

**THE EMERGENCE AND BREAKDOWN
OF THE NEHRUVIAN ECONOMIC
CONSENSUS 1947-67**

*Dissertation submitted to the Jawaharlal Nehru University
in partial fulfilment of the requirements for the
award of the Degree of*

MASTER OF PHILOSOPHY

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This is to certify that this dissertation entitled **The Emergence and Breakdown of the Nehruvian Economic Consensus 1947-67** submitted by **Mr. Siddhartha Das Gupta** in partial fulfillment of the requirements for the award of the Degree of **Master of Philosophy** has not been previously submitted for a Degree of this or any other University. This is his original work.

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Introduction

The economic policies that India adopted after independence were conceived and executed within the parameters of a broad consensus. This has been broadly defined as the Nehruvian economic consensus, reflecting the enormous imprint that the social and economic vision of India's first Prime Minister left on the shaping of modern India. This work seeks to trace the emergence and ultimate breakdown of this consensus in the mid 1960's. The end of the third plan period saw the Indian economy experiencing the first major crisis, leading to a questioning of major elements of this paradigm and its virtual abandonment subsequently.

The issue of India's underdevelopment under British rule had been agitating nationalist minds since the end of the 19th century. The economic critique of colonialism had been a powerful motif of nationalist propaganda. This had always been combined with a vision of a regeneration of India's economy through the modernization of agriculture and industry. There was however a significant shift in the ideological base of this critique. The earlier thinkers like Dadabhai Naoroji and Mahadev Gobind Ranade had looked to indigenous capital to lift India out of the morass. By the 1930's and 1940's however, under the strong challenge of Marxist and Socialist ideas, this perspective was radicalized.

By the beginning of the last decade of colonial rule a significant consensus had been forged on key issues of economic policy. Almost all sections of the nationalist leadership and informed public opinion were agreed on the need for planning, land reform and a significant public sector, along with a strategy of self reliance based on rapid industrialisation.¹

Some scholars, while willing to admit that a consensus existed, maintain that this was largely confined to the "modern" nationalist elite. In particular Gandhiji's views on the voluntary limitations of wants and his critique of industry and modern communications, including railways, have been cited. A Gandhian perspective has been sought to be counterposed to the Nehruvian paradigm.² But though Gandhiji did articulate a moralist critique of industrialization and advocated a peasant-artisanist outlook in the early stages of his political career, he shifted markedly towards the Nehruvian perspective later. He accepted the need for large scale industries; the only conditions he enumerated were that they be labour saving and be controlled and operated by the

¹ See, Bipan Chandra (ed.), India's Struggle for Independence 1857-1947, New Delhi, Penguin, 1989, pp.523-524.

² See Partho Chatterjee "Development Planning and the Indian State" in Partho Chatterjee (ed.), State and Politics in India, Delhi, OUP, 1997.

state³. On land reforms, Gandhiji virtually abandoned trusteeship and endorsed the Congress programme for agrarian reform. He stood for the abolition of landlordism without financial compensation and was even prepared to countenance a certain amount of violence for it.

On the eve of Independence the Nehruvian consensus thus commanded broad intellectual and political allegiance. Differences centred on specific policies to be followed. As well be seen later, though they often strained the economic consensus, an alternative perspective on development remained still born.

In the following chapters I have tried to highlight the political and ideological opposition that this development strategy encountered. The dissertation comprises four chapters and a brief conclusion. In the first chapter the contours of the Nehruvian economic programme have been sketched. Pandit Nehru's own vision of socio-economic transformation has been sketched in some detail. The second chapter focusses on the Communist critique of this development ideology. The third chapter discusses the response of the right, including political formations and of the Indian capitalist class. In the fourth chapter I have tried to delineate the rise of a stratum of middle peasantry in a specific agrarian zone in an

³ See Chandra, *op.cit.*, p.523.

attempt to situate the peasantist critique of Nehruvian economic policies in the light of the socio-political origins of this class. The political articulation of this class in the late 1960's has also been studied. In the conclusion I have attempted an overall assessment of the Nehruvian paradigm and a brief exploration of the consequences of its abandonment, in terms of the evolution of an alternative set of policies within a different ideological-political framework.

Documents published by the Planning Commission of India constitute a major source of this work. I have also utilized the speeches and writings of prominent political leaders in an effort to gain insight into their thinking on economic policy. Documents of political parties, including records of proceedings of important meetings and resolutions have been examined in order to establish positions of political formations on key issues. The proceedings of the Federation of Indian Chamber of Commerce and Industry have been useful in outlining the attitude to the economic strategy among business and industrial elites. For the chapter on the peasantry, I have relied mostly on reports from official and unofficial sources.

Chapter One

*The Creation of the
Nehruvian Economic Agenda*

The debate on development strategies in the 20th century has seen the emergence of three broad schools. These can be identified as the:

- a) dependency school
- b) reformists and
- c) the neoclassical school.

The conceptual and intellectual frameworks of these schools have provided referents for a broad range of policy options across the world.

The dependency school has been distinguished by the contributions of Paul Baran¹ and Andre Gunder Frank.² Arguing that the world is divided into a core of developed economies and a vast periphery of underdeveloped economic regions, they hold that the strengthening of links with the developed capitalist countries would only intensify and aggravate underdevelopment in the periphery. The ruling classes and social elites of these underdeveloped countries reinforce the links of these regions with the advanced capitalist core to cement their domination. Thus any attempt at structural transformation would be doomed to failure without a sweeping social revolution.

¹ Paul Baran, Political Economy of Growth, New York, Monthly Review Press, 1957.

² Andre Gunder Frank, On Capitalist Underdevelopment, Bombay, Oxford University Press, 1975.

The reformist school draws its intellectual inspiration from Raoul Prebisch, who headed the Economic Commission for Latin America (ECLA). This perspective is based upon the experience of the Latin American Economies in the aftermath of the Great Depression of the 1930's. The export driven Latin American economies collapsed after the loss of their international markets. The central problem of development was articulated in terms of mobilizing sufficient resources to enable a structural transformation to an industrialized economy. While the ECLA initially stressed the acceptance of foreign public capital, a debate raged between the adherents of protectionism and those of foreign capital.³ The final model adopted accepted a degree of foreign assistance but the accent clearly was on import-substituting industrialization.

As a school the neoclassicals have emerged as a reaction to state interventions in the economy. Arguing that there is no long term deterioration of agriculture's terms of trade vis-a-vis industry, the neoclassicals have urged that instead of transforming themselves into industrial economies, non-industrialized nations should rely on comparative advantage.

³ Rosemary Thorp, "Latin American Economies 1939-1950" in Leslie Bethell (ed.) Cambridge History of Latin America Vol.VI Part I Cambridge, Cambridge University Press, 1994, pp.133-134.

India's development experience can be placed broadly within the reformist framework. Questions of the path of economic development to be followed had been debated by the nationalist leadership before the attainment of Independence. In August 1937, the Congress Working Committee, at a meeting in Wardha passed a resolution recommending that a committee of experts be formed to assist the Congress ministries on "urgent and vital problems, the solution of which is necessary to any scheme of national reconstruction and social planning".⁴ Subsequently by a National Planning Committee was formed in 1938. The committee, headed by Nehru, had fifteen members including scientists, economists and representatives of industry and labour.⁵

Two broad trends of thought emerged about the course of development that India should pursue. The Gandhian perspective was that of a community of village republics sustained largely by an egalitarian base of handicrafts and village industries that would act not only as tools of economic development but also as instruments of spiritual and moral emancipation. The modernizing elite, led by Nehru, differed substantially. They partly embraced Gandhi's vision of the social and

⁴ Partho Chatterjee, "Development Planning and the Indian State" in Partho Chatterjee (ed.) State and Politics in India, Delhi, OUP, 1997, p.272.

⁵ Ibid, p.273.

moral dimensions of development; nonetheless they were committed to a speedy industrialization as the main vehicle of growth. Impressed by the Russian example, the broad consensus that emerged among the intelligentsia was that a planned industrial effort must be the means both of achieving higher levels of growth and of bridging the existing wide social and economic disparities.⁶ As has been mentioned earlier, Gandhiji himself later substantially modified his anti-industrial critique and accepted the need for large scale, modern industry.

The debate was thus ultimately led to a consensus around the Nehruvian approach with both mainstream and left wing economists agreeing on the desirability of enhanced production.⁷ Differences however remained on how the social surplus needed for industrialization would be obtained. While a hard core on the left argued for a forcible extraction of the agricultural surplus, the Nehruvian approach remained one of trying to enhance productivity through a process of gradual reform. The development strategy ultimately adopted included a commitment to extensive industrialization through the creation of a heavy industrial sector which would provide a wide and diversified technological base for

⁶ Francine Frankel, India's Political Economy, 1947-1977 The Gradual Revolution, Delhi, Oxford University Press, 1978.

⁷ Sukhamoy Chakraborty, Development Planning: The Indian Experience, Oxford, Clarendon Press, 1987.

the economy, supplemented by a programme of gradual change in agriculture. Sweeping institutional reforms were ruled out in agriculture on the grounds that it would unleash large scale social violence and imperil India's fragile democratic institutions. The necessity of land reforms was acknowledged along with a commitment to increasing agricultural productivity rapidly.⁸ Even as he embraced the notion of growth with equity, Prime Minister Jawaharlal Nehru was quite clear that growth would enjoy primacy. This was reflected in his address to the 60th session of the Indian National Congress at Avadi on January 22, 1955.⁹

We cannot have a welfare state in India with all the socialism or even communism in the world unless our national income goes up greatly. Socialism or communism might help you to divide your existing wealth, if you like, but in India there is no existing wealth for you to divide...we must produce wealth and then divide it equitably. How can we have a welfare state without wealth.

The programme of gradual agricultural change was predicated upon creation of institutions like Community Development projects and Panchayati Raj. These institutions were expected to usher in people's participation and release the necessary dynamism to supplement the

⁸ 2nd Five Year Plan, Planning Commission, 1956.

⁹ Jawaharlal Nehru's Speeches, Vol.3 (1953-1957) The Publications Division Ministry of Information and Broadcasting, August 1958, pp.16-17. (Hereafter Speeches).

efforts from the top. Nehru remained sensitive to this issue. During a speech to the Community Projects Conference at New Delhi on May 7, 1952 he said,¹⁰

I feel that even the organizational lead should not be tossed like a ball from what is the top to what might, if you like, be called the bottom; that is to say even the initiative for the Community Projects should come, wherever possible, from the people most affected by them.

The Congress Party's failure to redistribute land through a strict imposition of ceilings has been criticized by many scholars. It has to be remembered, however, that such a policy would almost inevitably have involved coercion, and possibly expropriation, on a very large scale. It has to be admitted however, that the measures adopted failed to significantly improve the conditions of the rural poor in the short run. Not enough was done to mobilise the rural poor and enable them to participate actively in the development process. Francine Frankel has highlighted the retreat of the party from the initial radical stance as embodied in the report of the Congress Agrarian Reforms Committee, published in 1949. The Report recommended the building up of intermediate village-size cooperatives. It also warned that a certain amount of coercion would be necessary to

¹⁰ Speeches, Vol.2 (1949-53) Jan, 1954, p.51.

build up co-operative farms.¹¹ But the reaction to the report was the creation of a conservative alliance in the Congress party which wrested the presidency of the party in 1950, when Purushottamdas Tandon defeated Acharya Kripalani in the organizational elections. Frankel attributes this to the emergence of peasant elites in the Congress organization, who had ensconced themselves in vital positions in the party apparatus before Independence. These conservative elements repeatedly frustrated the efforts of the Socialists and Gandhians in the party to steer a more radical course. The cession of the Krishak Mazdoor Praja Party in 1951 and the militant insurrectionary stance adopted by the Communist Party weakened the leftist elements in the Congress still further.

Partho Chatterjee has described the evolution of the development strategy of the Indian state and the failure to undertake land reforms as a stage in the "passive revolution of capital"¹² Contending that the bourgeoisie lacked the power to establish complete ideological ascendancy, he has analyzed the policies followed as an attempt to accommodate the influence of pre-capitalist classes by incorporating entire structures of "pre-capitalist communities". But the attempt by the state to foster

¹¹ Frankel, op cit., p.69.

¹² Chatterjee, op.cit.

radical industrialization while leaving the rural sector undisturbed only resulted in the intrusion of capitalist practices into agriculture and a commoditization of the peasant sector. Chatterjee's views however, remain a minority even among the left. Scholars are now largely agreed that land reforms in India abolished feudal survivals and paved the way for capitalist agriculture.¹³

For Nehru, however the keynote of the economic plans that were being thrashed out was pragmatism and a commitment to democracy. At a meeting of the Indian Chemical Manufacturers' Association in New Delhi on December 26, 1950 he debunked the notion that a centralized planning apparatus and nationalization of key industries would lead to totalitarianism.¹⁴ Stating that no where in the world did the idyllic world of perfect free enterprise exist, he went on to add:¹⁵

However my personal feeling is that while it is very important to have a theory as the logical basis of thought, it is not reasonable to apply it by force to all conditions. Theories ~~has~~^{have} to be adopted to facts. Soviet Russia has adopted Marx to her own conditions and has in the process departed considerably from the tenets of orthodox Marxism.

¹³ See Daniel Thorner, The Shaping of Modern India, New Delhi, Allied, 1980 and Wolf Ladejinsky, Land Reforms as Unfinished Business, New York, OUP, 1977.

¹⁴ Speeches, Vol.2. (1949-53) p.44.

¹⁵ Ibid, pp. 45-46.

Later, in a broadcast over All India Radio he stressed the importance of the 1st Five Year Plan and economic progress as means of overcoming divisive identities and forging a common national future.¹⁶ In an address to the Associated Chambers of Commerce he poured scorn on the proponents of unrestricted laissez faire.¹⁷

I do not know what your individual thinking may be, but there are still people in certain parts of the world who talk about laissez faire economy. For me that is the bullock cart variety of economic talk which has no relation with the present..... In your industries you have to plan; obviously you do not proceed without planning. It surprises me that people who accept planning in the limited sector of one industry or two, object to national planning.

The incremental approach adopted during the 1st Five Year Plan paid rich dividends. Agriculture registered an impressive growth rate of 3.3% p.a. and food grain production increased from 52 million tonnes to 66 million tones.¹⁸ The plan was heavily weighted in favour of agriculture and only sought to encourage industry to use its existing installed capacity to the full. Even with this mild stimulation industrial production rose by 39% during the first plan period¹⁹ Land reforms

¹⁶ Ibid, pp.92-93.

¹⁷ Speeches, Vol.3, op.cit, p.61.

¹⁸ Chakraborty, op.cit, p.19.

¹⁹ Third Five Year Plan, Planning Commission pp.38-39.

legislation like the Zamindari Abolition and 'Land Reforms Act' in Uttar Pradesh abolished absentee landlordism and enabled large numbers of tenants to assume proprietary rights in the land. This provided a powerful stimuli to agricultural production. The planners could therefore look forward to the 2nd Five Year Plan with a degree of optimism.

The approach adopted in the Second Plan was to combine the creation of a heavy and basic industrial sector with a programme of intensive agricultural reorganization which would, it was hoped, give the small farmer and petty peasant a stake in expanded agricultural production. Acknowledging that land reforms only work in the context of broader agrarian reorganization, the planners urged the creation of a comprehensive credit mechanism and the consolidation of fragmented holdings. Co-operative farming was seen as another vital instrument. The tardy progress of the co-operative movement was conceded and attributed principally to the lack of guidance from the respective state governments.²⁰

The core of the planning effort in the Second Plan was the creation of a heavy industrial sector. The new Industrial Policy Resolution (1956)

²⁰ Second Five Year Plan, pp.198-205.

divided industries into two schedules-Schedule A and Schedule B.²¹ Schedule A consisted of industries which were the exclusive preserve of the public sector. These included arms and ammunition, atomic energy, iron and steel, heavy electrical industries etc. Schedule B consisted of machine tools, basic and intermediate goods, road transport, sea transport. Industries in this schedule were expected to be progressively state owned and operated though private enterprise was expected to supplement that effort.

The Second Plan is widely considered as the high point of India's industrialization effort. As the plan was broadly based on the Soviet plan model, critics have assailed the government for replicating Soviet institutions and methods in India. Yet in his speeches Nehru repeatedly struck a cautionary and pragmatic tone urging that ideological shibboleths should be discarded and that the Plan should be seen as a practical solution to India's economic problems. In a speech initiating the debate on the Second Five Year Plan in the Lok Sabha, Nehru stressed that a lot of economic and philosophical approaches had become outmoded by the middle of the 20th century.²² He went on to add that the concept

²¹ Second Five Year Plan Summary, Planning Commission 1956. pp.11-15.

²² Speeches, Vol.3, op.cit p.92.

of socialistic pattern of society had to be used in a very broad sense.²³

We mean a society in which there is equality of opportunity and the possibility for everyone to live a good life. Obviously, this cannot be attained unless we produce the wherewithal to have the standards that a good life implies. We have, therefore, to lay great stress on equality, in the removal of disparities and it has to be remembered always that socialism is not the spreading out of poverty. The essential thing is there must be wealth and production.

In the course of a speech to the Indian Merchants' Chamber in Bombay on 3rd February 1958 he emphasized the utility of planning as a method which would check the widening of social and economic disparities and cautioned against idealizing the Russian experience. He said:²⁴

We have to face the particular problem of breaking through those tendencies which make a poor country poorer. If left to the normal forces under the capitalist system, there is no doubt at all that the poor will get poorer and a handful of the rich richer..... Planning is essentially a process whereby we stop these cumulative forces at work which make the poor poorer, and start a new series of forces which make them get over that difficulty. We have to plan at both ends. We have to stop the cumulative forces which make the rich richer and we have to start the cumulative forces which enable the poor to get over the barrier of poverty. In Russia this was done, but at a terrific cost in human suffering. The

²³ Ibid. p.96.

²⁴ Speeches, Vol.4., (1957-63) p.112.

problem which we have to face is how to cross the barrier of poverty without paying that terrific cost and without infringing individual freedom".

Similar pragmatism informed his views on agricultural affairs. In a speech initiating the debate on the Second Five Year Plan in Lok Sabha on 23rd May, 1956 he declared that fixation of ceilings in agriculture would depend on whether it promoted agricultural growth.²⁵ At Madurai on April 15, 1959 he laid that every village should be endowed with three basic institutions - a co-operative a Panchayat and a school. While the panchayats would represent the administrative aspect of village life, the co-operatives would represent the economic aspect.²⁶

Socialism then was defined not in terms of a doctrinaire ideology which would establish the framework for rigid prescriptions about the economy, but rather in terms of a vision that sought to promote the collective welfare of the whole community over the selfish interests of a few. Plan documents defined a socialistic pattern of society as one in which "social gain and not private profit must be the criterion..... less privileged classes of society should share in the benefit of

²⁵ Speeches, Vol.3, op.cit., p.97.

²⁶ Speeches, vol.4, op.cit., pp.129-131.

development".²⁷ The socialist pattern was not seen as a rigid pattern, as each country would develop according to its own circumstances, though some fundamental values would have to be stressed.²⁸

The contradictions between the strategy of rapid industrialization and slow pace of agrarian change could no longer be masked during the Second Plan. The incremental policies adopted in agriculture did not generate productivity sufficient to generate a rapid pace of industrialization. Increases in agricultural output were achieved by extending average under cultivation which grew by 22% in the 50's.²⁹ Industrial investment rose significantly in the Second Plan and equalled the net investment in agriculture and irrigation. The large bias towards agriculture in the 1st plan is explained by the fact that this plan was basically an amalgamation of existing projects. The following table indicates the resource allocation between the two sectors in the First and Second Plan.

²⁷ Second Five Year Plan Summary, op.cit., p.9.

²⁸ Ibid, p.10.

²⁹ A.M. Khusro "Development in the Indian Economy since Independence" in R.A. Choudhary, Shama Gamkhar and Aurobindo Ghose (Eds.) The Indian Economy and its Performance Since Independence, OUP, Delhi, 1990.

Distribution of Outlay (Rs. Crores)

Head	1st FYP		2nd FYP	
	Expenditure	Percentage	Expenditure	Percentage
Agriculture and Community Development	291	15	530	11
Major and medium irrigation	310	16	420	9
Industries and minerals	74	4	900	20
Social Services and miscellaneous	459	23	830	18

Source: Third Five Year Plan, Planning Commission: Government of India, p.33.

Unlike the 1st Five Year Plan which was a fiscally conservative exercise the 2nd Plan embraced the concept of deficit financing with a resource gap of nearly Rs. 800-1000 crores.³⁰ The problem was compounded by a monsoon failure during 1957 which caused a decline in food production from 69 million tonnes to 63 million tonnes, along with the first major balance of payments crisis.

The election results in 1957 served a warning to the Congress. Though the Congress increased its share of the votes both in the Lok Sabha and in the assembly polls, it lost seats in many states and had to form governments with the help of Independents. The Communists

³⁰ Frankiel, op.cit., p.123.

emerged as the strongest opposition party in the Lok Sabha with nearly 8.9% of the vote.³¹

These reverses prompted introspection in the party. The Gandhians and socialists interpreted the results as further proof of the Congress' isolation from the lower strata of society and urged an abandonment of incremental policies and a return to radical agrarian measures.

While the inadequacies of some government policies were becoming apparent by the second Plan, it is doubtful whether the election results could be taken as clinching evidence of the en masse desertion of the Congress by the weaker sections. In Uttar Pradesh for instance, the Congress managed to carve out significant bases of support among the smallest landholders and disadvantaged sections of rural society, particularly in the districts in the eastern part of the state and the Lower Doab.³²

The lead in advocating an accelerated course of reform was taken by the Prime Minister himself. A comprehensive programme of agrarian

³¹ Ibid, pp.156-157.

³² See Paul Brass, "Politicization of Peasantry in a North Indian State (II)", Journal of Peasant Studies, Vol.8 No.1, 1980.

reorganization was worked out by the newly appointed Agricultural Production subcommittee of the All India Congress Committee (AICC). A time table for the setting up of the co-operatives was suggested and state trading in foodgrains and redistribution of surplus land were placed on the agenda. This programme was endorsed at the Nagpur session of the Congress in 1959.³³ Nehru strongly defended these measures, deriding those who argued that the Government was importing totalitarian methods on the Chinese model.³⁴

There is a curious argument raised sometimes that planning involves evolves inevitably a measure of regimentation and compulsion and is opposed to democracy, and that planning and democracy cannot therefore go together. The next stage of the argument is that democracy must necessarily be allied to private enterprise and that public enterprise except within very definite limits is opposed to democracy. So it is thought that the state should not interfere with the normal course of economic events..... I feel that the criticism of the public sector is rather associated with the dislike and fear of what the critics think is happening, namely a definite direction and turn being given to planning.

The immediate consequence of the Nagpur proposals was the political articulation of right-wing ideological tendencies in the Swatantra Party. The party was formed on June 1959 when the aggressively laissez-

³³ Frankel, op.cit., pp.161-162.

³⁴ Speeches, Vol.1, pp.124-126, Inaugural address to the second All India Conference of Planning Forces at New Delhi on December 20, 1958.

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faire oriented Forum For Free Enterprises merged with the All India Agricultural Federation. Bitterly opposed to the Nehru government's proposals on radical institutional reform the All India Agricultural Federation included stalwarts like Chakraborty Rajagopalachari and N.G. Ranga, with the latter going on to assume leadership of the party. The Swatantra Party's capacity to articulate an effective critique of Congress policies was however impaired by the tension between the industrial lobby led by Minoo Masani and the conglomerate of wealthy ex-landlords and ex-princes who provided the organizational backbone of the party.³⁵

Close on the heels of the formation of Swatantra, Party the Ford Foundation Report was released. The Report urged a reorientation of agricultural strategy. Instead of the institutional approach, the Report recommended that the Government should concentrate incentives and capital inputs to farmers in certain selected districts in order to enhance the rate of agricultural output in the short run.³⁶

The Third Plan was therefore undertaken under the shadow of looming ideological challenges. But inspite of the many attacks upon the

³⁵ Howard Erdman, Swatantra Party and Indian Conservatism, London, Cambridge University Press, 1967.

³⁶ Frankel, op.cit., pp.179-80.

planning process, Nehru continued to reiterate the basic themes he had been expounding. In a speech to the Lok Sabha on August 22, 1960 he stressed that the Third Plan should be an extension of the Second Plan just as the Second Plan had flowed from the First. Highlighting a rise in national income of over 5% p.a. and achievement of self-sufficiency in foodgrains as important targets, he added:³⁷

Advance in technology means a general advance in such training and education as are necessary for the purpose in a widespread way. It is not a question of putting up a plant here or there; it is a question of building up from below a nation used to thinking in terms of technical change and technical advance. It becomes a problem of mass education. The countries which had the Industrial Revolution had perforce to go in for free and compulsory education; not that they liked it. They were forced to go in for it because they could not support the structure of industrialization without mass education.

In its "Approach to the Third Five Year Plan" the Planning Commission also emphasized that the basic pattern of the Third Five Year Plan flowed from the Second Plan though "in some important respects it represents a wider view of the problems of development and calls both for a more intensive effort and a greater sense of urgency".³⁸

³⁷ Speeches, Vol.4, pp.134-135.

³⁸ Third Five Year Plan, op.cit., p.49.

With all its attendant drawbacks and shortcomings, the first two Plans had registered considerable economic progress as the following table shows:

Selected Indicators of Growth

Items	Unit	1950-51	1960-61	% increase in 60-61
National income at 1950-51 prices	Rs crores	10240	14500	42
Per capita income at 1950-57 prices	Rs	284	330	16
Index of agricultural production	1949-50=100	96	135	41
Foodgrains production	million tonnes	52.2	76.0	46
Index of industrial production	1950-51=100	100	194	94
Iron ore	million tonnes	3.2	10.7	234
Power: installed capacity	Million tonnes	2.3	5.7	148

Sources : Third Five Year Plan, Government of India: Planning Commission. p.35.

The Third Plan however, ushered in the era of "crisis of planning". Economic malperformance during the Third Plan, caused in no small measure by the wars with China and Pakistan and bad monsoons, brought the entire planning strategy under scrutiny and placed the future of planning in jeopardy.

The Plan was bedevilled from the outset by resource constraints and the failure to generate necessary growth in agriculture. The Planning

Commission itself acknowledged the gloomy economic scenario when it admitted that growth in the period 1961-63 was considerably lower than the expected 5% per annum-averaging only 2.5% p.a. This was attributed to a decrease in agricultural production as agricultural production still continued to contribute the largest share to national output. On the positive side the Plan document stated that while fluctuations in agricultural performance have been a feature of India's plans the downwards amplitude of the fluctuation had been curbed somewhat and "it seems reasonable to expect that with favourable monsoons, there could be well be a sizeable increase in total agricultural output during the remaining period of the Third Plan".³⁹

It was much harder to put a gloss on events by the end of the Third Plan. The Draft Outline of the Fourth Plan conceded that the record of the Third Plan had been indifferent. National income grew at only 2.5% p.a. With the exception of 1964-65 agricultural production stagnated and industrial performance remained indifferent.⁴⁰

The unravelling of the planning process and the crisis in the development paradigm has been variously interpreted and analyzed by scholars. Francine Frankel has seen it in terms of the Congress' inability

³⁹ Third Plan-Mid Term Appraisal, Planning Commission, Nov. 1963 p.8.

⁴⁰ Draft Outline of Fourth Five Year Plan, Planning Commission, November 1966, pp.2-4.

to sustain development policies which were increasingly at odds with its social base. Increasingly influential rural power elites, working through the state party organization frustrated the government's plans for wide-ranging institutional reform. The strategy of development was put under further strain as right-wingers in the party banded together to attack and repudiate specific government policies like food procurement.⁴¹

In their analysis of the modes of planning, Paul Streeten and Michael Lipton have highlighted the way in which the planners were exposed to a multitude of pressures through the wide-ranging consultative process which was undertaken as a preliminary to the drafting of the plan. Of particular significance were the demands raised by states at the 1966 meeting of the National Development Council. Feeling the electoral heat in the states the state governments couched their demands in populist rhetoric, stressing the adoption of programmes and policies which would reflect the "felt needs" of the people, i.e., programmes with considerable electoral appeal.⁴² The Annual Plan for 1966 partially endorsed this approach by raising outlays on health.⁴³

⁴¹ Frankel, op.cit.

⁴² A.H. Hanson "Power Shifts and Regional Balances" in Paul Streeten and Michael Lipton (ed.) The Crisis of Indian Planning Economic Planning in the 1960's, OUP, London, 1968, p.28.

⁴³ Ibid, pp.27-28.

Besides, the Planning Commission remained a hostage to certain concepts and practices, refusing to modify the operations of programmes like Panchayati Raj and Community Development even when they came to be dominated by village elites, thus nullifying their potential as institutions that could arouse the enthusiasm of the rural masses.

Pranab Bardhan's and Rudolph and Rudolph's assessment of the structural deficiencies of planning centre on the relationship between state and society. Bardhan attributed the deceleration in industrial growth from the Third Plan onwards to the demands imposed by India's dominant class coalition of industrialists, bureaucrats and rich farmers. According to Bardhan these classes, by garnering a substantial share of resources in the form of subsidies, have distorted the allocation of resources and undermined productive investments in critical areas like infrastructure. The problem has been compounded by a wasteful and inefficient public sector. Thus the state has been hampered in the most important task of accumulating for sustained industrialization by its inability to insulate its economic decision making process from political pressures.⁴⁴

⁴⁴ Pranab Bardhan, Political Economy of Development in India, Delhi, OUP, 1984.

On a slightly different plane, Rudolph and Rudolph have explained the turbulence and economic discontent of the 60's by focussing on the transition of the democratic regime from a phase of command politics to one of demand politics. In this view the first phase of the Nehru era between 1952-53 and 1963-64 was marked by command politics. A government enjoying authority and a certain degree of autonomy from society was backed by a stable party organization. It could thus follow future-oriented strategies. This was complemented by commendable economic performance during the first two Plan periods. By 1964-65 however poor economic performance, rising levels of political mobilization and military failure ushered in the phase of demand politics which virtually led to the repudiation of the Congress in the 1967 election.⁴⁵

The literature on the development strategy has focussed largely on the structural aspects without adequately stressing the role of conjunctural factors. And yet these are of paramount importance if we are to understand the crisis of this development paradigm. The wars with China in 1962 and Pakistan in 1965 forced a major diversion of expenditure into defence. More importantly, the China war had major repercussions on the balance of power within the Congress party

⁴⁵ Lloyd I. Rudolph and Susanne Hoeber Rudolph In Pursuit of Laxmi: The Political Economy of the Indian State, Hyderabad, Orient Longman, 1987.

organization. The passing of proposals for agrarian reorganization had seemed to herald the ascendancy of the left wing within the Congress. But the Chinese aggression against Tibet and later the full scale assault against India in October-November 1962 substantially eroded the position of Nehru and other leftists in the Congress. The conservative elements allied with the party bosses in the state to challenge the authority of the central leadership forcing Nehru to a defence of the development expenditure under the plans.⁴⁶

I believe it has been calculated that 85% of the development plans are essentially part of defence and the remaining 15% are immediately concerned with it..... The fact that we produce enough in agriculture is as important as guns.

But the right wing continued its attacks, concentrating its fire on specific policies like the decision to nationalize foodgrain trade. S.K. Patel emerged as the focal point of opposition to Nehru, forcing Nehru to drop him and Morarji Desai in 1963 under the Kamaraj Plan.⁴⁷ After Nehru's death however there remained nobody with the authority and the commitment to press for radical measures.

Apart from the wars, the droughts of 1965 and 1966 compounded the problems by creating a food crisis, enhancing India's dependence upon

⁴⁶ "Speech to Standing Committee of the National Development Council, New Delhi on January 18, 1963" in Speeches, Vol.4 p.159.

⁴⁷ Frankel, op.cit., p.229.

food imports under the PL 480 programme. It was at this stage that international aid-giving institutions like the World Bank urged a reorientation of agricultural strategy. Instead of basing hopes for higher productivity upon institutional change and expansion of acreage under cultivation, they urged greater use of inputs and price incentives to farmers to enhance agricultural productivity. The US Government even linked the continuation of foodgrains aid to India under the PL 480 project with a change in agricultural strategy on the part of the government.⁴⁸

The institutional dimension of this process was the gradual devaluation of the role and powers of the Planning Commission during the tenure of Lal Bahadur Shastri as Prime Minister. While Nehru had repeatedly backed the Commission against its critics, Shastri initiated the National Planning Council in October 1964. Only the Deputy Chairman of the Planning Commission was included among its members and expert committees were constituted to deal with specific policy issues.⁴⁹

The undermining of the Nehruvian development process in the mid-60's was thus due as much to exogenous factors as to the internal

⁴⁸ Ibid, p.286.

⁴⁹ Ibid, p.255.

contradictions and the poor performance of the economy during the Third Plan. This development strategy was not defined by any firm set of ideological prescriptions. Rather, it was broadly conceived as a rational and methodical way of allocating resources. Whatever be the other deficiencies of this strategy it succeeded in giving the Indian economy an autonomy from foreign capital by the mid 1970's, which no other Third World country enjoyed.⁵⁰ What distinguished it was its commitment to pursue an agenda of social and economic transformation within a democratic framework. The state's desire to dominate the commanding heights of the economy was not matched by a corresponding effort to dominate the polity. India remained one of the few countries in the Third World not to succumb to the seductive but flawed notion that authoritarianism is the best guarantor of economic growth.

⁵⁰ Achin Vanaik, The Painful Transition: Bourgeois Democracy in India, London, Verso, 1990.

Chapter Two

The Communist Critique

The communist critiques of the economic policies pursued since 1947 have hinged on the comparative weights of the different social classes in the polity. The state has been seen largely as a site of contestation and conflict between different classes. Economic policies therefore have been viewed as instruments used by dominant classes or elites to establish their ascendancy over other sections of society. Questions regarding the nature of the state intervention in the economy have been reduced to the ability of dominant classes to discern their long - term interests and choose policy instruments that best serve those interests.

The role of the Indian bourgeoisie in the development process has thus been the major focus of debate and controversy. The bourgeoisie has been perceived to be the dominant element in the coalition of class forces. They have thus played a crucial role in determining state policy. The polemics have thus been concentrated on ascertaining the social and ideological character of the bourgeoisie and its relations with the other elements of the dominant coalition. In the Marxist schema a definition of the exact stage of the historical evolution of an economy or society is critical for determining the appropriate response. In the Indian context a fierce debate ranged within the Communist Party over the nature of economic developments that were taking place after Independence. The

differences of opinion centred over whether India was still experiencing the last vestiges of the feudal stage or whether she was already experiencing capitalist industrialization under the auspices of an indigenous bourgeoisie. Adherents of the feudal stage held that the Indian bourgeoisie was collaborating with imperialism.

The most explicit formulation of the entire developmental process being coordinated by a class coalition has been provided by Ashok Mitra.¹ Mitra asserts that political power is seized only to engineer a redistribution of economic power through the mechanism of prices, taxes and subsidies.² In the Indian context the ruling coalition is comprised of the urban industrial bourgeoisie and the rural landed gentry.

While the former have virtually monopolised the administrative and technical skills needed to direct the economic functions of the state, the latter, through their grip over the teeming millions of the peasantry and landless poor provide the social and political base so crucial in a parliamentary democracy. The economic strategy being followed was a necessary consequence of this political contract. In order to retain the

¹ Ashok Mitra, Terms of Trade and Class relations London, Frank Cass, 1977.

² Ibid., p.2.

commitment of the rural elites to this class alliance the terms of trade were being consistently shifted in favour of agriculture throughout the 60's, enabling the surplus producing richer farmers to make huge profits. The Industrial structure of the economy remained the bourgeoisie's preserve.

Mitra considers this strategy not merely to be repressive of the just demands of the rural and urban poor but to carry within itself the seeds of its own destruction. The continuous shift in terms of trade towards agriculture means higher food prices, which consequently restrict demand for manufactured goods.³ The additional income accruing to surplus producing rich farmers cannot be deployed for productive investments. Thus there is an overall stagnation in both agriculture and industry. In industry there is a gradual decline of industrial profits, though even here the bigger firms have fared comparatively better than the smaller firms, thereby hastening the process of differentiation among the bourgeoisie.⁴

Applying Marx's prognosis that a social revolution becomes possible when the forces of production come into conflict with the existing relations of production, Mitra holds that this strategy ~~brings~~^{leads} a socio-

³ Ibid., p.144.

⁴ Ibid., pp.147-149.

economic crises when the weaker sections in rural areas, unable to tolerate worsening economic conditions organize themselves to wrest concessions from the landed elites. Parallel conflicts may develop in the urban sector. The bourgeoisie, suffering from industrial downturn due to adverse terms of trade, are unlikely to be sympathetic to the rural bourgeoisie's attempts to offset gains made by the weaker sections by further skewing agricultural prices in their favour. Mounting social conflict and turbulence will eventually prompt a reassessment of the political and economic costs of the alliance, as the rural bourgeoisie will be so thoroughly alienated from the poorer peasantry and the agricultural labourers as to be unable to deliver on its commitments to provide stable vote banks.

While broadly sharing Mitra's understanding of the ruling class coalition, Sudipto Mundle has chosen to focus more on the conflicts between the different elements of this coalition and on the state's role in providing crucial infrastructural support for capitalist industrialization.⁵ In the industrial sector, investments in power communication and transport enabled the transformation of merchant capital into industrial capital. In the agricultural sector the land reform measures of the 1950s

⁵ Sudipto Mundle "State Character and Economic Policy" in Social scientist, Vol.2, No.10, May 1974.

ushered in capitalist relations in agriculture. The state could not however, reap the benefits of this strategy by mobilizing the agricultural surplus for industrialization due to political dominance of this landed strata. Consequently, the state oscillates between trying to raise resources through deficit financing and commodity taxation, in which case the brunt is borne by the salaried middle and lower classes, or is forced into dependence upon foreign aid, which leads to an erosion of sovereignty.

Both these approaches assume an identity of interests among all sections of the rural bourgeoisie, though Mundle hints at a division between the pre-capitalist landlord classes and the new peasant capitalist class. The land reform measures after Independence only produced an imperfect and awkward form of agricultural capitalism. Elements among the newly emerging class of enterprising farmers had formerly been large tenants. They had to overcome the resistance of the former Zamindars and Jagirdars, (who, after Zamindari abolition, had resumed personal cultivation of large tracts of land) before they could entertain hegemonic ambitions.⁶ An analytical focus that seeks to define class interests and

⁶ For a description of conflicts between rich and middle peasantry from intermediate castes and older aristocratic elites see Terence J. Byres, "Charan Singh, 1902-87, An assessment", Journal of Peasant Studies Volume, 15, No.2, 1988.

identities solely in terms of opposition to other classes overlooks the in-group conflicts that also contribute towards a crystallisation of class consciousness. Caste was another complicating factor. As peasant movements and protests were often articulated in a caste idiom richer peasant could hardly maintain a common united political alliance against all other sections of the rural population.⁷ This critique is thus characterized by an extreme underplaying of the tensions within the rural coalitions.

Mitra's formulation of the circumstances under which the development paradigm would begin to unravel could hardly be applied to the crisis which gripped India in the mid-60's. While social and political turbulence had peaked during the mid-60's, they can hardly be attributed to economic factors alone. The political and economic crises that confronted the Nehru regime and then its successor, the Lal Bahadur Shastri government, had separate origins. The Congress' ability to reconcile conflicting aspirations and use economic development as an overarching concept promoting national unity had been considerably

⁷ See Zoya Hassan "Patterns of Resilience and Change in UP" in M.S.A. Rao and Francine Frankel (ed.) Dominance and State Power in Modern India, Delhi, OUP, 1989. Hassan shows how the Bharatiya Kranti Dal exploited the discontent of the middle and backward castes with Congress policies to establish a distinct political base for itself in the aftermath of the Green revolution.

impaired both by the military debacle in 1962 and by the increasing polarization in the party between the right and left wing. Ashok Mitra's assertion of the built-in tendency towards stagnation in this development strategy is also hard to accept. Till about the middle of the Third Plan, India enjoyed reasonably good rates of growth in both agriculture and industry.

The Communist Party of India's opposition to the economic policies followed after Independence has to be situated within the broader perspectives of its overall relationship to the Nehru regime. The development strategy chosen was seen largely as a function of the social base and class character of the government. A debate was thus initiated to enable the party to arrive at a decisive formulation on this key issue - a debate which by the sheer enormity of polemic and divisions it generated left the party exhausted and demoralized while taking it no nearer to a coherent strategic perspective.

The CPI had traditionally been receptive to two sets of influences. On the one hand it had to respond to the exigencies of the Indian political environment. But since the party considered itself part of the international Communist movement as well it constantly had to seek international sanction for the moves it made.⁸

⁸ Gene D. Overstreet and Marshall Windmiller, Communism in India, Bombay, Perennial Press, 1960.

At Independence, in a rare show of dissent from the prevailing Soviet line, the CPI maintained a friendly attitude towards the Nehru govt.⁹ Though it conceded that the British were trying to retain influence in India through a clique of princes, landlords and big business, it refrained from identifying the Congress leadership totally with these sections. The progressive wing of the Congress led by Nehru was distinguished from the reactionary wing led by Sardar Patel. Even the tempo of the armed struggle in Telengana was sought to be toned down, with Bhowani Sen urging the peasantry not to launch direct action as in the previous year.¹⁰

Broadly identified with P.C. Joshi, this moderate stance was challenged successfully by B.T. Ranadive, who headed a more hawkish faction in the party. In his efforts to overturn the Joshi line Ranadive had crucial international support. In January 1947, a theory was advanced in the official theoretical journal of the Yugoslav Communist party by Edvard Kardelj.¹¹ This was a reiteration of the perspective adopted at the 6th Congress of the Comintern in 1928. It was subsequently abandoned in 1935 under the impact of the Popular Front strategy.

⁹ Ibid., p.260.

¹⁰ Sumanta Bannerjee, India's Simmering Revolution The Naxalite Uprising, New Delhi, Select Book Service Syndicate, 1984.

¹¹ Overstreet and Windmiller, op.cit., p.259.

Under the classical Leninist schema a revolution for the establishment to socialism had to be organized in two phases. First the remnants of imperialists and feudalism had to be liquidated in the bourgeois democratic phase in which the mass of the middle or national bourgeoisie would be allies, though undoubtedly of doubtful value. In the second phase, the revolution would graduate to the anti-capitalist phase when the peasantry, proletariat and petty bourgeoisie would close ranks against the middle bourgeoisie. In a significant departure from this schema, Kardelj advocated the intertwining of these revolutions and an attack upon the whole bourgeoisie. Enunciated at the Cominform meeting in September 1947, this perspective implied that the Nehru regime had become reactionary and collaborationist and that the only proper course of action for the Communist Party was an all-out assault upon the government. In the assessment of the Ranadive faction independence was only an altered form of bondage to western powers.

Armed with international support Ranadive took control of the party at the Central Committee meeting at Bombay in December, 1947. The political thesis adopted by the party at the Second Congress of the party reflected the ascendancy of the radical faction. Regretting the party's inability to correctly analyse the situation earlier, Ranadive asserted that the party had to comprehend its role in the light of the

changed international situation. He argued in February 1948:¹²

It is no use screening the fact that in the past, in the name of becoming good nationalists, we tended to forget this international perspective. In this thesis, however we are making a break with the old understanding, which so to say, built a Chinese wall between the international development and our national movement. What we are doing in this document is to break this Chinese wall, so that we can link up our world outlook with the task we have to discharge in India.

On the question of the bourgeoisie the party Congress adopted an unambiguously economistic approach.¹³

We totally forgot that Marxism lays down that until we understand the basic economic changes, we cannot come to a clear and correct conclusion about the political situation.

The bourgeoisie was held to have collaborated with imperialism because of its objective economic interests.

The radicals however had fatally overestimated the organizational capacity of the party to foment rebellion. The tactic of igniting revolution through strikes in the cities failed.¹⁴ Sources of opposition began to

¹² Opening report by B.T. Ranadive on the Draft Political Thesis at the 2nd Congress of the Communist Party of India, 29th Feb., 1948.

¹³ Ibid.

¹⁴ Overstreet and Windmiller, *op.cit.*, p.278.

emerge within the party, led principally by leaders from the Andhra region who wanted to extend the principles of an armed rural insurrection (as practised in Telengana) over the whole of the country.

While this perspective was born essentially out of the practical experience of the leaders of the Telengana armed struggle, it displaced the earlier approach by using the device that Ranadive had used earlier against the Joshi-led moderates - theoretical backing from an international Communist party. Soviet endorsement of the Chinese strategy of anti-imperialist revolution with the villages as the principal foci enabled another coup to be effected in the Central Committee in May, 1950. The Andhra faction emerged triumphant and C.Rajeswara Rao was elected general secretary.¹⁵

Both these approaches, however represented different aspects of a similar strategic vision - armed opposition to the state. The consequences of such a reckless course were grave for the party as its organizational strength dwindled and party membership shrank under a severe government crackdown. The party's support was also eroded by its constant references to Independence as a sham and its adoption of the slogan "Yeh Azadi Jhoota hai". This facilitated a re-emergence of the

¹⁵ Ibid., pp.297-298.

older moderate strand with P.C. Joshi vigorously repudiating the strategy of armed agrarian revolution and questioning the applicability of the Chinese model to India.¹⁶ This realization chimed in neatly with advice from the British party in London. Rebuking the party for ignoring other avenues of political advance and concentrating solely on armed revolution, it urged the party to prepare for a legal existence and gear up for the first parliamentary elections.¹⁷

The period leading up to the third Congress of the party at Madurai in 1953 was thus a period when the party sought to get its bearings back and tried to formulate an appropriate strategic perspective that would enable it to utilize the space available in a parliamentary democratic system. With this end in view, a new party line was evolved in 1951 at the All India Party Conference at Calcutta that sought to lay down the strategic and tactical framework within which the party would operate.¹⁸ As this set the tone for party policy for the succeeding years, it would be worthwhile to examine the major features of this paradigm before moving on to an examination of the party's response to the economic developments of the later years.

¹⁶ Ibid., pp.300-301.

¹⁷ Ibid., pp.304-305.

¹⁸ Bipan Chandra "A Strategy in Crisis - The CPI Debate (1955-56) in Bipan Chandra (ed.) The Indian Left Critical Appraisals, Delhi, Vikas, 1983, pp.263-264.

Broadly, the paradigm held that India remained a semi-colonial and dependent economy from which the relics of feudalism had not yet been liquidated. The government embraced two broad social strata, the landlords and the reactionary section of the big bourgeoisie, who collaborated with imperialism and stunted capitalist development. Consequently, the stage of the revolution was defined as the anti-feudal one, in which the peasantry, proletariat, petty bourgeoisie and national bourgeoisie would strive to complete the democratic revolution, albeit by peaceful means.¹⁹

Though by finally laying to rest the ghost of the path of militant armed struggle the perspective outlined above provided the party an opportunity to rebuild itself in a democratic polity, the strategic assessment was based upon a serious misreading of the reality of the situation. As a result, instead of unifying the party and spurring it forward to launch mass movements against the Govt. the paradigm spawned a further debate in the party in 1955-56.

Broadly, three trends emerged. The left which included P.Sundarayya and Harkishen Singh Surjeet adhered to the most fundamental tenets of the party line and sought to fit reality into the

¹⁹ Ibid.

approach, rather than question the approach and try to validate it by grounding it in actual developments. The Right trend was represented by Ravi Narayan Reddy, Bhowani Sen and P.C. Joshi, among others. Though it tried to attain a more nuanced understanding of the politico-economic situation by seeing heavy industrialization measures as part of the emerging contours of a path of independent capitalist development, it never articulated this cogently and remained reconciled to the paradigm. This committed it to the anti-feudal stage. The right faction, however did state that the bourgeoisie was split between two wings - progressive and reactionary, and the progressive wing had to be supported.

It was the Centre trend, which included Ajay Ghosh and E.M.S. Namboodiripad which tried to make an advance upon the orthodox understanding. This had the greatest potential for transforming this paradigm. Though they were unable to completely break away from it, they still prepared the ground for a reassessment of party policy. Deploring the excessive economism that characterized the party's analysis, Ajay Ghosh held that the bourgeoisie as a whole was committed to independent capitalist development. If a section did collaborate with imperialism or feudal elements it did so from the perspective of its own class interest.²⁰ In a significant departure from standard Communist

²⁰ Ibid., pp.338-339.

polemic, Ghosh held that there might emerge differences in policies within the same class. The political representatives of the class, having the long term aspects in view, might have to take decisions which damaged the interests of the class in the short run.²¹ Sensitive to the hegemonic nature of Congress rule, Ajay Ghosh urged the adoption of a national perspective within which specific demands and struggles could be integrated. At no point however did the Centre structure these sporadic theoretical forays into an alternative understanding of the situation.

Hesitant and awkward though it was, these "heretical" pronouncements began to have an impact upon the party's assessment of the economic situation from the mid - 50's. In spite of general denunciations of the government's industrial policies as favouring the bigger bourgeoisie over the middle, there was an acknowledgement of the fact that a heavy industrial base had been laid for the economy. Community projects and national extension services addressed the infrastructure needs of rural areas.²² The Second Five Year Plan was seen as a reflection of the Indian people's aspirations to pursue a path that

²¹ Ibid., pp.340-341.

²² Palghat Congress political resolution in Mohit Sen (ed.), Documents of the History of the Communist Party of India, Volume VIII (1951-56), New Delhi, People's Publishing House, 1977, p.531.

that would liberate themselves from the tutelage of the west. The Political Resolution passed at the Palghat Congress stated:²³

As a result of these national and international developments, and on account of the growth of the mass movement for the strengthening of freedom, for radical reforms and for improvement in the conditions of the people, as well as the aspirations of the Indian people to develop India as an independent capitalist country, and also due to the experience of the First Five Year Plan, conflicts and contradictions have grown between imperialism and feudalism on the one hand and the needs of India's economic development on the other. This is reflected also in the growth of conflicts and contradictions between the government of India and imperialism.

On the Draft proposal for the 2nd Plan the party was explicit in its assertion that the programme of rapid industrialisation was an indicator that the bourgeoisie had chosen a path of independent capitalism, though it noted that pressure from private business resulted in a watering down of the proposals.²⁴ The land reform measures, specifically those relating to enforcement of ceilings and restriction of holdings for personal cultivation were commended, though it was stated that peasants could only take advantage of these measures if they were sufficiently organized.

The new features of the economic situation, like the nationalisation of the Imperial Bank, closer economic ties with the Socialist bloc countries and emphasis on heavy industry and the public sector were

²³ Ibid., p.538.

²⁴ Ibid., p.540.

described as the consequence of the growth of radical sentiments in the Congress as well of the aspirations of the Indian bourgeoisie to launch India on a path of capitalist industrialisation.²⁵ The party was also slowly coming to grips with the reality that the Congress had achieved a measure of stability, though this was almost always qualified by the assertion that the consolidation achieved was of an extremely transient nature. As the report of the Congress of the Communist Party of India 1956, put it:²⁶

Growth of radicalisation inside the Congress does not lead to a break away from Congress as in the years before the elections and for some time afterwards, but to the growth of conflicts over specific measures and policies and the urge that government should carry out measures in defence of the interests of the people... mass radicalisation does not automatically bring strength to the left parties as before.... It is evident that the consolidation that the Congress had been able to achieve is of an extremely partial and uneven character. It rests on a shaky foundation.

There was thus a strange reluctance in party literature to conceptualize theoretically what they had conceded empirically. An acknowledgement of the "progressive" features of the economy would be accompanied by ritual incantations to the persistence of semi-feudal relics or survivals in the economy. At the Seventh Congress of the Communist

²⁵ Report of the Congress of the Communist Party of India-1956, pp.22-25.

²⁶ Ibid., pp.26-27.

Party of India at Bombay in Dec. 1964,²⁷ economic policies followed since Independence were explicitly characterized as capitalist. In order to mobilise capital resources and to expand the internal market, the bourgeoisie was itself vitally interested in a certain measure of land reform and restriction of feudal relations in agriculture.²⁸ Simultaneously the orientation towards agriculture in the 1st Five Year Plan and the lack of a heavy industry perspective was seen as evidence of the bourgeoisie's collaboration with foreign capital and landlords.²⁹

Similarly in agriculture the major objectives of government policy were seen as conversion of feudal social relations into capitalism and the creation of a stratum of rich peasants who would provide a stable base to the Congress in the countryside. A creation of an organisation for state trading in foodgrains was also called for to assure remunerative and stable prices to the farmers.³⁰

²⁷ After the split, the two factions held parallel Congresses. The 'right' wing, later to be known as the Communist Party of India assembled at Bombay. The 'left' wing, later rechristened as the Communist Party of India (Marxist) met at Calcutta. The 7th Congress of the CPI at Bombay was therefore the assemblage of the right wing while the 7th Congress at Calcutta, held between October 31st to November 7, 1964, was in effect the first Congress of the CPI (M). See Bannerjee op.cit., p.72.

²⁸ Proceedings of the 7th Congress of the CPI, 13th-23rd Dec. 1964, Volume 1, (Documents), pp.6-7, Communist Party Publication, New Delhi, February 1965.

²⁹ Ibid., p.7.

³⁰ Ibid., p.24.

The capacity of the Indian bourgeoisie to follow a relatively autonomous capitalist path was attributed to the degree of industrial development in India in colonial times. In a polemic with the Chinese Communist Party in 1967, the CPI (M) averred that unlike the Chinese experience, bureaucratic capital played a far more limited role in India. Consequently the industrialized bourgeoisie remained the main force in the state.³¹ This was the issue on which the "mainstream" Communist parties now differentiated themselves from ultra leftist formations like the CPI (ML) which based their assessment of the government's economic policy on the understanding that the capitalist class was largely comprador and had been fostered by British imperialism.

The other major staple of the communist understanding was that the crises and problems in the Indian economy were merely manifestations of the larger crisis that had gripped world capitalism. As the programme at the 7th Congress at Calcutta put it.³²

Experience of the three plans demonstrates beyond a shadow of doubt that in the period of the general crisis of capitalism, particularly when it has entered a new acute

³¹ Resolutions adopted by the Central Committee of the Communist Party of India (Marxist) at Madurai (August 18 to 27, 1967).

³² CPI Programme adopted at 7th Congress at Calcutta in Proceedings, Vol.1, op.cit., pp.13-14. This was the first Congress of the left-wing.

stage, it is futile for underdeveloped countries to seek to develop along the capitalist path. The possibilities of such development are extremely limited. It cannot solve our basic problems of economic dependence and backwardness, of poverty and unemployment. It is incapable of ensuring the fullest utilisation of the human and material resources of the country...

E.M.S. Namboodiripad situated the major differences between the Communist Party of India (Marxist) and the Communist Party of India in terms of their differences on two issues: a) the class character of the Indian state and b) the capacity of the Indian bourgeoisie to pursue a course that would enable the Indian economy to develop in a non-dependent fashion. Namboodiripad derided the CPI for harbouring the "illusion" that in the prevalent economic context the Indian bourgeoisie could steer India to economic independence through a policy of independent capitalist development. According to Namboodiripad the CPI maintained that the crisis of the economic system had generated divisions between the monopoly bourgeoisie and national bourgeoisie and it was the task of all progressive forces, including Communists, to aid the national bourgeoisie against the monopolists. Rejecting this "revisionist" view, Namboodiripad opined that the Indian bourgeoisie was unable to play the historically progressive role like its 18th century Western counterparts as it failed to usher in capitalism by completely obliterating feudalism. The entire bourgeoisie was collaborationist and as a consequence, India's economy was structured in a dependent fashion with

the advanced capitalist economies. The economic crisis was merely a fallout of the global crisis that had gripped capitalism.³³

The inability of the Marxists to comprehend the economic transformation that was being effected in India though the creation of a heavy industrial sector was compounded by their inability to comprehend that capitalism had entered, after the Second World War, the most dynamic and expansive phase in its history.³⁴ The stagnation of the Indian economy could not be explained in terms of India's links with the world capitalist system. The economies of East Asia and South East Asia which were far more directly penetrated by Western economic influences actually embarked upon a phase of unprecedented expansion in the succeeding period.

Internally also the Communists attributed measures like abolition of intermediaries and state-sponsored land reform to collaboration with feudal and aristocratic elites, when in reality these were only an aspect of a strategy of agricultural modernization and reform from above within

³³ For an extended statement of his position see E.M.S. Namboodiripad "The Programme Explained".

³⁴ Eric Hobsbawm, Age of Extremes The Short Twentieth Century, London, Abacus, 1995.

a democratic framework.³⁵ This gradualist approach to social and economic change was consistently interpreted as being due to the dominance of the landlords or other feudal elements and imperialist influences in the ruling class coalition.

Besides, in most leftist critiques the state has been seen as totally captive to a few class interests. Even those, who like Pranab Bardhan have granted a certain measure of autonomy to the state, have argued that the state merely secures short run autonomy from the dominant classes in order to serve their long term interests more effectively.³⁶ The Congress however was a disparate coalition of social and economic interests, rarely amenable to prolonged domination by a single class or even a coalition of classes. The Congress Party's loss of stability and cohesion in the mid-60's signalled the arrival of newer strata and social groups who wanted to challenge the existing configurations of power.

The hegemonic nature of the economic strategy that was being followed after Independence was not adequately grasped by the Communists. Their political practice rested upon a narrow economism;

³⁵ See Chandra, op.cit.

³⁶ See Pranab Bardhan, Political Economy of Development in India, Delhi, OUP, 1984. Bardhan argues that the state enjoys functional autonomy only in the regulatory sphere.

economic policies were analysed solely from a class perspective. Their critique therefore never assumed the stature of a full-fledged alternative development model. Though this was sometimes acknowledged and attempts made to evolve a more national approach, which could have societal appeal, such efforts hardly ever bore fruit.

Chapter Three

The View From the Right

The predominantly leftist ethos of the Indian intelligentsia in the decades after Independence might mislead the lay observer into assuming that there were no serious intellectual or political currents in the opposite direction. After all, a significant section of the national leadership had committed themselves to a radical programme of social and economic change. Though a split had occurred in the ranks of the leftists in the Congress and Jayaprakash Narayan had led his adherents into the Praja Socialist Party, that only seemed to underline the sincerity and depth of their commitment; those who left did so because they believed that the Congress was an insufficiently radical instrument for their policies. Further left, the Communist Party of India kept up a running fire against the policies and activities of the Congress. There would thus appear to be little space for the articulation of a non-leftist vision of the social, political and economic agendas after Independence. And yet such a notion would be profoundly misleading. For underneath the leftist rhetoric on the surface surged powerful currents of orthodox thought, drawing not merely on alternative traditions of the national movement, but sustained by a social and cultural experience spanning centuries. Co-existing with these were distinctly modern, this worldly conceptions of social and economic progress, drawing their intellectual inspiration from the liberal heritage in the social sciences and basing their contemporary political practice upon the mutation of the advanced capitalist states after

the Second World War into social welfare oriented systems. In this chapter I shall explore the right wing critique of the strategy of planned economic development. This can be broadly divided into three categories: a) criticism of planning by economists who questioned the development policies followed after Independence. b) right - wing political parties opposed to the regimes economic strategy. (The focus here shall be on the Jana Sangh and Swatantra as these were the only parties on the right with pretensions to nationwide appeal) and c) business and industrial groups who had to function under a license - control raj which severely impeded their normal expansion and growth.

In their analysis of the planning process, Jagdish Bhagwati and Padma Desai have taken exception to the nature of planning that was being practised in the country.¹ The planning process was thought to be distinguished by an excessive concern with physical targets, regardless of the resources available. In particular Indian planners neglected to exploit the advantages that India was endowed with at the time of Independence, like a century of entrepreneurial experience and growth of social overheads and financial institutions. The economic regime that was created was inefficient, operating as it did with rigid notions of monopolies and excessive concentration of economic power, and seeking

¹ Jagdish Bhagwati and Padma Desai, India Planning for Industrialization and Trade since 1951, London, Oxford University Press, 1970.

to control this by an elaborate system of licensing and controls that merely spawned an uncompetitive and inefficient industrial sector feeding on sheltered markets.

In terms of strategy, the massive investments made in heavy industry from the Second plan onwards were called into question. In a nation with poverty as widespread as India's it was deemed economically rational to provide a decent standard of living for the masses by investing in agriculture and consumer goods instead of diverting huge resources for the laying of an industrial base for the economy.²

Instead of planning that relied solely on physical targets, this perspective suggested that planning in depth be limited to a few sectors or industries. These would be the ones in which gestation periods were long and investments were unlikely to be generated by market forces. Industries producing non-priority goods would have curbs placed on their expansion by heavy excise duties. The rest of the arena would be left to market forces.³ This approach, thus, did not reject planning per se; it merely sought to combine it with a sophisticated reliance on market instruments that would promote a more efficient economic regime.

² Ibid., p.114.

³ Ibid., p.493.

Underlying this approach was the notion that growth and equity could not be separated from each other. In India's case, there is an acknowledgement that because of India's democratic structure, political pressures and demands often distorted economic decision-making and put decisions that were otherwise economically rational beyond the pale of political consideration.

This discriminating attitude towards planning was also a staple of Swatantra economic thinking. The party was broadly associated with a laissez faire approach. In public perception Swatantraites were aggressive defenders of private interests in industry and agriculture.⁴ But Swatantra spokesman particularly Minoo Masani often strove to avoid such an impression, repeatedly refuting allegations that Swatantra was dogmatically committed to a 19th century concept of laissez faire. Masani and other Swatantra leaders modelled themselves on contemporary social democratic parties in Europe and deplored the Nehruvian consensus as a manifestation of a doctrinaire 19th century socialism which had been rejected almost everywhere in the Free World.⁵ But before going on to an extended discussion of the economic plans of Swatantra and the

⁴ Myron Weiner, Politics of Scarcity, Chicago, University of Chicago Press, 1962, p. 105.

⁵ Howard Erdman, The Swatantra Party and Indian Conservatism, Cambridge, Cambridge University Press, 1967, p.198.

Bharatiya Jana Sangh we have to consider the circumstances of their birth and dominant ideological strains. The different approaches to socio-economic issues taken by these two parties can be understood only in terms of their background.

Established in 1951, the Bharatiya Jana Sangh was largely concerned with cultural and religious issues. In the public psyche the Jana Sangh was largely identified with the interests of the Hindi speaking Hindus in Northern India. While the party did have an economic agenda, this remained relatively peripheral as the party's identity was not defined in terms of its position on key economic issues. Embracing a confessional attitude towards politics, the Bharatiya Jana Sangh was far more inclined to challenge the other aspect of the Nehruvian consensus, the commitment to secularism.⁶

The Swatantra Party, on the other hand, was founded under completely different conditions. It was organized in response to the proposals on co-operative farming passed at the Nagpur session of the

⁶ For the origins of Bharatiya Jana Sangh see Craig Baxter, The Jana Sangh A Biography of an Indian Political Party, Philadelphia, University of Pennsylvania Press, 1969 and B.D. Grahams, Hindu Nationalism and Indian Politics The Origins and Development of the Bharatiya Jana Sangh Cambridge, Cambridge University Press, 1990.

Congress Party in 1959. Swatantra's ideological definition therefore rested on its ability to demarcate itself from the prevailing "socialist consensus" and offer a vision of an alternative economic agenda. The party conceived its principal task to be that of opposing "Congress statism"- by which it meant the steadily increasing economic powers and functions of the state. Major issues like linguistic policy and foreign policy were completely excluded from a statement of fundamental principles.⁷ On these and other issues of contemporary importance, partymen were either expected to stay silent or to follow the calls of their conscience. Party doctrine had no guide to offer. Chakravarty Rajagopalachari even went to the extent of stating that parties should be formed only on differences over political economy and all other differences should be resolved at a local level.⁸

Swatantra questioned the approach to planned economic development. In a speech to the Lok Sabha on 19th August, 1963 Masani held that the socialist pattern had failed to improve the lot of any of the social classes. It had only benefitted the political establishment, bureaucrats and some businessmen, elements who had been referred to

⁷ Erdman *opcit.*, p.189.

⁸ *Ibid.*, p.202.

as the "new class" by the Yugoslav communist Djilas.⁹ He went on to add:¹⁰

Why has the socialist pattern failed to create more prosperity and freedom? I venture to say that, while the objective was noble, while the objective is acceptable to all of us, the method was hopelessly wrong - the method of statism, of state capitalism, of believing that the people could do nothing, that government must do everything for them, the carrying on of that ma-bap-sarkar mentality of the British Raj which has been the bane of this country during the past fifteen years. We never gave the people the feeling of freedom, of saying 'do it for yourself', the feeling of faith that made West Germany great, when, under Erhard, they said: 'let the men and money loose and they will make the country strong'. We trust neither men nor money. We only trust government.

Turning to the industrial sector Masani held that the creation of a huge state sector was reflective of a sense of distorted priorities and a violation of economic democracy.¹¹ The huge state sector yielded a very low rate of return on investment thus wasting productive capital.

Masani was however quick to dispel the notion that he was an unabashed exponent of laissez faire. He argued:¹²

⁹ "Speech in Lok Sabha" on 19th August 1963 in Minoo Masani, Congress Misrule and the Swatantra Alternative, Bombay, Manaktalas, 1966, p.18.

¹⁰ Ibid., p.18-19.

¹¹ Ibid., p.19.

¹² Ibid., p.20.

It is not true that some of us do not believe in state enterprises. We stand for a mixed economy of private and state enterprise working side by side to serve the needs of the community, but this must be on the basis of a free and equal competition, of allowing the consumers to decide whether he wants buy these goods or those goods and not state monopoly capitalism which is becoming increasingly the pattern of our socialist economy here.

This theme was to recur in many of the party's pronouncements on economic affairs. In another speech to the Lok Sabha on 5th December 1963, while presenting the Swatantra alternative to the Third Plan Masani elaborated on what he felt to be the proper and legitimate role of the state in economic development.¹³

We stand for the state playing an active part in our economic life. We stand for a mixed economy of free and state enterprise cooperating or competing in the service of the people. There are legitimate spheres for both. The appropriate sphere for the state is to build the infrastructure, the foundation for economic advance. That is not a minor thing. It means irrigation and water supply, it means power, it means roads, transport and communications of every form, it also means education. And finally, there is an essential minimum regulation to stop anti-social practices. All this is the legitimate role of the state as understood in civilized society. But that is where the role of the state stops. When the state starts making penicillin, when it starts making steel, it becomes an exploiting element, and it sells penicillin and steel at a price which is many times the cost it takes to produce or import.....We have never said that with the possible exception of the police, Government should do nothing else, and only private enterprises should give food, clothing and shelter to the people. That is a very extreme position for a planner and a socialist to take. We take a much more modest position.

¹³ Ibid., p.25.

The Swatantra vision was therefore one of the state providing essentially infrastructural support and playing an enabling role. Within this framework of a supportive state following broadly liberal economic policies, the energy and initiative of private entrepreneurial interests were to be allowed full play, both in agriculture and industry. Stressing that the production of essential goods and services was the most immediate requirement of the economy, the party attacked the investments in heavy industry which yielded returns lower than agriculture and consumer goods and thus postponed a direct assault on the problem of poverty and underconsumption in large sectors of the economy.¹⁴

Why did the Swatantra Party and its leading ideologues often feel impelled to mute their criticism of "socialist policies" to a point where it often become a question of degree rather than of principle? The answer can be found in an examination of the nature of the development strategy pursued after Independence as well of the circumstances in which private capital operated in independent India. The Congress Party broadly represented the anti-colonial aspirations of the Indian people during the struggle for freedom. There evolved a consensus about a goal towards which the effort was to be directed. After Independence, with the securing

¹⁴ Ibid., p.35.

of political sovereignty, the most important national goal was articulated in terms of lifting the crushing burden of poverty and underdevelopment. The strategy that was devised to fulfil these objectives therefore assumed a hegemonic character, broadly similar to the one that was used to build and maintain the national movement. Any critique of development policies therefore, had to be sensitive to the fact that while certain aspects of the strategy could be criticized and attacked, the national commitment to the ideology of development had to be respected. Indeed, the bulk of the capitalist class at independence had endorsed not only the objectives of planning but also policies like the creation of a large public sector. This was deemed necessary to give an infrastructural base to the economy without having to resort to foreign aid.

The other important factor was the nature of capitalist development in India. Both in the colonial era and later after Independence, capitalism had been dependent upon the good offices of the state. The intricate network of regulations and controls that had been created to regulate private industrial activity only served to underline the reliance of the capitalist class upon the state.¹⁵ In this context, it was

¹⁵ For a fuller explanation of the dependent nature of Indian capital see Sussane Hoerber Rudolph and Lloyd I. Rudolph, In Pursuit of Laxmi: The Political Economy of the Indian State, Hyderabad, Orient Longman, 1987.

particularly difficult for Indian capital to achieve an independent political articulation. In spite of publicly staking out a position as a party of free enterprise the Swatantra Party and its intellectual predecessor, the Forum For Free Enterprise, found it hard to obtain the backing of India's business and industrial elites.¹⁶

The anti-statist rhetoric of Swatantra found an echo in the Bharatiya Jana Sangh's pronouncements also. The First Plan was criticized on the grounds that the preponderant role of the government in formulating and executing the plan made it difficult for them to secure public co-operation.¹⁷ The Second Plan drew more specific criticism. The size of the public sector, the nationalisation of Life Insurance and of the distribution and sale of cement, and the activities of State Trading Corporations were seen as evidence of government's desire to monopolise economic activity. This was perceived to be dangerous for maintaining the democratic institutions in the country.¹⁸

¹⁶ The Forum For Free Enterprise was founded by a group of businessmen associated with the Tata group. Its main objective was to educate the public about the virtues of free enterprise. Neither the Forum nor the Swatantra Party however succeeded in attracting a wide degree of business support. Of all the chambers of industry and business only the relatively insignificant All India Manufacturer's Organization supported the Forum. See Weiner *op.cit.*, pp.105-106.

¹⁷ Bharatiya Jana Sangh - Party Documents, Volume 2, February, 1973, p.6.

¹⁸ *Ibid.*, pp.8-9.

The Jana Sangh thus shared Swatantra's fear that increasing economic activism on the part of the state was detrimental to the interests of a free and open society. But in several crucial respects the Jana Sangh differed from Swatantra. The latter was opposed to government intervention beyond a tightly circumscribed area; the government's entry into the arena of production was anathema for it. The Jana Sangh's social base, however, lay among the smaller businessmen, traders, small scale entrepreneurs and professionals among the middle class and lower middle class strata in towns.¹⁹ It was not averse to seeking the government's intervention in favour of the constituents of this social base. Deen Dayal Upadhaya, one of the principal ideologues of the Jana Sangh, said that the government's aim to industrially transform the economy could have been much better achieved if the base had been laid through decentralized, consumer goods industries.²⁰ The right of the government to lay a productive base to the economy was not however, challenged. The Central Working Committee deliberating on the Second Five Year Plan urged a delimitation of spheres between small scale and large scale industry. Small scale industries, it was felt, would provide a base for sustained industrialization.²¹ Like Swatantra there was

¹⁹ Grahams op.cit., p.158.

²⁰ Ibid. p.161.

²¹ Party Documents, op.cit., p.9.

agreement on the fact that in the current climate of scarcity of capital, consumer goods industries should be given priority. Unlike Swatantra, however, there was no demand that the state vacate this area completely to the private sector or at the most enter as merely another economic agent. Most importantly, there was the expectation that the state would continue to play a regulatory role.

There were major differences in other areas also. Swatantra endorsed the liberal economic view that the plans were excessively devoted to physical targets. This had resulted in big plans, necessitating huge resource outlays which in turn led to deficit financing and inflation. Questioning the correlation between big plans and better progress, the party demanded smaller plans with more effective deployment of resources.²² The Jana Sangh, though it expressed its reservations about the size of the Third Plan and the capacity of the government to raise commensurate resources, nevertheless reiterated its commitment to the physical planning approach, arguing that the falling value of the currency had made financial parameters meaningless.²³ The Swatantra Party welcomed foreign aid while the Jana Singh deplored it and urged that the

²² "Speech to Rotary Club at Bombay, 10 August, 1965" in Masani, *op cit.* pp. 32-38.

²³ Documents, *op.cit.*, pp.25-27.

principle of "Swadeshi" be kept in mind while going about industrialization.

There was a much greater overlap between the two parties on agricultural issues. Both agreed that for Indian agriculture to reach a stage where India would achieve self-sufficiency in food, the peasant proprietor would have to be given security of his property and the bogey of co-operative farming abandoned. Masani was always at his eloquent best when defending the peasant against the nefarious designs of the government. Declaring that the Swatantra Party had been formed to defend the proprietary rights of the peasant, he portrayed the free peasant as the bulwark of a free society.²⁴ The Jana Sangh too opposed the Nagpur proposals and its Central General Council decided to organize a campaign against it October 1959. The two parties, however had different rural social bases. In Uttar Pradesh, for instance, the Swatantra remained a pro-landlord party and opposed land ceilings and food procurement levies. The Jana Sangh was largely based on those peasant proprietors owning between 5 to 30 acres of land.²⁵ These were the

²⁴ "Speech to the Lok Sabha on the 17th Amendment Bill, 1st June, 1964" in Masani, op.cit, p.96. .

²⁵ See Paul Brass "Politicization of Peasantry in a North Indian State" (Part I) in Journal of Peasant Studies Volume 7, No.4, 1980, pp.14-15.

enterprising farmers who had formerly held land under the zamindars and taluqdars and benefitted from land reform legislation like the Zamindari Abolition and Land Reforms Act.

The preponderance of older aristocratic elites in Swatantra accounts for the Swatantra's inability to expand among the broad masses of the peasantry inspite of an aggressive espousal of peasants' rights. The All India Agriculturists Federation, which was one of the constituent elements of Swatantra when it was born, was heavily dominated by the wealthier strata of landlords. Besides, the party in its effort to create the broadest possible coalition included ex-zamindars and ex-maharajhs to broaden its rural base. The commitment of these aristocrats to Swatantra was doubtful; most of them were only looking for a platform to oppose the Congress. The presence of these aristocrats made Swatantra's credentials decidedly suspect among the masses, specially in the rural areas. It also deterred commoners from rising to positions of authority in the party.

The business and industrial elites' perception of the development strategy has to be seen in a somewhat different light. Business had always functioned in India in a somewhat hostile public environment.²⁶

²⁶ For an elaboration of this point see Stanley Kochanek, Business and Politics in India, Berkeley, University of California Press, 1974 and Weiner, op.cit., pp.133-139.

This, coupled with the extent of government control over the economy, made business and industrial circles unwilling to adopt open political postures. Rather than form lobbies and pressure groups and try to win public opinion over to a distinct business view point, the class has traditionally relied on more indirect and discreet contacts. The capitalist class attitude towards economic policies and the intervention of the state in the economy was thus more complex than outrightly confrontationalist or collaborative.

Initially, the community balanced criticism of specific government policies with an appreciation of the services rendered by the government. Thus G.D. Birla in 1947 could hold the government's policies squarely responsible for the prevailing industrial and agricultural stagnation. The government had frustrated private sector's plans for accelerated development, had failed to procure and distribute enough foodgrains after nationalizing the foodgrains trade, and was making production difficult at a time of all round scarcity by its irresponsible labour policy.²⁷ At the 23rd Annual Session of the Federation of Indian Chambers of Commerce and Industry in 1950, Birla said that in a situation of acute scarcity of consumer goods and foodgrains the solution lay, in a relaxation of

²⁷ Federation of India Chambers of Commerce and Industry - Proceedings of The Twentieth General Session (Henceforth FICCI Proceedings) at New Delhi, 1947, pp.41-50.

government's rules and regulations.²⁸ Similarly, M.A. Master, speaking on a resolution on State Enterprise reiterated private sector's ability to deliver the goods in all but a few basic and heavy industries. He bemoaned the myopic economic vision that allowed for an outlay of Rs 90 crores for a steel mill in the public sector when proposals for expanding the existing private sector steel mills had been turned down. They could have produced the steel required at less than one fourth of the total cost.²⁹ Making a strong plea for equitable treatment of public and private sector undertakings, M.A. Master argued that a level playing field should be established and public sector enterprises should be run on commercial lines.

But while these criticisms of the government's policies were being voiced, there was a realization that the government would have to play a positive role if the country was to develop a viable industrial sector. In 1949, in a resolution on the economic situation, G.D. Birla called for a national economic effort and even took to task businessmen and industrialists for failing to make good on the concessions extended by the government.³⁰ A year later, the much improved investment climate was

²⁸ FICCI proceedings, 1950, pp.112-121.

²⁹ Ibid., pp. 142-147.

³⁰ FICCI proceedings, 1949, pp. 115-123.

noted; and the government was lauded for having reduced corporate taxes and enabled greater capital formation.³¹ A.D. Shroff demanded the creation of a strong centre to promote national economic development and cement the country's fragile economic unity.³² In his Presidential address of 1951, Tulsidas Kilachand approved the government's decision to set up an Industrial Finance Corporation and the recommendation of the Fiscal Commission to set up a Statutory Tariff Commission for reviewing cases of protection to industry.³³

Though they saw the private sector as the engine of economic growth, few among the captains of industry had rejected planning in principle. They were reconciled to the growth of the public and private sectors. Their differences with the government centred on the roles assigned to the public and private sectors. Shanti Prasad Jain, speaking on the First Five Year Plan declared that the business and industrial community were in accord with the government's objectives. But he questioned the wisdom of setting extremely modest targets for business and industry and of investing huge amounts in power and irrigation

³¹ FICCI proceedings, 1950, pp.112-121.

³² FICCI proceedings 1947, pp.138-141.

³³ FICCI proceedings, 1957, pp.138-141.

projects which had long gestation periods.³⁴ Speaking in the same vein the next year, B.M. Birla pointed out the similarity between the First Plan and the Bombay Plan. The gravity of the unemployment problem and the lack of infrastructure were stressed along with the necessity of maintaining a balance between the heavy and consumer goods sectors.³⁵

Apart from the weight of the public sector it was the direction of the investment that was causing concern. Painfully aware of India's lack of infrastructure the government, made large outlays on irrigation, power, mining and the social sectors. The social sector outlay increased from Rs. 533 crores in the First Plan to Rs. 1300 crores in the Third Plan. In industrial and business circles there was persistent grumbling over the impact of such thoughtlessly large outlays in areas which would bear little immediate fruit.

The first two Plans were in retrospect, reasonably successful. The economy exceeded targets in almost every sector. According to Stanley Kochaneck, hostility between business and government cooled off during the ten year period between 1952 and 1962.³⁶ But paradoxically, it was

³⁴ FICCI proceedings, 1953, pp.87-93.

³⁵ Ibid., pp. 88-95.

³⁶ Kochanek, op.cit.

the improved performance that set the stage for sharper confrontations between business and government. Buoyed by the performance of the private sector, the corporate community assumed that the major thrust of investments would be in the private sector. They were aggrieved when the government sought to lay a heavy technological and industrial base for the economy through a massive programme in the public sector. The outlay of Rs. 890 crores in mining and industry in the public sector dwarfed the anticipated private sector investment of Rs. 575 crores.³⁷ In his Presidential speech at the 1956 FICCI session Shantilal Mangaldas questioned the need for such massive public sector outlays. In a modern state, he felt, the state could give strategic direction to the economy without intervening physically on such a massive scale.³⁸

The formation of the Swatantra Party in 1959 and the backing given to it by a section of the capitalist class in India was indicative of a split within the ranks of this class. The long term perspectives of the two groups diverged. The majority among businessmen and industrialists felt that India's import - substituting policies were consistent with an expansion of indigenous capital and therefore remained broadly supportive of this strategy. A minority viewed policies like restrictions

³⁷ Draft outline of 2nd Five Year Plan, Planning Commission.

³⁸ FICCI proceedings, 1956, p.13.

and controls as forerunners of a total socialization of the economy and sought to break away from the economic consensus. It is revealing that the Forum For Free Enterprise failed to secure the backing of FICCI or any of the other major chambers for any of their programmes. The bulk of the industrial, commercial or financial interests sought to place their class interest within the matrix of the project of national development.

The poor performance of the economy during the Third Plan undermined the position of the Government and exacerbated business hostility. The Third Plan was conceived on a very ambitious scale. Of the total public sector outlay of Rs. 7,500 crores, Rs. 6,300 crores was allotted to direct investments while Rs. 1,200 crores were earmarked for subsidies and staff expenses etc.³⁹ But the two wars with China and Pakistan put an enormous strain on the economy by diverting resources which could otherwise have been used productively.

Corporate anxiety at the sluggish rates of growth was reflected in K.P. Goenka's Presidential address to FICCI in 1965. Goenka held that the Plan had undermined its growth potential by diversifying too much. The government had clearly overestimated the growth potential of the economy. Pointing out that a major reason of the poor performance of the

³⁹ Draft Outline of Third Plan, Planning Commission 1961.

economy was a shortfall in the production of critical items like steel, pig iron and power, he concluded that as these were mostly the responsibility of the government and the state sector, the private sector could hardly be held responsible for the failings of the economy.⁴⁰ G.D., Birla while speaking on the Draft Outline to the Fourth Plan in a speech to the Engineering Association of India on 13th February, 1967 was much harsher.⁴¹

Now what is the achievement of our planning? Let us analyse our records. The First Plan was just a totalling up of projects undertaken by the Government of that time. The Second Plan was something modest. The Third Plan - a real venture - completely failed and the Fourth Plan, over which most of you are so excited I am sure cannot be implemented. We have not got the resources.....This Plan, as it is prepared is mostly for the purpose of election.

According to J.R.D. Tata what India needed was a plan that was more selective and more comprehensive and was prepared to concentrate scarce resources on priority areas. Incentives rather than controls should be the principal mode of planning. An evaluating machinery had to be built into the Planning Commission to make planning more purposive and realistic.⁴²

⁴⁰ FICCI proceedings, 1965, pp. 1-8.

⁴¹ A.H. Hanson "Power Shifts and Regional Balances" in Paul Streeten and Michael Lipton (ed.) The Crisis of Indian Planning Economic Planning in the 1960s, OUP, 1968, pp.32-33.

⁴² Ibid., p.33.

Criticism of the Government was however, often tempered by feelings of national solidarity. The social and economic crises was placed in the wider context of the threat to national security. In a resolution on National Defence and Economic Development, Babubhai M. Chinai linked the need for increasing industrial production to defence preparedness.⁴³ In the same vein Shri S.P. Jain condemned the Chinese assault as a violation of the country's sovereignty and integrity. The war had afforded opportunities for the businessmen and industrialists to demonstrate their patriotism. They had purchased defence bonds and co-operated with the Government in holding the price line. Accelerated economic development was seen as critical for containing social unrest internally and attaining a minimum level of defence preparedness for meeting external challenges. The demands for reducing corporate taxes and providing further stimulus to production in the private sector were situated in this context.⁴⁴

The challenges to the Nehruvian programme of economic development from the capitalist class was almost always formulated within a broader understanding of national interest. With a few exceptions this was largely true of other liberal and conservative critiques

⁴³ FICCI proceedings, 1960; pp.31-33.

⁴⁴ FICCI proceedings, pp.1-10.

of the development paradigm. The thrust was on suggesting policy measures that would help to attain the declared objectives better. This was in marked contrast to the communist critique which was based on a sweeping denunciation of the objectives, methods and institutional base of the development strategy. In this respect at least, the challenge from the right wing acknowledged, to a greater extent, the hegemonic nature of the developmental ideology articulated and its capacity to ameliorate social and economic conflict. In the long run this endowed the Right perspective with greater hegemonic potential.

Chapter Four

*The 'Peasant' Response and the Rise of the
Bharatiya Kranti Dal in Uttar Pradesh.*

The mobilization of the middle peasant stratum occurred in the aftermath of the general elections in 1967. In Uttar Pradesh this found expression in the formation of the Bharatiya Kranti Dal. Though the Dal was formed as a result of defections from the Congress, it would be wrong to attribute this phenomenon solely to factional politics and instability in the state Congress organization. As a class the middle peasantry had been gestating through the 1950's and 1960's. Their spokesmen like Charan Singh had been vocal in their criticism of agricultural policies followed after Independence. In this chapter I shall try to address three themes: (a) the evolution of an agrarian strategy after Independence within the context of the Nehruvian development strategy b) changes in agricultural structure and c) how these processes contributed to the consolidation of the middle peasant stratum and its political articulation in the Western districts of Uttar Pradesh. Uttar Pradesh has been chosen as the focus of the study as it offered the first example of a coalition based largely on the more prosperous elements among the middle peasantry seizing power. This was an anticipation of a phenomenon which was to occur nationally on a large scale later.

The term middle peasant as used here does not merely indicate an economic differentiation marked off by landholding size. We are specifically concerned with those intermediate peasant castes like Jats,

Ahirs and Gujjars who were upwardly mobile and contested the dominance of local proprietary castes like Brahmins and Thakurs. Lloyd and Susanne Rudolph have referred to this class as bullock capitalists who were neither large landholders nor small or marginal farmers. They were self employed and self funded agriculturists whose control over the physical capital in agricultural operations was supplemented by their ability to provide human capital largely from their pool of family labour.¹

The Indian economy at Independence was characterized by overwhelming dependence upon agriculture with comparatively small industrial and service sectors. The principal industries were cotton and jute which were themselves dependent upon agriculture for their raw materials. Agriculture had experienced pronounced stagnation. As a result in the 50 years or so before Independence, the Gross National Product grew at 1% per annum while the population grew at 1.25% per annum. There was thus an overall decline in per capita income.² Acute shortage of capital, low rate of savings and structural constraints

¹ See Susanne Hoerber Rudolph and Lloyd I Rudolph, In Pursuit of Laxmi: The Political Economy of the Indian State, Hyderabad, Orient Longman, 1987.

² A.M. Khusro, "Development in the Indian Economy since Independence" in R.A. Choudhury, Shama Ghamkar and Aurobindo Ghose (Eds.), The Indian Economy and its Performance Since Independence, Delhi, OUP, 1990, p.87.

preventing the transformation of savings into investment were the major problems afflicting the economy.³

The solution thus lay in a massive expansion of the national product. Though it was felt that this could come about only through a massive industrialisation drive, agriculture was also important as a source of food and raw materials. Besides any expansion of the market for manufactured goods could come about only through an increase in rural real incomes. With population growing at a rate of 2.5 per cent annually, food production was an important determinant of social and political equilibrium.

These existing economic constraints dictated the nature of agricultural policies to be followed. The agricultural strategy of the Nehru era was guided by considerations of growth with equity. The principal instrument employed was intermediary abolition. It was hoped that by giving the tillers operational control of the land the forces of production would be released and these would autonomously generate the large increases in output needed without necessitating large investments in agriculture. Basic and heavy industry continued to absorb the larger

³ Sukhamoy Chahraborty, Development Planning The Indian Experience, Oxford, Clarendon Press, 1987, pp.9-12.

shares of planned investment.⁴ Under this strategy extensive structural change was avoided as it could lead to social and political turbulence.. The main objectives of the abolition of intermediaries and other land reforms were framed in terms of:

a) Removing the structural impediments to production and b) create conditions for an agrarian economy with high levels of economy and efficiency. Redistribution of land, it was felt, would have only a limited impact upon productivity; its principal value was in giving landless labourers and marginal farmers greater social status.⁵

Apart from the abolition of intermediaries the other major props of the agricultural strategy were National Extension programmes, Community Development programmes and an expansion of the irrigation network. Under the Intensive Agricultural Development Programme inputs were concentrated in those districts which had high levels of fertility and adequate irrigation facilities. Later agencies like the Small Farmers Development Agency helped the more enterprising among the

⁴ Rudolph and Rudolph, op.cit., pp.314-315.

⁵ Second Five Year Plan, Planning Commission Government of India, 1956, pp.177-179.

small farmers.⁶ Food production increased from 52 million tonnes to 66 million tonnes in the 1st Five Year Plan.⁷ The annual rate of growth during the first three Plan periods was in the region of 2.5 per cent per annum.⁸ But though the performance of the agricultural sector remained impressive overall there was no appreciable rise in rural living standards during this period.

A closer look at the land reforms legislation enacted after Independence will reveal why no immediate impact was made upon the problems of rural poverty and landlessness. The Uttar Pradesh Zamindari Abolition Committee (UPZAC) was formed with G.B. Pant as Chairman after the United Provinces Legislative Assembly passed a resolution on 8th August 1946 accepting Zamindari Abolition. UPZAC had three broad terms of reference: (a) Abolition of intermediaries b) Determination of basic principles of land tenure and c) setting up of an administrative organization for collecting dues.⁹ A redistribution of land was not on the

⁶ See C.H. Hanumantha Rao, "Socio-Political factors and Agricultural Policies" in Uma Kapila (ed.), Indian Economy Since Independence-Volume 2, Delhi, Academic Foundation, 1990, pp.151-158.

⁷ Chakraborty, op.cit., p.19.

⁸ Ibid., p.23.

⁹ "Renuka Mani's survey of Poorva Acharya Village, Sitapur District", Uttar Pradesh in Case studies of Land reforms in Seven States undertaken by the National Academy of Administration,

agenda though the state was marked by extreme inequalities in landholding structure. P.C. Joshi's report on Zamindari Abolition shows that at the time this measure was implemented, less than 8% of total acreage was held by cultivators operating less than 1 acre on an average. These cultivators constituted 37.8% of the agricultural population. 81.2% of all peasants held less than 5 acres on an average. The UPZAC Report's definition of an economic holding was 10 acres. Nearly 94% of all cultivators operated smaller holdings.¹⁰

The Zamindari Abolition and Land Reforms Act (ZALRA) created four types of tenures in the land. At the apex was Bhumidari tenure. Under this tenure land was both heritable and alienable and could be used for any purpose. The mass of the peasantry could not acquire Bhumidari rights as it entailed a payment of 10 times the annual rental. Sirdari tenures formed the next category. Under Sirdari tenure holdings could not be used for any other purpose than agriculture. The two tenures at the bottom were Asamis and Adivasis. They enjoyed no stable rights in the soil and were mostly tenants under Bhumidhars and Sirdars. They could be evicted for non - payment of rent.

Mussorie (1988-89).

¹⁰ P.C. Joshi, Report on Uttar Pradesh Zamindari Abolition, Lucknow, People's Book House, 1952, pp.3-5.

The Act thus allowed only a small fraction of the peasantry to buy their way into formal occupancy status. A large number of peasants had to remain content with temporary rights in the soil. ZALRA's other failure was its lack of attention to a comprehensive regulation of rent. On these and other grounds the legislation has been criticized for the lack of a redistributive agenda and for not empowering the weaker sections sufficiently to assert their rights. But two important points about the legislation deserve to be noted. Uttar Pradesh's agricultural landscape was dotted by a huge number of unviable holdings. In pre-Independence Awadh for instance, 40% of all tenants and 50% of all landowners operated barely viable holdings.¹¹ Even the strictest enforcement of ceilings and abolition of intermediaries would not have generated enough land to meet the land hunger of the peasants. A radical redistribution of land would have created a mass of unviable holdings, which starved of inputs, would have contributed little to agricultural production. The other motivation behind the vesting of large member of peasants with Sirdari tenure could have been to restrict the possibility of transfer of land from agricultural to non-agricultural purposes. If the bulk of the peasants had been given heritable and transferable rights in the soil they might have

¹¹ D.N. Dhanagare, Peasant Movements in India 1920-1950, Delhi, OUP, 1983, p.115.

been tempted to take advantage of the land market and sell their land.¹² Agricultural production in the first two decades after Independence could be increased only by extending the acreage under plough, which grew by 22% in the 1950's and another 4% in the 1960's.¹³ The interests of food output therefore demanded that the maximum acreage be kept under agriculture.

The abolition of intermediaries undoubtedly had a positive impact upon Indian agriculture. At the top the rentier class of absentee landlords was peeled off. At the bottom forced labour was substantially eradicated.¹⁴ As a result of intermediary abolition, about twenty million tenants acquired ownership rights and about 14 million acres were distributed.¹⁵ But intermediary abolition failed to have the desired effect of unleashing the dynamism and creativity of the rural millions. This was because elements of the erstwhile landed classes who were prepared to

¹² In a different context, Myron Weiner has argued for ceilings as otherwise small farmers might be tempted to sell their land before they could make it productive and profitable. See Myron Weiner "Capitalist Agriculture and Rural Well Being" in Ashutosh Varshney (Ed.), The Indian Paradox Essays in Indian Politics, New Delhi, Sage, 1989, p.125.

¹³ Khusro, op.cit., p.91.

¹⁴ See Daniel Thorner, The Shaping of Modern India, New Delhi, Allied, 1980, p.159.

¹⁵ Rudolph and Rudolph, op.cit., p.315.

resume their lands for personal cultivation retained considerable power. Such lands were declared Sir and Khudkhast in order to evict the tenants.

The limited institutional space that was opened up by the establishment of Panchayati Raj institutions and the creation of co-operatives were also appropriated by them. In his survey of co-operatives in India Daniel Thorner has shown how dominant families in the villages, having opposed the formation of co-operatives in the first place, quickly assumed positions of importance within them. By constructing vertical linkages with state - level politicians, these local notables effectively nullified the potential of co-operatives as areas of mobilization.¹⁶

In her study of the impact of agricultural reforms in the village of Poorva Acharya, Renuka Mani noted that the Land Management Committee, charged with the distribution of surplus land was dominated by the Pradhan, Up-Pradhan, Lekhpal and other powerful elements in the village. The numerical superiority of the weaker sections in the Land Management Committee was offset by the tremendous clout wielded by the Thakur and Brahmin members. Redistribution of surplus land, when

¹⁶ Thorner, op.cit., pp.168-175.

it did take place, was often through allotments of less than an acre. The land allotted too was of poor quality.¹⁷

The Report of the Working Group on Co-operative Farming however, painted a different picture.¹⁸ The Group studied 34 societies spread over eight states. Though it conceded that societies started for improving the conditions of backward classes and landless labourers were not able to augment production significantly in spite of generous financial assistance from the government, it also noted that societies formed by influential persons did not usually manage to enhance agricultural productivity. Generally these societies were dominated by an individual or a small coterie and did not display much enterprise or initiative. The best societies, the Report noted, were those in which the overwhelming majority of the workers directly participated in farm operations. These societies were able to generate increases in productivity as well as absorb labour through the adoption of a variety of innovative labour intensive

¹⁷ Renuka Mani op.cit., p.138, Land was redistributed under the Imposition of Ceilings on Land Holdings Act, 1960 under which the ceiling was pegged at 40 acres. A later amendment in 1973 laid down a ceiling limit of 18.04 acres of irrigated land.

¹⁸ The Working Group on Co-operative Farming was constituted on the 11th of June, 1959 under the chairmanship of Shri S. Nijalingappa. Its broad terms of reference included an examination of the organisation and management of joint farming societies and an assessment of the financial, administrative and logistical requirements of these societies.

techniques. The other benefit accruing from the development and spread of genuine societies was a gradual empowerment and dawning of consciousness among the weaker sections and backward classes who were being initiated into the participation and management of these societies. The Report concluded its assessment by saying that the best way to create vibrant and successful co-operatives was by tapping local talent and harnessing it to the local cooperatives.¹⁹

Critics of this process of gradual agrarian reform saw the agricultural policies followed as a consequence of an alliance between rural and urban bourgeoisie. According to Ashok Mitra, the price of this alliance was a deliberate shift in terms of trade towards agriculture which led to an increase in foodgrain prices. In return, the rural elites undertook to deliver the votes of the rural poor. The rural bourgeoisie stood to benefit from this process as the surplus producing farmers came largely from its ranks. In contrast, the interests of the urban bourgeoisie suffered as the market for consumer goods and other industrial products shrank because the rural and the urban poor had to make correspondingly large outlays on food articles. The consequence of this alliance was therefore a gradual erosion in the economic position of the

¹⁹ Report of the Working Group on Co-operative Farming Volume 1, Ministry of Community Development and Co-operation, Government of India, 1959, pp.34-42.

urban bourgeoisie. The refusal to undertake massive institutional reforms in land was part and parcel of this strategy.²⁰

Apart from an extreme underplaying of the tensions within the dominant rural coalition, this analysis overestimates the powers of the state and urban elite groups. Socially entrenched elites cannot have their powers curbed or overthrown short of a degree of bureaucratic centralization impossible in a democracy. Development policies are largely shaped through a process of attrition between state power and elite groups.²¹ In India's case the official perspectives on rural reform were largely rooted in the ideological matrix of the national movement. As the Congress Party had shifted leftwards on agrarian issues from the late 1930's onwards, it is difficult to see on what basis a coalition of the rural and urban bourgeoisie could have been sustained. The development policies adopted after Independence were, in fact, repeatedly attacked both by large landlords and by the emerging class of enterprising peasants for neglecting agriculture in favour of an urban, industrial bias.

The Zamindari Abolition and Land Reforms Act and measures like Consolidation of Holdings Act (1953) spawned a nebulous agricultural

²⁰ See Ashok Mitra, Terms of Trade and Class Relations, London, Frank Cass, 1977.

²¹ See Francine Frankel, "Introduction" in Francine Frankel and M.S.A. Rao, (ed.), Dominance and State Power in Modern India, Vol.1, Delhi, OUP, 1989, pp.1-18.

capitalism in the countryside. The enterprising farmers who stood to gain from this development were of dual social origin. Former landlords were prompted by the abolition of absentee landlordism to take over large tracts of land for personal cultivation as allowed by the legislation. This resulted in eviction of tenants from the soil; in many cases tenancies were driven underground. The other major elements were the prosperous tenants who now became landowners. These were the producers who had benefitted from years of rising food prices and legislation which curbed rents. They could afford to purchase Bhumidari rights. The Jats, Ahirs and Gujjars fell into this category. Unlike the elite proprietary castes like Brahmins and Thakurs who were ritually debarred from ploughing, these classes could participate in agricultural operations.

The clue to the disenchantment of a broad spectrum of the middle peasantry with the Congress and their subsequent electoral desertion from the party may be found in their resentment at being outbid in their quest for social dominance by the older landed groups. The Congress had largely relied on rural notables and large landowners to provide a political base for it in the countryside.²² Paul Brass has shown in his analysis of the electoral performance of major parties in Uttar Pradesh

²² Rudolph and Rudolph maintain that these ruling elites were the junior partners in the Nehruvian ruling coalition See Rudolph and Rudolph, *op.cit.*, p.51.

that while the Congress drew support from landholders operating holdings of thirty or more acres it enjoyed no significant support among small and medium sized farmers with holdings ranging from 2.5 to 12 acres. Neither was it firmly based among larger peasants in the 12 to 30 acres category.²³ Zamindari Abolition however, reduced the dependence of the middle peasantry on high caste landowners and opened up possibilities of independent political assertion.²⁴

In certain agrarian zones this discontent and increased political ambition meshed with anger at specific policies to heighten political mobilization. The social structure of the wheat growing western districts of Uttar Pradesh was very different from that of the eastern districts. The eastern districts had a much greater number of petty farmers and small tenants holding land under taluqdars and Zamindars, who enjoyed superior rights over vast tracts of soil. The first two decades of the century had seen sharpening conflicts between these two classes, with rising rents being the principal bone of contention.²⁵ But the colonial state's support for the Taluqdars and Zamindars precluded any serious

²³ Paul Brass, "The Politicization of the Peasantry in a North Indian State" (Part II) in Journal of Peasant Studies, Volume 8 Number 1, 1980, pp.12-13.

²⁴ Zoya Hassan, "Patterns of Resilience and Change in U.P." in Frankel and Rao, op.cit., p.179.

²⁵ For a description of rising tensions between superior rights holders and tillers see Majid Siddiqui, Agrarian Unrest in North India, New Delhi, Vikas, 1978, pp.45-102.

challenge to their domination. The western districts on the other hand, were marked by a greater incidence of individual proprietorship. There were comparatively fewer Zamindars with superior rights in the soil. As such, the upwardly mobile intermediate castes had greater opportunities open to it.

Charan Singh led these groups in their struggles against uppercaste moneylenders and Zamindars. His close identification with the interests of the middle peasantry and his strong anti-feudal, anti-Zamindar orientation is reflected in the legislation he sponsored or was personally interested in. In 1938 and 1939 he piloted the Agricultural Produce Marketing Bill and the Debt Redemption Bill.²⁶ After Independence he campaigned in favour of zamindari abolition. Charan Singh, for all his populist rhetoric, was actually responsible for creating conditions conducive to agricultural capitalism. The other major feature of this perspective was its anti-state outlook. The food procurement and levy policies of the government were strongly attacked. Charan Singh personally shot into the limelight for opposing the resolution on joint co-operative farming moved by the Congress party leadership at the annual session of the party in 1959 at Nagpur.²⁷

²⁶ Terence J. Byres, "Charan Singh 1902-87; An assessment" in Journal of Peasant Studies Volume 15, Number 2 (1988), p.148.

²⁷ Rudolph and Rudolph, op.cit., p.361.

Parallel with this discontent in its ranks, the Congress party suffered an overall erosion in electoral support in Uttar Pradesh between 1952 and 1967. The decline was most precipitous in the wheat growing districts of the Upper doab in Western U.P. There the Congress vote share fell from 55% in 1952 to 30% in 1967.²⁸ Significantly none of the established political parties gained at the expense of the Congress. The vote remained fractured among smaller parties and Independents until the rise of the Bharatiya Kranti Dal after the 1967 elections.²⁹ The other parties like the Socialists and the Jana Sangh had limited support bases. The socialists appealed principally to the rural poor and demanded reservations for weaker sections. The Jana Sangh had a stable base among peasants holding land between 5 and 30 acres but was too easily identified with the higher castes. The Swatantra and the Uttar Pradesh Praja Party quickly went into oblivion. By 1969, the Bharatiya Kranti Dal

²⁸ Paul Brass, "The Politicization of the Peasantry in a North Indian State" Part (I) in Journal of Peasant Studies Vol.7 Number 4 (1980) pp.420-421.

²⁹ It has to be remembered that the Bharatiya Kranti Dal was formed as a coalition of dissident Congressmen from all states only in November, 1967. The initial defection from the Congress by Charan Singh and 15 other MLA's was in the guise of the Jana Congress. The C.B. Gupta Government lost the vote of confidence and Charan Singh assumed power at the head of a Samyukta Vidhayak Dal coalition See Craig Baxter "Rise and Fall of the Bharatiya Kranti Dal in Uttar Pradesh" in Myron Weiner and John Osgood Fields (eds.) Electoral Politics in the Indian States, Vol.4, Delhi, Manohar, 1975, pp.115-120.

had emerged as an effective, though not the sole challenger to the Congress.

What were the major elements of this peasant critique as articulated by its foremost spokesman, Charan Singh? Since the beginning of the planning era Charan Singh fired broadsides at the development strategy being pursued which he regarded as serving the interests of the urban sector; specifically, he was critical of the heavy industry bias and wanted greater investments in agriculture and allied activities along with a labour intensive, employment generating strategy.³⁰ Rejecting the argument that agricultural co-operatives and mechanization would increase productivity, he argued for the breakup of large farms into smaller units and the distribution of these plots among cultivating peasants.³¹ According to him this community of peasant proprietors would create the ideal social base for democracy in the countryside.

We see here an attempt at countering the Nehruvian paradigm with elements drawn from Gandhi's critiques of excessive

³⁰ Charan Singh, India's Economic Policy, Delhi, Vikas Publishing House, 1978.

³¹ Ibid., p.14.

industrialization and consumerism. In reality, it was an attempt to assert hegemony over the countryside by rallying the villages against the cities. As a class, the middle peasantry or the bullock capitalists (as the Rudolphs have preferred to call them) were uniquely positioned to do this. As their objective interests did not propel them into direct conflict with other rural strata they could make vertical alliances with other segments of the rural spectrum.³² In economic terms, the larger landholders had steadily yielded ground to these independent producers. As a statistical category larger landholders were displaced by middle peasantry in terms of households and area controlled.³³ Besides the governing principle for any successful politician or political formation in rural politics is to construct social alliances that stretched beyond his immediate caste, clan or class. As Paul Brass has shown in his analysis of the Congress Party in Meerut district, successful factional leaders usually enjoyed multi caste support which was crucial for electoral victories. Besides, leaders from specific groups did not necessarily articulate the interests of these groups.³⁴ Charan Singh did try to negotiate with a wider constituency. In the late 50's and 60's as a strongman of the Meerut District Congress he patronized Jats and non-Jats alike. Later, when the Bharatiya Kranti

³² Rudolph and Rudolph, op.cit., p.53.

³³ Ibid., p.341.

³⁴ Paul Brass, Factional Politics in an Indian State ~~The Congress Party in Uttar Pradesh~~, Bombay, OUP, 1966, pp.137-166.

Dal was formed a conscious attempt was made to shed its Jat image by inducting non-Jat leaders like Ram Prasad Deshmukh and Srichand Singhal (both ex-Congress politicians of long standing).³⁵

This attempt at a hegemonic mobilization was however hampered by other elements in the ideological fabric of this class. Charan Singh, for instance, was indifferent to the rural poor and agricultural labourers; he was also antagonistic to moneylenders and landlords. He refused to consider giving any land to the landless labourers and sharecroppers. His vision of the rural community was not broad enough to include them.³⁶ Though he argued in favour of smaller farms, this did not make him a proponent of redistributive land reform. He suggested a floor limit of 2.5 acres beyond which the inverse relationship (which suggested that the productivity of land increased with decreasing farm size) would not hold.³⁷

The hegemonic aspirations of this section of the peasantry were thus constrained by the antagonism it harboured towards other rural

³⁵ Ian Duncan "Party Politics and the North Indian Peasantry: The rise of the Bharatiya Kranti Dal in Uttar Pradesh" in Journal of Peasant Studies, Vol.18, Number 1, 1988, pp.49-50.

³⁶ T.J. Byres, op.cit., p.163-165.

³⁷ Ibid., pp.176-178.

strata. In spite of emerging as the single largest party in the 1969 elections, the Bharatiya Kranti Dal could not emerge as a statewide alternative to the Congress. Nearly 39 of the 98 seats the BKD won came from the wheat growing western districts, amply underlining its limited electoral base.³⁸ But this perspective acquired legitimacy from the reorientation of agricultural strategy that was taking place. In the face of mounting food shortages and pressure from the international community, the government adopted the package of policies that facilitated the Green Revolution. These included high - yielding varieties of seeds, price incentives for farmers and provision of crucial inputs in the form of subsidized fertilizers and irrigation. While the Intensive Area Development Programme had sought intensive agricultural development in high productivity districts as early as the 1950's, what was new was the encouragement of these practices over a much wider area along with the adoption of supportive public policies. Internally too, powerful voices including those of party bosses and policy intellectuals were raised in favour of the need to be self - sufficient in food.

In the short run, the success of the Green Revolution along with other non-economic factors like the victory over Pakistan in 1971 undoubtedly contributed to a strengthening of the centre against

³⁸ Craig Baxter, *op.cit.*, p.135.

sectarian tendencies. In the 1971 parliamentary elections the Congress (R) led by Mrs. Gandhi won a massive mandate. In Uttar Pradesh the BKD was decimated and could win only 1 parliamentary seat.³⁹ In the longer run however, this critique developed into the "new agrarianism" and moved centre stage into the national political scene. This was partly facilitated by the image of the peasant feeding his country, one of the few unambiguous success stories of the Indian economy.

The triumph of the Janata coalition in 1977 heralded the arrival of agrarian interests in the national decision making structure. Unsympathetic observers like Romesh Thapar were forced to admit that leading elements in Janata were under the delusion that Charan Singh had managed to project himself as the leader and formidable symbol of the peasantry all over North India and that removing him would erode the mass base of the party.⁴⁰

This challenge to the Nehruvian consensus was however framed more in terms of "respect" and "recognition" for rural identities and interests than in terms of any concrete social and economic programme.

³⁹ Ibid., p.140.

⁴⁰ Romesh Thapar "Muddled Up Janata Party" in Economic and Political Weekly, August 26, 1978, Volume XIII no.34.

Besides, this opposition was articulated politically at levels other than merely the national one. The proliferation of regional parties in the late 70's and 80's cannot be explained solely in terms of the weakening of the 'appeal' of national parties. Regional peasant elites and prosperous farmers' formed an important constituent of these regional formations. Farmers' organizations like the Shetkari Sangathana in Maharashtra, the Karnataka Rajya Raitha Sangha and the Bharatiya Kisan Union in Uttar Pradesh used regional identities and rural populism to paper over the internal social differences of these rural coalitions. Though these formations were largely dominated by the richer elements among the peasants, they were able to draw in substantial numbers of poor farmers and agricultural labourers through appeals to an undifferentiated "peasant" identity.

The "peasant" critique, therefore questioned the claims of the Nehruvian economic consensus of being able to articulate a strategy of development that emphasized an overarching concept of national unity. In its view, the consensus was biased towards specific, mostly urban interests. This critique however, never outgrew a markedly regional and sectarian idiom. Even when expressed through the agency of national level organizations and parties, this perspective failed to command broad societal allegiance.

Conclusion

The economic strategy embraced after Independence provided stable growth for the Indian economy for the first fifteen years after Independence. India, unlike many countries of Latin America, had not been taken hostage by foreign capital. A large technological and scientific base supported a diversified industrial structure. A beginning had been made in creating a rural infrastructure that would help in expanding agricultural output. The policies adopted won wide ranging appreciation as a source of social and political stability so rare in Third World states. The performance seemed particularly impressive when compared to the stagnation in all sectors of the economy in the fifty years before Independence. And yet, by the end of the Third Plan, a social, political and economic crisis occurred that forced a re-examination of the basic premises of this paradigm and fractured the consensus that had been built around it.

This economic impasse reached towards the end of the 1960's had more to do with the execution of economic strategy than with its conception. A developmental ideology that had been broadly conceived as a project of gradual democratic and social transformation degenerated into an elaborate network of officious controls and regulations that gradually sapped vitality and energy from the economy.

Perhaps the most important cause for the deterioration of India's economic fortunes was an obsessive concern with institutionalization that degenerated into bureaucratization. In agriculture, particularly, the planners remained committed to an approach that compelled them to rely on instruments that were proving patently unworkable. Co-operatives for instance, at least in the way they were conceived, did arouse hostility and alarm among large sections of the peasantry. Whether this was justified or whether the frenzy was carefully orchestrated by landed interests is beside the point. What was moot was that once a sufficiently large section of the peasantry developed reservations about the proposal only coercion could have enabled the formation of co-operatives. The planners either seriously underestimated the need for popular mobilization in order to make institutions like Panchayati Raj and co-operatives effective; or they seriously overestimated the capacity of the government for moral persuasion.

A similar approach governed attitudes towards land reforms where a large body of opinion was inclined towards postponing any technological innovation until a thoroughgoing land reforms programme had been implemented.¹ The parallel to this was an oppressive system of

¹ See P.C. Joshi, Land Reforms in India Trends and Perspectives, Bombay, Allied, 1976, p.79.

restrictions and controls that sought to curb the growth of private sector industries on the grounds that it would lead to monopoly. It only resulted in uncompetitive industries feeding on sheltered markets.

This institutionalization of economic change was moreover being pushed when a certain deinstitutionalisation was occurring in the polity. An important aspect of this was the undermining of the organizational cohesiveness of the Congress Party. The politico-strategic debacle of the China war eroded the ability of the party to maintain a consensual balance between different social and economic interests. A programme of socio-economic change which relied so heavily on institutions and structures which were largely new to the Indian experience was obviously so much more difficult to implement in that context.

The change in direction in the growth strategy in the mid-60's was a result of partial acceptance of rightwing criticisms of the development strategy. But if the planners had relied too much on the institutional approach some proponents of a more liberal approach set too great a store on the unfettered operations of the free market. The explosion of economic growth in the East Asian economies around this time was widely touted as a vindication of the ability of the market to generate growth and promote a distribution of benefits at all levels of the social hierarchy. But

the state played a major role in the economic miracles wrought in these countries. The state's presence guided investments into the most important areas of the economy where the market was unable to guarantee a rational allocation of resources - like health and education.² Besides, the existence of authoritarian regimes in some of these countries meant it was easier for them to insulate the economic decision-making process from political pressures.

Economic forces cannot autonomously generate growth, specially in an underdeveloped economy. They need to be complemented by appropriate public policies.³ The lessons of India's development experience in the first two decades after Independence underline the need for government policies which can stimulate growth without demarcating large areas of the economy for state economic enterprises. The state should ensure that a political and economic regime exists which is conducive to growth.

² For an analysis of the role of the state in promoting economic development in East Asia see Nigel Harris, The End of the Third World, Suffolk, Penguin, 1987 and Amiya Bagchi, Government Intervention and Industrial Restructuring in Korea, China, India, New Delhi, ILO, 1987.

³ Myron Weiner, "Capitalist Agriculture and Rural Well-Being" in Ashutosh Varshney (ed.), The Indian Paradox, New Delhi, Sage, 1989.

The economic crisis was caused by an excessive reliance on institutions and an all pervasive regime of controls that stifled initiative and productivity. The justification for this was provided by invoking the argument of equity based growth. These restrictions and controls were allegedly required to check the further widening of socio-economic disparities. This approach delayed technological innovations in agriculture and industry. In the longer run, it distorted the vision of a democratic social transformation based on popular participation.

Paradoxically, the alternative that emerged after the virtual abandoning of the Nehruvian approach was not in the direction of a liberalization of the economy and a relaxation of the repressive regime of controls and restrictions. Though political support was provided for the Green Revolution an intensification of the worst features of the earlier paradigm took place. Under Mrs. Gandhi even the earlier commitment to democracy was dropped; under the pretext of using state power as an instrument of change, concepts like that of a "committed bureaucracy" were fashioned. The breakdown of the Nehruvian consensus thus brought in its wake a significant undermining of democratic norms and values, which Pandit Nehru had put at the heart of his agenda.

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