CHAPTER III

WETHER THE INTEREST GROUPS ARE CONCERNED WITH ALL KINDS OF PUBLIC POLICY?

Public policies are those policies developed by Governmental bodies and officials. Non-governmental actors and factors may influence policy development. The special characteristics of public policies stem from the fact that they are formulated by what David Easton has called the "authorities" in a political system, namely, "elders, paramount chiefs, executives, legislators, judges, administrators, councillors, monarches, and the like." These are, he says, the persons who "engage in the daily affairs of a political system," are "recognised by most members of the system as having responsibility for these matters," and take actions that are accepted as binding most of the time by most of the members so long as they act within the limits of their roles.¹

In addition to the official policy-makers, many others may participate in the policy process, including interest groups, political parties and individual citizens. They are designated as unofficial participants because, however important or dominant they may be in various situations, they themselves do not usually possess legal authority to make binding policy decisions.

In order to assess the success to date of the access business has achieved by its various approaches to Government, one must distinguish among the kinds of public policy business seeks to influence. Business is not concerned with all public policy. Business involves itself only with those policies which have a redistributive, distributive, regulatory or developmental impact on the private sector.  

Each type of policy requires of an interest group desiring to influence its different style of action with a greater or lesser potential for success. In Gujarat as well as in India, business is least likely to influence redistributive policy, has moderate success on distributive policy, has moderate success on distributive issues and is most effective in influencing regulatory and developmental policy.

Redistributive Policy is the policy which seeks to facilitate socio-economic change by altering property relations through nationalization or redistributing resources through taxation.

Distributive Policy refers to decisions relating to more specific allocation of resources through the setting of specific rates of taxation or imposition of controls over prices, production, and distribution.

Regulatory Policy refers to detailed administrative actions including supervision of certain kinds of business activity such as that covered by Company Law or falling under various income tax rules and regulations.

Developmental Policy consists of those steps which government takes to provide business with the incentive to accomplish larger public purposes such as an increase in exports, an emphasis on certain types of investment, or an entry into a socially desirable activity.

Business has never succeeded in blocking or even in modifying a major redistributive policy. When government itself has been united and determined to act and when it has defected strong popular support for any particular action, no amount of business pressure—whether on the Chief Minister, the Cabinet, the Congress Party, the Parliament, the Prime Minister, or the bureaucracy—can have any impact. Thus business could not prevent the enactment of a variety of taxes on wealth, income and expenditures—taxes designed to raise resources for development and to redistribute income in the name of socio-economic change. It could not stop the nationalization of private sector banks or general insurance. It could not yet convince the government for abolition of state octroi duties. What business can do, however, is to try to convert a redistributive issue into a regulatory issue in which its interests seems self-evident rather than self-serving.

Business pressure is most successful in influencing the timing and content of those policies on which government itself is divided. Where difference of opinion are considerable and the policy does not enjoy an especially high priority, business may be able to provide sympathetic government opponents of the policy with sufficient encouragement or ammunition to achieve a remodeling or delaying action. The good instance for the issue is the illegal constructions made by big organisers on the Ashram Road of Ahmedabad city.

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Under the 1965-75 Town Development Plan, the floor space Index in force on Ashram Road was 1.33. In the 1975-85 development plan, the civic body issued a notification, as required under the Bombay Town Planning Act, 1954 which was then in force, inviting suggestions for any objections to its proposal to maintain the same FSI. But when the proposals went to the state government for approval, the FSI suggested by the civic body was only one.

On the suggestions and objections again invited by the State government on the civic body's proposal, the Ahmedabad Municipal Corporation contradicted its own proposal and recommended an increase in the FSI on Ashram Road to 1.50. Though no final decision has yet been taken by the State government in this regard the standing committee of the civic body recently passed a resolution advising the government to raise the FSI to 1.50 to help construction activities. But the state government of Gujarat has by its order dated 12th February 1982 suspended the execution of the resolution No. 1215 dated 2nd July 1981 passed by the Standing Committee of the A.M.C. The Chief Minister, Madhav Sinh Solanki, however, had said in a speech at Ahmedabad on May 2nd 1981 that the government was in favour of raising the FSI and hinted that it might be raised to 1.50.

All these created lost of confusion among the general public and the builders started taking advantage of the issue. Thus so many huge buildings have come up in Ashram Road violating the FSI in force i.e.
1. Recently the Municipal Corporation demolished part of a hush commercial complex - Chinubhai Tower. The Municipal Commissioner and the director of the tower planning development said that in this particular case, the organisers had violated the floor space index fixed for the Ashram Road by the town planning department of the civic body. The floor space index for Ashram Road was 1 and the part of the building was built violating FSI. The FSI in this case was 1.5 and therefore, the western portion of the building from second floor to fifth floor had been built violating the FSI. The contention of the building organisers had all along been that the FSI for the Ashram Road was 1.5 and on that basis it was built.

But Chinubhai Tower is only one among the many huge constructions made by various organisers in Ashram Road and the Municipal Corporation can never attempt to demolish all such constructions for the simple reason that every second hush house in the city can be cited as a (major or minor) violation of civic by-laws. It is a common belief and assumed opinion amongst citizens that any violation of town planning regulations can be done by giving bribe to the employees of A.M.C. Some even publicly express that the action against organisers of Chinubhai Tower is politically motivated. Many other illegal structures are protected and ignored by the department then why is the action taken against this organization? The case has created the public opinion that law regarding town planning is a very old outdated one. So changes must be made according to the need and urgency of
In short, the political culture in Gujarat is such that business is completely defenceless when the political leadership can state an issue in term of the vested interests or can put the have against the have-nots. It has greater freedom of action on more complex issues, especially at the regulatory and developmental level and to a larger extent on the distributive level. Within the corridors of the ministers and the bureaucracy, moreover, decisions are based not on what groups within the congress party or in the opposition feel government policy should be, but in what it actually is at that moment in time. Their co-operation is needed for the time being at least, in the national development effort, and their complaints, therefore, must be regarded as legitimate feedback enabling government to assess and adjust the impact of government policy.

The shipping industry had to be exempted from the wealth tax on companies because the tax would have placed the industry at a competitive disadvantage internationally. The farm lobby in Gujarat has been able to get concessions from the Hitendra Desai government on the issues of levy, supply of power to agricultural tools like pumps and cut in proposed increase in octroi on agricultural goods. Wherever the government and the ruling party applied themselves to speedy for-

3. Dr. Raman Patel, unpublished note on Chinubhai centre plan case.
mulation and implementation of land-reform and minimum wages for the farm labour, the farm lobby used to get active articulate against it. Farmers used to organise meetings and kisan or Khedut Sabha (farmers' Associations) were always active in different parts of Gujarat in order to exert pressure on the government to desist from further lowering down the ceilings on land ownership. The influence that they exercise and the interest that they represent can not be ignored as most of them are small land-holders - large in number and organised with high degree of politicisation and an acute sense of political efficacy.

The most formidable, however, is the oil lobby in Gujarat (mainly from five districts in Saurashtra) which has proved too powerful in terms of its sources, votes banks and fund raising capacity could not even be controlled during the President's Rule (1974-75, 76) in the state.  

In the case of development policy, government has granted concessions to business as part of its effort to accomplish broader public objectives. In such cases, there is almost a clientele relationship between business and government. Thus, the commerce ministry which is charged with increasing exports, seeks to remove all barriers which impede the ability of the private sector to export its products. Government may also create attractive incentive schemes, tax rebates, and other

concessions for business in an effort to enlist business co-operation in the accomplishment of other developmental objectives. Thus government gives tax relief to the companies for their investment in rural and agricultural development activities. Tax relief is also provided in cases where industrial commercial houses undertake rural development activities unrelated to their regular sphere of work. Recognition is also accorded to the industrial or commercial houses for the services rendered by them in the sphere of rural development. Awards are also instituted by government of India and/or the State government for this purpose.

Business and government then, are not always in conflict, and business, naturally, is most likely to win the day when its interests are congruent with those of the Government.6

The perception of the extent and implications of business influence in shaping government policy varies according to the ideological perspective and expectations of the perceiver. The Left conceives of India as a bourgeois rule in which government decision making is dominated by business. The very acceptance of the concept of a mixed economy is offered as proof, and further evidence is seen in the statements of many top political leaders that the private sector is needed to help develop India.7 Business maintains its

6 Kochaneck, ibid. pp. 31, p-884.
7 Madhavsinh Solanki (Chief Minister, Gujarat)'s statement - Times of India, Feb. 1, 1982.
influence, according to the Left, by control over the Press, by planting men in legislature, by making political contributions, by financial backing from foreign collaborators and western aid donors, and by connivance of members of the IAS who are looking forward to employment by private business after retirement. What business can not get through these means, it simply buys drawing upon its vast hoard of 'black money' to subvert public officials.

The view of the Right is completely antithetical to that of the Left. The Right argues that the tremendous resources of business have been dissipated by a combination of poor spirit and poor organization. Businessmen lack the strong conviction or personal courage to speak out in public in support of their views, the Right explains. And in addition, according to the Right, they do not even attempt to organize their potential supporters in the legislature. Thus their aims go misunderstood in parliament and in the country at large. Furthermore, they have failed to engage adequate professional staffs in their associations. They intervene in the decision-making process too late to be effective. In a sense, the Right seems to be saying, business could be as powerful as the Left thinks it is already, if only it would try.

As Dilip Cherian writes "Most associations and chambers are badly staffed today, and do not even present an exterior of professionalism." Cover Feature, Business India, Nov. 21-Dec. 4, 1983, p-64.
The source for these vastly desperate perceptions is traceable to a combination of factors, first: the basic attitudes of the political culture are strongly anti-business, a traditional image, which modern business has made little active effort to counteract. Secondly, though much is surmised and arrested, very little is actually known about the organization and functioning of Indian business as an interest group. Finally, in the context of the commitment of the government to a socialist pattern of society, almost any contact between business and government is open to interpretation as abandonment of principle under pressure from vested interests.

It is not hostility towards business and trade alone which has deep roots in the Indian political culture: suspicion and distrust tend to pervade all interpersonal relations. Even while society distrusts business, businessmen distrust one another. There is a constant suspicion that agreements will not be honored, that individuals will act independently and contrary to the collective good of the group. The business share in the common fund of mistrust, however, is exacerbated by the traditional status of business in a society where intellectual pursuits rather than economical activities have historically been assigned the highest value. As a result, even though economic growth is given

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the highest priority in Indian planning to-day, and even though the private sector has demonstrated considerable potentials for contributing to that growth, business has been enlisted in the developmental process only under very strict regulation and control. Since business can not be relied upon to practice self-restraint, government must provide a strong harness for the monster it feels it has to live with.\textsuperscript{11}

As a further development of this argument, it is a basic assumption that the fundamental positions of government and business on matters of economic development strategy and policy are importantly related to their different roles in society. Although business groups argue that their positions on questions of economic planning issues out of the sole objective of mass welfare, it is not straining the truth that the basic unstated motive of business is the making of private profit. Such a motive can not but influence the kind of approach that business would take towards questions of economic policy. Of course, one must distinguish between the profit motive of businessmen and the social consequences of their actions, which might well coincide with the stated purposes. On the other hand, they might not coincide. If they always did, government would not have regulations about foods and drugs, nor about air and water pollution, nor about stock markets. As against business, with its pursuit of private profit, government is responsible for the integration and adoption of the society of which it is a part.

Program of economic development for the promotion of the mass welfare have been seen by social scientists as a necessary part of this responsibility of government.

An evaluation of the differences over economic development strategy between business and government has thus to be seen in the light of the contrasting purposes that motivate them. In singling out private profit as the basic motivation for business, one is not oblivious to the fact that businessmen may well transcendent for short periods this motivation in the cause of national interest. After all businessmen are national, too. It is significant of the class alignments in a country under colonial rule that businessmen though devoted to profit-making came to support the nationalist movement against colonial rule. Again in the last part of 1982 when the state had faced a power crisis the big industrialists came forward to cooperate with the government in solving the problem by keeping their mills and industries stopped for couple of hours a day.

But recognition of this fact does not eliminate the profit motive as the dominant, and indeed overriding motive in the activities and affairs of businessmen, for the elimination of the profit motive on a sustained basis means nothing but economic suicide for private business.

The popular image of the underhanded wirepulling capitalism is derived from the assumption that all contacts between government and business are attempts by vested interests to twist public policy in ways
that will be contrary to the national interests and to those of the public at large. This view of the role of business interest groups tends to see business 'pressure as undermentioned. It obscures the actual dynamic inter relationships between govt. decision-makers and a particular sector of the society which is responsible for maintaining and generating increased employment and production. It is a view which is so preoccupied with the possibility of business attempts to subvert major redistributive policies that it ignores the entire range of distributive, regulating and promotional policy in which business has a legitimate interest. Most Indian decision-makers, when pressurized to evaluate the performance of Indian business association, confess first that business associations are weaker than is popularly supposed and second that business associations actually play a largely positive role in the policy process. They perform several positive functions for the political system. They provide a useful platform from which government may educate business and the public. They enable government decision-makers to explain and to justify existing government policies, to answer specific viciticisms of such policies, and to test out new ideas on those who will be most affected by them. Secondly, business associations act as major corrective agents and feedback mechanisms. Decision-makers are not always able to protect the detailed impact of particular government decisions, and business associations provide a mechanism for presenting another points of view. Furthermore, by telling government where the shoe pinches, business can provide concrete cases of undesirable consequences of existing government policies, thus enabling the government to take corrective action in order to accomplish the stated objectives without harmful or counter-productive
side effects. Third, when responding to business criticism by speaking before business groups, decision-makers are forced to do their homework. They are constrained to review past policy decisions assess the results, and justify their actions. Without the stimulus provided by organized groups, no such review would take place, and counter-productive policies might not be discerned so quickly. As one senior official put it "the bureaucracy is very forgetful. They need constant reminding." Fourthly, business associations are considered useful because they provide a mechanism for productive consultation. Whereas sustained consultation is possible with an organized group, it is extremely difficult to carry out systematic discussions with an anomic or agitational group. Fifthly, the feeling by business that it is consulted does produce a sense of participation, even when the advice provided is not accepted. And that sense of participation helps to defuse dissatisfaction and total alienation. Finally, government can not operate without the co-operation of the private sector in a variety of areas, including export promotion and the vast grey areas of business operations which are not covered by specific government controls or regulations. In short, the existence of organized business associations in India is largely functional to the long-term successful operations of a planned, democratic, socialistic political system.