In the years prior to Independence, during the course of the nationalist movement, the Congress emerged as the likely future ruling party. Business interests, like all others, had to endeavour to establish some sort of equation with the nationalist movement, particularly the Congress, while maintaining a cordial relationship with the colonial government. The relationships established during this period were a factor in the business-government understanding that developed in the post-Independence era. This chapter aims to bring out the differing stances of Indian big business towards the colonial government and the nationalist movement. We also intend to examine various hypotheses regarding the reasons for these differences.

A number of scholars view Indian big business as having had a more or less common strategy towards the Congress Party during the pre-Independence era. According to this hypothesis, the Indian capitalist class is represented by FICCI, which in turn is led by Purshotamdas Thakurdas and G.D. Birla, and ultimately by Birla himself.(1) The

Indian capitalist class or Birla strategy is hypothesized to be one of a class which is independent of Imperialism. In this formulation, the strategy on the one hand, is to utilize nationalist agitations led by the Congress in order to put pressure on the Imperialist rulers but on the other hand, the Indian capitalist class has no hesitation in compromising with the colonial rulers in order to extract concessions. The support to the Congress is seen only as a means to obtain further concessions. (2) Thus in this hypothesis, as put forward by Bipan Chandra, for the operation of this strategy it was a pre-requisite that not only the Congress but even other constituents of the nationalist movement, were controlled by Indian big business.

Other scholars like Amiya Bagchi and Claude Markovits identify particular groups of Indian big business as "compradore," i.e. as agents of Imperialism, or as "collaborationist." Bagchi contends that Indian capitalists accepted the domination by foreign capitalists, and thus collaborated.(3)

There are a number of hypotheses for differences in big business approaches towards Imperialism and the Congress. Markovits and Gordon attribute it as largely due to the heterogeneity of the Indian business

2. This is the P-C-P strategy as put forward by Bipan Chandra. For criticisms see Chapter II above.

community, and consequently their diverse economic interests.(4) Bipan Chandra, Mukherjee, Bagchi and others view the class as more homogeneous, but attribute political differences as due more to ideological or subjective factors.(5) The role of internal business contradictions is not given much importance.

In the hypotheses where Indian capitalists are seen as a nationalist force, the colonial government is assessed as generally unsympathetic to Indian business. It is not very often recognized that the differences could also be due to the colonial strategy of 'divide and rule' towards Indian business. Bipan Chandra, Markovits, Mukherjee, Ray and others note the attempt by big business to mediate between Imperialism and the nationalist movement. The manner in which the actual balance is struck, differentiates various political strategies and approaches.(6) Distinctions are made between business's short-term and long-term interests, and the success of business strategies are assessed in these terms. Thus, various groups or leaders are judged politically mature or immature.(7)


5. Bipan Chandra, for instance states: "The Indian capitalist class was not completely homogeneous." cf. Bipan Chandra, n.1, p.145.

6. Thus the Tatas, Wadias and others were termed loyalists or moderates or conservatives, because they were more inclined to compromise with Imperialism against the Congress.

7. See for instance Bipan Chandra who equates the "more far-sighted" Indian capitalists with those who are "pro-Congress." cf. Bipan Chandra, n.1, p.190.
Attempts by big business to strike a balance between the two major forces: Imperialism and the nationalist movement, did not leave the capitalists themselves unaffected. The terms and manner in which they responded to various phenomena, was conditioned by the national, socio-economic environment, taken in a large sense. Most of these hypotheses however, concentrate more on the role of big business in influencing the nationalist movement, rather than the other way around.(8)

An opposite approach is provided in hypotheses which consider the nationalist movement and the Congress to be essentially anti-business, or at any rate, to be somewhat hostile to big business. In these hypotheses, it is claimed that the Congress leadership of the national movement represented the urban middle-class which had a fairly deep-rooted hostility towards big business.(9) In some political circles, particularly in the Congress, there has been a consistent claim that the Party was a representative of the dumb millions. The Congress leadership has often spoken of its great tradition of sacrifice and struggle for the ending of socio-economic exploitation. On many occasions the Congress leadership has pointedly disputed the party's dependence on, or even links with, Indian big business.

We have examined some major phases of the national struggle for Independence. On each issue, the approach of the major business

8. This is perhaps a consequence of treating the Congress, which led the nationalist movement, as an organisation dominated by the big business component of the Indian capitalist class.

interest groups has been highlighted. The issues examined include: (a) the Swadeshi movement of 1905-1907; (b) the non-cooperation movement; (c) the first and second Civil Disobedience movements; (d) the Government of India Act, 1935; (e) the rise of the Congress Socialist Party and the 1936 Lucknow Congress session; (f) the 1937 elections and the Congress ministries, 1937-1939; and (g) the deliberations of the National Planning Committee, 1939-1940.

**Business Dependence on the Government**

The approach of the Indian business community towards the Government of India on the one hand, and the Congress-led nationalist movement on the other, depended on a number of factors. The Raj was the day-to-day administrative authority in the country, on which Indian business interests were dependent in innumerable ways. The government decided and implemented all economic policies. It was the agency that could provide some measure of protection, through tariffs and other means, for Indian industries from foreign, or at least non-British competitors. The government could not only permit the setting up of factories and enterprises but also provide the necessary facilities including land, electricity and raw materials. It had the authority to award mining concessions that were crucial for the coal, iron and steel industries. Since the government was the largest single purchaser, its patronage was a major outlet for sales. Similarly, its taxation policy had a decisive impact on the profitability of Indian companies. The Reserve Bank of India, which was the regulating body for the banking system, was yet another lever that government could deploy to affect the interests of trade and industry. The government was in full control of
the major internal transport system (Railways) and the entire port organisation.(10)

The government labour policy was another important instrument of leverage. As Bipan Chandra has noted,

"Above all, the capitalist class depended on the Government for guaranteeing law and order and social peace in the period of intense social turmoil and political and labour unrest that followed the First World War."(11)

The actual dependence of various sections of the Indian business class on the government, varied. This was because, as is now fairly well accepted, the Indian business community was marked by considerable heterogeneity.(12) The variegated business community not only had divergent interests, but also diverse strategic perceptions. It was not possible for Indian capitalists, or even sections with in FICCI, to have a uniform attitude towards the colonial government on the one hand, and the nationalist movement on the other.(13)


11. Ibid., p.155.

12. See the Section on "The Nature of Business Representation in FICCI," Chapter III above. See also A.D.D. Gordon, n.4; Stanley A. Kochanek, n.9; Claude Markovits, n.3; Rajat K. Ray, n.1; Amiya K. Bagchi, Private Investment in India 1900-1939, (Madras: Orient Longman, 1975)

13. Gordon, n.4, Markovits, n.3, Kochanek, n.9, Ray, n.1, and Bipan Chandra, n.1, all recognise the diversity in business attitudes towards the national movement. There are however, significant differences in their respective assessments of the role played by business in its relations with the Raj and the Congress. Bipan Chandra, unlike the others, believes that "the (Indian capitalist) class as a whole...revealed a basic homogeneity in its economic and political relationship with imperialism. This homogeneity is revealed after 1927 in the pre-eminent position accorded by the class, as also the government, to the Federation of Indian Chambers of Commerce and Industry and to certain individuals such as Purshotamdas Thakurdas and G.D. Birla", Chandra, n.1, p.145.
Diversity in Indian Business

FICCI however, has consistently portrayed itself as the economic arm of the national movement, claiming itself to be "wholly in conformity with the views of the Indian National Congress." (14) Senior Congress leaders such as Rajendra Prasad, the first President of India, praised FICCI for its purportedly consistent support to the Congress-led national movement. (15) Not surprisingly therefore, some scholars accept that the role of the business community has been one of "always" aligning "itself with the national movement." (16) This quite manifestly is not true.

In the first place, as we have already noted, the business community was a heterogeneous group, with divergent economic interests, and consequently with varying attitudes towards the Raj on the one hand, and the Congress on the other. This was a consequence of the differentiation within the Indian capitalist class, between industrialists on the one side and traders and merchants on the


other. (17) And as a number of scholars have noted, and as we shall see below, Indian businessmen had a highly sophisticated awareness of the relationship between business and politics. Purshotamdas Thakurdas once remarked: "We (businessmen) can no more separate our politics from our economics than make the Sun and the Moon stand still." (18)

Secondly, within the same category of businessmen, important tactical, and even strategic differences existed. These as we have seen led to the Bombay millowners headed by the Tatas, Mafatlals and Khataus, staying out of FICCI when it was formed in 1927. (19)

Thirdly, there were differences within the leading members of FICCI itself, within what we have termed the FICCI 'elite'. (20) All these differences will be briefly highlighted in the instances examined below.

**Business & the Nationalist Movement — The Early Phase**

In the beginning of the twentieth century, not all sections of the Indian business community supported the national movement. Many

17. There are several characterisations of the various strata within the Indian capitalist class. Markovits n.3, distinguishes between the "industrialists" (or the national bourgeoisie), the "compradore traders" and the "non-compradore traders." For him the bulk of the Calcutta Marwaris led by G.D. Birla are non-compradore traders, becoming industrialists only in the 1930s. Gordon, n.4, differentiates between the merchants who worked the markets, termed "marketeers" and the "industrialists." Ray, n.3, finds Gordon's distinction "a useful one." *Ibid.*, p.310.


19. See Chapter II above.

millowners of Western India opposed the Swadeshi movement openly. (21)

Kannangara has written of the 1905 Swadeshi movement:

"the millowners neither initiated nor gave much support to swadeshism;...they gave none at all to the boycott...their interests as a class made them...remain absolutely loyal to the Britain Raj". (22)

Similarly in Calcutta, the Marwari cloth importers opposed the Swadeshi movement as "compradore ties proved stronger than patriotism". (23)

During the agitations between 1918 and 1922, clear differences in the strategy of the business community emerged. Only three Bombay industrialists made substantial contributions to the Tilak Swaraj Fund, in 1920-1921. These were A.B. Godrej, Jamnalal Bajaj and Anandilal Podar. (24) All of them were well known supporters of the Congress Party

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22. *Ibid.* See also Gordon, n. 4, p. 158.


and Gandhi.(25) Bajaj expressed his views at the 1920 Nagpur session of the Congress thus:

"I have a special claim on my brothers of the business community on this occasion and I wish to make a special appeal to them...Fellow-businessmen, our trade, industry and commerce will flourish a hundredfold by our participation in the great national endeavour for Swaraj. We must give up our attitude of indifference and we must shed our fear complex."(26)

Bajaj's effort, despite some notable contributions referred to above, was not wholly successful. This led Gandhi in his July 1921 "Appeal to the Millowners," to state that,

"Many friends tell me that the nation is not to expect anything from you. They point out the fact that you have not, with one or two


"During the last twenty years, there has been practically no important policy or programme of the Indian National Congress, in which Seth Bajaj has not had a significant part..." cf. B. Pattabhi Sitaramayya, The History of the Indian National Congress, (Bombay: Padma, 1947), Vol.II (1935-1947), pp.308-309. Sitaramayya estimated that Jamnalal Bajaj had contributed more than Rs.25 lakhs to the Congress and related causes during this period (Ibid., p.308).

26. Quoted in Parvate, Ibid., p.29.
honourable exceptions, paid anything for the (Tilak) Swaraj Fund."(27)

While some Bombay industrialists did not support the nationalist agitations, others were active opponents. In October 1920, at a meeting of the Liberals presided over by Dinshaw E. Wacha, a Parsi millowner, an "Anti-Non-Cooperation Committee" was elected, with Purshotamdas Thakurdas as an honorary secretary. R.D. Tata, of the Tata group, and another Parsi millowner, provided "anonymous" funds for the committee.(28)

27. Published in Bombay Chronicle, 6 July 1921, quoted after Gordon, n.4, pp.158-159. Gordon notes the absence of the names of Bombay industrialists from various fund contribution lists such as the Jinnah Memorial Hall Fund list (1918) and the Tilak Swaraj Fund list (1921). From Gandhi's statement cited above, taken in conjunction with the absence of the names of industrialists from the above lists, Gordon believes that there was no large-scale anonymous contribution by Bombay industrialists, who were scared of antagonising the government cf. Ibid., p.159. Markovits takes the opposite view and believes, largely on the basis of the contributions by Godrej, Bajaj and Podar, that during 1920 to 1922, Indian industrialists had begun to support the nationalist movements, despite a more pro-indigenous business policy by the British Government after 1918. Yet, he believes that the manipulation of the sterling - rupee ratio, and the lack of concrete protectionist measures left Indian industrialists dissatisfied.

"Therefore they were inclined to welcome an agitation which would put pressure upon the Raj and might thus lead to a change in the economic policy of the Government. Basically they wanted to use nationalist agitation to increase their bargaining power with the government, but they saw no alternative to the imperial economic system. It was within the imperial framework that they tried to improve their own position, as the ulterior developments abundantly proved." Markovits, n.3

However, we do not agree with Markovits' assessment, regarding the support by Bombay industrialists for the reasons as given by Gordon above. See also below. Markovits' understanding of the strategy of Indian industrialists vis-a-vis the government, is similar to that of other scholars. See n.13.

At the 1920 Nagpur session of the Congress, the party's general criticism of the colonial government's policy on the exchange question, pleased the business delegates present. At this stage therefore, some industrialists, as well as a large number of smaller traders were united in their opposition to government economic policies, and consequently provided support to the Congress.

Apparently as a consequence of business dissatisfaction and Congress agitations, the Fiscal Commission in 1922, recommended a somewhat protectionist tariff policy. In 1924, the Government of India's representatives in the Legislative Assembly supported the Steel Protection Bill. But by 1926, the protectionist policy, limited as it was, " petered out". By the end of the twenties, the position of Indian businessmen had only "marginally improved" over the previous decades. Disillusionment with government policy led large sections of the industrialists to support the Congress.


30. It would therefore appear that Gordon's contention that, "While the industrialists were fairly consistently pro-government during the 1918-1922 period, so too were the Marwari and Gujarati marketeers fairly consistently pro-nationalist..." (Ibid., p.159), is somewhat schematic and not wholly correct.

31. Markovits, n.3

32. Ibid.
Divergences in Business Strategy, 1928-1931

In this period, divisions arose once again among the industrialists. In 1928, many millowners who were members of the Bombay Millowners Association signed the Swadeshi pledge, as did members of the Indian Merchants Chamber and the Indian Chamber of Commerce, Calcutta. Even Purshotamdas Thakurdas, a relatively moderate nationalist, wrote in October 1928 that,

"Should India have to be under a period of chaos in her struggle for self-government, I would prefer that to the present state of inanition and sloth which leads nowhere..."(34)

The next year, in 1929, the divergence between the FICCI strategy and that of the section of Bombay industrialists led by the Tatas, came sharply into the open. In the spring of 1929, the FICCI planned to spend about Rs.50,000 on elections throughout the country in order to win strong representation in the Indian Legislative Assembly, to counter the European businessmen's plan to finance the Central Muslim group in the Assembly. They did not envisage the formation of a new party, but intended to work through the existing nationalist groups, and by maintaining an understanding with the Swarajist Congress. To avoid contests with the Congress, a committee was to be formed of P. Thakurdas, G.D. Birla, (who was then a member of the Nationalist Party), Motilal Nehru and Madan Mohan Malaviya. They were to decide how the proposed election fund was to be spent.(35) This was an instance of the

33. Markovits, n.3

34. Purshotamdas Thakurdas's letter to B.M. Dadachanji, 29 October 1928, PT Papers, File 71, NMML.

35. Ray, n.1, p.313. See also G.D. Birla's letter to P. Thakurdas of 26 April 1929, PT Papers, File No.42, Pt.II, NMML.
close ties between the FICCI leadership and that of the Congress.(36)

At this stage, a reported move by a section of Bombay industrialists caused a furore. In reaction to the Bombay textile strike and the activities of the allegedly communist-led Girni Kamgar Union, Dorabji Tata, whose steel works factories in Jamshedpur and textile mills in Bombay had been affected by the strikes, joined together with two loyalist textile magnates, Ibrahim Rahimtoola and Cowasji Jahangir, to organise a political party of Bombay capitalists, both British and Indian. This party, while opposing all political parties (especially the Congress) which had supported the textile strike, was to cooperate with European business interests in the Central Legislative Assembly against the 'Red Spectre'.(37)

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36. Various leaders of Indian business had a very close relationship with Gandhi and other Congress leaders. The warm relationship Gandhi had with some leading Indian big businessmen was indicated in his letter to Birla in 1925, when among his "mentors" he mentioned only Birla and Jamnalal Bajaj by name. (Letter dated 20 July 1925, reprinted in G.D. Birla, n.lS, p.7). Similar sentiments are exhibited in the Gandhi - Bajaj correspondence. Of Kaka Kalelkar ed., To a Gandhian Capitalist: Correspondence between Mahatma Gandhi and Jamnalal Bajaj and Members of his Family, (Bombay: Hind Kitabs, 1951). Lala Lajpat Rai who together with Madan Mohan Malaviya formed the Nationalist Party in 1926, was also quite impressed by Birla's qualities. In a July 1927 letter to Birla, Lajpat Rai urged him to take to politics. He further confided in Birla about the inner-party differences between him, Malaviya, Vithalbhai Patel and Jayakar (cf. Birla, Ibid., pp.21-22). Later in September the same year, Lajpat Rai stressed, "it is absolutely necessary for you (Birla) to become an All India Man." (Letter from Lajpat Rai to G.D. Birla, dated 26 September 1927, Ibid., pp.26-27, emphasis in the original). There is substantial evidence of considerable contributions by Birla to Gandhi's activities and various funds. See Birla, n.15.

37. Ray, n.3, pp.313-314. Ray pieced together this account from the correspondence in the PT Papers, File No.42, Pt.II, NMML.
Motilal Nehru and M.M. Malaviya reacted very strongly against the move for an anti-Congress political alliance of European and Indian business interests. P. Thakurdas and G.D. Birla both wrote to the Tatas, arguing against the move as they realised that it would cost Indian industrialists the support of the Congress. Thakurdas pointed out that a capitalist party would not command the support of more than four members of the Legislative Assembly. Moreover, he argued, European business interests were opposed to the demands of Indian commerce and industry on issues like cotton cloth protection, the Coastal Reservation Bill, Indianization of the services and preferential treatment to Indian industrial enterprises. Birla also realised that Tata's project would be politically counter-productive. He put the matter succinctly in a letter to Thakurdas:

"The salvation of the capitalist does not lie in joining hands with the reactionary element...Men of...(this) type do not command confidence. The politicians feel that our capitalists are out for exploitation hand in hand with the foreign capitalists, and this new association can only confirm the suspicion."(40)

Dorabji Tata's abortive project for a United Capitalist Party highlighted the divergent strategies of the upper stratum of the Indian capitalist class. But its failure, as Ray has argued,

"was a significant event...(as it) substantially proved that the logical strategy for big business in India was to work through the existing nationalist parties for the attainment of those national objectives which were also their own."(41)

38. Ibid., p.314.

39. P. Thakurdas letter to N.N. Mazumdar, 7 June 1929, PT Papers, File No.42, PT.II, NMML. See also Ray, Ibid.

40. G.D. Birla to P. Thakurdas, 30 July 1929, Ibid., Pt.V.

Because a large segment of the Indian capitalist class understood that they required the support of the Congress to realise their aims, "henceforth there was a steady interpenetration of the Congress and big business."(42)

Business attitudes towards the Raj and the nationalist movement respectively, varied according to the economic interests of specific sections.(43) Thus various groups of businessmen reacted in diverse ways to the affects of the Depression in 1930, and the initiation of the Civil Disobedience Movement by the Congress leadership. For instance, the immediate economic interests of the Bombay and Ahmedabad mill owners seemed to have diverged. The former did not produce better quality cotton textile products and thus feared Japanese competition more than that of Lancashire; whereas the latter had begun to specialise in better quality products and had to fight Lancashire's domination over the market.(44) The Calcutta-based businessmen led by G.D. Birla, had extensive interests in the export trade where they had to contend with British dominance, particularly in the external markets for jute textiles. Similarly, the mainly Gujarati cotton exporters of Bombay led by Purshotamdas Thakurdas, had to struggle against the British stranglehold. Apart from their trading interests, both groups, especially the Calcutta Marwaris, were increasingly investing in industry, where also they came into conflict with British interests.(45)

42. Ibid., p.316.
43. This has been dealt with briefly in Chapter III above. See also n.13.
44. Ibid. See Markovits, n.3
45. Markovits, Ibid.
Furthermore, both the Raj as well as the Congress sought to enlist the support of Indian businessmen. In 1930, the tariff on textile imports was raised to 25 per cent. (46) On the other hand, in the Eleven Demands presented to the government in 1930, which purportedly represented the minimum national terms for a settlement,

"Gandhi included the capitalist demands for the restoration of the exchange rate to ls.4d., a protective tariff against foreign cloth, and the reservation of coastal trade for Indian shipping." (47)

The differences among the business community cannot however, be wholly explained in terms of economic interests. For example, both Ambalal Sarabhai and Kasturbhai Lalbhai, were Ahmedabad millowners; but Sarabhai was a nationalist and a confidant of Gandhi and yet he kept out of FICCI. On the other hand, Kasturbhai Lalbhai while having been a founder-member of FICCI collaborated actively with the Bombay millowners in the negotiation with Lancashire ending in the Lees-Mody Pact 1933. (48) The Civil Disobedience Movement also brought out sharp divergences within the FICCI leadership. Even prior to the commencement of the movement in January 1930, Purshotamdas Thakurdas was prominent in organising together with Ibrahim Rahimtoola, Chimanal Setalvad and

47. Ibid., p.139. On the basis of this, Bipan Chandra believes that the Moderates, the Extremists as well as Gandhi and others the Congress leadership were,

"the ideological and political representatives of the industrial bourgeoisie...in the sense that they viewed national interest from the point of view of the industrial bourgeoisie...Moreover, the hegemony of the bourgeoisie over the national movement was, if anything, even more firmly clamped down in the Gandhian era than before." Ibid.

48. See Chapter III above, and see below.
Phiroze Sethna, (the last two being prominent Liberals), an attempt to offer an alternative to the Congress in the form of the All Parties Conference. Thakurdas et.al. were unable to obtain sufficient support, and the attempt failed. (49) Not surprisingly, in view of his, distrust of mass agitational activity, Thakurdas opposed the civil disobedience almost from its inception. The more aggressive nationalist Sarabhai wrote to Thakurdas in November 1930 warning that,

"The economic distress is increasing...the purchasing power of the people has gone down...Hungry masses will do anything. It is for those who have a stake in the country to come to the rescue of the poor, if not in the interests of the poor but to save themselves..."(50)

Sarabhai concluded, that the FICCI should therefore seek the Viceroy’s intervention, failing which it should resort to a boycott. Thakurdas came to an opposite conclusion. He feared that civil disobedience might prove a dangerous weapon in the hands of the largely illiterate masses, even for a Swaraj government. (51) Thakurdas did not only oppose the boycott like the Tatas and the Wadias, (52) the leading Bombay millowners; he even wanted to attend the first Round Table Conference in his personal capacity, but in the end bowed to the FICCI mandate against it. (53)

49. Gordon, n.4, p.228.

50. A. Sarabhai to P. Thakurdas, 17 November 1930, PT Papers, File no.42, Pt.VII, NMML.

51. P. Thakurdas to A. Sarabhai, 18 November 1930, Ibid.

52. S.K. Patil claimed in a May 1975 interview, that all the other Bombay big business groups contributed to the Civil Disobedience Movement in 1930-31, cf Markovits, n.3.

G.D. Birla had adopted a policy quite different from that of Thakurdas. Under his guidance, FICCI in May 1930 passed a resolution withholding its cooperation from the first Round Table Conference and requested its member bodies to do likewise, unless Gandhi chose to attend or gave his approval for the same.(54) At roughly the same time, Birla wrote to Motilal Nehru urging that the Congress relax the boycott.(55)

Later in the year, the tactics of Birla and Thakurdas seemed to converge. While Vallabhbhai Patel was still in prison, Thakurdas threatened him that if the Congress leaders refused to call a truce, "he (Thakurdas) and his friends (the Bombay industrialists and moderate politicians) would come into the open against the Congress."(56) In January 1931, when Patel and Gandhi were released from prison, Lalji

54. FICCI, n.14, pp.62-64. Birla in his presidential reply at the third annual general meeting of FICCI on 16 February 1930 neatly summed up his strategy:

"I am very sorry that we have not been able to influence the Government or to convert them to our views, but we never anticipated that. It is impossible in the present circumstances and in the present political condition of our country to convert the Government to our views; but I think the only solution of our present difficulties lies in every Indian businessman strengthening the hands of those fighting for the freedom of our country...Swaraj is not a question of sentiment. It is a question of bread. The prosperity of the country depends entirely on the amount of political freedom which we get and I think not only in the interests of the country but in the interests of the capitalists, the employers, and the industrialists we should try to fight and strengthen the hands of those who are fighting for Swaraj." (FICCI, Vol.III, 1930, pp.264-265).

55. G.D. Birla to Motilal Nehru, 19 May 1930, AICC Papers, File-150, NMML, cited in Markovits, n.3.

Naranji and Chimanlal Setalvad met them to urge peace. Thakurdas, who was informed of the discussions, disclosed the details to the Viceroy. He also informed the latter of the proposed meetings between the AICC Working Committee and some Bombay industrialists, where it was intended to arrive at a consensus for the new constitution before Tej Bahadur Sapru and other moderates returned from the first Round Table Conference. (57) Thus as Markovits puts it, "One can safely assume that the pressure applied by (Indian) big business upon Gandhi played a part in the conclusion of the Gandhi-Irwin pact of March 1931." (58)

FICCI was quick to cash in on its warm relationship with the Congress leadership. Lala Shri Ram, the outgoing FICCI President, persuaded Gandhi to inaugurate the fourth FICCI annual meeting on 7 April 1931. In his presidential address, Shri Ram observed:

"It has happened time and again that the Congress has committed itself to certain economic ideas of far-reaching effects... could we expect the Congress before committing itself to principles of such

57. P. Thakurdas to Private Secretary of Viceroy, 31 January 1931, PT Papers, File 107, cited in Ibid. A week later Frederick Sykes, Governor of Bombay, cabled Lord Irwin, that businessmen were putting pressure on Gandhi to negotiate. (Telegram, 7 February 1931, Sykes Papers, India Office Library, London, cited in Markovits, n.3). Thakurdas was actually following, at this stage, the strategy laid down by Birla in his January 1931 letter to him, wherein, the latter had written,

"if we are to achieve that we desire the present movement should not be allowed to slacken. We should, therefore, have two objects in view: One is that we should jump in at the most opportune time for a reconciliation and the other is that we should not do anything which might weaken the hands of those through whose efforts we have arrived at this stage."


58. Markovits, Ibid.
vital importance to consult the vital interests concerning them?"(59)

Gandhi in a very gracious reply welcomed the FICCI suggestion and stated that "The Congress would always be glad to avail of your (FICCI) advice and help... (as it stood) for the industrial prosperity and progress of India." He went on to say:

"I cannot forget the services rendered by the commercial classes, but I want you to go a step further. I want you to make the Congress your own and we would willingly surrender the reins to you. The work can be better done by you. But if you decide to assume the reins, you can do so only on one condition. You should regard yourselves as trustees and servants of the poor. Your commerce must be regulated for the benefit of the toiling millions and you must be satisfied with earning an honest penny."(60)

The close relationship between FICCI and the Congress is only too evident. Gandhi in his laudatory reference to the "services rendered" by FICCI to the nationalist movement, incidentally helped perpetuate the myth that the Indian business community, particularly as led by the FICCI, had always supported the Congress.

59. Quoted after Arun Joshi, Lala Shri Ram: A Study in Entrepreneurship and Industrial Management, (New Delhi: Orient Longman, 1975), p.226. Shri Ram in the course of his speech also criticised, rather mildly, the declaration of rights made at the Karachi session of the Congress the same year:

"I do not want to criticise the declaration itself. Most of the points are, in fact, very good while about others it may be said that they require investigation."

The restrained nature of his criticism probably reflected FICCI's general satisfaction with the Congress, and its lack of alarm over the declaration at the Karachi session. See also Khushwant Singh and Arun Joshi, Shri Ram: A Biography, (Bombay: Asia, 1968), pp.201-202.

60. Joshi, Ibid., pp.226-227 (emphasis added).
The activities of G.D. Birla and Purshotamdas Thakurdas during the second Round Table Conference, reveal the duality of the strategies of nationalist big business towards both the Raj and the nationalist movement. While both Birla and Thakurdas publicly took an uncompromising stand on questions of control of Indian finance and economy, they were much more compromising in private conversations. In a private discussion with Edward Benthall, a leader of ASSOCHAM, Birla is reported to have stated that,

"for the last ten years of his life he (Birla) had been taking up an attitude of opposition, which was more often than not of a bitter nature because it was the only way he could bring pressure on the objects he had in mind, but that henceforward, he desired to work in collaboration and to drop all his hostility."(61)

Birla even seemed willing to accept that there should be no future discrimination against British capital in India.(62) Even Birla therefore, a supposedly aggressive nationalistic businessmen, was prepared to compromise with the British, though probably not as much as he had apparently promised in his discussion with Benthall.(63)

61. Memo of conversation with G.D. Birla on 4 October 1931, Benthall Papers, Box XI, File 1, South Asian Centre, Cambridge, cited by Markovits, n.3.

62. Ibid.

63. The contradiction that sections of Indian big business had with the British is often overstated. e.g. Ray:

"Indian big business, in its rationale and self-image, was consciously rooted in nationalism..." Ray, n.1, p.321.

In the first place, as we have seen, Indian big business had no one strategy. Some sections like the Tatas and the Wadias, were the more loyalist among the nationalists. Moreover, among the 'nationalist' business sections, even the more pro-Congress elements like G.D. Birla compromised on a number of occasions with the British. Their nationalism therefore was of a different order than that of the Congress. We shall return to this point later.
Business and the Second Civil Disobedience Movement

Close cooperation between the Congress and FICCI, was disrupted by the former's decision to resume civil disobedience on 4 January 1932, after the failure of talks at the second Round Table Conference. Initially, the Federation refused to participate in the Conference in protest against the imprisonment of Gandhi and police repression. Later, it tried to temper its support because of the sharp reaction of the colonial government to the FICCI stand. In January 1932, P. Thakurdas was invited by the Viceroy to serve on a consultative committee of the Round Table Conference. The FICCI E.C. officially advised Thakurdas not to accept the invitation. The government interpreted this advice as an act of support to the nationalist agitation and therefore refused to permit any government members to attend the FICCI's annual meeting.

G.D. Birla, who had also been offered a seat on the consultative committee, but had refused, undertook in correspondence with the government, "to persuade the Federation to officially offer its cooperation."(65) This, he clarified in a later letter to Sir Samuel Hoare he had done to,

"convince you that we were true friends who were very eager to see permanent friendly relations restored between the two countries and I had expected that once we could get your trust and confidence it would not be difficult for us later on to convince you of the wisdom of our advice."(66)

64. Ray, n.1, p.320.
Shri Ram who surveyed business opinion at the time found that "there was not the same enthusiasm in our (FICCI) members to give cooperation to the Congress as there was in 1930." The business community was divided. He therefore contacted G.D. Birla, and both agreed to work for a modification of the January resolution.(67)

When Birla, Thakuradas and Shri Ram attempted to modify the January resolution, they faced stiff opposition from the member bodies. In Bombay, the Indian Merchants' Chamber's committee was controlled by pro-Congress businessmen, who had broken Thakuradas's and his allies grip over the chamber in 1931.(68) This group led by J.C. Setalvad, A.D. Shroff and others, comprised mainly of traders, shroffs and insurance brokers. They threatened to revolt against the leadership at the FICCI annual meeting, if the earlier resolution was changed.(69)

The divergence between the nationalist sections of the industrialists(70) and the smaller merchant traders was due, at least in part, to their respective economic interests. In the Finance Act of 1931, and later with the supplementary budget of 1931, the custom duties on sugar imports were substantially raised. This high protective duty on imported sugar led to a drastic reduction of the sugar imports and to

67. Singh and Joshi, n.59, pp.204-205.

68. In February 1931, Phiroze Sethna wrote to Tej Bahadur Sapru that "The Indian Merchants' Chamber is now entirely controlled by the Congress clique." Sethna to Sapru, 18 February 1931, Sethna Diaries, NMML, cited in Gordon, n.4, p.234.

69. Kochanek, n.9, p.164.

70. The Tata group was still aligned with the Liberals and the government.
a phenomenal increase in imports of sugar machinery. The net imports of sugar fell from 933,000 tons in 1929-30, to 510,000 tons in 1931-32, and to 366,000 tons in 1932-33. On the other hand, the imports of sugar machinery rose from an average level of Rs.1,160,000 per year during 1925-26 to 1929-30, to a value of Rs.15,311,000 in 1932-33. The phenomenal increase in machinery imports reflected the increased investment during the sugar boom, from 1932 to 1936. Sugar factories increased from 32 in 1931 to 130 in 1934. The vast majority of these new ventures were by Indian industrialists, which led to the share of British capital in the sugar industry to decline from 80 per cent prior to the boom, to only 20 per cent by 1935-36. According to Bipan Chandra,

"Almost every major industrialist of the country took part in the sugar boom. Moreover, many a capitalist found that (the) profits of his sugar factory alone enabled him to keep up the old rate of dividends." (74)

During this period, Indian industrialists also invested heavily in the cotton textile, paper and cement industries. Therefore by early 1932, the larger Indian industrialists, despite the effects of the Depression, had begun to invest substantially in new industrial undertakings. Consequently, they did not want to alienate the government whose support was necessary for their continued growth.

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73. Markovits, n.3.
75. Markovits, n.3; Ray, n.1, Chapter 3; Bagchi, n.12, Chapters 7, 11, 12 & 13.
The smaller traders, merchants and shroffs were not as susceptible to government pressures, and did not require official patronage in the same measure. Since the European business community dominated the export trade, there was a direct clash of interests between them and Indian traders in the export markets. (76) This led the traders, merchants and shroffs to support the civil disobedience in 1932.

The FICCI E.C. met prior to the annual session and passed a modified compromise resolution, changing the earlier January resolution to commit the Federation to a policy of cooperation. In the resolution, the first paragraph urged the government to change its policy of repression; the second paragraph rejected the government's interpretation of the January resolution; and the third paragraph offered limited cooperation, proposing the appointment of a committee to "examine and come to an agreed solution in all financial matters." (77) The E.C. was fully aware that they had "acted against the general opinion of...(their) constituencies," but decided to pressurise their member-bodies by threatening to resign en bloc if the modified resolution was rejected at the annual meeting. (78)

The major challenge to the industrialists dominating the E.C. came, as we have noted above, from the pro-Congress traders, shroffs and


77. Letter from G.D. Birla to Sir Samuel Hoare, 14 March 1932, in Birla, n.15, p.54. Birla had already made this specific suggestion to Hoare earlier during the second Round Table Conference, but the latter had turned it down. See Hoare's letter to Birla of 27 January 1932, Ibid., p.52.

78. Ibid., p.55.
insurance brokers led by A.D. Shroff, Manu Subedar and J.C. Setalvad who controlled the Indian Merchants' Chamber. This group demanded an in camera session to discuss the revised resolution. (79) Apparently the session was stormy, because the resolution was "the most controversial...that has ever come before the federation." (80) After a "very heated discussion", the pro-Congress group pushed through changes in the crucial third paragraph of the E.C.'s resolution. (81) In the new third paragraph, the British "repressive policy" was condemned as "of no good to national interests." The FICCI agreed to participate in the consultative committee of the second Round Table Conference only if the government showed "a genuine desire" to change its earlier policies,

"and to discuss and come to an agreement with the progressive opinion of India on the questions of financial autonomy, safeguards, reservations and trading rights; (and if)...towards this end, the consultative committee is at liberty to have a free and full discussion on the various questions." (82)

Although Birla, in his March 1932 letter to Sir Samuel Hoare claimed that the new paragraph was "in substance...the same," (83) it was clearly more critical of the government and required more specific assurances from it before offering FICCI's cooperation. The FICCI elite headed by

79. Only three in camera sessions have been held in FICCI's history, all in the thirties. The records of these meetings are still sealed, but it is possible to reconstruct the events from the information provided in the public sessions and in Birla's correspondence. See also Kochanek, n.9, p.165.


82. The full text of the resolution, and the changes made is given in Birla, Ibid., pp.333-334, Appendix.

83. Ibid., p. 54.
Birla, Thakurdas and Shri Ram had clearly not succeeded in having its own way because of the uncompromising stand of the pro-Congress group comprising mainly of smaller businessmen. (84)

The remodification of the E.C. resolution, led to an embarrassing situation for the FICCI elite later. Thakurdas, always more of a moderate than G.D. Birla, attended the third Round Table Conference in his personal capacity. In October 1932, he was censured by the Indian Merchants' Chamber, and resigned from the membership of the Chamber's committee. (85)

Much greater embarrassment was caused to Indian big business by the activities of the leading Bombay millowners in the second half of 1933. The rapid depreciation of the yen after February 1932, had created severe competition for both the Bombay and Lancashire textile interests. (86) As we have seen above, since Bombay produced mainly coarser goods while Lancashire specialised in finer goods, it was now in the interests of both to come to some kind of agreement. In 1933, after prior consultation between Lord Derby, leader of the Lancashire textile

84. This account differs from that of Ray who attributes the compromise resolution adopted by "the Federation" as due to Shri Ram's "insistence." Thereafter, "Relations between Birla and Shri Ram remained cool to the end of Shri Ram's life." No evidence for this break is provided in the reference Ray cites. See Ray, n.3, pp.321-322; and Singh and Joshi, n.59, pp.204-205. In fact, Singh and Joshi quote Shri Ram as stating that: "A revision of the resolution was desired not only by myself but also by Birla himself though on different grounds...." Ibid., p.205.


interests, and Thakurdas, Homi P. Mody, the President of the Bombay Millowners Association, went to Manchester for discussions.(87) After these discussions, in October 1933, a Lancashire deputation led by Sir William Lees came to India for discussions both with Indian millowners and a non-official Japanese delegation. Initially it seemed that the Indian millowners would be able to reach a consensus on the basis of a quota arrangement with Lancashire.(88) But, at this stage, the British government apparently intervened and insisted that the arrangement be on a preferential basis.(89) At this point, the Ahmedabad millowners led by Kasturbhai Lalbhai who had so far participated in the discussions, and certain millowners influenced by him, withdrew their support.(90) After further negotiations, Mody was able to convince the majority of the Bombay millowners, and a bilateral agreement was made between the Bombay and Lancashire interests.(91) In return for this trade agreement, the Lancashire interests were to offer no opposition to the 1935 Government of India Act. As it turned out, they kept their commitment at the time of the debate on the Act in the House of Commons.(92)

87. Lord Derby to P. Thakurdas, 27 July 1933, PT Papers, File No.142, NMML; cited in Ibid. p.236.

88. Ibid.

89. Ibid.

90. Ibid.

91. That Mody had to campaign hard to convince the other Bombay millowners is clear from the reports in the Bombay Chronicle, October 13, 14, 27 & 28, 1933; cited in Gordon, Ibid.

92. D.R. Mankekar, Homi Mody; A Many Splendoured Life, (Bombay: Popular Prakashan, 168), p.73. See also Gordon, Ibid.
As could only be expected, there was a furore over the Lees-Mody Pact, (as the agreement was called). (93) Nehru, writing in his Autobiography in 1934–35, noted that,

"From the point of view of the Congress, this was a gross betrayal, of the national cause, and it was characterised as such. The representative of the Bombay millowners in the Assembly also consistently ran down the Congress and 'extremists' while most of us were in goal". (94)

FICCI, despite the earlier involvement of two of its founder-members and leaders in the negotiations, condemned the Pact as a "sectional" act, which did not have national approval. (95)

The business community continued its efforts to have the civil disobedience withdrawn so that it was enabled to take full advantage of

93. Gordon, Ibid.
95. FICCI, Vol.III, 1934,p.9. Indian capitalists were more united in their support to the Ottawa agreement signed between different members of the Commonwealth in July 1932. Under the agreement, preferences of 7.5 to 10 percent were given to a wide range of British goods exported to India. In return, the British allowed free entry for some Indian goods and margins of preference for the most important India exports, e.g. tea, cotton, jute, and tobacco. (See Markovits, n.3; B.R. Tomlinson, The Political Economy of the Raj 1914–1947, (London: Macmillan, 1979), pp.133-135). Nehru was bitterly critical of the agreement and the role of Indian capitalists stating that,

"The part that many capitalist elements have played in India during the past few years has been scandalous, even from the Congress and nationalist view-point. Ottawa may have benefited temporarily some small groups, but it was bad in the interest of Indian industry as a whole, and made it more subservient to British capital and industry. It was harmful to the masses, and it was negotiated while our struggle was being carried on, and many thousands were in prison." Nehru, Ibid.
the potentially favourable economic conditions. In September 1933, the
Indian Merchants' Chambers, whose members were worried by the negative
economic effects of the repeated closure of markets for political
reasons, sent a deputation to persuade Gandhi to call off civil
disobedience "in the interests of trade and commerce."(96) When in
April 1934, the civil disobedience was finally suspended, it would
appear that business pressures also played a role in forcing the
decision.(97)

Business Support to Conservative Congressmen, 1934-35

Thakurdas and Birla welcomed the withdrawal of the civil
disobedience.(98) In an April 1934 letter to Birla, Thakurdas agreed,
in a reference to the funds being collected by the Congress for the
ensuing elections, about "money not being subscribed without making sure
of the programme".(99) At this stage, within the Congress there were

96. Bombay Chronicle, 2 September 1933, cited in Gordon, n.4, pp.234-
235.

97. Markovits, n.3. By mid-1933, apparently most Congress leaders were
convinced that the movement could go on no longer. The civil
disobedience was therefore allowed to run down. See B.R.
Tomlinson, The Indian National Congress and the Raj, 1929-1942,

98. P. Thakurdas to G.D. Birla, 10 April, 1934; G.D.Birla to P.
Thakurdas 12 April 1934; PT Papers, File No.126, NMML.

99. Thakurdas to Birla, 16 April 1934, Ibid. In January 1934, Dr.
Ansari (a prominent Muslim Congress leader and Gandhi's personal
doctor) and Dr. B.C. Roy (a leader of the Congress in Bengal who
was also Gandhi's personal doctor) in a series of meetings in
Delhi had already decided that the Congress should contest the
elections due within the next year. Gandhi had blessed Ansari's
internal fights. The inter-party struggle was sharpened by the inauguration of the Congress Socialist Party (CSP) at Patna on 17 May 1934. The formation of the CSP was not a new step. Many of those who were later to become leaders of the party were imprisoned together in Nasik Jail in 1933. They included Jaya Prakash Narayan, Asoka Mehta, Achyut Patwardhan, Yusuf Meherally and M.R. Masani. In the inner-party tussle between the CSP and the conservative members, the 'Gandhians' e.g. Vallabhbhai Patel, Rajendra Prasad, C.Rajagopalachari, Bhulabhai Desai, Jamnalal Bajaj, among others, both groups looked for allies. Inevitably, the latter looked towards business interests, as the capitalists also had the funds required for the reconstruction of the Congress into a parliamentary party. On their part, during the April 1934 to August 1935 period, businessmen through the provision of necessary financial support sought to influence the Gandhian leaders, to make the latter opt for parliamentary struggle, rather than mass agitation.

As a consequence of this business influence, the Gandhians pushed through an anti-socialist resolution at the Congress Working Committee meeting of 17 and 18 June 1934, wherein it was stated "in view of loose talk about confiscation of property and the necessity of class

100. Tomlinson, Ibid., p.50.
101. Markovits, n.3
102. Ibid.
103. This influence could only have been heightened by the fact that at the time Jamnalal Bajaj was the Acting President of the Congress.
war," that the 1931 Karachi Fundamental Rights resolution, which provided the Congress's economic programme,

"neither contemplates confiscation of private property without just cause or compensation, nor advocacy of class war. The Working Committee is further of the opinion that confiscation and class war are contrary to the Congress creed of non-violence."

This was clearly directed at the CSP, even though none of its members had spoken of confiscation of private property. As Nehru publicly observed,

"The resolution had obviously been inspired by the new parliamentary wing of the Congress aiming at gaining the support of men of property in the coming election to the Legislative Assembly. At their instance the Congress was looking more and more to the Right and trying to win over the moderate and conservative elements in the country."

In July, Patel sharply attacked the Congress Socialists as a group of young men with brain fever who knew nothing about the real needs of the peasantry. He, in particular, was nervous that the rise of the CSP might damage the relationship between the Congress and the capitalists. Later, in mid-September, Gandhi made public his "fundamental differences" which the CSP programme, criticising the idea of the necessity of class war as "not sound."

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104. Quoted after Nehru, n.94, p.557.

105. Ibid.

106. Ibid., p.558, Nehru's autobiography, first published in 1936, was meant to be a public statement. For instance, referring to his sometimes severe criticism of some groups and individuals, Nehru justified it on the grounds "that those who meddle in public affairs must be frank with each other and with the public they claim to serve." Ibid, Preface, p.xii.

107. Tomlinson, n.97, p.52.

108. Ibid.

Socialists tried to function as an 'official opposition' within the Congress, as they realised that they could not take it over. (110)

Industrialists responded to the anti-socialist tirade by funding the Congress. Dr. B.C. Roy in Calcutta, Bhulabhai Desai in Bombay, as well as Vallabhbhai Patel and Jamnalal Bajaj, collected election funds for the Congress from business circles. However, business response does not appear to have been overwhelming. In early October, Patel in a letter to Birla, after mentioning the collection of Rs. 10,000 by Desai in Bombay stated that "I think the burden on you will be greater than we estimated when we met there." (111) Despite this and other appeals, the Congress experienced a shortage of funds in several provinces, especially in Bihar and the U.P. (112) In March 1935, the Central Parliamentary Board still had a deficit of over Rs. 50,000 on account of the election campaign. (113)

The Congress despite the financial constraints was still a nationwide organisation with large resources of men and money, and did well in the Central Legislative Assembly election, securing 44 of the 88 elected seats. (114) Shortly after the elections, the Bombay session of the Congress was held in mid-October 1934. Earlier, on the heels of the Congress victory, Patel issued a press statement expressing his hope

110. Ibid, pp.52-53.
111. V. Patel to G.D. Birla, 4 October 1934, AICC Papers, File G-43 cited in Markovits, n.3.
112. Tomlinson, n.97, p.42.
113. Ibid.
114. Ibid.
that Gandhi would not even attend the Bombay session, since then the
change to purge all indisciplined and insubordinate elements (the
Congress Socialists) from the Congress might be lost, because of the
Mahatma's obsession for compromise. (115) At the session itself, Patel
made a strongly anti-socialist speech, but no purge of the socialists
could take place in Gandhi's presence. (116)

At the Bombay session, the Congress Constitution was radically
amended, largely on the lines suggested by Gandhi. Attempts by the CSP
to defeat certain amendments regarding the Khaddar qualification for
membership of a Congress committee were defeated. The Working Committee
was also given the right to bar from election to any committee,
Congressmen who were also members of any other political organisation,
which it regarded as "anti-national and in conflict with the Congress."
(117) This however, was a far cry from what Patel had envisaged.
Nonetheless, the CSP and other leftists in the Congress had been curbed.
This must have reassured Birla and others about the efficacy of the
Birla strategy.

September 1934, cited in Ibid., p.107. Apparently Patel was
looking forward to expelling the CSP and feared that Gandhi might
stop him, as indeed he did. See P.Sitaramayya to Patel, 21

116. Markovits, n.3

117. This clause was not invoked even in the case of Congressman who
were members of the Hindu Mahasabha till 1939. See Tomlinson,
n.97,pp.47-48.
The Government of India Act, 1935: Different Strategies of Big Business

After the promulgation of the Government of India Act in August 1935, differences in the political strategies of Indian big business again came out into the open. Homi Mody, the spokesman to the Tata-led Bombay industrialists, once again sought to mobilise for the earlier strategy of building a new political organisation which was openly an instrument of capitalist interests and would mobilise for a "limited but unequivocal" acceptance of the Act. (118) He warned business elements against the Congress coming into power at the provincial level because of "its flirtations with the extreme socialist elements..." (119) Mody was disappointed with the Liberals who were politically a weak force, and in any case were not openly supporting the new Constitution. He also feared that rural elements might engulf the businessmen and their supporters in the Congress. (120) Thus, once again Mody representing the more loyalist Bombay industrialists mooted a proposal for a new, pro-capitalist party. (121)

118. Mody's speech at the Ripon Club, Times of India (Bombay), 14 August 1935, cited in Markovits, n.3.
119. Ibid.
120. Ibid.
121. Markovits, n.3, following Kochanek, n.9, uses the term Bombay line to refer to the strategy of the Tata-led Bombay industrialists. However, as we have already seen above, a substantial portion of Bombay-based industrialists supported FICCI. To that extent the term "Bombay" line is a misnomer. (See Chapter III above).
This time Purshotamdas Thakurdas rejected Mody's proposal.\(^{122}\) The business leaders in FICCI sought to persuade the Congress to accept the Act. In line with this strategy, G.D. Birla went to England in the summer of 1935 to obtain concessions to induce the Gandhians dominating the Congress to accept the Act.\(^{123}\) By October 1935, Mody was forced to change his position. His group had failed to obtain the support of any major political party or the other sections of the Indian business community. Moreover, the Bombay millowners were dissatisfied with the advantages gained from the Lees-Mody Pact. Japanese sales of piecegoods reached a record level in 1935-36, and in 1935 Ahmedabad had displaced Bombay as the top textile producer.\(^{124}\) Further, Lancashire purchases of raw cotton had not increased as expected.\(^{125}\)

In 1935-36, India's trade deficit had increased, to be slightly larger than that of 1931-32. Therefore, there was increased dissatisfaction in the Indian big business circles with the government of India's commercial policy. The various segments of the Indian business community felt the need for Congress participation in the government, so that some representation of Indian business interests was possible. For this to be effective, some compromise was necessary between the British government and the Congress.\(^{126}\) By 1936

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\(^{122}\) Interview in \textit{Times of India}, 28 August 1935, cited in Markovits, \textit{Ibid.}

\(^{123}\) Birla, n.15, Chapters XV & XVI. See also G.D. Birla's interview reported in \textit{Times of India}, 21 August 1935, Markovits, \textit{Ibid.}

\(^{124}\) However, Bombay regained its first position in the following year. cf. Markovits, n.3.

\(^{125}\) \textit{Ibid.}

\(^{126}\) \textit{Ibid.}
therefore, the strategies of the Tata group and that of the dominant group in FICCI again began to converge. (127)

The FICCI group continued to strengthen its relations with the Congress. The Gandhian leadership as wished by the business interests, moved closer to a formal acceptance of the 1935 Act. By the end of 1935, Rajendra Prasad had de facto launched the Congress electoral campaign when he advocated that the Provincial Congress Committees should carry on propaganda amongst people to make them enrol as voters. (128) In February 1936, G.D. Birla held talks with leaders of the Congress Parliamentary Board, where he estimated the financial needs of the Congress for the forthcoming Legislative Assembly election to be a minimum of Rs. 5 lakhs, of which he proposed to raise a large amount from the business community. (129)

Nehru's Leftism and Big Business, 1936

Nehru's actions after his assumption of the Congress Presidency after his return to India, brought out into the open the divergence in

127. Ibid.
128. Indian Annual Register, 1935, Vol.II, p.252, cited in Ibid. Prasad sought to cover up the shift in the Congress position by claiming on behalf of the Gandhian leadership in a letter to Nehru in December 1935 that:

"it has been wrongly and unfairly assumed that the Working Committee has been thinking of nothing except offices under the New Constitution. We have not as a matter of fact given the matter any importance. On the other hand, it is others who have been trying to force our hands to come to a decision."

big business strategies towards perceived anti-business elements in the Congress. Prior to Nehru's becoming Congress President, the CSP had not been a major force in the national politics of the Congress. Nehru's presence and position made a very major difference. That a leader of Nehru's eminence and public standing should lead the left nationalists within the Congress, was a matter that alarmed many businessmen.

Within the Congress, there was considerable opposition to Gandhi's nomination of Nehru. The Mahatma however, felt that Nehru would serve as a link with the CSP integrating them into the Congress, and that his responsible post would temper his radicalism. (130) Other Congress leaders were not so sure. Dr. Ansari, S. Satyamurthi and Bhulabhai Desai tried to convince C. Rajagopalachari to contest the Presidentship against Nehru. Rajagopalachari, in the absence of support from other conservative Gandhian leaders of the Congress, refused. The majority of the Gandhians apparently believed that despite his radical statements, Nehru would fall in line with Gandhi's programme. (131)

Nehru's Presidential address at the April 1936 Lucknow Congress session dashed all such hopes. Speaking on 12 April, Nehru eloquently put forward his socialist principles. He categorically stated his conviction:

"that the only key to the solution of the world's problems and of India's problems lies in socialism... (defined) in the scientific economic sense... I see no way of ending the poverty, the vast unemployment, the degradation and subjection of the Indian people

130. Tomlinson, n.97, pp.56-57.
except through socialism. That involves vast and revolutionary changes in our political and social structure, the ending of vested interests in land and industry, as well as the feudal and autocratic Indian states system. That means the ending of private property, except in a restricted sense, and the replacement of the present profit system by a higher ideal of cooperative service. In short, it means a new civilisation radically different from the present capitalist order."(132)

Nehru however, clarified that despite his earnest wish to advance the socialist cause he had "no desire to force the issue in the Congress and thereby create difficulties in the way of our struggle for independence." He further acknowledged that socialism did not fit in "with the present ideology of the Congress."(133) Yet despite these qualifications, there was enough in the speech to alarm the business community, particularly its conservative sections.


133. Ibid., pp.181-182. Bipan Chandra in an article considers this speech the culmination of Nehru's 1933 to 1936 tryst with Marxism. cf. Bipan Chandra, n.1, "Jawaharlal Nehru and the Capitalist Class, 1936," pp.171-203. Writing in 1936-39 and in 1947, Rajani Palme Dutt, while finding Nehru's speech "memorable for its proclamation of the socialist aim," does not, unlike Bipan Chandra, believe that this made Nehru a near-Marxist. cf. R.P. Dutt, India Today, (Calcutta Manisha, 1970). Palme Dutt had met Nehru and spent three days with him, during the latter's stay at the Lausanne clinic in early 1936. In Palme Dutt's opinion Nehru was not well read in Marxism, and did not believe in revolutionary dictatorship, and generally stood for a democratic and peaceful road to socialism. (Interview with S. Gopal, 20 November 1969, in S. Gopal, Jawaharlal Nehru: A Biography, (Bombay: Oxford University Press, 1976), Vol.I, p.202). Gandhi himself had no major qualms about Nehru's radicalism. In an interview in late December 1933 he stated,

"I do not think that Jawaharlal's own views are yet sufficiently crystallized to make any fundamental departure from Congress policy likely. He is a firm believer in socialism, but his ideas on how best the socialist principles can be applied to Indian conditions are still in the melting pot. His communist views (sic.) need not, therefore, frighten anyone."

(Interview in Bombay Chronicle, 22 December 1933, cited in Gopal, Ibid., p.180).
On 20 May 1936, a manifesto signed by 21 Bombay businessmen was published. Starting from a quotation from Nehru's Lucknow speech, it sharply attacked socialist ideas. The signatories included Naoroji Saklatwala (Tatas), Ardeshir Dalal (a director of Tata concerns), V.N. Chandervarker (acting President of the Bombay Millowners Association), Cowasji Jehangir (a loyalist textile magnate), Seth Iswardas Laxmidas (an ex-Sheriff of Bombay connected with the Sassoons, the biggest foreign textile group in Bombay), Seth Mathuradas Vissonji (a loyalist connected with certain foreign houses,), Dharamsey Khatau (a Bombay millowner, head of the Khatau group and an ally of the Tatas), A.D. Shroff (who had organised the campaign and acted as a link between small business and the Tatas in whose concerns he was a director), Phiroze Sethna (a representative of foreign insurance companies and chairman of Swedish match manufacturing interests in India, apart from being a Liberal leader) and Chimanlal Setalvad (a leading lawyer and Liberal). Two prominent FICCI leaders Purshotamdas Thakurdas and Walchand Hirachand also signed the manifesto. (134) Nehru got a biographical analysis of the signatories made and found that most of them were liberals or loyalists linked with the House of Tatas or with foreign

134. Bipan Chandra, n.1, pp.189-190; Ray, n.1, pp.325-326; Markovits, n.3. As we have seen above, Thakurdas on several earlier occasions had aligned with the Tata-led Bombay group. Bipan Chandra's contention therefore that,

"The odd man out among the 21 was Purshotamdas Thakurdas whose growing anxiety had made him sign the manifesto but who was...in wider agreement with the larger and more sober (Birla-led) section of the capitalist class..." (Ibid., p.190)

would appear in an overstatement. Walchand Hirachand was also politically conservative and his group, though members of FICCI, did not support the Congress. cf. Aditya Mukherjee, n.1, p.1524.
Furthermore, these industrialists took political positions that were not supported by large sections of the business community throughout the country. "Nehru", Bipan Chandra notes, "made full use of both these facts in his running polemic against the 'Bombay 21'." (136)

G.D. Birla's strategy in tackling Nehru was more one of containment rather than that of confrontation. He made his position quite clear in his fairly sharp letter to Walchand Hirachand, a few days after the manifesto was published:

"you have rendered no service to your castemen. It is curious how we businessmen are so short-sighted. We are all against socialism and yet nothing is being done to carry on argumentative propaganda and even people like Vallabhbhai (Patel) and Bhulabhai (Desai) who are fighting against socialism are not being helped. It looks very crude for a man with property to say that he is opposed to


136. Ibid. It would surely appear to be an overstatement to contend like Bipan Chandra, following Nehru that,

"they (the 'Bombay 21') were hardly given any support by the other capitalists in the rest of the country or even in Bombay." Ibid.

As we have seen in several instances above this is not wholly true. The Bombay group did elicit some support from the rest of Indian big business. The fact that a larger number of industrialists from Bombay did not join FICCI demonstrates the considerable diversity in big business political strategies. Bipan Chandra's contention is in line with his hypothesis that the large majority of the Indian capitalist class, as represented by FICCI, which in turn was represented by Thakurdas and Birla, followed an identical political strategy which in the main was articulated by Birla himself. Thus the entire Indian capitalist class, through a series of theoretical abstractions, is virtually reduced to one individual. (See n.13). We shall examine this in more detail.

Nehru himself in response to business criticism sought to play down his radicalism in his "Reply to Critics". He claimed: "I have hardly mentioned socialism except incidentally..." (The Tribune, 9 June 1936, cited in Gopal, n.133, p.211).
expropriation in the wider interest of the country... Let those who have given up property say what you want to say. If we can only strengthen their hands, we can help everyone... I feel that your manifesto, far from helping has done positive harm to the capitalistic system."(137)

To Thakurdas, his elder, Birla expressed his pained surprise on finding his signature and reiterated that, "The manifesto has given impetus to the forces working against capitalism... I have not come across one (news)paper putting a favourable comment on the manifesto."(138)

From Thakurdas's and Birla's correspondence, it is evident that Gandhi had assured Birla that he would prevent Nehru from committing the Congress to rejection of office at the Lucknow session. In reply to Thakurdas's query "whether you think that Mahatma's and your expectations have been fulfilled",(139) Birla replied that he was, "perfectly satisfied with what has taken place..., Mahatmaji kept his promise and without his uttering a word, he saw that no new commitments were made."(140) By this Birla was referring to the Congress acceptance of office and probably to the rejection of the controversial proposal

137. G.D. Birla to Walchand Hirachand, 26 May 1936, PT Papers, File no.177, NMML.
138. Birla to Thakurdas, 1 June 1936, Ibid.
139. Thakurdas to Birla, 18 April 1936, Ibid.
140. Birla to Thakurdas, 20 April 1936, Ibid. (emphasis in original).

After his London visit Birla had reported to Gandhi about his talks. According to Birla though Gandhi, "found it difficult to accept the cheerful view that I took...yet he promised to see that at the Lucknow Congress no new commitments were made."

While reporting this conversation to Lord Linlithgow, the new Viceroy, on 5 August 1936, Birla stated referring to the relationship between Gandhi and Nehru that "So long as Mr. Gandhi lives there is no danger...of any split in the Congress." Birla, n. 15, p. 206. See also Bipan Chandra, n.1, p.191.
for the direct affiliation of the trade unions and kisan sabhas to the Congress. (141) He noted that "Jawaharlal's speech in a way was thrown into the waste paper basket because all the resolutions that were passed were against the spirit of his speech." (142) Moreover, the new Congress Working Committee contained "an overwhelming majority of Mahatmaji's group..." as 10 out of the 14 members were of the right-wing group. (143) Birla's strategy therefore, of containing Nehru and the CSP by supporting the right wing pro-business elements in the Congress leadership had been quite effective. The attitude of the 'Gandhians' including Gandhi himself, was in line with the strategy Nehru had perceived earlier, of moving the Congress to the Right to win over "moderate and conservative elements." (144)

141. Bipan Chandra, Ibid. Despite Nehru's support to efforts by the Congress Socialists, the resolution dealing with the Congress attitude on the new constitution as framed and put forward by the conservative Gandhian group was passed in the Subjects Committee and in the general session. In the official resolution the question of office acceptance was to be decided after the elections in which the Congress would contest, by consultation between the A.I.C.C. and the P.C.C.s. See Tomlinson, n.97, p.132.

142. See Birla, n.140.

143. Ibid. Nehru's biographer, S. Gopal has noted Nehru's reluctance to support the socialists within the Congress because of his desire to prevent a split. Thus he did not support the socialists' amendments committing the Congress to non-acceptance of office, even though he supported the leftist position. Even the appointment of three socialists: Narendra Deva, Jayaparakash Narayan and Achyut Patwardhan to the working committee was due to Gandhi who believed that their selection would help reduce the support commanded by the terrorists among the younger generation. cf. Gopal, n.133, pp.205-210.

144. See Nehru, n.106 above.
Birla had also shrewdly assessed Nehru's character. He may well have arrived at this evaluation with the help of Gandhi, with whom he was very close. Birla considered Nehru "a typical English democrat who takes defeat in a sporting spirit." He also acutely observed that Nehru, "seems to be out for giving expression to his ideology, but he realizes that action is impossible and so does not press for it."(145)

Purshotamdas Thakurdas agreed with Birla's assessment of Nehru stating that he "never had any doubt about the bonafides of J (Jawaharlal)." But he felt "that a good deal of nursing will have to be done to keep J on the right rails all through."(146) However, despite this agreement, Thakurdas and Birla evidently did not fully agree on how the "nursing" of Nehru was to be done. Thus, the formers alignment with the Bombay group.(147)

145. Birla, n. 140, Ibid. There is a marked similarity between Birla's assessment of Nehru and that of Gandhi's. The latter wrote to Agatha Harrison on 30 April 1936, regarding Nehru that, "His address is a confession of his faith. You see from the formation of his 'cabinet' that he has chosen a majority of those who represent the traditional view...though Jawaharlal is extreme in his presentation of his methods, he is sober in action...My own feeling is that Jawaharlal will accept the decisions of the majority of his colleagues". (J. Nehru, Bunch of Old Letters, Bombay, 1958, quoted in Bipan Chandra, n.i, p.194).

146. P. Thakurdas to G.D. Birla, 23 April 1936, PT Papers, File No.177, NMML. See also Bipan Chandra, Ibid., p.195.

147. Since after this frank exchange of views, Thakurdas together with Walchand Hirachand signed the 'Manifesto of 21', it appears that once again Thakurdas adopted a strategy different from that of Birla. Bipan Chandra appears to note the differences in this matter between Thakurdas and Birla, but plays them down. See for instance, Bipan Chandra, n.1, pp.190, 196.
Between 18th and 22nd May 1936, a large number of businessmen, largely smaller traders and brokers, met Nehru to offer their support. These included the merchants and brokers of the Bombay Bullion Exchange; some 20 mercantile associations of Bombay including the Marwari Chamber of Commerce, the Bombay Cotton Brokers Association, the Bombay Grain Dealers Association, and so on. Leaders of these associations while expressing their disagreements with Nehru's socialistic views eulogised his services to the country. (148) On 22nd May, 15 members of the (Executive) Committee of the Indian Merchants' Chamber met and claimed that the mercantile community, as a whole, did not support the manifesto. (149) However, as we have seen above, the mercantile community had, generally speaking, been much more sympathetic to the nationalist movement than the larger industrialists. Therefore, the support to Nehru from the Bombay mercantile associations was in keeping with their earlier political attitudes. Furthermore, they must have been fully aware like Birla, that despite Nehru's socialist call to arms, it was the conservative section in the Congress that had carried the day.

Indian Business & the Congress Ministries, 1937-1939

In consonance with the strategy of large sections of Indian business that the Congress should accept office after the elections, G.D. Birla worked as a mediator between the British and Gandhi. (150) In

148. Ibid., pp. 195-196.
149. Ibid., p. 196.
150. Birla, n. 15, pp. 206-239.
this connection, he had discussions with Lord Halifax (formerly Lord Irwin) in London, and Lord Linlithgow, the new Viceroy. Both the British as well as Gandhi accepted him as a suitable representative of nationalist Indian opinion. Thus when Birla heard that, at the instance of Gandhi, the Congress had accepted office he "was simply overwhelmed with joy to hear this news."

Congress rule in the provinces coincided with the passing of the economic ill-effects of the Depression. There was investment in several new fields and new industrial enterprises. With the disappearance of the earlier tightness in the money market, both export and import trade showed signs of revival. Moreover, as the President of the Indian Chamber of Commerce, Calcutta noted, the political stability that was a consequence of Congress rule created encouraging conditions for the growth of Indian capitalism. Things were not wholly satisfactory for business though. There was some unhappiness with the provincial governments' labour and industrial policies. In between July 1937 and the spring of 1938, Indian capitalists hoped for a favourable trade

151. In the discussions, Birla sought to obtain concessions from the British, particularly some sort of 'gentleman's agreement' that the British would not use the constitutional safeguards against the Congress ministries. It was only on the basis of such an agreement that Gandhi prevailed on the Congress Working Committee to accept office. See Birla's letter to the Private Secretary to the Viceroy, 17 March 1937; and his undated letter (July 1937) to Mahadev Desai, Gandhi's Private Secretary; Ibid., pp.214-218.

152. Ibid., p.218.


agreement with the British. But when because of the intransigence of the Lancashire interests, trade negotiations were deadlocked, big business moved towards a better understanding with the Congress. (155)

By 1939, Indian big business had begun to look to Nehru and Vallabhbhai Patel to provide the necessary political leadership, rather than to Gandhi, as earlier. This was largely because of the Mahatma's ideological bias towards cottage and small-scale industries and his criticisms of large-scale modern industry. Thus during the 1939 strike at the Tata Steel Mills in Jamshedpur, Nehru and Rajendra Prasad were called for the conciliation mission. J.R.D. Tata in an August 1939 letter thanked Nehru for his efforts and his "interest for the welfare of Indian Industry." (156)

The National Planning Committee

In October 1938, Subhas Chandra Bose, the Congress President, convened a conference of ministers of industries from provinces where the Congress Party's economic programme was adopted. The conference appointed a National Planning Committee (NPC) under the chairmanship of Nehru. The non-government members included: Ambalal Sarabhai, A.D. Shroff, Purshotamdas Thakurdas and Walchand Hirachand -- leading

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155. Markovits, n.3

156. J.R.D. Tata to J. Nehru, 10 August 1939, Nehru Papers, NMML, cited in Ibid.
representatives of Indian big business. (157) Significantly, while the last three were FICCI members they had been signatories to the Bombay manifesto of 1936 which had attacked Nehru's socialism. (158)

The participation of big business in the NPC was not an unprecedented or unexpected act. As early as the 1934 annual session of FICCI, its President Nalani Ranjan Sarkar had elucidated the Federation's attitude towards state participation in the economy:

"There are certain industries, which by the very nature of capital required, risks involved, and importance to national economy, will require direct state initiative, e.g., the construction of railways, big power plants, expensive housing schemes for labour; there are still other industries which may, in the main, be left to private enterprise, and would only be in need of some manner of state assistance. Such assistance may be either direct, e.g., provision of facilities for raising or securing capital required, or indirect, e.g., a sympathetic stores purchase policy and the grant of subsidies or imposition of tariffs against foreign competing products." (159)

Hence for years prior to the NPC, FICCI had already accepted a substantial measure of state intervention in the economy.

157. A.M. Zaidi and S.G. Zaidi e.d, The Foundations of Indian Economic Planning, (New Delhi: S.Chand, 1979), p.349. Thakurdas, Shroff and Sarabhai figured in the original list of 11 non-official members; Walchand was one of the nine co-opted later. There was no similar representation on the NPC of trade union representatives.

158. Introductory note to the report of the proceedings of the Final Meeting of the NPC, by K.T. Shah, Ibid., pp.357-358. Nehru rather perceptively noted in 1944 that though "Big business was definitely apprehensive and critical (about the proposed planning exercises)... (it) probably joined up because it felt that it could look after its interests better from inside the committee than from outside." (Jawaharlal Nehru, The Discovery of India, (Bombay: Asia, 1972), p.395).

The outbreak of World War-II in September 1939 and the Congress resignation from office interrupted the NPC's activities. As K.T. Shah, the Honorary General Secretary of the Committee put it: "...from 1940 to 1945, the National Planning Committee had a nominal existence, with a barest staff necessary to keep up that existence."(160) Though the NPC never submitted a comprehensive Report, some recommendations were made regarding planning in the relevant sub-committees that submitted reports. The left nationalists headed by Nehru contended that the principle of state ownership and control was to apply not only to key industries, public utilities and defence industries but also, "to other large-scale industries and enterprises which are likely to be monopolistic in character, or even to other large-scale industries." (161) Nehru insisted that defence industries had to be state-owned, but conceded, in the face of opposition from the conservative members, that in areas where state ownership was not possible completely, strict state control was the minimum acceptable.(162) K.T. Shah supported state control more strongly. He categorically stated that, "All key industries must be state-owned and state-managed. The profit motive must be summarily and completely excluded from...every such industry."(163) Existing private enterprise in the key industries, he


162. Ibid.

recommended, should be purchased by government with "just compensation". Shah in fact recommended state ownership of virtually all large-scale industry, particularly that which tended to become monopolistic:

"formal or virtual monopolies under private enterprise should be strictly prohibited...in the production and supply of materials needed for national defence, public utilities, and social amenities. The moment any such enterprise evinces signs of getting under monopolistic organisations, the state should... acquire the same..." (165)

Moreover, "new industries suitable only for large-scale work by power-driven machinery and for standardised mass production...must be established and conducted as public enterprises."(166)

However, in the important sub-committee on industrial finance which was chaired by A.D. Shroff, the draft interim report stated that members could:

"not endorse the recommendation that the state should own and control all defence industries and public utilities and that key industries may be state-owned and state-controlled."(167)

While Indian businessmen were willing to accept a certain measure of state enterprise and control, they could not accept the extent of state control and ownership, much less the anti-monopoly recommendations made

164. Ibid.
165. Ibid., p.66.
166. Ibid., p.55. See also Mukherjee, n.1, pp.1519-1520.
167. Draft interim report sent by J.K. Mehta, secretary of the sub-committee on industrial finance to Nehru, Nehru Papers, File No.135, NMML, cited in Markovits, n.3. See also Mukherjee, Ibid., p.1520.
by the left nationalists, particularly K.T. Shah. (168)

The 1940s: Convergence Between Big Business and Congress

During the World War-II period, particularly after the Quit India movement of 1942, it became clear to the various groups within the Indian business community that the days of the Raj were numbered. It was also apparent that the new ruling party would be none other than the Indian National Congress. In such a situation, the two major factions of Indian big business who held very different views on the question of support to the national struggle for freedom and the Congress party, came together and sought to strengthen ties with the Congress. The most important outcome of the convergence between the moderate and 'aggressive' business groups, was the Bombay Plan of 1944. Among the signatories of this Plan were representatives of both the Tata-led as well as the Birla-led groups. The need for national planning was advocated by various teams of the National Planning Committee. The NPC, however, because of a large number of its members having been imprisoned, could not complete an overall framework of a plan. In addition, it was also recognised even in colonial government circles, that the state would have to play a more important role by way of direct participation to meet the post-World War-II situation. Since the question of planning is itself an important area, we propose to deal with it in detail in Chapter V below.

168. Mukherjee, Ibid., pp.1520-1521. This became clear from the very strong, even strident reaction by big business to the recommendations of the Economic Programme Committee Report, which were similar to these made by K.T. Shah (see below). Mukherjee plays down the anti-monopoly character of the left nationalist recommendations, reducing it to a "possible anti-monopoly tinge." Ibid., p.1521.
Conclusions

From the foregoing account a number of conclusions may be drawn:

1) There was no uniformity in business attitudes towards the colonial Raj and the Congress. The smaller traders and merchants were generally more strongly pro-Congress and anti-government, than even the 'nationalist' sections of Indian big business, during the non-cooperation movement and the civil disobedience movements. Within the big business stratum itself, there were various divergent, and even conflicting strategies: as between some Bombay industrialists led by the Tatas and the FICCI group led by G.D. Birla. Even in the ranks of the FICCI leadership, there were substantial differences between the strategy adopted by Purshotamdas Thakurdas on the one hand, and G.D. Birla on the other. Therefore, the available evidence appears quite contrary to the hypothesis that the Indian capitalist class generally followed the strategy as laid down by G.D. Birla. (169)

2) The differences among the different segments of Indian business in their approaches to political issues, were in some measure a consequence of diverging economic interests. Hence the smaller traders and merchants, as well as the Calcutta Marwaris who were jute exporters and faced entrenched British interests, were more critical of the Raj and supported the Congress. Many of the Bombay millowners, who faced greater competition from the Japanese, rather than from the Lancashire interests, were less critical of the Raj and more hostile towards the

169. As suggested by Bipan Chandra, n.l; Ray, n.l; and others.
Congress. On the other hand, the Ahmedabad millowners feared Lancashire dominance more than the Japanese competition, and were consequently more hostile to British interests and more favourable to the Congress.

3) Notwithstanding the differences in big business approaches, there is no evidence to show that any group was collaborating with, or acting as an agent of, British Imperialism. The diversities in the perception of these business groups reflected diverse strategies for the realization of their attempts to obtain concessions necessary for the development of Indian capitalism.

4) Differences in the political assessments of the big business groups cannot be reduced to their economic interests alone. A number of Bombay industrialists including Jamnalal Bajaj, the Podars, the Kilachands among others did not join with the Tata group, despite common economic interests.

5) The divergent political strategies of the big business factions resulted in sometimes opposed political activities. While the Tata-led faction initially supported the Liberals, and later tried unsuccessfully to build up an alternative political party to the Congress, the FICCI leadership generally supported the conservative sections of the Congress leadership.

6) There was a substantial amount of political vascillation. Purshotamdas Thakurdas, for instance, alternated between supporting the Tata-led group and falling in line with the Birla strategy. In the case of the G.D. Birla-directed group, when the colonial Raj applied sufficient pressure, they tended to compromise, as is clear from their
attempts to tone down their nationalist stance during the second civil disobedience movement. (170)

7) The nationalist group, including both Birla and the more moderate Thakurdas, attempted to balance between both Imperialism and the nationalist movement. On occasion, as in 1931, while taking a more radical anti-British and nationalist stance publicly, they were prepared to compromise privately. Their efforts were directed at influencing the Congress leadership to go in for compromises acceptable to the British. Simultaneously, they sought concessions from the British, to make the colonial government's proposals acceptable to the Congress.

8) The colonial Raj, on its part, was unable because of Imperialist imperatives to adequately follow a divide and rule policy. On at least two occasions, though, during their support to the Steel Protection Bill in 1924 (which favoured Tatas) and particularly during the Lees-Mody Pact of 1933, they succeeded in dividing Indian big business. But because of the nature of the contradictions between Indian capitalism and the British, this policy could not succeed in the long run.

9) The Birla strategy of supporting the conservative Congress leadership had some apparent success. In particular, the shift in the character of the Congress towards its becoming a parliamentary party, considerably increased the leverage of Indian big business, who were the

170. A theory of P-C-P could perhaps be constructed for an analysis of the colonial government strategy on the lines attempted by Bipan Chandra, n.l. The Raj also applied pressure tactics and compromised on occasion. Of course, for such a theory too, the same criticisms would hold.
major fund providers. In turn, the conservative Congress leaders who were able to elicit big business funds, gained correspondingly in influence within the party.

10) Despite divergent political approaches, all big business groups generally opposed mass agitations which they considered a potential threat, even in an independent India, particularly if they were permitted to be prolonged. While the Tata-led group was more forthright in its opposition, the Birla-led group sought to apply pressure on the Congress to withdraw mass agitations.

11) Despite the evidence of substantial big business influence on the Congress, especially from the thirties, there is far from sufficient evidence to substantiate any hypothesis that big business controlled the Congress, not to speak of other sections of the nationalist movement.

12) All big business groups were influenced by the nationalist movement. The Birla group within FICCI therefore, sought to identify itself with national aspirations as far as possible, without alienating the British. Once it was clear that Independence was in the offing, all big business groups endeavoured to appear in fully nationalist colours.