CHAPTER - X

CONCLUSIONS

FICCI, as is evident from our study, is the most important apex body of Indian big business. Though it is very often asserted that FICCI represents commercial and industrial interests, in its operations it is dominated by a few large industrial houses, in which the Birla House plays the predominant role. For varying reasons, a few of the top industrial houses (including the Tatas, Mafatlals, Khataus and the Sarabhais) have generally kept themselves out of FICCI. A number of smaller industrialists and traders, made unsuccessful efforts at various stages of the Federation's history, to make the Federation a more representative body of the private sector in general, instead of a mouthpiece of Indian big business. In contrast to the FICCI, the ASSOCHAM in the main, has been operating more as an association of foreign private capital in India, and less as an association of Indian big business. This is in spite of the fact that the membership of ASSOCHAM has included some of the prominent Indian business houses who chose to remain out of FICCI, (as we have seen in Chapters III and IV above). The government has, invariably, assigned greater weight to FICCI than to ASSOCHAM particularly, when nominating representatives of the private sector on official committees. The fact that FICCI has been recognised as a representative of the Indian big business emerges very clearly.
Indian big business has sought to influence the Congress leadership of the nationalist movement, particularly from 1905-1907 onwards. The Indian big business, however, has no one strategy towards the nationalist movement. From the available evidence, it does not emerge that Indian big business, particularly the individual houses, were hostile to the British, and in turn faced hostility of the Raj. The main difference appears in the degree of support to the Congress. The Bombay industrialists headed by the Tatas offered somewhat limited support, while the FICCI, led by G.D. Birla, offered more active support to the Congress party.

Differences within the Indian big business cannot however, be reduced to what has been symbolically called the Bombay strategy and the Birla strategy. If the Bombay industrialists did not form a unified bloc, this was equally true of the FICCI. While a majority of those who joined FICCI, followed the lead of G.D. Birla; there were strong voices of dissent. For instance, while G.D. Birla generally supported the Congress openly, Purshotamdas Thakurdas, on a number of occasions opposed the Congress Party particularly when the party gave a call for mass agitations, (as we have seen in Chapter IV above). Kasturbhai Lalbhai, who generally followed Birla's lead, was involved in the negotiations over the Lees-Mody Pact of 1933, which was later condemned by FICCI itself. Walchand Hirachand, though a founder member of FICCI, generally aligned with the Tatas, and opposed the Congress. Shri Ram, his biographers report, fell out with G.D. Birla over the FICCI's initial support to the second Civil Disobedience Movement.
It is quite evident therefore, that though the Bombay strategy and Birla strategy may be considered the dominant strategies of Indian big business; individual business leaders adopted differing stands on many occasions. The Indian business community can not be said to have had just one dominant strategy, purportedly represented by Purshotamdas Thakurdas and G.D. Birla.

The existence of close contacts and relationships between the Indian business and the Congress Party need to be seen in their historical context. Starting with the 1937 elections to the Provincial Assemblies, the conservative sections of the Congress leadership generally depended on Indian big business, particularly through the Birlas, to raise funds for election campaigns. Quite apart from the support provided to individual leaders by leading industrialists, some of the financial support was overtly for constructive work by the party. Indian big business had also accepted crucial positions in the Congress Party. For instance, Jamnalal Bajaj was Treasurer of the party for many years. A number of industrialists accepted the membership of the National Planning Committee. Such associations had their own consequences. For instance, membership of the NPC Sub-Committee on Industrial Finance, headed by A.D. Shroff, enabled the Indian big business representatives to play an important role in evolving the party's policies in favour of the private sector. Shroff was able to get the sub-committee to reject the proposals made by the left nationalists in the NPC for the nationalisation of key industries, public utilities and defence industries.
By the mid-forties, in the aftermath of the Quit India movement, it was apparent that the attainment of Independence was only a matter of time, and that the future ruling party would be the Congress. This awareness seems to have forced Indian big business to have a more sympathetic approach towards the Congress Party. One indication of this was provided by the fact that the Bombay Plan of 1944 was signed by both FICCI and the Bombay group of industrialists, (as we have seen in Chapter V above). The Bombay Plan contained, in a encapsulated form, India big business's attitudes towards the role of the state in the economic development of India. While the Bombay Plan envisaged a significant amount of state intervention in the economy, this was explicitly intended to subserve the private sector, including indigenous big business. In their Plan, the industrialists stressed that the emphasis and orientation, in the policies of industrialization, was to maximise production, by simultaneously eschewing policies of radical reconstruction of the economy directed at the redistribution of national wealth.

The convergence between different factions of Indian big business, as exemplified by their leadership coming together in formulating the Bombay Plan, did not, however, mean the sinking of differences or the emergence of a unified group. The group of Indian industrialists aligned with foreign private capital in ASSOCHAM, maintained their alignment with that apex body, and did not join the larger Indian group represented in FICCI.
(i) Policy Formulation

With the advent of Independence in August 1947, Indian big business interests sought to utilize their influence in the formulation of industrial policy. The Industries Conference convened by the government in December 1947, brought together representatives of labour and industry, apart from those of the government. The resolutions adopted at the Conference, as well as the ideological stances taken by the Congress leadership, were reassuring to the FICCI.

In 1947-1948, the political balance of force clearly favoured private sector interests. The Left including the CPI and the socialists was divided. Whereas the CPI had opposed the Congress government as a "lackey" of British Imperialism, and had considered Independence to be "fake", the socialists particularly because of their approach to national problems were themselves isolated within the Congress. From the mid-thirties onwards, the class complexion of the Congress membership had changed, with the weightage of land-holding peasants increasing sharply. This had acted against the more radical, anti-big business elements within the Congress. These factors had helped the conservative sections of the Congress leadership, headed by Sardar Patel, to establish a strong hold over the party organisation. This conservative section had strong links with Indian big business, which had been forged during the nationalist movement.

Within the Congress, as in the government, Nehru was the preeminent figure. He however, despite his predilections as evident from flashes
of Leftist rhetoric, had to adopt as head of a composite government, a policy of conciliation towards the private sector. The dislocations in the Indian economy, a consequence of the Partition, added to the enormity of the tasks facing the political leadership. This was an added factor in Nehru's accommodation of the private sector. Faced with the compulsions of circumstances, Nehru did resile from some of his old positions and statements. For instance, during the course of the freedom struggle, Nehru had been bitterly critical of the Indian Civil Service (I.C.S.), and had advocated its virtual elimination. He had categorically stated that,

"Of one thing I am quite sure, that no new order can be built up in India so long as the spirit of the I.C.S. pervades our administration and our public services... Therefore it seems to me quite essential that the I.C.S. and similar services must disappear completely, as such, before we can start real work on a new order."

(1)

However, the exigencies of the post-Independence situation apparently obviated any possibility of eliminating the I.C.S.: the "steel frame" was considered as necessary for governance.

As Myrdal has noted, the I.C.S.-dominated civil servants, in view of their background, and training in the colonial period, as well as the constraints of the inherited structure of administration were, "a regulating and stabilising influence that... worked against radical departures from the status quo -- in other words, a conservative force". (2) The upper echelons of the administration, were not only

crucial in the process of implementation of government policies, but also contributed to the formulation of national policies. (The dominance of the I.C.S. cadre within the civil service administration, was another important factor strengthening the conservative, generally pro-business forces.)

In this environment, the recommendations of the Economic Programme Committee (EPC) published in end-January 1948, came as something of a shock to all conservative sections. These recommendations were clearly anti-monopoly, in so far as they severely restricted the area of operations, not to speak of the possibilities of growth, of Indian big business. As could only be expected, the EPC Report generated a storm of protest. FICCI objected to the proposed restrictions, which it claimed made Indian big business "very apprehensive about the future economic structure and the industrial development of this country".

Apart from written representations, FICCI representatives met various members of the Cabinet, and some senior administrators, in their effort to lobby against the EPC Report's proposals. (The lobbying by Indian big business interests against the EPCs recommendations, was facilitated by the existing balance of political forces, referred to above. Shortly after the submission of the EPC Report, in the second half of February 1948, the socialists in the Congress, organised in the CSP, were virtually forced out of the ruling party.) Thus, the strength of the counter-vailing forces against big business pressures, was significantly weakened in the months following the submission of the EPC Report.
The shift in the political balance of forces was reflected in Nehru's own stances on the EPC recommendations. For instance, in his speech at the Constituent Assembly, barely three weeks after the submission of the EPC Report, Nehru reassured the business community, alarmed by the EPC recommendations, by explicitly stating that, "obviously we (government) want the good-will of the industrialists of the country". This speech evidently reassured the business community, as it was apparently intended to.

Nehru had reassured FICCI members about the shape of future industrial policy, on the eve of the Industrial Policy Statement. (In his speech at the FICCI Annual Session on 28th March 1948, Nehru virtually dismissed the 1931 Karachi Congress resolution, the progenitor of the EPC Report, wherein it was stated that large industry should belong to the state, as "theoretical talk". He stressed that, "In India today we cannot adopt any one 'ism'... We do not have the strength to nationalise big industry... In our nation private enterprise has a definite role".)

(During the course of his speech, Nehru clearly indicated the broad outlines of the forthcoming Industrial Policy Statement, in the presence of assembled FICCI members.)

(a) The 1948 Industrial Policy Statement

The Industrial Policy Statement was placed before the Constituent Assembly, about a week later, on 6th April 1948. The Statement marked a substantial retreat from the recommendations made in the EPC Report. The number of industries which were to be state monopolies were only
three; while in six others "new undertakings" were to be exclusively reserved for the state. Even for these industries, the possibility of the entry of private enterprise was not ruled out. Further, the EPC proposal of a five-year period before takeover of privately owned units in industries reserved for the state, was replaced by a highly qualified statement that at the end of a ten-year period,

"the whole matter will be reviewed and a decision taken in the light of circumstances obtaining at the time. If it is decided that the State should acquire any unit, the fundamental rights guaranteed by the Constitution will be observed and compensation will be awarded on a fair and equitable basis".

The 1948 Industrial Policy Statement was, as K.T. Shah, the former Secretary of the National Planning Committee had noted, a significant dilution of the recommendations made in various committees of the NPC. He pointed out that the Statement left the large bulk of industry "in the hands of the capitalists". On their part, business circles approved of the Industrial Policy Statement. As Commerce editorially stated, the Statement "dispelled certain apprehensions..." with its "right emphasis on the expansion of production".

The dilution of the recommendations of the NPC and the EPC, (both committees of which Nehru himself was the Chairman), in the Industrial Policy Statement, was a consequence of increased big business influence on the formulation of official industrial policy, for the reasons enumerated above.

(b) 1949 Statement on Foreign Investments

The only really discordant note struck in the government-big business relationship in the immediate post-Independence period, was the
April 1949 Statement on Foreign Investments. The shift in the official policy from pre-Independence stances of the Congress which were discriminatory against foreign capital, to one treating foreign and Indian capital on equal terms, was opposed by FICCI. Somewhat ironically, the divergence in the Congress policy on foreign capital from its stances during the nationalist movement, was pointed out to the Congress by FICCI, with the latter representing itself as the defender of the Swadeshi spirit. Concluding that the new policy on foreign capital was "a tragedy," FICCI called upon government to reconsider it.

The serious economic situation, including the balance of payments deficit and the lack of capital investment, had forced the government to turn towards foreign capital. Moreover, within FICCI, despite the apparent unanimity on this issue, there were differences. Shortly after the announcement of the new policy, G.D. Birla welcomed it as he was ready to "supplement internal sources of capital with foreign capital... in our mutual interests." Under the circumstances, the government rejected FICCI's demand for a reconsideration of the policy on foreign capital, and in doing so was doubtless strengthened by Birla's support.

(The government however, sought to reassure the agitated industrialists, through conciliatory statements by various Ministers.) Although these postures did not mollify Indian industrialists whose protests continued, the very fact that they were made, is itself indicative of the respect with which government treated the former's views. (Furthermore, a few years later, when the economic situation eased, and Indian capital was more confident of its ability to compete
with foreign capital, FICCI came around to accepting the government policy.

(ii) **The Constitution and the Rights of the Propertied**

The debates in the Constituent Assembly, and later in the Provisional Parliament, over the framing of the Constitution and the Industries Act, also reflected the pro-business attitudes of the Congress leadership, (as we have seen in Chapter VI above). The Constitution as finally enacted enshrined the right to property as a fundamental right, and enjoined upon the state to give due compensation in the event of nationalization of private property. Despite the urging of several members of the Constituent Assembly, the Directive Principles were not made justiciable, and were therefore potentially inoperative, if the requisite political will was lacking.) Even the advice of the Constitutional Adviser, B.N. Rau, wherein he proposed certain amendments to the clauses relating to the Directive Principles, as a result of which laws made by the state in discharge of its fundamental duties would prevail over the fundamental rights guaranteed to individuals, was not accepted.

As we had already seen above, the Constituent Assembly was constituted on the basis of an indirect election by legislators who themselves had been elected on the basis of the Government of India Act, 1935, which restricted the right to vote to only some 13 per cent of the Indian population. The Assembly, in this sense, therefore actually represented only the relatively propertied electorate. Moreover, Indian big business was intimately associated with the process of the
formulation of the Indian Constitution, as D.P. Khaitan, a founder-member of FICCI and an industrialist closely associated with G.D. Birla, was a member of the original seven-man Drafting Committee, set up by a resolution of the Constituent Assembly on 29th August 1947. After Khaitan's demise in 1948, his vacancy in the Drafting Committee was filled by another businessman, T.T. Krishnamachari. Under the circumstances therefore, particularly in view of the general influence of conservative and pro-business forces during this period, the rejection of the Constitutional Adviser's recommendations on such a matter affecting all propertied interests, was only to be expected.

The Constitution of India, as it was finally enacted, with the involvement of leading Indian businessmen including Homi Mody and Kasturbhai Lalbhai, who were not members of the Constituent Assembly, but were nominated to its advisory committees, contained a number of provisions favouring the propertied interests. As Seth Damodar Swarup pithily put it, "The Draft Constitution has...failed rather miserably to deal properly with the question of the economic rights of the people."

The Industries Act

The prolonged process of the formulation of the Industries (Development and Regulation) Act, 1951, clearly revealed the substantial influence wielded by Indian big business in the sphere of industrial policy, (as we have seen in Chapter VI above). The two Select Committees set up to examine the Industries (Development and Control) Bill, 1949, included prominent businessmen. The first select committee, constituted on 6th April 1949 included among its members, three important businessmen: Ramnath Goenka, (the Auditor of the Congress
Legislature Party), Homi Mody and Padampat Singhania (who had been FICCI President in 1935). Ramnath Goenka was also nominated to the second Select Committee set up on 4th September 1951.

The government consistently sought to reassure business interests who were critical of the proposed Bill. When a delegation of largely FICCI- affiliated industrialists met the first select committee on 5th August 1949, Syama Prasad Mookerjee, the Minister for Industry and Supply, who was the Chairman of the committee, sought to reassure the business representatives present by stating that his committee, "could modify it (the Bill) even beyond recognition". All that was necessary was that the title and the preamble of the Bill "remained intact". Further, after the first select committee submitted its Report on 10th February 1950, the government just shelved the Report, and only referred it to the second select committee in September 1951, and then too, according to Capital, because of pressure from the Planning Commission.

During the final debate prior to the provisional Parliament's ratification of the Industries Bill, H.K. Mahatab the Minister for Commerce and Industry, sought to introduce an amendment which would have in effect prohibited the takeover of the management of a privately-owned unit without compensation, and which was evidently a concession to the FICCI demand for the same. Because of the opposition from various MPs including T.N. Singh and R. Venkataraman, who had been members of the second select committee, Mahatab's attempt failed. However the businessman Syamnandan Sahaya's amendment that the takeover of management by the government be "authorise(d) for a period not exceeding five years," was accepted by Mahatab and passed by the Parliament. This was clearly a concession to business interests.
Whereas business circles were quite critical of the Industries Act initially, they later toned down their criticism. Further, a couple of years after the enactment of the Industries Act, R.G. Saraiya, the FICCI President, in a March 1953 letter to TTK, then the Minister for Commerce and Industry, noted that the two select committees had "both improved on the original provisions (of the Industries Bill)...

The Indian big business successes in obtaining concessions in the formulation of the Industries Act, were again a reflection of the prevailing political balance of forces, which as Syama Prasad Mookerjee had admitted in Parliament, led to some industrialists being "extremely powerful in this land".

Similarly, the discussion in the Congress Working Committee on the resolution on the formation of the Planning Commission, revealed the anxiety on the part of some of the important sections of the Congress leadership to reassure the business community. Thus a passage in the original draft resolution which referred to,

"the progressive elimination of social, political and economic exploitation and inequality, the motive of private gain in economic activity or organisation of society and the anti-social concentration of wealth and means of production..."

was deleted.

Hence, during the process of what we have termed the establishment of the institutional framework for industrial policy, between 1948 and 1951, big business was able to wrest several vital concessions. These concessions and other lacunae in this institutional framework, allowed sufficient leeway in the implementation of industrial policy for the growth of the industrial houses, largely organised in FICCI, in later years.
Post-1951 Dilutions in Industrial Policy

Our examination of the industrial policy formulation and implementation in the First Five Year Plan period, also revealed significant concessions favouring Indian big business. (See Chapter VII above). (In the First Plan, the investment for private sector industry was increased by more than 72 per cent over what was envisaged in the Draft Plan. Moreover in the revised First Plan, the major reliance for development was placed on the private sector. While planned investment in public sector industries was to be only Rs. 94 crores, it was to be as much as Rs. 383 crores in the private sector. It was, therefore, no surprise if FICCI leaders like Tulsidas Kilachand and G.D. Birla praised the revised Plan.)

The 1952-53 economic crisis aggravated Indian industrialists' fears of the competition from foreign private capital. At its Annual Session in 1953 therefore, FICCI adopted its famous "Swadeshi Resolution" deploring the government's attitude towards foreign capital. (When in 1954 the economic situation eased,) the FICCI attitude towards foreign capital softened. (By January 1955, a FICCI sub-committee in its report "generally welcomed" the inflow of foreign capital. Thereafter the positions of FICCI and the government on the inflow of foreign private capital into India, more or less coincided. After eight years of continued growth in independent India, Indian industrialists had sufficient confidence that they would not be swamped by foreign competitors.) Moreover they were interested in mutually advantageous collaboration with foreign private capital. (Therefore, the earlier antagonism towards foreign capital, which was articulated on behalf of Indian business circles by FICCI, no longer remained.)
The 'Leftist' shift in Congress rhetoric, fuelled by the party's defeat in the Lok Sabha by-election in Agra, did not result in anti-business shifts in industrial policy. Nehru, the 'Leftist' of the Congress leadership, at the FICCI Annual Session held in March 1954, reassured industrialists present "that no one in Government is against big industry. We want (private) big industry to develop." In fact, the acceptance in Parliament of the goal of a "socialist pattern" of society was a spontaneous move, of which the Left (Communist) M.P.'s were sceptical.

The ensuing Assembly elections in Andhra Pradesh, where the Communists posed a serious threat to the Congress, provided impetus for the Avadi Resolution of January 1955, where the Congress adopted the resolution on "Socialistic Pattern of Society." At the Avadi Session however Nehru had categorically stated the necessity "to have a private sector... and to give it full play within its field..."

Business circles were not perturbed by the 'Leftist' rhetoric at Avadi. Commerce, in its comment on the session, which was typical of the reactions of business circles, stated that the change of rhetoric "need not... cause any alarm in the private sector."

The satisfaction of business circles had been due to the manner in which industrial policy was implemented. Various proposals for nationalising particular industries or companies had been turned down by government, e.g. TELCO in October 1954; commercial banking in December 1954; and foreign trade, cement, jute and plantations in early 1956. The manner in which major acts of nationalization were undertaken, e.g. air transport in 1953, the Imperial Bank in May 1955, life insurance in
January 1956, and the Kolar Gold Fields in November 1956, revealed that the government's policy was not one of "socialistic" nationalization with an overall anti-big business orientation.

(As has been brought out above, (in Chapter VII), generous compensation was provided for in each case.) When Commerce commenting on the compensation to private shareholders in the life insurance industry stated that, "many in the business community felt (that)... all things considered, a reasonable and fair... compensation..." had been granted, it was expressing what was to be the sentiment of the business community in all cases during the period.

(A similar spirit of accommodation between the government and the Indian private sector, manifested itself in the process of the formulation of the Second Five Year Plan. The changes between the proposals in the Second Plan Frame of March 1955, and the finalised Second Plan, clearly exhibited concessions to business interests. The proposal that the state should "take up the factory production of certain consumer goods which are of strategic importance for the growth of the national economy", as well as proposed state entry "into such activities as banking, insurance, foreign trade or internal trade in selected commodities", made by Mahanalobis in his Plan Frame, were dropped from the final Second Plan. Mahanalobis's proposed development expenditure of Rs.4,300 crores and Rs.2,248 crores, in the public and private sectors respectively, i.e. approximately a ratio of 2:1 in favour of the public sector, was also drastically modified, as the FICCI proposals to increase the plan outlay on the private sector apparently proved successful. The investment programme for the public sector was
reduced to only Rs.3,800 crores, while for the private sector it was increased to Rs.2,400 crores, in the final Plan.

The 1956 Industrial Policy Resolution

The government's industrial policy in the entire period following the 1948 Industrial Policy Statement, had encouraged the growth of the private sector in general, and large industry in particular. However, at least by December 1954, the government had realised the need for a new industrial policy, which it was officially stated in Parliament "will be announced very shortly." With the new strategy enunciated in the Second Plan, of the public sector attaining "the commanding heights", a new Industrial Policy Resolution became even more imperative.

The Industrial Policy Resolution of 30th April 1956, despite its socialist rhetoric contained major concessions to the private sector, (as we have seen in Chapter VIII above). Even in the case of the 17 industries listed in Schedule 'A', whose future development was reserved for the state, it was explicitly stated, "This does not preclude the expansion of the existing privately owned units, or the co-operation of private enterprise in the establishment of new units when the national interests so require." Moreover the clause in the 1948 Industrial Policy Statement that had stipulated that privately owned units in the industries reserved for the state, would be taken over after 10 years, was dropped, as FICCI had consistently demanded.

The Resolution referring to the 12 industries in Schedule 'B', stated that in these "private enterprise will also be expected to
supplement the effort of the state." The industries not listed in either Schedule were, of course, left open for the private sector. Therefore, apart from "Railways and air transport, arms and ammunition and atomic energy... (which was to) be developed as Central Government monopolies...", all other industries were potentially open to the private sector. G.D. Somani, M.P. and a FICCI leader, appreciated this Resolution, stating that there was more than enough left for the private sector. In comparison therefore, with the 1948 Industrial Policy Statement, the 1956 Resolution represented further concessions to business interests, rather than any genuine "socialist" advance."

Further Concessions to Big Business, 1956-1963

The 1956 Industrial Policy Resolution was reinterpreted in favour of Indian big business, almost on the morrow of its birth. Prior to the departure of the G.D. Birla-led industrialists delegation to the U.S.A., Canada and Western Europe in September 1957, a vital meeting between Nehru, TTK (Finance Minister) and Morarji Desai (Commerce and Industries Minister) took place. As later recorded by the then Industrial Adviser to the government, it was decided to throw open certain industries included in Schedules 'A' and 'B', to the private sector. Thus the top circles of government decided, more or less secretly, to substantially modify the Industrial Policy Resolution, which was then barely a year old.

The concessions that were granted in the 1957 Budget when it was finalised, in response to FICCI pressure, is another instance of the influence of business circles. On the basis of the lobbying by FICCI and INSOA, one of its constituents, several concessions were made to the
private sector in the finalised Budget, including the exemption of the shipping industry from wealth tax. The manner in which business lobbies were able to enlist the support of influential M.P.'s and Ministers, reflected the pervasive influence of business circles.

Of the 17 industries reserved for the state under Schedule 'A', no less than 7 were thrown open to the private sector around 1958. These included arms; heavy plant and machinery; heavy electrical plant machinery; processing of lead and zinc; the production of telephone cables and telegraphic equipment; and the generation and distribution of electricity as well as the production of coal.

Of the 12 industries listed under Schedule 'B', in as many as 9, the bulk of the production was in the private sector since 1957-58. Although expansion in the aluminium industry was allocated to the public sector in the Second Plan, Birlas were allowed to conclude a collaboration agreement with Kaisers (U.S.A.) to set up a 20,000 tonne plant. The machine tools, and the ferro-alloys and tool steels industries were also further opened to the private sector. In the last, out of the total 261,000 tonnes licensed capacity, as much as 160,000 tonnes were in the private sector. The basic chemicals and intermediates, as well as the antibiotics and other 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. The fertilizers industry was also opened for private sector investments, as was the production of synthetic rubber. Production in the latter was wholly in the private sector.
Moreover, although in 1950-51, the nationalization 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. In the case of sea transport, the private sector was helped to grow through the Shipping Development Fund.

Thus within a few years of its enactment, the 1956 Industrial Policy Resolution was consistently reinterpreted, in order to facilitate the rapid growth of the large industrial houses.

The Ideological Retreat

The years 1958-59 were also marked by a considerable softening of the ideological postures of the government. While addressing the March 1958 session of FICCI, Nehru reassured industrialists that his government accepted that,

"the private sector is of great importance and fulfills an important purpose in the development of the country... (so that) it should be encouraged in every way."

Later, in a March 1959, FICCI Luncheon Meeting, G.B. Pant, the Home Minister, stressed the "supplementary and complementary" nature of the public and private sector.

The ideological shift was accompanied by further relaxations in industrial policy towards the private sector. The earlier mandatory reference to the Licensing Committee, for the production of new articles by existing undertakings, if this did not involve the installation of additional machinery and the use of imported raw materials, was dropped.

The 1959 Budget contained concessions for the private sector. Commerce praised Morarji Desai'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".

FICCI & the Swatantra Party

The Swatantra Party despite its pro-big business views did not
elicit much support from the business community. As Minoo Masani
himself noted big business was not inclined to support the new Party.
This, as Kochanek has shown was due to the conclusion of industrialists
that the Swatantra Party had little hope of becoming a major political
force in India.

The FICCI strategy continued therefore to be one of influencing the
ruling party instead of direct participation in the political process,
in the form of standing for elections or creating a new political party.
Support to the Swatantra Party was low-key, and directed only at putting
indirect pressure on the Congress.

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,
stated that these decisions had been taken after discussions between
FICCI representatives and "officers of this Ministry". The government
had decided to exempt industrial undertakings employing less than 100
workers, and with fixed assets of less than Rs. 10 lakhs, from applying
for industrial licences. It was later clarified that there could be
exemptions 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.

Later in July, September and November 1960, further concessions in industrial licensing were announced. These included the inclusion of as many as 49 more industries on the 'free' list i.e. where licenses would be readily granted. Because of all these concessions, this period witnessed a liberal issue of licenses. Whereas, according to official figures, 773 licenses had been cleared in 1958, this increased to 997 in 1959, and was already 542 in the first 6 months of 1960.

The budget was also favourably received in business circles. Commerce found that Morarji Desai's budget "makes pleasant reading...the quantum of fresh tax burden (is) very much less than the anticipation of even optimists..."

Industrial Policy Concessions in 1961

The policy of concessions in industrial policy to the private sector continued in 1961. Writing on industrial policy in late September 1961, the Eastern Economist noted that "of late... some new pragmatism has been discernible in the Union Government's industrial policy". In this connection it approvingly referred to the private sector being permitted to participate in the manufacture of heavy electrical machinery (a Schedule A industry). It also welcomed the government decision to allow increased private sector production of nitrogen fertilizers, (a Schedule B industry), in excess of the plan target.

The 1961 Budget also contained concessions for Indian business. FICCI welcomed the reduction of taxes on companies, bonus shares,
royalties, on inter-corporate dividends on minority shareholdings of foreign companies, and tax exemptions for the total industry.

Even in the case of the Third Plan, a major concession was made to private industry, in the case of the targets in the cotton textile industry. In response to a FICCI request in May 1960, to the Planning Commission for more than 0.75 million additional spindles, the government agreed to license an additional 3 million spindles during the Plan period. This was an important concession to FICCI, in view of the importance of the cotton textile industry to the private sector.

1962: Relaxations Continued

In February 1962, the government further liberalised licensing policy, allowing a1 industrial units having fixed assets not exceeding Rs. 10 lakhs, exemption from licensing, irrespective of the number of persons employed. A Schedule A industry, special steels, and a Schedule B industry, fertilizers, were thrown open to the private sector in 1962. This, as could be expected, was welcomed by business circles.

The government consistently displayed a conciliatory ideological attitude during this period. On its part, business circles welcomed the Congress victory in the 1962 General Elections. Nehru at the 1962 FICCI Session categorically stated that "private enterprise is a good thing for India...(and that) suppression of private enterprise will be bad..."

The Dalmia-Jain Scandal

An event which caused much embarrassment to FICCI, including organisational problems, was the publication of the Vivian Bose
Commission Report in early 1963, which indicted the management of the Dalmia-Jain companies as responsible for losses amounting to Rs. 2.6 crores to the investing public. Shriyans Prasad Jain, the then FICCI President, was indicted for being "directly concerned with the fraud..." in a number of cases. The Report caused a considerable public outcry and embarrassed big business, and FICCI in particular, considerably. Because of the furore over the Report, Nehru had difficulties in coming to inaugurate the FICCI Annual Session in 1963. However, the government took virtually no action on the basis of the Vivian Bose Commission Report. Evidently big business interests were sufficiently powerful to influence the government to take no action against a FICCI President and his family, despite their indictment on charges of fraud and other malpractices by a judicial officer.

Despite the embarrassment caused by this episode, FICCI representatives succeeded in extracting concessions in the 1963 Budget. FICCI had pleaded for a reduction in the proposed super profits tax on company profits. The concession was later granted in April 1963, by Morarji Desai, the then Finance Minister.

In December 1963, FICCI lobbied against a proposed change in the Companies Act under which a clause was to be inserted enabling the government to convert its loans to private sector companies into equity share capital, thus giving the former some control over management. Because of business pressure, the Select Committee of Parliament to whom the Bill was sent, amended the loans conversion clause, making it applicable only to future loans and not retrospective, as originally. Leftist Congressmen immediately put counter-pressure on the Congress
leadership. Under their pressure, Nehru decided, after consultations with his Cabinet, to reverse the Select Committee recommendations.

This instance, like others examined before, demonstrates that the success of business lobbying depended on the political balance of forces, including that within the ruling party. However, business circles were able to lobby successfully to virtually reduce the loan conversion clause to a dead-letter.

**Industrial Policy & the Growth of Monopoly, 1964-66**

In February 1964, with the release of the Mahanalobis Committee Report, the actual effect of the government's industrial policy, in encouraging the growth of the large industrial houses, was revealed. The Report categorically stated that,

"It is... evident that the working of the planned economy has contributed to this growth of big companies in Indian industry. The growth of the private sector...and especially of the big companies has been facilitated by the financial assistance rendered by public (financial) institutions..."

Thus the official industrial policy including the policies of financial assistance by public financial institutions had contributed to the growth of Indian big business. The Report quite categorically noted that "Concentration of economic power in the private sector is more than what could be justified as necessary on functional grounds..."

Not altogether surprisingly, the government chose not to have a discussion of the Mahanalobis Committee Report in Parliament, (as we saw in Chapter IX above). This in itself indicated its lack of interest in any discussion of how the officially sanctioned and financial growth of
large private sector companies, and the concomitant increase in the concentration of economic power, could be curbed.

Just prior to the publication of the Mahalanobis Committee Report, the Interim Report of the Swaminathan Committee was published in January 1964. In the Committee, all five of the non-official members were representatives of big business: four from FICCI, and one from ASSOCHAM. Of the total of ten members, fully half therefore, were from the private sector. As noted earlier, the very composition of the Committee was indicative of the government's sympathetic attitude towards big business. Moreover, the fact that FICCI had as many as four representatives on the Swaminathan Committee, clearly indicated the extent of its influence on government.

The major recommendations in the Interim Report were: (i) the government was advised to issue a "letter of intent" in the first instance to entrepreneurs applying for licences, within about a month of receipt of the application. (ii) The second major recommendation related to a proposed "special procedure" for the licensing of "key" industries. In the list of 22 "key" industries, as many as 17 were Schedule A or B industries. For these industries, the entire licensing process was to be speeded up. Yet since the large bulk of these "key" industries were under the 1956 Industrial Policy Resolution, reserved for the public sector, these should not have been thrown open to the private sector at all.

Thus, the recommendations of the Swaminathan Committee were clearly pro-business, and represented a clear deviation from the stated industrial policy framework as symbolised even in the 1956 Industrial
Policy Resolution. Yet, in view of the big business representation on the committee, such recommendations were inevitable.

In marked contrast to its attitude towards the Mahanalobis Committee Report which it virtually shelved, the government accepted the major recommendations of the Swaminathan Committee. In so doing, it in effect accepted what was a clear and considerable deviation from the Industrial Policy Resolution of 1956.

*Industrial Policy in 1965: Further Concessions to Big Business*

In this year the government decided to decontrol steel. Later from April onwards, FICCI leaders started lobbying for the decontrol of cement. The lobbying proved effective, and on 26th August, the Prime Minister Lal Bahadur Shastri announced the government's decision, in principle, to decontrol cement. (Decontrol was formalised later in 1966).

Shastri faced strong opposition within the Congress. The Congress Parliamentary Party's executive committee expressed grave misgivings over the decontrol of cement. Some members urged the government to reconsider its decision, and if necessary, to reverse it. However, at this stage, unlike in December 1963, the Left with the Congress, was not sufficiently influential to provide a counter-check to business influences. Therefore, in consonance with the trend of concessions to business, of which the acceptance of the Swaminathan Committee's recommendations was the watermark, cement was decontrolled in the following year.
The publication of the Monopolies Inquiry Commission (MIC) Report in December 1965, did not change the situation. The MIC Report accepted the growth of concentration of economic power as a proved fact. Its recommendations included a proposal for the establishment of countervailing power against monopolies by the public sector through public sector units. However, these recommendations were never implemented. Like the Mahalanobis Committee Report before it, the MIC Report was never discussed in Parliament. This fact itself is indicative of the government's disregard for even limited anti-monopoly measures.

1966: Culmination of the Process of Liberalisation of Industrial Policy

The Report of the reconstituted Swaminathan Committee, (which like its predecessor had very substantial big business representation), in February 1966, provided impetus to the further liberalisation of industrial policy. In the course of his statement in the Rajya Sabha on 9th May 1966, D. Sanjivayya, the Minister of Industrial Development and Company Affairs, accepted the faulty foreign exchange criterion as put forward by the reconstituted Swaminathan Committee, as a justification for the delicensing of 11 industries.

In late April 1966, Prime Minister Indira Gandhi in a speech over All India Radio, while reiterating her government's commitment to "the objective of a socialist and democratic society...," stressed that this did not involve any doctrinaire adherence to some dogmas. This statement was probably a justification for the liberalised pro-business industrial policy of the Congress government. This speech was welcomed
by business circles, which was perhaps what the Prime Minister intended.

On 20th July, the paper and newsprint, and the handtools industries were delicensed. On 14th November, after a meeting with FICCI representatives, 23 more items were delicensed, of which most had been recommended for delicensing by FICCI. Earlier, on 28th October, there had been another significant liberalisation of licensing policy. Industrial units were permitted to manufacture new articles without obtaining licenses, if they fulfilled certain conditions.

The Budget announced in end February 1966, contained several tax concessions for big business, largely on the lines proposed earlier by FICCI.

The liberalisation of industrial policy in this year, was only a culmination of the policy of piecemeal concessions to the private sector, increasingly adopted by a government, which throughout the period of our study, did not have to face any substantial countervailing pressure.

\[1947 \text{ to } 1966 \]: \textit{Industrial Policy for Big Business Growth}

The entire post-Independence period examined above, is marked by a significant and secular increase in the assets of the large industrial houses. This however, is not peculiar to India, but is a consequence of the capitalist path of development. As Marx first noted, with the development of capitalism there is a tendency for the centralization and concentration of capital, which leads to the development of
monopolies. (3) This according to Marx, is a feature of the general law of capitalist accumulation. (4) In the development of capitalism in India, the growth of the monopoly stratum would appear to be a consequence of the operation of this general law. As we have noted on a number of occasions above, there has been a secular growth in the assets of the large industrial houses, during the period of our study. In this respect, the general prediction by Zakir Husain, (who later became the third President of India), made in 1944, about the development of Indian capitalism appears quite perspicacious. He predicted that,

"the stage seems to... (be) set for the growth of an Asian Capitalism in which India appears marked for a big role — that this new capitalism, although it will have its distinct individuality, will not be very much different from its Western predecessor can be easily assumed. The forces that can be expected to range themselves against it will ... not be strong enough to stop the new growth." (5)

It is evident from the preceding analysis, that apart from its specific features, Indian capitalism has not been very different from Western capitalism, in as much as it has led to the continued growth of the


large monopoly houses or monopoly stratum of the Indian capitalist class. (6)

While it is quite apparent that this growth of big business or the big bourgeoisie, has been very substantially facilitated by the manner in which industrial policies were formulated and implemented, the objective nature of this continued growth, arising as it does from the

6. Interestingly, Levkovsky in his important full-length Marxist study of the development of capitalism in India, does not deal with the operation of this feature of the general law of capitalist accumulation, in an explicit manner. While he concedes that "Big business has succeeded in winning substantial concessions and privileges from the State", he does not explicitly analyse the politico-economic consequences of the continued growth of big business or, to use a common Marxist term, the big bourgeoisie. Levkovsky appears more interested in adducing facts to support his argument that Indian capitalism does not wholly subserve the interests of the big bourgeoisie, and the following observation is typical:

"The 'mixed' economy and state capitalism at present continue to serve the interests of the entire national bourgeoisie, although by no means to the same extent. Big Business has prospered more, but the other strata are not passive (although they are disunited for the present) and pull in their own direction". (A.I. Levkovsky, Capitalism in India: Basic Trends in its Development, (Delhi: People's Publishing House, 1966), pp. 629, 632).

Bettelheim and Roy, on their part, tend to overestimate the extent of the monopolistic domination of Indian industry. Roy even claims that the development of capitalism in India has reached such a degree, that there has been a combination between industrial and banking capital to form finance capital, a phenomenon characteristic of monopoly capitalism in the West. Like Levkovsky, they do not comment on the growth of monopoly as an objective consequence of the development of capitalism in India. See Charles Bettelheim, India Independent, (New Delhi: Khosla, 1977, Indian reprint); and Ajit Roy, Monopoly Capitalism in India, (Calcutta: Naya Prokash, 1976). Similarly, Chaudhuri, though noting that "the essentially capitalist nature of state intervention" has led to "the growth and consolidation of (the) economic power of the organised private sector in this country...", does not locate the objective reason for the same in the general laws of development of capitalism. cf. Asim Chaudhuri, Private Economic Power in India, (New Delhi: People's Publishing House, 1975), pp. 295, 296.
very dynamics of the development of capitalism should not be lost sight of. The subjective factor, in this case the role of the state, in promoting the growth of Indian big business, was not the only factor, and was, in fact, in some measure an objective consequence of the path of development pursued by the political leadership of free India. There was an obvious inter-connection between the two factors. The growth of big business increased its economic and political power and consequently its leverage with government, leading to further pro-big business concessions in the development and enforcement of industrial policy.

The consequence of the operation of these two factors in the development of capitalism in India in general, and in industrial policy in particular, was that, as Timberg has put it, "Essentially the period from 1951 to 1962 might be described as the Golden Age of Indian private capital." (7) However, as we have seen above, the entire period from 1947 to 1966, may be described as a "Golden Age" for Indian big business, in particular. Writing in 1963, Bharat Ram, the then FICCI President, found it possible to state, probably with considerable satisfaction, that,

"Politically, the last 25 years or more (after Independence) may be called the period of the Indian National Congress. Economically, the period may be called the period of the Federation which aligned itself with the political movement for Independence and translated national aspirations into economic terms." (8)


This happy position for the Federation, and the stratum of Indian big business it represented, was also a consequence of the generally astute policies followed by the Birla-led elite that dominated FICCI. During the national movement for Independence, FICCI was able to play a mediating role between the British Raj and the Congress, without provoking the hostility of the former or losing the sympathy of, or influence with, the latter. Particularly, starting from the 'thirties, the Federation was able to establish a close relationship with the conservative sections of the Congress leadership, and later with Nehru himself. This relationship enabled the FICCI to start with an advantage vis-a-vis other pressure groups, in its efforts to influence Government policy, following the advent of Independence. These findings would tend to bear out the propositions put forward for evaluation in our second hypothesis, (in Chapter I above).

In the entire period from 1947 to 1966, there appears to be no marked change in the pattern of the development of industrial policy, specifically in the context of events favourable to Indian big business. While it seems clear that FICCI's relationships with the Congress government's leadership enabled this constituent of Indian big business to influence the formulation as well as the implementation of industrial policy in its own favour, as tentatively proposed in our third initial hypothesis, there appear to be no significant discontinuities in this process. In the light of the evidence brought out in this study, it appears that the process of interaction between Indian big business and government, resulted in a more or less continuous process of piecemeal concessions from 1947 onwards to the private sector in general, and to Indian big business, in particular. These processes finally culminated
in the wide-ranging liberalisation of industrial licensing policy in 1965 and 1966. The consequence of these processes: of both the process of interaction between FICCI and government, and the process of change in industrial policy, was the dilution of those elements of earlier stated industrial policy, which acted as impediments to the growth and development of Indian big business. This bears out the contention made in our fourth and fifth hypotheses.

During the post-Independence years, from 1947 to 1966, there appears to be a secular trend of piecemeal concessions in the sphere of industrial policy by the Congress government to Indian big business. This entire process apparently culminated in the wide-ranging decontrol and delicensing carried out in 1965 and 1966. By 1966, the industrial policy framework that existed, embodied major deviations from the 1956 Industrial Policy Resolution, and was, of course, a far cry from the radical anti-monopoly policy formulated in the Report of the AICC's Economic Programme Committee of January 1948. This development of industrial policy, as we have noted on several occasions above, was not a fortuitous, autonomous or inevitable process. The manner in which industrial policy was formulated and implemented during these post-Independence years, was very largely a consequence of the sustained lobbying by Indian big business, of which FICCI was the pre-eminent lobby. In that sense, to reiterate Bharat Ram's somewhat self-satisfied statement, "Economically, the period may be called the period of the Federation..."