CHAPTER II

Literature Review And Research Methodology

Literature Review

Introduction:

Economics, as a discipline, has to sub-serve a social purpose. The study of any discipline is ultimately justified by the benefit that the society gains. The basic response of a social science like economics in improving the well-being of the people should never be lost sight of.

The recent economic reforms (New Economic Policy Reforms 1991) have brought to the fore the issue of the respective roles of the state and the market. “The optimal mix of state and market” is one test for determining the respective roles of the state and market and it is an application of the concept of comparative advantage. In relation to each activity it may be possible to examine the comparative advantage of state instrument versus market instruments. Even in relation to Government intervention, the choice of government regulation versus ownership needs to be determined.

The literature on the evolution of the respective roles of the state and the market from the days of Adam Smith needs to be reviewed in the context of privatization of the Indian economy.
The **socialism in Indian planning: ‘The Principle of Equality’**

The concept of equality has been the “hard core” of socialist idealism through the centuries. The preamble to the constitution of India also assures “Equality of status and of opportunity” to all the citizens. It is quite evident that equality “does not and can not mean that everybody is physically or intellectually or spiritually equal or can be made so.” But it does mean equal opportunities for all and no political, economic or social barrier in the way of any individual of group.” It connotes a basic faith in humanity and a belief that there is no individual, or group or region that can not makes satisfactory progress in its own way if adequate opportunities are made available. Prof. Laski clarifies that “adequate opportunities” can not imply equal opportunities in the sense that there is “Identity of original chance.” The native endowments of men are by no means equal. In any event, under socialism every individual should have equal opportunities for social, economic, educational and cultural growth in accordance with his inherent capacities or potentialities.

Equity or the principle of human equality is the fundamental to the Indian economic philosophy. It has always been the centrality of the socio-economic and political philosophy of the nation. Barbara Wards forcefully points out how one of the most meaningful revolutions in the modern world is “the revolution of equality, equality of man and equality of nations.”
Equality and Quality

The ideal of equality, instead of being interpreted in a literal or mechanical fashion, should consist in the provision of adequate opportunities to all citizens, without any distinction of caste, creed, sex, or language, for being able to develop their physical, economic, intellectual and spiritual capacities to the optimum level within the available national resources. Since the innate capacities of individuals are bound to differ in accordance with their heritage and environment, the concept of equality should not be incompatible with the development of quality among the citizens of a country. As Mr. Nehru emphasizes, "in the final analysis, it is the quality of the human beings that counts." It is, indeed, the equality of opportunities "which enables people to live in freedom and fellowship, to enrich the contents of life and put quality into equality,"

In accordance with the ancient cultural heritage of India, the ideal of equality is based on the philosophy of ‘Vedanta’, which believes in the underlying unity of all beings in terms of the spirit or the "life force."

2.2 Twentieth Century Socialism, Pg. 145
The Philosophical Foundations

Dr. Sampurnanand has greatly emphasized the need for considering the "philosophical foundations' in evolving an integrated pattern of socialism in India. He writes; "Socialism is not merely a system of political and economic measures designed to eliminate exploitation and liquidate class war and, thereby, to raise the general standard of living of the people, giving them leisure to develop on the intellectual and aesthetic planes... These are trappings and implications of socialism and spring naturally from its underlying philosophy. It is this underlying philosophy which distinguishes socialism from schemes of public good based on purely pragmatic consideration." As Professor Mehta observes, even the economist has to make "a search for the one in the many." As Professor Mehta observes, even the economist has to make "a search for the one in the many."

This spiritual approach to socialism in India has, in practical terms, meant that equality of opportunity and egalitarian conditions in society should be brought about through peaceful and non-violent methods, and not through violent means based on hatred and class war. Gandhiji believed that "only truthful, non-violent and pure-hearted socialists will be able to "establish a socialistic society in India and the world."

2.3 Sampurnanand, Indian Socialism, Pg. 3
2.4 J. K. Mehta, A Philosophical Interpretation of Economics, Pg.11
2.5 Harijan, July 13, 1947
Mr. Nehru has repeatedly underlined the importance of the purity of the means in tackling social and economic problems for establishing a socialist society. "It is absurd," says he, "to deny or ignore these conflicts, but we can approach them not by way of conflict, but by way of peace and thus seek to resolve them." 

A Minimum Standard

In order to secure equality of opportunity, we must provide to all the citizens the necessaries of life, including food, clothing, housing, education, and medical facilities. It is quite obvious that these basic needs could be provided to the whole population only up to a certain level in view of the limited resources of the nation. Nonetheless, socialism in India without ensuring a minimum standard of life to all men and women would remain an empty slogan. The state should provide minimum economic standard to all the citizens so that they could live a simple but decent life.

Theory of Percolation

In all underdeveloped economies, efforts are being made to accelerate the rate of economic growth with a view to raising the living standards of the masses. But, in the absence of certain programmes of positive and direct assistance to the weaker sections of the population, merely quickening the rate of economic growth does not necessarily lead to amelioration in the economic life of the poorest sections. Acharya, Vinoba is of the definite view that this "theory of percolation" will not be able to meet the complex needs of the situation. Owing to the speedy
development of a country, the wealth that accumulates in the hands of limited number of people does not easily percolate to the masses. "There is no assurance merely from expanding output per se that the benefit will accrue to those at the bottom of the pyramid who need the goods the most".\textsuperscript{2.7} Mr. Nehru points out that after the Industrial Revolution in Europe, "most of the wealth remained with the few rich people at the top, but a little percolated through to the poorer classes, and their standard of living went up a little."\textsuperscript{2.8} The same phenomenon is now being witnessed in India and other Asian and African countries. It is, therefore, necessary to do some radical thinking about the fundamental problem of assuring a minimum standard to the people of India under the socialist structure of society.

**Right to Work**

The Indian Constitution guarantees the fundamental right of every person to "an adequate means of livelihood," with an equal pay for equal work for both men and women. A socialist democracy must, therefore, ensure adequate opportunities to all citizens to earn their living through productive work with self-respect and dignity. "To a people, famishing and idle," said Gandhiji, "the only acceptable form in which God can dare appear is work and promise of food as wages."\textsuperscript{2.9} Professor Galbraith is of the view that "full employment is more desirable than increased production combined with unemployment."\textsuperscript{2.10}

\textsuperscript{2.7, 2.8, 2.9 N. K. Bose, Selections from Gandhi Pg. 49}
\textsuperscript{2.10 The Affluent Society Pg. 155}
Harold Laski firmly believes that economic equality and liberty, would be meaningless without "the opportunity to find reasonable significance in the earning of one’s daily bread.” Every citizen must "be free from the constant fear of unemployment and insufficiency which, perhaps, more than any other inadequacies, sap the whole strength of personality.211

Work Versus "Doles"

In the most of the western countries, the state tries to grant weekly allowances or "doles" to all those citizens who are registered as unemployed. But there can be no two opinions on the point that it is much better to give productive work to people rather than dole out allowances to them.

Moreover, in India there has been a long cultural tradition that one must try to earn his bread with physical labour of some kind or other. The Gita preaches that he who eats without work is a "thief." The manual labour that a man performs to earn his livelihood was termed by Gandhiji as bread labour. The Third Plan, therefore, underscores the necessity of providing gainful employment to all citizens, both in the cities and villages.
Educational Facilities

Adequate employment opportunities for promoting economic equality in the community could be organized through widespread educational facilities, especially technical and vocational. Professor Gunnar Myrdal observes that "the problem of securing monetary stability with full employment can only be solved in a fully satisfactory way by raising the general level of education."

From this standpoint, the Third Plan provides for free and compulsory education to all children of the age group 6-11; the age group 11-14 will be covered during the fourth and fifth plans.

Mahatma Gandhi had made it abundantly clear that he desired “to impart the whole education of the body and mind and the sole through handicraftsnow useful manual labour intelligently performed”, said Gandhiji, “Is the means for excellence for developing the intellect.”

Vinobaji attaches great value to productive labour in education from the social point of view. According to him, "The separation of learning from labour results in social injustice." "Some people are given nothing but learning to do, and others nothing but hard labour, and as a result the society is split into two.”

The third plan has recommended the introduction of simple crafts and activities as also social service to the community. In all the elementary and secondary schools. Every attempt should be made to “link up basic education with the development activities of each local community.”

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2.12 Gunnar Myrdal, beyond the welfare state, Pg.85
2.13 M. K. Gandhi, Basic Education, Navajivan, Pg.11
2.14 Aacharya Vinoba Bhave, On Education, Sarva Seva Sangh, Pg. 36
2.15 Third five year plan, Pg. 582
This intimate relationship between the school and the community would enrich both the educational institutions as well as the development activities.

Dr. Tagore also maintained that our educational institutional should be in the very heart of our society, connected with it by the living bonds of varied occupations.2.16

The Prime Minister Nehru said: “The idea of Basic education or of education connected with productive work is highly important. It is important again from the point of view of war and from the point of view of discipline and training.2.17

**Technical Education**

Schemes are also underway for the expansion of scientific and technical education. These programmes have been strengthened further to meet the defense requirements in the present situation. At the end of the third Plan, annual admissions to degree courses in Engineering and technology would increase from 13,800 to 19,000.

In order to enable poor but deserving students to take advantage of these expanded facilities for technical education, the government of India has made provision for fairly large number of scholarships. In industrial training institutes for craftsmen, the number of scholarships in 1960-61 was 14,000.

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2.16 Rabindranath Tagor, the center of Indian Culture, Pg.2
2.17 Address to the national development Council, New Delhi, Jan. 19, 1963
Government of India has also sanctioned a scheme for giving loans to deserving students, in addition to the scholarships.

**Health Programmes**

The Third Plan includes several programmes for the development of health facilities for the entire population. The number of primary health centres in the rural areas is being increased steadily so as to provide basic medical facilities to all the villages. The third plan has made provision for the training of health education specialists in order to organize health programmes in schools and adult centres on a countrywide basis.

**“Unto This Last”**

Equality of status and opportunity would be illusory if the economic standards of the lowest income groups are not raised up to a minimum economic level with a sense of urgency. Consequently, Gandhiji paid special heed to the requirements of lowliest stratum of society. It is this “antyodaya” or “unto this last” approach which should permit socialist thinking in an under developed country like India.
Adam Smith: “Father of Modern Economics”

Adam Smith was a Scottish moral philosopher. He is often called ‘Father of modern economics’, or more accurately the founder of modern political economy. In his first famous book ‘Inquiry into the Nature and causes of the wealth of Nations Published in 1776’, Adam Smith provided the first classical exposition of all the economic theories that were current in his day. He owed much to his British and French predecessors and often merely repeated more precisely what they had already said. He supported a “system of automatic response, of self regulating factors” which would make it possible to obtain optimum economic results independently of any conscious human intervention. Adam Smith laid the foundations of free market economics. Adam Smith’s friend and great statesman Edmund Burke (1729-1797) called ‘The wealth of Nations’ probably the most important book ever written. Another friend of him, the great philosopher David Hume (1711-1776) praised the ‘The wealth of Nations’, but warned that popularity for it would come only slowly. He was proved wrong. The book was an instant success and the first edition was sold out in six months. Todd G. Buchholz, a modern economist has brilliantly observed ‘But it is a good book… not only is it a good book, it is a great one.’ Adam Smith confidently delivered nine hundred pages of analysis, prophecy fact and fable, most of it clear, charming and aimed at helping the reader to understand his great book.’

‘The Wealth of Nations’ introduces readers to the world of philosophy, politics and business with the sharp, sceptical, yet ultimately optimistic Adam Smith as a guide. Just when the Industrial Revolution explodes in England, Smith confidently points to every player, from
farmer to friar to merchant to shipper, masterfully making sense of the social upheaval. Furthermore, Smith approaches economic policy without a biased brief for a particular party or class. No one could accuse him of sycophancy or insincerity. Though he finally endorses the rise of the bourgeois, he warns society not to naively succumb to bourgeois blandishments. In a way, the 1776 publication of 'The Wealth of Nations' brought forth a declaration of independence for economists.

Adam Smith is the father of free market economics. He brilliantly states that individual ambition, effort and choice are guided by an 'invisible hand'. A term employed by him in his earlier 'Theory of Moral Sentiments' (1759) and mentioned only once in 'The Wealth of Nations'. To create the highest social benefit: that in order to encourage individuals, government ought not to interfere in economic matters; that efficiency in production will be increased by division of labour (his classic example was a pin factory in which worker specialisation boosts output); that value and price are distinct aspects of economic transactions; that prices and wages are best determined competitively and that 'balance -of-trade' justifications for high tariff walls and other mercantilist protections are hogwash.

The important natural drives or 'propensities' Smith discovers in human nature form the basis of his analysis in 'The Wealth of Nations' and the foundation of classical economics. All humans want to live better than they do. Smith finds 'a desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb and never leaves us till we go to the grave... Between the womb and the grave, there is scarce perhaps a single instant in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind'. Second, Adam Smith points to 'a certain propensity in human nature to truck, barter, and
exchange one thing for another. It is common to all men'. Adam Smith called these urges as the invisible hand of enlightened self-interests.

To increase the wealth of a nation, Smith argues that society should exploit these natural drives. Government should not repress self-interested people, for self-interest is a rich natural resource. People would be fools and nations would be impoverished if they depended on charity and altruism. A healthy society cannot rest its future on the noblest motives, but must use the strongest motives in the best possible way.

Adam Smith's influence was dramatic and immediate. William Pitt (the younger, who became Britain's Prime Minister in 1783) adopted and embraced Adam Smith's free-trade views, and launched Britain on a two-centuries expansion of wealth and power. Such enduringly popular phrases as 'supply and demand', 'benlightened self-interest', and 'invisible hand' testify to Smith's continuing impact and influence.

Smith's work has been claimed for the tradition of economic liberalization. Economic liberalization analyses free market system and claimed that free markets maximize human welfare. Economically, free market at efficiently to distribute knowledge and resources around the economic system, then the material welfare will be maximized. In Smith’s analysis wealth was derived from creative human labour working on available natural materials in order to produce useful objects. The key to increase in wealth of nation is the rise in labour productivity associated with the increasing division of labour.

When Ronald Reagan won the 1980 Presidential Elections, conservative supporters in Washington rejoiced. At cocktail parties and meetings they congratulated one another and looked so forward to prosperity under 'Reganomics'. They also noticed that they were wearing the same neckties, which featured the profile of Adam Smith. What made those politicians and activists pride themselves on patriotism parading the
profile of an eighteenth century Scotsman called Adam Smith? Why not Theodore Roosevelt, Thomas Jefferson or even Barry Goldwater? The answer is simple. They were convinced that Adam Smith was more relevant to contemporary economic issues than the thousands of economists and political leaders who had come after him. Narasimha Rao felt the same way in 1991 and saved India from total economic disaster and self-extinction.
Karol Marx

The basic ideology of Marxism can be traced to the German Hegelian concept as a counter to Lessele’s Iron Law of Wages.

Karl Marx was basically a philosopher whose ideas were influenced by contemporary socio-economic factors and the political situation in Germany.

Marx was concerned with analyzing complex change in Industrial Capitalist Society. He argues on behalf of the proletariat (workers) whom he took to be the inevitable agents of further general social progress. There are three broad areas of influence in the work of Marx:

1. The tradition of German idealist philosophy, exemplified by G.W.F. Hegel;
2. The tradition of English political economy, in particular the work of Adam Smith and David Ricordo and
3. The work of the 19th Century socialist movement in France.

Marx thought that Hegel’s notion of the dynamism and creativity of thinking were correct but he did not accept idealism of the political conservatism. Marx rework Hegel around two issues:

a) The issue of religion and the consequent denial of idealism;
   b) The issue of the state and the consequent denial of conservative authoritarianism.

Hegel was criticized by a group called ‘Young Hegelians’ of which Marx was a member. Marx point out that individuals cannot be alienated from hisself.

Marx argues that human beings are political animals as soon as ever they are social animals. For Marx the modern state is ‘an alienated form of political activity’. Marx wants to start from the person in all his/her a complexity. It is the totality of human existence in society that
has to be looked at because alienation is a social and historical phenomenon. In the political sphere radical democratization represents the overcoming of alienation.

Marx’s discussion in ‘The Economic and Philosophical Manuscripts’ which suggest that alienation represents itself in four ways. In the first phase, worker is alienated from the product of his labour because in industrial capitalist society work is specialized, reutilized and controlled by others. The worker’s product exists apart from him and it confronts him as the wealth of the capitalist or abstractly as capital.

Secondly the worker is alienated from the act of production because specialization, reutilization and submission to external control effectively destroy the typically human creativity of labour. In his work the worker denies his creativity and reduces himself to the status of an element in a wider process. Thirdly, human beings are alienated from their species being as capitalistic social forms deny the social character of labour. Fourthly, human beings are alienated from their fellows as capitalist social relations are typically fragmentary, so lives become fragmentary. This is the ethical core of the work of Marx. He argues that human being create themselves and their societies through their labour. A productive system that degrades labour into more work is thus a deformed system inhabited by deformed people. The recovery of human creativity requires the reconstruction of the productive system. The fundamental contradiction of capitalist society is the private control of social production. The abolition of private property is the necessary condition of the establishment of a system of free creative labour.

The theoretical basis for socialism was provided by Karl Marx and Fedrick Engles, who believed that to an exploitation from the world, it was necessary to abolish private ownership of the means of production.
Marx and Engles considered private property to be the cause of all social and economic evils.

Karl Marx published his ‘Communist Manifesto’ in 1848 and ‘Das Capital’ in 1867.

The Communist Manifesto proclaimed: “A spectre is haunting Europe – the spectre of Communism…. They (the communist) openly declare that their ends can be attained only by the forcible overthrow of all existing social system. Let the ruling classes tremble at the communist revolution. The proletarians have nothing to lose but their chains. They have a world to win.”

The communist manifesto maintained that the history of the existing society is a history of class struggle – the oppressors and the oppressed, the capitalist and the proletariat or workers. The manifesto presented a philosophy according to which class-war was inevitable under capitalist system the basis for which were supplied by the doctrines of Adam Smith, Malthus, Recordo, Senior, James Mill etc. The manifesto called upon workers to overthrow capitalism by violent revolution.

The writing of Karl Marx or Marxism had little influence on Indian economic thought until after the Russian Revolution in October 1917 and overthrow of capitalism in Russia – and adoption of economic planning since 1928. Marxism believed in class-war and violent revolution to attempt the goals of avoiding the class conflicts and establishing a classless society.

Since early 1930s Marxism started casting its increasing influence on Indian thinkers, especially Indian labour leaders leading establishment of communist and socialist parties in India with Marxism as their theoretical foundation. The communist and socialist parties started advocating economic planning, nationalization of largest scale industries, fare wages for workers and stopping of exploitation of workers by employers in large scale industries. Attempt were made to destroy landlordism in Telangana by violent mean and Naxalites in certain parts of West Bengal and northern Indian. Though a small section of the communist and socialist parties continue to talk in terms of violent overthrow of capitalism, by and large, they have come to accept at least in practice, democratic method, to bring about the transformation of the capitalist society.
Fabian Socialism

Fabian Society was established in London in 1884 with the objectives of bringing about peaceful transformation of capitalist society (instead of violence means as advocated by Karl Marx). Fabianism aimed at avoiding class conflict between capitalist employers and workers and at bringing about the establishment of socialism by educating people and by social reforms through democratic means. It is a way to educate people to transform peacefully capitalist society into socialist society.

Unlike Marxism, which believed in class-war violent revolution, Fabian believes in democracy and gradualism. Thus Fabianism evolved into “Democratic Socialism.” During the student days in England, Jawaharlal Nehru’s views came to be influenced by Fabian socialist thoughts. He has repeatedly emphasized that the principles of communism and as enunciated by Karl Marx do not fit into the dynamic world of today. Marxist economics,” observes Mr. Nehru, “is in many ways is out of date “ and has definitely allied itself “to the approach of violence.” “It does not seek to change by persuasion or peaceful democratic pressures, but coercion and, indeed, by destruction and extermination.\(^\text{2.19}\)

\(^{2.19}\) Shriman Narayan, “Socialism in Indian Planning”, Asia Publishing house, Bombay
Development of Political, Economic and Social Philosophy in India

The evolution and development of socialist thought dates back to the last one hundred and fifty years or so. In the words of Ashok Mehta, “The word socialism” is first used in ‘Le Globe’, a French periodical, in 1833, to explain and characterize the Saint-Simonium doctrine. In the succeeding 120 years the word has been used endlessly but with varying shades of meaning.

In the context of the Indian situation, one may find that every political party, whether in power or in opposition, seeks to project its faith and commitment for ‘socialism’ and claims to identify its economic policies and programmes according to its own conception of socialism. The development of Indian socialist thought is a twentieth century phenomenon and the two dominant factors that influenced its growth and development were

1. The Bolshevik Revolution of 1917 under Marxism – Leninism and
2. The Indian National Movement under the leadership of Mahatma Gandhi

While there existed pro-eminent socialist thinkers in the west during the 19th century, socialism as a philosophy of social and economic change developed in India in the first quarter of the twentieth century as a part of national struggle for independence. However the impact of western socialist thought has been well marked on Indian socialist thinker who sought to project it as a philosophy of social and economic reconstruction of India. The source of inspiration was largely Karl Marx on one hand and Mahatma Gandhi on the other.
The birth and development of socialist thought in India took place in the context of quite different factors that influenced its development in the western countries, which may be called Western Socialism. In India socialism grew as an ideology for India’s political liberation and along with its as a plan for India’s economic development. The basic problem in India before independence was the deplorable condition of the rural agrarian population, the bulk of whom belonged to the class of landless workers, small farmers and the downtrodden, poor and socially backward masses. Since the industrial development had been slow and confined to a few regions, the problem of industrial labor assumed only secondary importances. In Western countries the dominant feudal system had almost extinct by the end of the 18th century. Democracy and the capitalistic liberation resulted in the decay of feudalism in western Europe and as a consequence of the industrial revolution, which gave rise to capitalism, western socialist launched a frontal attack on the evils of the capitalist system on one hand and evolving the alternative socialist ideology on the other. In post independence period the words ‘Gandhism’ and ‘Socialism’ have assumed wide currency at the hands of various political parties. There words became a part of political strategy to seek vote and capture power.

**Impact of Economic Policies on Socialist Thought**

The Indian Socialism developed during the first half of the 20th century. The socialist thinkers like M.N.Roy, J.P. Narayan, Ram Manohar Lohiya had the opportunity to study economic and political development in Europe and America during their stay abroad. They had also the opportunity to analyse the economic policies of the Imperialist British Government in India. There involvement in the national movement
created in them an urge for the establishment of a new social order incorporating the broad objectives of socialism somewhat different from the socialist countries like the Soviet Russia. In the post Independence period, the Indian Government under the Prime Ministership of Jawaharlal Nehru sought to achieve most of these objectives though “Democratic Socialism”, i.e. through the system of ‘Parliamentary Democracy’. 2.20

2.20 Dr. Usha Singh, “Economic Thought of Indian Socialist”, Deep and Deep publication, Pg. 18
Since most of them were opposed to the violent revolutionary approach of Lenin and Mao and had accepted the Parliamentary system of government, they lost their political force by 1960. The socialist movement developed signs of disintegration soon after India became independent. They could not offer a viable alternative to the socialistic policies of Nehru’s government.

As regards the impact of the economic policies of the government on Indian socialist thought it would not be out of place to mention that during the period before and after independence political factors had the dominating influence on contemporary thinkers. However during the freedom struggle the government directed its economic policies towards the selfish colonial interests of the British Empire and the economic progress of India and its people had never been its serious concern. Thus the Indian Nationalist leaders, including the socialist thinker, launched a forceful attack on the economic policies of the government as apart of the struggle for India’s freedom. At the same time they gave serious thought to remedial alternative and also the positive approach to the problems of economic development and growth with social justice so as to bring about the emancipation of the poor, downtrodden, socially and economically exploited and harassed rural masses, who had been the victims of British Government on one hand and feudal lords, moneylenders and capitalists on the other. In contrast the post independence period marked all together a different trend. Almost all the main political elements, excluding the rightists and leftists, professed their faith in Gandhism and Socialism and accused the government of deviating from it. The subsequent battles of vote for political power were sought to be fought on economic issue but with a purely political motivation. Thus in political arena the party in power and those in opposition stood committed to justify and criticize respectively the economic policies of the government.
In the above perspective it may be concluded that the economic policies of the government that engaged the thinking of Indian socialist thinkers, were those that related to the following issues:

a) Land reforms with special emphasis on the redistribution of land to the landless laborers, and abolition of landlordism.

b) State ownership of basic industries and public utilities, curbs on concentration of economic power in the hands of monopoly capital and transfer of power to the producing class.

c) Better deal to industrial workers, strong trade unions movement, workers participation in management and profit-sharing etc.

d) Development of village and small-scale industries with a proper role assigned to them in national economy and state assistance in a way to remove all constraints in respect of their development.

e) Organization of cooperative to cover all aspects of socio-economic life as prerequisite to the establishment of a socialist order.

f) Effective economic planning under the state direction and control of achieve the well-defined socialist objectives.

g) Development of the institutions like village panchayats as the vehicle of economic and social change and for decentralization of power so that the true socialist democracy may grow from bottom to the top.

h) Recognition of right to work as fundamental right, liquidation of rural indebtedness and extension of credit facilities through institutional finance, state monopoly in the matter of foreign trade and rationalization of the tax system to reduce the burden of the rural peasantry.

i) Abolition of land revenue on small and uneconomic holding and progressive taxation on higher income
groups in respect of direct taxes and on luxuries in respect of indirect taxes.

These were the policy issues that engaged the attention of the Indian socialist thinkers as a part of their strategy during the freedom struggle and influenced their attitude towards the economic policy of the government in post-independence period.

**Economic Content of Indian Socialist Thought**

*The main socialist thinkers:*

‘Equity’ or the principle of human equality is the fundamental to the Indian economic philosophy. It has always been the centrality of the socio-economic and political philosophy of the nation.

For the sake of analytical convenience the main Indian socialist thinkers have been classified into four distinct schools of thought:

i. Revolutionary socialism – M. N. Roy

ii. Gandhian – Marxism – Jawaharlal Nehru

iii. Gandhian socialism – Narendra Dev, Jay Prakash Narayan, Ram Manohar Lohiya, and Ashok Mehta, and

iv. Sarvodaya Philosophy – Acharya Vinoba Bhave

Although there seems no scientific rational to categories Indian socialists thinkers into one category or other yet it a well recognized fact that there are two dominating philosophies viz. Marxism and socialism. Both aimed at the common goals of socialism but were opposed to each other on the means to achieve them.
1. Revolutionary Socialist – M. N. Roy

Narendra Nath Battacharya, later known by the assumed name Manabendra Nath Roy, was born on March 21, 1887 in the 24 Parganas district of west Bangal.

He can rightly be regarded as one of the fore runners of Indian socialist thought while he is better known as a political philosopher, yet the economic content of his socialist ideas is no less important.

The economic content of M. N. Roy’s philosophy:

1. He opposed ‘Capital Intensive Economy’ and looked upon a ‘Labor intensive economy’ based on dignity of labor as the only solution for the oppressed and exploited humanity. Here one can clearly see an identity of views in M. N. Roy and Mahatma Gandhi.

His quest for new social order based on ‘Humanism took him first to militant nationalism and then to Marxism.

2. M. N. Roy was a strong advocate of maximum involvement of the common man not only in the governance of the country but in the decision making process involving the socio-economic welfare of the people based on individual initiative. He was a strong advocate of human liberty and could not compromise with the new development in the post-revolution era and therefore he marked his break away from Marxism which was earlier a matter of faith with him. Mr. Roy did not believe only in theoretical philosophy of Marxism. He had seen in practice in Russia and in a way he was disillusioned the main reason for this was his basic faith in freedom and democracy. World transformation and human emancipation at
the cost of freedom and democracy was against his own concept of revolutionary socialism.

3. M. N. Roy was of the view that the future of democracy in the world was linked with the freedom of India and that is why he predicted Fascism in the world if democracy did not succeed and to that extent he made out a strong case for support and sympathy for India’s freedom to ensure the future of democracy in the world. Even today his views are relevant to the extent that India’s economic growth and development is a guarantee for the future of democracy in the world.

In this connection it is important to note that Roy had founded the Radical Democratic Party in Indian with the sole objective to establish democracy after achieving independence and make it an instrument for removal of poverty, social injustice and inequality and finally the emancipation of man not only in India but all over the world.

4. Roy M. N. also had deep faith in Indian Nationalism while advocating social and economic reforms he did not agree with those advocates of social reforms who advocated the introduction of social and political institutions associated with western civilization and at the same time criticized western way of life. Roy himself accepted the drawbacks of Indian way of life. Such as caste system, religious superstitions, place of women in Indian society and the like. However he advocated a progressive approach to socio-economic reform based on the application of modern science and technology.
5. Roy’s views on Poverty:

He believed that the poverty of the Indian masses is the result of economic exploitation by British imperialism and native feudalism. The liberation of the Indian masses, there fore, required not only the overthrow of British imperialism but subversion of the feudal patriarchal order which constituted the foundation of foreign political rule. He believed that mere national independence is not enough for removal of poverty but India needed a social revolution.

6. He considers that industrial backwardness is the root cause of India’s poverty and thus recommends rapid industrialization through the application of modern science and technology. He admits that industrial development can take place through the capitalist system of private enterprise and mode of production or through a system advocated by communist and socialist thinkers.

Here one may dispute Roy’s contention that rapid industrialization alone is a solution for removal of poverty in a country like India where bulk of population lives in the villages and agriculture is their sole means of livelihood. Thus the development of agriculture and village and small – scale industries must be associated with industrialization to ensure employment and better standards of living for India’s poor and downtrodden masses.

According to Roy economic disability is the root cause of social and economic disparities. It is not lack of ability but lack of opportunity that creates difference in education and culture.

Advocating the traditional Marxist argument Roy contends that poverty is the result of exploitation because labour do not get full reward. The wealth of the rich does not rightfully belong to them but to those who
have worked to produce it. Thus Roy held a firm view that the only solution of the problem of poverty is the equitable distribution of wealth.

Roy rejects the Gandhian economy and finds it incompatible with the developmental needs of India. Low level of agricultural productivity is also the main cause of poverty of our peasantry. Roy is emphatic on the need of educating the masses.

2. Gandhian - Marxism — Jawahar Lal Nehru

Gandhism – Marxism – Jawaharlal Nehru

Jawahar Lal Nehru, the main exponent of Gandhian-Marxism represents a synthesis of both Gandhism and Marxism besides his own perception of 'Democratic Socialism'. He had his own vision of the future India, which found its manifestation in the shape of Five Year Plans, the concept of ‘Mixed Economy’, development of science and technology, modernization of agriculture, emphasis on basic heavy industries, irrigation and power, village and cottage industries, land reforms, cooperatives, village panchayats and a host of other policy measures to bring about a socialist pattern of society. He accepted the basic aims of Marxism but did believe in achieving them through violent revolution and a ‘Totalitarian State’, His faith in Gandhian philosophy of non-violence and parliamentary democracy brought him nearer to the philosophy of democratic socialism. Thus his socialist ideas of the pre-independence era marked some deviation when he became India's Prime Minister are charged with the task of translating his vision of modern India into reality through positive action. The economic content of Nehru's socialist ideas can briefly be summarized as follows:
a) Nehru believed that political freedom has no meaning in the absence of economic freedom, which is possible only through rapid economic growth. The instrument of economic planning alone can help in achieving the desired goal. The inspiration came from the achievements of Soviet Russia in this regard. In Nehru's conception of economic planning the objective was to strike a balance between a number competing goals, e.g., rapid economic growth with social justice, self-sufficiency in food and other basic needs of the people, removal of poverty and unemployment, raising the standard of life of the Indian masses sound national defense. Industrialization, irrigation and power, modernization of agriculture, transport and communication naturally needed top priority in the strategy for planned economic growth.

b) Nehru thought of a kind of socialization of the economic structure as an essential condition for effective planning. His ideas about economic planning reflect a positive socialist orientation within a democratic framework rather than the strong centralized authority of the totalitarian state.

c) Nehru regarded big and small-scale industries and agriculture as mutually depend on each other. In his view a strong industrial base was vital for the development of the Indian economy. Heavy industries like steels, cement, heavy electrical, chemicals, machine tools, etc., needed priority in the long-term perspective in order to sustain the development of agriculture, small-scale industries and consumer good of mass consumption. The same agreement was valid in respect of the development of infra-structure such as power generation, irrigation, transport and communication, etc,

d) The development strategy conceived by Nehru called for huge capital investment, imported technology with low profitability ratio in the
public sector undertakings. Being highly capital intensive it did not ensure adequate employment potentials. This gave rise to the controversy regarding Public Vs. Private Sectors. Nehru has also been criticized giving too much emphasis to heavy industries ignoring the rightful claim of agriculture and small-scale industries. Subsequent experience did not bear testimony to this time of argument.

e) Nehru favored 'Mixed economy' as the only alternative to either capitalism or communism because it incorporates the positive aspects of both and ignores the negative aspects of each one of them. In the absence of effective state regulation and control, private sector is bound to lead to monopoly and concentration of economic power in few or hands and thus run counter to the desired objective of economic growth with social justice and so Nehru conceived the major role, for the 'Public Sector'. His concept of the 'Socialistic Pattern of Society' testimony to it. He favored nationalization but not in a blind way.

f) On the question of cottage and small-scale industries Nehru stood by Gandhiji’s concept of Swedeshi and Khadi. In his view such industries have a role to play in accelerating production and providing employment, specially to the rural masses. In his view socialism would be meaningless unless everybody is employed and pays his role in the task of nation building. The state must help in their development but these industries must have the strength and vitality of their own. In Nehru's view decentralization of the means of production in the form of such industries is vital for the establishment of a true democratic socialist society in India.
g) India being a predominantly agricultural country, Nehru regarded the land problem as the dominant question and was of the view that real economic and social progress could not only be achieved by revolutionary change in agriculture through effective land reforms. These included abolition of intermediaries, consolidation of holdings, ceiling on land holdings, distribution of surplus land to the landless and weaker sections of the society and cooperative farming. He sought to achieve these objectives through social legislation. In Nehru's view land reforms were vital to break up the old class structure of the rural society. Land reforms, through legislative measures failed to bring about the desired results. In the new set up the rural society stands divided between big formers on one hand and a vast majority of small and marginal farmers and landless labourers on the other. The root cause lies with the caste-oriented political system, politics oriented panchayats and uncommitted, beurucracy, The Conflict between 'Fundamental Rights' and 'Directive Principles of State Policy' is enshrined in India's Constitution.

h) About 'Capitalism' Nehru held the view that it has the capability to solve the problem of 'production' but in the matter of 'distribution' it denies a just and equitable share to the labour class. That is why it gave rise to Imperialism and an unbalanced world order, its distinguishing mark is acquisitiveness, i.e., to acquire and hold and acquire more. Thus while it helped to raise production but at the same time induced exploitation and inequitable distribution of wealth.

i) Nehru him self professed faith in socialism and had his own notions about its basic aims and objects. According to him socialism aims at state control or ownership of the means of production and distribution so that any individual or group of individuals may be prevented from using them for their personal gain. To that extent he was opposed to the institution of private property as an instrument of exploitation. However Nehru had his
serious differences with Indian Socialists of the contemporary era. Specially
the Indian Communists, who professed Marxism — Leninism without
realizing the socio-economic and cultural background of Indian situation. It
was Nehru's firm conviction that socialism need not necessarily be
achieved at the cost of individual freedom and liberty.

In short Nehru's socialist ideas reflect his deep faith in equality and justice
and that is the reason why he did not commit himself to any rigid ideology.

Mehta

Gandhian socialism is a term used for school of Indian socialist
thinkers, who believed in the achievement of socialist objectives through
Gandhian means. These include equality, social justice, a classless society
free from the barriers of caste, creed or religion, social ownership of laud
and property, decentralization of economic and political power and a
self-sufficient village economy. These thinkers did have their initial
inspiration from Marxism hut the impact of Gandhism was so strong that
they came to be know as Gandhian socialists. All these thinkers have
been the product of Indian National Movement under the leadership of
Mahatma Gandhi. Although, there is a marked variation 111 their
individual approach and line of thinking on certain specific issues yet
their ideas reflect remarkable identity and originality of thought on issues
like land reforms and rural uplift, cottage and village industries,
industrial labour, rule of the state industrial development and other
allied matters.
Gandhian Socialism marks a basic difference with other forms of western socialism because besides the struggle for political liberation from British rule, it had to provide an ideological base for the socio-economic reconstruction of the Indian society. Feudalism, which had disappeared in Europe, was the dominant issue in India. Similarly industrialization, which brought capitalism in the west with its associated evils and gave birth to socialism as a reaction to it, India remained basically an agricultural country with a predominantly rural social structure. Thus rural poverty and unemployment, exploitation of the peasantry by the feudal lords, money lenders and village traders became the main concern of Indian socialists, particularly the Gandhian Socialists.

The basic economic ideas of Gandhian Socialists revolve around the following issues:

i. Abolition of Zamindari system and transfer of land to the tillers of the soil.

ii. Redistribution of land among the Landless.

iii. Major role for cooperatives and panchayats or village Councils.

iv. Liquidation of rural indebtedness.

v. Transfer of power to the producing class in agriculture as well as industrial sectors.

vi. Nationalization and social control of basic industries like transport, mines and public utilities.

vii. Economic planning under state control.

viii. Recognition of right to work.
ix. Abolition of land revenue on smallholdings.

x. Emphasis on the development of village and cottage industries.

xi. Abolition of all forms of discrimination on grounds of Caste, religion or sex.

xii. Class struggle through non-violent means.

Among the Gandhian socialists the impact of Marxism was strongest on Acharya Narendra Dev and Jay Prakash Narayan, which later transformed into Gandhian socialism due to the impact of Gandhian ideology. Ram Manohar Lohia, on the other hand has been basically a militant Gandhian socialist and remained so even in the post-independence era. Ashoka Mehta carried the influence of Gandhism although he professed 'Democratic Socialism' in the post-independence period. The influence of Gandhian thought on these socialist thinkers has been, well marked in respect of Gandhiji’s emphasis on: (a) Manual labour over mental labour, i.e., dignity of physical labour; (b) Cottage industries using simple tools over large industries employing modern machinery; (c) Decentralized economy free from concentration of power in fewer hands; (d) Role of technology and modern machines in basic industries like steel, railways, electricity and ship-building, etc.; (e) Village level planning through community action reducing dependence on the state to the minimum.

The socialist movement, initiated by these thinkers in 1934 under the banner of the Congress Socialist Party, began to disintegrate in the post-independence period because most of its objectives were incorporated in the policies orientation of the national government, which accepted socialism as its broad objectives and they failed to consolidate their
socialist ideas within the framework of a coherent and distinct ideology or a sound action plan—while Lohia, out of frustration assumed the role of a staunch critic of Nehru, Java Prakash Narayan dedicated himself to Sarvodaya Movement in association with Vinoba Bhave and others. The rest preferred to extend qualified support to Nehru's government in the task of nation building in conformity with the accepted objectives of a ‘Socialistic Pattern of Society’.

4. **Sarvodaya Philosophy And Vinoba Bhave**

The Sarvodaya is the sum total of Gandhian philosophy and his own concept of a new social order based on moral and ethical values of individual and social behaviour. The Marxian concept of class conflict is totally irrelevant to it. Sarvodaya disapproves modern civilization because it is materialistic in content and is symbolized by centralized and fast life. In contrast the basis of Sarvodaya is spiritual and so also the means to achieve it— the economic content of Sarvodaya are contained in Gandhiji’s own thought and action and later in the Sarvodaya Plan formulated by his followers. The same could not be launched; Vinoba Bhave's Bhoodan has been a modest effort in that direction.

The Sarvodaya philosophy has been termed as the Gandhian alternative to communism, capitalism and socialism of Nehru’s conception.
Research Methodology

Introduction

Globalization is a complex process comprising of the international political, economic and social philosophy to integrate and bring the world closer.

The concept "Globalization" is used along with "Privatization and liberalization". It is often used in the context of removing barriers and state control over economic activities of people. It implies widely to the unification of people, nations and continents through interaction in various areas. This process of globalization allows integration of countries asking them to adopt market oriented liberal economic policies.

The advocacy for openness in trade presumes that it may bring global investment in the country, which will help to overcome the present economic crisis. Privatization was resorted to by many economies, which were in trouble. India is no exception to this. The Nehruvian model of economic development has now been replaced by the concept of market-economies. The role of the Public Sector Enterprises, with the advent of the New Economic Policy is subject to contraction giving enough room to private sector to operate. Considering the state of the economy and its problems, the Indian government was compelled to announce the New Economic Policy in 1991.

This New Economic Policy (NEP) of 24th July 1991 was the hallmark in Indian economy. It brought structural reforms in the economy with a focus on high growth and enhanced efficiency. As a result, offered a government majority of the public sector enterprises for disinvestment.

IMF and World Bank also played pivotal role in the reform programme of PSUs in India.
The present study academically examines the pros and cons of the government policy of privatization by way of disinvestment of government's equity in PSUs and handing over the ownership, management and control to the private sector.

**Inevitability of the Disinvestment Policy**

A large and dominating public sector was an integral part of India's development strategy for about four decades from 1950 to 1990. Public Enterprises were expected to achieve certain socio-economic goals. But PSUs failed to achieve many of its objectives. The poor performance of the CPSEs like their counterparts elsewhere in the world has been generally considered disappointing. Capital investment in the public sector accounted for a major share of government's expenditure and investment. The central and state governments had become financially weak and politically unstable by mid-1991.

The government was also facing the problem of financial crunch and caught in the trap of the fiscal deficit. This compelled the government to borrow from the international lending agencies or to sell it's assets.

To overcome the situation government accepted the policy of disinvestment as a measure of correcting the state of balance of payment and improving the efficiency of PSUs to make them more competitive in the market economy.
About the Need of the Research

A period over a decade has passed since the initiation of the process of economic reforms and disinvestment of PSUs in India. It is very desirable to undertake a study of the reforms process, its merits and shortcomings. Therefore, an effort is needed to evaluate the results of the process of the disinvestment, initiated by the Government headed by Mr. Narsimha Rao in June 1991. The industrial policy of 1991 abolished licensing and freed the private corporate sector to channel investment in much more productive environment. In this way a process of liberalization was streamlined.

The Research Study

1. To study how for the objectives of the disinvestment policy are fulfilled.
2. To study and evaluate how far the public interest and public resources are safeguarded in the process of disinvestment.
3. To study the utilization of the disinvestment proceeds.
4. To study the improvement in the performance of the PSUs in their post-disinvestment period.
5. To study the disinvestment process with reference to the national objectives of attaining a “equitable socialistic pattern of society with government control on core and strategic industries along with the public sector reforms, particularly, the disinvestment policy reforms undertaken by the government
Objectives of the Research Study

1) To study the disinvestment policy.
2) To study the implementation of the disinvestment policy.
3) To study utilization of the proceeds of the disinvestments.
4) To review the disinvestment process and to evaluate its achievements in the light of its objectives.
5) To try to offer an alternative framework, if any, for privatization of public enterprises.
6) To draw the conclusions.

Scope of the Subject

The study of the subject is related to the following aspects of the disinvestment programme in India.

2. Need for and the over all review of the process of disinvestment.
3. Some issues and problems of disinvestment such as:

A) Issue of the route of disinvestment.
B) Issue of efficiency and autonomy.
C) Issue of the use of disinvestment proceeds.
D) Issue of the political will power
E) Issue of the redundancy of workers
4. Portfolio management / Utilization of the disinvestment proceeds.
5. Critical analysis of the process of disinvestment / Evaluation of the
   India’s Disinvestment program since – 1991 in general and detailed
   case studies of a selected PSUs.
6. Conclusion.

**Method of Analysis**

1. The secondary data has been used to study the disinvestment
   process.
2. Five sample cases of PSUs disinvested have been studied in the
   light of the objectives of the disinvestment program.
3. The method of study covers utilization of data and informations
   available from different sources.
4. The method covers the analytical and comparative study of the pre
   and post disinvestment period.

**Limitation of the Research Study**

Only a five selected PSUs disinvested has been studied.

**Reference: Period of Study**

Plan of the Work

The present study has been divided into nine chapters:

1. The first chapter "Philosophy of Government's participation in Business in India" gives an elaborate view of public sector in the Indian economy since independence. It includes overall performance evaluation and rational for their privatization etc.

2. The second chapter "Literature Review and Research Methodology" which carves out the frame of the study including the objectives, significance and the methodology adopted. The disinvestment data related to the five PSUs have been collected from published and unpublished sources to construct the realistic scenario of the outcome of the disinvestment process.

3. The third chapter entitled "India's Economic Policy, Perspective since Independence", present’s a detailed review as regards the economic policy as announced by the government from time to time, right from the 1948 Policy Resolution till the New Economic Policy of 1991 (NEP 1991)


5. The fifth chapter "Disinvestment Policy Statement and Conflicts" (Modus Operandi) narrates the disinvestment policy of India and its modus operandi. It highlights the major problem areas and the procedure and strategy of disinvestment.

6. The sixth chapter "Implementation of Disinvestment Policy, General progress" explains the process of disinvestment implemented from time to time since 1991.
7. The seventh chapter "Cases of select PSUs"
   This chapter consists of the study of disinvestment programme implemented in some of the selected PSUs which are:
   1. Bharat Aluminium Company Ltd. (BALCO)
   2. Modern Food Industries (India) Ltd. (MFIL)
   3. Maruti Udyog Limited (MUL) etc.
   4. Hindustan Petroleum Company Limited (HPCL)
   5. Bharat Petroleum Company Limited (BPCL)

8. The eighth chapter "Critique of the policy and implementation" pertains to the critique of disinvestment programme since its inception. The issues opposed were mostly pertaining to the procedures and methodology of disinvestment.

9. The ninth chapter entitled "Conclusion, summary, suggestions" finally concludes the study of disinvestment programme of India with the conclusions, summary and suggestions.