CHAPTER II

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Since Independence, serious attempts were made in India to restructure her economic organisation for achieving maximum material welfare of the people. To that end, careful planning and integrated efforts over the whole field of national economic activities were necessary; and the Government of India proposed to establish a National Planning Commission to formulate programmes of development and to supervise over their execution.

In fact, official thinking has all along been in favour of planned utilisation of economic resources in order to break the vicious circle of backwardness. In that respect the national government was clearly inspired by the success of the socialist countries, notably U.S.S.R. which pioneered the techniques of planning in the economic fields and achieved good results within a very short time. In our case, each plan had a time-bound programme of five years. But, at the end of successive plans, the performances fell far short of what was promised. It was felt by the authorities that the socio-economic base for planning in India being different from that of other planned economics, devising a new economic infra-structure was an urgent necessity.

Keeping this in view, the Government of India ventured to take a series of economic policy measures. Such a pursuit of
policy is clearly in the nature of a trial and error method of preparing the grounds, on which the entire economy in future may be placed.

To pick up the most outstanding of these policy measures, mention may be made of bank nationalisation, land reforms policy, control of distributional system of essential goods (such as, wholesale trade in wheat), coal mines nationalisation, ceiling on urban property, minimum wages legislation, etc. The bank nationalisation decision was taken in the year 1969 when 14 major banks were nationalised and according to some circles, with the acceptance of this policy, there seems to have occurred a basic change in the economic attitude of the government. Soon after bank nationalisation, the government undertook the abolition of the privy purse. And from then on, a series of economic measures have been adopted. We shall try to find in the following paragraphs whether these policy measures have any basis in the Indian constitution, whether these are fundamental and whether they conform to the declared socialist objectives on the part of the government.

Whether any basis in the Indian constitution:

Few governments today can afford to confine their activities to the political sphere. In fact, politics and economics reinforce each other in the making of public policies. In this context, the ideology of the ruling party is certainly an important element in the resolution of controversial policy
issues such as: (i) what specific economic policies are to be pursued or taken resort to; (ii) for whom the policies are to be carried out (whether it is in the interest of a few rich or in the interest of the common people) and (iii) the manner in which they are to be implemented. Since the party which has been ruling at the centre ever since independence (except for a brief spell of the Janata regime) was also the major architect of the present constitution, the economic policies adopted by the ruling party can have nothing that called for any special sanction other than what the constitution already provides. Thus the constitution in its part (iv) enjoins on the state to apply several high sounding principles in the governance of the country. Article 38 of the constitution read thus: "The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice social, economic and political, shall inform all the institutions of the national life".

We call these measures 'Public' because they relate to "the welfare of the people" and also 'economic', for they would be helpful in securing material welfare. At the annual congress session in Avadi (near Madras), the aim of establishing 'a socialist pattern of society' was announced. The same sentiments were incorporated in the Indian constitution in the Directive Principles. These principles require that the state

1. Kuldip Nayar, India: The Critical Years (Vikash) 1971,p.64.
shall direct its policy in such a manner as to secure to all citizens, men and women equally, the right to an adequate means of livelihood, equal pay for equal work, and within the limits of economic capacity and development, to make effective provision for securing the right to work, education and public assistance in cases of unemployment and in other cases of undeserved want. In the economic sphere, the state is to direct its policy in such a manner as to ensure that the ownership and control of the material resources of the community ultimately subserve the common good and to ensure that the operation of the economic system does not result in the concentration of wealth and means of production to the detriment of common interest vide clauses (b) and (c) of Article 39 (7).

Clauses (a) to (f) of the same Article briefly but effectively lay down the basic philosophy and objectives of democratic socialism which is enshrined in the preamble to our constitution and which is the underlying spirit of the Directive Principles.² It is true that the constitution specifically enjoins upon the state to apply these principles in making laws (Article 37).

It is interesting to note at this stage that whenever there is any move (inspired by the Directive Principles) to

² H.R. Gokhale : Art. 'why constitutional amendments' phb. in the souvenir The March Towards Socialism" in the 74th plenary session (Cal.) Indian National Congress.
bring about any change in the socio-economic sphere, an occasion would arise for judicial review and clearance of such measures. This is because every such move actually or potentially threatens the dominant economic interests in the country, in so far as it seeks to re-locate the powers of control and ownership of one or the other productive resources in the economy. This in turn is legally construed as a challenge to the established rights of the beneficiaries of status quo. In the event of the judiciary striking down any of these measures on grounds of constitutional safeguards for one or the other fundamental right, the ruling party has to prove the sincerity of its commitment by getting the constitution suitably amended. This has become almost a habitual feature ever since the introduction of the land reforms laws. In the bank nationalisation case also, the Supreme Court, the apex of the Indian judicial system, declared it as unconstitutional and compelled the Government to pay virtually market rate compensation to the bank owners.3 It is with a view to overcoming these difficulties created by the above decisions that the Government moved several amendments, viz. the 24th, 25th and 26th amendments to the constitution. The necessity for the constitutional amendment has been felt in order to make the Directive

Principles of State policy more effective. The 24th amendment, removing the restrictions imposed by Article 13 (2) of the constitution, empowered the parliament to amend any part of it. The 25th amendment was a drastic step as it facilitated state acquisition of private property at a minimum cost - 'a move, no doubt, in tune with the socialist ideal'. Quite remarkable enough is the fact that the 25th amendment, by inserting Article 31-c, established the paramountcy of the Directive Principles over the Fundamental Rights. It takes away the power of judicial review in this regard by providing that no law formulated for giving effect to these Directive Principles shall be called in question in any court of law. Thus the 25th amendment sought to create the necessary constitutional environment in which the Government could effectively alter the economic system in a progressive direction*. Thus whatever its earlier limitations or, rather, escape doors for judicial intervention, the constitution as amended from time to time provides the basis for progressive reorientation of our country. In particular, in the realm


* It its judgement of the 24th April, 1973, the Supreme Court has ruled that Article 368 does not empower the Parliament to alter the basic structure of framework of the constitution and also it invalidated that part of Article 31-c which was intended to take away the power of judicial review. We shall discuss later on in another chapter whether amendments to Article 368 are necessary and also try to establish whether further constitutional changes are warranted for the implementation of socialist objectives of the constitution.
of agrarian reform intermediaries were abolished, ceilings were fixed; cultivating tenants were regulated by law, the tiller of the soil secured cultivating rights against the absentee landlords, scattered bits of land were consolidated by a process of statutory exchange.\(^5\)

Whether these are fundamental and contain explicit socialist objective.

The realisation of these aims (as enshrined in the Directive Principles) has been sought through various measures, specially measures taken in pursuance of the Five Year plans. The Second Plan stated for example, that "the benefits of economic development must accrue more and more to the relatively less privileged classes of society ............ for creating the appropriate conditions, the state has to take on heavy responsibilities as the principal agency speaking for and acting on behalf of the community as a whole ........ The accent of the socialist pattern is on the attainment of positive goals; the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community".

Some of the steps taken or proposed in pursuance of this aim may now be considered. Let us also see whether they

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5. Piloo Mody: In the *Lok Sabha Debates* on Constitutional (25th amendment) Bill, 1971, Lok Sabha Secretariat, N. Delhi, p. 42.
are fundamental. Among the various measures taken so far, the following are notable: (i) Land Reforms; (ii) Bank nationalisation; (iii) Control of the distribution system of essential goods; (v) Coal mines nationalisation; (v) Ceiling on urban property; and (vi) Minimum wages legislation etc.

(i) Land Reforms Policy is a fundamental measure in the sense that it will provide for a creative transformation of the agricultural base of our economy. It envisages agrarian reorientation and imposes ceilings and floors on land holdings. The existence of intermediaries in the lands is a continuing manifestation of the feudal nature of the Indian economy. If land reforms really succeed in removing these institutions, the way will have been paved for transition from feudalism to capitalism. But capitalism in agriculture is not the avowed goal of the Government. Since the policy of land reforms involves such far-reaching changes as conferring the right of peasant proprietorship, imposing ceiling on lands, regulation of tenancy reforms, this policy is fundamental and at the same time contains the seeds of socialist transformation. From the viewpoint of development too, agricultural reforms are likely to result in increased supply of food and raw materials to the organised industrial sector. An invigorated industrial sector in its turn, will be able to siphon off the surplus labour from agriculture.  

productivity will be increased on the one hand and on the other, new industrial units would be set up with the use of surplus labour. Viewed in this context, the decisive step lies in a conscious effort to enforce land reforms (abolition of intermediaries, conferment of fixity of tenure, redistribution of land and co-operativisation of agriculture, etc).

(ii) The fundamental aspects of the bank nationalisation measures are as follows:

1. In a planned economy like India, distribution of credit is to be directed to the priority sectors.

2. The ownership and control of private banks are highly concentrated in industrial houses, a feature not in tune with our declared social objectives.

3. Once the banks come under State control mobilisation of savings throughout the entire economy will be possible. 7

From the point of view of economic development, the most important implication of bank nationalisation is the planning of credit, in accordance with the objectives, targets and priorities set in our plans. The entire volume of credit at the disposal of the nationalised banks would be channelled

to the public sector, co-operatives, small and medium business and trade, as well as agriculture. In other words, with the pursuit of this policy a necessary infra-structure for economic development is to be achieved so as to boost up production and a high growth rate.

Rationalisation of credit policy, by means of bank nationalisation, will accelerate economic development, but this alone is not enough. One of the follow-up steps, in this direction would be the imposition of a ceiling on holding of urban property. "After Zemindari abolition and ceiling on agricultural holdings, the absence of control on the growth of urban income and properties is creating a serious imbalance in economic development. The acquisition of urban property is also becoming a means for evading income tax and converting the 'black' money into 'white'. The unchecked accumulation of wealth urban/is giving rise to huge conspicuous consumption, which on the one hand eats up savings, and on the other (through demonstration effect) begets conspicuous consumption. Therefore, a ceiling on these will accelerate the process of higher savings." And at the same time, the concentration of wealth and property by the few would be checked and in this way the wide divergence of income, as existing in the economy, would be narrowed down.

Increase in production and growth rate are no doubt necessary to abolish poverty. But, it is common knowledge that increased production unless accompanied by equitable distribution, cannot lead to any perceptible improvement of the standard of living of the people. Commenting on this phenomenon, Mr. V.M.Dandekar in his "Poverty in India" writes:

"But a plan of economic development which accepts a national minimum and aims at assuring the same to all within the shortest possible time, cannot depend entirely on a high rate of growth ........

"This is not a plea for a lower rate of growth, but a warning that a high rate of growth is not a substitute for deliberate policies to ensure equitable distribution of the gains of development. In the absence of such policies, the process of economic development, as we have witnessed them in the past, make the rich far too rich before the poor can secure even the minimum, widen the gulf between the rich and the poor intolerably and inevitably undermine the democratic foundations of the economy".

It is necessary, therefore, to probe the intent of the Government in respect of the distribution aspect of economic development. The major clue in this connection seems to lie in the economic policy resolutions passed by the Indian
National Congress at its seventy third session at Bombay in 1969, the year of the great divide which saw the old Congress split, evidently mainly on the question of leadership but incidentally also on the question of principles, allegedly those of socialist commitment.

The Indian National Congress was pledged to the establishment of a casteless and classless society based on the principles of social, economic and political justice and equality of opportunity and freedom to work. This can only be realised when democracy extends from the political to the social and the economic spheres. This stand of the Congress Party has been made clear at various Congress Sessions, viz. Karachi in 1931, Avadi in 1955, Nagpur in 1959 and Bhubaneswar in 1964. In pursuance of the objectives an immediate programme for implementation was drawn up as ten-point programme in June, 1967, in which the socialist policy of the party was reaffirmed. Basically, the policy\(^9\) includes the following:

(a) to attain a rapid rate of economic growth in which prior consideration is given to the income groups farthest removed from the national minimum relating to basic needs;

(b) to bring about a basic change in the existing economic relationships in society with a view to eliminating the exploitation of the weaker by the dominant;

\(^9\) Ibid. Appendix D.
(c) to reshape the economic structure in a way which will yield maximum production without allowing the emergence of private monopolies and growth of concentration of wealth and economic power;

(d) to establish and encourage such economic and social institutions as strengthen and consolidate our democracy and socialism in the light of our experience of these institutions during the last two decades; and

(e) to increase employment significantly and in such a manner as will result in fuller utilisation of man power which is one of the most important productive resources of the society.

Accordingly the ten-point programme adopted by the A.I.C.C. at its New Delhi meeting on 23/25 June, 1967, envisaged: (i) Social control of the banking institutions; (ii) Nationalisation of general insurance; (iii) commodity-wise progress in State trading in imports and exports; (iv) A national policy of public distribution of food grains, particularly to the vulnerable section of the country, and State trading in food grains; (v) Expansion of consumer co-operatives; (vi) Curbing of monopolies and concentration of economic power; (vii) Provision of minimum need to the community by 1975, (viii) Imposition of limitations on urban
income and property; (ix) Rural works programme to create employment as well as infrastructure; and (x) Removal of privy purses and privileges of ex-rulers.

The Ten-point programme was adopted to put an end to the distortions existing in the economic life of the community. Nationalisation of fourteen major banks, passage of legislation against monopolies, canalisation of the import of many items of industrial raw materials through the public sector, nationalisation of general insurance, abolition of privy purses and privileges of the ex-rulers, ceiling on urban property, coal mines legislation, etc. constitute important landmarks in the implementation of this programme.

The Congress thus recognised the crucial importance of land reform both as a measure of social justice and as an important input of agricultural development. It directed that the State Governments should adopt the following steps as a matter of urgency:

(a) All laws passed so far relating to land reforms should be fully implemented by 1970-71;

(b) Abolition of all remaining intermediaries by the end of 1970;
(c) Review of existing provisions relating to resumption of land with a view to make them more stringent;

(d) Conferment of security of tenure on actual tillers of the land;

(e) Settlement of surplus land with landless labourers;

(f) Recovery of lands wherever held in excess of the statutory minimum including lands held under benami ownership and distribution thereof thereafter to the landless labour;

(g) Consolidation of holdings throughout the country;

(h) Setting up special tribunals for speedy disposal of land reform litigation;

(i) Provision of free legal aid to tenants and sharecroppers in cases of tenancy disputes;

(j) Association of prospective beneficiaries with the actual implementation of land reform;

(k) A vigorous programme for assignment of Government owned waste land suitable for cultivation to land-less labour with special reference to scheduled caste and scheduled tribes within two years and provision of adequate financial assistance for improvement of such land.
Detailed discussion of the policy measures

Bank Nationalisation: Attempt may now be made to examine these policy measures in some detail and the extent of progress achieved in the implementation of socialist pattern. To begin with, there was the nationalisation of 14 major banks,10 with deposits of Rs. 50 crores or more through an Ordinance promulgated in July 19, 1969 which has since become an Act. As a matter of fact, the nationalisation of banks which created tremendous emotional upsurge in the country in favour of the new leadership is afterall not a new thing.

The economic programme Committee which was appointed by all India Congress Committee, in 1948 under the Chairmanship of Nehru had already recommended the nationalisation of banks and insurance sectors, and the latter was nationalised in 1965. Earlier to this, the Industrial Policy Resolution of 1956 had explicitly stated that the Government can nationalise any industry to safeguard the national interest. So, the process had already begun.

10. These Banks are :-

If democratic socialism implies the establishment of gradual control over the means of production and major economic activities, the nationalisation of the top fourteen banks should certainly be viewed as a major step towards socialism in the post-Nehru period. To use the words of Prof. Amartya Sen, a renowned economist, it is "symptomatic of the changing political equilibrium in the country". Apart from this major political implication, bank nationalisation is also justified on such economic grounds as (a) removal of control by a few; (b) provision of adequate credit for agriculture and small and medium-scale industries and exports; (c) Giving a professional bent to bank management;¹¹ (d) encouragement of new classes of entrepreneurs; and (e) provision of adequate training as well as reasonable terms of service to bank-staff.

The various implications of this measure should be looked at from the long-term point of view, that it would serve as a lever to check the unlawful activities of rural money lenders and put an end to the exploitation of small investors and farmers by them. It would prevent the finance going to anti-social and unproductive speculative pursuits. It would help mobilise hitherto untapped savings and raise deposits from remote areas on a greater scale; this in turn

would increase the financial resources of the Government, making it possible to undertake new public sector projects and direct the money to backward areas which have been neglected so far. Above all, by encouraging banking habits through the opening of branches in previously unbanked centres would enormously enlarge the scope of the monetised sector of our economy thereby facilitating control and regulation by the Reserve Bank of India in terms of monetary management of the banking sectors all over the country. The nationalisation of banks would bring nearly 83% of the total deposits; 84% of the total credit; and 82% of the total number of branches under the fold of public sector banking. \(^\text{12}\)

It is worth noting that the number of offices opened, deposits mobilised and advances made by these banks during the three years i.e. from 1969 to 1971 in the rural and semi-urban areas have been greater compared to the same by the State Bank of India and its subsidiaries and other Indian scheduled banks. Also their contribution to the totality of banking activities have been larger. In percentage terms, these fourteen banks have accounted for 42% of the total offices opened; over 30% of the total deposits; and 25% of the total advances made between July, 1964 and June 1971.

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Offices in the rural unbanked areas are being increasingly opened. Another point to note is that out of the total agricultural advances, a substantial increase has been in the public sector banking, and in June, 1971, the share of these banks, in the case of direct finance, was 44 percent of the total direct finance, and 46 percent of the total indirect finance. Similarly, the advances sanctioned by them to small-scale industries are on the increase. For example, the number of recipient units went up from 37,072 to 46,223 and the amount of total limits sanctioned rose from Rs. 393.4 crores to Rs. 451.7 crores, during the years 1970 and 1971.

Another remarkable effect, after nationalisation of banks, has been a tendency towards more equitable distribution of bank credit between industrially advanced states and other relatively backward states and union territories. For instance, in the year December, 1968 the concentration was more in the industrially advanced States, but the figures in March 1971, have shown fairer distribution in other areas of the country. It should be noted that the percentage-wise distribution of bank deposits and bank credit between industrially advanced states and backward states has been more favourable in March, 1971, as compared to previous years December, 1968 and December, 1961.14

13. Ibid. Ch. IV.
Agriculture occupies a place of crucial importance in the country's economic life. Of the total population of 547 million, according to 1971 census, about 70 per cent are dependent on agriculture. Indian economy continues to be predominantly agricultural; nearly half of the country's national income is derived from agricultural and allied activities which absorb about three-fourths of its working force. In view of the rapid transformation of the economic structure sought to be achieved through planning based on democratic and socialistic principles it is quite natural that land reforms have been made an organic part of the scheme of development.

To recall the resolution of the Indian National Congress in the year 1935 which states: "There is only one fundamental method of improving village life ............., namely the introduction of a system of peasant proprietorship under which the tiller of the soil is himself the owner of it and pays revenue direct to the Government without the intervention of any Zamindar or Taluqdar". The economic provisions of the election manifesto of the Congress in December, 1945, promised in the sphere of agriculture "to leave to the

peasants and landless agricultural workers the fruits of their toil sufficient to maintain them on a par with the industrial workers."

Land Reforms aim at redistributing ownership holdings from the viewpoint of social justice, and of reorganising operational holdings from the viewpoint of optimum utilisation of land. In addition to this, there is the problem of conditions of tenancy i.e. the rights and conditions of holding land. Land reforms aim at providing security of tenure, fixation of rents, conferment of ownership etc. The entire concept of land reform aims at the abolition of intermediaries and bringing the actual cultivator in direct contact with the State. Along with this, the provisions of security of tenancy and rent regulation provide a congenial atmosphere in which the agriculturist feels sure of reaping the fruits of his labour. This type of change in the land system is essential for a basically agrarian economy such as India is to be transformed into a socialist pattern of society.

Abolition of the intermediaries has been given the highest priority in the agrarian reforms programme in India and has almost been accomplished. The intermediaries have achieved a proverbial notoriety not only because they amass wealth without in any way contributing to production but also because they have immense power over the tenants and even more
over agricultural labourers, which they exercised, as a rule, in a very inhuman manner. The prospect of this parasitical class being weakened brought great relief to the country side, especially because they had no social function and could not acquire any. These rather well known facts have been very briefly mentioned here only to indicate the achievements of land reforms in India.

Land reforms ensured that beyond a certain limit, all land belonging to the landlords will be taken over by the State and allotted to small proprietors to make their holdings economic or to landless labourers to meet their age-old land hunger. This policy is a part of the general programme of more equal distribution of income in our society. Prof. D.R. Gadgil justifying an absolute limit to the extent of land to be held by an individual observed: "Among all resources, the supply of land is the most limited and the claimants for its possession are extremely numerous. It is, therefore, obviously unjust to allow the exploitation of any large surface of land by a single individual unless other overwhelming reasons make this highly desirable. Moreover, in the context of the current socio-political climate, redistribution of land would rather appear to be imperative". But he also made it

very clear that, "if no ceiling on non-agricultural income is contemplated, it is not only unjust to impose it on agricultural income, but the measure is bound to create grave imbalance in society". 18 Ceiling of land is "in reality a way of ensuring that the scarce factor of production is not monopolised by few" and "this is a special case of regulating land-ownership, tenure and land-utilisation." 19

Distribution system of essential commodities:

Some of the economic problems currently encountered in our country have been created by slow rate of growth in precisely those sectors which form the basis of rapid and continuously rising levels of industrial and agricultural production. Another important aspect is that whatever benefits have accrued from economic growth have not reached large masses of the people whose standard of living continues to remain still very low. This is due to the slow rates of growth, inflationary tendencies and inequitable system of distribution. In an economy with so much disparities in income, an inflationary pressure is likely to hit hard the

low-income group. Incidentally, it has been contended that a certain amount of inflationary pressure, or rise in the level of prices in some sectors of the economy instead of merely being the cause of hardship also helps directly or indirectly the process of growth. In this sense, price rise is conducive to economic development. What is urgently needed is the expansion of credit and money supply commensurate with the rapid development and diversification of the economy. But, in the consuming sector, stability of price is equally necessary. This policy as pursued by the Reserve Bank of India, may be termed broadly as one of controlled expansion i.e. a policy of adequate financing of economic growth and at the same time, ensuring reasonable price stability. The most important concern in this context has to be the creation and successful operation of a public distribution system which would at all times ensure availability of foodgrains and other essential commodities to the common people at reasonable prices. A planned economy is incompatible with periodic distortions of the price structure caused by antisocial activities of private traders in commodities used by the common people.

The response of the ruling party to the menace of inflation has been rather unconventional. While the A.I.C.C. at its meeting at Gandhinagar, Gujarat in October, 1972 has
reviewed the current economic situation with special reference to recent spurts in prices, its diagnosis was that from 1970 onwards, pressure on the price front has been due to largely unforeseen calamities such as drop in food-grains production by about 4 million tonnes in 1971-72 due to unfavourable seasonal conditions compared to previous year, the sluggish growth in industrial production due to limited supplies of many essential articles, the additional expenditure incurred on account of the needs of defence as well as refugee relief during the Bangladesh crisis. The A.I.C.C. solution was that efforts must be made to establish a public distribution system that would cover essential commodities of mass consumption including, (i) Cereals (wheat & rice); (ii) Sugar; (iii) Edible oils; (iv) Kerosene and (v) Standard Cloth. A public distribution system can be a success only if the Government has control over the wholesale trade in those commodities.

Take-over of Wheat Trade:

Following the resolution of the A.I.C.C., the Government of India took the decision of take-over of the wholesale trade in wheat. Such a take-over was held out as a socialist measure and, when achieved through monopoly procurement

should be dovetailed into an effective system of retail distribution, holding of buffer stocks and appropriate price policy. Removal of the wholesaler, who had so long dominated trade in foodgrains, was held out as an end in itself. The idea was to destroy this 'capitalist' intermediary who not only received exorbitant profits but also had a monopoly over the market, thereby holding the country to ransom in times of scarcity. The policy aimed at protection of the poor against abnormal price rise, especially during drought or crop failure and price stabilisation or protection against speculative rise in prices during periods of shortage caused by drought.

Coal Mines Nationalisation

Mr. Mohan Kumaramangalam, a prominent figure among the Union Ministers with known socialist leanings, gave reasons for nationalisation of coal mines in this way: "Under State ownership the consumer will be assured of getting the quality of coal suitable for this purpose at a reasonable price, and will, at the same time, be protected from unduly high prices which a combination of private enterprises might impose on the market." Evidently, the primary object of nationalising the Coal Mining Industry, as laid down in the preamble of the Nationalisation Act was to make available to

consumers adequate quantities, and the required quality of coal at a fair price. When the Coking Coal Mines (Emergency Provisions) Ordinance was issued on October 16, 1971 to take over the management of 214 Coking Coal Mines and 12 Coke Oven Plants, one of the reasons given in the preamble was that the way in which the private sector "slaughter" mining was wasteful, and that the coking coal needs of the Iron & Steel Industry could be more efficiently satisfied by nationalisation. All Coking Coal Mines and Coke Oven Plants were nationalised on May 1, 1972.

With a similar object in view the Coal Mines (Taking over of Management) Ordinance, 1973 was issued on January 30, 1973 pending nationalisation. It was replaced by an Act in March, 1973. Later, the Coal Mines (Nationalisation) Act, 1973 was passed by which 711 non-coking Coal Mines were nationalised with effect from May 1, 1973. As stated in the preamble of the Act the purpose was to ensure the rational, co-ordinated and scientific development and utilisation of coal resources consistent with the needs of national economic growth.

Ceiling on urban property

The question of ceiling on urban land has been a live issue almost since the Bombay resolution of the Congress Party. From all indications available to-date it may be
said that the commitment to enact legislation in this regard is now firm.\footnote{Editorial Comments, \textit{Statesman}, Cal. dated July 10, 1975.} It is clear that ceilings will be imposed on the ownership and possession of vacant urban land. Presumably, existing ownership of buildings and residential houses will not be affected by the proposed ceiling; restrictions on the plinth area of dwelling units will apply to those newly constructed. The Government will naturally have to acquire all land in excess of the ceilings. The principle of socialisation of urban land is, however, not new. Acquisition for a public purpose is a well established right of the Government; disputes in the past were mostly related to the principles of compensation but the scope for litigation on this subject has been narrowed down by the recent constitutional amendments (25th in particular) which have substituted the expression "amount" for compensation and excluded judicial scrutiny of the principles laid down by the law for the payment of compensation. The social benefits of urban land ceilings will depend largely on the speed with which the State administrations can take action in developing and allotting surplus land for housing programmes.

The Urban Land (Ceiling & Regulation) Act is, on the whole, a remarkable piece of legislation on a complex and
controversial matter and clearly sets out the Government's ideological inclinations. The Act attempts to fix a ceiling only for vacant land in and around the major cities while regulating the transfer of all other kinds of urban property and controlling the construction of houses, blocks of flats, etc.

It covers three main areas: the extent of vacant land that can be held, the transfer of urban land and buildings, and finally, the maximum permissible plinth area for residential constructions. It not only provides for the acquisition of vacant land in excess of the limit allowed but also empowers the Government to buy up any vacant land and/or building that might be offered for sale. The Act is without retrospective effect, but transfers made after February 16, 1975, are included when computing the transferer's limit. These rules are now applicable not only to urban agglomerations in certain States, but other such areas as are listed in the schedule in the expectation that the measure will sooner or later have nationwide application.

Minimum Wage Policy

A wage policy in a planned economy has necessarily to aim at a structure of wages which expresses and embodies the

principles of national wage-fixation in accordance with its basic social objectives which in India must be taken to mean realisation of a socialist society. Since the attainment of independence, progressive fixation of statutory minimum wages to workers in different industries has been an important aspect of the Government's wage policy. Wage legislation is an important branch of labour legislation. The question for the worker is the fixation of his wage and protection against its being withheld or reduced. The protection of wages has been achieved to a large extent by the Payment of Wages Act, 1936 and a minimum wage is guaranteed under the Minimum Wages Act, 1948, in certain employments. The payment of Wages Act sought to ensure the regular payment of wages and to prevent exploitation of the wage-earner by arbitrary deductions and fines. The Act was subsequently amended by the Payment of Wages (Amendment) Act, 1957, which was enforced with effect from April 1, 1958.

The Minimum Wages Act, 1948, has been described as a new landmark in Indian labour legislation. Soon after independence, the Government assumed the responsibility for securing a minimum wage for certain sections of workers both in industry and in agriculture, who were economically weak and therefore needed protection. The Act applies to a number of employments which are listed in a schedule appended to the Act and may be extended by the Central or a State Government,
as the case may be, to any employment in respect of which it is of opinion that minimum rates of wages should be fixed under the Act. As regards the machinery for fixing minimum rates of wages, the appropriate Government is empowered to appoint a Committee to hold enquiries and advise it. The Act further requires the Central Government to set up a Central Advisory Board for the purpose of advising the Central & State Governments in matters relating to the fixation and revision of minimum rates of wages and for co-ordinating the work of the advisory boards. The time limit for the fixation of minimum wages in the scheduled employment has been extended from time to time.

In 1965, the Government of India constituted a One-man Committee to conduct a comprehensive survey of the administration/enforcement of the Minimum Wages Act, 1948. The terms of reference of the Committee are: (i) to examine the working of the Act and rules framed thereunder, both in the Central and State spheres; (ii) to examine the existing methods/processes for fixation/revision of minimum wages and to suggest improvements, if any; (iii) to examine cases where review/revision of minimum wages was delayed and to recommend suitable measures for expediting review/revision of minimum wages in future; (iv) to examine whether enforcement/implementation machinery at the Centre and in the States is adequate or whether it needs
to be strengthened; and (v) to make such recommendations as the Committee may deem necessary to make the Act more effective.

But since independence, increases in money wages of industrial workers have not been associated with a rise in real wages. In this respect, we may refer to some of the recommendation of the National Labour Commission: 24

(i) Once the minimum rates of wages are fixed according to the procedure prescribed under the Minimum Wages Act, 1948 every employer should be compelled to pay the same, irrespective of his capacity to pay. The Government should revise the minimum wages at least once in every three years. If, as a result of adverse price situation, wage rates require adjustment within three years, the local authority should make such adjustments.

(ii) It may be possible to fix a regional minimum for different homogeneous regions in each state.

(iii) Need based minimum wages can be conveniently introduced keeping in mind the extent of the capacity of the employer to pay the same. Every worker in organised industry has a claim to this minimum.

Regarding the operation of the minimum wages Act in rural areas, the National Commission on Labour strongly recommended the continuance of the Act on the ground that in the long run, with greater awareness of their rights on the part of agricultural labourers, the fixing of minimum wages would be useful. As regards enforcements, the Commission has suggested that the Panchayats might be asked to enforce minimum wages.

An overall assessment of the socialist potential of the Public policies.

The socialist policy measures, as pursued in India since independence, owe their allegiance to the doctrine of 'mixed economy' as incorporated in the Industrial Policy Resolution, 1948. A mixed economy is essentially a transitional phase (from capitalism to socialism) during which features of the old and the new systems are simultaneously found side by side. It is interesting to note in this connection that this mixed economy policy is sometimes likened to the Soviet New Economy Policy of the twenties (NEP). Some of the points of similarity between the NEP and the mixed Economy: Policy are as follows:

(i) The NEP was a compromise between the State and private economies in a period of transition. While some restrictions


on private trade were lifted, in later periods, stress was laid on the steady elimination of private trade. In the case of the Indian mixed economy, public sector and public sectors continue to coexist side by side peacefully.

(ii) The NEP, for sometime, used to bring about economic development by helping private enterprise, giving incentive to farmers and traders and revitalising agriculture. In India, it is recognised in the Industrial policies of 1948 and 1956, that private enterprise, if properly directed and regulated, has a valuable role to play. The Government of India recognise that it would, in general, be desirable to allow private sector undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plans. When there exist in the same industry both privately and publicly owned units, it would continue to be the policy of the state to give fair and non-discriminatory treatment to both of them.

(iii) Inspite of the NEP, public sectors in the Soviet economy occupied a dominant position in finance, large scale industry, transport and foreign trade and private sector was only limited to agriculture, small industries and home trade. In India, the State would progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for setting up new industrial undertakings and for developing transport facilities.
(iv) In the Soviet case, direct participation of the State in the strategic points of the private economy was inevitable. In India, the role of the State is not altogether set aside, the State has the constitutional right to acquire property, regulate and control private enterprise, although there is nothing to compel it to exercise the right.

The fact then stands out that the Soviet economy, by following this New Economic Policy, gradually turned itself into a socialist economy. The state ownership and control over the means of production was ensured. In contrast to this, the Indian economy, at the expiry of long 30 years since the adoption of the mixed economy policy, still remains in a transitional stage. The private sector as compared to the public sector still occupies certain 'commanding heights' of the national economy. It cannot be said, even at this stage, how low the process of transition will be. In between the two economic extremes, capitalism and socialism, it seems that the country is yet to pull itself away from the one in order to be able to move towards the other. While the socialist potentialities of the policies so far adopted by the government need not be belittled, their effectiveness is very much circumscribed by the overwhelming presence of the capitalist elements and the failure of the government at the administrative level to check their anti-socialist activities.