglecting agriculture.(73) Lakshmipat Singhania urged that in view of the shortfall in the Second Plan on the employment creation front, the Third Plan should increase the employment potential.(74) Both Bharat Ram and Babubhai Chinai emphasized the need to modernize industries, and for this the latter suggested a larger import of capital goods and raw materials.(75)

Later, in response to Nehru's monthly press conference on 3rd December 1959, FICCI reiterated its positions. It repeated its earlier stand that the overall outlay of the Third Plan should be larger than that of the Second Plan. It further emphasised the need for various incentives for the private sector, failing which the country would have to satisfy itself with a smaller plan.(76)

The very fact that FICCI had detailed consultations with the Planning Commission regarding the formulation of both the Second and the Third Plans, an opportunity denied other pressure groups e.g. trade unions, consumer associations, agriculturists unions (Kisan Sabhas), etc., is in itself a significant indicator of the extent of the influence FICCI was able to wield in the formulation of India's industrial policy.

72. FICCI, Vol.II, 1959, p.188.
73. Ibid., pp.188-189.
74. Ibid., p.190.
75. Ibid.
76. Ibid., p.192.
In October 1959, the Third Plan was discussed at the A.I.C.C. Session at Chandigarh. Commerce in an appreciative commentary on the debate noted that, "there was no tirade against this (private) sector, as such, nor was there an insistent demand for a large scale extension of state control and its ownership."(77) It approvingly cited Nehru's speech at the Session, where he had stated,

"we have deliberately kept a wide field for the private sector...I have not done it under pressure, but I think, in the present circumstances, it is desirable. I want to give initiative to private enterprise provided it does not throttle the public or private interest. Because I want to encourage every aspect of production..."(78)

From the above report, it is evident that the ideological retreat which had commenced in 1958, continued through 1959.

On 31st March, 1960 a FICCI delegation led by A.M.M. Murugappa Chettiar, (FICCI Vice-President) met members of the Planning Commission.(79) The discussion revolved around the estimated investment in the private sector in the Third Plan. The FICCI representatives called for an investment outlay of Rs.3,000 crores in the private sector. T.N. Singh, the Planning Commission Member (Industry), argued that the investment in the private sector should be around Rs.1,000 crores, as an increase in that outlay could only be at the cost of other sectors.(80) He referred to the public versus private sector

77. Commerce, 3 October 1959.

78. Ibid. Nehru in emphasizing the need for increased production, at the cost of any emphasis on the distributive aspect, was only reiterating his earlier positions of the immediate post-Independence period. See Chapters IV, V & VI above.


80. Ibid., p.176.
controversy and stated that the private sector was expanding relative to the public sector, and that enough scope was left for the initiative of the private sector under the Industrial Policy Resolution. (81)

FICCI representatives met on a number of occasions with government representatives in order to influence the final formulation of the Third Plan, and other aspects of industrial policy. As the FICCI E.C. Report for 1960 put it,

"The relations of the Federation with government continued to be cordial. There was a considerable increase in activities by way of informal discussions with Ministers and officers of the government." (82)

These meetings met with a marked success, especially as the outlay for private sector investment was considerably increased in the final Third Plan document. The private sector outlay was increased to Rs.4,100 crores in the final Plan document, (an exponential increase over the Planning Commission's earlier estimate of approximately Rs.1,000 crores). (83) This was an important success for the private sector, and for FICCI in particular. (84)

**Liberalisation of Licensing Policy, 1960**

In early 1960, the government liberalised its industrial licensing policy. A letter from the Ministry of Commerce and Industry to FICCI

81. Ibid.
stated that these decisions had been taken after discussions between FICCI representatives and "officers of this Ministry." (85) The government decided to exempt industrial undertakings employing less than a 100 workers, and with fixed assets of less than Rs.10 lakhs, from applying for industrial licenses. (86) A subsequent letter from the Ministry of Commerce and Industry to FICCI clarified that there could be exceptions even under the list of 'banned' items, as applications could be put up by officers of the concerned Ministries to the Licensing Committee for approval. (87)

Later, in July, September and November, further concessions to private entrepreneurs were announced. In industrial undertakings where production was increased because of "balancing equipment" utilising the excess intermediate product of the main plant, which did not exceed 10 per cent of the value of the installed machinery or Rs. 2 lakhs, whichever was less, licenses were to be issued without reference to the Licensing Committee. In the earlier relaxation, (see above), 49 industries had been put on the 'free' list i.e. where licenses would be readily granted. (88) Even earlier in January 1960, the Ministry of Commerce and Industry in a letter to FICCI, communicated a government decision to allow industrial units allotted foreign exchange for imports of components, intermediates or new materials, to increase their

86. Ibid., pp.300-301.
87. Letter No.6(4)-IA(IG)/60 dated 11 April 1960, Ibid., p.309.
production within their foreign exchange allotment, even when production exceeded licensed capacity. The excess capacity was to be automatically regularised.\footnote{Ibid., pp.315-316.}

During this period licenses were issued liberally. In his Chairman's address at the 11th meeting of the Central Advisory Council for Industries, Lal Bahadur Shastri, the Minister for Commerce and Industry, stated that whereas 773 licenses had been cleared in 1958, this increased to 997 in 1959, and was as much as 542 in the six month period from January to June 1960. Thus not only were licensing rules relaxed, but an increasingly large number of licenses were sanctioned every year. Hence the operation of the licensing system could only have been a matter of satisfaction for FICCI and its constituents.

The 1960 budget was also favourably received by business circles.\footnote{Ibid., p.498.} Commerce found that Morarji's budget "makes pleasant reading...the quantum of fresh tax burden (is) very much less than the anticipation of even optimists..."\footnote{Commerce, 5 March 1960.}

\textbf{Industrial Policy in 1961: Further Concessions to the Private Sector}

Writing on industrial policy in late September 1961, the \textit{Eastern Economist} noted that "of late...some new pragmatism has been discernible in the Union Government's industrial policy."\footnote{Eastern Economist, 22 September 1961.} In this connection, 

\begin{itemize}
  \item \textbf{89.} Ibid., pp.315-316.
  \item \textbf{90.} Ibid., p.498.
  \item \textbf{91.} Commerce, 5 March 1960.
  \item \textbf{92.} Eastern Economist, 22 September 1961.
\end{itemize}
it referred to the private sector being allowed to participate in the manufacture of heavy electrical machinery (a Schedule 'A' industry). It also referred to the government decision to allow increased private sector production of nitrogen fertilizers (a Schedule 'B' industry), in excess of the plan targets.(93)

The Budget in 1961 also came in for favourable comment. Commerce appreciated Morarji's "gesture of goodwill towards the private sector by substantially reducing the tax on bonus shares.'(94) It noted that the cut in the taxation rate on royalties paid by Indian companies to foreign investors, and the extension of tax concessions to foreign technicians, were examples of measures designed to attract foreign private capital.(95)

FICCI "express(ed) their appreciation of the lucid Budget proposals which afford the elements for strengthening the Indian economy...," in particular welcoming the reduction of taxes on companies and on bonus shares.(96) FICCI also " appreciated" the reduction of taxes on royalties from 63 per cent to 50 per cent, the reduced taxes on inter­corporate dividends on minority shareholdings of foreign companies, and the tax exemptions for the hotel industry.(97)

93. Ibid. See also Appendix 'B'.
95. Ibid.
97. Ibid., p.291.
In response to a FICCI request in May 1960, to the Planning Commission for more than 0.75 million additional spindles in the cotton textile industry targets during the Third Plan, the government in a Press Note on 25th August 1961 announced that it would license an additional 3 million spindles during the Plan period. This was an important concession to the FICCI, in view of the importance of the cotton textile industry to the private sector.

At the meetings of the Import Advisory Council held in New Delhi on 6th March and 11th September 1961, Manubhai Shah, the Minister of State for Industry clarified that priority for the purposes of industrial and import licensing would be given to the following: (1) export oriented industries; (2) machine building industries; (3) industries producing raw materials; (4) industries producing component parts and accessories; and (5) vital consumer goods industries.

At the 12th Meeting of the Central Advisory Council of Industries, K.C. Reddy, the Minister of State for Commerce, stated that as compared to the 2,640 industrial licensing applications received during 1960, as many as 3,268 applications had been received during the January to
September 1961 period. There was also an increase in the number of licenses granted. (102) Karam Chand Thapar, the FICCI President, welcomed the government's industrial licensing priorities. (103) While concluding the discussions, Reddy referred to the role of the public sector in the expansion of the private sector, noting that the prosperity of the latter largely depended on the services of the former. (104)

In terms of industrial policy therefore, 1961 was another good year for privately owned industry. A number of concessions were given and the industrial licensing policy favoured the private sector, and as such, was welcomed by FICCI.

In a survey of the private corporate sector, Raj K. Nigam estimated that its output had increased by over 50 per cent during the 10 year period which ended in 1957-58. Nigam also calculated the extent of the concentration in the corporate sector. The larger companies with a paid-up capital of Rs.50 lakhs or more, constituted in terms of numbers approximately 1.5 per cent of the total, but accounted for nearly 60 per cent of the paid up capital of all companies. (105) Thus, as the Monopolies Inquiry Commission, and the Industrial Licensing Policy

102. Ibid., p.562.
103. Ibid., p.565.
104. Ibid., p.570.
Inquiry Committee, were to conclude later, the government's industrial policy had facilitated the growth of monopolies which dominated the private corporate sector in India, (and which dominated FICCI itself. See Chapter III above).

**Government Policy Towards Foreign Capital, 1961**

In early May 1961, the government made a statement on "the Role of Foreign Capital in India's Economic Development". The Press Note issued on 8th May by the Ministry of Commerce and Industry, specified that foreign capital would be allowed into a number of industries including iron and steel structurals, iron and steel castings and forgings, iron and steel pipes, special steels, (the iron and steel industry is in Schedule 'A'), boilers and steam generating plants etc. It was clarified that Indian majority shareholding was not necessary in "on merits" cases. It was further stated that "exceptions" may be made to the Schedule 'A' of the Industrial Policy Resolution "in the public interest".

The statement was appreciated by the big business controlled financial press. *Commerce* considered it a 'welcome advance on the existing position." It also appreciated the "softening of the

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106. FICCI, n.96, p.408.
107. See Appendix 'B'.
108. FICCI, n.96, p.408-409.
109. Ibid.
rigour of the government's policy in relation to Schedule 'A' industries..."(111)

Therefore the industrial policy is this period, encompassed premediated deviations from the earlier announced industrial policy framework, in the interests of both foreign and indigenous private capital.

**Industrial Policy in 1962: Liberalisation Continues**

On 8th February 1962, the government issued a press note stating that all industrial undertakings having fixed assets not exceeding Rs.10 lakhs, would not be required to obtain licenses, irrespective of the number of persons employed; (the earlier policy stipulated that no more than 100 persons could be employed).(112)

At the 13th meeting of the Central Advisory Council of Industries held in New Delhi on 27th March, K.C. Reddy, the Minister of State for Commerce and Industry, revealed that as many as 1,042 licenses for setting up new units and for substantial expansion had been issued to the private sector in 1961-62.(113) Reddy also noted that the government had adopted a pragmatic approach towards the development of industries like fertilizers, (a Schedule 'B' industry),(114) which was thrown open to the private sector. Swaran Singh, Minister for Steel,

111. Ibid.


113. Report of CACI meeting, Ibid., pp.546-547

114. See Appendix 'B'.

Mines and fuel, referred to the licenses granted to the private sector for the production of special steels.(115)

On its part, the private sector welcomed the government's liberal industrial policy. In a commentary on the FICCI session, Commerce noted appreciatively that "liberal interpretation (of the 1956 Industrial Policy Resolution) has enabled the private sector to secure a foothold into reserved fields like the fertilizer industry."(116)

The 1962 budget also contained some concessions for the private sector. A FICCI press statement on 27th April welcomed the abolition of the expenditure tax and the proposed transport subsidy for furnace oil, though it felt that increases in other taxes "more than counterbalance(d)" the concessions granted.(117)

At the 35th FICCI Annual Session, Karam Chand Thapar's Presidential speech welcomed the Congress's victory in the 1962 General Elections.(118) Nehru on his part was conciliatory towards the private sector. He categorically stated that, "private enterprise is a good thing for India...(and that) suppression of private enterprise will be bad...",(119) although at two points in his speech he criticised

115. FICCI, n.112, p.552.
117. FICCI, n.112, p.169.
118. FICCI, Vol.III, 1962, p.2. (As Thaper was ill his speech was read out by S.P. Jain).
119. Ibid., p.15.
monopolies, (120) claiming that "monopolies put an end to private enterprise..." (121)

The Dalmia-Jain Controversy

An event which caused much embarrassment to FICCI, including organisational problems, (122) was the publication in early 1963 of the Vivian Bose Commission Report. (123) The Report found the management of the Dalmia-Jain companies responsible for losses amounting to Rs. 2.6 crores to the investing public. (124) Shriyans Prasad Jain, the then FICCI President, was indicted for being "directly concerned with the fraud..." in a number of instances. (125) The Report caused considerable public outcry and embarrassed big business in general, and FICCI in particular.

Speaking at the 36th Annual Session of FICCI in March 1963, Nehru referred to the difficulties he had had in accepting the FICCI's invitation as "many people, my colleagues and friends..." had not wanted

120. Ibid., pp. 16-21.
121. Ibid., p. 15.
122. Tata and Mafatlal representatives resigned from FICCI, over the refusal of Shriyans P. Jain, then FICCI President, to resign from his post, although he had been implicated in the Vivian Bose Commission Report. See Chapter III, above.
123. India, Ministry of Commerce & Industry, Department of Company Law Administration, Report of the Commission of Inquiry on the Administration of Dalmia-Jain Companies, (Delhi: Manager of Publications, 1963). Justice Vivian Bose was Chairman of the Commission which was thus popularly known as the Vivian Bose Commission.
124. Ibid., Chapter IX, p. 43.
125. Ibid., Chapter X, p. 47.
him to accept.\footnote{126} Referring to the Vivian Bose Commission Report and the public response to it, he warned that if the private sector suffered "in public estimation" it would not be able to grow.\footnote{127}

The government however took virtually no action on the basis of the Vivian Bose Commission Report. M.N. Govindan Nair (CPI), speaking in the Rajya Sabha, noted that Dalmia Jain concerns had been awarded 3 licenses after the publication of the Report.\footnote{128} The Daphtary-Shastri Committee appointed by the government, recommended that no further action should be taken against the accused, and was sharply criticised for the same by Arjun Arora (Congress) in the Rajya Sabha.\footnote{129} Speaking in the same debate, M.M. Mehta deeply regretted that Nehru had chosen to address the FICCI Annual Session in which Shriyans P. Jain himself was the outgoing President.\footnote{130}

The FICCI reacted to the Dalmia-Jain controversy by preparing in the E.C. from April 1963 onwards, a statement on "Obligations and Responsibilities of Businessmen." In it,

"The Federation...(urged) upon the business community to run their industrial enterprises and business in the context of wider public policy. It is equally important that the prestige of commercial and industrial organisations is maintained and enhanced."

It further stressed the need for businessmen "to exercise a great measure of self-restraint..." and "for commercial and industrial

\footnote{127} Ibid., p.14.
\footnote{128} Rajya Sabha Debates, Vol. XLIV, No.2, 14 August 1963, Col.304.
\footnote{129} Ibid., Col.675.
\footnote{130} Ibid., Col.909.
organisations" to secure the "observance of high standards in the public life of businessmen and in their business practices."(131) However no operational procedures to ensure the above aims were finalised.(132)

Notwithstanding the above episode, the FICCI President and its representatives met the Prime Minister "many times," as well as the Ministers holding the various economic portfolios. According to FICCI records "The meetings and discussions were very useful."(133)

Success Despite Embarrassment, 1963

The FICCI lobbying over the 1963 budget, is yet another example of its efficacy in influencing industrial policy in the interests of business groups. FICCI had strongly criticised the proposed super profits tax on company profits. A FICCI E.C. Press Note while welcoming Morarji's approach to increasing economic capacity, called for a revision of the companies taxation proposals.(134)

Later when FICCI representatives met Morarji to plead for the removal of the super profits tax, the latter told them that they "were asking him to commit political suicide."(135) The industrialists then

132. Ibid., p.112.
133. Ibid., p.119.
asked for a modification of the proposals, which was "regarded as the most realistic by official circles."(136) Consequently, on 16th April, Morarji announced a modification of the original proposals, reducing the super profits tax, which was welcomed by FICCI as helping to restore the "badly shaken" confidence of the business community.(137)

In early 1963, the government decided to transfer the licensing of the commercial sheet rolling units of the non-ferrous metals industry from the Directorate General for Technical Development (DGTD) to the State Directors of Industries. On 9th May, FICCI wrote to the Ministry of Commerce and Industry urging a reconsideration of the decision.(138) On 17th September, the Ministry replied that the status quo ante was being maintained for the time being.(139)

On 12th October, the FICCI President wrote to T.T. Krishnamachari praising the latter's speech over All India Radio on the previous night as "a thorough, excellent, analytical account of the present economic situation..."(140) The letter stressed that T.T.K.'s "real and bold"

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136. Ibid.


approach and his emphasis on "the requirements of rapid growth", was the same as that of FICCI. (141) It offered FICCI's "fullest support." (142) T.T.K. in his reply of the 14th October, stated that he was "very happy to hear" of FICCI's support for his views. (143)

From the above discussion of the industrial policy for the year 1963, it is evident that the identity of views held by FICCI and a senior Minister holding the vital Finance portfolio, was matched by the concessions made to the private sector by the government. Further, by this year, the various concessions in industrial policy led to the licensing of a number of industries for the private sector, in areas reserved under Schedules 'A' and 'B' of the Industrial Policy Resolution of 1956, for the public sector.

By 1963, the Kamani Engineering Corporation was granted a license to produce 1 lakh tonnes of special quality pig iron in Rajasthan; 3 foreign-owned oil refineries, (including Burmah Oil, Phillips Petroleum and Mobil Oil) were set up; Brown Boveri of Switzerland was permitted to collaborate with Hindustan Electricals to manufacture heavy electrical equipment; and International General Electric was given licenses for smaller electrical equipment (all Schedule 'A' industries). (144) In the

141. Ibid.
142. Ibid., pp.111-112. This statement was also favourably received by the financial Press. See for instance, Commerce, 19 October 1963, "T.T.K. Engenders Optimism," leading article, which stated that "the Finance Minister's talk contains clear indications that the authorities are not thinking in terms of curtailing the scope for private enterprise."
list of Schedule 'B' industries, a significant number were thrown open for foreign collaboration. Synthetics and Chemicals collaborated with Firestone Tire and Rubber (U.S.A.), in the production of synthetic rubber; Kaiser Aluminium (U.S.A.) and Chemical Corporation (U.S.A.) collaborated with Hindustan Aluminium in the production of aluminium. In the nitrogenous fertilizers industry, (as we have noted earlier), as many as nine private projects were licensed.(145)

In view of the above interpretation by the government of the Industrial Policy Resolution, Rust characterises government industrial policy as one marked by "pragmatism."(146) However, as we have noted earlier, these concessions as well as those analysed above, constituted a consistent series of deviations from the earlier industrial policy framework, as established by the 1956 Industrial Policy Resolution.

In late 1963, business was given further concessions. Bank credit was liberalised in November, and the price and distribution controls on 16 commodities were removed in December the same year. This, of course, was welcomed by FICCI.(147)

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145. Ibid., p.132.

146. Ibid., p.133.

147. Presidential Address by Bharat Ram, FICCI, Vol.III, 1964, p.66. These decontrolled commodities included: (1) rayon yarn; (2) staple fibre; (3) caustic soda; (4) soda ash; (5) hydrochloric acid; (6) chlorine; (7) calcium carbide; (8) bleaching powder; (9) chilean nitrate; (10) muriate of potash; (11) sulphate of potash; (12) washing soap; (13) tyres and tubes; (14) sheet glass; (15) paper boards; and (16) natural rubber. cf. Ramanbhai Amin's (FICCI President) letter to D. Sanjivayya, Minister of Industry, dated 5th May 1966, FICCI, Vol.II, 1966 pp.261-269.
Changes in the Companies Act

As a result of the Vivian Bose Commission Report, the Attorney General C.K. Daphtary and Justice A.V. Visvanatha Shastri, were appointed by the government, to recommend preventive action in the form of changes in the Companies Act. The Daphtary-Shastri Report made several proposals which FICCI considered highly controversial.(148) In particular, the provision that a clause be inserted in the Companies Act enabling government to convert its loans to private sector companies into equity share capital, thus giving the former a certain measure of control over management, was highly controversial. The FICCI accused the government of proposing back door nationalization.(149)

The Company Law Amendments Bill was sent to a select committee of Parliament in December 1963. Some Congress members of the select committee amended the loans conversion clause by making it only applicable to future loans and not retroactive, as originally stated.(150)

At that time, the Congress was embroiled in sharp ideological conflicts. In spring 1963, in Parliamentary by-elections held in Amroha, Farukhabad, (both in U.P., Nehru's home state) and Rajkot, all three considered safe seats for the Congress, prominent Opposition stalwarts, Acharya J.B. Kripalani, Ram Manohar Lohia and Minoo Masani won. Later in August 1963, in what was generally considered part of

149. Ibid., p.236.
Nehru's "counter attack on his conservative opponents inside the Congress Party", (151) the Kamaraj Plan was announced. Named after K. Kamaraj, the then Chief Minister of Madras, the Plan called for the resignation of senior Congressmen from government office in order to take up organisational work to revitalise the Congress organisation in the wake of the earlier humiliating by-election results. Two of Nehru's leading opponents inside the Congress, Morarji Desai and S.K. Patil, were among the six Cabinet Ministers removed. Patil, in an interview at the time, claimed that Nehru "wants a leftist (sic) pattern. He practically gave everything to the leftists. All six (Cabinet Ministers) removed were considered from the Communists' side to be on the right." (152)

In December 1963, therefore, within the Congress, Leftist elements, largely organised in the Congress Forum for Socialist Action, led by K.D. Malaviya, a Congress Working Committee member, were fairly influential. These Congressmen challenged the recommendations of the select committee. When the Congress Parliamentary executive upheld the recommendations, the Leftists at a requisitioned general body meeting of the Congress Parliamentary Party, charged that some Congressmen "under the influence of big business lobbies, were trying to water down the bill." (153) Under their pressure, Nehru, after consulting his Cabinet, decided to reverse the Congress Parliamentary Party's Executive's

decision to support the select committee recommendations. This was accordingly announced in Parliament by TTK, who however sought to reassure businessmen by hinting that the loans given to TISCO and to the Indian Iron and Steel Company (IISCO), would not be converted into equity.\(^{(154)}\)

Hence the success of business lobbying depended, as we have seen in several instances earlier, on the political balance of forces, including that within the ruling party. The loan-equity conversion clause, as well as other potentially anti-big business measures that were under pressure enacted, were however, due to the influence of business lobbies never implemented, or implemented only in a very limited way.\(^{(155)}\)

The growth of monopolies in the private corporate sector was a fact that Nehru was forced to admit. In the autumn of 1963, he stated, "Monopoly is the enemy of socialism. To the extent it has grown during the last few years, we have drifted away from the goal of socialism."\(^{(156)}\) However, as we have noted above, the industrial policies of Nehru's government consistently contributed to the growth of monopolies, while simultaneously paying lip-service to the goal of socialism. The drift away from that goal therefore, was inevitable under the circumstances, as Nehru himself was doubtless aware.

\(^{154}\) Ibid., p.253.

\(^{155}\) See for instance S.K. Goyal, "Joint Industrial Sector," a paper presented at the Seminar on "Industry and the Fourth Plan," University of Bombay, March 29-31, 1971, mimeo. Goyal shows how the loan-equity conversion clause, as well as other recommendations of ILPIC were not implemented, even in the post-1966 period (which is outside the scope of our study).

Conclusions

The deviations from the 1956 Industrial Policy Resolution started almost within a year of its announcement. In the above-mentioned meeting between Morarji, TIJ and Nehru, the entry of the private sector in both Schedule A and Schedule B industries was discussed. Starting with the opening up of the aluminium industry to the private sector in 1957, a large number of other industries in Schedules A and B, were thrown open to the private sector. By 1963 therefore, the 1956 Industrial Policy Resolution was honoured more in its breach than in its practice.

In other areas of economic policy of importance to Indian big business, significant concessions were made. The planned investment in the private sector under the Second Plan, was exceeded by nearly 40 per cent. In response to big business pressure, the private sector outlay for the Third Plan period was increased from the initially proposed Rs.1,000 crores to Rs.4,100 crores when the Third Plan was finalised. Various concessions were made in the budgets during the period under study, in order to accommodate business interests.

In the sphere of industrial licensing, the general trend was one of consistent liberalisation favouring the private sector. In 1960, as many as 49 industries were added to the 'free' list of industries i.e. where licenses would be readily granted. Other changes in the licensing rules significantly increased the size of the industrial units permitted to operate without licenses.

The cumulative affect of the liberal, pro-private sector industrial policy of this period, was the impressive growth of the large industrial
groups. As the Mahalanobis Committee has shown, between 1951 and 1958, the dominance of the 20 large business groups within the private corporate sector actually increased. Whereas the 20 groups accounted for 33.14 per cent of the gross capital stock of the private corporate sector in 1951, the percentage increased to 38.65 by 1958, (see Table I above). In absolute terms, the increase was exponential; the gross capital stock figures for the 20 groups being Rs.462.6 crores and Rs.1033.8 crores in 1951 and 1958 respectively.

It clearly emerges from the foregoing analysis therefore, that the deviations from the 1956 Industrial Policy Resolution, which itself had incorporated concessions to the private sector,(157) were indicative of the considerable influence wielded by Indian big business in the area of industrial policy. This influence was evidently enhanced by the fact the potentially countervailing forces, including the Left parties and the trade unions, were not sufficiently strong politically to counter big business pressures during this period.

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157. See Chapter VII below.