

***'Promise and Performance: An Evaluation of the Socialist
Policy and Performance of the New Congress'***

(N. H A M S A)

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P R E F A C E

The year 1969 was important for Indian politics for the Congress party of India developed a serious crisis and split within a short time.

The Congress has been in power continuously in the Centre and in most of the States, having been voted back to power in four successive elections. It seems to me that the basic reason for its success in being the ruling party is due to its socialist policies, which have been elaborated and articulated over the years. This is a short dissertation focussing on the split in the party. I have tried to analyse the socialist policies of the Congress, the promises it had made and its achievements.

It is now almost three years since the Congress party split. Immediately after the split a few books came out explaining the background of the event. These were, however, not academic works. I had to rely mostly on the information in the press reports and articles in various journals. My primary reference materials was, of course, the publications of the All-India Congress Committee. These documents — mostly declarations and reports — have been classified separately in the bibliography.

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INTRODUCTION

The Indian National Congress which split into two in the year 1969, had travelled a long path as a single united party. It started as a national movement and gathered the reins of power in its hands after independence. Gandhi, the soul of the party during the period, did not want it to take the right to rule. But due to people's backing and lack of any other alternative, ground was set for emergence of the Indian National Congress as a political party in free India. Gandhi withdrew from the Organisation. He transferred the responsibility to the most admired leader next only to Gandhi, Jawaharlal Nehru. To put it in Gandhi's own words, 'Jawaharlal Nehru is truthful beyond suspicion. The nation is safe in his hands.' Not only Gandhi's he had the backing, of the whole nation. He can be rightly called the charismatic leader. He almost overshadowed all the other political leaders of his time. He represented the Congress party and spoke for it.

From the very beginning, Congress was not a homogenous party. As it started as a national movement, it comprised of people with different shades of opinion. Under the pressure of British imperialism, Indian economy suffered a great deal. Both the Capitalists and the working class felt the pinch. The Capitalists could not develop the industry freely and increase their profit and the workers felt that they were too much exploited. The grievances of both the Capitalists and the working class were entirely different, but both believed that they can overcome it only by

freeing themselves from the clutch of British imperialism. A need for freedom was felt by each and every Indian. The Indians educated in England could not stand the suffocating slavish atmosphere of alien ^{rule} ~~rule~~. They had the knowledge of English language and knew the value of liberty. Developed means of transport and communication was conducive for the spread of national movement like wild fire. The Indian leaders therefore realised the necessity of an all India Organisation to voice their grievances, and fight the injustice they had to face in the hands of the Britishers. Thus, all the people of different class, caste, and religion came under a single body - The Indian National Congress. But all these did not show up till independence as the only goal for all was 'swaraj'. The economic policies of the party could take a practical shape only after independence. The towering personality of Nehru had influenced the Congress to a great extent in its economic programme. The clash between the office of the Congress President and the Prime Minister was there also during Nehru's Prime Ministership.

When India became independent, Kripalani was the President of the party and Nehru became the Prime Minister. Kripalani felt offended when Nehru failed to consult him on some matters (1). He

(1) On the policy towards Pakistan and the inflow of refugees etc.

resigned from the office. His successor Dr. Rajendra Prasad did not stay in office for long. To fill the seat, Nehru suggested Pattabhi Sitaramiah and Patel supported Tondon. Ultimately Pattabhi Sitaramiah got elected. During his Presidentship, there was a smooth relation between the Party President and the Prime Minister. But the inflow of refugees from East Pakistan put Nehru's policy towards Pakistan to open criticism. This created friction between Patel and Nehru.

In the next election, Tondon contested and was elected. In view of Tondon's election to the Presidency, Nehru, placed before the Nasik Session the basic policies of his government. The resolution condemned communalism and reaffirmed its faith in the secular state. The Congress passed a very important resolution on 'Economic Programme' and the working committee recommended to the government the appointment of a statutory planning commission (2). All the policies were passed by huge majorities.

After the death of Patel on December 15, 1950, Tondon lost his powerful supporter. There was then a clash of ideas between Kripalani and the Congress President Tondon. Kripalani could not come to a compromise with the Congress President. He resigned from the party along with his supporters. This drift caused concern among the party members. After Kidwai's resignation, Nehru said that he would

(2) M.V. Ramana Rao: A short history of the Indian National Congress. S. Chand and Co., Delhi, 1959, P.276.

also resign. Tondon persuaded Nehru from resigning. But he was unsuccessful. Tondon could do nothing other than submitting his own resignation. After Tondon's resignation Nehru was elected as the President of the party. Immediately after his election, Nehru called for an urgent AICC meet to be held to present 'a clear policy guide'. He strived to consolidate the party once again. He called back those who had left the party due to differences with party leaders. For three years following the Tondon's resignation Nehru attempted to ensure party-government, harmony by consolidating the roles of Prime Minister and Congress President in his hands (3). Due to the harmony in the party, Nehru was asked to continue for a second term as the party President. Nehru's second term as Congress President terminated by the end of 1954. By then he was at the Zenith of his popularity.

Dhebar succeeded Nehru. The AICC which met on 17th July 1954, following Dhebar's election reviewed the economic condition of the country. It was satisfied with some of the achievements of the First-Five-Year-Plan. The food situation had improved. Rural conditions had shown some progress (4). The committee stated that it was aware of the importance of large-scale industrialisation.

(3) Stanley A. Kochankey: The Congress Party of India. New Jersey, 1968, P.54.

(4) M.V. Ramana Rao: Opcit. P.313.

At the same time it stressed the need for further growth of small scale industry. After Dhebar's election the number and scope of subjects considered by the working committee increased markedly. Nehru in turn facilitated cordial relationships by taking Dhebar into his confidence on key problems facing the government (5). The first flash of socialism emerged from Congress in the Avadi session. This was because, people were more attracted towards other parties gradually due to the promises made by those parties in their manifestos. Congress also proclaimed that the national aim was the establishment of a "Welfare State and a socialist economy" (6). It laid stress on 'Plenty and equality'. When Congress again met at Amritsar in 1956 on February 11th and 12th, it passed important resolutions related to economic policy. The socialist programme was put into practice for the first time. The Imperial bank was converted into State Bank and Life Insurance was nationalised.

The period between Gauhati session in 1958 and Nagpur session in 1959 saw a strong development of socialist ideology in Congress. It laid stress on Democratic socialism and in Nagpur session it proposed capping on land co-operative farming.

(5) Stanley A. Kochankey: Opcit.P.62.

(6) M.V. Ramana Rao: Opcit. P.319.

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After Dhebar, Mrs. Indira Gandhi was the party President for one year. She was succeeded by Kamaraj. Kamaraj saw that the party was losing ground due to internal friction. He put forth a plan, known as Kamaraj plan to remedy the situation. He said that every prominent and influential member should resign and take part in strengthening the party. Nehru said that he would take active part in party work and resign from the Prime Ministership. It did not impress many. Kamaraj plan thus failed.

Although the Congress commanded the absolute majority, during the last days of Nehru, his government was bitterly criticised by the opposition, for his foreign policy, socialism and planning. The 1967 election which was held after Nehru's and Shastri's death, proved that the Congress was losing both prestige and popularity in the country. This was also due to gradual drift in the party. After the death of Nehru, the bitter feelings among Congress men came to the surface. Everyone was keen on overthrowing the other. The difference between the parliamentary group and the organisation group was the gravest. The tug-of-war went on till 1969. When ultimately, the party was literally split into two. One headed by Nijalingappa and the other by Smt. Indira Gandhi. The elections proved conducive to Indira's party. The New Congressmen say that they had to cut off and the split was inevitable to overcome the obstacles in the way of implementing the policies and programmes of the Congress. The New Congress has without doubt passed some

legislations like privy purse amendment and Nationalisation of banks. These are only the means for the end that is the democratic socialism. It is now left for us to see whether the end will be achieved? Will all the money taken from the rich of the country utilised for the upliftment of the poor? Are the New Congressmen real socialists? Are they keeping up their promises and moulding India as a practitioner of democratic socialism? These questions are discussed in the following Chapters. The first Chapter deals with the causes and the incidents leading to the split. In the next three Chapters, there is a discussion on the promises and a critical assessment of the performance of the New Congress.

CHAPTER I

The Split

The Indian National Congress which roused India's political consciousness fought for independence, got power from British Raj and ruled the country for twenty two years, split into two in the year 1969.

The Indian National Congress was never a homogeneous party. With all its members, who held individual views and believed in different ideologies, it posed as single unifying force in India. But the interior was never smooth. Immediately after the death of Nehru, the suppressed differences came out with full force. Minute issue like linguism and regionalism were enough to create friction among Congressmen.

With the passage of time, it was almost clear that the leaders and others close to them were worried about Nehru's successor. They saw that their personal interests and future were closely linked with this question. Immediately after Nehru fell ill, Nijalingappa, Kamaraj, Sanjeeva Reddy, the Chief Ministers of Mysore, Tamil Nadu and

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- (1) Chatterjee Basant: 'The Congress Splits', Delhi, 1970.
 - (2) Nayar Kuldip: 'India: The Critical Years', Delhi, 1970.
 - (3) Puri Rajinder: 'A Crisis of the Conscience', New Delhi 1970.
 - (4) M.M. Rahman: 'The Congress Crisis', New Delhi, 1970.
 - (5) R.P. Rao: 'The Congress Splits', 1970.

Andhra Pradesh and Atulya Ghosh met at Tirupati to consider the succession issue. They decided to act together to control the party thereafter.

Immediately after Nehru's death, as an interim arrangement responsibilities of the Prime Ministership was divided between Home Minister G.L. Nanda and Finance Minister T.T. Krishnamachari.

Lal Bahadur Shastri, who succeeded Nehru, was in office for a very short time. During his Prime Ministership, there was an aggression by Pakistan. The country's attention was drawn to it and the party politics pulled on for some more time. Shastri's sudden death again brought the question of a successor. Congress leaders Nijalingappa, Kamaraj, Patil, Atulya Ghosh and Sanjeeva Reddy came together to chose the next Prime Minister.

This time there was no unanimous election. There was Indira Gandhi - Morarji Desai contest, for the first time, for the post of Prime Minister. Indira Gandhi was supported by many Chief Ministers. Ultimately, she was elected as the Prime Minister. Referring to Mrs. Gandhi's election as the Prime Minister, the Congress President Kamaraj assured her, that the entire Congress Organisation was behind her.

After taking the office, Indira Gandhi wanted to devalue the rupee. But Kamaraj asked her not to take any decision before consulting

experts. The Prime Minister did not follow Kamaraj's advice and devalued the rupee. This action created an alarm among some of the Congress men. To quote Rahman, "It was therefore clear when Mrs. Gandhi was elected leader of the Congress Parliamentary party that sooner or later she would assert her legitimate position and authority as the Prime Minister" (1).

Again in 1967 election there was the problem of electing the Prime Minister. This time also Desai wanted to contest. But he was requested by Kamaraj and others to withdraw his name. He not only accepted the advice but also proposed Mrs Gandhi's name. Jagjivan Ram seconded it. For a second time, she became the Prime Minister, being elected unanimously. When she announced her Cabinet, she had Desai as the Deputy Prime Minister and gave him the Finance portfolio. She excluded Sanjeeva Reddy and included Chenna Reddy in the Cabinet.

In 1967 state elections, Congress lost many of its original seats in the Lok Sabha and state assemblies. This caused concern in the minds of Congress men. In an AICC meet following, to attract people's attention a ten point programme was drawn up to express the socialist policy of the Congress. It was as follows:-

(1) Rahman: 'The Congress Crisis', Delhi, 1971.

- (1) Most of the banking institutions should be brought under social control in order to make credit available to the producer in all fields where it is needed.
- (2) General Insurance should be brought under the public sector.
- (3) State agencies should take over the export and import trade, commodity-wise and in a phased programme.
- (4) There should be State trading in foodgrains, using the Food Corporation, of India and the Co-operative agencies to the fullest extent.
- (5) Consumer co-operatives should be expanded to supply more commodities at fair prices to the commodity.
- (6) Monopolies and the concentration of power should be effectively curbed.
- (7) There should be positive steps towards providing minimum needs to the entire community by 1975, beginning with a socialist charter for children ensuring the high-protein food and other possible amenities.
- (8) Individual holdings of urban land prevented (i.e., unearned increases in the value of urban land should be stopped).
- (9) Rural works should be implemented, giving employment to the landless and the same time, promoting agro industries, soil conservation, afforestation, cattle development and other programmes. The implementing of land reforms and minimum wage legislation for agricultural labour should be more effective.

(10) The privileges and privy purses enjoyed by the ex-rulers should be removed.

Before the Jabalpur Session where the ten point programme was drawn up, there was the presidential election. Mrs. Gandhi wanted Dr. Zakir Hussain as the President and Giri as the Vice-President. She felt that all the members of her party were not in support of her. She sought the help of other parties and Dr. Zakir Hussain was elected President of India on May 6th 1967. Kamaraj and others who were not in support of Mrs. Gandhi were surprised by her act.

Then in the Jabalpur Session, the leaders appeared to have come together. The Committee decided against any immediate nationalisation of banks, and approved a scheme of effective social control over banking institutions as suggested by Desai.

The working Committee again met on December 7th 1967 at Hyderabad. On the same day, Nijalingappa, Mysore Chief Minister, was declared elected Congress President unopposed. On the following day K.P. Malavia attacked Desai over the decision of not passing resolution on economic affairs at the plenary session.

The all-India Convention of the Congressmen's Forum for Socialist Action met at Hyderabad on January 9th, 1968 with Jagajivan Ram in the chair. The convention pointed out to the Congress leaders and the Government the 'widening gulf' between the haves and the have nots

and urged them to implement the ten point programme immediately.

Within a week of the Hyderabad Session, Nijalingappa nominated to the Working Committee, Mrs. Gandhi, Morarji Desai, Jagajivan Ram, Y.B. Chavan, Fakhruddin Ali Ahmed, K. Kamaraj, S.K. Patil, K. Brahma-nanda Reddy, Atulya Ghosh, M.V. Rama Rao, Shankar Dayal Sharma, K.C. Abraham and Uma Shankar Dikshit.

The first misunderstanding between Mrs. Gandhi and Nijalingappa started almost immediately after the Hyderabad Session. The difference was over the nominations for the Working Committee. Mrs. Gandhi wanted Dinesh Singh, Uma Shankar Dikshit and others to be nominated. It seemed that Nijalingappa was not keen on nominating them. But to please Mrs. Gandhi, he nominated Umashankar Dikshit.

When the parliamentary party met at Delhi on April 1, 1968 the leaders were sharply criticised by the socialists in the party for their failure to implement the ten point programme. In the meeting Mohan Dharis strongly said that policies revolved round personalities and for some people the personality cult was more important than policies. Party bosses were not bothered about policies and principles in the States. Policies were centralised mainly around them.

After this incident, the Congress Forum for Socialist Action issued a note to its members preparing them for the Faridabad Annual Session in April. It invited the younger generation to launch an intensive campaign for implementation of ten point programme.

On the opening day of the 72 Session of the Congress on April 25, 1969 an electric short circuit, started a fire and the Congress pandal was gutted. On the following day when they met in a new pandal, there was sharp exchange between Desai and the young Turks. In her speech Mrs. Gandhi said that the party should share the responsibility of the Government in implementing the programmes.

In the discussions which followed, it seemed that both the subject Committee and the Working Committee were divided over the recommendations of the Patil Committee on party organisation. It was of the view that the report could not be hurriedly passed because it suggested basic changes in the structure of the party constitution. Union Minister K.K. Shah, who had attacked the report in the reorganisation panel had prepared a set of amendments and the young Turks were particularly disturbed over the use of three different terms -- Socialist society, Socialist pattern and free Socialist Society. They saw in this an attempt to make the Congress ideology more a kin to that of Swatantra party. There was another controversial issue relating to conversion of bloc Committees into Constituency Committees and to alter the rules governing primary membership, including an increase in the membership file.

On April 27 the Working Committee decided to hold a special AICC Session at Bangalore in July to discuss the controversial Patel Committee Report and the economic and political strategy in the context of the demand for bank nationalisation. Dharma strongly reacted to the Working

Committee's decision to authorise Nijalingappa to take appropriate disciplinary action against him for his attack on Desai and said, if any action was to be taken it should be against Desai himself. In the same sitting, on April 28, the Working Committee decided that Nijalingappa should continue as Congress President for another year after his term expired in December 1969.

In a dramatic speech in the concluding meeting of the Session, Nijalingappa attacked the young Turks for the campaign against him. Without mentioning the names, he said that discipline was necessary and he would not tolerate any kind of indiscipline.

Faridabad Session ended with tension and misunderstanding. Ground was set for further ^{un}pleasant incidents in the party. After the Faridabad Session, it seemed that the two groups in the party - started conspiracy for a confrontation at Bangalore.

In the meantime, Dr. Zakir Hussain, the President of India passed away. The Congress High Command felt the need for a harmonious relation between the Prime Minister and the President. They wanted a senior Congress leader to become the President, but others felt that such a candidate once elected would continue to take interest in the internal politics of the Congress Party. Mrs. Gandhi was also not in favour of giving the Presidential Post to a senior member for it would involve a major Cabinet reshuffle and other changes. However she made it clear that she would not stand in the way of any candidate having

sufficient support, though she was anxious that a candidate selected by the party should generally be acceptable to the opposition.

With all these, the AICC Session began at Bangalore in July 1969. The Congress atmosphere was grim and Presidential election added tension to it. On the eve of the Session, the young Turks made it clear that they would reopen the bank nationalisation issue. On July 7 the young Turks submitted to the High Command an outline of national economic policies. On the other hand Patil was of the view that bank nationalisation would prove injurious to the economy. He tried to persuade Kamraj not to insist on referring to bank nationalisation in the official resolution.

The Congressmen with a lean towards socialism, again attacked the leadership for its failure to implement the ten point programme. Meanwhile, different opinions were being expressed about the likely choice of the Congress candidate for the Presidency. The party leaders wanted to sponsor the Lok Sabha Speaker Sanjeeva Reddy for candidature. Mrs. Gandhi did not come to the Session in the beginning due to short illness and sent a note* with Fakhruddin Ali Ahmed to be placed before the Working Committee. The note created a stir because it showed that the Subramaniam - Sadiq Ali draft was not acceptable to Mrs. Gandhi. It was a drift from the policy adopted in Jaipur. The

* See Appendix I

note enlarged the gulf between her and Morarji Desai. Some Committee members aptly feared that Mrs. Gandhi's note was conducive for the already explosive atmosphere. Chavan appealed to the Committee to avoid a split and arrive at a compromise draft. Ultimately the Committee asked him to draft a resolution on the basis of the discussions. The Committee unanimously adopted Chavan's draft the following day.

For the High Command, known as syndicate, the avoidance of split was the immediate problem. They hoped that their candidate would be elected as the President. For the same reason, they did not come out blankly opposing the economic policy.

The Board met on July 12, 1969 at Bangalore and by a four-to-two majority chose Sanjeeva Reddy, as party nominee for Presidentship, rejecting Jagajivan Ram proposed by Mrs. Gandhi. It seemed Mrs. Gandhi did not mention Giri's name because of the stiff opposition in the Board.

The following day, July 13, Giri announced that he was contesting for Presidential post. The announcement came immediately after Nijalingappa formally announced the nomination of Sanjeeva Reddy in Bangalore.

After coming back to Delhi from Bangalore, Indira Gandhi suddenly relieved Morarji Desai of Finance Portfolio on July 16th and decided

to hold it herself. Desai immediately resigned from the Cabinet in protest and to preserve his self-respect.

The nationalisation of fourteen major banks through an ordinance issued by acting President Giri on July 19 was a blow to the syndicate. They saw that it was clearly a political measure used by her to trap them.

Just one week before polling, V.V. Giri during his election campaign called for conscience voting. Arjun Arora meanwhile requested Mrs. Gandhi to permit him to act according to his conscience and vote for Giri. He suggested that Congress should not issue a whip for voting. He also said that the vote for the highest office should be given willingly and not by whip enjoyed in a parliamentary democracy. On the other hand Nijalingappa repeatedly requested the Prime Minister to issue the party whip. But Mrs. Gandhi seemed relectant to issue a whip. Seeing this, Nijalingappa suspended Arjun Arora, a Congress member of the Rajya Sabha, on the charge of indiscipline in openly campaigning against the party candidate. Arora was annoyed by the President's action. He challenged the President's right.

By this time, the fight between Nijalingappa group and Mrs. Gandhi's group had gained momentum. Mrs Gandhi's group accused the party leaders of trying to topple her government, but the party leaders in return accused her group of gaining control of the Congress to consolidate her power after the party candidate for the Presidency was defeated.

The uneasiness in the Congress groups became acute during the seventy two hours between the polling for the Presidential election and the declaration of the result. The rival group strongly believed that Mrs. Gandhi was more and more being influenced by Communists.

Before giving her open support to Giri's candidature, Mrs. Gandhi had filed the nomination papers of the official Congress candidate Sanjiva Reddy. Later the syndicate suspected her filling the nomination paper also as a tactical move. When the results were not according to her calculation, she came out openly in support of Giri. Syndicate was very critical of her action for being a Prime Minister and working actively to defeat her own party candidate and that too for the highest elective post in the country. On the eve of the announcement of the results, Desai stated that Mrs. Gandhi's action in defying the party decision of the election issue was a serious breach of discipline and could not be tolerated. He also said that such an action had no parallel in the history of any democracy.

Prime Minister felt it necessary to strengthen her position in the party. So, on August 29, 1969, she welcomed back all those who had left the party for personal reasons. She called for the return of 'progressive minded' former Congressmen who had left the party for various reasons, and for a bold effort on the part of the Congress to admit 'like-minded' persons from other parties who believed in democratic socialism.

As a next move which intensified the already grave situation, Mrs. Gandhi on October 15, 1969, asked M.S. Gurupadaswamy Union Minister of State for Community development, and three junior Ministers Parimal Ghosh, Minister of State for Railways, Jagannath Pahadia Deputy Minister for Finance and Muthyal Rao, Deputy Minister for social welfare - to resign from the Council of Ministers. All these were the supporters of Nijalingappa.

Towards the end of October, the situation was more tense. This became evident from the correspondence that passed between Mrs. Gandhi and Nijalingappa and between the supporters of the two groups.

Some members of Indira Gandhi's group, sent a letter dated 8th Oct. to Nijalingappa asking him to advance the date of the Working Committee meeting to October 15th from October 30th as originally arranged. They asked him to have a meeting of the AICC before November 17. But their request was rejected. On the eve of the Working Committee meeting at Delhi, as a reprisal, Nijalingappa removed Fakhruddin Ali Ahmed and Subramanyam from the Working Committee.

The Prime Minister's group was taken aback by such an action. It threatened to dissolve the parliament if the pro-syndicate elements in the parliamentary party would persist in their politics. The two groups were eventually divided in the working committee. They held separate meetings on November 1st - one presided by Nijalingappa

at the AICC Office and the other by Mrs. Gandhi at her residence. Now the split was complete.

Nijalingappa said in a letter to Mrs. Gandhi: 'Your attitude seems to be that the candidates set up for elections should be persons of your liking and the rules of the Organisation should be applied when it suits your interests in certain individuals and groups, and ignored when that is in the interest of individuals and groups you support'. The committee appealed to Mrs. Gandhi and her colleagues 'to retrace their steps and join the effects of restoring discipline and unity of the Organisation'. But these measures did not help in avoiding the inevitable split.

On November 12th the official Working Committee expelled Mrs. Gandhi from the Congress and directed the Congress party in Parliament to elect a new leader in her place. With this the split was absolute. For all practical purposes, the Congress became two - one headed by Nijalingappa and the other by Mrs. Gandhi.

At the time of the split each group accused the other as power hungry and indiscipline. Nijalingappa's group accused Mrs. Gandhi's group as Communists in the guise of socialists. They in return were labelled as Capitalists in the guise of socialists. 'In a broad sense, the split had three causes, a clash of personalities, difference of ideology and the generation gap. The ideological

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difference was very thin. Obviously for propaganda purposes, much was made of it. There are people of all shades and ideologies in both the camps and it would be wrong to draw out conclusions purely on the basis of a few vocal progressives in Mrs Gandhi's Camp.

With the split, Indira Gandhi's Congress became the ruling party. It has come to stay as the true Congress. The other Congress is withering away with the time. The ruling Congress pledges to fulfill all the promises made after independence which are incomplete. All the socialist policies are reemphasised. There are further promises and assurance to remove poverty and reduce the gap between the haves and the have nots.

CHAPTER II

The Pledge

For quite a long time the Congress has stood for socialism of some kind, at least ~~pragmatically~~ ^{programmatically}. During the British rule though the party did not have any power, it was strongly against imperialism and exploitation. The upliftment of the lower strata of society has always been its aim. After independence, the concept of socialism developed gradually. Mahatma Gandhi admired Karl Marx's writings and Jawaharlal Nehru spoke of democratic socialism. In the Congress constitution it is said 'The object of the Indian National Congress is the well being and advancement of the people of India and the establishment in India by peaceful and constitutional means, of a Socialist State based on parliamentary democracy in which there is equality of opportunity and of political, economic and social rights and aims at world peace and fellowship'.

Ever since the Karachi Congress in 1931, the party has tried to define its social objectives and economic programmes. History of various sessions held in between Karachi (1931) to Bangalore (1969) could well reflect the succession of progressive policies adopted by the party. Historic decisions taken in the sessions held at Avadi, Nagpur, Bhubaneswar, Delhi and Bangalore later on became the landmarks in policy - development of the Congress. Through these decisions the Congress party tried to prove to the people that democratic socialism was not merely a vote catching

slogan but was the creed and historical philosophy of the party (1).

Land Reforms

In the Karachi resolution it was said that the system of land tenure and revenue should be reformed and an equitable adjustment made of the burden of taxation on agricultural land; immediately giving relief to the smaller peasantry by a substantial reduction of agricultural rent and revenue paid by them, and in the case of uneconomic holdings exempting them from rent as long as necessary. In 1948, the Congress economic programme committee clearly prescribed the 'elimination of all intermediaries between the tiller and the state' (2). Again in the Nagpur session in January 1959, it was stated that the future agrarian pattern should be one of co-operative joint farming in which the land will be pooled for joint cultivation, the farmers continuing to retain their property rights and getting a share from the net produce in proportion to their land. Further, those who actually work on the land, whether they own the land or not, will get a share in proportion to the work put in by them on the joint farm. As a first step prior to the setting up of joint farming, service co-operatives should be organised and this stage should be completed within a period of three years. A ceiling

(1) Mohan Dharja: Radical thinking for dynamic change. AICC Souvenir, Nov. 22-23, 1969.

(2) Shankar Dayal Sharma: From Karachi to Bangalore. AICC Souvenir, Nov. 22-23, 1969.

was to be fixed on existing and future holdings and legislation should be completed before the end of 1959. This, of course, did not mean ceiling on incomes. The surplus land should vest in the panchayats and should be managed through co-operatives consisting of landless labourers (3).

Industries

Apart from land reforms, Congress has devoted considerable attention to the field of industries. From the Karachi session onwards in all the AICC meetings stress was laid on increasing state ownership of industries. Public sector has not grown to the extent it should have been. The Bhubaneswar Session in 1964, called upon the State to take over progressively operation of rice mills and other units for processing agricultural produce and suggested that the state should in turn run the units until it was feasible to operate them under 'Co-operative management'.

The resolution envisaged the public sector with a predominant role in trade and industry and emphasised that it must grow progressively in large scale industry and trade as well as in the field of heavy and basic industries, and trade in essential commodities.

(3) Shankar Dayal Sharma: From Karachi to Bangalore. AICC Souvenir, Nov. 22-23, 1969.

In the Election Manifesto of the Congress in 1962, it was declared 'Public and private sectors should function in union as parts of a single mechanism'.

In the Bangalore Resolution, there was special emphasis on the development of co-operative and small scale sector in industries. It was also suggested that the entry of big business should be banned in the manufacture of consumer goods. From the Bangalore resolution it is clear that the Government proposed to enter export and import trade.

Economic equality

The Congress leaders held that economic equality was to be one of the main aims of the party. Considerable attention was given to toning down of inequality in the country. It was resolved at Avadi that in order to realize the object of the changes as laid down in Article 1 of the Congress Constitution and to further the object stated in the Preamble and the directive principles of the state policy of the Constitution of India, planning should take place with a view to the establishment of a 'Socialist pattern of Society' where the principal means of production are under 'Social ownership or control production' is progressively speeded up and there is equitable distribution of the National Wealth (4).

(4) Vithalrao Gadgil: Socialistic development of the Congress. AICC Souvenir, Dec. 26-29, 1969.

Again in the Bhubaneswar session stress was laid on reducing the disparities in income and wealth by the end of the fifth plan. In all the sessions after Avadi, Socialistic policy was given importance. The same was restated in Bangalore.

Economic resolutions passed at the 70th Session of the Congress at Jaipur in February 1966

In 1965, there was a war with Pakistan. The country had to face many shortages in the economic front due to war strains. There was depression. The budget had to be adjusted to defence needs. In his address, the President of the Congress party said "... such adverse effects can be mitigated only by strict and watchful control over distribution of scarce commodities and rigorous control over prices. Otherwise the weaker and poorer sections will be deprived of the essential commodities, thus spelling misery to their lives. Having accepted the goal of a socialist democracy, we cannot say that those who cannot afford the essentials of life, such as food, clothing, and housing, educational and medical facilities etc., should go without them. It is the imperative duty of the state to arrange for an equitable distribution of the available supply of essential goods among all sections of the society at prices within the reach of the common man" (5).

(5) M. Pattabhiram (ED) : General Election in India. Allied Publishers, P.280.

The President in his speech also emphasized that there should not be concentration of economic power in the hands of ^athe few. For this the remedy he suggested was, to enable the states to enter into the field of productive enterprise in big way.

Resolutions (6)

In the same session, the AICC reiterated the need to continue to implement a policy ensuring a remunerative and incentive price to agriculturists. It was stated that the Congress hopes to announce an integrated price structure well ahead of the sowing season and the stability of price maintained for a sufficiently long period.

The AICC called on all states and the central government to take all necessary steps for implementing the land reforms policy as per resolution of the Bhubaneswar Congress.

There was also discussion and decision was taken to increase food production and hold the price line. There was concern over the difficulties faced by the people. A mention was made about the various improvements made in minor irrigation, soil conservation etc. and a slight increase in production. Assurance was given

of a steep increase in production within twenty four months. It was also stated that steps would be taken for providing insurance of crops against natural and other unforeseen calamities, in view of the fact, that intensive agricultural programmes involve large investments on the part of the community as well as individual agriculturists. With all these was linked the assurance to bring down the price line. After this came the general election. More socialistic promises were made in the election manifesto.

Socialistic Promises in the Election Manifesto of 1967 (7)

Concern was expressed about the growing population and low living standards of the bulk of the people, and the existing disparities in wealth and income. It was stated that without mobilising economic resources and speeding up processes of economic development to the maximum extent, standards of general well being cannot be raised to a substantial degree. There will, however, be inordinate delays in the redress of inequalities in the levelling up of the living standard of the under-privileged in the country if left to the normal course of economic development and the play of market forces. If the people are not able to see for themselves visible and early advance in the achievement of social justice, the release of new social energy and productive forces will be impeded,

(7) M. Pattabhiram (RD): General Election in India. Allied Publishers,

and this will come in the way of full realisation of the country's potential economic growth. It was therefore thought imperative that the state should play an active, dynamic role in planning, guiding, and directing economic development of the country. It is for these reasons that the Congress pledged before the country the goal of a democratic socialist society.

A dynamic and growing public sector is an important tool for a socialist transformation of our society. The Congress promised to expand the public sector and make it work efficiently. During the last three plans, an important base has been laid for this. The Public Sector produces 2.48 million tonnes of finished steel today. The public sector has also taken an important share in machine tools, machine building, mining and ship building.

The nationalisation of life insurance and the Imperial Bank of India were important landmarks in the growth of public sector in India. The plans for investment in the Fourth and Fifth plan contemplate an increasing role for the public sector. Assurance was given of various measures being contemplated and explored for the improvement of public sector so that it functions effectively and efficiently. The Indian National Congress called on the government to expedite the implementation of these measures speedily.

Closely allied with the development of the co-operative movement and the provision of funds are the institutions that provide credit like banks and other financial institutions. A great step

forward in controlling the operation of banking was taken when the Congress party nationalised the Imperial Bank. The State Bank and its affiliates have expanded considerably in the direction of banking during all these years and have covered roughly 30% of deposits and advances. Even so there is a large area which is still left untouched. It is necessary to bring most of these banking institutions under social control in order to serve the cause of economic growth and fulfil social purposes more effectively and to make credit available to the producer in all field where it is needed.

The Congress also promised to bring down the price line as there was an alarming rise in prices. The party stressed that the prices would be brought down through increased production, practice of austerity, and necessary measures and discipline in the monetary and fiscal field. Assurance was given to adopt institutional measures which can help the stabilisation particularly for the low income and fixed income groups. Procurement, building of buffer stocks, supplies of basic consumer goods at controlled prices through a chain of consumer Co-operatives and other socially controlled channels.

The party has accepted in the manifesto that the unemployment problem cannot be solved without a strong production base. The quality of the planning will be judged, among other tests, by the manner and degree to which the vast manpower resources of India is employed. Further it is stated that as the non-utilisation of manpower was inherited from the colonial economy, a new system is to be

devised to overcome it. The whole process of building up a new order means providing new opportunities for work and employment. A comprehensive programme of decentralised industry in the rural area implemented with drive and a sense of paramount urgency can make a large contribution to the solution of the vast problem of unemployment. For the purpose of enlarging the opportunities of employment it is imperative that the level of productivity should rise continuously. This is also indispensable for raising the standards of living of the people generally.

The manifesto went on to say that the land policies have during the period of three plans introduced some major changes in the agrarian structure. The intermediary tenancies which prevailed in many parts of the country have been done away with land ceilings have been fixed in most states. It is obvious that the land reforms have in some respects not been implemented effectively. The implementation should improve.

The party promised 'new deal' to agricultural labour, by state paying special attention to their problems. Land availability being limited, the possibility of providing cultivable land, is only to a fraction of agricultural labour. For the bulk of them other avenues of part or full employment will have to be found, such as processing and other industries, animal husbandry, fisheries, labour construction, cooperative etc. There was a proposal of credit being made available to them against personal security or assets that are to be created and

to implement minimum wage legislation for agricultural labour effectively.

Ensuring remunerative price to the producer and the provision of adequate inputs of fertilizers, improved varieties of seeds, pesticides and credit, it was said, have become accepted policies of the government. The closest link should be developed between agriculture and research. The government should also take early steps for providing insurance of crops and cattle against natural and other calamities.

They thought credit for the rural sector is vital. Today the money-lender dominates the rural scene in spite of the growth of the cooperative movement. The Indian National Congress ^{seems to} recognize that a strong cooperative movement is an important instrument for the socialist transformation of the countryside. For this movement to be effective, exploitation by the vested interests will have to be eliminated. It is primarily for the large body of co-operators to bring about this process of cleansing. It has to be recognized that credit has to be linked with processing and marketing if it is to be truly effective. The government at the Centre and in the States should increase the tempo of social control over processing and marketing and link these increasingly with credit.

It was also necessary according to the manifesto, that certain amenities are made available in rural areas to landless labourer as also others who hold small holdings. House-sites of suitable size

should be provided by land acquisition to all such families as require them free of cost in some cases and at concessional rates to others.

With all these promises, the Congress party lost a large number of its seats in state assemblies and in the Centre in 1967 election. To regain the confidence of the people, the party drew up a ten point programme in June 1967 (8).

The Congress Working Committee, meeting in Bombay on December 25, 1969, returned to the economic and social problems.

The Committee decided that the Subjects Committee of the 73rd plenary Session of the Congress was to split into two panels - Economic & Political. On December 26, Economic panel of the Subjects Committee finalised the draft resolution on 'Economic Policy' to be placed before the subjects Committee of the 73rd Plenary Session of the Congress. Next day, in the Subjects Committee meeting in Bombay, Shri Y.B. Chavan moved the following resolution on Economic policy (9):

The Indian National Congress is pledged to the establishment of a castless and classless society based on principles of social, economic and political justice and equality of opportunity and

(8) The ten point programme has been discussed in the previous Chapter.

(9) 'From Bombay to Delhi' AICC Publication, Delhi, 1970, P.37.

freedom to work. This can only be realised when democracy extends from the political to the social and the economic spheres. This stand of the Congress Party has been made clear at various Congress Sessions viz., Karachi in 1931, Avadi in 1955, Nagpur in 1956 and Bhubaneshwar in 1964. In pursuance of the objectives and immediate programme for implementation was given as ten-point programme in June 1967 and the note by Smt. Indira Gandhi was approved. Which indicated an outline for National Economic Policies at Bangalore in July 1969.

The twin problem of poverty and unemployment requires our immediate attention. This imbalance is the root cause of the deep crisis in the country. Significant changes in the social and economic structure will set right this imbalance.

"In this context the Indian National Congress wishes to reaffirm its socialist policy as follows.

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

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

(iii) to reshape the economic structure in a way which will yield maximum production without allowing the emergence of private

monopolies and growth of concentration of wealth and economic power;

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

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

The Ten Point Programme was adopted to put an end to the distortions existing in the economic life of the Community. This programme is under implementation. Nationalisation of 14 major banks, passage of legislation against monopolies, and the canalisation of the import of many items of industrial raw materials through the public sector constitute an important landmark in the implementation of the programme. The Congress while reviewing its pledge to implement this programme in its letter and spirit, emphasises early implementation of following items.

1. Nationalisation of General Insurance.
2. Abolition of privy purses and privileges of the ex-rulers.
3. Ceiling on urban property.
4. In order to assure to the producer economic and remunerative prices even in the context of greater production and to avoid the

exploitation of the producer and consumer by middlemen wholesale trade procurement of major agricultural commodities should be done in the public sector.

5. To complete expeditiously our programme of bringing the import trade of raw material into the State sector, and to enable the public sector to play a pre-dominant role in the export trade.

Agricultural Development and Agrarian Prosperity

The basis for extension of credit has largely been the ownership of property. The transformation from a capitalist to a socialist society can become a reality only if the basis for extension of credit is consciously changed from credit worthiness of persons to credit worthiness of activities. There is great need to give a new orientation to the various agricultural extension programme. The cultivators with small holding should receive priority in credit from the Nationalised banks under a suitable system of guarantee by the State Government Co-operative Credit Societies should in addition meet the financial requirements of more and modern agricultural inputs. Rural co-operatives of the small and medium cultivators should be encouraged for mutual help and avoidance of middlemen in the marketing of produce and agricultural inputs.

Land Reforms

The Congress recognise the crucial importance of land reforms, both as a measure of social justice and as an important input of

agricultural development. State Government should adopt the following steps as a matter of urgency:-

- (a) All laws passed so far relating to land reforms should be fully implemented by 1970-71;
- (b) Abolition of all remaining intermediaries by the end of 1970;
- (c) Review of existing provisions relating to resumption of land with a view to make them more stringent;
- (d) Conferment of security of tenure on actual tillers of the land;
- (e) Settlement of surplus land with landless labourers;
- (f) Recovery of lands wherever held in excess of the statutory minimum including lands held under Benami ownership and distribution thereof thereafter to the landless labour;
- (g) Consolidation of holdings throughout the country;
- (h) Setting up special tribunals for speedy disposal of land reform litigation;
- (i) Provision of free legal aid to tenants and share croppers in cases of tenancy disputes;
- (j) Association of prospective beneficiaries with the actual implementation of reforms;

(k) A vigorous programme for assignment of Government waste land suitable for Cultivation of landless labourers with special preference to schedule castes and scheduled tribes within two years and provision of adequate financial assistance for improvement of such land.

Industrial Policy

The Congress recognises that the major thrust of any industrial policy must be towards stimulating the growth of productive forces. With this object in view, licensing procedures and other regulatory mechanisms should be designed to prevent the evils of concentration of economic power and growth of monopolies.

It is essential to clearly define the respective areas within which the public and private sectors are to operate. In this context it is necessary to enlarge the role and scope of the public sector.

In order to promote proper growth and functioning of the public sector; it is essential to urgently implement the following measures:

(a) Public Sector Enterprises must be ensured greater autonomy and each must be judged only in terms of its performance.

(b) Sound personnel policies must be immediately evolved together with a comprehensive system of incentives and performance

of evaluation. Immediate steps should be taken designed to reduce the production costs through better inventory control maximisation of production from the installed capacity etc.

(c) Evolution of sound pricing policy.

(d) Workers of industrial plants should participate increasingly in the management so that they can have a sense of belonging.

Taxation

The Central Government should appoint an expert group to examine, investigate and suggest legal and administrative measures:

- (i) to unearth black money and prevent its proliferation.
- (ii) to reduce tax arrears and prevent evasion and avoidance of tax.
- (iii) to examine various exemptions in the matter of taxation.
- (iv) to deal with tax avoidance through the formation of trusts etc.

In regard to unemployment, Shri Chavan proposed remedies within the framework of the 4th plan:-

- (1) Enlargement of the size of State Plans involving largely outlays for programmes such as major irrigation, minimum irrigation and rural electrification which have been facilitating through the support provided by nationalised banks to the borrowing programmes of the State Government and the Electricity Boards;

(2) Acceleration of a programme for large net work of rural workshop for hiring and servicing of tractors, electric motors and pump-sets and agricultural implements.

As an earnest ~~of~~ determination to make significant dent on the problem of unemployment. The Congress should take following additional measures:

(1) Large scale recruitment of skilled and unskilled labour from the ranks of unemployed and for the creation of capital assets which lend themselves to labour intensive construction;

(2) Rural works e.g., reclamation of land, soil conservation, afforestation, minor irrigation, feeder roads, cattle development and other programmes of area development;

(3) Special stimulus to be given to undertakings in public and private sectors to promote ancilliary industries;

(4) Promotion of agro-based industries;

(5) Enlargement of allocation for housing slum clearance and urban improvement programmes with support from the financial institutions.

Commitment to socialist objectives

While accepting the private sector's contribution to the national economy, the Congress would not allow capitalists to have an empire of their own. If this was done they would possibly try to control political

power. The party had to face the challenge and see that commanding heights were not occupied by monopolistic families. This could be done only by committing the party to socialist objectives.

Referring to the market conditions relating to monopoly commodities, Shri Chavan said what was being witnessed so far was that the prices remained at their lowest when producers' brought their produce in the market after harvesting, but touched new heights immediately after the producers had sold out. This market phenomenon was a conspiracy between big operators. This state of affairs would not be allowed to continue.

Shri Chavan said that legislation would be introduced in parliament in the budget session for the abolition of privy purses and privileges of former rulers.

Regarding the question of ceiling on urban property, he said the government would have to undertake a detailed study of the matter.

On October 7, 1970 the meeting did up a draft resolution on economic and political situation

Again in this session, same resolution discussed above were laid stress. The AICC called upon the Central and State governments to make a massive effort to solve the unemployment problem. The AICC felt, keeping this in view, the Government should formulate new programmes, to have at least one special project to be introduced in each district in the year 1971, each such project providing

employment for both skilled and unskilled workers so that employment may be provided to additional half a million persons. In selecting the individuals for employment in these projects, priority should be given to families which have no ostensible means of livelihood. It should be the Government's target that within the next five years there should be at least one earning member in every family, providing at least an income of Rs.100/- per month for each family.

It recognised that with the new method of agriculture a vast field for additional employment is opening up. Large numbers of educated and uneducated persons could be absorbed in the agricultural sector. What was required was a rational land policy, ensuring fixity of tenure. In the context of the large number of agricultural workers and marginal tenants whose land hunger is increasing day by day, ceiling on land holdings assumes great importance. Legislation laying down ceiling on land holdings had already been passed almost in all the States. It felt that at the moment it was not possible to have uniform land ceilings in all the States but certain basic guidelines are capable of being implemented in all the States. The ceiling should be for a family and not for individuals. Exemptions from the ceiling limit should be reduced. The State governments should take immediate steps in this direction so the ceiling Acts as amended where necessary, according to the guidelines indicated above, are ^{to be} implemented by the end of 1971.

The General Election of 1967 registered the people's impatience with the pace of progress in India. The Congress manifesto for the new election in 1971 recognised this failure. In spite of the many achievements that stood to the credit of the Congress and the people -- vast and complex industrial enterprises, agrarian reforms, mass education including expansion of university and technical education and major social reforms and advancements in many other spheres, particularly in science and technology -- it felt many vital and important problems remained to be tackled. Millions continued to live in poverty and backwardness. Justice - social, economic and political - which is the basis of our constitution remained yet a goal to be fought for and attained. The directive principles of State policy provided that the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social economic and political shall inform all the institutions of the national life. (Art 38).

It mentioned that the directive principles further declare that the State shall in particular direct its policies towards securing:

(1) That the ownership and control of the material resources of the community are so distributed as best as ^{serve} subscribe the common good;

(2) That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment" (Art 39b & c) and the ^{Constitution} ~~const~~ specifically enjoins that the State should apply these principles in making laws (Art 37).

After Bank Nationalisation ^{the party has} ~~we have~~ embarked upon a new credit programme, by extending credit facilities to small farmers self-employed persons and economically neglected sectors and areas. To serve these needs banking institutions will ^{have to} be suitably restructured.
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Industry

As far back as in 1931, the Congress had accepted that in any programme for industrial development the public sector must have a dominant role.

Industries in the public sector are owned by the people. They must be organised and run in such a way as to create resources for further investment. The country therefore has the right to demand of management of workers dedicated and disciplined work in the fruits of which they will have their due share.

A proper wage policy must provide incentives for increased production and the raising of the wage level on the basis of higher productivity.

Modern methods of management must be introduced speedily with emphasis on providing participation of workers in management.

It is against this background that the Congress put forward its proposals for the expansion of the public sector by taking over general insurance; increasing state participation in the import export trade; greater role of the state in industries where substantial public funds

have been invested; and expansion of the activities of the Food Corporation of India, coordinated with cooperatives, which can ensure the implementation of a national policy for the distribution of food and fair prices for the farmers.

In our economy the private sector occupies an important position, the Congress felt it should function in a manner that is consistent with our social objectives.

It was stated that the party's regulations are not meant to stifle private enterprise but to make it more broad based and to open out opportunities for the new entrepreneurs, and also to spread it to the backward areas.

To enable the private sector to make its legitimate contribution to the growth of national income and employment, the Congress would try to simplify regulations and avoid delays. The private sector was to make its legitimate contribution to the growth of national income and employment. It will be our effort to simplify regulations and avoid delays. The private sector was to be stimulated to the maximum extent possible without allowing the emergence of private monopolies and concentration of wealth and economic power.

The party pledged to impose limitation on urban property and to take measures to curb anti-social racketeering in the purchase and sale of urban land.

The party showed concern over the hardship caused to the people by prevailing unemployment and has stated that in the plans, it has given a base for the employment programme.

The 1971 elections took place in altered political situation. Unlike 1967, the Congress was not alone. It had the CPI as its ally. The outcome of the 1971 elections was a total reversal of 1967. The Congress paid back the defeat it had at the hands of the opposition with interest. In most states, the other parties were voted out of office, in the Central legislature, it came back with a bigger majority than ever before, except once. This naturally enhanced expectations on all sides. Previously, it could be said that they lacked the power, that is, the majority for implementing their promises. Now, this argument was useless. The 1971 elections had a double meaning for the Congress. It came out with enhanced prestige, and almost with total power in parliament; it also had an enhanced responsibility. It faced greater expectations from the people than it had perhaps done before.

CHAPTER III

The Performance

After the split, there were pressures within the Congress for adoption of socialistic policies; and the Congress has proceeded with some measures to fulfil its promises in some fields - promises made both before the split and after. Significant progress has been achieved in many fields during the last twenty two years. Industrial production has doubled, food production went up from 50 million tonnes to 100 million tonnes. The number of students at all levels of education now exceeds 73 million. Life expectancy has increased from 32 to 50 years. Similar spectacular progress has been achieved in the fields of irrigation, power, transport and communications. This country has certainly created the required infra-structure for the industrial and agricultural progress (1).

Bank Nationalisation

The Congress opened its implementation programme with a dramatic nationalisation. Fourteen major commercial banks, having deposits more than Rs. 50 crores were nationalised by an ordinance passed by the President on July 19, 1969. The main aim of bank nationalisation was to bring about a rapid development of banking facilities and to satisfy legitimate aspirations of those sections of society which had not received their due share in the benefits of economic growth and whose share in institutional finance had been negligible. A report

(1) Mohan Dharma: Onward to Socialism. AICC Souvenir, Bombay Dec. 26-29, 1969.

on the progress of the nationalised banks was brought out in the year 1970. According to it the proportion of advances to these sections in the total advances of the public sector banks had gone up from 14.55% in June 1969 to 21.07% in May 1970. The number of farmers benefited by loans from the public sector banks had increased three fold, during the same period, from 171880 to 574819. That the bulk of the loans had gone to small or middle range farmers was indicated by the fact that the average size of the loans was about Rs.2,500/- per account.

According to the schemes of the Nationalised banks, loans to the following categories of borrowers, upto the ceiling mentioned below, should be covered (2).

(1) For small farmers upto Rs.1,000/- per borrower for short-term credit and upto Rs.5,000/- for medium term credit fixed investment. For small transport operators, loans for acquisition of vehicle subject to a ceiling of Rs.50,000/-.

For small retail traders there will be no fixed ceiling on the loans but the criterion will be that the annual turn-over should not exceed Rs.1 ^{kh} lakh, in the case of dealers in fertilisers, this limit will be raised to Rs.2 lakhs.

(2) Bank Nationalisation - Latest progress report of follow-up Measures, Socialist India Vol.1 No.19, Oct. 3, 1970.

For other small business the value of equipment should not exceed Rs.50,000; for professional and self-employed persons loans upto Rs.20,000/- will be covered excepting that in the case of engineers setting up consultancy practice, the limit for the loan will be Rs.50,000/- and for doctors setting up nursing homes and clinics, the limit will be Rs.1 lakh.

(2) The credit guarantee scheme envisages that 75% of the losses will be borne by the credit guarantee organisation. However in the case of retail traders, the limit for losses will be further subject to a ceiling of Rs.30,000/-. A fee of 1% per annum on outstanding credit will be charged. The scheme is not compulsory, but eligible institutions wishing to join the scheme will have to bring its entire lending to the specified sectors under the scheme.

(3) The Reserve Bank of India is finalising the articles and memorandum of the proposed joint stock company and details are being worked out.

Rural Areas

A proforma has been drawn up by the Reserve Bank and circulated to the banks to help them to come to judicious decisions of proposals from borrowers who ask for substantial credit facilities. To discourage big borrowers from locking up credit, a commitment charge of 1% has been levied on unutilised credit limits exceeding Rs.10 lakhs.

The Government has also recently decided upon a measure to discourage the use of bank finance by operators to corner shares and acquire control over well managed companies. Public sector banks will be asked to insist on a transfer of their names of shares pledged with them by borrowers with over draft limits exceeding Rs.50,000/-.

In order to extend banking facilities in the country with special reference to rural areas, a committee was set up soon after nationalisation under the Chairmanship of Shri Nariman the then custodian of Union Bank of India to make recommendations for drawing up a co-ordinated programme for branch expansion. This report was submitted in November 1969, and in the light of the recommendations made, Reserve Bank drew up in December 1969, a programme for branch expansion which envisaged the opening of 1,350 new offices in 1970, of which 118⁴⁶ would be in unbanked areas. Out of the said 1,350, 1300 were allotted to the bank in the public sector i.e. State Bank and its 7 subsidiaries and the 14 nationalised banks.

Agriculture

In the field of agriculture, the 'Green Revolution' has been a real thing, not merely a propoganda stunt by the government, as some of the leftist opposition make out. It has meant use of high yielding varieties of seeds, improved fertilizers, improved technology and equipments like tractors and electric pumps. Generally, there

has been a real increase in total volume of production, which has in a large way closed the deficit in food grains. It has enabled the government to make a gradual elimination of heavy food imports. The social effects of the 'green revolution' however, have been very different from what was expected. The advantages of improved fertilizers, seeds and technology have been exploited mostly by large and middle farmers, who could invest on the fertilizers and implements, from their economic surplus. For the poorer peasants -- who are the majority -- who do not have any investible economic surplus in a proper sense, the 'Green Revolution' as well could not have happened. It can be said that the green revolution has improved agricultural field, if we look at it as a whole, but there is a vast number of peasants in the whole of India whom it has passed by.

Land Reforms

In India, land reforms naturally have a very high priority; and the Congress has shown itself responsive about this problem. A high level Central Committee was set up to watch the implementation of land reforms in different states. Arrangements were made for a periodic review meeting of the Chief Ministers.

The Fourth Plan document had pointed out that tenant's household constitute 23-26 per cent of total cultivating households, despite

the fact that about 3 million tenants and share croppers have acquired ownership (3).

The main object of land reforms is to bring the tenants and sub-tenants, who have acquired permanent tenure, into direct contact with the state. To an extent this objective is achieved. Still tenants and share croppers with insecure tenure are estimated to constitute 32 per cent of the total number of tenants mainly in Andhra Pradesh, Assam, Bihar, Haryana, Punjab, Tamil Nadu and West Bengal. To deal with this problem, the fourth plan had proposed several measures including declaration of all tenancies non renewable and permanent (4).

An official review of the principal developments in kind reforms in various states shows that in respect of temporarily settled estates in Assam, the state government had introduced a bill which would enable the farmers to acquire the rights of proprietors. The bill was put before a select committee.

In Bihar a bill has been passed by the legislative which brings within the purview of the intermediary abolition legislation, lands which has been acquired by the Tata at Jaushodpur which were exempted from the intermediary abolition legislation. The Goa, Daman and Diu assembly has passed legislation for abolition of rights of proprietors. Draft regulation is being finalised for the abolition of 'Alvara' and 'Taram' in Dadra and Nagar Haveli.

(3) 'Land Reforms' - Latest Progress Report; 'Socialist India' Vol.1, No.15, September 26, 1970.

(4) Ibid.

In some of the tenures in Andhra implementation has been taken up in the scheduled areas where muttadari tenure prevails (4). In East Godavari district, muttadari tenure has been abolished in 150 villages. The Gujarat Government has enforced legislation for abolition of devasthanams with effect from November 15, 1968 and special officers have been appointed for the implementation of the Act in areas where large number of devasthanams exist (5).

In Kerala legislation with regard to Sripadam lands and Thiruppuvoram have been brought into force with effect from January 1, 1970. In Tamil Nadu abolition of minor inams in respect of which the state proposes to make suitable amendment, for treating them as inams estates and for taking them over under the Estates Abolition Act. In Rajasthan, implementation of the legislation for taking over the lands of ex-rulers has been held up due to the main provisions of the legislation having been struck down by the high Court (6).

More steps have been taken to provide full security to the tenures in various states. In West Bengal a presidential order has been issued to ensure complete security to every bargada in respect of a minimum area. A regulation has also been drafted to provide comprehensive tenancy reforms in Dadra and Nagar Haveli (7).

(5) Ibid.

(6) Ibid.

(7) Ibid.

In Assam a bill was introduced, conferring tenancy rights on adhiars, and restricting the right of resumption. The bill also enables the under-raiyats and adhiars to acquire property rights. In Mysore all the applications for the resumption are put aside by permitting the munsif courts to function as tribunals. In that state, so far, about 1,07,740 acres have been declared as nonresumable.

In Kerala an act has been passed prohibiting the Landlords from taking possession of lands in case of surrender or abandonment by tenants or share croppers. Steps are also being taken to reduce the statutory rent or share of the crop payable by the tenant to the landlord and for compulsory transfer of ownership of reasonable land to the tiller.

On the level of ceiling on land holdings which varies enormously from State to State, the 1969 Conference had suggested a review. In Assam a bill is before the State legislature to reduce the ceiling provisions. To meet the immediate requirements of implementation an ordinance has been promulgated specially prohibiting the landholder to transfer the surplus lands till they are taken over by the State. Other States, more prominently Kerala, have also taken measures to reduce the ceiling limit. It has been pointed out by the Centre that legislation alone would not suffice in this respect but implementation followed by taking over and distribution of surplus lands among the landless must be expedited. In Andhra a

beginning has been made by taking over and distribution of 191 acres of surplus land. In Gujarat, Maharashtra and West Bengal, progress has been reported. In the country as a whole so far about 2.36 million acres are reported to have been declared surplus, 1.58 million acres have been taken possession of and 1.14 million acres distributed (8).

With all these, the 17th Sample Survey by National Sample Survey States that the various land reforms, said to have been carried out are only superficial and that no state government is sincerely interested in it. To quote, the American economist, Daniel Thorner "The Land Reforms legislation of India has been defectively conceived bills with major loopholes and have been presented to the legislature which in time have seriously weakened the original bills by adding crippling amendments. As the land Reform laws are rigged conveniently by the big landlords, the very idea of land reform is thus defeated".

With these facts in view, the party decided to implement the land reforms vigorously, by deciding to impose ceiling on land ownership taking the family as a unit. The ceiling limit to be not more than 15 acres of wet land per unit and not more than 30 acres of dry land. Fertility of the land is also to be taken into consideration, and there should be no exemptions of any type of land from ceiling. The land in excess of the ceiling limit is to

(8) Ibid.

be taken away by state without compensation to those families who have other urban property, business or employment. Compensation is to be paid to the owners of the land by state, whose holdings do not exceed double the ceiling limit. Compensation to be fixed on the basis of the rental value and not to exceed five times the rental value. The land pooled by the state in excess of ceiling can be distributed to families who are actually employed on land and own not more than 3 acres or can be handed over to the co-operative farming societies (9).

Public Sector

The Government has also increasingly shown its keenness in bringing all the large industrial units under control. This is to curb the monopolies and to have state ownership. The Government would not achieve much by increasing the industries in public sector; it is to be seen, how far these public sector undertakings are efficient.

The actual performance of the public sector in exports has been encouraging. This can be divided conveniently into two parts (a) Exports through public sector state trading corporation of India, the Minerals and Metals Trading Corporation and (b) Exports of production of public sector enterprises. The STC which was set up

(9) Problems of land ceiling - Socialist India, Vol. IV, No. 4
Dec. 18, 1971.

in 1956, with the objective of diversifying and expanding foreign trade, had an export value of Rs.30 crores in 1967-68, and in 1968-69, exports by MMTC exceeded Rs.80 crores (10).

By the encouraging results in the field of exports, "the Union Government has decided in principle to canalise the export trade in textiles through Public Sector for maximising exports. The foreign Trade Minister Mr.L.N. Mishra mentioned this in the Rajya Sabha. Mr Mishra said, the Government alone could rescue the textile industry from difficulties. The private sector would not be able to make the required investment for modernisation" (11).

To come to the general performance, the annual report of the Bureau of Public Enterprises on the performance of Central Government undertakings for 1969-70 says: "The profit made by the 81 (Central Government) undertaking amounted to Rs.139 Crores only, which gives an overall return of 4.2 per cent on the capital employed... After taking into account interest charges amounting to Rs. 124 crores and provision for taxation Rs.18 crores in respect of undertakings which made profit, the profit is turned into a loss of Rs.3.40 crores". The government accounts these losses as "in order to appreciate the performance of these undertakings in the perspective, it may be mentioned that these results have been arrived at after allowing the

(10) B.R. Bhagat: Role of the public sectors in export. Socialist India, Vol.1, No.2, June 6, 1970.

(11) Indian Express, Delhi Edition, November 16, 1971.

township administration and maintenance amount to about Rs.29 crores". But the Bureau's own reports show that in the case of Hindustan Steel or the Heavy Engineering Corporation the cost of townships and overheads is far lower than the losses. Moreover public sectors ^{have} ~~are~~ relieve subsidised loans at 5½ to 6½ per cent against the 8-10 per cent charged to private sector units (12).

The available statistics show that as on March 31, 1970, the public sector units had an investment of Rs.4,301 crores. Of this Rs.3,794 were invested in running concerns (other than concerns under construction, promotional undertakings and financial institutions). Of the 68 running concerns, Hindustan Steel showed a net loss of Rs.10.91 crores in 1969-70. Of the other 67 concerns, 26 manufacturing concerns showed a net profit of Rs.53.13 crores and 20 manufacturing concerns a net loss of Rs.60.64 crores. Of the remaining 21 concerns in trading and miscellaneous fields, 13 showed a net profit of Rs.18.07 crores and 8 showed a net loss of Rs.3.35 crores (13).

Given below, is a reflection of the functioning of a few public sector undertakings:-

(12) Public Sector (Sleight of Accounting) Economic and Political Weekly, Vol.VI, No.27, July 3, 1971. P.1307.

(13) Ibid.

Fertilizer Corporation

The Fertilizer Corporation which was formed on January 1, 1961, was to coordinate better policy and to make unified control, possible. Though its progress was slow in early sixties, today it can claim a better position. The Fertilizer Corporation has built up a capable planning and development wing that it can bank upon for new expansion, from the stage of adaption of technology, design, and engineering, to procurement and execution. Secondly, the Fertilizer Corporation is one of the few public sector undertakings that is not in the red. In 1970-71, it made a net profit of Rs.1.7 crores after providing for depreciation. The Nangal, Gorakhpur and Trombay units were mostly responsible for keeping the corporation out of the red. Their joint profit (as Chairman Sethna calls it), of Rs.4.69 crores, was diminished by the Rs.3.02 crores loss made by Sindri and Namrup. This, despite the fact that because of the severe power cut by the Bhakra authorities. Nangal produced 32 per cent less than in 1969-70 when it had crossed its rated capacity. Gorakhpur's operations too were handicapped by irregular power supply and higher cost of raw materials. Significantly, Trombay seems to have surmounted its technical difficulties and Sethna expressed hope of even better performance by it in future. Namrup's difficulties are claimed to be those of uneconomic size and wrong location, though it did produce marginally more in 1970-71 (14).

(14) 'Fertilizer Corporation', Economic and Political Weekly, Vol.VI, No.36, Sept.4, 1971. P.1897.

India United Mills

This has been under government management for over 7 years. It incurred a fresh loss of Rs.2.75 crores in 1970, against Rs.2.07 crores in the preceding year, the accumulated deficit has mounted upto Rs.12.04 crores. The Company's share capital is only Rs.2.50 crores. The Company has not paid (a) to the provident fund authorities Rs.1.09 crores collected from the workers and Rs.1.58 crores as its own contribution; (b) to the employee's State insurance authorities its own contribution aggregating Rs.49 lakhs and (c) dividend for 1964 though it was demanded by the shareholders (15).

Swadeshi Cotton

This incurred losses on Government orders worth Rs.1.69 crores because orders were booked at fixed prices and by the time they were executed, cotton prices had increased. Despite increase in sales, gross profit delinged. Same with Zenith Steel Pipes. The increase in import duty on zinc by about Rs.1,100 per tonne listed in 1970 budget, substantial increased the company's cost of production (16). With all these, it can be said that public sector industries have to go a long way to earn the name of efficiency.

(15) 'Despite Government Take over...' by Hansa Vivek, Economic & Political Weekly, Vol.VI, No.36, Sept.4, 1971. P.1899.

(16) Ibid.

Working of the public sector

To tone up the efficiency of public sector enterprises, there should be concentration on,

(a) Wherever feasible changing over to use of bank finance (in place of ways and means budgetary allocations) so that the nationalised banks are used as levers to impose discipline in terms of profitability on public sector enterprises.

(b) Using the incentive system of payments to personnel at all levels.

(c) Employing the techniques of sub-contracting to private sector units wherever this is justified on economic ground.

(d) Formalising the participation of trade unions in management. Which is already there defacto in a number of public sector enterprises which have become virtually unmanageable without trade union participation (17).

URBAN CEILING

The Congress was also in principle committed to some ceiling on urban property.

(17) 'Public Sector Industrial Units have a responsibility', Socialist India, Vol.I, No.23, Oct. 31, 1970.

A study group which was appointed to study the ceiling limit on urban property is understood to have recommended a 'ceiling value' of Rs.5 lakh for a family of five members. Another study group which was appointed by the Ministry of works, Housing and Urban Development which submitted its report on January 6th 1972 has recommended an increase of Rs.25,000 per additional member of the family upto an overall limit of Rs.6 lakhs. Further it has suggested that it should be made illegal for a family to acquire urban property after the appointed date in excess of the prescribed ceiling.

The study group said that the unit of ownership should be a family consisting of husband, wife and minor children, excluding married daughters. In case properties are not held by individuals or groups of individuals such as partnership firms or Hindu joint families, but by other legal entities, the concept of 'non-family group' should be adopted to deal with such cases for the purpose of ceiling.

In case of industry, business, trade and commerce engaged, the group has recommended to the Government to exempt them from such a ceiling. Public charitable and religious trusts which were exempted under the taxation laws are also recommended to be exempted from the ceiling laws. In case of a single piece of property which is not capable of being divided should be given special treatment and should be allowed to be retained, even if the value exceeded the ceiling limit, as a special case. In such a case no other property should be

allowed to be retained by the family. It has stated that the basis for determining values for purposes of assessing the surplus should be the market value on the appointed date (18).

Unemployment

It is reported that very nearly a quarter of the total graduates in the country - in science and arts are looking for jobs. A recent study of the 1971 census returns, has indicated that a 194,000 graduates in science, Medicine & Engineering and 385,000 graduates in arts and commerce rank among the unemployed. Among the post graduates, the percentage of unemployment is slightly lower with 16% in humanities and 13% in science and technology. In so far as the graduates are concerned, the unemployment percentages are 24% in humanities, and 25% in science and technology. Among the job less, in the categories of scientists and technologists, 39,923 are listed as very highly qualified. Nearly 33,000 diploma holders in engineering are also in need of jobs. The arts graduates far out number them.. The study has revealed that 3,09,000 as job hunters and 31,000 had dropped out of the race for jobs (19).

The Centre had launched several high priority schemes with a view to providing job opportunities. However, these could not fructify for want of utilization of the funds which were sanctioned on a time

(18) The Indian Express, June 5, 1972.

(19) 'Employment opportunities for scientific and technical personnel in India', 'Technical Manpower' Vol.IX, No.7, July 1967.

bound basis. Even though, Rs. 374.38 crores were earmarked for such schemes during the 4th plan period, a fraction of annual allocation has been only utilised. This has added up to Rs. 63.34 crores only (20).

For chronically drought affected regions, rural works programme were launched in 54 districts. This was meant for creating an infrastructure for agricultural production and also provide job opportunities. Out of the total outlay of Rs. 72.41 crores for the purpose, the actual expenditure was Rs. 6.49 crores during 1970-71 and Rs. 10.07 crores in 1971-72 in eleven states.

Fourth Plan provision, for establishment of 46 small farmers development agencies, each to serve 50,000 farmers and provide them with credit facilities has been utilised very meagerly. Up to the end of 1971, Rs. 4.17 crores had been released but only Rs. 1.19 crores were spent. According to the Interim report of the expert Committee on unemployment, the generation of employment by these schemes added up to 109 lakhs mandays, 12.10 lakhs farmers participated in these schemes (21).

The marginal farmer and agricultural labour schemes envisages 41 projects serving 20,000 marginal farmers and rural workers each, has an allocation of Rs. 47.5 crores. In 1970-71 Rs. 1 crore was released and Rs. 6 lakhs were spent. In 1971-72, Rs. 2.74 crores was released,

(20) Indian Express, Delhi, July 12, 1972.

(21) Ibid.

and Rs.40.38 lakhs were spent. Upto-date, 41 projects have been set up; funds are also allocated to States and Union Territories but so far only 5.39 lakh people have been listed as participants (22).

During the Fourth Plan period Rs.20 crores was set aside for dry farming and development schemes. Nine of the 24 envisaged pilot projects were launched in 1970-71, and Rs.39 lakhs was spent for the purpose. In 1971-72, these projects continued and 15 more were sanctioned. The allocation for the year was Rs.1.83 crores; the expenditure was Rs.13.76 lakhs (23).

The expenditure figures are not listed for the Rs.95.4 crores dairy development scheme for increasing milk procurement and processing in 10 states, and from the agro-service centres scheme under which Rs.3.73 crores is sanctioned for remainder of the Fourth Plan period, working out at Rs.75.72 lakhs for the 1971-72 period.

The nation-wide 'crash programme' to combat unemployment and under employment in rural areas also a failure due to failure in implementation.

The programme was launched in April last year, with a provision of Rs.150 crores made for the 1971-74 period, allowing for an annual

(22) Ibid.

(23) Ibid.

expenditure of Rs.50 crores. It was aimed at providing employment to about 1,000 people per district, for 10 months of each year.

The total outlay for schemes sanctioned upto, the end of January this year stands at Rs.46.51 crores. The total employment generated so far - according to reports from 18 states and six Union Territories - adds up to only 344.09 lakh man days. The total amount spent or unspent - out of the allocated funds has not yet been assessed.

The Experts Committee on unemployment has indicated in its interim report that direct employment of four million people could be achieved if available resources are invested in creating suitable opportunities. Despite the massive investments approved by Central planners, targets of these dimensions still seem hard to achieve (24).

In spite of the Govt's concern about the price level, there is a constant raise in prices even of the essential commodities. According to Y.B. Chavan, Finance Minister, it is due to defecite financing and over drafts drawn by the states. In the recent budget, the taxes are reduced on essential commodities and are increased on Luxuries. But as there is a chain of middle men, the lower strata of society feels the pinch of tax.

(24) Ibid.

GENERAL INSURANCE

The Congress has also shown itself willing to implement some of its pledges for nationalisation. One such was the bill to nationalise general insurance. The main interest in the bill is the quantum of compensation Rs. 33 crores to the 106 Companies - 64 Indian and 42 foreign - which have been taken over.

The bill provides for the setting up of a general insurance Corporation of India which will be entrusted with the task of supervising, controlling and carrying on the business of general insurance. General Insurance has to settle the five lakh claims every year as against 2.5 lakhs claim by life insurance.

The bill provides also for the framing of one or more schemes whereby the Indian Insurance Companies would merge with one another to form four large companies. This is meant to promote competition. With the existence of over a 100 general insurance companies there was a great deal of competition. In the last 15 years, the premium rates have been reduced four times involving a net reduction of 40 per cent in the case of fire rates, 30 per cent in the case of marine rates and 10 per cent in other cases. In 1968 about 72 per cent of the investment was in debentures and preference or ordinary shares of Indian Companies while investments in Government securities and municipal, port and improvement trust securities amounted to 14 per cent. Now under the Union Government's guidelines for investment, the emphasis will be on investments in approved 'Categories like Government securities.' The general insurance companies must invest not less

40 per cent of their available funds in such securities. It is to be hoped that available funds in such securities will continue to be invested in private industry, particularly in view of the difficulties experienced by it in getting loans from banks (25).

A number of labour legislations were passed by Congress initiation with a view to regulating the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances, the contract Labour Act passed in 1970 was brought into force from February 10, 1971. The Family Pension Scheme came into effect from March 1, 1971. It provides for compulsory subscription by all workers who subscribe to the employees' Provident Fund Scheme after March 1, 1971. Family Pension under the Scheme becomes payable from the beginning of the month immediately following the month in which its member dies. It is payable (a) to the widow or widower up to the date of death or marriage, whichever is earlier; (b) Failing this, to the eldest surviving minor son until he attains the age of 18; and (c) Failing both to the eldest surviving unmarried daughter until she attains the age of 21 or marries, whichever is earlier. Lastly, the gratuity bill was introduced in the Lok Sabha in the last week of December. It provides for a scheme for the payment of gratuity at the rate of 15 days wages, based on wages last drawn by the employee, or every completed year of service or a part of it in excess of six months, subject to a maximum of 15 month's wages.

(25) The Indian Express, June 3, 1972.

Among the measures which were discussed in detail during 1971 but on which the government's final decisions are yet to be announced are (1) Compulsory recognition of Trade Unions; (2) Amendment in the employees provident scheme; (3) Amendment in the payment of Bonus Act, 1965, to raise the percentage of minimum bonus payable to workmen, from 4 to $8\frac{1}{3}$.

Even before the split, the government had been abstracted for some time by discussion of the judiciary. Under the constitution, property was a fundamental right. In the Golaknath case, the Supreme Court ruled that parliament could not change the fundamental rights. By, implication, it made them almost immobile. The Congress naturally found all its legislations stalled, and sought a way of getting round the problem. The only way that was apparently left open were amendments in the Constitution.

The 25th Amendment, which abolished property as fundamental right has been passed. This was done to make the way clear for the next amendment. The 26th Amendment, stripped the princes of their privy purses and princely privileges. This was to reduce the gap between the rich and poor and in ^upersuit of the socialist policies.

But, In spite of the measures the party has already taken, the basic k - a fundamental change in the socio-economic structure is yet to be en up.*

* See the Apendix for a note by C. Subramaniam on implementation of poll promises.

CHAPTER IV

The gap — Conclusion

The Congress party, it can be said, has spoken of socialism with ^{in its} emphasis, from the time of Nehru, who laid the foundation for socialism ^{programme,} in India. The Congress has made radical changes in its policies since then. It has claimed to have ^{marched} steadily towards socialism. From its election manifestoes and resolutions, it is clear that the party, ^{now} has a better, ^{theoretical} realisation of the core of the problem; the socialism cannot be achieved unless the ^eteeming millions of our country get the bare necessities of life. The party has also expressed its concern at the widening gap between the haves and the have nots. In spite of the declarations and the policies, the rich class ^{has been} ~~is~~ growing richer at the cost of the poor, even on the testimony of official statistics.

With ^{basic} all these problems in view, the party, immediately after the new constitution came into force, opted for economic planning. The party pledged to uplift the economy of the country through the method of systematic planning. ^{Since then} The country has already gone through three plans. The fourth plan period is also more than half through its way. The approach paper for the fifth plan has come out, with some radical departures from the strategies of the previous ones. In this period industries in vital spheres were set up; food production also increased considerably. Recently there has been ^{the} ~~an~~ ^{net} decline in ~~the~~ foreign aid. Literacy, life span, per capita ~~income~~ income have all shown some increase.

Until the split, the Congress had not carried out some of the measures promised in its ten point programme. After the split, quite

rapidly, the party has nationalised fourteen major bank of the country land ceiling legislations have been passed in many states, where it has commanding majorities. There are proposals for a ceiling on urban property also. The princes have been deprived of their privy purses and privileges, for it is held, in a socialist pattern of society, there is no place for any privileged class. Many industries, production of commercial crops and trade are slowly coming under the public sector. Through the nationalized banks the government is providing credit to the agrarian sector, small farmers and people willing to start small scale industries are encouraged. This has helped to divert the money from flowing ^wcompletely into the hands of big business concerns. All this, however, is only one side of the picture.

.....
 If we look at the other side, ^{however,} it will be clear that these ^{basic social} ~~promises and performances~~ ^{has} ~~have~~ not helped in bridging the ^{gap} between the rich and the poor. 'Garibi hatao' is still very much an unrealised slogan. ^{And} Slogans, ~~however,~~ are no substitute for constructive action to alter society.

.....
 The Planning Commission recently admitted that 220 million people still live below the poverty line, they do not enjoy even the barest minimum level of consumption. The National Sample Survey has indicated that 70% of the rural population is drowned in poverty (1).

 (1) Editorial, 'Slogans will no longer suffice', The Indian Express, August 13, 1972.

Per capital income at present is said to be Rs.580/-. But if the rising price is also taken into account (which is 90 per cent), the real income will be seen to be only Rs.340/-, less than a rupee a day (2). Per capita figures are only average figures, which conceal ~~the~~ actual contrasts ^{in living standards} to some extent. So the real intensity of poverty in India is possibly much more.

Two years ago, the Union Minister for Planning, called attention to the fact that nearly 30 per cent of the Indian people 'eke out an existence of sub-human level with a per capita expenditure of less than Rs.15/- a month in the rural areas'(3).

The party ^{in its} ~~under~~ last election manifesto committed itself to do many things, including the provision of a solution for the problem of unemployment. In its 1971 manifesto, it had pledged to launch a 'crash programme' for employment. But no appreciable results have appeared to date. According to published statistics, the number of job-seekers with the employment exchanges had touched the record figure of over five million at the end of 1971 as against four million at the end of 1970 (4).

(2) Ibid.

(3) V.B. Kulkarni: Stability is not everything. The Indian Express, 7th May 1972.

(4) V.B. Kulkarni: Beware of Manifestos. The Indian Express, 5th March 1972.

Apart from this, it is estimated that about 15,000 Indian engineers, 9,000 medical doctors and 6,000 scientists were away from home in 1970. They consist about 3 per cent of our total stock of scientific and technical personnel. At the same time over 1,50,000 scientific and technical personnel are jobless in the country (5).

With all the talk of holding the price-line, the price index is spiriting ^{all} beyond the reach of ^{the} common man. A large part of the government revenue is raised through indirect taxes, which burden not the capitalists or the rich but the poor.

If achievement of public sector enterprises are taken, they have nothing to show to their credit but losses. The public sector must show profits if investment has to be made in the economy and public expenditure met. The fact is that both the management and labour are keen on combining the security of the public sector with the emoluments and benefits of the private sector.

^{evident} It is ~~crue~~ that the ^{Congress} party had many obstacles in its way for achieving its socialist aim. Tax evasion is to be curbed. It is found not only in the upper strata but also among petty shop-keeper. Many experts believe that the maximum mischief takes place among the better-off members of the legal and medical professions and among traders, transport operators and building contractors who do not

(5) Kamallesh Ray: Brain Drain an Index of Many Problems. Independence Day Special Number, The Indian Express, 15th August 1972.

belong to the highest income bracket.

The administration and bureaucracy suffers from the incurable malady of red tapism, nepotism and corruption. Politicians are also involved in it. The Santhanam Committee Report, which came out eight years ago had suggested a definite procedure for inquiries into charges of ministerial misconduct. The Committee said: 'There is wide spread impression that failure of integrity is not uncommon among Ministers and that some Ministers who have held office during the last sixteen years have enriched themselves illegitimately, obtained good jobs for their sons and relations through nepotism'.

According to ^{the} recent Sarjoo Prasad Commission Report: 'The fact that a man of the ability and calibre of Shri Mahatab, who has held high office and rendered many valuable services to the should be found guilty of accepting, illegal gratification in order to show favours to the Kendu leaf contractors unmistakably indicates that there is some serious malaise in the body politic and the political system under which we are living.

'Shri Mahtab has, of course, been exposed, but there may be many more in high places who have sufficiently enriched themselves and are still enjoying their positions of power and authority.

'Corruption if it seeps from the top rapidly contaminates the lower layers of our social and political life, and that is why we find it corroding and eating into the vitals of almost every phase

of our social and political structures' (6).

The security measures of the Ministers cost the exchequer heavily. Apart from this, a statistical report estimated that a Minister cost the tax-payer a sum of Rs.11,000/- a month, while a recent study shows that the figure has shot up to Rs.17,000/-. In May 1970, Mr.N. Dandekar proved that the amenities which a Central Minister received from the Government were of the value of Rs.4.48 lakhs a year that is, over 37,000/- per month (7).

Rising prices have stimulated demands for pay and wage increase which neither the government nor private employers are able to meet. Indiscipline among nearly all classes of people seems to be on the increase. Strikes and demonstrations have ceased to be rare. Because of this, production especially in the industrial sector suffers heavily. The government should reach the root of the problem if it is really interested in fulfilling its promises. Only measures like nationalising the banks, abolition of privy purses and bringing big industries under public sector will not help. Proper utilisation of the nation's income and resources is important. The Ministers who are amateurs, should abide by the advice of the experts in carrying out ^{the} country's plans and the scientific expertise outside the government should also be involved in policy-making in a much bigger way.

(6) A.G. Noorani: Abuse of power by a Chief Minister. The Indian Express, 16th July 1972.

(7) Kulkarni: How much does a Minister cost. The Indian Express

Trained manpower is the wheel of national progress. Slow economic growth of a developing country is often associated with the shortages of scientists, engineers, teachers and other trained personnel. Curiously, however, India is a country of 'surplus' engineers, technologists, scientists, teachers and skilled workers. India is also favoured with rich natural resources. The combination of the two holds a great economic promise for the future. If the trained manpower is not viewed as a liability but as an asset, the economic plan can take an appropriate ^{te} shape to yield maximum economic and social return.

The working of the public sector is to be improved. With ample manpower and natural resources, production of essential commodities is to be increased to meet the increasing demand and to check inflation.

The government is still not completely free from the capitalist grip. Some capitalists, to safeguard their interests have crept into the party with the garb of socialists. The party should safeguard itself from all sorts of influences which divert its attention from building a socialistic pattern of society. Corruption, which mars the practicability of the party ideology, is to be eradicated.

The year 1971 was a turning point for the Congress. People voted for it because they expected ^{that} it would also be a turning point

for India. Now the ruling party is dominant in the Parliament with ^{an} overwhelming majority. Certainly there are important difficulties before the party. But with stability and power it would not be difficult for the party to fulfill its pledges. Some expectations of the people have been met. But they also have more expectations. They still do not live in ^{the} India the Congress had promised. *The basic socio-economic structure has not been changed.* With this awareness, the party must pledge to march on, with probity, ^{i i e} ~~delegance~~, and self discipline, removing all the obstacles in its way, till every citizen is provided with sufficient food, clothing and shelter.

APPENDIX 1

(Extracts from the Note on Economic Policy sent by Prime Minister Indira Gandhi to the Congress Working Committee during the AICC Session at Bangalore in July 1969).

I have seen the note sent by Mr. Sadiq Ali incorporating his own suggestions and those made by Shri Subramaniam. This is all right as far as it goes. The question is whether it goes for enough.

I have not been able to read the note by Shri Chandra Shekhar and others very thoroughly. I have merely glanced at it. But it seems to me full or partial action is possible on the following suggestions:

Impose ceiling on unproductive expenditure and conspicuous consumption of corporate bodies.

Nationalised financial institutions should introduce a change in credit worthiness criteria in their lending policies so as to encourage professional and competent persons.

Special efforts should be made to finance new entrepreneurs in less developed regions and special fund should be provided for the provision of assistance to backward regions.

Expeditions appointment of Monopolies Commission manned by persons of integrity.

Public sector projects should be given more autonomy and manned by young, competent persons committed to the project.

Special effort should be made to encourage new talent to provide avenues of employment to the young and the educated.

Foreign capital should not be allowed to enter fields in which local technical 'know-how' is available. Heavy penalties should be imposed on those who indulge in restricted trade practices.

Service co-operations should be built up in rural areas. Special assistance should be provided to small agriculturists and farm cooperatives to enable them to take up processing of agro-based and other industries. Special attention should be paid to the development of minor irrigation projects etc.

Even after the new policy of social control and reconstitution of the board of directors, the former industrialists-chairmen of banks still continue on the board and natural influence the present chairmen, who had previously been general managers. We may examine whether through legislation or otherwise we can prevent these men from continuing on the boards. The chief executive of the banks will not then feel obliged to the former chairmen and may be expected to take an independent line in regard to lendings.

While it may not be practical to nationalise all import and export, can we not consider the nationalisation of the import of

raw materials? This would make collective bargaining possible and might get us better prices. The policy of the distribution of such import licences should also be reviewed. We should review the licensing system so that licences are not given only to the bigger houses shares could be distributed more equitably.

We have already decided in the Cabinet that Ministries of the Central Government should first approach the public sector with regard to their Requirements before they decide to buy from the private sector or import. I believe some State Governments have issued such directions to their Ministers, but Congress Governments have a special responsibility in this regard.

Some thought should also be given to profit-sharing in industrial establishments, but alongside this some schemes should be thought of with regard to incentives for Greater production as well as the regulation of the work.

I fully realise that overall development is the best and the only reliable way of increasing employment opportunities. However, the situation is so acute in the country that it has become Necessary to have some special programmes to give employment in the rural areas as well as to the educated. Naturally whatever scheme we think of cannot be adequate to meet the situation but it should give the impression that we are taking a first step and making a genuine effort.

Land reform is no less important. If we do not act urgently, grave political and economic problems will arise. From time to time, suggestions have been made to improve the lot of the tenant and of landless agricultural labour:

1. Declare all tenancies as non-resumable.
2. Give the tenants the right to mortgage their interest in land for obtaining credit.
3. Place restrictions on sale of land by Scheduled Castes and Scheduled Tribes and Backward Classes in favour of others.
4. Enforce ceiling on land holdings energetically.
5. Draw up a programme for distribution of Government waste land and lands held by panchayats.
6. Enact legislation to protect tenants and agricultural workers from their house sites.

If these points are agreed to, the following minimum programme is indicated:

1. A tenant should not be liable for eviction as long as he pays his rent regularly. Provision to this effect exists in tenancy laws of most States, but the law is not enforced effectively. States should be asked to set up special machinery for effective implementation of this measure. Penalties should be suitably enhanced.

2. There should be a proper record of rights of tenants.
3. Land ceiling laws already implemented should be enforced.
4. Restrictions could be placed on purchase of land belonging to scheduled castes and scheduled tribes, but whether similar restriction could also be placed on land belonging to backward classes is doubtful. The list of backward classes is pretty long in many States.

The suggestion that tenants should be also given the right to hypothecate their interest in land to obtain credit for agricultural development may meet with resistance. There would be no serious objection to it being made available for short-term purposes, for example, seeds, fertilizers etc., on the security of the crop. But in regard to long-term loans for such purposes as sinking wells, installation of pump-sets, etc. land-holders may well insist on their consent being obtained.

But if we can at least make a beginning with rigorous and effective enforcement of the existing laws, we could have demonstrated our earnestness and reduce some of the tensions in the countryside.

A review of agricultural wages is also called for in the light of increased yields now obtaining minimum wages for agricultural labour may have to be prescribed for each tract and enforced. This will enable landless labourers to participate in the fruits of the green revolution. These are just some stray thoughts rather hurriedly dictated.

APPENDIX 2

(Extracts from C. Subramaniam's Report on the performance of the Congress read out at AICC Meeting, Simla, October 8-10, 1971).

It is a little over six months since the party was voted back to power at the Centre with a decisive majority in the Lok Sabha. This is an occasion to take stock of what has been achieved and what has been initiated to make good our electoral promises.

As a first step, the Planning Commission was itself reconstituted to provide it with greater technical expertise on the one hand and with a clear political commitment on the other. The new commission has been making a quick appraisal, sector by sector and state by state of where we stand now in the implementation of the Fourth Five Year Plan. The picture that has emerged is a mixed one. The target of overall growth (5 per cent annual) has been fulfilled in the first two years of the plan. But this, is to a large extent, a reflection of the growth in agricultural output. Progress in the industrial sector has not been up to expectation. Of late, there are signs of some deterioration in this sector. Shortages in steel, cotton and oil-seeds have tended to push up the prices to some essential commodities. Expenditure on social services — health, education, nutrition, housing — even for approved schemes at the end of the first three years of the plan is not likely to exceed 50 per cent of the total plan out-lay in the central sector. In the states it may not amount even to this figure.

"Now a brief out-line of what is being done to correct the defects fill in the deficiencies and stimulate the tempo of development and achievement of social justice.

(i) The Constitution Amendment Bills put through the parliament naturally take the pride place. These will remove the constitutional obstacles in altering the structure of property relations and bring them in consonance with our socialist ideals. In particular, they will facilitate acting for reducing concentration of economic power as manifest in private land holdings, industry and trade, and monopoly control over newspapers.

(ii) Nationalisation of general insurance is another step designed to mobilise more resources and put an end to the manipulations of monopoly capital in a vital field.

(iii) As a follow-up on the nationalisation of leading commercial banks, an integrated rural credit scheme linking supply of credit with provision of inputs for agriculture and extension services has been worked out by a study team set up by the National Commission on agriculture. It will cover not only production but also storage, processing and marketing of farm out-put.

(iv) In the light of the poor progress made in the implementation of schemes for the improvement of dry farms and of small and marginal cultivators, organisational and personnel changes needed to step up progress are being identified. Simultaneously, action

has been initiated for working out pilot projects for rural development and employment, taking the village as a unit, by a process of reshaping of land, consolidation of holdings, soil and moisture conservation, improvement of irrigation and better drainage. A beginning is being made with the Gramdan villages also. The experience in working these projects should be useful for us to launch a massive thrust, marking a new start for a nation wide rural reconstruction programme.

(v) The magnitude of our unemployment problem is staggering. Nothing short of an all-out effort throughout the current decade under a coordinated policy that will harmonise the technological and investment patterns with the available manpower will enable us to tackle this problem. For the scientific and technical manpower at the higher level presently unemployed, we are taking steps towards drawing up a science and technology plan. It will provide the framework in which the available talent could be pressed into productive use for meeting the needs of our developing economy. The national committee on science and technology that is being set up will identify the priority area in industry, agriculture and social services where the development and application of science and technology is immediately called for. ^{In} the order to benefit the educated at the middle level, schemes for employing about 7,000 engineers, 12,500 agricultural graduates and diploma holders and 30,000 teachers have been approved under the special allocation made in the last budget for this purpose.

(vi) In the provision of social amenities, to the masses, the special nutrition project for the children in slums and tribal areas with a provision of Rs.10 crores for the current year, the setting up of the Housing and Urban Development Finance Corporation and the progress of the mobile hospital schemes in rural areas are important beginnings.

(vii) In view of the comparative stagnation in industrial production we have been paying close attention to the problems of accelerating the tempo of growth in this sector. Measures required for getting better returns out of investment already made and are stepping up new investment are being identified. An industry by industry analysis of the current situation together with steps required for achieving higher production has been taken on hand.

(viii) The struggle to contain price increases, particularly in respect of goods and services required by the masses is a continuing one. In a developing economy, with large out-lays dictated by the imperatives of growth for the benefit of the masses, monetary and fiscal policies need to be under continual review. In our attempts to promote rapid growth in the context of price stability, we have simultaneously to increase and to ensure that the distribution of income is on the basis of a fair policy on wages, prices, incomes and profits.

(ix) Another activity of national significance which has received attention organising a comprehensive survey of our natural resources. A high level steering group with a number of task forces in specialised areas of work has been set up. The group had its first meeting last month and a programme of work is being chalked out. It is expected that this work will open up employment opportunities to a large number of educated persons.

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