

**Indian Industrialization,  
the Political Economy of the Rural and  
Charan Singh: 1950-75**

*Thesis submitted to Jawaharlal Nehru University in partial fulfilment of  
the requirements for the award of the degree of*

**DOCTOR OF PHILOSOPHY**

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### DECLARATION

I declare that the thesis entitled *Indian Industrialization, the Political Economy of the Rural and Charan Singh: 1950-75* submitted by me in partial fulfilment of the requirements for the award of the degree of Doctor of Philosophy is my original work and has not been submitted for the award of any other degree of this or any other University.

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### CERTIFICATE

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## **Abbreviations**

AICC	All India Congress Committee
BKD	Bharatiya Kranti Dal
BLD	Bharatiya Lok Dal
CWC	Congress Working Committee
EPW	Economic and Political Weekly
FCI	Food Corporation of India
JCA	Journal of Contemporary Asia
JDS	Journal of Development Studies
JPS	Journal of Peasant Studies
NDC	National Development Council
NMML	Nehru Memorial Museum and Library
UPCC	Uttar Pradesh Congress Committee
ZALR	Zamindari Abolition and Land Reforms Act

*DEDICATED TO MY PARENTS,  
THE PROFESSOR  
AND THE BELOVED*

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***Indian Industrialization, the Political Economy  
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**Introduction**

The existing studies of the inadequate performance of the Indian industrialization during 1950-1975 in general and of the industrial stagnation during 1965-75 in particular focus on factors such as demand deficiency<sup>1</sup>, changing nature of government expenditure (that is decrease of productive investment and increase of unproductive, current expenditure during 1965-75)<sup>2</sup>, negative growth of productivity<sup>3</sup>, the failure of the Indian state to discipline the capitalist class<sup>4</sup>, etc. Some scholars like Byres and Frankel<sup>5</sup> have advanced the resource constraints thesis for explaining the inadequate performance of the Indian industrialization during 1950-1975 in general and of the industrial stagnation during 1965-75 in particular. The argument is that the Indian state's inability to mobilize adequate resources was responsible for this. Most scholars focusing on resource constraints thesis point to the willingness but inability of the Indian state to raise resources for industrialization from the agrarian sector.

In this research, I proceed with the resource constraints hypothesis, with particular emphasis on the career of public savings and on the need to maintain stability in foodgrains prices during 1950-75. This I do for three reasons. First, the question of resource mobilization was central to the Indian planners and state managers during this entire period of 1950-75 but this question became more urgent during 1965-75. Second, the question of resource mobilization from agrarian sector for

<sup>1</sup> R. Sau, 'Some Aspects of Inter-sectoral Resource Flow', *EPW*, Vol. , 1974, pp. 1277-1284 and Deepak Nayyar, 'Industrial Development in India: Some Reflections on Growth and Stagnation', *EPW*, Vol. , 1978, pp. 1265-78.

<sup>2</sup> Bardhan, Pranab, *The Political Economy of Development in India*, Oxford University Press, New Delhi, 1984 (reprinted in 1998).

<sup>3</sup> I. J. Ahluwalia, *Productivity and Growth in Indian Manufacturing*, Oxford University Press, New Delhi, 1991.

<sup>4</sup> Vivek Chibber, *Locked in Place: State-building and Late Industrialization in India*, New Delhi: Tulika Books, 2004.

<sup>5</sup> Francine R. Frankel, *India's Political Economy: 1947-2004*, New Delhi: Oxford University Press, 2005; and Terence J. Byres, 'Land Reform, Industrialization and the Marketed Surplus in India: An Essay on the Power of Rural Bias', in D Lehmann, ed., *Agrarian Reform and Agrarian Reformism: Studies of Peru, Chile, China and India*, Faber and Faber, London 1974, pp. 221-261.

industrialization was also central to the agrarian politics which was emerging in the context of institutional land reforms and Green Revolution. It allows me a line of questioning that helps me understand the configuration and complexities of agrarian politics. And third, My research figure Charan Singh had an unusual grasp [unusual for politicians, even of his times] of the political economy of the early stages of economic transformation, and of the different paths to such transformation with their costs and the organisational changes in the economy that they entail. It will be interesting to look into his critique of the extant developmental strategy and into his exposition of the suitable developmental strategy for India in the early decades post independence with the attendant costs and required organisational changes in the economy.

### **Industrialization and Agriculture**

Terence J. Byres writes that Indian strategy of industrialization could only be successful, in the absence of adequate supplies of foreign exchange, if resources were mobilized from the agricultural sector. How the peasantry is made to yield the resources from agricultural sector—or what Byres terms as agricultural surplus—is considered by him to be one of the most intractable problems of the initial phases of economic development. He refers to two kinds of agricultural surplus: real surplus and financial surplus. Real surplus includes food which is the predominant wage-good in an underdeveloped economy, and raw materials for industries. The financial surplus refers to “command over resources” that can be mobilized from the agricultural surplus. As he puts it, 'agriculture dominates the underdeveloped economy and must, because of its dominant position, supply a large proportion of the finance for the capital formation necessary for industrialization. It is, indeed, “agriculture which finances industrialization.”’<sup>6</sup>

Byres suggests that there are two issues involved in the question of the contribution of agriculture to industrialization. First, the creation of an agricultural surplus and second, 'the siphoning off of that surplus.'<sup>7</sup> The first issue deals with the problem of how to increase agricultural production and to raise agricultural productivity.

<sup>6</sup> Terence J. Byres, 'Industrialisation, the Peasantry and the Economic Debate in Post-Independence Period', in Ashok V. Bhuleshkar, *Towards Socialist Transformation of Indian Economy*, Bombay: Popular Prakashan, 1972, pp. 226-27..

<sup>7</sup> *Ibid.*



Industrialization requires rapid growth in both the agricultural production and productivity so that adequate agricultural surplus are available for the process of industrialization. Byres, however, concedes that 'surplus acquisition may influence the rate at which agriculture is growing through its effect upon incentives.'<sup>8</sup> However, while the agricultural growth may mean the greater availability of marketed surplus and may make the adverse terms of trade for industry less likely, the question of transfer of agricultural surplus remains. This question involves such unpopular measures as: 'an effective food policy, capable, for example, of moving food from surplus to deficit areas; a price policy, which keeps agricultural prices from rising in relation to industrial ones; relatively heavy agricultural taxation.'<sup>9</sup>

He further says that the existence of an agricultural surplus in the Indian economy can be proved if one can show such things as 'rent being used 'unproductively' by landlords, the existence of 'surplus' and 'deficit' food areas (with food tending not to move from the former to the latter), or an under-exploited taxable capacity.'<sup>10</sup>

### **Structure of the Thesis**

This thesis is structured in three parts. The first part deals with two mechanisms of resource mobilization for planned investment in general and for industrial investment in particular: public savings and the state trading in foodgrains. Planners recognized the importance of public savings given that the planned developmental strategy with its focus on the building of the industrial base envisaged extensive public sector role in industrial production and in building the infrastructure. Public savings have two components: government savings and savings of the public enterprises. While public enterprises were expected to fund their productive expansion out of their own internal revenues, it was clear that the government savings will have to play a more important role in funding industrial investment in particular and the overall planned investment in general in the initial years of industrialization.. Government savings could be got by adding together balance from the current revenues, proceeds from additional taxation measures and appropriations to funds including sinking funds, and then deducting from the total current development outlay on the plan account.

<sup>8</sup> *Ibid.*, p. 227.

<sup>9</sup> *Ibid.*, p. 228.

<sup>10</sup> *Ibid.*, p. 229.

In this research, I focus on government savings especially the measures for additional taxation that had been proposed, both in the plans and in the various committee recommendations. I deal basically with the measures for additional taxation which concerned agriculture specifically. Since the subject of agricultural taxation fell in the domain of state powers as described in the Seventh Schedule of the Indian Constitution, I shall deal with the fate of agricultural taxation at the state level in Uttar Pradesh. Under the Indian Planning, the question of additional taxation was proposed at the central level and disposed off at the State level. I shall deal with this question as it was proposed at the central level and as it was disposed at the State level.

Along with the question of the mobilisation of public savings, the Planners also grappled with the challenge of maintaining price stability. The successful implementation of the plans required the maintenance of price stability given that price rise was likely to disrupt the cost structure of the plans by increasing the financial costs of the physical investments. That this was not just an academic question is clear if one looks at the plans specially the Second and the Fourth Plan when sharp price rise increased the cost of the plans and the planners were faced with the challenge of either increasing the financial size of the plan in order to maintain physical investments at the initial level or maintaining the financial size of the plan at the initial level but cut down on the quantum of physical investments because their financial costs had increased. While the planners were concerned with the general price level, they were specifically concerned with the prices of foodgrains given that foodgrains was the predominant wage good and, along with other food articles, foodgrains constituted around half of the total weight of both consumer and wholesale price index. And except for a few years such as 1954 and 1955, rise in the price foodgrains was a general phenomena during the period under my study, 1950-75.

What is more important, rise in the prices of foodgrains almost always kept itself ahead of the general rise in prices whether in the wholesale or consumer price index. Sharp increases in prices also had adverse distributional consequences, but this is not my concern here. I am concerned about price rise because it affected the cost structure of the plans and had such effects as causing a shift in intersectoral distribution of incomes, through a disproportionate increase in the incomes of producers of

marketable surplus of foodgrains and of agricultural raw material which was used in industry.

Sharp rises in foodgrains prices affected adversely the public savings too, because the state was also an employer and had an extensive portfolio of public sector enterprises. Food inflation was likely to adversely affect the profits of the public sector enterprises as well as those in the private sector by increasing the proportion of wage in the total output produced. There was another aspect of the public savings related to foodgrains trade. Proposals were often made, both by Indian and foreign scholars studying Indian development process, as to the possibility of using state trading in foodgrains to earn profit which can contribute to the increase in public savings. As early as 1950, the Deputy Chairman of the Planning Commission, Gulzarilal Nanda proposed, writing to the then Finance Minister C. D. Deshmukh, about the possibility of using state trading, both in external and domestic trade, as a means of increasing public savings. Profits arising from state trading in foodgrains would have been part of the public sector savings. Even though this research is basically concerned with government sector savings, as dealt with in the chapter on industrialization and public savings, the second chapter takes a brief look at the possibility of the state earning profits from trading in foodgrains, these profits forming part of the public sector savings, savings done by public sector enterprises.

However, it seems that the chances of earning profits through state trading in foodgrains were always slim. Given the logistical inadequacies, of both warehousing facilities and of effective cooperative institutional presence at the ground level, and staggering scale of the food economy, it was always improbable that the state could undertake complete state trading in foodgrains and earn profits thereby. The basic question in the second chapter, however, is the maintenance of stability in foodgrains prices, because price stability itself was one of the basic preconditions of the success of planning in general and of industrial investment and growth in particular. While dealing with the entire period from 1950 to 1975, I focus on three specific periods of price rise in foodgrains, 1955-57, 1963-67 and 1973-74. While food inflation was a general phenomena during 1950-75, the problem became particularly acute during these three specific periods. While dealing with these three specific periods, I try to understand policies to control rise in foodgrains prices and to maintain foodgrains availability at both the central and state levels.

The question of controlling rise in foodgrains prices was also connected with the issue of increasing agricultural production. It was understood that without addressing the question of how to increase foodgrains production, food inflation could not be controlled effectively for a long time. Further, what did not escape the attention of the planners and the leaders was the lack of any correlation between the extent of rise in prices of foodgrains and the magnitude of the foodgrains scarcity. This lack of correlation had been substantially caused by the speculative activities of the private trade, often in alliance with large cultivators producing substantial marketable surplus of foodgrains. All this also led to a questioning by many of the legitimacy of the trading profits compared with industrial profits and also the attempts to keep trading profits with reasonable margins. As will be noted soon, Charan Singh had many things to say about and to do with such issues.

The question of achieving adequate resources from agricultural taxation and of maintaining price stability depended, among other things, on achieving adequate increases in agricultural production including in those in foodgrains. This led to the planners' obsession with the nature of agrarian organization which would be best equipped to achieve this task. And further, their assessment of the suitability of a specific form of agrarian organization also turned on whether this form of agrarian organization was conducive to the state's control over the marketable surplus of agricultural produce including that of foodgrains and whether this form would facilitate adequate resource mobilization. For instance, the planners' advocacy of the joint cooperative farming especially but also service cooperatives derived mainly from the role of these agrarian organisational forms in increasing agricultural production through more efficient use of resources including labour resources, but also partly from their role in facilitating the state's greater control of the marketable surplus.

This is not to say that such considerations as social justice and the abolition of the exploitation of the weaker sections of society were absent from the planners and leaders' assessment of the suitability of an agrarian organisational pattern for post-independent India. But this research is concerned basically with the place of production increasing consideration and of the strategy of resource mobilization from agriculture in the choice of the form of agrarian organisation to be introduced and implemented in post-independence Uttar Pradesh.

Second part of my thesis consists of the third chapter on the capitalist agrarian transition in Uttar Pradesh and the fourth chapter on peasant proprietorship and joint cooperative farming in the same state. The focus on both these chapters is on the question of achieving maximum production possible. The process of land reforms had brought a large body of small and marginal holdings into existence which suffered from numerous problems and were mostly unviable and uneconomic. The Planners were also conscious of the adverse distributional consequences of the growth of capitalist farming. In this situation, the service cooperatives and joint cooperative farming were seen as instrument fit to solve the problem faced by these small, uneconomic holdings. Moreover, joint cooperative farming and service cooperatives also promised to facilitate a better control of the agricultural economy by the government.

Planners' attempt at rapid industrialization, in a savings scarce economy like post-independent India, led them to a particular understanding of how to achieve agricultural growth without devoting much monetary resources. This understanding informed much of the agricultural strategy during 1950s and early 1960s. Part of this strategy was the mobilization of rural labour for capital formation in the rural areas through appropriate organisational forms. While the planners supported basing a substantial part of the capital formation and increase in production in agriculture on mobilisation of labour, Charan Singh advocated achieving rapid growth in agriculture through greater capital investment.<sup>11</sup>This aspect will be dealt with in the second chapter on resource mobilization.

Before, I discuss the third part of the thesis, consisting of the fifth chapter on agrarian populism, it is important to mention Charan Singh's engagement with the above-mentioned questions and his own vision of the process of economic transformation of India.

### **Charan Singh**

The Nehruvian developmental strategy including the agrarian programme faced only a few voices of protest in the 1950s. Within the Congress, Charan Singh was the most vocal opponent of the Nehruvian developmental vision. He challenged especially two

<sup>11</sup> See K. N. Raj, 'Mobilization of the Rural Economy: A Comparative Review of East Asian and Indian Experience', Chapter 12 in his *Organizational Issues in Indian Agriculture*, Oxford University Press, Delhi, 1990, pp. 206-223.

aspects of this vision: first, its emphasis on rapid industrialization and on the growth of heavy industry and second, certain aspects of its programme for agrarian reorganization. The generic Marxist depiction of Charan Singh is one of the latter being an ideologue and representative of the rich and middle peasantry.

Charan Singh was intellectually one of the most formidable politicians of his time. He preceded academic scholars in analysis of issues such as the growing rural-urban divide and the so-called urban bias, inverse relationship between the size of landholdings and their productivity etc. For instance, Michael Lipton was the first scholar to discuss the issue of growing discrimination with the rural sector in economic development. But Charan Singh's analyses on this issue preceded Lipton's writings by at least a decade.

Charan Singh remained in the Indian National Congress till 1967 when he defected from the party with his followers to form the Bharatiya Kisan Dal (BKD). In the 1950s and 1960s, while he remained in the Congress, he held important ministries in Uttar Pradesh such as those related to agriculture, forestry, irrigation, revenue etc. As a Congress minister, he substantially affected the conception and implementation of land reforms in Uttar Pradesh. In 1974 the Swatantra Party and some other parties merged with the BKD to form the Bharatiya Lok Dal (BLD). Charan Singh played an important role in forming the Janata Party that triumphed in 1977 general elections. In 1979 when the Janata coalition collapsed, he became the Prime Minister with the outside support of the Congress Party. But soon his government fell down with the withdrawal of the Congress support. This thesis deals with a period during which Charan Singh was a state-level politician. His rise to the politics at the central level happened after 1975 with him managing to become the prime minister in 1979.

Charan Singh was proud to own up to the land reforms that had been framed and implemented in Uttar Pradesh since independence. He wrote in 1963 that: 'I hope I will not be misunderstood when I say that the land reform measures in Uttar Pradesh have been framed almost wholly in accordance with my views, and as a result of my labours.'<sup>12</sup>

<sup>12</sup> Charan Singh's letter to the then Governor of Uttar Pradesh, Bishwanath Das, dated 30 May, 1963, in Charan Singh Papers, hereafter referred to as CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML.

Even with some exaggeration, this view is not much off the mark. Be it the zamindari abolition, tenancy reforms especially those for adhivasis, prohibition of future leasing of land, land consolidation, the field of land records, the attempt to create a body of ideal peasant proprietors by launching bhumidhari campaign, special land reform measures for Kumaon and Garhwal hill regions of Uttar Pradesh (this measure leading to his estrangement from G. B. Pant), regulation of agricultural marketing (for which he was still working in 1963 and which he achieved next year), none of these measures were quite exempt from his intellectual influence. While in authority, or even without it, hearing voices in the air, he distilled his agrarian frenzy from his own academic scribbles of a few years back.

But while his intellectual practice reflects remarkable consistency, there are also contradictions within his intellectual contribution and between his arguments and political practice. For instances, Terence J. Byres writes in relation to Charan Singh's position on the size-productivity debate and on ceiling: 'Consideration of the inverse relationship raised some serious political problems, however ... But Charan Singh never allowed the full implications of the inverse relationship logic, as he represented it, to conflict with his class allegiance.'<sup>13</sup> However, both his intellectual and political practice operated within the confines of a neo-populist ideological framework. Neo-populism seems to have informed his understanding of the nature of early stages of economic transformation in a newly independent country like India.

Charan Singh opposed what he called excessive taxation on agriculture to finance the plans. Arguing that Indian agriculture was already heavily taxed, he asked for either reducing the size of the plan or to raise resources elsewhere in the economy. As we shall see, the planners, however, believed that agriculture had a lot of taxable capacity. This was felt to be more true for the period 1965-75 when increased state investment and high prices were seen as having created additional agricultural income that could be taxed to enhance public savings. Throughout the period of this study, Charan Singh opposed any proposed measure for agricultural taxation and, if not successful in entirely blocking such measure, he sought to reduce the quantum of taxation proposed. It appears that his active advocacy against any measure to increase

<sup>13</sup> Byres, 'Charan Singh', p. 178.

taxation on agriculture made it difficult to raise additional resources from agriculture at the state level, and to that extent made it difficult to increase the public savings.

As far as the question of maintaining stability in the prices of foodgrains is concerned, Charan Singh stood for such objective but opposed the use of state trading mechanism to either maintain price stability or to earn profit. At most, he supported the imposition of levy on the produce of large cultivators but that too only at remunerative prices. He argued that there is no permanent solution to food shortages and price increases unless production of foodgrains is increased. Any attempt to stabilise prices of foodgrains should not affect the incentives to the farmers to invest more and produce more. He sought to locate the causes of increase in prices of foodgrains in the non-agricultural economy with its deficit financing, high wages and dearness allowances. Only the poor, and not the entire urban population, were to be provided with foodgrains subsidised by the state. On the whole, he supported the operation of market forces in supply of foodgrains and opposed price support to agriculture. He believed that an effective food policy should not adversely affect the producers' interest. He saw any proposal to introduce state trading in foodgrains as being linked to state's intention to implement joint cooperative farming.

Even before he put himself to work at the Zamindari Abolition Committee, he was arguing that his ideal agrarian order of peasant proprietorship would remain a more or less stable order and that it would not evolve in a capitalist direction. He asserted that peasant farming will not be threatened by the industrialization or commercialization of agriculture. And that peasant farming was unlikely to develop into capitalist farming.

Our communist friends should be able to see that the system of peasant ownership, with 'checks and balances' that are proposed, shall never develop into a system of large farms, that private property in agriculture shall not be allowed to accumulate, that it shall not 'engender capitalism' and, therefore, that all their stock arguments about the injustices of a capitalistic system, surplus value, exploitation, etc., are pointless.<sup>14</sup>

However, capitalist farming did emerge in the post-independence Uttar Pradesh, with two distinct paths in different parts of Uttar Pradesh, and it grew in the post- Green

<sup>14</sup> Charan Singh, *Abolition of Zamindari: Two Alternatives*, Kitabistan, Allahabad, 1947, pp. 151-52.



Revolution period. While the peasant path to agrarian capitalism developed more in western Uttar Pradesh, the landlord path was more a feature of central and eastern parts of the state. In this regard it would be interesting to inquire into the question of the effects of Charan Singh's agrarian vision as implemented in Uttar Pradesh in the first two decades of post-independent period. It seems too that Charan Singh privileged some agrarian measures like land consolidation and was either indifferent or hostile towards the cooperative and ceilings programs. His understanding and actual measures on the question of credit and marketing were also likely to have been crucial to the fate of poorer sections of the peasantry and to the accumulating capacity of the rich sections. Further, since he was central to the question of tenancy in Uttar Pradesh, it would be interesting to inquire into the question of what Charan Singh's advocacy of continued prohibition of tenancy was likely to mean for total agricultural production or for agrarian class differentiation.

Charan Singh was famous for his opposition to joint cooperative farming. He argued that while service cooperatives could help in the increase of agricultural production by helping the peasants deal with their 'commercial' handicaps, whether in matters of inputs and credit provision or in the area of marketing. However, in Charan Singh's view, peasants did not compare unfavourably with large farms in matter of per acre production; in fact they produced more per acre than the large landholders did. Moreover, for him, in the context of India's factor endowments with surplus of labour, and scarcity of capital and even greater scarcity of land, the family mode of labour use was more efficient than both wage labour and the labour performed on cooperative farms. Therefore there was no for joint pooling of land and labour in the form of joint cooperative farming. It seems to me that he was not just hostile to joint cooperative farming but also indifferent to service cooperatives and would talk about these service cooperatives only when joint cooperative farming seemed imminent. Moreover, he shows an adequate understanding of the nature of credit and marketing in agriculture and his understanding of these questions was not likely to help the cultivators of small, uneconomic holdings. The chapter on peasant proprietorship and joint cooperative farming deals with some of these questions.

The third part of the thesis consists of the fifth chapter and deals with Charan Singh's agrarian populism. His agrarian populism consisted of a somewhat original and relatively coherent way of looking at the problems attending economic transformation

in early post-independent India in general and Uttar Pradesh in particular. The fifth chapter deals with the question of ideological representation of industrialization and agrarian reform in his writings and political actions. It deals with his sectoral understanding of the economy, notion of urban bias and his attitude towards industry and Marxism. Charan Singh saw an inherent tension between the rural and urban sectors of the economy in the early stages of economic development, with urban and rural being conflated respectively with agricultural and non-agricultural sector.

During 1950-75, Charan Singh was a state level politician and rose to national level politics with emergency and in the latter's wake. This research focuses on Uttar Pradesh of 1950-75 but situates the developments in this state in the larger national context. So, whether it is question of public savings and agricultural taxation, the need for an effective food policy to stabilise prices and to increase public savings, capitalist agrarian transition, cooperative farming or agrarian populism, I deal with the all India developments while focusing on this state. One important point is that I do not deal with industrial development in Uttar Pradesh. Charan Singh also dealt with the question of industrial backwardness of Uttar Pradesh but I have not looked specifically into the issue of industrial development in this state. My point is this: I have focused on the public savings and the wage-goods, here foodgrains, aspects of the industrial development in India. I explore these questions at the national and state levels, and then I explore the agrarian roots of these questions, with special reference to Uttar Pradesh. Finally I deal with agrarian populism which, in case of Charan Singh, seeks to make sense of the economic transformation of India in general and Uttar Pradesh in particular in the initial post-independence decades, especially the question of the relationship between agricultural and industry. However, I have not taken up the question of industrial growth (or the lack of it) in Uttar Pradesh.

While I am dealing with an undivided Uttar Pradesh which included Uttarakhand back then, not all of my inquiries include this part of the undivided state. For instance, there was separate zamindari abolition law which applied to the hilly parts of the state but I have focused only on the Zamindari Abolition and Land Reforms Act of 1950 which came into force on 1 July 1952 and covered only the plain areas in the state.

In this research, I have extensively referred to Ajit Prasad Jain's writings, correspondences, and his work at the Union Ministry of Food and Agriculture during 1954-59 when some of the most important questions related to agricultural production and trade in foodgrains were decided. As a member of Parliament from Uttar Pradesh, and the president of the Uttar Pradesh Congress Committee in early 1960s, apart from having run agricultural ministry at the centre, his views about food production, distribution and the relationship between agriculture and industry in the early stages of economic transformation of a country like India help better understand Charan Singh's position on these issues. A. P. Jain was by no means an agrarian like Charan Singh. A Nehru protege and an old hand in U. P. politics, he believed in Nehruvian development strategy with its emphasis on industrialization and the growth of a public sector. He, however, somewhat differed from Nehru and the Planning Commission on certain issues of food production and distribution (especially state trading).

It would be interesting to compare Charan Singh's position on many of these issues with those of A. P. Jain to see what similarities and differences there are between an agricultural minister of Uttar Pradesh, and an agricultural minister at the centre on the question of not just agricultural development, but also on the relationship between agriculture and industry in the Indian development strategy. The comparative study becomes more fruitful given that like Charan Singh, Jain was no stranger to Congress organisational politics in Uttar Pradesh and had an understanding of the political forces impinging on the development process.

In this thesis, I use the term cooperative farming or joint cooperative farming or cooperative farming societies to mean the same thing, namely, cooperation which involves pooling of land and labour. For other forms of cooperation, that is, cooperation in non-farm operations, I use the term service cooperatives, multipurpose cooperative societies, credit cooperatives etc according to the context of state policies that are being referred to. This clarification is necessary because many people have their own conceptions of what cooperation in agriculture involves and therefore the term cooperative farming is used somewhat indiscriminately. The terminologies which I am using is broadly the one deployed in the planning and other documents of the state. I have tried to maintain the distinction between agricultural and rural, and between urban and non-agricultural. However, I have not always been successful and

like Charan Singh himself, I have sometime fallen prey to the tendency to conflate these different but substantially overlapping terms.

A few words about one of my historical sources, namely Charan Singh Private Papers kept in the Nehru Memorial Museum and Library (NMML). Charan Singh Private Papers are undergoing reindexing and renumbering of the files. There are two installments in this private paper collection. Renumbering of the files in the first Installment has been completed while that in the second installment is still going on. While the renumbering of the first installment files has been completed and I have quoted new file numbers, the second installment renumbering is still going on. As a result around 10 of the files that I have quoted and which belong to the Second Installment have the old ones and they are being changed as I write this. However, I have quoted the years and the titles of all the files. These things, I have been told, are unlikely to change. So that, scholars may consult my references related to the second installment of Charan Singh Papers by using the titles and years of the files.

## Chapter 1

### Indian Industrialization, Public Savings and Charan Singh

It can be argued that Indian industrial performance, inter alia, in terms of growth rates, though impressive in its own right and in comparison to its preceding colonial past, was a relative failure in comparison to other countries like China, South Korea and Taiwan. For instance it has been suggested by Byres and Nolan that China managed to build a sounder industrial base than that achieved by India and that the former's industrial performance was consistently superior than the latter during the period between 1950 and 1970.<sup>1</sup>

In the study of Indian industrialization, the quarter century from 1950 to 1975 has been thought of as consisting of two different periods, marked by two different rates of industrial growth. During the period between 1951 and 1965, the average annual rate of growth of industrial production was 7.7 per cent while that between 1965 and 1975 was a mere 3.6 per cent. The industrial slowdown between 1965 and 1975 has been treated as a 'long-term structural problem' rather than merely an aberration.<sup>2</sup>

That industrial growth had seen a steep decline in the latter half of the 1960s compared to the first half was recognised by the government agencies by early 1970s. The Planning Commission, for instance, tried to fix the responsibility of the individual industry and group of industries in terms of their share in industrial decline. Noting the reduced rate of industrial growth during the years 1966-70 (3.2 per cent) compared to that during 1961-65 (9 per cent), the Commission ascribed 92.70 per cent of the industrial decline during 1966-70 to manufacturing sector, with mining and quarrying (4.77 per cent share in the decline) and electricity (2.53 per cent share in the decline) accounting for the rest.<sup>3</sup> The slow industrial growth continued even in early 1970s and it was only after mid-1970s that industrial growth could be revived.

Scholars have offered differing explanations for the industrial stagnation between 1965 and 1975. Some scholars have argued that increasingly unequal income

<sup>1</sup> Terence J. Byres, 'Of Neo-Populist Pipe-dreams: Daedalus in the Third World and the Myth of the Urban Bias', *The Journal of Peasant Studies*, Vol. 6:2, 1979, p. 226.

<sup>2</sup> Deepak Nayyar, 'Industrial Development in India: Growth or Stagnation?', in A. K. Bagchi and Nirmala Banerjee, eds., *Change and Choice in Indian Industry*, Calcutta: K.P. Bagchi, 1981, p. 91.

<sup>3</sup> A note titled 'Factual Position Regarding Slowing Down of Industrial Growth in Recent Years', dated 14 July 1971, by the Perspective Planning Division of the Planning Commission, in Asok Mitra Papers, Subject File no 239, NMML.

distribution was responsible for the industrial slowdown during 1965-75. Ashok Mitra, Deepak Nayyar, and A. K. Bagchi have argued for this explanation. Sukhmoy Chakravarty suggests that rising inequality, by increasing saving and reducing demand was one of the factors behind industrial slowdown.

Some scholars like Vivek Chibber have located the failure of industrialization in India in the inability of the Indian state to discipline the capitalist class.<sup>4</sup> Chibber, for instance, argues that difference in outcomes between India and South Korea in the realm of industrial growth derived from different developmental strategy followed by them. South Korea followed an export promotion strategy which made the capitalist class there dependent on the state support. The state managed to discipline the capitalist class and demanded productivity growth from the latter in return for state support such as subsidies. In India, due to the pursuit of import substitution strategy of industrialization, the capitalist class had easy opportunities for profits and their profits did not depend on their performance in terms of higher productivity. As a result, the state failed to discipline the capitalist class.

This chapter, however, is interested in explaining both the industrial stagnation of 1965-75 and the relatively disappointing industrial performance of India between 1950-75, compared to other countries like China and South Korea during either the same period or slightly later period, with reference to the failure of the Indian state to mobilize adequate resources in the form of public savings, lack of favourable intersectoral terms of trade for industry and due to the failure on the front of state trading in foodgrains. Agriculture is the running thread in all three explanations for relatively slow industrial growth during 1950-75 in general and during 1965-75 in particular. While the latter two factors related to intersectoral terms of trade and state trading in foodgrains will be taken up in the next chapter, this chapter will deal with the problem of unsatisfactory performance of India on the public savings front, with special reference to the failure to raise adequate resources through the taxation of agricultural sector, especially the upper income groups therein.

One of the central causes of industrial stagnation advanced by scholars has been the fall in public investment. Bardhan, for instance, emphasise the role of fall in

<sup>4</sup> Vivek Chibber, *Locked in Place: State-building and Late Industrialization in India*, Tulika Books, New Delhi, 2004, pp. 249-54.

productive investment as a cause of industrial slowdown. Some scholars like I.J. Ahluwalia, however, have argued against this view. She has suggested that the fall in public investment had been made up by the rise in private investment and total investment stayed at the same level. This argument, however, ignores the differing role of public investment in the industrialization process, as has been pointed out by Matthew McCartney. Thus, since public investment continued to be a crucial element for industrial growth, the need for a high level of public savings remained important.

Many scholars like, Prabhat Patnaik<sup>5</sup>, C. P. Chandrashekhar<sup>6</sup>, Pranab Bardhan<sup>7</sup> have suggested that the decline in public investment was responsible for industrial stagnation during 1965-75. The decline in public investment had both demand side and supply side effects. On the supply side, reduced public investment created supply bottlenecks leading to an adverse impact on industrial growth. Reduced public investment affected disproportionately the infrastructural sectors like railways and electricity creating infrastructural bottlenecks in the process. On the demand side, reduced public investment in some public sector units created demand constraints for other public sector units which were dependent on the former for the sale of their capital goods. Slowdown in the public sector also created demand problem for private sector which supplied goods to public sector enterprises.

I. J. Ahluwalia suggests factors responsible for the industrial stagnation from mid-1960s onwards. Apart from the slow growth of agricultural incomes and their adverse effect on the demand for industrial goods, poor management of the infrastructure sectors, and the defective industrial policy framework, she also holds responsible 'the slowdown in public investment after the mid-sixties with its particular impact on infrastructural investment.'<sup>8</sup> The slowdown in public investment had many causes, one of which was the failure of public saving to match the growing investment requirements of the public sector. The slowdown in public investment adversely affected industrial growth through both demand side and supply side impact. The

<sup>5</sup> Prabhat Patnaik, 'An Explanatory Hypothesis on the Indian Industrial Stagnation', in A. K. Bagchi and Nirmala Banerjee, eds., *Change and Choice in Indian Industry*, K.P. Bagchi, Calcutta, 1981, pp.65-90.

<sup>6</sup> C. P. Chandrasekhar, 'Aspects of Growth and Structural Change in Indian Industry', in Deepak Nayyar, ed., *Industrial Growth and Stagnation: The Debate in India*, Oxford University Press, New Delhi, 1994.

<sup>7</sup> Pranab Bardhan, *The Political Economy of Development in India*, New Delhi: Oxford University Press, 1984 (reprinted in 1998).

<sup>8</sup> I. J. Ahluwalia, *Industrial Growth in India: Stagnation since the Mid-Sixties*, Delhi: Oxford University Press, 1985, p. 168.

slowdown in public investment apart from being a setback to the demand for certain heavy goods industries like railway wagon producing industries, had its supply side impact. The slowdown in industrial production in infrastructure sectors created basic supply bottlenecks in the economy.

While one of the crucial factors behind the reduced public investment was the increase in unproductive current expenditure which reduced the quantum of investible resources, another reason was the Indian state's failure to increase public savings by mobilising resources, especially through the agricultural taxation.<sup>9</sup> This constraint of inadequate public savings made itself especially felt during the period of 1965-75 but was present even during the period of 1950-65 often leading to the cutback in the plan size. The themes of inadequate public saving and the state's failure to mobilize adequate resources are present in many scholars' explanation for the industrial stagnation of 1965-75 and it is argued in this chapter that this constraint was operative even in the earlier period of 1950-65 when the industrial growth rate was almost double of that achieved during the decade of 1965-75.

While Nayyar proposes his own demand deficiency thesis to explain the industrial stagnation of 1965-75, he also accepts the slowdown in public investment as an important factor. While increased unproductive expenditure because of various reasons may have been behind the reduced level of public investment, 'it was a direct consequence of the Government's failure to mobilize domestic resources.'<sup>10</sup>

The task of mobilizing domestic resources is also crucial because of the importance of public investment for private investment due to the fact that 'the complementarities between public and private investment in India have always been rather important.'<sup>11</sup> Thus, the acceleration of private investment by itself could not have taken the economy out of its industrial stagnation. Further, mobilization of domestic resources was also important because '... the rate of public investment itself depends on the ability of the Government to mobilize domestic resources, for otherwise a serious

<sup>9</sup> In fact, there was a steep decline in net public saving as a percentage of the net public disposable income in the 1960s with this percentage declining from 21 in the last year of the Second Plan, 1960-61 to around 10 to 11 towards the end of 1960s. See Mid-term Appraisal of the Fourth Plan, 1971. This decline suggests that there was huge increase in non-productive current expenditure.

<sup>10</sup> Nayyar, 'Industrial Development in India', p. 112.

<sup>11</sup> *Ibid.*, p. 112.



threat of inflation remains; the reserves of food and foreign exchange do not entirely solve this problem once speculation enters the picture.<sup>12</sup>

John P Lewis, one of the leading political economists, argued in early 1960s that domestic saving was not a big problem for planning in India, the major challenge concerned the 'growth-inhibiting scarcities' of 'commodities, skills, organization and foreign exchange'.<sup>13</sup> The reason why savings was not a big problem for Lewis was that, on the one hand, he expected voluntary savings to increase if there are opportunities for good investments, and on the other hand, the government could always mobilize large amount of public savings but, due to the immediate political difficulties, only in the long term.. He saw the government, at both central and state levels, could provide:

... needed supplements to private saving by raising taxes and/or widening the cost-price spreads in commodities the government markets. While the scope for such steps usually faces close political limits at any given moment, a strong government has a sizable opportunity to increase government savings in the longer term.<sup>14</sup>

He, however, cautioned against treating domestic savings as being of no significance. He accepted that the actual Indian development design was more concerned with the savings scarcity than with other scarcities of commodities, foreign exchange, organization and skills.<sup>15</sup> While I takes up the question of organisational challenge of mobilisation of idle rural manpower in the second chapter, this thesis is basically concerned with public savings and the challenge of maintaining price stability through control of marketable surplus of foodgrains on the one hand, and with the relationship of these two things with the nature of agrarian organization that emerged.

The rate of public savings kept increasing from 1950 till 1965 but after that it shows a decline till 1974. Only in 1974-75 did the rate of public savings recover its earlier peak reached in 1964-65. The period of 1965-75 was also the period of industrial stagnation in India when the industrial growth rate became half of what it was

<sup>12</sup> *Ibid.*, p. 114.

<sup>13</sup> John P. Lewis, *Quiet Crisis in India: Economic Development and American Policy*, Bombay: Asia Publishing House, 1962, p. 35.

<sup>14</sup> *Ibid.*, p. 35.

<sup>15</sup> *Ibid.*, p. 35.

between 1950 to 1965. Given the role of public savings in economic growth, as argued for in developmental and political economy literature, it seems that it was one of the crucial reasons behind the industrial stagnation that set in during the period of 1965 to 1975. Further the rate of public savings in India even during 1950 to 1965 was low compared to other countries like Brazil between 1964 and 1980. Therefore it seems likely that that industrial growth rate would have been higher in India even during 1950-65 had the rate of public savings been pushed beyond 3 to 4 per cent which actually obtained in the peak years during this period of 1950-65.

While an extended discussion of the terms of trade, its direction, its magnitude and its implications for industrial growth will be taken up in the next chapter, it is relevant to point out briefly the implications of favourable terms of trade for public savings itself. Mitra links the declining public savings in the late 1960s and early 1970s to the changing terms of trade in favour of agriculture. The additional income accruing in the hands of rural rich due to increase in farm produce prices on account of shift in terms of trade could not be taxed because agricultural income was largely outside the grip of the fiscal instrument.

### **Public Savings and Economic Growth**

Public savings have been defined as 'total public sector revenues minus total public sector expenditures, other than investment.'<sup>16</sup> Thus it is the quantum of resources added to national investment by the public sector, whether by direct public investment or by extending loans to the private sector. The role of public savings in economic growth including industrial growth has been emphasised by many economists. It has been suggested by Krieckhaus, for instance, that '... any increase in public savings leads to an increase in national savings that is one of the most critical constraints on economic growth in most developing countries.'<sup>17</sup>

Economists like Gerschenkron and Nurkse have also emphasised the role of public savings in economic growth. Nurkse, for instance, states that 'an increase in the proportion of national savings devoted to capital accumulation is the *primary aim* of

<sup>16</sup> Jonathan Krieckhaus, 'Reconceptualizing the Developmental State: Public Savings and Economic Growth,' *World Development*, vol. 30, no. 10, 2002, p. 1697.

<sup>17</sup> *Ibid.*, 1698.

public finance in the context of economic development.')<sup>18</sup> However, despite the significance of public savings, its striking absence from contemporary political economic literature has been traced to 'neoliberal tenor of contemporary political economy'<sup>19</sup> with its stress on defects of big government and on rent seeking.

Even the literature on rapid industrialization in East Asian countries like Korea, Taiwan, Japan etc has focused on the success of these countries in efficient resource allocation through an effective industrial policy. While resource allocation assumes resource mobilization, the latter question has not been dealt with in detail. However, recent writings such as that by Jonathan Kriekhaus have brought back into focus the question of resource mobilization through public savings as an important cause of economic growth including industrial growth.

On the basis of a cross-national comparison of the relationship between public savings and economic growth of around 32 developing countries, Kriekhaus found that public savings had a positive influence on the rates of economic growth and that '... high public savings can explain over half of the superior growth performance of the high-savings countries.'<sup>20</sup> Statistical evidence on the strong effect of public savings on economic growth from a cross-national comparison was strengthened by Kriekhaus' study of the East Asian countries. This was further reinforced by his case study of Brazil between 1960 and 1990. He found that rapid economic growth in Brazil after 1964 was caused by a substantial increase in public savings which reached around 10 percent after 1964. Equally, the economic stagnation of the 1980s was caused by a precipitous decline in the rates of public savings there. Kriekhaus concludes that '... given the high political costs associated with tax increases and expenditure cuts, this mobilization function is in many ways the most impressive characteristic of the developmental state.'<sup>21</sup>

In his comparative study of the relationship between agriculture and industry in economic development in five countries namely China, India, Iran, Japan, and Taiwan, Massoud Karshenas found that India was an 'agricultural deficit country'

<sup>18</sup>*Ibid.*, 1698.

<sup>19</sup>*Ibid.*, 1698.

<sup>20</sup>*Ibid.*, p. 1700.

<sup>21</sup>*Ibid.*, pp. 1709-10.

where agriculture made a negative net finance contribution to other sector during 1950 to 1971. This was especially true of the fiscal role of agriculture. He states:

What stands out in the case of India compared to Japan and Taiwan is the lack of net current official transfers as a significant source of surplus outflow from agriculture. This was due to the extremely low tax burden on agricultural incomes relative to incomes generated in other sectors of the economy, and particularly the decline in the tax burden in the latter half of the 1960s when agricultural incomes in real terms were rising due to the terms of trade effect.<sup>22</sup>

Another aspect of the importance of public savings for industrial growth is stressed by Mitra. He argues that there was both a relative decline in public savings as a proportion of the national income and a shrinking of the volume of public savings in real terms due to price rise between 1969-70 and 1973-74. This affected private industrial expansion on both supply and demand sides.

Such a development not only inhibited private industrial expansion by affecting the flow of funds on the supply side; by the constraints it has enforced on public investments, it must also have had an adverse influence on the demand for the products of the private industrial sector.<sup>23</sup>

### **Planning and Public Savings**

From the first plan itself, the significance of public savings was recognized. The first plan stated that: "The State must itself raise ... through taxation, through loans and through surpluses earned on state enterprises a considerable proportion of the savings needed...public savings, as distinguished from private savings, personal or corporate, must be developed steadily."<sup>24</sup> While the government tax revenue increased from 6.92 percent of the Net National Product (NNP) in 1950-51 to 13.51 percent of the NNP in 1968-69, the gross savings in the public sector increased from 1.9 percent of the Gross Domestic Product (GDP) in 1951-52 to 3.8 percent of the GDP in 1974-75.

<sup>22</sup> Massoud Karshenas, 'Dynamic economies and the critique of urban bias', *Journal of Peasant Studies*, Vol. 24:1-2, 1996, p. 93.

<sup>23</sup> Ashok Mitra, *Terms of Trade and Class Relations: An Essay in Political Economy*, New Delhi: Chronicle Books, 2005, p. 195.

<sup>24</sup> Matthew McCartney, *India: The Political Economy of Growth, Stagnation and the State, 1951-2007*, London: Routledge, 2009, p. 92.

The growth of public savings in these years between 1951-75 was uneven. While the growth was faster between 1951-65, it slowed down between 1965-75. The slowdown in the growth of public savings during the latter period becomes more pronounced if we look at the figures related to net public savings. While the slow growth in public savings in the latter period might well have been due to the rapid rise of the unproductive current expenditures, it is clear that a more firm mobilization of resources from agriculture and thereby achieving an increase in net public disposable income as a share of the Net Domestic Product (NDP) could have increased the magnitude of public savings not just during 1950-65 but also during 1965-75 when the need for increase in public saving was even more sorely felt.

Charles Bettelheim, in his 1954 study on planning in India in preparation to the Second called for more intense fiscal effort for the success of the Second Plan.

The importance of the financial effort, and especially the fiscal effort, should obviously draw our attention; but an effort of this order is without doubt indispensable for securing the realisation of the Plan, without producing inflational tendencies (which, besides, would prejudice that realization).<sup>25</sup>

He argued in 1954 that a good portion of resources needed to finance new investments in the Second Plan will have to be raised through new taxation measures. He suggested that the extent of resources which needs to be raised through new taxes will represent 'an important fiscal effort, compared with the actual taxation rate, but low if compared with the actual taxation rates in a great number of countries.'<sup>26</sup> While the rate of taxation in proportion to national income was 8% in India, it was, according to him, 20 to 35% in industrial capitalist countries.

The Second Plan recognized the 'enlargement of savings of the public authorities' as being 'urgently necessary'.<sup>27</sup> The planning Commission recommended additional taxation worth Rs. 450 crores and recommended that the possibility of raising even

<sup>25</sup> 'Scheme of a Model of Reasoning for the Elaboration of the 2<sup>nd</sup> F. Y. P. of India', by Charles Bettelheim, dated 19 November, 1954, in C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 59A, NMML.

<sup>26</sup> *Ibid.*

<sup>27</sup> Government of India, Planning Commission, *Second Five Year Plan*, New Delhi, 1956, p. 39.

greater resources through additional taxation should be explored.<sup>28</sup> However, as Frankel suggests, the planners did not believe that additional taxation alone will fill the resource gap of the Plan.<sup>29</sup> Therefore, they turned to other measures including state trading to raise the residual Rs. 400 crores worth resources. The Second Plan, while acknowledging the limits of taxation, underlined the significance of state trading in raising resources:

It is through devices of this type, that is through appropriate pricing policies in respect of the products of public enterprises, and through state trading or fiscal monopolies in selected lines that some of the underdeveloped countries with levels of living not much higher than those in India are raising the resources required for their developmental effort.<sup>30</sup>

The Planning Commission's mid-way appraisal of the second plan showed that while centre had over fulfilled its target for the mobilization of domestic resources from taxation, levied mainly on the urban sector, the states failed to realise their share of the current revenues required for financing the plan and 'this failure was most striking with respect to measures for additional taxation on the rural sector.'<sup>31</sup>

The government was again faced with the problem of funding large public investments during the Third Plan. While large amounts of foreign aid helped mitigate the problems of resources during the Third Plan, the government's own resources was stagnant. The reason was that: 'The central government was approaching the legal and practical limits of imposing additional taxation on individuals and organized business, while the states failed to adopt measures tapping new potentialities for resource mobilization in the rural sector.'<sup>32</sup>

The 'Approach to the Fourth Plan' document presented by the Planning Commission before the National Development Council in May 1968 made reference to the slowdown in industrial growth. 'As there has been relatively slow growth of industrial activity in the last three years and as the present industrial structure is more diversified than in the past, an increase of 8 to 10 per cent per annum, which has been

<sup>28</sup> Frankel, *India's Political Economy*, p. 133.

<sup>29</sup> *Ibid.* p. 123.

<sup>30</sup> *Ibid.* p. 134.

<sup>31</sup> *Ibid.*, p. 149.

<sup>32</sup> *Ibid.*, p. 239.

achieved in the past, appears feasible.<sup>33</sup> The Approach set the targets for annual agricultural and the overall growth at 5 and 5 to 6 per cent respectively during the Fourth Plan. To achieve this growth, the Approach document asked the domestic savings rate to be increased from 8 per cent to around 12 per cent, given that economy in expenditure, particularly defence and administrative expenditure, would not be possible in the short run. The Approach paper suggested that, in order to achieve higher domestic savings, the public sector will have to mobilize the additional resources of Rs. 200 crores during the each year of the Fourth Plan. The Centre and the States would have to mobilise additional resources worth Rs. 250 to 300 crores.<sup>34</sup>

The Sub-Group on Incomes and Savings, with J. J. Anjaria as the chairman, had been constituted by the Resources Working Group on the Fourth Plan in March 1968. This Sub-Group was to give its views on the 'feasible growth rate in real national income during the Fourth Plan'<sup>35</sup> and to suggest 'the broad magnitudes of the availability of internal resources for financing plan investment on the basis of two alternative targets with respect to real national income'.<sup>36</sup> The Sub-Group submitted its final report on 8 August, 1968. The Sub-Group took up the problem related to the decline in the investment rate and related it to the decline in net saving-income ratio. The net saving as a percentage of national income had declined from 10.7 during the Third Plan(1961-66) to less than 8 during 1966-69.

In the subsequent three years [1966-69], the saving-income ratio has declined to less than 8 per cent, largely as a result of the decline in the government net saving to national income ratio from 2.8 per cent [ during Third Plan: 1961-66] to about 1.0 per cent currently.<sup>37</sup>

A substantial increase in the marginal saving-income ratio of the private corporate sector and the household sector being unlikely, '... the only course left is to raise public sector saving from its expected level of 1.0 per cent of national income to

<sup>33</sup> Pitambar Pant, 'Some Quantitative Aspects of the Development of the Indian Economy: 1967-68, 1973-74 and 1978-79', dated 28 July, 1968, in Haksar papers, 3<sup>rd</sup> Installment, Subject file no 337, Related to Planning Commission Papers.

<sup>34</sup> *Ibid.*

<sup>35</sup> 'Sub-Group on Incomes and Savings: Final Report', dated 8 August, 1968, Asok Mitra Papers, Subject File no 56, NMML.

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

about 2.2 per cent as compared to the Third Plan average ratio of 2.8 per cent.<sup>38</sup> Realising this increase in the public sector savings would require the additional resource mobilisation of the order of Rs. 2050 crores. The Sub-Group also suggested the means to achieve this additional resource mobilisation. It estimated that additional taxation would yield Rs. 1200 crores and the rest Rs 850 crores could be raised through public enterprises.

Two instruments of policy at the disposal of the Government sector for mobilising additional resources are: additional taxation and the surpluses of public sector enterprises. The scope for additional direct taxation is limited excepting in the field of rural incomes. The possibilities of new indirect taxes and raising the tax rates have to be explored.<sup>39</sup>

The urgency regarding additional resource mobilisation and the need to increase savings effort were underscored by both the chairman and the deputy chairman of the Planning Commission in the first meeting of the NDC after the beginning of the Fourth Plan in April 1969. Prime Minister Indira Gandhi stated that:

There has been a considerable set back in the resources position of both Central and State Governments and this has led to a slackening in the pace of development with all its attendant adverse consequences. Taxation as a percentage of national income has registered a decline from 14.2% in 1965-66 to 12.3% in 1967-68. If we are to make any major impact on problems such as unemployment, provision of basic amenities such as water supply and medical relief in rural areas and full utilization of our industrial capacity, there is no escape from raising additional resources on the scale envisaged in the plan.<sup>40</sup>

The prime minister appealed against yielding to 'the temptation of seeking transient popularity by shirking our responsibility in regard to the mobilisation of resources'<sup>41</sup> and called for treating mobilisation of additional resources as a 'task of highest

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*

<sup>40</sup> Prime Minister Indira Gandhi's speech at the meeting of the National Development Council on 19 April, 1969, in Asok Mitra Papers, Subject File no 75, NMML.

<sup>41</sup> *Ibid.*



national priority<sup>42</sup> if the investment was not to fall below the levels indicated in the Fourth Plan.

She also called for a reasonable return on the irrigation and power projects:

The bulk of the investments in State plans has been in irrigation and power projects. Here, apart from improvements in the day to day management and fuller utilization of the potential already built up, there is clear need to ensure that we secure a reasonable return on investments already made through appropriate revision of irrigation rates and power tariff.<sup>43</sup>

The difficult situation on the resources front was underscored by Gadgil who argued before the NDC in April 1969 that: '

Considerable internal effort will be required to finance even the modest outlays envisaged in the Fourth Plan. The effort will succeed if necessary determination is shown and steps are taken to economise and to raise additional resources from now on both by the Centre and the States.<sup>44</sup>

Gadgil underscored the minimalist conception, given stringent resources position of the government, of industrial investment in the Fourth Plan. As he said:

In organised industries a large part of the outlay is proposed to be incurred on continuation or completion of important schemes already on hand... New schemes are limited to essential proposals, such as development of non-ferrous metal deposits,...Very little activity is suggested in the public sector in the intermediate goods industries except for the development of paper and wood pulp industries which have an important import saving aspect and for the development, through location in backward areas, of the cement industry. The only important development proposed in the consumer goods industry is the setting up and operation of the textile corporation....<sup>45</sup>

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*

<sup>44</sup> Speech of Dr. D. R. Gadgil, Deputy Chairman, Planning Commission at the meeting of the National Development Council on 19 April, 1969, in Asok Mitra Papers, Subject File no 75, NMML.

<sup>45</sup> *Ibid.*

The Mid-term Appraisal of the Fourth Plan noted the sharp decline in the investment and savings rate of the economy from the mid-1960s onwards. The decline in the net domestic savings rate was accounted for by the Public Sector saving which was reduced from 2.8 per cent of the NDP at market prices in 1965-66 to 1.4 per cent in 1970-71 while the net private sector saving rate declined from 8.4 per cent of the NDP in 1965-66 to 7.2 per cent in 1970-71. The Mid-term appraisal suggested that the major emphasis of the saving effort should be directed towards raising the rate of public saving. It noted that the Fourth Plan had rightly looked to public saving to provide the greater part of the required increase in the overall rate of saving. The Mid-term Appraisal drew attention to certain characteristics of public saving which made it a preeminent tool to achieve social justice and economic growth.

As against private saving which intensifies inequality of income and wealth, public saving was seen as adding to 'collective wealth and income of the community'<sup>46</sup> and, therefore, could be used as an important instrument of growth and social justice.

Public saving is not only a very necessary but also a very desirable means of stepping up domestic saving.... If the required switch from private to public disposable income is achieved mainly at the expense of the better off strata of society and if the curbs on public consumption are mainly directed to items that contribute little to the welfare of the masses, public saving can be the most equitable device to lift the economy to a higher rate of saving.<sup>47</sup>

Further, the planners also noted the ease of mobilising public saving:

... Public saving involves simultaneous generation and mobilisation of investible funds. Canalisation of savings into higher priority investment thus presents no additional problem. Private saving, particularly, household saving, often presents formidable problems of mobilisation and

<sup>46</sup> Mid-term Appraisal of the Fourth Plan, Chapter on 'Investment and Saving', Plan Coordination Division of the Planning Commission, undated, perhaps from the last months of 1971, in Asok Mitra Papers, Subject File no 251, NMML.

<sup>47</sup> *Ibid.*

appropriate canalisation. The importance of public saving in a well conceived savings strategy can scarcely be over-emphasised.<sup>48</sup>

Underlining both the necessity and propriety of treating public savings as 'the most dynamic element in the savings strategy', the Mid-term Appraisal argued that the task of raising public savings as share of the Net Domestic Product (NDP) would require us to, first, increase net public disposable income as a share of NDP and, then, to raise public savings as a percentage of public disposable income. It also stressed taxation as an instrument of raising net public disposable income which in turn can lead to an increase in public savings. 'Taxation is the most important instrument to raise the proportion of NDP becoming available as net disposable income to general government. In fact, this proportion is very closely related to the ratio of tax revenue to NDP.'<sup>49</sup>

The Fourth Plan Mid-term Appraisal increased the original Fourth Plan target for additional resource mobilisation from Rs. 3198 crores to Rs. 3728 crores. 'Both the Centre and the States will have to undertake further resource mobilisation in the remaining period of the Fourth Plan in order to augment the availability of resources for the Plan.'<sup>50</sup> The states were asked to fulfil the original Fourth Plan target of additional resource mobilisation of Rs. 1098 crores because the estimated yields over the Plan period from measures already adopted by the states was falling short of this target by Rs. 321 crores.

The Working Group on Financial Resources for the Fifth Plan(1974-79) estimated, in its report submitted in September 1973, the budgetary saving at Rs. 7663 crores.<sup>51</sup> The balances from current revenues constituted a small part of it, with the additional resource mobilization forming the bulk part. The Group suggested additional resource mobilisation of Rs. 6165 crores by the Centre and the States for the Fifth Plan period. Out of this, the Centre was supposed to mobilise Rs. 3700 crores while the State had to mobilise Rs. 2465 crores. Among the six measures suggested by the Group for additional resource mobilisation were agricultural taxation and reduction in food

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

<sup>51</sup> This Group had been reconstituted by the Planning Commission on 6 April, 1973. The Group was under the Chairmanship of Sukhmoy Chakravarty, member of the Planning Commission. The report of this Group came out in September 1973. See the Report of the reconstituted Working Group on Financial Resources for the Fifth Plan, in Asok Mitra Papers, Subject File no 197, NMML.

subsidy. The Group estimated the gross savings of the Public enterprises at Rs. 5988 crores. Together the total public saving was of the order of Rs. 13651 crores. As for agricultural taxation, the Group made a strong case for its increase:

The incidence of direct taxes on agriculture is extremely low, being hardly 1 per cent of the net domestic product from agriculture. There is, therefore, a strong case for increased taxation of agricultural incomes. The Group has assumed that the State Governments would raise substantial additional resources through implementation of the Raj Committee's recommendation for imposing agricultural holdings tax or through a combination of measures like withdrawal of concessions in land revenue, imposition of surcharge on land revenue at graduated rates, levy of cess on commercial crops and imposition of betterment levy.<sup>52</sup>

While the inadequate mobilisation of public saving was an important factor behind the industrial stagnation in the period, 1965-75, the government came to note by 1975 that industrial stagnation had, in turn, affected the growth of public savings. 'As the industrial sector provides the bulk of government revenues, the continued sluggishness of industrial output has affected the growth of public savings thereby limiting the scope for expansion of public sector investments.'<sup>53</sup>*Economic Survey: 1975-76*, accepted the significance of the savings for growth.

Our inability to mobilise adequate domestic resources in a non-inflationary manner has been a major weakness of our development process. As such, the acceleration of economic growth in a regime of price stability in the years to come is crucially dependent on our ability to work out new strategies for mobilising domestic savings.<sup>54</sup>

*Economic Survey: 1975-76* also stressed the role of public savings in raising the rate of investment without increasing inequalities. However, its main suggestion to raise the public savings was about getting greater return on investment in the public sector and not about measures for additional taxation. 'It is well known that public savings cannot increase in a big way unless we get a higher rate of return on investments in

<sup>52</sup> *Ibid.*

<sup>53</sup> *Economic Survey: 1974-75*, Government of India, p. 10.

<sup>54</sup> *Economic Survey: 1975-76*, Government of India, p. 52.

the public sector.<sup>55</sup> Such a higher rate of return on investment was to be achieved through a more rational pricing policy and through more efficient utilisation of available capacities.

### **Public Savings and Agricultural Taxation**

The Planning Commission had been opposed, from the very beginning, to the suggestions for the abolition of land revenue. The First Plan had rejected the call for abolition of land revenue. While conceding that land taxation was high during the colonial period and had, as a result, weighed heavily on the farmer, the First Plan, nevertheless, noted that the burden of land revenue had been substantially reduced in the context of rapid rise in prices of agricultural produce after the second world war and also due to the fact that there had been no upward revision of land revenue. The First Plan argued that '... there was a case for a moderate upward revision of land revenue' in the context of the task of planned development and given that there was capacity to bear increase in land revenue.<sup>56</sup> It was suggested by Ponkshe, writing in 1966, that this capacity to bear increase in land revenue certainly improved in the next 15 years after the preparation of the first plan. In 1951-52, according to Ponkshe, the proceeds from land revenue of the entire country was Rs. 48 crores while agricultural production was valued at current prices at Rs. 4800 crores. By 1966, the land revenue of the entire country had reached a figure of Rs. 120 crores while the agricultural income had increased to Rs. 10,000 crores. 'Out of the additional accrual of Rs. 5,200 crores the States collect just about Rs 72 crores.'<sup>57</sup>

In the paper titled 'Resources for the Third Plan: Additional Tax Effort', dated May 1959, the Planning Commission suggested five measures to raise, over the Third Plan period, additional resources worth around Rs. 1000 crores from what it called 'land and farm produce'.<sup>58</sup> The most important of these measures, in terms of the quantum of resources to be raised, was surcharge on land revenue which promised to yield Rs.

<sup>55</sup> *Ibid.*

<sup>56</sup> G. R. Ponkshe, 'Abolition of Land Revenue: Patronage or Incentive?', a newspaper article from 1966, in CS Papers, 1<sup>st</sup> Installment, Subject File no 35 titled '1966-74: Notes, memorandum and papers relating to the proposal for abolition of land revenue in U.P.', NMML.

<sup>57</sup> *Ibid.*

<sup>58</sup> 'Resources for the Third Plan: Additional Tax Effort', part I, dated May 1959, written by the Perspective Planning Division of the Planning Commission, in Asok Mitra Papers, Subject File no 45, NMML.

700 crores over the Third Plan period. The other measures which would together yield around Rs. 300 crores were: surcharge on area under commercial crops, purchase tax on commercial crops, profits of state trading in food grains and tax on livestock. The additional Rs. 700 crores expected from surcharge on land revenue was more than around 500 crores expected from land revenue itself over the Third Plan period.

.It was found in a study of the taxation efforts of the states in the first 4 years of the Third Plan that the states were lagging behind the Third Plan target of additional taxation.<sup>59</sup> Additional revenue of only Rs. 400 crores were expected on the basis of additional taxation efforts made by the states in the first four years of the Plan against the total Third Plan target of Rs. 610 crores to be raised by the states. 'The major reason for the States lagging behind is the reluctance to touch the agricultural sector which happens to fall under their domain.'<sup>60</sup> This study argued, on the basis of report no 122, related to the Sixth Round of the National Sample Survey, 1960-61, that agricultural sector had substantial taxable capacity. It found that 61 per cent of the cultivated area was being operated in units of 10 acres or more. The study further suggested:

An additional levy of 2 per cent. of the agricultural income on income groups other than the lowest would bring at least Rs. 100 crores. Though the yield from such a measure would be large, it will not kill the 'incentive to produce more', since the additional levy would be a small percentage only as against the rates of taxation ranging up to 82.5 per cent. on non-agricultural income.<sup>61</sup>

The Planning Commission figures show that the Third Plan period yielded around Rs. 615 crores from changes in taxation and revision of irrigation rates etc by the states.<sup>62</sup> However only around 80 crores out of these proceeds was contributed by changes in land revenue, agricultural income tax and irrigation rates.

<sup>59</sup> 'States Fail to Hit Plan Target of Additional Taxation, *The Economic Times*, 22 April, 1964, Bombay. In T. T. Krishnamachari Papers, Press Clippings, Serial no 3, NMML

<sup>60</sup> *Ibid.*

<sup>61</sup> *Ibid.*

<sup>62</sup> A Planning Commission note dated 10 January 1967, in Asok Mitra Papers, Subject File no 75, NMML.

The share of land revenue in the total tax revenues of the states show a decline from 21.8 per cent in 1960-61 to 9.1 per cent in 1966-67 while the absolute amount of land revenue was reduced from Rs. 96.45 crores in 1960-61 to Rs. 84.77 crores in 1966-67.<sup>63</sup> Land Revenue in Uttar Pradesh declined from Rs. 21.74 crores in 1960-61 to Rs. 17.31 crores in 1966-67 due to exemptions but was expected to reach Rs. 22.79 crores in 1967-68.

The period from 1967 onwards saw the actual and proposed abolition of land revenue by many states and exemptions in land revenue for small holders by many others.<sup>64</sup> Orissa, for instance, abolished land revenue except that on urban lands from April 1, 1967. Madhya Pradesh abolished land revenue in August 1969. However, the revenue loss caused by the abolition of land revenue was substantially recouped in Madhya Pradesh by the imposition of an Agricultural Land Development Tax and tax on commercial crops. Punjab abolished land revenue on holdings up to 7 acres. In Jammu and Kashmir holdings which paid revenue up to Rs. 9 were exempted from 1968-69. Andhra Pradesh holdings under irrigation from precarious sources were now to pay revenue at dry assessment rates. Pattadars paying Rs 10 or less on dry lands were exempted. Kerala exempted holdings below 1.58 acres from basic land tax. In Tamil Nadu, basic assessment on dry lands was waived off from July 1967 onwards. However, the increased proceeds from agricultural income tax in Tamil Nadu, as a result of exemption limit for agricultural income tax being reduced from 12.5 standard acres to 7.5 acres and rates for this tax being increased by 2.5 times, compensated substantially for loss caused due to waiver on basic assessment on dry lands.<sup>65</sup>

All this resulted in a loss of around Rs. 31.63 crores, as estimated by the Planning Commission, for the year 1967-68.<sup>66</sup> A substantial portion of this loss was contributed by two states of Uttar Pradesh and Bihar. To the question in Lok Sabha as to the extent to which the Central Government agreed with the decision of the states

<sup>63</sup> Documents submitted by the Planning Commission on 30 November 1967 to the NDC for the latter's upcoming meeting, in Asok Mitra Papers, Subject File no 75, NMML.

<sup>64</sup> For a detailed description of the changes made by various states regarding land revenue, see statement given in Lok Sabha By the Minister of Planning on 25 May 1967, in Asok Mitra Papers, Subject File no 75, NMML.

<sup>65</sup> See Charan Singh's untitled and undated 10 page note, perhaps from late 1960s and early 1970s. CS papers, Installment 1, subject file no 35, '1966-74: Notes, memorandum and papers relating to the proposal for abolition of land revenue in U.P.', NMML.

<sup>66</sup> Documents submitted by the Planning Commission on 30 November 1967 to the NDC for the latter's upcoming meeting, in Asok Mitra Papers, Subject File no 75, NMML.

regarding exemption from land revenue, the Minister of Planning Asoka Mehta replied diplomatically that: 'Since land revenue is a State subject, the question of the Central Government's concurrence with the decisions of State Governments in the matter does not arise.'<sup>67</sup>

The Fifth Finance Commission, in its report submitted in July 1969, recommended not just the retention of land revenue but also making it progressive to a certain extent. This Commission had been tasked with, among other things, making recommendations about additional revenue mobilisation by the States. It also noted that:

In the last few years, several States have taken measures to exempt small land holdings from land revenue, and have given up land revenue income, wholly or partially.... The economic justification urged for exemption is that the smaller farmers are living below the subsistence level and, therefore, they have no taxable surplus. In a country with low national income, trying simultaneously to develop its economy and to provide for better social welfare, it may not be entirely possible to avoid taxation of persons with low incomes.... The Uttar Pradesh Taxation Enquiry Committee has mentioned that none of the farmers giving evidence before it had demanded abolition of land revenue.<sup>68</sup>

The Union Finance Minister had stated in his budget speech in 1971-72 budget that 'ultimately, the basis of tax has to be the size of income or wealth irrespective of whether it is derived from agricultural or non-agricultural sources' and that 'it is the duty and obligation of the Centre to point out to the States's untapped resources for mobilisation where the Union Government itself is precluded by the Constitutional provisions to impose any levy.'<sup>69</sup>

The Planning Commission argued, in a brief prepared on the Budget of 1971-72 and the Fourth Plan, the need for greater resource mobilization from the rural sector:

<sup>67</sup> *Ibid.*

<sup>68</sup> It is quoted from an undated 10 page note by Charan Singh, possibly from late 1960s or early 1970s. In CS Papers, 1<sup>st</sup> Installment, Subject File no 35 titled '1966-74: Notes, memorandum and papers relating to the proposal for abolition of land revenue in U.P.', NMML.

<sup>69</sup> A note titled 'Brief on "The Current Budget vis-a-vis the Plan with particular reference to the scope for raising more resources from the rural sector to finance increased Plan outlays"', dated June 1971, Economic Division of the Planning Commission, in Asok Mitra Papers, Subject File no 190, NMML.



...There is considerable scope for additional resource mobilisation from the rural sector. In recent years, there has been a substantial increase in agricultural incomes, but the contribution of the agricultural sector to the financing of the Plan has not been commensurate with this increase in incomes. Since land holdings are still substantially concentrated and the well-to-do farmers have benefited comparatively more from the use of fertilisers, pesticides, high-yielding seeds and institutional credit facilities, there has been a considerable increase in the incomes of a relatively small proportion of agriculturists.<sup>70</sup>

The Brief argued that the States were likely to fulfill three-fifths of the Fourth Plan target of additional resource mobilization (the Fourth Plan target for the States being Rs. 1098 crores) from the measures taken in the first two years of the Plan. The Brief, however, was pessimistic about the States' ability to fulfill the Fourth Plan target about resource mobilization. The Centre, on the other hand, was expected to easily exceed target set for additional resource mobilisation in the Fourth Plan, a target of Rs. 2100 crores.

The early 1970s saw a growing recognition of the importance of agricultural taxation as a means of mobilizing resources especially since the state had spent substantial resources on the Green Revolution. Already in 1969, the AICC Panel on Economic Policy had suggested that: 'Agricultural incomes should be assessed to income tax like other incomes, on progressive scale, subject to a prescribed minimum ... The agricultural income should be assessed in combination with all other sources of income.'<sup>71</sup> The AICC Panel recommended economic price on water and power. 'We see no justification for any element of subsidy in power and other inputs for which the demand has already been generated (sic). A bulk of this goes to prosperous (sic) farmers. First step in this direction is to introduce economic price for power and water.'<sup>72</sup>

The then Deputy Chairman of the Planning Commission, C. Subramaniam argued before the CWC meeting: '...While the growth in investments and income in the last

<sup>70</sup> *Ibid.*

<sup>71</sup> 'Report of the AICC Panel on Economic Policy', December 1969, New Delhi. In Asok Mitra Papers, Subject File no 190, NMML.

<sup>72</sup> *Ibid.*

few years has largely taken place in the rural sector, the public exchequer has been relatively unable to capture a fair proportion of this incremental income for social purposes.<sup>73</sup>

Given this greater insistence on agricultural taxation, a slew of measures were implemented in Uttar Pradesh during the early years of the Fourth Plan. The size of the Fourth Plan in Uttar Pradesh was Rs. 965 crores. The measures for additional resource mobilization taken in 1969-70 were expected to yield around Rs. 80 crores over the course of the Fourth Plan. In 1969-70, additional resource mobilization from agriculture was done mainly through changes in irrigation rates which were expected to yield Rs. 22 crores during the course of the Fourth Plan. Measures for additional resource mobilization to be taken during 1970-71 and the rest of the Fourth Plan were expected to yield around Rs. 95 crores. The taxation measures for additional resource mobilization to be taken during 1970-71 and the rest of the Fourth Plan in Uttar Pradesh related to a surcharge on land revenue, further upward revision in irrigation rates, increase in the tariff rate for private tubewells and the imposition of a tax on commercial crops such as sugarcane, potato, tobacco, cotton, jute, oilseeds etc.<sup>74</sup>

The draft Fifth Plan stated the need for a greater taxation of agriculture given that public investment under various plans had facilitated the agricultural growth. It argued that increase in agricultural price coupled with public investment had helped in the substantial growth of agricultural income. The Plan however noted that the contribution of agriculture to the public exchequer had not kept pace with the rise in agricultural incomes. Agriculture paid only one percent of its net domestic product in the form of direct taxes. Quoting a Reserve Bank of India report, It referred to the fact that the states had not fully explored the taxable potential in agriculture which had been substantially helped by the large amount of public investment in the past. It also suggested that the beneficiaries of the irrigation and power projects should make their contributions to the increasing costs of these projects.

The First Plan had conveyed to the states the desirability of imposing betterment levy on all new irrigation projects. The NDC too had affirmed more than once the principle

<sup>73</sup> 'The Current Economic Situation and Tasks Ahead', a note by C. Subramaniam presented in the CWC meeting in New Delhi on 30 November, 1971. In Asok Mitra Papers, Subject File no 190, NMML.

<sup>74</sup> From a three page note in CS Papers, 1<sup>st</sup> Installment, Subject File no 35, NMML.

of betterment levy. The target for betterment levy collections had been fixed by the Second Plan at Rs. 47 crores while the Third Plan had fixed the target for betterment levy and flood cess collections at Rs. 39 crores. The actual collections of betterment levy, however, had been quite low compared to the targets fixed in both Plans. This was so because while most states had enacted legislative measures on betterment levy, they had failed to enforce such legislations effectively. The S. Nijalingappa Committee recommended in 1964 that 'a betterment or capital levy should be charged on irrigation projects, the quantum and mode of recovery being determined by the State Governments.'<sup>75</sup> However, not much could be achieved on this count.

### **Economists' View of Agricultural Taxation**

E. T. Mathew argued for increased taxation of the agricultural sector to finance India's Five Year Plans and her developmental aspirations. Writing in 1968, he was pessimistic about the prospects of mobilising voluntary savings. He quoted Ragnar Nurkse to elucidate the difficulties of achieving voluntary savings in an underdeveloped country like India. Nurkse suggested:

To assume that if we only leave people alone they will save a sizable portion of their income, or even a sizable part of an increment in their income, may be unduly optimistic. In the poorer countries of the world today the propensity to consume is continually stimulated by the attraction of consumption patterns prevailing in advanced countries. This tends to limit the capacity for voluntary saving in the poorer countries.<sup>76</sup>

Given the difficulties associated with voluntary saving, Mathew suggested a recourse to involuntary saving in the form of greater taxation. Another mechanism of effecting involuntary saving that is deficit financing had its limitations. Taxation, however, could be an effective mechanism for mobilising resources for national developmental goals. As one scholar suggested, 'the vicious circle of extreme poverty[in underdeveloped countries] can be broken, apart from foreign aid, by vigorous taxation

<sup>75</sup> 'Recommendations of the Committee appointed to suggest ways and means of improving financial returns from irrigation projects', in Asok Mitra Papers, Subject File no 75, NMML. This committee had been formed in April 1964 under the chairmanship of S. Nijalingappa.

<sup>76</sup> Ragnar Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, Oxford: Basil Blackwell, 1960, p. 143, quoted in E. T. Mathew, *Agricultural Taxation and Economic Development in India*, Bombay: Asia Publishing House, 1968, p. 87.

and the government development programme.<sup>77</sup> Dealing with the financial problems of the Third Plan, Michael Kalecki had suggested a progressive land taxation, but only for large holdings that had been leased by owners to the tenants.<sup>78</sup> Mathew found on the basis of a comparison of the high income groups of the agricultural and non-agricultural sectors that high income groups in the agricultural sector paid less in taxes than those in the non-agricultural sector.

Further, Mathew pointed out that an increased agricultural taxation was also likely to have a positive impact on the availability of marketed surplus of foodgrains. He argued that there were alternative ways of increasing the marketed surplus of foodgrains such as keeping the agricultural prices low compared to non-agricultural prices. However, 'compared to these alternatives of increasing the monetary commitments of the farmers, taxation has the advantage of increasing the forced saving of the community and at the same time increasing the marketed surplus, which is of crucial significance for economic development.'<sup>79</sup>

The question of taxation of the agricultural sector was considered by Raj Committee report of the 1972. The Committee consisting of K.N. Raj, V.M. Dandekar and A. Vaidyanathan made a comparative study of the direct taxation of the agricultural and non-agricultural sectors between 1960-61 and 1970-71 which showed that the direct taxation of agriculture in 1970-71 through land revenue and agricultural income tax yielded 0.85 percent of the net domestic product from the agricultural sector. In the same year, income tax yielded 2.6 percent of the net domestic product of the non-agricultural sector.

The Raj Committee report stated that one would have to consider the level and distribution of income in the two sectors before deriving any policy conclusions. However, '...income-earners belonging to the higher strata in the agricultural sector pay less than those in comparable strata drawing their income from non-agricultural sources.'<sup>80</sup> The Raj Committee recommended the imposition of a tax on Agricultural Holdings which was described as '...integrated taxation of agricultural income and

<sup>77</sup> Walter W. Heller, quoted in Mathew, *Agricultural Taxation*, pp. 92-93.

<sup>78</sup> Michael Kalecki, 'Financial Problems of the Third Plan: Some Observations', *Economic Weekly*, July 9, 1960, p. 1119.

<sup>79</sup> Mathew, *Agricultural Taxation*, p. 107.

<sup>80</sup> Terence J. Byres, 'Of new-populist pipe-dreams: Daedalus in the third world and the myth of the urban bias', *JPS*, Vol. 6:2, 1979, p. 225.

wealth.<sup>81</sup> The proposed tax retained the concept of land revenue while trying to bring the virtues of progressive taxation by taxing agricultural income. While the Committee report was criticised on the grounds of administrative complexity and leaving the rentier income untaxed<sup>82</sup>, it implicitly recognised the need for higher taxation of the agricultural sector.

Ved Gandhi argued in 1966 the case for agricultural income tax on the ground that agriculture was undertaxed resulting in intersectoral inequity. He stated that 'the agricultural sector of the Indian economy is being favored over the non-agricultural sector as far as the fiscal operations of the government are concerned ... the conclusion of favorable tax treatment [being] arrived at also when a comparison is made between comparable income classes in the two sectors.'<sup>83</sup>

Gandhi's argument was, however, criticised by Raj Krishna who suggested that Indian agriculture was not undertaxed but nevertheless '... the existing horizontal inequity in the Indian income-tax system in favour of rich farmers should now be remedied by treating agricultural income just like non-agricultural income for fiscal purposes.'<sup>84</sup> Other Scholars like Ashok Mitra and Pranab Bardhan also stresses the need for greater taxation of agriculture.

### **Charan Singh and Agricultural Taxation**

Writing in retrospect in 1981, Charan Singh stated that the Nehruvian industrialization with its emphasis on heavy industries was based on increasing the rate of savings or capital accumulation. He argued that there were two domestic sources of savings: voluntary savings and taxes. Since most people in India lived close to the subsistence level, so he did not believe voluntary savings would be forthcoming, at least not in substantial amount. Another option was to tax, but this too was not considered feasible by him. It was this low rate of savings apart from the poor quality of the human factor which made capital-intensive industrialization in India impracticable for

<sup>81</sup> Rathin Roy, 'Riches amid Sterility: Debates on Indian Fiscal Policy', in Terence J. Byres, ed., *The Indian Economy: Major Debates since Independence*, New Delhi: OUP, 1998, p. 340.

<sup>82</sup> It was suggested that Agricultural Holdings Tax did not cover the rental income which was not covered by any of the actual or proposed taxes and it thereby perpetuated 'an element of regression in the taxation of agriculture.' K. N. Raj accepted the validity of the rental income being untaxed. K. N. Raj, *Organizational Issues in Indian Agriculture*, Delhi: Oxford University Press, 1990, p. 161.

<sup>83</sup> Byres, 'Neo-populist Pipe-dreams', p. 224.

<sup>84</sup> Raj Krishna, 'Intersectoral Equity and Agricultural Taxation in India', *Economic and Political Weekly*, August 1972, Special Number, p. 1589.

him. His understanding of the global history of industrialization led him to argue that 'capital in a measure required for a capital-intensive structure in India could not be had, at least rapidly, through domestic savings, whether under a democratic or communistic set-up.'<sup>85</sup>

The Large Landholdings Bill which ultimately became an Act had been authored by Charan Singh. Charan Singh stated that it was a new name for an old measure namely the agricultural income tax.<sup>86</sup>The Agricultural Income Tax Act of 1948 was repealed in 1957 because its loopholes were effectively exploited by the large landholders to evade this Act. This Act had applied '...on a graduated scale on those who possessed land measuring more than a certain minimum area.'<sup>87</sup>

Since the second plan, the planners had been prodding the states to raise resources through additional taxation of rural areas. The Planning Commission had asked the U.P. government in early 1962 to raise Rs. 50 crores directly from land during the last 4 years of the Third Plan. It meant that the State government had to raise Rs. 12.5 crores annually during the last four years of the Third plan, 'whether by way of increase in land revenue rates, imposition of a sur-charge or levy of a land tax.'<sup>88</sup> The Planning Commission asked the UP government to impose a surcharge of 50 percent on land revenue. Charan Singh opposed the proposal for an increase of 50 per cent in the revenue derived directly from land. One of his main arguments was that there had been no substantial increase in the rural income and that the proposed increased in land taxation will impede growth of industries and commerce by reducing the purchasing power of the masses. He apprehended mass satyagraha campaigns and law and order problems if land taxation was revised upwards.

Charan Singh strongly protested this proposal as he continued later too to protest any measure related to the taxation of agriculture. He gave to the Chief Minister C. B.

<sup>85</sup> Charan Singh, *Economic Nightmare of India: Its Cause and Cure*, New Delhi:National Publishing House, p. 266.

<sup>86</sup> See his letter to the Chief Minister C. B. Gupta on August 5, 1962, in CS Papers, 1<sup>st</sup> Installment, Subject File no 34 titled '1962-65: Papers relating to clash between C.B. Gupta and Charan Singh over proposed increase in land taxation in U.P. and Charan Singh's opposition to related bill-'Land Holdings Tax Bill', NMML.

<sup>87</sup> *Ibid.*

<sup>88</sup> Charan Singh observed in his letter to the Chief Minister C.B. Gupta on 30 March, 1962. CS Papers, 1<sup>st</sup> Installment, Subject File no 34 titled '1962-65: Papers relating to clash between C.B. Gupta and Charan Singh over proposed increase in land taxation in U.P. and Charan Singh's opposition to related bill-'Land Holdings Tax Bill', NMML.

Gupta numerous reasons why such measure to impose 50 percent surcharge on agriculture was unjustified. He argued that the economic condition of the peasantry made any increase in taxation unjust and that the agriculture was already fully taxed. He also underscored the politically damaging implications for the Congress of any such move to increase agricultural taxation.

However, if land revenue had to be raised or a surcharge imposed on it, then at least the premiere category of land tenure., bhumidhari, was to be exempted from it. He

If, however, state income directly from land has to be raised, then I would suggest that the land owned by Bhumidhars should be left out. We had given a moral and legal undertaking not to increase their land revenue for a period of forty years.<sup>89</sup>

On the other hand sirdars had been given no guarantees against future increases in land revenue.

We gave no such assurance in regard to the land revenue of Sirdars. On the other hand, I had, in hundreds of public meetings all over the country-side, told the peasantry specifically that while we had no intention, in the present, to increase their land revenue they should know that, if circumstances so required, it could and will be increased.<sup>90</sup>

To Charan Singh's argument that 50 per cent increase in land revenue through the Land Taxation Bill will contravene the promise allegedly given to the Bhumidhars against future increase (for 40 years) in land revenue, C. B. Gupta argued that:

In fact, what we are doing is imposing a tax on property – on the land holdings in the rural areas and on the land and buildings in the urban areas... A reference to the Land Revenue has been brought into the Bill only for the adoption of a rough and ready method of assessment.<sup>91</sup>

In another letter to Charan Singh, Chief Minister Gupta argued that the total burden of taxes was 'relatively much less on the rural people than on the urban people and this

<sup>89</sup> *Ibid.*

<sup>90</sup> *Ibid.*

<sup>91</sup> Gupta's letter to Charan Singh, dated 9 August, 1962, in CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML.

holds good even about the lowest income group.<sup>92</sup> Gupta pointed out that the incidence of tax as a percentage of their income had increased more on the urban people than on the cultivating households.

Equity, therefore, demands that the land holding households who have been the largest beneficiaries of Zamindari Abolition and Community Development should be required to pay more than what they have been paying by way of taxes so far... It has to be borne in mind that nearly 54% of the total domestic income of the State is derived from agriculture and unless this part of the income is proportionately taxed, sufficient resources for planned development cannot be raised equitably by taxing the non-agricultural incomes only.<sup>93</sup>

Charan Singh pleaded for economy in expenditure rather than imposition of more taxes for raising resources. Chief Minister Gupta, however, differed. He said that he was against 'false economy': '... for false economy is more harmful in developing country than inessential expenditure but more effective tax collection can seldom be an alternative to new taxes when large revenues have to be raised for tackling the problem of unemployment.'<sup>94</sup>

He underscored, in a letter dated August 5, 1962 to the Chief Minister Gupta, the extraordinary nature of the proposed increase in land taxation thus: '... no measure of greater political consequence to the vast masses or to us, except Abolition of Zamindari itself, has been undertaken by Congress Government during the last 15 years and none to which Congressmen or other public men have been so violently opposed.'

Charan Singh continued his opposition to the proposed Land Taxation Bill in September 1962 when he wrote a letter to the Chief Minister C.B. Gupta. On September 22<sup>nd</sup>, he wrote to the Chief Minister that 'the idea of increased land taxation has to be dropped, if the Congress is to survive and we are saved from a

<sup>92</sup> C. B. Gupta's letter, dated 26 July 1962, to Charan Singh. CS Papers, 1<sup>st</sup> Installment, Subject File no 34 titled '1962-65: Papers relating to clash between C.B. Gupta and Charan Singh over proposed increase in land taxation in U.P. and Charan Singh's opposition to related bill-'Land Holdings Tax Bill', NMML.

<sup>93</sup> *Ibid.*

<sup>94</sup> *Ibid.*



charge of breach of faith.<sup>95</sup> He suggested that this bill should be replaced by another bill on the lines of the Large Landholdings Tax Act, 1957. Under this bill, the landholdings above 12.5 acres and of income above Rs. 1200 per annum would be taxed. Moreover, such a bill would be in force only for 2 to 3 years. The tenants, asami of the gaon samaj, were also to be exempted from such bill. Charan Singh suggested that even this measure 'will prove detrimental—politically to us as Congressmen and, inasmuch as it will unsettle the minds of the peasantry and serve as a disincentive, economically to the entire State.'<sup>96</sup>

Further, Charan Singh suggested that sirdars should be encouraged to acquire bhumidhari rights in their land. Since sirdars will have to pay 10 times the land revenue on their land, so that will give the state government revenues apart from having achieved the goal of converting the sirdars into ideal peasant proprietors having full rights in their land. Further, those sirdars who were unwilling to acquire bhumidhari rights, their land revenue should go up by one-third.

However the then chief minister of UP C.B. Gupta rejected such proposals of Charan Singh and suggested that the latter's proposals were “designed to protect the interest of a privileged rural class, the bhumidhars, and to discriminate against the urban classes.”<sup>97</sup>

Both the chief minister Gupta and the finance minister Kamlapati Tripathi favoured the Land Taxation Bill. In an informal meeting of the UP Congress Committee in July 1962, they said that there were two alternatives before the UP government. Either they could implement the Third Plan or abandon it. Since giving up the Third Plan would mean “stagnation and death”, they had to “appeal to the people to bear the burden of new taxes willingly and at the same time meet the challenge of the opposition parties which tried to make political capital out of the unpleasantness of the task.” However, the finance minister became ambivalent later in early September. The proposed Land Taxation Bill was also criticised by A.P. Jain, former union agriculture minister and a Congress leader from Uttar Pradesh, who wrote to G. L. Nanda pointing that the overwhelming majority of the Congress legislators in UP

<sup>95</sup> Charan Singh's letter to chief minister C. B. Gupta, dated 22 September, 1962, CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML.

<sup>96</sup> *Ibid.*

<sup>97</sup> Paul R. Brass, *An Indian Political Life*, vol 1., p. 129.

were opposed to the proposed bill. He stated that 'there is little doubt that as a result of the present Bill both the Government and the Congress organisation in the State are faced with danger and ruin. Where the plan be, if planners are blown up?'<sup>98</sup>

In an extended correspondence with the chief minister that ran over months in 1962, Charan Singh dwelt in some detail on themes such as the comparative taxable capacity of the urban and rural sectors, and the discrimination against the rural sector in terms of taxation, amenities, employment etc. However the bill was finally enacted. The surcharge on land revenue was introduced but at the reduced rate of 25 percent and the small holdings were exempted from such surcharge. Charan Singh's letters make it clear that he increasingly resented the Land Taxation Bill. He had, in fact, threatened to break the party discipline if the state government proceeded with the Bill any further.<sup>99</sup>

It also emerges from Charan Singh's correspondence related to this proposal for land taxation in 1962 that he expected a part of the proceeds of land revenue in Uttar Pradesh to be stagnant in the coming decades. This would be so because the State government had promised the bhumidhar section of the peasantry not to increase the land revenue for 40 years. This promise had been included in the Zamindari Abolition and Land Reform Act. As a result, if the State sought to increase the land revenue in violation of a solemn promise given to the peasantry, it may lead to a crisis of legitimacy of the government in the eyes of the peasantry.<sup>100</sup>

Charan Singh never forgot to underline [in this case underlining it literally] the political implications of the proposed measure of taxation. In his note sent to the Prime Minister Nehru and the Home Minister Shastri regarding the proposed increase in land taxation in Uttar Pradesh, he underlined the political and economic consequences of this measure:

<sup>98</sup> In CS Papers, 1<sup>st</sup> Installment, Subject File no 33 titled '1962-63: Views/attitude regarding proposed Land Taxation Bill', NMML.

<sup>99</sup> Charan Singh's unsent letter to C. B. Gupta, October 1962. The exact date of the letter is not given. Charan Singh wrote in this letter: 'We are Congressmen, and intend to remain so. We also know the obligations of Party discipline. But there is a limit to observance of such discipline and, we think, in this case, the limit has been reached'. In CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML. In fact, he also wrote a letter of resignation from the state council of ministers, but the letter was never sent. See his unsent letter to the chief minister, dated 16 September, 1962, CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML.

<sup>100</sup> See Charan Singh's notes and his correspondence with various figures on this theme. CS Papers, Subject File no 34, NMML.

It is holders of more than 12.5 acres or so that enjoy political influence in the countryside. This influence, in future, will be exercised to our disadvantage. As regards its economic consequences: it will create a feeling of uncertainty in the mind of the farmer, and will, therefore, serve as a disincentive, that is, inhibit increased agricultural production, which we all aim at. The few economic holdings that are still existant (sic) in the State, will be divided into uneconomic units, in order that the holders may escape increased taxation.'(emphasis in original)<sup>101</sup>

The question of land taxation persisted in Uttar Pradesh in mid-1960s too. Genda Singh, who had succeeded Charan Singh as the Agriculture Minister of Uttar Pradesh, opposed any increase in land revenue in Uttar Pradesh. He was speaking in a seminar on Mobilization of State Resources in Lucknow. He however stated that it was his own opinion and had nothing to do with the levy of an emergency surcharge of 25 per cent of land revenue on all holdings. He suggested that other methods of taxation like the increase in sales tax should be resorted to. In the same seminar, the Deputy Chairman of the Planning Commission declared that rural taxation was inevitable.<sup>102</sup>

U.P. Finance Secretary suggested that 'the question was worth considering why the State was not getting a commensurate return from the hundreds of crores of money that had been and was being invested in agriculture during the successive Plans.'<sup>103</sup> Another speaker also underlined the undertaxation of the rural areas in Uttar Pradesh with reference to sales tax. Prof M. D. Joshi said:

...There was a wide disparity of sales tax in urban and rural sectors in U.P. and that was not amenable to adjustment by any changes in the sales tax structure. The surplus available in the rural sector or on this account [on sales tax account] could best be mobilized through some other tax whose incidence was predominantly on the rural sector.... A tax on agricultural holdings might serve this purpose.<sup>104</sup>

<sup>101</sup> 'A note on proposed increase in land taxation in Uttar Pradesh', 1<sup>st</sup> Installment, Subject File no 55)

<sup>102</sup> Minister Against Increase in U.P. Land Revenue, *Hindustan Times*, 8 November 1965, in CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File no 423 titled '1964-66: Speeches/news items/articles/press clippings etc regarding food and agriculture', NMML.

<sup>103</sup> *Ibid.*

<sup>104</sup> *Ibid.*

About 10 years later this question about the taxation of agriculture again came to prominence. In 1972, the Raj Committee report emphasised the need for increased taxation of agriculture. It suggested an Agricultural Holdings Tax which will be imposed on family holdings. Charan Singh again opposed such measure.

Meanwhile, the first United Front Government headed by Charan Singh decided to exempt land revenue on holdings up to 3.125 acres, as demanded by all the constituents of the United Front.<sup>105</sup> Later Kamalapati Tripathi decided, after becoming the Chief Minister, to exempt all holdings up to 6.25 acres from land revenue.<sup>106</sup> This exemption was, however, revoked and land revenue reimposed in 1974 on holdings up to 6.25 acres of land. The land revenue exemptions were criticised by many.

The small farmers never agitated for remission of land revenue. They had, in fact, adjusted themselves to the levy and hardly felt the burden. Because of the greater output per acre and the higher prices of farm produce, the incidence of taxation on land was in any case lower today than it was five years ago.<sup>107</sup>

In a note written in 1973, Charan Singh saw as 'a baseless charge', the argument that agriculture was not paying its due share in the financing of the five year plans. He pointed that the share of indirect taxation in the total taxation was increasing and that indirect taxes were passed on to the consumers of whom a predominant majority resided in the villages.

These taxes are, by their nature, regressive and invariably take away a larger proportion of a poor man's income than a rich man's.... Even when such taxes are limited to luxury goods, the definition of such goods

<sup>105</sup> At the time when Charan Singh decided to exempt holdings up to 3.125 acres from taxation there were also demands for the total abolition of land revenue. However there were many voices which opposed such abolition. D. S. Chauhan, for instance, wrote to the Chief Minister Charan Singh in April 1967: 'In the context of growth there is no case for the abolition of land revenue even for the small farmers in U.P. Judged as a techno-economic function, as a measure of social justice and as a political expedient it does not seem to be a desirable proposition at this time.' D. S. Chauhan, 'Memorandum on the Abolition of Land Revenue in U.P.', dated 11 April 1967, in CS Papers, 1<sup>st</sup> Installment, Subject File no 35, NMML.

<sup>106</sup> Ladejinsky writes about the decision by Kamalapati Tripathi to extend land revenue exemption to all holdings up to 6.25 acres that the decision did not exactly go well with the beneficiaries of the exemption. He writes: '... they [peasants owing up to 6.25 acres] are concerned and would feel more at ease by paying the land revenue. Its abolition in these categories has not not been accompanied by an upward revision of revenue for farmers above that acreage.' Louis J. Walinsky, *The Selected Papers of Wolf Ladejinsky: Agrarian Reform as Unfinished Business*, New York: OUP, 1977, p. 480.

<sup>107</sup> U.P. in Financial Straits: A Tale of Ineptitude, *Times of India*, 27 July 1971, p. 10.

invariably includes commodities consumed by the poor (for example, sugar, tobacco and alcohol).<sup>108</sup>

Moreover, those working in agriculture had 'individually little surplus' while those working in the urban sector had 'a far greater surplus individually'.<sup>109</sup> A. P. Jain, however, supported the rural taxation. 'For long our rural sector has been let off with much lower taxation than the urban.... The basis of taxation is the capacity to pay and the better-off people in the rural areas must contribute their share to the Plan.'<sup>110</sup> According to Jain, given the size of the agricultural sector in India, the former is required to contribute resources for planning, '... and unless this source is adequately tapped the requisite resources for the Plan may not be forthcoming.'<sup>111</sup>

In 1974, the government of H. N. Bahuguna decided to revoke the land revenue exemptions given to holdings up to 6.25 acres. Along with this measure, the government's steps on additional resource mobilization was considered to be impressive not just in the entire country but also in the history of independent U.P. These measures were expected to yield more than Rs. 110 crores during 1975-76. The highest additional resource mobilization previously had been Rs. 17 crores. It was said that despite the UPCC's decision to abolish land revenue on uneconomic holdings many years ago, the Chief Minister despite risking criticism decided to ensure that 'economic rationality prevailed over political considerations'.<sup>112</sup>

In his last major work, published in 1981, Charan Singh reiterated many arguments against the increased taxation of the agricultural sector. He pointed to the fact that the share of agriculture was decreasing constantly. Then, per capita income of the people dependent on agriculture was not only less compared to non-agricultural population but that the former was decreasing continuously compared to the latter so that '...the ratio of the income of an agricultural worker to that of a non-agricultural worker declined from 1: 1.78 in 1950-51 to 1: 3.45 in 1977-78.'<sup>113</sup> In 1977-78, the income of

<sup>108</sup> A note titled 'Town Rules the Village', written by Charan Singh and dated 8 January, 1973. In CS Papers, 1<sup>st</sup> Installment, Subject File no 8 titled '1947-72: Papers relating to the condition of the farmers/villagers and discrimination against them in Govt's policies. Includes articles by Charan Singh and a plea by him to reserve jobs for agriculturalists', NMML.

<sup>109</sup> *Ibid.*

<sup>110</sup> Third Plan Resources: II – The Agricultural Sector, *Times of India*, 4 December, 1959, in A. P. Jain Papers, Speeches/writings by him, Serial no 1, NMML.

<sup>111</sup> *Ibid.*

<sup>112</sup> Bold Tax Effort in U.P.: Successful Bid for a Bigger Plan, *Times of India*, 14 July 1975, p. 6.

<sup>113</sup> Singh, *Economic Nightmare of India*, p. 205.

a non-agricultural worker was Rs. 4630.0 and that of an agricultural worker was Rs. 1341.0. Charan Singh stated that, as a result, a non-agricultural worker has far greater taxable capacity compared to an agricultural worker than what the ratio of their incomes would indicate.

He also suggested that, as against the view of the Fourth Plan, the agricultural population was paying not only direct taxes such as land revenue and agricultural income tax, but also indirect taxes in the form of excise and other taxes. Further, while land revenue is imposed on every farmer irrespective of his income, a non-agriculturalist has to pay income tax only when his income is above a certain limit. If land revenue is imposed on a farmer only above a certain income then ninety percent of the farmers would have to be exempted. He explained rhetorically:

So they are treated differently as a kind of inferior citizens who must be squeezed even if they cannot make their own two ends meet... That to the town dweller the farmer was a mere grist in the mill of economic progress on whose bones the structure of heavy industry was to be reared.<sup>114</sup>

However, to say that Charan Singh's thought and politics undermined efforts at agricultural taxation does not imply that Uttar Pradesh lagged behind other states in mobilising resources. In fact it was found that: 'During the Fourth Five Year Plan, Maharashtra, Uttar Pradesh, Tamil Nadu, and Gujarat, which together account for 38 per cent of India's population, raised 55 per cent of the total of all State resources mobilized.'<sup>115</sup>

## **Conclusion**

The importance of public savings in financing India's planned development efforts was recognized by the planners from the First Plan itself, but this significance of public savings became more pronounced during 1965-75. Among the two components of such public savings, the role of government savings was considered specially significant in the initial period since public sector enterprises were thought of as needing some time before they could earn profits.

<sup>114</sup> *Ibid.* p. 205.

<sup>115</sup> Barrie M. Morrison, 'Asian Drama, Act II: Development Prospects in South Asia', *PacificAffairs*, Vol. 48:1, 1975, p. 13.

In general also but particularly when faced with the proposals for agricultural taxation, Charan Singh dwelt upon the virtues of small government and the need to economise in public finance. And it was the increase in unproductive expenditure that he held responsible for the resources crisis and decline in public savings. He argued that the expansion in public employment had 'devastating' effects on public saving and public investment. It was this factor which led to a decline in public savings during 1966-75 especially during the Fourth Plan.<sup>116</sup> He held the bureaucracy to be 'the single main cause of the resources crisis which the Government of India has faced, particularly since the end of the Third Plan (1961-66) and has prevented it from raising the level of planned investment in the economy.'<sup>117</sup> The planners' approach was, however, often different in this regard. While recognising the need for economy in public expenditure, they called first for raising net public disposable income as a share of net domestic product and then to increase public savings as a percentage of net public disposable income. Such an approach was specially significant since the tax to gross domestic product ratio was more or less stagnant during this period, 1965-75.

Thus whenever any proposal for agricultural taxation arose in Uttar Pradesh, Charan Singh opposed it giving many grounds. He sought to portray a picture where the rural areas and agriculture were shown as already bearing a heavy burden of taxation and could not take up any additional burden of taxation. He also sought to refer to specific characteristics of agriculture which made it difficult for this sector to carry any additional taxation. But most importantly, he sought to draw the damaging implications of any new agricultural taxation measure for the Congress' political prospects. Due to resistance put up by leaders like Charan Singh, it became difficult to carry out agricultural taxation measures; or when it was carried out, as in 1962 during India-China war, rates were fixed at a lower level than had been proposed.

<sup>116</sup> Singh, *Economic Nightmare of India*, p. 410.

<sup>117</sup> *Ibid.*

## Chapter 2.

### **Other Aspects of Resource Mobilization for Industrialization**

This chapter deals with three other aspects of resource mobilization that were considered necessary for industrialization by the planners. These were the questions of state trading in foodgrains and intersectoral terms of trade. Charan Singh made a critique of the state policy with regard to both the state trading in foodgrains and the terms of trade. He saw them as mechanisms to drain resources from the village and agriculture.

One of the crucial ways in which agriculture can contribute to industrialization is through provision of adequate food, the most important among the wage goods, at stable, even cheap, prices. Any sharp rise in food prices, by increasing product wage, was likely to adversely affect both public and private corporate savings. Moreover, since in India food had a substantial weightage in both wholesale and consumer price indices, any fluctuation in food price was likely to have an impact on the general price level. And any sharp increase in general price level could distort the cost structure of the plans by increasing the financial costs of actual physical investments. This would present the planners with two alternatives, either to mobilise more resources to finance the existing physical investments or to cut the size of the physical investments but maintain the previously fixed level of financial levels. In the period under study, the planners were often faced with the possibility of having to cut the size of physical investments under the plans in the context of sharp price increases.

This necessitated the need to stabilise prices especially the rise in prices of foodgrains because of the latter's overwhelming influence on the price level. The need to stabilise foodgrains prices assumed more significance because increase in food prices including those of foodgrains almost always, with only a few exceptions, kept ahead of the general price increase in both wholesale and consumer indices.

This chapter deals with attempts made to stabilise foodgrains prices during 1950-75 at all India level in general but with particular focus on Uttar Pradesh. All kinds of tools, be it state trading (partial or complete), statutory controls or levy of foodgrains, were used to stabilise prices of foodgrains. Apart from its role in stabilising foodgrains



prices, state trading was also seen as a potential source of increasing public savings and thus resources for the plan.

However only two serious attempts to introduce state trading in foodgrains, and that too only in wholesale trade, could be made during this period, 1950-75, first time around 1959 and the second time around 1973-74 and it was only in 1973-74 that the complete state trading could be actually implemented, even if only in wholesale trade in wheat. Moreover the continued unsuccessful attempts at state trading suffered from some basic institutional problems namely the inadequate growth of cooperative institutions. These questions and Charan Singh's views and actual measures on them will be dealt with in this chapter.

Further, the planners saw the mobilization of the idle rural labour as one important means of increasing the capital formation in the rural areas and thereby enhancing agricultural production without having to spend much capital on this. This will be dealt with towards the end of this chapter. However, this chapter begins with a brief discussion of the question of intersectoral terms of trade, not just due to their implications for industrial growth and for public savings but also because of its place in the neo-populist understanding of the economy in general and 'urban bias' in particular.

The question of intersectoral terms of trade has been a highly contestable theme in the study of Indian economy.<sup>1</sup> There have been different ways of approaching this question. Economists differ on whether the intersectoral terms of trade during the period 1950-75 was favourable to agriculture or industry, even though most scholars suggest that taken as a whole, this period saw a favourable terms of trade for agriculture. There is greater unanimity on the period of industrial stagnation during 1965-75. Economists usually argue for a favourable terms of trade for agriculture during this period.

Sukhmoy Chakravarty suggested that the terms of trade was favourable to agriculture which had adverse implications for industrialization in India. First of all, higher agricultural prices would adversely affect the profit margins of non-agricultural

<sup>1</sup> See this article for debates on methodology of measuring terms of trade and concept thereof. B. L. Mungekar, 'Inter-Sectoral Terms of Trade: Issues of Concept and Method', *Economic and Political Weekly*, September 25, 1993, pp. A-111-A-120.

sector. This would happen because rising food prices would lead to demands for higher wages. Secondly, higher agricultural prices led to a decline in corporate savings as a proportion of national income.

Byres too has shown, in his critique of urban bias hypothesis, that the argument about the adverse terms of trade for agriculture during period from 1950 to early 1970s does not stand a critical scrutiny. He has argued, on the basis of A M Khushro, Thamarajakshi, and Ashok Mitra's writings, that taken as a whole the period from 1950 to early 1970s was marked by a favourable terms of trade for agriculture which impeded Indian industrialization. He refers to Khushro's 1961 work where the latter shows that the net barter terms of trade was favourable to agriculture during the period 1951-59.

Ashok Mitra argued that the terms of trade between agriculture and industry had undergone a remarkable shift in the favour of the former during the period 1961-62 and 1973-74. The weighted terms of trade between agriculture and industry had moved about 50 percent in favour of the former. Mitra further argued that the state had played a crucial role in this shift in terms of trade. As he put it, 'apart from fiscal and monetary measures, the instrument which has been most effectively deployed for the purpose during the past decade is the network of administered prices policy for the farm sector.' The favourable terms of trade for agriculture was considered by him to be harmful for industrial growth. The increased agricultural prices led to enhanced prices of raw materials and wage goods which in turn ate into the profits of industrial enterprises, reducing the corporate profits.

It also led, according to Mitra to reduced public savings and investment. 'The rise in the price level of wage goods and industrial raw materials has in addition an adverse impact on public savings and investment.'<sup>2</sup> Since public investments played a crucial role in private investments, reductions in public investments hurt the level of private investments. Further, adverse terms of trade leads to 'a transfer of real income' from industry to the farm sector. Mitra argued that the propensity to save is lower in rural areas compared to that in urban areas. For this reason terms of trade leads to a lower household savings too. All this leads to reduced aggregate savings. However, it was

<sup>2</sup> Ashok Mitra, *Terms of Trade and Class Relations: An Essay in Political Economy*, Chronicle Books, New Delhi, 2005, p. 207.

found that while corporate savings stagnated during the period dealt with by Mitra, the household savings continued to increase.

Many scholars like Sudipto Mundle and Massoud Karshenas have made a study of the pattern of intersectoral resource flow in the initial decades of post-independent India. Karshenas argues that agricultural sector made a negative net finance contribution to non-agricultural sector during the 1950-70. In fact there was a net resource inflow into agriculture. According to Karshenas, this net resource flow into agriculture took place both on the real side, that is, in terms of intersectoral flow of commodities and on the financial side, that is in terms of 'the private and public current and capital transfers and the terms of trade effect.'<sup>3</sup>

Further, the nature of intersectoral resource flow changed during this period of 1950 to 1970. From 1950 to mid-1960s, the net surplus inflow into agriculture kept reducing. This was so because while the market surplus of agriculture kept increasing, agricultural purchases of producer goods from non-agricultural sector remained stable. But due to the pursuit of the green revolution strategy in late 1960s, there was a rapid growth of the net inflow of resources into agriculture. This was partly due to the fast increase in the agricultural purchase of producer goods from non-agricultural sector. He suggests that the resource transfer to agriculture as a result of green revolution strategy of subsidised inputs and price support could have been neutralised had there been a rapid increase in agricultural production and if the use of the income increase due to agricultural growth would have been different.

But the green revolution or new agricultural strategy had only limited success in increasing agricultural production. Secondly, whatever income increase took place in agriculture as a result of increase in production could not be transferred to non-agricultural sector; rather they translated into increased consumer spending. All this resulted into net resource transfer to agriculture during the late 1960s. As Karshenas states about late 1960s, there was '... a double squeeze on surplus outflow from agriculture; first, by increasing the farm sector's purchases of consumer goods from other sectors, and, secondly, by increasing own consumption of farm producers, and

<sup>3</sup> Massoud Karshenas, *Industrialization and Agricultural Surplus: A Comparative Study of Economic Development in Asia*, Oxford University Press, New York, 1995, p. 98.

hence reducing the marketed surplus ratio.<sup>4</sup> To conclude, there was a net surplus inflow into agriculture during 1950-65 which increased in size during the late 1960s; taken as a whole too, the period of 1950 to 1970 shows a net surplus inflow into agriculture or, in other words, negative net finance contribution of agriculture to non-agricultural sector.

While scholars suggest that there was a favourable terms of trade for agriculture during this period, whether in respect of income or barter terms of trade or in respect of intersectoral resource flows, Charan Singh unequivocally argued for adverse terms of trade for agriculture during the entire post-independence period in India.

In view of disregard of the principle of parity in the determination of support prices; price twists in favour of the urban sector as against the farming community; inadequacy of storage and marketing facilities, non-availability of credit; unnecessary imports; hesitant decisions on export of farm products; and the irrational stand usually taken that in order to check inflation, agricultural prices must be kept subdued even if they are already at a much lower level than the prices of other commodities, have all combined to keep the agricultural prices unduly depressed, though prices of non-agricultural commodities have risen steeply, Indian agriculture can rightly be regarded as 'Indentured agriculture'.<sup>5</sup>

Like Theodore W. Schultz, the nobel prize winning economist who suggested that many low income countries have created an 'Indentured Agriculture' through underpricing of agricultural products in order 'to supply cheap food for urban people'<sup>6</sup>, Charan Singh believed that Indian agriculture had been turned into an indentured agriculture through the use of economic mechanisms such as terms of trade. He agreed with the calculation of the size of transfer of income from agriculture to non-agricultural sector made by Michael Lipton. Lipton had suggested in his book *Why Poor People Stay Poor* that several poor countries including India transfer 10 to 15 percent of their farm income to the non-farm sector by manipulating prices that is by increasing the prices of things bought by farm sector and decreasing the prices of things sold by farm sector. But this figure of 10 to 15 percent becomes 15 to 20

<sup>4</sup> *Ibid.*, pp. 99-100.

<sup>5</sup> Charan Singh, *Economic Nightmare of India: Its Cause and Cure*, National, New Delhi, 1981, p. 208.

<sup>6</sup> *Ibid.*, 208.

percent if we take account of the indirect effects of this price twist of things bought and sold by agriculture to the rest of the economy.<sup>7</sup>

First of all, there was reduced output and income in the farm sector due to price disincentives and higher income and output in the non-farm sector due to higher prices for its products; and second, flight of capital to the non-farm sector occurred because price twists have made the investment there more profitable. All this, according to Lipton, had reduced the income of farmers and farm workers by 15 to 20 percent and has raised the income of others in the economy of LDC (Less Developed Countries) by “rather 'smaller' amount.”

Charan Singh asserted that while the government imposed restrictions on the import of cheap industrial consumer goods, it allowed the import of cheap raw materials for industrialists and has taken recourse to so many similar policy measures 'merely with a view to turn the terms of trade against the farmers or villagers and in favour of industrialists and town dwellers.'<sup>8</sup> Further, he added that: 'This policy of the Government of India shows a degree of exploitation, of unequal dealing, compared to which the intra-urban conflict between the capitalists and the proletariat is almost negligible.'<sup>9</sup>

### **Price Stability, Public Savings, and State Trading in Foodgrains**

The smooth functioning of the Five-Year Plans and the preservation of their cost-structure required price stability specially that in wage goods such as foodgrains. However, as far as actual food policy was concerned, the government of India followed a policy of decontrol between 1952-57, this following a period of control between 1947-52.<sup>10</sup> Even while the control of foodgrains was in place, K. M. Munshi, the Minister for Food and Agriculture between 1950 and 1952 prepared a plan of

<sup>7</sup> For a convincing critique and refutation of Lipton's arguments about the price twists, see Terence J. Byres, 'Of Neo-populist Pipe-dreams: Daedalus in the Third World and the Myth of the Urban Bias', *JPS*, Vol. 6:2, 1979, pp. 210-244.

<sup>8</sup> Singh, *Economic Nightmare of India*, p. 206.

<sup>9</sup> *Ibid.*, p. 208.

<sup>10</sup> In 1947, the central government had decontrolled foodgrains after Mahatma Gandhi had criticised the policy of control of foodgrains. However a chaos followed and a policy of control of foodgrains was soon reinstated and this policy lasted till 1952. See Norman K. Nicholson, 'Political Aspects of Indian Food Policy', *Pacific Affairs*, Vol. 41:1, 1968, p. 38.

decontrol of foodgrains, himself being critical of controlled distribution which he believed had created great administrative difficulties, without being effective in attaining its goal.<sup>11</sup> Ultimately, the next Minister for Food and Agriculture Rafi Ahmad Qidwai introduced decontrol of foodgrains during 1952-54. But due to rapid rise in prices of foodgrains between 1955 and 1957, partial statutory controls were again reintroduced.

As far as the availability of marketable surplus of foodgrains in Uttar Pradesh is concerned, the situation was the same as at an all India level. It was found in an all India study, by the Planning Commission<sup>12</sup> of the magnitude of marketable surplus of foodgrains produced by different size class of cultivating households in 1961 that cultivating households in Uttar Pradesh falling in the size class of 0-5 acres produced a marketable deficit of around one million ton. Cultivating households in this state of the size class of 5-10 acres produced a marketable surplus slightly above one million ton. However, it was the cultivating households of the size class of more than 10 acres that produced most of the marketable surplus in Uttar Pradesh (around 2.6 million tons in this size class) as also elsewhere in India (the total marketable surplus in this size class on an all India level being 22.9 million tons) As this study of the magnitude of marketable surplus produced in 1960-61 by different size classes of holdings made it clear:

'It is the size-class of holdings exceeding 10 acres which represents the hard core for providing marketable surplus of foodgrains in the country. It is mostly on the surplus of these holdings that the non-cultivating classes and the deficit producers in the rural areas and the consumers in the urban areas depend for the supply of foodgrains.'<sup>13</sup>

The study also found that 'marketable surplus as per cent of net foodgrains production tends to increase with the increase in size of holdings'.<sup>14</sup> This was found true for Uttar Pradesh as also for the rest of India. In the case of Uttar Pradesh, marketable surplus as a percentage of net production in the size class 10.00-12.49 acres, 12.50-14.99 acres, 15.00-29.99 acres and 30.00-49.99 acres was 47.9, 55.4, 63.3 and 76.4

<sup>11</sup> *Ibid.*, p. 39.

<sup>12</sup> A preliminary draft of 'Estimation of Marketable Surplus of Foodgrains by Size class of Holdings in Rural Cultivating Households – A Physical Approach', undated, from 1970-71, prepared by the Agriculture Division of the Planning Commission, in Asok Mitra Papers, Subject File no 160, NMML.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

respectively. In the case of holdings of 50 acres and above, marketable surplus was as high as 88.6 per cent of the net production in this size class. The average level of marketable surplus as a percentage of net foodgrains production was 33 in Uttar Pradesh, above that in States like Assam (6) and Bihar (10) and below the marketable surplus as a percentage of net foodgrains production in States like Orissa (42), Kerala (43), Andhra Pradesh (51.8), Madhya Pradesh (55.9), Tamil Nadu (55.2) and Punjab-Haryana (66.9). Marketable surplus as a percentage of net foodgrains production at all-India level was 37.4.<sup>15</sup>

However, there were regional differences in Uttar Pradesh in terms of the marketable surplus that could be expected to be available. While greater agricultural productivity of western Uttar Pradesh was caused by the impact of the Green Revolution, greater marketable surplus could be expected in these parts of the state compared to eastern Uttar Pradesh even in 1950s.

According to the Census Report of 1951, the percentage of irrigated land to total cultivated land in the eastern plain in Uttar Pradesh (according to the Census of 1951, it comprised 10 districts) was 36 while that percentage in the western plain (it included 19 districts) was 31.4. The major difference in the area of irrigation between these two parts was that the sources of irrigation in the eastern plain were predominantly private while the western plain received water largely from the state sources of irrigation. It was suggested by some like B. K. Mukerji, Director of Agriculture, Uttar Pradesh that the inherent fertility of the land in the eastern plain was higher than that in the western plain. Further, the production of foodgrains per acre in the western plain in 1950s was almost equal to that in eastern plain.<sup>16</sup> However, the position of the western plain was better than the eastern plain in one respect. According to the Census of 1951, both the agricultural population and the cultivating population as a percentage of the total population were lower in the

<sup>15</sup> *Ibid.* Dharam Narain, in his 'Distribution of the Marketed Surplus of Agricultural Produce by Size Level of Holdings in India in 1950-51', had estimated the marketed surplus as being 33.4 per cent of the total agricultural produce. The RBI's Rural Credit Survey had suggested that cultivator sold about 35 per cent of the overall agricultural produce. Both these estimates related to the marketed surplus of total agricultural produce. According to Dharam Narain, holdings up to 5 acres contributed around 25 per cent of the entire marketed surplus. However, this part of the marketed surplus was more likely to be distress surplus.

<sup>16</sup> A two page undated note comparing eastern and western plain in Uttar Pradesh on the basis of the Census of 1951 and also other notes related to agricultural statistics of Uttar Pradesh, in CS Papers, 1<sup>st</sup> Installment, Subject File no 31 titled '1958-64: Agrarian statistics in U.P. and extracts from the Census of India relating to agriculture', NMML.

western plain compared to that in the eastern plain. For instance, the share of cultivating population in the total population in the western plain was 59.48 per cent while that in the eastern plain was 75.75 per cent. This had one crucial implication. The average size of a holding held by a cultivating family was larger in the western plain than in the eastern plain. As a result, despite the same level of per acre productivity, a cultivating family in the western plain could produce more surplus food.<sup>17</sup>

Coming back to the question of the price increase, the urgency about controlling foodgrains prices and undertaking state trading in foodgrains increased in the wake of almost fifty per cent rise in food prices between October 1955 and August 1957. But even before that, renowned international economists were recommending state trading in agricultural products in the studies on planning being done at the Indian Statistical Institute in Calcutta, at the instance of the Planning Commission, in preparation for the Second Plan. Writing in 1954, Ragnar Frisch compared the situation in India and in his own country Norway regarding 'state trading in principal agricultural products or state control with such trading'<sup>18</sup> and argued for state trading or at least state control of trading in agricultural products in India:

For the basic commodities of agriculture – as for instance rice in India – there will, of course, always be powerful pressure groups trying to maintain a so called “free” market, which in reality will mean a market controlled by the speculators instead of by the State.... I am confident that in my own country Government trading or Government controlled trading in basic agricultural products has come to stay and that it is the only possibility of actually establishing the living conditions of the farmer on a sound basis.<sup>19</sup>

<sup>17</sup> *Ibid.*

<sup>18</sup> 'A Memorandum on Some Broad Macroeconomic Aspects of the Problem of Planning for Economic Development in India', by Ragnar Frisch, dated 26 November, 1954, in C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 59A, NMML. This Paper by Frisch was a part of 'Studies Relating to Planning for National Development'. These studies were sponsored, at the instance of the Planning Commission, by the Indian Statistical Institute in collaboration with the Central Statistical Organisation.

<sup>19</sup> *Ibid.*



Another such economist working on planning at ISI, Calcutta, Charles Bettelheim favoured the establishment of:

... State Trading Organizations and co-operatives whose role will be, in the first place, to secure the stability of purchase and sale prices of the essential foodstuff; stable and remunerative prices for the agricultural products being one of the indispensable conditions for a prospering and progressive agriculture.<sup>20</sup>

In the midst of continuing price rise between 1955 and 1957, Nehru wrote to the Union Minister of Food and Agriculture A. P. Jain and expressed his dismay at the situation on foodgrains prices front: '... Prices become a governing factor of the plan. If prices of foodgrains are high, the plan will collapse. This applies, I suppose, more particularly to rice than to wheat, because rice is consumed much more in India.'<sup>21</sup> He pointed his fingers towards traders: 'I do not mean that the farmer should suffer. He should get adequate payment. But I do object retailers or wholesalers hoarding up foodgrains and profiting by high prices at the cost of the community and indeed of our plan itself.'<sup>22</sup>

Nehru also argued for compulsory procurement from traders in his late July 1957 letter to A. P. Jain.

Any attempt to buy voluntarily by Government inevitably means sudden spurt in prices. I do not see why we should hesitate to have compulsory procurement at the right time of course. I have not been able to understand why you have not used the authority given by Parliament two or three months ago to procure rice. After all, the only assurance for us is to have large stocks with us.<sup>23</sup>

He criticised the view that the increase in foodgrains prices were justified on the ground that prices of industrial goods too had gone up:

<sup>20</sup> 'Scheme of a Model of Reasoning for the Elaboration of the 2<sup>nd</sup> F. Y. P. of India', by Charles Bettelheim, dated 19 November, 1954, in C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 59A, NMML.

<sup>21</sup> Nehru's letter, dated 31 July 1957, to A. P. Jain, the Union Minister for Food and Agriculture, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

I do not think it is a valid argument that the price of industrial goods has gone up and therefore foodgrains necessarily must go up. There is some truth in this, but not enough, and in any event, we should be in a position to hold the prices of foodgrains if we want to do so, whatever the prices of articles might be.<sup>24</sup>

The importance of holding the prices of foodgrains had been emphasised at the very beginning of the Second Plan by the Deputy Chairman of the Planning Commission in a letter to the Chairman. In April 1956, V. T. Krishnamachari wrote to Nehru arguing that 'if there was not an abundant supply of foodgrains at the 1955 prices, the fulfilment of the Plan [Second Plan] would become problematical.'<sup>25</sup> The ministry of Food and Agriculture was not comfortable with it since 1955 prices for foodgrains was considered too low. Later, the Planning Commission agreed to 'an increase of 50 per cent on the 1955 prices.'<sup>26</sup>

The AICC suggested in September 1957 that steps be taken to contain 'speculative and other undesirable forms of credit'. 'As an anti-hoarding measure, the credit squeeze on traders should be progressively tightened. The government should take deterrent (sic) action against the hoarders of food-grains in order to arrest the rising prices.'<sup>27</sup>

The Foodgrains Enquiry Committee under the chairmanship of Asoka Mehta recommended at this time the establishment of a Foodgrains Stabilization Organization (FSO) to undertake purchase and sale of wheat and rice at controlled prices in order to deal with the problems of food shortages and price rise. Foodgrains Stabilisation Organisation was envisaged, among other things, 'as a trader in the foodgrains market, with branches or agencies of its own in all important mandis, particularly in surplus areas and centres of distributive trade.'<sup>28</sup> Its most important work was to be undertaking buffer stock operations which was seen as 'most effective

<sup>24</sup> *Ibid.*

<sup>25</sup> 'The Food Problem: I – N. D. C.'s Tragic Role', *Times of India*, 3 November, 1959. This piece had been written by A. P. Jain who was the Union Minister for Food and Agriculture. In A. P. Jain Papers, Speeches/writings by him, Serial no 1, NMML.

<sup>26</sup> *Ibid.*

<sup>27</sup> As referred to in the proceedings of the Working Committee meeting of November, 1957, in AICC Papers, 2<sup>nd</sup> Installment, File no 3791, NMML.

<sup>28</sup> Ministry of Food and Agriculture, Department of Food, *Report of the Foodgrains Enquiry Committee*, New Delhi, 1957, p. 84.

instrument for the stabilisation of the prices of foodgrains.<sup>29</sup> Apart from buffer stocks, the FSO was also to maintain reserve stocks. With large capital and network of agencies, FSO was expected soon to dominate the market. The Committee also suggested 'progressive and planned socialisation of the wholesale trade in foodgrains'<sup>30</sup> The Committee opined that some form of compulsory procurement might be necessary if inflationary trends and food shortages continued. This was especially true of rice.

The Planning Commission hoped that the FSO would help in the building of the buffer stocks and facilitate the emergence of the government as the 'dominant trader' by the end of the Second Plan. However, the establishment of the FSO was obstructed by the Union Ministry of Food and Agriculture. Frankel argues that the Minister for Food and Agriculture A.P. Jain was completely unsympathetic to the state trading in foodgrains and was supportive of price incentives for the farmers which would lead to greater total production. But while FSO was not established, the Committee's recommendation about zonal restrictions on the movement of foodgrains were imposed under which surplus states were paired with deficit states or as in case of wheat, a single state like Uttar Pradesh was made a zone in itself. However, this view of Jain being completely unsympathetic to state trading is not correct. As will be seen later in this chapter, while he believed in state trading in foodgrains, he was aware of the logistical preparations to be done before state trading could be introduced. Moreover, Jain often complained about the lack of enthusiasm on part of the states in this matter.

Rather than undertaking state trading, the union government, at this time, basically relied on the import of PL 480 wheat from the United States to build foodgrains stocks. While some procurement of foodgrains was undertaken by the Union Food Ministry and some state governments, '... no attempt was made to replace the private traders with a state trading organization'<sup>31</sup> Scholars like Frankel have regarded 'these first attempts at "state trading" in foodgrains'<sup>32</sup> as being unsuccessful as the problem of rise in food prices and of food shortages continued till 1958.

<sup>29</sup> *Ibid.*, p. 85.

<sup>30</sup> *Ibid.*, p. 86.

<sup>31</sup> Frankel, *India's Political Economy*, p. 146.

<sup>32</sup> *Ibid.*, p. 146.

The situation on price front was so bad in 1958 that Nehru's fear was that there would be no Third Plan. He wrote to Minister of Food and Agriculture: 'Indeed, if we cannot control the food situation and stop imports from abroad, there is likely to be no Third Plan.'<sup>33</sup> Moreover, while the government was trying to deal with food shortages and inflation in 1958, there were also demands, especially from Andhra, for raising the procurement prices. Some Central ministers agreed with this demand. The Planning Commission, however, argued against a raise in procurement prices. The Deputy Chairman of the Commission told the Prime Minister and other Ministers, in a meeting called to discuss food problem and agricultural production, that the procurement prices were not low. 'There was already demand for higher wages and salaries and if the procurement prices were raised, this demand will be further aggravated.'<sup>34</sup>

The foodgrains prices continued to rule high in Uttar Prdaesh too in 1958. There were demands made by Members of Parliament from Uttar Pradesh that restrictions on movement of wheat from Punjab to U.P. should be removed. This threatened the zonal system according to which deficit states had been tagged with the surplus states. Uttar Pradesh was a zone in itself in wheat. The Union Minister of Food and Agriculture, however, expressed himself against such demands:

Once we decide to open Punjab to U.P. for the reason that the prices in U.P. are much higher, it will not be possible to resist similar demands from Bihar, Rajasthan or Madhya Pradesh.... This will thus mean an end of the zonal system and if I may say so, the abandonment of all control by the Centre over the situation.<sup>35</sup>

The M.P.s also made an alternative demand namely that movements of all cereals outside Uttar Pradesh should be restricted. The situation was so delicate in the state that the centre sent additional supply of foodgrains to address shortages. The food situation alarmed Nehru so much that he sought to impress upon the Chief Minister Sampurnanand 'the sense of urgency and vitality' the Prime Minister felt about this

<sup>33</sup> A letter, dated 13 March, 1958, written by Nehru to A. P. Jain, the Union Minister for Food and Agriculture. In A. P. Jain Papers, Subject File no 6, NMML.

<sup>34</sup> Minutes of the meeting held in the Prime Minister's Room on 29 July, 1958, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>35</sup> A letter, dated 28 August, 1958, written by A.P. Jain to Nehru, in A. P. Jain Papers, Subject File no 6, NMML.

matter.<sup>36</sup> He suggested to the Chief Minister the need for both the District Magistrates and the Congress Organisation at the local level to informally pressurise traders and dealers to stop their profiteering. 'The big dealers must be made to understand that if they profiteer in this way they cannot expect all kinds of police and governmental protection for their misdeeds. They have to behave properly and keep their prices at a reasonable level.'<sup>37</sup> Nehru further emphasised the importance of building public opinion about the malpractices of the private trade.

I am sure we could have dealt with the situation better as a rebellious Congress in the old days than we can do today with all the machinery of Government. We could have brought adequate pressure on the dealers by just publicity and building up public opinion.<sup>38</sup>

The Working Committee, in its meeting in September 1958, passed a resolution on the 'food situation in U.P.'<sup>39</sup> It noted that more than 3000 cheap grain shops had been opened by the U.P. Government. It suggested putting pressure on the trading community by the Congress organisation and by public opinion so that traders do not take advantage of the food scarcity by engaging in profiteering.

The lack of substantial progress on the issue of wholesale trading in foodgrains in 1958 made Nehru write to the Minister for Food and Agriculture chiding him for impasse on this question.<sup>40</sup> A. P. Jain, however, defended his Ministry arguing that steps had been taken on a range of issues connected with state trading. He stated that the process of licensing the wholesalers had been completed by the state governments. A number of state governments were deciding to enter the market for procurement in a bigger way and attempts were being made to build substantial reserve stocks with the governments, both central and state. But only a small beginning would be made on actions related to procurement of marketable surplus and its storage and distribution. The reason was:

Until we have a machinery to handle the entire surplus, we shall have to make a beginning with smaller quantities. The ultimate machinery for

<sup>36</sup> Nehru's letter to Sampurnanand, Chief Minister of Uttar Pradesh, dated 28 August, 1958, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

<sup>39</sup> 'Food Situation in U.P.', in AICC Papers, 2<sup>nd</sup> Installment, File no 3793.

<sup>40</sup> Nehru to A. P. Jain in a letter dated 26 December, 1958, in A. P. Jain Papers, Subject File no 6, NMML.

procurement will be co-operatives of the producers. Until such co-operatives spring up all over the country, we shall have to use the existing machinery.<sup>41</sup>

A. P. Jain conceded that what was being attempted was only partial state trading. 'We have gone sufficiently far to undertake partial State Trading but if there is anything more to be done we shall issue instructions accordingly.'<sup>42</sup> In another letter, A. P. Jain pointed to the lack of cooperation from the states and mentioned examples such as smuggling of rice from Orissa. 'Socialisation of the trade [wholesale trade in foodgrains] will depend upon the enforcement of the legal provisions that all the surplus produce must be handed over to Government. If we receive such scanty cooperation from the State Governments, no State Trading can succeed.'<sup>43</sup>

The planners held the purpose of the state trading to be two fold. First of all, it would help in the maintenance of price stability in the economy which was essential if the cost structure of the plan was not to be distorted. For this purpose, the government was advised to '...build up a buffer stock of foodgrains, and during the Second Plan undertake open market operations, buying when the prices were low to establish a floor, selling when prices were high to enforce a ceiling.'<sup>44</sup>

Another purpose of state trading was to increase saving in the economy by controlling consumption. As the economists in the Planning Commission suggested: 'If a network of State trading institutions can be built up and appropriate policies are followed...it should be possible to get more from the rural areas than we are at present getting.'<sup>45</sup> The proposals for state trading in foodgrains however presented many logistical problems given that it was enormously difficult to reach sixty million farming families in order to acquire their agricultural produce for the purpose of state trading.

In other words, the planners saw state trading in foodgrains not just as an instrument to regulate prices, but also as a means to raise additional resources for planned investment. For instance, a proposal prepared by the Perspective Planning Division of the Planning Commission recommended, in May 1959, that around Rs. 100 crores can

<sup>41</sup> A. P. Jain to Nehru in a letter dated 28 December, 1958, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>42</sup> *Ibid.*

<sup>43</sup> Jain to Nehru in a letter dated, 30 December, 1958, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>44</sup> Frankel, *India's Political Economy*, p. 124.

<sup>45</sup> *Ibid.*, p. 123.

be raised over the course of Third Plan (1961-66) through state trading in foodgrains. Estimating that the total consumption of the foodgrains by the urban population in the entire Third Plan would be about 69 metric tons, it said: 'If out of this quantity, the state could handle 50 m. tons and market it at an average margin of Rs. 20 per ton, it will yield a total of Rs. 100 crores over the Third Plan.'<sup>46</sup>

The idea of state trading for earning profits had been proposed by the then Deputy Chairman of the Planning Commission in 1950 itself. Writing to the Union Finance Minister in November 1950, the Deputy Chairman of the Planning Commission underscored the inability to raise adequate financial resources for development:

... I have been oppressed by our patent inability to discover adequate financial resources for meeting the needs of development on even a very modest scale. In fact so meagre are the resources in sight that with the unabating increase in population, there is hardly any prospect of economic progress for the country for some years ahead....<sup>47</sup>

He wrote that while some increase in national income could be achieved through 'better organization and utilization of existing equipment and other resources'<sup>48</sup>, the former would basically depend on capital formation. And a large part of such capital formation had to be undertaken by the state. However, the state was not able to perform this task because of difficulties in gathering resources through taxation. Therefore he suggested state trading, including in export trade, as a means of raising resources.

... it appears to me that in such a situation [difficulties on greater taxation front] an important thing to fall back upon would be the gains of direct economic activity by the State – public utilities and other avenues.... Industrial projects require large amounts of capital. But state trading, in the least hazardous directions to begin with, may be feasible.<sup>49</sup>

However, this aspect of state trading in foodgrains remained subdued and emerged only now and then. Mostly, it was the consideration of stabilising foodgrains prices

<sup>46</sup> 'Resources for the Third Plan: Additional Tax Effort', part I, dated May 1959, prepared by the Perspective Planning Division of the Planning Commission, in Asok Mitra Papers, Subject File no 45, NMML.

<sup>47</sup> A letter, dated 23 November, 1950, by G. L. Nanda, Deputy Chairman of the Planning Commission to C. D. Deshmukh, Union Finance Minister, in C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 22, NMML.

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

that informed efforts to undertake state trading in foodgrains. The idea of state trading in foodgrains gained traction in the wake of the failure to deal with food shortages and price rise by reinstating partial statutory control of the foodgrains trade.

The Nagpur session of the Congress approved of state trading in wholesale trade in foodgrains in its 'Resolution on Agrarian Organisational Pattern' passed on January 1959: 'The introduction of State trading in wholesale trade in foodgrains is welcomed and should be fully given effect to.'<sup>50</sup> The CWC meeting on 15 March 1959 argued in favor of state trading in foodgrains. Questioning the legitimacy of trading profits, the CWC asserted the incongruity of private profits in wholesale trading.

There has always been a considerable measure of doubt about the social legitimacy of trading profits as compared with manufacturing profits; but one can see a justification for the remuneration of the exercise of intelligence regarding the movement of goods over time or space in a competitive and individualistic society. In a socialist society, however, conditions are entirely different. A socialist society involves a planned economy and a planned economy takes note of time and space considerations in the distribution and pricing of output. Private profits in wholesale trading, therefore, would be out of place in a socialist economy; and wholesale trade will have to be reorganised on a cooperative or governmental basis....Surplus due to increased production or reduced consumption will pass over to the State through its State trading apparatus and will be utilised by the State as a part of the plan.<sup>51</sup>

While approving of the National Development Council's late 1958 decision to socialise wholesale trade in foodgrains, the Working Committee enumerated, in a note titled 'State Trading in Foodgrains' on 15 March 1959, the financial and administrative burden on the government that such socialisation might entail.<sup>52</sup> To begin with, such socialisation would require the the creation of huge amount of credit (around Rs. 350 to 400 crores according to the Working Committee's estimate) leading to release of

<sup>50</sup> 'Resolution on Agrarian Organisational Pattern', passed on 10 January, 1959 in the 64<sup>th</sup> annual session of the Congress, AICC Papers, 2<sup>nd</sup> Installment, file no 3792, part 1, NMML.

<sup>51</sup> 'Note on the proceedings of the planning committee', presented in the CWC meeting on 15 March, 1959. U. N. Dhebar had written this note. Many paragraphs including this one on trading was a reproduction of V. K. R. V. Rao's note. In AICC Papers, 2<sup>nd</sup> Installment, File no 3792, part 1, NMML.

<sup>52</sup> A note titled 'State Trading in Foodgrains' presented at the CWC meeting on 15 March, 1959. In AICC Papers, 2<sup>nd</sup> Installment, File no 3792, part1, NMML.



some inflationary potential. Further it would require the creation of additional storage capacity of 5 million tons.

The CWC stated that the marketing cooperatives will have to take over the work, over time, of buying foodgrains from the farmers and bringing them to wholesale markets. The marketing cooperatives will need necessary finance to carry out their operations. 'Right from the outset, co-operative credit and marketing should be fully integrated. This would obviate the possibility of private dealers capturing the produce of the farmers on the strength of the advances they make to the farmers.'<sup>53</sup> Complete socialisation of trading in foodgrains would make the government '...responsible not merely for the collection of the total marketed surplus but also for its distribution to the consumers and for maintaining a certain level of prices both for the producers and the consumers.'<sup>54</sup>

The note on state trading, however, struck a note of caution given the time needed to establish a network of cooperatives and given the administrative and financial burdens involved in the state trading. It suggested that the government will have 'to step cautiously, increasing progressively the scale or volume of State trading rather than taking over immediately the responsibility for the entire range of wholesale operations.'<sup>55</sup> The note on state trading concluded that:

Perhaps it would be best to concentrate our attention on the development of co-operatives just at the moment, to enlarge fair-price shops and other consumer outlets at the retail end, and also to ensure a strict system of inspection of the wholesale traders' books and stocks.<sup>56</sup>

The CWC stressed again, in its May 1959 meeting, the importance of organising marketing societies for the success of state trading in foodgrains.

Village societies should be members of marketing societies and function as their agents for the purchase of surplus agricultural produce. Marketing societies should be of considerable help in recovery of loans. There should be the closest coordination between marketing societies and central banks who should open as many branches as possible. An expanded programme

<sup>53</sup> *Ibid.*

<sup>54</sup> *Ibid.*

<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*

of cooperative processing should also be drawn up and implemented in the near future.<sup>57</sup>

The Planning Sub-Committee of the AICC in its report to the CWC in August 1959 regarded state trading as a possible source for increasing the resources for the Plan. 'Once the principle that public enterprises can, and ought to make profits which can be utilised for the Plan is accepted, there should be no objection to the use of State trading for financing development.'<sup>58</sup> However, it urged the need for caution since 'there are many limitations of administration which make it unsuitable for undertaking trading activities on a large scale. Only as these limitations are overcome and an appropriate machinery created for the purpose of State trading, would it be advisable to proceed in this matter.'<sup>59</sup>

Asserting that the question of price stability cannot be neglected in a planned economy and that prices cannot be permitted to be 'at the mercy of market forces', the Sub-Committee suggested the maintenance of reasonable surpluses of foodgrains for the success of the state trading because if the shortage was too great, it would not be possible to control the inflationary pressures. It suggested examining the idea of state-run farms to increase the government stocks of foodgrains.

...It is worth examining whether some of the vast tracts of land which are lying uncultivated in different parts of the country could not be reclaimed by government and converted into mechanised farms operated by Government. The produce of these farms will supplement the normal procurement by the State Trading agencies and thereby augment Government stocks of foodgrains.<sup>60</sup>

The Planning Sub-Committee underlined the relationship between the price level and the wages. and the need to control the price level in order to preempt the demands for wage increase. 'One of the most common grounds for demands for wage increases is

<sup>57</sup> AICC Papers, 2<sup>nd</sup> Installment, File no 3792, part 1, NMML.

<sup>58</sup> 'Draft of the Report of the Planning Sub-Committee of the A. I. C.C.'. In AICC Papers, 2<sup>nd</sup> Installment, File no 3792, part II. Appointed by the A. I. C. C. in its Hyderabad session on October 26, 1958, the Sub-Committee presented its report to the CWC in its August 1959 meeting.

<sup>59</sup> *Ibid.*

<sup>60</sup> *Ibid.*

the increase in the cost of living. These demands will be kept under check if the cost of living is not allowed to rise significantly.<sup>61</sup>

The Nagpur Resolution on state trading in foodgrains in January 1959, the Congress stance in the following months and the continuing price rise in foodgrains made the Union Ministry of Food and Agriculture present before Lok Sabha a modified Scheme for State Trading in Foodgrains on April 2, 1959. This scheme involved two stages of implementing state trading in foodgrains. During the first stage the licensed wholesale traders were to buy foodgrains from the farmers at fixed maximum prices. The government would then acquire the part or the whole of their stocks at fixed prices. The government was to purchase only fifteen per cent of the wheat and rice surpluses during the first two years of state trading. The scheme did not involve a control of retail prices. The government was to establish a state trading organization during the first stage and all state trading was to be done on a no-profit, no-loss basis.

This first stage was to give way to the second stage in which '... farm surpluses would be collected through "the marketing cooperatives and the apex marketing cooperatives for distribution through retailers and through consumer cooperatives," thereby eliminating private traders from the wholesale trade.'<sup>62</sup> No time duration was determined for the achievement of the first or second stage under the scheme. The government especially the union food ministry and the state governments took no effective steps to implement this modified scheme.

The government continued with the policy of zonal restrictions that had been introduced in 1957 and with the system of partial statutory control of foodgrains trade. These measures actually led to a fall in market arrivals of wheat or rice despite a bumper crop of wheat and increase in rice production. The problem of rising food prices and continuing food shortages persisted and finally the scheme of state trading was suspended. The Union Minister of Food and Agriculture A.P. Jain resigned in August 1959. Jain expressed himself in favour of state trading. 'If properly implemented it can succeed in controlling prices, which is fundamental to the fulfilment of the Plan. But the main weakness of the scheme is the difficulty of

<sup>61</sup> *Ibid.*

<sup>62</sup> Frankel, *India's Political Economy*, pp. 171-72.

enforcement of by the States.<sup>63</sup> The Ministry of Food and Agriculture prepared a paper which 'provided for two years' intensive buffer-stock operations before State trading is taken in hand.

S.K. Patil took his place and stated immediately that '... he would not implement state trading in foodgrains except as a last resort.'<sup>64</sup> After his takeover of the union ministry, orders about price controls and compulsory levy on rice were taken back in many states. As for wheat, Uttar Pradesh was the only state to continue with maximum controlled prices and compulsory levy. As Frankel points out, the food ministry under Patil gave up all attempts to implement state trading in foodgrains during the rest of the Second Plan and used import of foodgrains to stabilize price. Patil, however, defended publicly the concept of state trading.<sup>65</sup>

Meanwhile the government in Uttar Pradesh had decided to build a buffer stock by imposing a levy of 50 per cent on the produce of large cultivators. The CWC noted:

With regard to State Trading in Food grains the State Government have decided to build up buffer stocks of wheat and rice with a view to keeping the prices under control and have fixed a target of 1.5 lakh tons for wheat to be procured under the levy system, the per centage of levy being 50.<sup>66</sup>

In October 1962, while the India-china war was being fought, the Planning Commission brought out a memorandum on 'Proposals relating to prices of essential commodities'. This was the first installment and contained many agricultural commodities and it was said that proposals concerning other commodities will soon be brought about. In this regard, S. K. Patil wrote to Nehru and argued that '... in regard to many matters our general approach has to be the same whether the commodities are agricultural or otherwise.'<sup>67</sup> While telling Nehru that he himself was going to bring out a memorandum on prices, Patil asked for taking an integrated view of prices and not divorcing agricultural from non-agricultural prices:

<sup>63</sup> 'The Food Problem: II – Dangers of State Trading', *Times of India*, Delhi, 4 November 1959. In A. P. Jain Papers, Speeches/writings by him, Serial no 1, NMML.

<sup>64</sup> Frankel, *India's Political Economy*, p. 174.

<sup>65</sup> 'Unwise to Give up State Trading: Patil Explains its Usefulness', *Times of India*, 7 January 1961, p.1.

<sup>66</sup> 'Implementation of Nagpur Resolution: Steps taken by State Governments', a resolution considered in the CWC meeting of 22-23 August, 1959. In AICC Papers, 2<sup>nd</sup> Installment, File no 3792, Part 2, NMML,

<sup>67</sup> S. K. Patil, the Union Minister for Food and Agriculture's letter to the Prime Minister Nehru, dated 25 October, 1962, in S. K. Patil Papers, Subject File no 6 titled '1962-63: Correspondence with Prime Minister carried out as the Minister for Food and Agriculture and his resignation from that as a result of cabinet reshuffle', NMML.

In my view, agricultural prices cannot be divorced from cost of cultivation which has to take into account supplies essential to agriculture.... That always the first thing we seem to cut is the agricultural prices and many things on which the agriculturist depends are left out of account with the result that ultimately the agriculturist is the loser.<sup>68</sup>

While the Indo-China war was taking place, the AICC emphasised, in its directive to all the PCCs and the Chief Ministers, the importance of maintaining the strict check on 'the prices of commodities which are essential for civil consumption'<sup>69</sup> given that rising prices would disrupt the economy and the defence effort. Further wholesale trade had to be regulated.

While assuring the producers of foodgrains and raw materials reasonable remunerative prices, it is essential that the charges at intermediate stages should be kept down to the minimum so that the consumer may not have to pay excessive prices. The wholesale trade has, therefore, to be regulated and the State should acquire stocks to be deployed whenever and wherever need arises.<sup>70</sup>

By the time S. K. Patil wrote a letter of resignation (not accepted by Nehru) from the cabinet in August 1963, he believed, as he wrote to Nehru, that he had changed the situation, related to the prices and availability of foodgrains, from despair in late 1959 to one of 'hope and confidence'.<sup>71</sup> He could see that 'the problems of prices and production have loomed large in recent months' but argued that 'the shortfall in production has been largely confined to three or four States in all of which adverse season has played its uncontrollable part to a more or less extent....'<sup>72</sup> But at this time began the most serious and the longest period of price rise, especially that in foodgrains, in the period under study here, 1950-75, and the price rise lasted till 1967-68.

<sup>68</sup> *Ibid.*

<sup>69</sup> In AICC Papers, 2<sup>nd</sup> Installment, File no 3796, part 2, NMML. The AICC issued, in its November 1962 meeting, a directive on 'Economic Mobilization for Defence and the Role of the people' to all the PCCs and the Chief Ministers of the States.

<sup>70</sup> *Ibid.*

<sup>71</sup> S. K. Patil's unsigned and undated letter of resignation from Ministry of Food and Agriculture, written to Nehru. In S. K. Patil Papers, Subject File no 6, NMML.

<sup>72</sup> *Ibid.*

As the Planning Commission noted in an analysis, the wholesale prices had been increasing since the beginning of the Second Plan till 1967-68, but it was during the period between 1963-64 and 1967-68 that these prices showed an unprecedented surge. The price rise moderated from 1968-69 onwards but prices again increased rapidly in 1971. The Consumer prices too showed a sharp increase between 1963-64 and 1967-68. Increase in prices of foodgrains (food articles including foodgrains constituted 50 per cent of the total weight of the Wholesale Price Index and food accounted for 60 per cent of the total weight of the Consumer Price Index) almost always kept ahead of the general increase of prices and, in fact, drove the general increase in prices. Another factor accounting for the general increase in prices was the rise in the prices of industrial raw materials which were mainly agriculture based. As the note prepared by the Planning Commission stated

'The prices of food articles and the industrial raw materials exercise a significant influence on general index of wholesale prices as well as the consumer price index and also these affected the prices of manufactures and non-agricultural commodities through rise in wages and cost of raw materials.<sup>73</sup>

The Third Plan set out an ambitious plan about state trading in foodgrains. It expected 'a network of cooperative and governmental agencies closer to the farmer, licensing and regulation of wholesale trade, extension of State trading in suitable directions, and a considerable sharing by Government and Cooperatives in distribution arrangements at retail stage.'<sup>74</sup> But even this comprehensive set of measures was expected to facilitate procurement by government and cooperatives of only twenty per cent of the marketed surplus of foodgrains. On the other hand, government procurement of at least fifty per cent of market surplus was considered essential for influencing the price level.

In a discussion on the food situation in Lok Sabha on March 2, 1964, the House was divided between those members who argued for a strict control over food distribution and movement and demanded state trading in foodgrains and those members who

<sup>73</sup> 'Wholesale and Consumer Price Trends – An analysis in retrospect and prospect', dated 2 January, 1971, a note prepared by the Economic Division of the Planning Commission. In Asok Mitra Papers, Subject File no 167, NMML.

<sup>74</sup> Frankel, *India's Political Economy*, p. 185.

suggested that the solution to food shortages and the consequent rising prices was the increase in the production of food grains by paying remunerative prices to farmers and making available agricultural inputs to the latter.<sup>75</sup>

In early 1964, reports came about the food shortages leading to the looting of grain shops in the villages of Uttar Pradesh and Bihar. Union Minister of Food and Agriculture Swaran Singh supported the imposition of Third Plan policy of state control of trade in foodgrains at the conference of state food ministers on February 24, 1964. Swaran Singh unveiled at this conference a series of proposals related to regulation of wholesale trading in foodgrains, compulsory levies on private traders and bringing rice mills under state control. However, no effective steps were taken for the procurement of foodgrains and control of prices.

In the context of rising prices and of the view expressed in the political circles that the price rise from 1963 onwards was caused by deficit financing and excessive expenditure associated with rapid industrialization, and therefore, could be curbed only by reduced investment expenditure by the state, the Finance Minister told the Lok Sabha in September 1964 that

It was stated that the present price situation was the consequence of an undue emphasis on heavy industry.... The question is not so much of relative emphasis on heavy industry and agriculture; the resources that go into each of these are by and large non-competitive.<sup>76</sup>

He disagreed with the need to reduce the investment expenditure to control price rise. 'I do not see why the growth of our industries must be abruptly checked by a slowing down of investment outlays. The correct policy, on the contrary, is to remove the obstacles in the way of an even faster rate of growth in industry.'<sup>77</sup> He stated that the stabilisation of agricultural prices would require, apart from proper policies regarding prices paid to agriculturists, a large scale marketing intervention by the government.

The new Union Minister for Food and Agriculture C. Subramaniam rejected the strong plea made for complete state trading in foodgrains made at the AICC meeting. He put forward his proposal to strengthen the proposed Food Trading Corporation for

<sup>75</sup> Demand for State Trading in Food, *Times of India*, 3 March, 1964.

<sup>76</sup> Speech of the finance minister T. T. Krishnamachari during the debate on the no-confidence motion in Lok Sabha, 17 September, 1964, T. T. Krishnamachari Papers, Speeches by him, Serial no 36

<sup>77</sup> *Ibid.*

the present as a realistic policy navigating the two extremes of complete state trading on the one hand and complete deregulation of trade in foodgrains on the other hand. He told the Congress radicals like N. V. Gadgil and K. D. Malaviya with the latter asserting that the lack of organisation for implementing the state trading was an excuse that had been given for the last 15 years: 'I want to go cautiously. To those who are impatient for immediate State trading, I say it is not possible. Let us first build the organisation of the corporation step by step.'<sup>78</sup> Subramaniam reiterated his inability to introduce complete state trading in foodgrains in a Lok Sabha debate on September 7, 1964.<sup>79</sup>

Pointing to the difficulties involved in such state trading in the absence of a strong machinery, Subramaniam stated that a Foodgrains Trading Corporation would start functioning from January 1965 and would 'serve as the greatest deterrent for unscrupulous traders.'<sup>80</sup> He said that the corporation should be given 'the monopoly over railway movement to enable it to control strategic areas.'<sup>81</sup>

For some time in late 1964, the Prime Minister Lal Bahadur Shastri sought to put pressure on the states to enforce the central government's policy on foodgrains procurement. The central government also issued an ordinance to try traders guilty of hoarding of foodgrains. But the situation on the foodgrains front continued to be precarious and the problem of food shortages and resulting price rise persisted.

The Food Corporation of India (FCI) was established on January 1, 1965. the FCI however basically relied on the states for the procurement operations. And the actual amount of the market surplus of foodgrains to be procured was determined in the negotiations between the Union Ministry of Food and Agriculture and the state governments. Moreover, the FCI could undertake procurements only when the state governments invited it to do so.<sup>82</sup>

Apart from Charan Singh, there were agriculture ministers of other states, like the Food and Agriculture Minister of Rajasthan, who expressed themselves against state trading in foodgrains. The Rajasthan minister stated that it would not be proper to

<sup>78</sup> 'Subramaniam: No Complete State Trading in Grains, *Times of India*, August 30, 1964.

<sup>79</sup> 'Food policy under fire in Lok Sabha, *Hindustan Times*, September 8, 1964.

<sup>80</sup> 'Subramaniam Rejects Immediate State Trading in Foodgrains, *National Herald*, September 15, 1964.

<sup>81</sup> *Ibid.*

<sup>82</sup> Frankel, *India's Political Economy*, p. 263.



introduce state trading in foodgrains given the limited financial resources of the state government.<sup>83</sup>

During this period, the Union Ministry of Food and Agriculture showed a general reluctance regarding the implementation of state trading in foodgrains. The experts in the ministry argued that while monopoly procurement of foodgrains associated with complete state trading might be justifiable on 'ideological grounds' but was not 'practicable with the existing administrative and distributive machinery in the states.'<sup>84</sup> Monopoly procurement had been approved in the Bhubaneswar Session of the Congress. Such experts held the experience of monopoly procurement, as in Assam in the case of paddy and in Maharashtra in the case of Jowar, to be a failure.

The idea of complete state trading was also disapproved by the high power sub-committee on national food policy appointed in August 1965 by the central government. The committee held that while complete state trading was a theoretically good idea, it had many problems. 'The first was the need to build up an organisation to take over the entire marketable surplus in the country. Secondly, there had to be a distribution agency to cover the whole country. Thirdly, there should be sufficient reserves with the Government.'<sup>85</sup>

From the mid-1960s onwards a change of view regarding state control of trade in foodgrains occurred. While earlier the focus was on the control of traders engaged in the wholesale trade, now the stress was on directly reaching the large producers. As Byres states: 'It was decided that procurement at the wholesale market level could not now be effective, and that it was those producers with a large marketable surplus and holding capacity who had to be the direct target of procurement.'<sup>86</sup> Frankel also writes about the Planning Commission's recognition of a "farmer-trader axis" being responsible for the rise in foodgrains prices in the mid-1960.<sup>87</sup> The Minister for Food and Agriculture, C Subramaniam talked about a 'trader-producer axis'<sup>88</sup> that needed to be broken. He said that this 'trader-producer axis' operated on the basis of liberal credits, which were provided for other uses, and on a huge sum of unaccounted

<sup>83</sup> 'State Trading in Food Not Practicable, *Times of India*, March 3, 1965.

<sup>84</sup> 'Monopoly Grain Procurement Not Practicable, *National Herald*, July 17, 1965.

<sup>85</sup> 'Statutory food rationing in big cities, *Times of India*, August 2, 1965.

<sup>86</sup> Byres, 'Charan Singh, 1902-1987: An Assessment', *JPS*, Vol. 15:2, 1988, p. 160.

<sup>87</sup> Frankel, *India's Political Economy*, p. 256.

<sup>88</sup> 'Trader – Producer Axis to be Broken, *Times of India*, 29 August 1964, p. 1.

money.<sup>89</sup> This change of view was reflected in the steps taken by various states, including Uttar Pradesh to deal with rapid rise in prices.

While most held the merchants and traders responsible for high price rise in foodgrains, one author S Narayanaswami, writing in the *Kalki* magazine of Madras in August 1959, in the same issue in which N. G. Ranga and Minoo Masani criticised cooperative farming and state trading in food grains, said that traders were not responsible for increase in prices of foodgrains and that such increase was part of general inflationary pressures in the economy. He said that traders had less storage capacity than cultivators and the former was not pushing up prices of foodgrains because they did not have capacity to hoard large amount of foodgrains.<sup>90</sup> Emphasising that it was just for peasants to ask for higher prices for foodgrains given the rapid rise in prices in non-agricultural sector, he opposed state trading in foodgrains.

In the context of the worrisome situation on the food front in Uttar Pradesh because of rapid increase in food prices, due to damage caused to maize and paddy crops by excessive rainfall, the state government under Sucheta Kripalani decided to promulgate an anti-hoarding order, in August 1964, to deal with foodgrains shortages and price rise. The anti-hoarding measure was aimed at not just traders but also substantial landholders likely to have marketable surplus of foodgrains. However, the proposed measure met with resistance from many opposition and Congress leaders, the latter including Charan Singh and Kamalapati Tripathi. The reason for their protests was that the proposed measure would have targeted affluent peasants too. Chief Minister Sucheta Kripalani wrote this to the Prime Minister Shastri:

If we had passed the measure only against the traders, much of the hoarded grain would not have come under our purview. The new pattern of hoarding that has emerged this year is that large stocks are kept with the kisans in the villages and not brought to the market. These stocks either belong to the kisans or to the traders who have purchased but not shifted the grains to the godowns. We were, therefore, anxious to pass an order

<sup>89</sup> *Ibid.*

<sup>90</sup> In CS Papers, 1<sup>st</sup> Installment, Subject File no 28 titled 'Papers/correspondence relating to the views expressed by C. Rajagopalachari, N. G. Ranga, K.M. Munshi, M. R. Masani, Shri Ram Sharma, Raja Bajrang Bahadur Singh of Bhadri, Jayaprakash Narayan and organisations such as the All India Agriculturists' Federation on agrarian reforms', NMML.

which would bring some grains to the market and hence this order was passed, which covered the traders as well as the larger kisans.<sup>91</sup>

Former Union Agriculture Minister and a member of Parliament from Uttar Pradesh, Ajit Prasad Jain suggested that the then Chief Minister Sucheta Kripalani too had doubts about the correctness of the anti-hoarding order. Jain was also critical of including farmers within the ambit of anti-hoarding order. 'The inclusion of farmers under anti-hoarding order, apart from other objections, is bad as it over-burdens the administration with the duty of checking millions of farmers godowns at a time when it has miserably failed to stop profiteering in towns.'<sup>92</sup>

Foodgrains prices had more or less stabilized during the first two years of the Fourth Plan and foodgrains prices showed considerable decline during early 1971. But foodgrains prices again began to increase from May 1971 and continued till early September. Price increase was especially concentrated in coarse cereals and pulses. The Department of Food took many measures to deal with price increases but such measures were found to be largely ineffective by the Planning Commission. Talking about the FCI, the Planning Commission said that the FCI's activities were not having much impact on the prices through appropriate release of stocks. On the other hand, the continuously increasing stocks with the FCI was not likely to be conducive to price stability. It said:

It appears that while the FCI's operations have prevented a large fall in prices during the post-harvest period which incidentally has tended to aggravate the pressure of prices on foodgrains, the same order of success has not been achieved in tempering the rise in prices during the lean months through appropriate regulation of releases through the public distribution system.<sup>93</sup>

The rise in prices in the early years of the Fourth Plan adversely affected its cost structure and there was a huge shortfall in resources in real terms. In reply to a question about the shortfall, of Rs. 1500 crores, in the resources for the Fourth Plan, the Minister of Planning replied that: 'The reference is to the shortfall in resources in

<sup>91</sup> Uttar Pradesh Chief Minister Sucheta Kripalani's letter to the prime minister Shastri, dated 10 August, 1964, Sucheta Kripalani Papers, File no 11, NMML.

<sup>92</sup> Ajit Prasad Jain, 'Food: Here and Now', an article written in August 1964 for a newspaper but never published. In A. P. Jain Papers, Speeches/writing by him, Serial no 12, NMML.

<sup>93</sup> From a note titled 'Measures for Stabilisation of Foodgrains Prices', undated, perhaps from early 1972, prepared by Agriculture and Irrigation Division of the Planning Commission, in Asok Mitra Papers, Subject File no 124, NMML.

real terms. The Mid-term Appraisal of the Fourth Plan places this shortfall at Rs. 1550 crores although in money terms financial resources for the public sector plan are estimated to be of the same order as originally envisaged.<sup>94</sup> This shortfall was caused by inflation obtaining in the economy. In fact it was suggested that price rise had also dented the resources of the states by an amount of Rs. 300 crores. Thus the aggregate shortfall in the resources for the Fourth Plan was estimated at Rs. 1850 crores.

The rise in foodgrains prices since mid-1960s seems to have made the intersectoral terms of trade adverse for industry. Even while noting that price support to farm produce is a very legitimate method of encouraging farm production provided there is adequate demand, for exports or domestic consumption, for the additional output<sup>95</sup> the Planning Commission underscored in 1971 the adverse terms of trade for industry resulting from the rise in foodgrains prices in mid-1960s.

The sharp rise in food grain prices from 1963-64 to 1966-67 was an obvious serious distortion of the relative price structure. From 1962-63 to 1966-67 while the Index of Manufactured Products ( 1961-62= 100) rose from 104 to 130, that of foodgrains rose from 102 to 208... Since 1967-68, the above distortion is getting corrected... It should be the object of price policy not to let this correction develop, in course of time, into a new distortion.<sup>96</sup>

The situation on foodgrains price front deteriorated sharply in 1972-73 in the context of a drought that afflicted many parts of India. Around 100 million people were affected by this drought. The AICC, in its Gandhinagar session on October 9, 1972, passed a resolution on the state takeover of the wholesale trade of wheat and rice. A draft statement on economic policy, adopted at the Calcutta session of the AICC in December 1972 reaffirmed the decision taken at the Gandhinagar session of the AICC for the state takeover of the wholesale trade in wheat and rice. It also emphasised the need for a viable public distribution system regarding other essential commodities of mass consumption. It declared the public distribution system as not a temporary

<sup>94</sup> The Minister of Planning's response in the Rajya Sabha on 30 March, 1972, in Asok Mitra Papers, Subject File no 190, NMML.

<sup>95</sup> 'Price Policy for Growth with Social Justice and Stability', by K. S. Gill, dated 22 June, 1971, Perspective Planning Division, Planning Commission, in Asok Mitra Papers, Subject File no 56, NMML.

<sup>96</sup> *Ibid.*

expedient but being '... central to our whole strategy of development to achieve higher rate of growth without inflationary pressures which have time and again distorted the whole process of development.'<sup>97</sup>

The central government announced, on 26 February, 1973, its decision to go for the takeover of the wholesale trade in wheat. The government was to procure directly the marketed surplus of wheat which came to the regular markets at a price to be fixed by the government. However, if any obstacles were to be created in this, the government was to impose a levy for procuring wheat. The Minister of Agriculture told the Rajya Sabha on 30 April 1973:

It was the Government's policy to take over the wholesale trade by procuring the marketed surplus, which came to the regular markets or the purchasing centres fixed by the Government, and if it was found that there was some obstruction in pursuing that objective, necessary action would certainly be taken. If it was necessary, the Government would even go to the extent of imposing levy for the purpose of procurement of wheat.<sup>98</sup>

The state governments agreed to the central government's decision to take over the wholesale trade in foodgrains. Beginning with the wheat crop in 1973, private traders were banned from wholesale trade in wheat and the FCI was assigned a central role in procurement and transportation of wheat. The central government agreed upon a programme of action for the take-over of the wholesale trade in foodgrain from the rabi crop after discussions with State Food Ministers. The cabinet committee accepted that there would be considerable variation from state to state on the machinery to take over the trade if a beginning was to be in the next two months. Also the purchase price would be sought to be kept at the level of the procurement prices of the last couple of years—Rs 76 per quintal for wheat for instance. The cabinet felt that despite high market prices, it should be possible to maintain the price level since the State agencies will be the only buyers.<sup>99</sup>

<sup>97</sup> Draft Statement on Economic Policy, dated 26-28 December, 1972, in Asok Mitra, Subject File no 190, NMML.

<sup>98</sup> V. B. Singh, 'Nationalisation of Foodgrains Wholesale Trade', in Haksar Papers, 3<sup>rd</sup> Installment, Subject File no. 221, NMML.

<sup>99</sup> Take-over of Grain Trade Finalized, *The Statesman*, 16 February 1973.

The Minister of State for Agriculture A. P. Shinde declared in the Lok Sabha on April 18, 1973 that the takeover of the wholesale trade in foodgrains would be a permanent feature which would be implemented even in times of food surpluses. Declaring that the bureaucracy was competent to handle the state takeover of the foodgrains trade, he stated that this step would substantially eliminate the 'violent fluctuations' of the food economy in India and would benefit everybody including the farmer as well as the consumer.<sup>100</sup>

The business bodies like FICCI opposed it and said that a better remedy would have been to embark upon an intensive programme for improving agricultural production, and to set up a joint consultative machinery of farmers, traders and government officials to locate problem areas, to help maximise production, promote smooth movement of supplies, and ensure fair price for producers. Suitable changes could also have been made to discourage holding of stocks for speculative purposes.<sup>101</sup>

The government succeeded in procuring only half of its original target and wheat arrival in the market dried up. While in 1971-72 the government had procured about 5 million tonnes of wheat, in 1972-73, the government could procure only 4.3 million tonnes, far less than its target of 8.1 million tonnes. With the sharp rise in the prices of foodgrains, the government gave up the proposed state takeover of wholesale trade in rice and private traders were allowed to undertake wholesale trade in wheat in March 1974.

One of the reasons which has been suggested for the failure of the government's takeover of the wholesale trade in wheat is the neglect of the need to organise a retail network. Whatever fair price shops or retail shops were established to sell the government wheat suffered from a great deal of corruption which led to the diversion of wheat in the black market. The profit margin of the fair price shop owners were just 2 rupees per quintal which itself was often offset by the transport and other charges that such fair price shop owners had to bear.<sup>102</sup> A report sent to the Congress leadership at the centre before the 1976 elections in U.P. deals in detail with the

<sup>100</sup> Takeover of Grain may be Permanent Feature, *Times of India*, 19 April 1973.

<sup>101</sup> FICCI Opposes Grain Trade Takeover, *Hindustan Times*, 5 March 1973.

<sup>102</sup> A detailed report had been sent to the top Congress leadership about the position of the Congress in Uttar Pradesh in 1975. 'Papers regarding the position of Congress in U.P. before the elections of 1976', dated 1975, Haksar Papers, 3<sup>rd</sup> Installment, Subject File no 440, NMML.

performance of state trading in Uttar Pradesh in the wake of the state takeover of the wholesale trade in 1973. The report had this to say:

So the real money that a fair price shop owner makes is in the black-market and not by selling wheat at prices controlled by the Government. One can thus see that the system of retailing has managed to defeat the purpose of preventing the rise in wheat prices. If a proper retail system could be set up, this measure would be great benefit to the people.<sup>103</sup>

The failure to establish previously an effective network of consumer cooperatives cost the government takeover of wholesale network dearly. It was also the earlier failure to establish an effective network of marketing, credit and service cooperatives which led to insufficient grain being procured due to farmers still selling to private traders.

It was suggested that the government fixed procurement price at a low level which led to meagre market arrivals of wheat. Asoka Mehta, then the leader of the Congress (O) argued:

The reason is that the Government's deficit spending has pushed up the price level, the Government, however, refuses to accept as legitimate the consequential claims of the farmer, and seek to foist the farmer with the burden of general rise in prices. What wonder if he non co-operated.<sup>104</sup>

He further argued that 'the position was worsened by cordons and controls that could not be enforced. These controls further distorted prices – the difference in prices of wheat in the Punjab and Bombay, for instance have widened sharply.<sup>105</sup>

There were many like Mr. Bhoothalingam, former finance secretary, who considered deficit financing to be the main culprit behind the price rise of 1972-73. He, however, supported the state trading efforts to control foodgrains prices but asked for higher prices for foodgrains acquired by the state. 'In retrospect, it is clear that had the procurement price of wheat been reasonably raised in April last, much more could

<sup>103</sup> *Ibid.*

<sup>104</sup> 'Current Food Situation', a paper written by Asoka Mehta, enclosed with a letter, dated 30 July, 1973, written by him to his fellow Congress (O) leaders, J. B. Kripalani Papers, 3<sup>rd</sup> Installment, Subject File no 18, NMML.

<sup>105</sup> *Ibid.*

have been bought by Government and the take-over of the wholesale trade in wheat might have been more successful.<sup>106</sup>

Bhoothalingam argued for a higher procurement for rice for the impending kharif season and warned that in the absence of a higher price for rice, the experience of wheat procurement would be repeated. He also argued for a corresponding increase in the prices at which fair price shops sold. Also, the Government should not further extend its trading activities, for instance in rice, 'unless administrative preparedness and general acceptance by the public is assured.'<sup>107</sup>

The market arrival of wheat was far below expectation and the U.P. government could procure only 3 million tons of wheat while it was originally supposed to procure 30 million tons which had been reduced first to 13 million tons and then to 9 million tons.<sup>108</sup> The important reason for meagre market arrival of wheat was that the private traders had bought wheat from the better off farmers and then persuaded the latter to keep wheat in their own houses. As the aforementioned report sent to the the Congress leadership at the centre said:

He[private trader] is afraid that if he takes it all to his godown, the communists or the police might raid the godown and discover his stocks. So he has turned every better off farmer's house into his godown. From there he takes out the grain slowly, just enough to keep the prices at the present high level.<sup>109</sup>

The state takeover of the wholesale trade in wheat led to an abnormal increase in prices of those coarse grains such as gram, jowar etc whose prices were not controlled. The black market rate of wheat itself was far higher than the government controlled rate of Rs. 86 per quintal. The prevailing black market rate of wheat was Rs. 95 a quintal in the western U.P. and Rs. 140 to Rs. 160 in eastern U.P.<sup>110</sup>

<sup>106</sup> Mr. Bhoothalingam was the Director-General of the National Council of Economic Research and the former secretary, Union Ministry of Finance. See his note dealing with price rise in 1972-73, enclosed with a letter by Asoka Mehta, dated 13 August 1973. In J. B. Kripalani Papers, 3<sup>rd</sup> Installment, Subject File no 18, NMML.

<sup>107</sup> *Ibid.*

<sup>108</sup> Papers regarding the position of Congress in U.P. before the elections of 1976', dated 1975, Haksar Papers, 3<sup>rd</sup> Installment, Subject File no 440, NMML.

<sup>109</sup> *Ibid.*

<sup>110</sup> *Ibid.*



Meanwhile, the Working Group on Financial Resources for the Fifth Plan argued for the reduction of food subsidy in order to increase saving. The Group estimated the magnitude of the food subsidy in the Fifth Plan (1974-79) at Rs. 1180 crores. The Group opined that food subsidy should be limited to Rs. 500 crores, thus achieving a saving of Rs. 680 crores.

In order to realise this objective, it would be necessary to reduce the gap between the economic cost [which was higher than issue price] and issue prices of foodgrains by suitable upward revision of the issue prices. Besides, it should be possible to reduce the operational cost of the Food Corporation of India.<sup>111</sup>

The Group expected that: 'If the increase in issue prices of foodgrains is effected in suitable stages and is appropriately timed, it may not have perceptible adverse effects on the index of wholesale prices or that of cost of living.'<sup>112</sup> Thus a look at the measures to achieve stability in foodgrains prices reveals that towards the end of the period of my study, the government was incurring a huge expenditure in its attempt to control prices through appropriate mechanisms. This was a far cry from the planners' proposals in the past to earn profits from state trading in foodgrains.

### **Charan Singh's Stand on State Trading**

Charan Singh opposed the state trading in foodgrains that was proposed in the Nagpur resolution. He argued that the government would be assuming a very big responsibility in undertaking the state trading in foodgrains, both wholesale and retail and it will lead to the expansion of bureaucracy. Not only there were no godowns to store the foodgrains but that it will lead to widespread discontent in the country. Moreover, if the government undertook only wholesale trade in foodgrains and left retail trade in the hands of private traders, then 'the state machinery would give licences for retail traders which meant there would be scope for favouritism.'<sup>113</sup>

<sup>111</sup> Report of the reconstituted Working Group on Financial Resources for the Fifth Plan, in Asok Mitra Papers, Subject File no 197, NMML. Sukhmoy Chakravarti was the head of the Working Group.

<sup>112</sup> *Ibid.*

<sup>113</sup> A news report in *National Herald*, January 10, 1959. CS Papers, 1<sup>st</sup> Installment, Subject File no 19 (c) titled '1959-64: Papers and press clippings concerning Nehru's advocacy of co-operative farming, ceiling on land-holdings and state trading in food-grains and its opposition by Charan Singh; includes correspondence with Jawaharlal Nehru', NMML.

The Nagpur proposal for state trading in foodgrains was, however, defended by Nehru who argued fervently for it in a speech in Rajya Sabha. In this speech he conceded the lack of a real apparatus to implement the state trading in foodgrains.

Therefore, inevitably, we had to go in for licensing and authorising some of the old wholesale dealers to act on behalf of the State. That is not a very satisfactory arrangement...But there is no alternative open to us at this stage. If we develop our co-operative organization, as we hope to do, then these difficulties would diminish and ultimately fade away completely. And so, from this point of view, apart from others also, it is essential that we should develop our co-operatives in villages and elsewhere.<sup>114</sup>

Earlier in the month, he had referred to the surprise abroad at the lack of regulation of foodgrains trade in India. Nehru said that the people in the non-communist countries such as the United States, Canada and France had been surprised to know that India still lacked a method to control foodgrains prices and to check profiteering in its trade. One newspaper reported him saying:

These foreigners had been urging the need of such a step... It was necessary for every country to have its wholesale foodgrains trade organised so that no one would be permitted to bring about price fluctuations by speculative trading, particularly when this meant playing with the lives of the poor people.<sup>115</sup>

Charan Singh often spoke against the practicability of state trading in foodgrains in state legislature in UP as the agriculture minister from December, 1960 to May, 1965. While Charan Singh was against state trading in foodgrains, he advocated the imposition of a levy as a short term measure to deal with food shortages and rising prices.

Charan Singh ruled out state trading in foodgrains and also price support to farmers in the state legislative assembly in a discussion on agriculture. He argued that the idea of state trading had been sponsored only after the crops had failed and that a successful crop will lead to demands for the abolition of the state trading.<sup>116</sup> In the UP legislative assembly debate on grants for agriculture ministry in march 1964, he declared the

<sup>114</sup> *Ibid.* see his Rajya Sabha speech on February 12, 1959 in the above mentioned file.

<sup>115</sup> *National Herald*, Lucknow, February 3, 1959.

<sup>116</sup> 'State Trading in Foodgrains impracticable: Charan Singh, *National Herald*, March 12, 1964.

state trading in foodgrains to be impracticable. For this he was heavily criticised in the press. *Navjivan* from Lucknow, for instance wrote on 13 march 1964:

Only state trading in foodgrains can protect the farmers and the middle class consumers from hoarders and sattebaazs in India and specially in UP. In this context the state agriculture minister's terming of state trading in foodgrains as impracticable is not just unfortunate but prods the anti-social elements among the traders to obstruct progress towards socialism.<sup>117</sup>

He further said that a huge bureaucracy would be needed to buy, sell and store foodgrains of several varieties if state trading in foodgrains was implemented.<sup>118</sup> During the debate, later in 1964, on two amendments to the UP Agricultural Produce (Marketing) Bill, Charan Singh held that total state trading in foodgrains was impracticable. He said that 'some people might call me a reactionary, but total procurement and distribution of foodgrains by the State would not be helpful to the proper functioning of democracy.'<sup>119</sup> He nevertheless expressed himself in support of partial state trading in selected commodities in selected areas and for a limited period. He said that state trading could be introduced in sugarcane as there were factories to purchase this commodity. In the same way, state trading could be introduced in tobacco and groundnuts if there were factories to purchase them.

But state trading was not practicable in foodgrains. There were hundreds of varieties of foodgrains and it would be a huge task to determine these varieties and their prices. He pointed that while everybody wanted to remove the middlemen from the trade, cooperative societies had failed to compete successfully with them. He asked the opposition not to raise slogans such as state trading in foodgrains to which they themselves might fall victims if they ever came into power. He asserted that while he wanted the blackmarketeers and hoarders to be eliminated, state trading was no solution to this problem.

Charan Singh, while he was an agriculture minister, sent a note on the food situation to the chief minister Sucheta Kripalani suggesting a scheme to deal with food shortages and price rise. This note, sent on 30 July 1964 conceded that

<sup>117</sup> CS Papers, 2<sup>nd</sup> Installment, Subject File Number 73(b) titled '1939-66: Press clipping and speeches/broadcast by Charan Singh (as U.P. Agriculture Minister) concerning issues related to agricultural production', NMML.

<sup>118</sup> A news report in *Times of India*, March 12, 1964, in CS Papers, Installment 2, Subject File no 73(b), NMML.

<sup>119</sup> *National Herald*, 6 August 1964. In CS Papers, 1<sup>st</sup> Installment, Subject File no 19(c), NMML.

... the larger cultivators do hold stocks of foodgrains which are surplus to their needs, either as a matter of normal practice or in the hope of reaping higher prices. Ways, therefore, have to be found, in the larger interest, to coax the cultivators to release their stocks.<sup>120</sup>

He suggested that the farmers were to produce any of the seven major foodgrains within a fortnight before dealers appointed by the state government. These farmers were to be paid prices at a rate which was to be Rs. 10 per quintal higher than the average wholesale price during the period of April to June last. Those who were to produce more than the required amount were to get Rs. 2 per quintal extra for the extra supply. Those who failed to produce the required amount of foodgrain were to face a penalty of Rs. 25 per quintal. Charan Singh also stressed in this note the need to tackle corruption and inefficiency of the Food and Civil Supplies Department '... which brings us more bad name than even actual shortage of foodgrains.'<sup>121</sup> However, as already mentioned in this chapter, when Sucheta Kripalani wrote to the prime minister Shastri in August 1964, she mentioned Charan Singh's opposition to the anti-hoarding measure taken by the state government because this measure was aimed at targeting large cultivators too, apart from the traders.

Charan Singh was also critical of the zonal system of food procurement to deal with the problem of food scarcity. In a note written in mid 1960s<sup>122</sup>, he argued that the zonal system created disincentives for the producers, increased the prices for the consumers and offered untold profits to traders and agents. Rather unusual for him given his antipathy to anything socialist or communist, he held the zonal system to be militating 'against the ideals of a socialist state.'<sup>123</sup> He concluded that 'the zonal system, therefore, has to go. Those who are opposed to it, are not necessarily advocates of the profiteers.'<sup>124</sup> The one solution to the problem of food shortage that he found good was the imposition of procurement levy, but not monopoly procurement (state trading) by the state. Moreover, if the state trading was intended

<sup>120</sup> 'A Note on the Food Situation', in CS Papers, 1<sup>st</sup> Installment, Subject File no 45 titled '1959-73: Papers/press clippings relating to food situation in the country, wholesale state trading in foodgrains and strong opposition to it by Charan Singh – related correspondence with Sucheta Kripalani, D. P. Dhar, etc', NMML.

<sup>121</sup> *Ibid.*

<sup>122</sup> A note titled 'The malaise from which our agriculture suffers', undated, written sometime during 1964-66, in CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File no 423 titled '1964-66: Speeches/news items/articles/press clippings etc regarding food and agriculture', NMML.

<sup>123</sup> *Ibid.*

<sup>124</sup> *Ibid.*

to be a permanent measure, then the logic of the situation would lead to the organization of peasantry on collective farms which was an anathema to Charan Singh. He reiterated his suggestion that if we impose a levy on foodgrains produce of farmers owning more than 12.5 acres, then it would yield enough to feed the towns. However, the levy would be imposed only on a part of the surplus produced by these farmers, the latter being free to sell the rest of their surplus in the market.

Around this time, that is in mid-1960s, Charan Singh was not alone in his demand for the abolition of the zonal system. The Panel of Economists, headed by M. L. Dantwala, suggested the abolition of single-state food zones because their disadvantages were far outweighing the advantages.<sup>125</sup> In its place, the panel suggested that the government should impose a compulsory levy on all except small farmers and that the rice mills should be asked to work for the Food Corporation of India. The panel also argued for the entry of the Food Corporation into open market where it was to operate in competition with private trade. There were other economists like C. H. Hanumantha Rao who also spoke for the abolition of the single state food zones.

Along with the restoration of free trade in the movement of food grains between different States, intensive efforts should be made for building up stocks with the Central Government. This may be done in competition with the traders, if possible, or by cordoning off the most promising surplus districts, if necessary.<sup>126</sup>

At this time in mid-1960s, states like Uttar Pradesh, Bihar and Gujarat were arguing for larger food zones or even a single food zone. The food minister from Uttar Pradesh, for instance, demanded a single food zone in April, 1967.<sup>127</sup> However, the conference of Chief Ministers meeting in September 1967 decided to retain the zonal system.<sup>128</sup> The states asserted their rights to continue as before on the question of methods of procurement and prices.

<sup>125</sup> 'Abolition of Single-State Food Zones Advantageous: View of Economists' Panel', *Times of India*, 15 February 1966.

<sup>126</sup> 'The Zonal System: Increasing Disparities', *Times of India*, 18 February 1966, p. 8. This piece was written by C. H. Hanumantha Rao.

<sup>127</sup> 'UP Minister Seeks Single Food Zone for Country', *Times of India*, 26 April 1967, p. 5.

<sup>128</sup> 'Food Zones in States to Stay', *Times of India*, 27 September 1967, p. 1.

Charan Singh asked for the abolition of food zones in the Indore session of 1967 in which BKD was founded.<sup>129</sup> In 1970s he again reiterated his opposition to the creation of food zones. He agreed with the Minister of Agriculture in the Janata Government: 'That the whole country be treated as one food zone, or in other words, there should be no restriction on free movement of foodgrain from one part of the country to another.'<sup>130</sup>

In March 1967, the Congress government in UP declared that a levy would be imposed on the large grain producers. But this Congress government soon fell and when Charan Singh became chief minister in April, he imposed, under the pressure of the central government, a levy on large producers owning more than 8 acres of land. However, exemptions of various kinds were provided and the government paid a procurement price for the grains which was high. In fact, as one scholar argues, 'for many peasants, with a modest surplus to sell, the government purchasing centres provided far better terms of sale than those normally offered by traders in the foodgrains market.'<sup>131</sup>

In its resolution issued on January 20, 1973, the BKD reiterated its opposition to state trading in foodgrains. It said:

The best way out of the situation is to fix a levy on comparatively substantial farmers at remunerative prices and to make the foodgrains thus procured, available only to the comparatively weaker and more needy sections of the people. At the same time govt. should make arrangements simultaneously to provide articles of necessity at control rates to those farmers on whom levy is imposed.<sup>132</sup>

In early February 1973, the UP government, under pressure from the central government took over the role of the sole wholesale trader in foodgrains in the state and issued an order banning the sale of foodgrains by farmers to anyone except the Government. Reacting to UP government's order banning sale of foodgrains by farmers to anybody other than government, Charan Singh said on February 8, 1973 that it will create difficulties for both the government and the people.

<sup>129</sup> Lewis P. Fickett, Jr, 'The Politics of Regionalism in India', *Pacific Affairs*, Vol. 44:2, 1971, p. 202.

<sup>130</sup> Singh, *India's Economic Policy: The Gandhian Blueprint*, Vikas Publishing, New Delhi, 1978, p. 36.

<sup>131</sup> Byres, 'Charan Singh', p. 161.

<sup>132</sup> In CS Papers, 1<sup>st</sup> Installment, Subject File no 45, NMML.

In his assembly speech in march 1973, Charan Singh held the state trading of the kind undertaken by the UP government and as promoted by the centre to be not just financially and administratively impractical, but also historically paving the way for the collectivisation of the farms. To deal with the problem of scarcity of foodgrains he reiterated his own earlier suggestion of acquiring only a part of the surplus produce of the substantial farmers at a remunerative price and distributing them to the needy.

Charan Singh and his Bharatiya Kisan Dal(BKD) stoutly opposed the plan for state takeover of wholesale trade in foodgrains beginning with wheat in 1973. The BKD passed a resolution, in its Allahabad meeting on May 5, 1973, against state trading terming it impracticable due to logistical difficulties.

This Pradeshik Sammelan of BKD is strongly opposed to whole-sale State trading in foodgrains. It is an unfortunate step which will create, and has already created, difficulties both for the Government and the people. Financially and administratively, it is an impracticable proposition. The Government has no expertise and no suitable machinery for such a complicated, specialised and far-flung commercial operation. It will not be able to secure the necessary storage accommodation and the cost of bureaucracy and transport etc. will be prohibitive.<sup>133</sup>

Further, declaring state trading against the interests of every section of society, the party stated that it will increase, rather than eliminate, the problem of hoarding and profiteering.

Nor will it prove beneficial to any class of our people, the peasants, the traders or the consumers. There being no rival purchaser in the market, the Government will be tempted to take away foodgrains from peasants on unremunerative prices; millions of traders will be rendered unemployed; and because of wastage, corruption and high over-head costs, consumers will have to pay higher price than today. The evils of hoarding and profiteering which the scheme is meant to eradicate, will multiply a hundred-fold. Thus, the worst sufferers would be the poor people themselves whose interest should be uppermost in the mind of the Government.<sup>134</sup>

<sup>133</sup> BKD Pradeshik Sammelan in Allahabad in 1973, in CS Papers, 1<sup>st</sup> Installment , Subject File no 53 (f) titled '1973: Presidential address delivered by Charan Singh at the B.K.D.'s Pradeshik Sammelan held in Allahabad on 5 May, 1973 and notes on B.K.D.'s stand on various issues', NMML.

<sup>134</sup> *Ibid.*

Rather than undertaking state trading to deal with price rise and food shortage, the BKD suggested a levy on the part of the surplus produced by bigger farmers.

The best way out of the situation was to ask the farmers holding, say, more than 3 hectares of land, to surrender part of their surplus to the State. The foodgrains thus secured could be distributed amongst the weaker sections of the people, leaving others to be supplied by the trade out of the balance of the surplus left with the farmers. This is exactly what the SVD Government in U.P. had done in 1967, which served the purpose eminently well. The then Food Minister of the Union, Shri Jagjiwan Ram, had applauded the scheme although Congressmen in the State inspired by political considerations, stoutly opposed it.<sup>135</sup>

The BKD resolution also expressed fear that the government would extend the state trading to other goods and that too in perpetuity.

... the present Government...intends to take over not only the trade in foodgrains but also other articles of basic consumption as has often been proclaimed by it, and not for the period of scarcity only, but for ever. Now, this amounted to paving the way for a totalitarian economy which BKD will resist and oppose to the last.”<sup>136</sup>

In his presidential speech before the BKD meeting on May 5, 1973, Charan Singh referred to the foreign inspiration behind the idea of state trading in foodgrains and sought to link it to cooperative farming.

That Pt. Jawahar Lal Nehru had borrowed the idea [of state trading] from the USSR, will be clear from the fact that while recommending the above Congress resolution to the acceptance of the Lok Sabha on March 28, 1959, he declared: “Ceilings, cooperatives and State trading are parts of the same picture.”... It seems, however, the present Prime Minister [Indira Gandhi] is not daunted by any such scruples or difficulties. She has reverted to the schemes of cooperative farming and State trading which Congress Government could not execute during a long period of 13 years...<sup>137</sup>

The BKD resolution also referred to the link between state trading and the cooperative farming.

Historically, it may lead to collectivisation of farming. This is exactly what the Russian Communist Party had done in the late twenties. When the

<sup>135</sup> *Ibid*

<sup>136</sup> *Ibid.*

<sup>137</sup> *Ibid.*



farmers refused to surrender their produce at low prices, their farms were confiscated(sic). Slowly and slowly our government also is centralising all economic activities into its own hands, which is a sure sign of communism.<sup>138</sup>

In a letter to D. P. Dhar, central minister of planning, Charan Singh sought to respond to the former's questions to the opposition parties. Charan Singh conceded the need for a public distribution system but asserted that 'it should not, and possibly cannot, cover the entire population except the scarcity-hit areas or economically backward sections of our people, both in the urban and rural areas.'<sup>139</sup> In order to provide supplies for this distribution system, the government should impose a levy on a part of the estimated surplus of the comparatively big farmers. The balance of the surplus of the big farmers and entire produce of the small land-holders, who were to be exempted from such a levy, was left to be handled by the market. Apart from the surplus acquired from the big farmers, the public distribution system could also be supplied with imported foodgrains if needed. Charan Singh also favoured a high acquisition price per quintal to the farmers on whom levy was to be imposed. '...Unlike high wages paid to government employees and industrial workers, which are almost all spent upon consumption, large part of the income of a farmer left after meeting his bare needs, is invested in increasing the production of his farm.'<sup>140</sup>

Thus, Charan Singh stoutly opposed any proposal for state trading in foodgrains. Instead, he argued for the procurement of foodgrains through the imposition of a levy on the big farmers. However, he asked for the payment of good prices to the farmers when their foodgrains were being acquired through the imposition of a levy.

### **Price Support to Agriculture**

The question of price support to agriculture first arose in the wake of bumper crops of 1952-53 and 1953-54 when foodgrains production rose by a third within a space of two years leading to steep fall in the prices of foodgrains. A 'Note on Price Stabilisation' prepared by Ministry of Food and Agriculture in 1954 argued for achieving agricultural price stabilisation by fixing minimum and maximum prices.<sup>141</sup>

<sup>138</sup> *Ibid.*

<sup>139</sup> Charan Singh's letter to D. P. Dhar, dated 31 July, 1973, in CS Papers, 1<sup>st</sup> Installment, Subject File no 45, NMML.

<sup>140</sup> *Ibid.*

<sup>141</sup> 'Note on Price Stabilisation', prepared by the Ministry of Food and Agriculture, undated but judging

It supported the Krishnamachari Committee's recommendation that minimum and maximum prices should be fixed on the basis of 'fair' or 'parity' prices, the latter covering the cost of production and giving to the producer 'an income sufficient to maintain himself and his family at a standard of life equivalent to that enjoyed by the other comparable classes of the population.'<sup>142</sup> The government was advised to maintain a buffer stock in respect of 7 commodities, four of them foodgrains (rice, wheat, jowar, and bajra) and three cash crops (cotton, jute and groundnuts). It further suggested that 'the Government should make reasonable profits – without of course indulging in any profiteering – when prices are rising so as to build up funds for compensating future losses.'<sup>143</sup>

However, this recommendation about stabilisation of agricultural prices was not accepted. The planners often approached the question of price stability from the developmental point of view. Thus when a fall in foodgrains prices took place, as in the case of steep price fall in foodgrains in 1954 after two bumper crops which increased total foodgrains by one-third within a space of 2 years, they emphasised increase in developmental expenditure to stop a further fall rather than providing price support to agriculture. Nehru told the Chief Ministers in July 1954 that:

'There is not likely to be any greater fall and agriculturists will gain by increased production and an increased demand for their produce ... But such price support policies are difficult and burdensome in any country, much more so in an agricultural country like India. The obvious course appears to be to increase developmental expenditure greatly when prices fall.'<sup>144</sup>

As already mentioned in this chapter, the Planning Commission had proposed in the beginning of the fourth Plan, in April 1956, that foodgrains prices during the Second Plan should be kept to the level prevailing in 1955; however, an increase of 50 per cent in this price level had been accepted later. The question of price support was again being considered in 1957. The NDC had expressed itself in favour of price support policy. However, the Cabinet just decided that the 'prices shall not be allowed

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by some references, it is most certainly from 1954. In A. P. Jain Papers, Subject File no 8, NMML.

<sup>142</sup> *Ibid.*

<sup>143</sup> *Ibid.*

<sup>144</sup> Nehru's letter to the Chief Ministers, dated 16 July 1954, in C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 23, NMML.

to go below economic levels.<sup>145</sup> A. P. Jain wrote to Nehru saying that the government's decision on price support was not bold enough. He also expressed himself in favour of remunerative prices. 'Personally, I think that a categorical assurance of price support at a level which provides incentive to the farmer would go a long way in stepping up agricultural production.'<sup>146</sup>

Charan Singh, on his part, was not in favour of providing price support to agricultural produce. Writing in his 1964 book, which was basically a reproduction of his 1959 *Joint Farming X-Rayed*, he said that 'any policy of agricultural price support, except for limited periods and selected products, is unworkable in India.'<sup>147</sup> It could work only in developed western countries where farming community was small compared to the general community. In India where farming community was 70 per cent of the population, agricultural price support would be funded from the pockets of the farmer himself. He suggested at this time that the solution to low agricultural prices would be agricultural workers shifting to the non-agricultural occupations as had happened in the developed countries. He, however, conceded that this may not exactly happen due to 'low mobility of labour and capital employed in agriculture' and 'the economy may find some sort of an equilibrium at a low level of productivity.'<sup>148</sup>

In a note from mid-1960s, Charan Singh again criticised the fixation of incentive prices for agriculture:

Those who advocate fixation of incentive prices to agriculturists, will ultimately be found to be no friends of theirs or even of the country as a whole. If India has to progress economically, the number of agriculturists has to be reduced which will not be the case if they continue to get good prices while remaining on land.<sup>149</sup>

Further, given the small percentage of non-agriculturists in India, they could not be made to subsidize the vast mass of peasantry and agricultural labour. Subsidizing agriculture might be possible in developed countries where agriculture was such a small sector of the economy, but not in India. In this note he emphasised the need to

<sup>145</sup> A. P. Jain's letter, dated 25 November, 1957, to Nehru, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>146</sup> *Ibid.*

<sup>147</sup> Singh, *India's Poverty*, p. 447.

<sup>148</sup> *Ibid.*, p. 449.

<sup>149</sup> 'The malaise from which our agriculture suffers', a note, undated, written sometime during 1964-66, in CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File No 423 titled '1964-66: Speeches/news items/articles/press clippings etc regarding food and agriculture, NMML.

provide *reasonable prices* to the farmers, but this could be best achieved by the marketing cooperatives. (italics mine)

In his 1978 work, Charan Singh continued his criticism of the demand for price support. At this time, he was in the Janata Government at the centre. He reiterated his earlier argument that any effective policy in this regard is unworkable in India, and maintained that price support could be considered for limited periods or for selected crops, mainly commercial crops such as jute, cotton, groundnut, and sugarcane.<sup>150</sup> He also reiterated his earlier that in general fixation of minimum agricultural prices was neither financially and administratively feasible nor desirable and it may well 'hamper growth of the non-agricultural sector that the country so urgently needs.'<sup>151</sup>

Charan Singh wrote an extended critiques of the government's food policy in his 1981 book *Economic Nightmare of India: Its Cause and Cure*. There are two remarkable change in this book from Charan Singh's earlier stand on the pricing of agricultural produce and foodgrains. First of all, there is a greater stress on the inter-sectoral dimension of pricing of foodgrains. He endorses Michael Lipton's argument that price twists cut the income of farmers and farm workers by 15 to 20 per cent in poor countries like India. Such alleged price manipulation now came to be seen, by Charan Singh, as being an integral part of the adverse terms of trade for agriculture. Second, he had earlier recommended the shift of agricultural labourers to non-agricultural employments as the only effective solution to the problem of the putative low agricultural prices. But now, he paid greater attention to the role of government in what he considered to be low, unremunerative prices for agriculture, and insisted on the payment of remunerative, incentive prices in order to increase the production of foodgrains and other agricultural produces.

It had been suggested that high prices of foodgrains tended to redistribute income from the poor, whether in rural or urban areas to the capitalist farmers and rich peasants. For instance V.K.R.V. Rao pointed that "a great majority of rural population is not benefited by a rise in foodgrain prices while a substantial portion of the rural population is actually adversely affected by such a rise."<sup>152</sup> However, Charan Singh sought to paint a different picture. He contended that high prices of

<sup>150</sup> Singh, *India's Economic Policy*, p. 37.

<sup>151</sup> *Ibid.*, p. 39.

<sup>152</sup> Rao as quoted in Singh, *Economic Nightmare of India*, p. 186.

foodgrains were beneficial for the entire rural sector as well as for those urban migrants from rural areas and that high prices was also beneficial for the country as a whole in the sense that it induced the peasants to make greater investment in land and thereby led to greater total output of foodgrains.

He quoted Michael Lipton to support his own point that the interest of the entire rural sector was against cheap food.

There is a 'deep' reason why an issue such as the price of food polarises city and country into opposing classes, each fairly homogeneous. The reason is that within each rural community (though hardly one is nowadays completely closed) extra income generated tends to circulate. The big farmer, when he gets a good price for his output, can buy a new seed drill from the village carpenter—who goes more often to the barber and the laundryman, and who places more orders with the village tailor and blacksmith. When food becomes cheap, this sort of circulation of income is transferred from the village to the city, because it is in the city that the urban worker will spend most of the money he need no longer use to buy food.<sup>153</sup>

Further, he said that peasants alone are asked to make sacrifice 'in a cause which is national in character viz., supply of cheap food to poorer sections of our people. It is the entire people, that is, the budget of the Union Government which should provide the subsidies that were involved in low prices.'<sup>154</sup> And just as the government offers various kinds of support to those who earn foreign exchange in the non-agriculture sector, the same way peasants who are 'the greatest savers of foreign exchange' should be provided subsidies rather than being penalized through low prices. Moreover, he contended that the public distribution system serves not just the poor people; in fact, a great deal of foodgrains from such distribution system is availed of by those who can afford to pay market prices. In this way, peasants have to make sacrifices for those who are richer than them.

Taking further his comparison of the economic strength of the peasants and urban dwellers, Charan Singh asserted that the urban dwellers are taxed only when their annual income exceeds Rs. 12,000. And peasants will need at least 10 hectares of land to earn Rs. 12,000 but peasants who possess just 2 hectares of land are made to pay a

<sup>153</sup> Singh, *Economic Nightmare of India*, p. 187.

<sup>154</sup> *Ibid.*, p. 193.

tax through a levy on their foodgrains, a levy which benefits those earning Rs. 12,000 a year. Moreover, peasants have to pay land revenue even if they possess just half a hectare of land.

Further, the greater total output requires a greater capacity on the part of peasants to invest in land and this capacity to invest is determined by the relative prices between farm and non-farm products.

His [the peasant's] purchasing power is determined as much by his productive capacity as by the relationship that exists at a particular time between farm and not-farm (sic) prices. Money pumped into the rural sector for its development will not be of much avail if, at the same time, a larger amount is pumped out through price manipulation—as has happened in our country all along.<sup>155</sup>

Quoting Michael Lipton, he suggested that fertilizer prices in India were among the highest in the world. Quoting the average yield of rice on National Demonstration plots in India, he suggested that Indian farmers could produce as much rice per acre as in Japan if only they could get political support to agriculture. He also made a comparison of the price of a power tiller in India and Japan and concluded that it was far costlier in India. In fact, he considered the low procurement prices for foodgrains as being 'one of the factors responsible for the failure of the 'green revolution' since 1971-72.'<sup>156</sup> While the government, according to him, had successfully checked the rise in procurement prices for foodgrains such as rice and wheat, the prices of agricultural inputs had risen very fast, making the terms of trade so adverse for agriculture.

But it was not just the increasing prices of agricultural inputs alone which were turning the terms of trade against agriculture. Even rurally marketed manufactures like salt, soap, match-box were more costly in villages than in towns due to the local monopoly of the village merchant. Arguing that farmers were the most exploited community in India and that price mechanism had been used to fleece rural producers and to protect urban consumers, Charan Singh reached this explosive conclusion: 'the

<sup>155</sup> *Ibid.*, p. 194.

<sup>156</sup> *Ibid.*, p. 196.

attitude of the Government of India would seem to require a response on the part of farmers, bordering almost on insurgency.<sup>157</sup>

He also criticised the view that paying higher prices to the farmers for their agricultural produce would stoke inflation. It was this view about inflation that had resulted in 'a war on agricultural prices.'<sup>158</sup> For him, it was the rise in general prices, caused by excessive money supply associated with deficit financing, itself a result of "forced" industrialization, that led to the rise in agricultural prices including those of foodgrains. As he put it: 'unable to meet expenditure by raising the necessary amount of taxes, the Government has been resorting to printing of money under the euphemism of deficit financing year after year. And when the Government spends more than it gets, there is inflation.'<sup>159</sup>

He also suggested that high prices for agricultural produce will ultimately reduce inflation. This will happen because a substantial part of a farmer's income is invested in agricultural production and increased investment will lead to increased production, thus ultimately bringing down the prices. Further, larger income available with the farmer will fuel demand for non-agricultural goods and services, leading to the growth of non-agricultural sector in the economy, which in turn will facilitate a higher standard of living for the people.

As he did earlier, in this 1981 book too, Charan Singh tried to locate the origins of inflation in the non-agricultural sector. He stated that the government does not think about the problem of inflation when it gives dearness allowance to its employees or when the wages of industrial workers are increased, the latter leading to the increase in prices of industrial products thereby enhancing the price paid by agricultural sector for buying industrial products. He was critical of paying bonus or dearness allowance to those working in public sector undertakings because wages paid to them were regarded as being fixed at 'unconscionably high rates'.

He held the industrial labour and trade unions to be responsible for a high cost economy. He argued that because of the trade unions and frequent strikes productivity increases in industry resulted in higher wages for workers or higher profits for

<sup>157</sup> *Ibid.*, p. 199.

<sup>158</sup> *Ibid.*, p. 199.

<sup>159</sup> *Ibid.*, p. 200.

employers. The benefits of productivity increases were never allowed to be passed on to the consumers. As he wrote in 1970: 'And in an overwhelming number of cases, employers have been able to pass the higher costs along in the form of higher prices. Thus, by definition, nearly all successful strikes, particularly, by large unions are inflationary in effect.'<sup>160</sup> He saw the increase in industrial wages as impeding industrialization in India.

The wages and emoluments of those who produce the industrial goods, are becoming higher and higher than the incomes of those eighty per cent of our people who live in the villages and constitute the largest market for these goods. The result? Prices rise beyond the means of the consumers, exports decline, stocks accumulate in the godown of factories, industrialization is retarded and unemployment mounts.<sup>161</sup>

He reached the conclusion that: 'It is the labour laws and the trade unions which, in effect, dictate what kind of industrial economy we will have, that is, what its structure will be whereas it should have been the other way about.'<sup>162</sup>

Moreover, while the increase in agricultural prices invariably leads to an increase in non-agricultural price, the decrease in the former does not lead to a decrease in the prices of non-agricultural goods and services bought by agriculture. He also alluded to the specific nature of agriculture to justify high prices for agricultural products. Agriculture, being a biological process as different from industrial production which was a mechanical process, was subject to so many problems of weather, flood, insects, plant disease etc which did not afflict manufacturing. Furthermore, agriculture had a lower mobility of labour and capital making it more difficult for agriculture to reduce costs or change its products etc.

Charan Singh dealt with the question of why the small peasants are not surplus producers. The reason was not the lack of adequate investible resources with the small peasant but rather the prevalence of cheap food prices. According to him, a small peasant can produce, with double cropping, enough food for his family of six on just half an acre of land, if only the peasant could apply all needed inputs and new techniques. But since the small peasant does not get remunerative prices for his

<sup>160</sup> His note titled 'Our Labour Policy', from 1970, CS Papers, 2<sup>nd</sup> Installment, Subject File no 82b, titled '1970: Article on Our Labour Policy and Extracts for the Indian Labour Conference', NMML.

<sup>161</sup> *Ibid.*

<sup>162</sup> *Ibid.*



produce, he cannot save enough out of his income to buy necessary inputs. As he states 'even a small farmer would become a surplus producer if he is enabled to save and invest in land.'<sup>163</sup> Thus he considered the remunerative prices as a prerequisite for enhancing investment in and productivity of small holdings.

Moreover, the existence of around 631,000 large farms of more than 20 hectares (comprising 13.3 percent of the total holdings area in 1970), which he called capitalist farms, cannot become an excuse for denying high prices to the small farmers. He asserted that by guaranteeing a 'reasonable' minimum price to the peasant, the state will help him more than through other kinds of support.

In case of under-production in agriculture, the peasant does not need any price support because price will rise anyway due to supply being less than demand. In fact in such a situation, 'Government will have to ensure that vulnerable sections of the society are enabled to get food at reasonable rates (consistent with maintenance of farmers' incentive to raise more food).'<sup>164</sup> It is only in the condition of agricultural over-production that peasants need price support for their produce.

He held the import of PL-480 concessional food and the alleged fixing of procurement prices below the market level to be hurtful to India's agricultural growth. The United States' food aid to India made the government complacent and prevented it from enhancing public investment in agriculture to increase food production. Noting that the government launched green revolution only after the US threatened to cut off cheap food supply, Charan Singh tried to prove how the import of cheap US wheat led to fluctuations in the area sown under wheat. 'Like farmers everywhere else, Indian farmers have demonstrated their sensitivity to prices and profits by increasing wheat acreage when they considered the price of wheat to be good enough, and by reducing the acreage when they considered the price to be too low.'<sup>165</sup>

Just one year after the signing of PL-480 agreement with the US, there was a decline of 18 lakh hectares of land under wheat and with the prospects of end of import of cheap US wheat, there was an increase of 22 lakh hectares of land under wheat. In the same way, with state trading in wheat in 1972-73, the area under wheat declined by

<sup>163</sup> Charan Singh, *Economic Nightmare of India*, p. 188.

<sup>164</sup> *Ibid.*, p. 189.

<sup>165</sup> *Ibid.*, p. 190.

8.8 lakh hectares of land by the next year. Even though state trading was lifted in 1974, the decline in area continued, though at a reduced level, due to comparatively low price for wheat.

Charan Singh suggested that had the import of the cheap US food been open to private trade, then the adverse effects of price downfall of wheat in terms of its domestic production would not have occurred. The government 'failed to realise that, next to technological innovation, preservation of the farmers' incentive was the most decisive pre-condition for increasing agricultural production.'<sup>166</sup> He also criticised the formula used by the Agricultural Prices Commission to determine prices for agricultural produce. Apart from cost plus profit formula, the commission should also take into account relative prices and profit. Because, 'if the cost plus formula should yield less profit in wheat than in other crops, then, like other prudent businessmen, the farmers would divert, as they are entitled to divert, the existing acreage under wheat to that under other crops.'<sup>167</sup>

He made a fervent plea in favour of determining the procurement prices on the basis of 'the principle of parity between agricultural and non-agricultural prices.'<sup>168</sup> He underscored the urban-biased' nature of the food policy by arguing that the main purpose of maintaining the cheap price of foodgrains was not to provide cheap food for all the poor but mainly the urban consumers. 'Though the number of poor families in villages far exceeds the total number of urban families, not even 30 per cent of the subsidised foods ever reach villages.'<sup>169</sup>

He argued that provision of cheap food and production of more food are different problems. The provision of cheap food is a social problem which requires the state to provide cheap food to the poor in the period of scarcity whereas the production of more food is an agricultural problem which requires the state to provide incentives to the farmers in the form of high prices so that they invest more in land enabling greater production. 'Ultimately, the farmer's interest coincides with that of the poor also.'<sup>170</sup> If

<sup>166</sup> *Ibid.*, p. 192.

<sup>167</sup> *Ibid.*, p. 193.

<sup>168</sup> *Ibid.*, p. 201.

<sup>169</sup> *Ibid.*, p. 206.

<sup>170</sup> One scholar whose views on foodgrains trade as well as small farms would have pleased Charan Singh was Willard Cochrane from the United States whose *Food and Agricultural Policy for India* has been described as 'a fine example of liberal thinking as applied to food policy'. In Richard A. Levins, *Willard Cochrane and the American Family Farm*, Lincoln: University of Nebraska, 2000, p. 71. He

this incentive to produce more is maintained and encouraged, it will, at the other end, mean cheap food for the people as a whole—if not today, then tomorrow.<sup>171</sup>

### **Resource Mobilization through the Use of Idle Rural Labour**

The planners put considerable stress on the mobilization of idle rural labour to achieve increase in agricultural production. This stress came from the scarcity of capital resources, and also the realisation that there was scope for increase in agricultural production through the propagation of better methods of cultivation and through more intensive application of labour resources. Many contemporary observers of Indian planning and development suggested the utility of employing rural idle manpower. Partly perhaps because of an excessively “savings-centred approach to the problems of development finance, Indian authorities have been disappointingly timid thus far in their schemes for employing the idle manpower not claimed by the economy's primary expansion strategy.<sup>172</sup>

The importance of labour mobilisation was recognised by the planners. The Deputy Chairman of the Planning Commission wrote in 1954 that

We hear of big construction works completed in China in a remarkably short time on the basis of large scale mobilisation of labour. Putting in more work in this way is another way of saving. The vast unutilised energy in the country will have to be harnessed for constructive works of all kinds.... The more this is done, the less is the need to depress current living standards in order to find resources for development.<sup>173</sup>

The Deputy Chairman of the Planning Commission V. T. Krishnamachari suggested in April 1956 that at the existing level of Second Plan allocations to agriculture, community development, extension services and irrigation, 40 per cent, rather than the earlier target of 15 per cent, increase in the production of foodgrains can be achieved over the course of five years. A.P. Jain, the Union Minister for Food and

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worked as a consultant for Ford Foundation and visited India each year between 1966 and 1970. He supported the idea of government maintaining huge stocks of foodgrains to stabilise food prices but also recognised that this maintenance of stocks 'would lose money more often than they made money'. *Ibid.*, p. 70. He favoured subsidising the food consumption of the poor. At the same time he also supported private trade in foodgrains and 'recommended competition, from both private companies and farm cooperatives, as the best way to police the private trade....'. *Ibid.* p. 70.

<sup>171</sup> Singh, *Economic Nightmare of India*, p. 205.

<sup>172</sup> John P. Lewis, *Quiet Crisis in India: Economic Development and American Policy*, Bombay: Asia Publishing House, 1962, pp. 68-69.

<sup>173</sup> V. T. Krishnamachari, *Planning in India*, Calcutta: Orient Longmans, 1961, p. 125. The Deputy Chairman of the Planning Commission had written this originally in AICC Economic Review in 1954.

Agriculture at the time, however, did not fully agree to it and believed that it was the main cause of difficulties on the food front in the Second Plan. In fact, he wrote that: 'The Planning Commission, however, suffers from an excessive urban bias and no one can be too sure about the fate of agriculture in the third plan.'<sup>174</sup> Jain believed that it was not possible to enhance the target for increase in total foodgrains production during the Second Plan from 15 per cent to 40 per cent without any additional capital outlays.

Later, Jain attributed the failure to make more intensive use of human labour in agriculture to the fact that India was a democracy.

'One thing that impressed me in Chinese agriculture was the intensive use of human labour. We had tried it out. My predecessor K. M. Munshi's experiment of raising a land army had failed. What you can do in a totalitarian regime is not always possible in a democracy.'<sup>175</sup>

Nehru wrote to A. P. Jain about the U.S. agricultural expert Ensminger's [whom Nehru met] espousal of a policy of price support and that the farmers would hesitate in investing in farming due to price fluctuations in the absence of price support. But more importantly for Nehru, Ensminger supported an organisational approach to increasing agricultural production. Nehru wrote: 'In effect, he thought that the problem of agriculture in India was primarily a problem of administration and organization. Of course other factors came in, like money. But looked at in proper perspective, the problem was one of administration.'<sup>176</sup>

Both the Planning Commission and various Congress bodies continued to talk about the need for mobilizing rural idle labour in the coming years. The Planning Sub-Committee of the Congress said, in its report submitted in 1959, that the focus till then was on the use of 'financial techniques' to extract the surpluses which existed in the economy and the question of creating surpluses 'through effective utilisation of our manpower and non-monetary resources' had been ignored. It recommended:

What is needed is a combination of financial techniques and effective organisation of physical resources. It will be the role of organisation not

<sup>174</sup> The Food Problem: II – Dangers of State Trading, *Times of India*, Delhi, November 4, 1959. In A. P. Jain Papers, Speeches/writings by him, Serial no 1, NMML.

<sup>175</sup> Oral History Transcript, Accession no 291, Ajit Prasad Jain, p. 124, NMML.

<sup>176</sup> Nehru writing approvingly about Dr Ensminger to A. P. Jain in a letter dated 25 November 1957, in A. P. Jain Papers, Subject File no 6, NMML.

only to arrange for the people to work and to produce resources, but also to mobilise the surpluses and utilise them for further development.<sup>177</sup>

Noting that India did not have much resources available for industrialisation and could not rely excessively on deficit financing either, the Planning Sub-Committee argued for an organisational approach for creating and mobilising resources so that agricultural production could be raised with the help of idle manpower in villages and even without much capital investment. It opined:

In agriculture, the role of organisation is not less significant than that of investment, so that within a wide margin the development of agriculture can be given a very high priority without significantly affecting the programmes for the development of basic industries. Nevertheless, it is important to draw the line with care and to assure resources for the development of agriculture on a sufficient and even on a generous scale.<sup>178</sup>

While the question of idle rural manpower occupied the mind of planners especially during the Second Plan, the former could never be mobilized to a significant extent. On his part, Charan Singh supported the role of enhanced financial allocations to agriculture in increasing production, but sometimes he argued along the following lines. Writing in 1962, Charan Singh said:

... it is not money allocations or expenditure alone that matter: perhaps, Zamindari Abolition which did not cost a pie to the State, Consolidation of Holdings operations which are almost self-financing, and reclamation of more than 30 lakh acres of land by private owners (whereas, by the way, it cost crores and crores of money to the State to reclaim only about 1.5 lakh acre) are equally responsible for maintaining the rural per capita incomes at the old levels in spite of the population increase. So, only if we will think in those directions, plans and schemes can be devised and policies formulated, which will not cost huge sums and yet lead to increased production.<sup>179</sup>

Further, Charan Singh supported the mobilization of idle and semi-idle labour in the rural areas for capital creation projects on a voluntary labour basis, if possible or on the basis of payment of nominal wages. He argued that alternatives to this were bad.

<sup>177</sup> Draft of the Report of the Planning Sub-Committee of the A. I. C.C. (appointed by the A. I. C. C. in its Hyderabad session on October 26, 1958, the Sub-Committee presented its report to the CWC in its August 1959 meeting), AICC Papers, 2<sup>nd</sup> installment, file no 3792, part 2, NMML.

<sup>178</sup> *Ibid.*

<sup>179</sup> Charan Singh in his letter to the Chief Minister, dated 5 August, 1962, in CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML.

'Either of the alternatives, viz., continued unemployment which the present situation means, or inflation which payment of full wages implies, will result in deferment of economic development and consequent prolongation of misery.'<sup>180</sup> However, he was not clear about the organisational basis of the mobilization of idle labour. He himself opposed the joint cooperative farms and did not expect service cooperatives to develop any time soon. These two organisational forms could have provided the basis for the mobilization of idle labour.

A. P. Jain suggested the improbability of the rural idle labour working on the payment of nominal wage. 'The unemployed in the countryside are not the idle rich, who do not want bread but have ample spare time. If you want them to work you will have to feed them and the money for the purpose must come from the Plan resources.'<sup>181</sup> Jain also ridiculed the *shramdan*. 'Sporadic efforts resulting from such movement as *shramdan* are mostly bogus.'<sup>182</sup> While Jain may not exactly be right, the question is what will motivate the rural idle labour to get mobilised on, for instance, the capital creation projects in rural areas. Frankel suggests that land reforms could be one factor providing such motivation. As Frankel puts it: 'Land reform was essential to large-scale mobilization of idle manpower in two ways : to supply the social incentives needed for motivating voluntary labour; and to pave the way for a more rational pattern of land utilization....'<sup>183</sup>

It seems to me that among these land reforms, cooperatives, especially joint farming cooperatives but also service ones, could have provided the way out by becoming the mechanism to mobilize rural labour. Moreover, family mode of labour use could be extended to joint farming cooperatives and thence to capital creation projects thus tapping the advantages of the peasant's use of labour.<sup>184</sup> In the absence of effective presence of the cooperatives on the ground, this task of mobilization of rural idle labour was to be performed by the panchayats, national extension service or community development programme but they proved a failure in this regard.

<sup>180</sup> Singh, *India's Poverty*, p. xi.

<sup>181</sup> 'Third Plan Resources: II – The Agricultural Sector, *Times of India*, 4 December, 1959, in A. P. Jain Papers, Speeches/writings by him, Serial No 1, NMML.

<sup>182</sup> *Ibid.*

<sup>183</sup> Frankel, *India's Political Economy*, p. 136.

<sup>184</sup> This theme of the extension of the family mode of labour use to the joint cooperative farming and thence to capital creation projects in rural areas, as suggested by Ashok Rudra and Amartya Sen, has been discussed in the chapter on joint cooperative farming.

## Conclusion

It had been suggested that the inflationary pressures in late 1950s arose from 'an attempted spurt in government expenditure generally and particularly in government investment'<sup>185</sup> and that the food sector was marked by an overall balance, marred only by temporary fluctuations in production. The government's failure in foodgrains procurement and in maintenance of a buffer stock, however, reinforced inflationary pressures arising from large investment programme. The early 1960s saw reduced inflationary pressure but from 1963-64 onwards there was another price spurt which stopped only in 1968-69. But prices rose sharply again in early 1970s. V. V. Bhatt argues that price rise between 1963-64 and 1967-68 was caused, among other things by the emergence of 'a long-run food imbalance which was only partly offset by large food imports'.<sup>186</sup> Prices, including food prices, stabilised from 1968-69 onwards (only to increase sharply again in early 1970s again) but 'at a reduced rate of investment and a high degree of underutilisation of productive capacity in the industrial sector'.<sup>187</sup> The idea of a basic food imbalance in the 1960s has been supported by Sukhamoy Chakravarty who says that 'a basic imbalance had arisen between the demand for food and the supply of food'<sup>188</sup>, a result of population growth and other factors.

Whatever the reason for sharp increases in foodgrains prices, be it temporary fluctuation in production or long term imbalance between demand and supply, it is clear that usually the increase in prices of foodgrains exceeded the extent of food shortages by large multiples. That the level of price rise was disproportionate to the extent of food shortages was recognised by Sucheta Kripalani:

We have known from recent experience that if there is a shortfall of say, 3 m. tons in production, the shrinkage in market arrivals becomes of the order of perhaps 7 to 9 million tons. The effect of a multiple of the shortage is felt by the people.<sup>189</sup>

<sup>185</sup> V. V. Bhatt, 'On Inflation and Its Control', in E. A. G. Robinson and M. Kidron, eds, *Economic Development in South Asia*, Macmillan, London, 1970, p. 360.

<sup>186</sup> *Ibid.*, p. 361.

<sup>187</sup> *Ibid.*, p. 361.

<sup>188</sup> Chakravarty, *Development Planning*, pp. 22-23.

<sup>189</sup> From an undated note that she prepared for a debate in Lok Sabha on the food question sometime in

The problem of rise in prices of foodgrains or food inflation assumed a serious proportion in mid-50s and also affected the cost structure of the Second Plan. The government resorted to statutory controls such as zonal restrictions and putting pressure on the traders and to curb the latter's speculative tendencies. In late 1950s, call for state trading in foodgrains grew louder and the Nagpur Resolution approved the principle of state trading in foodgrains. While the government's measures to deal with price rise between 1957-59 can be called partial state trading, the Nagpur Resolution envisaged a full throated state trading. However, full state trading was never introduced and whatever measures were taken by the government in the wake of the Nagpur Resolution were soon given up.

After A. P. Jain, the new agriculture minister at the centre S. K. Patil basically resorted to foodgrains imports from the United States in the form of PL 480 to build buffer stocks and deal with rise in prices of foodgrains. In Patil's tenure rise in foodgrains remained more or less under control. However the period from 1963-64 till 1967-68 saw the worst food inflation during this entire period. In mid 1960s, the focus of the government's measures to control price rise in foodgrains shifted from traders to cultivators. This was done because it was realised that traders used the godowns of the farmers to hide their stocks of foodgrains. This was seen in Uttar Pradesh in 1964 when then government aimed the anti-hoarding measure at not just traders but also cultivators.

While the price increase of foodgrains in the mid 1960s (1963-67) was the most serious one, after a brief lull, inflation made a comeback in early 1970s which ultimately led to the state takeover of wholesale trade in foodgrains. However, it proved to be a failure and was given up in 1974. In this context, the views of Asoka Mehta regarding the strategy to stabilise food prices appear relevant. He expressed these views after analysing the causes of the failure of the efforts to undertake state trading in wholesale trade of foodgrains namely wheat and rice in 1973-74.

Public purchasing agencies operating in regulated markets, as the Punjab experience shows, can play a valuable part. Bigger role will be played by co-operatives, banks etc. if they can provide the needed implements and inputs in time and in the quantity and quality needed – as also meet the varied credit needs of the farmer. With such ties of collaboration in

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1960, in Sucheta Kripalani Papers, File no 73, NMML.



production, the farmer will prefer public to private agencies to disposing off his marketable surplus. The State has to earn his co-operation by efficient service, not by extraneous arguments. Socialisation of trade in foodgrains needs a long haul – it means simultaneous restructuring of the entire rural economy. Takeover of foodgrains trade in conditions of scarcity and severe inflation is an open invitation to breakdown of food supplies, with all its tragic and menacing consequences.<sup>190</sup>

Asok Mehta gave the example of Punjab to argue that the states should focus on developing cooperative marketing. 'Between 1968-69 and 1971-72, in Punjab there was a striking progress in cooperative marketing of agricultural produce – from Rs. 76 crores to Rs. 240 crores. The pattern evolved in the Punjab deserves close attention from other States.'<sup>191</sup>

It was the failure on the cooperative front, especially in the sphere of credit and marketing cooperatives, as well as the lack of progress on the question of integrated credit, with the potential to link agricultural production to credit advance and marketing, which weakened the Indian state's ability to procure substantial marketable surplus of foodgrains at reasonable price. For his part, Charan Singh disapproved of the idea of integrated credit and showed little enthusiasm for credit and market cooperatives even while approving of such cooperatives when faced with the prospects of joint cooperative farming.

As for Charan Singh, he was dead against the idea of state trading. When faced with sharp rise in prices of foodgrains, he did commend levy but only at a modest level and that too while paying remunerative prices for the produce which has been taken as levy. The use of levy as a means of procuring foodgrains was supported by many others such as Asoka Mehta of the Congress (O) who also asked to be cautious while using this tool:

A soft option appears to be levy on producer. Modest levey (sic) can undoubtedly put some supplies in the hands of the Government. But if the levies are obtained at depressed prices the price of residuary grains will go

<sup>190</sup> Quoted from 'Current Food Situation', a paper written by Asoka Mehta, enclosed with a letter, dated 30 July, 1973, written by him to his fellow Congress (O) leaders. In J. B. Kripalani Papers, 3<sup>rd</sup> Installment, Subject File no 18, NMML.

<sup>191</sup> Asoka Mehta's note dated 17 August, 1973, in J. B. Kripalani Papers, 3<sup>rd</sup> Installment, Subject File no 18, 'July-August 1973: Congress Working Committee letters and notes', NMML. Asoka Mehta, the then President of the Congress (O), wrote this analytical note in August 1973 to assist the Congress (O) Party in preparing its reply in Parliament on the question of state trading in foodgrains and of the public distribution system.

up proportionately or even more. If the levy is substantial there will be two markets with widely different prices, and the system must break down.<sup>192</sup>

It is interesting to note here that Charan Singh initially supported anti-hoarding measure to deal with sharp rise in prices of foodgrains in Uttar Pradesh in 1964, but when the anti-hoarding measure aimed at covering large cultivators too apart from traders, he withheld his support to this move. In fact he refused to defend the government in the state legislature on the anti-hoarding ordinance even after being asked to do so by the chief minister Sucheta Kripalani.

As pointed out earlier in this chapter, he sought to locate the origins of inflation in the non-agricultural economy, especially in deficit financing and in the increase in industrial government wages and dearness allowances. Deficit financing was caused, in his view, by the forced nature of Indian industrialization which necessitated raising resources through this means. Further, trade unions and industrial wages acquired great explanatory power in his writings and he considered these to be responsible for price rise rather than price rise being the factor behind demand for increase in wages. He went so far as to claim that high industrial wages were retarding industrialization in India.

High prices for foodgrains was seen, in his view, as ultimately good for India in so far as it will spur investment by farmers in agricultural production. But he never appreciated the discrepancy between the extent of shortage of foodgrains and the magnitude of rise in prices of them, with price rise in foodgrains exceeding the extent of shortages by large multiples. The failure to maintain price stability of foodgrains, however, proved detrimental to the planned investment in general and industrial investment in particular. The government also failed to mobilize rural idle labour towards greater labour efforts in order to increase agricultural production without having to undertake much capital investment in agriculture. The existence of adverse terms of trade for industry during the period 1950-75 further weakened the efforts to achieve high industrial growth in India.

<sup>192</sup> 'Current Food Situation', a paper written by Asoka Mehta, enclosed with a letter, dated 30 July, 1973, written by him to his fellow Congress (O) leaders, J. B. Kripalani Papers, 3<sup>rd</sup> Installment, Subject File no 18, NMML.

### Chapter 3:

#### On Some Aspects of Capitalist Agrarian Transition in Uttar Pradesh

Paul R. Brass argues that Charan Singh was utterly opposed to capitalist farming. Now, if one goes through Charan Singh's written work and public pronouncements, he, indeed, appears to be so. As late as 1981 Charan Singh bemoaned the fact that 'capitalist farming which militates against national interest, continues to exist in the country.'<sup>1</sup> But Brass' understanding of the relationship between Charan Singh and capitalist farming suffers from a crucial methodological error: that is, Brass takes Charan Singh's writings and public pronouncements at their face value and does not delve deep into the complexities of the relationship between Charan Singh's ideology (neo-populism as political economists like Terence Byres and Tom Brass term it) and political action on the one hand and the eventual development of a 'capitalism from below' in north-western India on the other.<sup>2</sup>

Brass seems to be oblivious of the ways in which Charan Singh's measures might have helped rich peasants to first become proto-capitalists and then eventually to graduate to full-fledged capitalist farming. As Byres cogently puts it:

What Charan Singh would never admit was that the peasant proprietorship which he advocated so strongly, and the political action which he took so effectively, might clear the ground for the development of a 'capitalism from below': a capitalism from within the ranks of the peasantry. Yet that is precisely what the outcome has been in his native western Uttar Pradesh, as well as in the Punjab and in Haryana.<sup>3</sup>

Byres states that a "capitalism from below" in agrarian relations required a successful struggle against landlordism on the one hand and the "powerful emergence and consolidation of the rich peasantry and its ultimate transition to a class of capitalist farmers"<sup>4</sup> on the other. Charan Singh played a stellar part in both these matters. Therefore, Brass' stress on Charan Singh's stance against capitalism in agriculture is misplaced. Consider, for instance, Charan Singh's position on ceilings. Would it be

<sup>1</sup> Singh, *Economic Nightmare of India*, p. 188.

<sup>2</sup> For the concepts of "capitalism from below" and "capitalism from above", see Terence J Byres, 'The Agrarian Question, Forms of Capitalist Agrarian Transition and the State: An Essay with Reference to Asia', *Social Scientist*, 1986, November-December, Nos 162-63.

<sup>3</sup> Byres, 'Charan Singh', p. 176.

<sup>4</sup> *Ibid.*, p. 146.

possible for an “adult worker” with 27.5 acres or a family (of “2.5 men-equivalents”) with 60 acres to cultivate this land with only “minimal help of wage labour”?<sup>5</sup> I think that at least the upper stratum of rich peasantry could not do without a continuous reliance on wage labour, thus satisfying one basic criterion of capitalist farming.

Charan Singh's measures such as his consolidation of landholdings, his successful opposition to all attempts to tax richer sections of the peasantry, and his opposition to compulsory procurement of foodgrains etc enhanced the accumulation capacity of the rich peasantry, and along with greater government investment in agriculture that accompanied the Green Revolution in North-western parts of India encouraged the development of capitalism in agriculture in these parts.

This Chapter seeks to discuss both Charan Singh's views about the capitalist farming and his role in the development of capitalist agriculture in Uttar Pradesh. It begins with his role in the zamindari abolition and the results thereof for the emergence of a middle and rich peasantry with the potential for accumulation and for emergence as capitalist farmers. Then it undertakes a discussion of his role in realms of agricultural marketing and moneylending given that traders and moneylenders could and actually did inhibit the accumulating capacity of the peasantry including the middle and rich strata. The consequences of land consolidation programme for the emergence of capitalist farming will also be discussed.

Then I will deal with his conceptual understanding of the capitalist farming especially in relation with peasant or family farming. While a detailed discussion of the peasant farming will be undertaken in the next chapter, a critical comparative treatment will be accorded here to capitalist and family farming, as understood by Charan Singh. His understanding of the capitalist farming led him to an inadequate understanding of the nature of tenancy that existed informally despite its legal prohibition in Uttar Pradesh during 1950-75.

<sup>5</sup> I am not considering the land held by rich peasants as tenants. If their tenancies are included, the size of holdings cultivated by the upper reaches of the rich peasantry would further increase and would enhance the latter's need for wage labour.

The Zamindari Abolition and Land Reform (ZALR) Act, as enacted in 1950 and enforced in 1952 abolished all intermediaries between the state and the actual cultivators and provided, in its place, for three kinds of land tenures: bhumidhari, sirdari and asami land tenures. The erstwhile zamindars got bhumidhari rights in the land that they could show they used for personal cultivation. All eligible, especially occupancy, tenants were given sirdari rights upon the enactment of the ZALR Act. The sirdari rights meant that all eligible tenants were accorded 'a permanent and heritable interest in their holding but will not be allowed to use them for any purpose other than agriculture, horticulture or animal husbandry.'<sup>6</sup> Further sirdars could not sell or transfer their land. The bhumidhars enjoyed greater rights in their land and they could use or dispose their land for any purpose whatsoever. The category asami related to tenancy rights. While the ZALR Act prohibited tenancy in general, the latter was allowed where the landowner was in defence service, was a minor or a widow.

Another important role played by Charan Singh in agrarian reorganization was in the realm of land records. Patwaris occupied an important place in the agrarian structure of pre-independent UP. The U.P. Zamindari Abolition Committee had also accepted the crucial, if negative, role of patwaris. The ZALR Act called for a complete revision of the Land Records Manual. This revision was undertaken in the last months of 1952. Under the old system, patwaris enjoyed vast discretionary powers related to recording of land tenures, mortgages, lettings by tenants and sub-tenants of their holdings, changes in rent etc. However under the new Land Records Manual their powers were drastically reduced.

As a result patwaris, numbering 27,000 in total, launched a state-wide strike in UP in February 1953. Apart from demanding the withdrawal of the new Land Records Manual, they asked for a raise in their salaries. Charan Singh however refused to accept their demands and as a result the patwaris resigned en masse. Their resignations were accepted and Charan Singh appointed in their place Lekhpals who enjoyed fewer powers than patwaris did. Around 13,000 lekhpals were recruited and their powers were kept to a minimum. The simple duty of the lekhpal was to ascertain

<sup>6</sup> Brass, *An Indian Political Life*, vol. 1, p.102.

merely the fact of possession on the spot and to report all changes of possession which came to his notice, to the higher authorities for necessary enquiries.<sup>7</sup>

Meanwhile, after many complaints of faulty entries in land records, Charan Singh announced a land records correction drive in July, 1954. It had been realised that the implementation of land reform and the abolition of zamindari required a sound record of tenancies. The record was prepared by November 1954 and around 3.5 million wrong entries were found and corrected. Byres opines that 'Charan Singh's intervention [removal of old patwaris and their replacement by lekhpals] served to push the implementation of the Act[relating to zamindari abolition] substantially the way of a sizeable number of rich and middle peasants who were the undoubted beneficiaries of the UP land reform.'<sup>8</sup> He states that rich and middle peasants now used lekhpals in their own interest.

### **Moneylenders and Credit**

Another question related to the growth of capitalist farming was that of credit. Charan Singh was committed to the goal of elimination of the role of traditional moneylenders and supported the development of cooperative credit system. Already in 1939, he had presented a debt redemption bill in United Provinces Legislative Assembly. Because of the effects of economic depression in the early 1930s, the real value of the debt had increased and the debtors were suffering. The bill was criticised on the ground that it provided relief even to big landlords since the bill provided debt relief to persons paying not more than Rs, 1000 as rent or revenue or earning not more than Rs. 600 a year as salary or otherwise. Charan Singh conceded that in some cases moneylenders may not be better off than his debtors but the principle of providing relief to debtors was that '...the value of the cultivators' assets has gone down, while, with the fall in prices, the purchasing power of money has overwhelmingly increased without the moneylender doing any thing to increase it or the debtor getting any benefit out of the increase.'<sup>9</sup>

Charan Singh saw the income accruing to moneylenders as a result of deflation as unearned income.

<sup>7</sup> In CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File no 446 titled, '1946-1973: Material collected for the book "Land Reforms in U.P."', NMML.

<sup>8</sup> Byres, 'Charan Singh, p. 153.

<sup>9</sup> Debt redemption in U.P., *National Herald*, 24 August 1939.

In refusing to the money-lender the benefit of the increase in the purchasing power of money, irrespective of the fact from whom it is due, we are simply abolishing incomes unearned by work of any sort whatsoever- a principle that is now being increasingly recognised all over the world.<sup>10</sup>

The Bill on debt redemption was passed. Byres suggests that 'in practice, it must have been of particular advantage to rich and middle peasants. Poor peasants were too weak and too vulnerable to take advantage of its provisions.'<sup>11</sup>

As pointed by Brass, cooperative credit institutions were established in the districts of Uttar Pradesh by the 1960s. Since, cooperative credit institutions failed to meet the demand for credit by the peasantry, the latter remained dependent upon both the traditional moneylenders and the government for its credit need. Charan Singh suggested that since the government did not have adequate resources to fulfil the credit requirements of the peasantry, therefore, large land holders possessing more than 50 acres of land should be prevented from having access to government loans. As he put it, the large landholders can "bring to bear pressure upon District Officers and also the Govt., which sometimes becomes very difficult to resist" and given that 'a big man in a district is able to secure Rs. 25,000/-as *takavi*, it means that about 50 middle or smaller peasants have been deprived of the facility.'<sup>12</sup>

The point to be noted here is that though Charan Singh continues to talk about the small and middle peasants, he defines big landholders in a way, with only those with more than 50 acres being defined as big landholders, that despite his professed concern for small and middle peasants, it was rich peasants who were likely to get disproportionate access to the government loans.

The loans given by the cooperative institutions and the banks helped meet, though only partly, the credit needs of the cultivators, though the large cultivators were likely to be the main beneficiaries of such credit. The ZALR had created *bhumidhars* and *sirdars* as two main types of landowners. Unlike *bhumidhars*, *sirdars* did not have

<sup>10</sup> Debt redemption in U.P., *National Herald*, 22 August 1939. This piece, published in two parts, the other part on 24 August, 1939, was written by Charan Singh. In CS Papers, 1<sup>st</sup> Installment, Subject File no 2, titled '1939-65: Articles by Charan Singh on peasant proprietorship, production and size of farms, and debt redemption in U.P. Includes correspondence with K. N. Katju, Nawab of Chhatari and others and other papers related to the Subject', NMML.

<sup>11</sup> Byres, 'Charan Singh', p. 149.

<sup>12</sup> Brass, *An Indian Political Life*, vol., 1, pp. 114-15.

transferable rights in their land. As pointed by Ladejinsky in his study of Aligarh district in 1963, this adversely affected the sirdars in terms of their creditworthiness in the eyes of the cooperatives and the banks. Even while sirdars were given the right to take loans on the security of their holdings, they had to get two surities from the bhumidhars, not an easy thing to get.

As a result, the creditworthiness of the sirdars in the eyes of the cooperatives and the banks were only one-half of that of the bhumidhars. This made it difficult for the sirdars to raise institutionalised credit for their agricultural needs. Consequently, they had to turn to private moneylenders for fulfilling their credit needs. As Ladejinsky pointed out:

The fact that the sirdars cannot dispose of their land, unless first purchasing it from the States, limits sharply their credit standing vis-a-vis loans from cooperatives or taccavi loans from the Government ... His credit-worthiness to the cooperative and to the Government is only one-half of that of the bhumidar ... The loan limitation imposed upon the sirdars is indeed a disability from the point of view of greater investment in agricultural production.<sup>13</sup>

Ladejinsky suggested that: '..it would be in the interest of greater agricultural productivity to improve radically the sirdar's credit standing vis-a-vis loans from the cooperatives and taccavi loans from the government.'<sup>14</sup> Thus while breaking the stranglehold of private moneylenders did mitigate a hurdle in the path of growth of capitalist farming, it is true that a vast majority of landholders including sirdars could not take advantage of institutionalised credit in making greater investment in agriculture. Moreover, as will be found in a treatment of the credit question in the chapter on joint cooperative farming, moneylenders' share in the rural credit market remained as high as one-half even in 1970s. While Charan Singh's political action on the credit front broke the stranglehold of the moneylenders on the substantial landholders, it was of no help to weaker sections of the peasantry.

<sup>13</sup> Wolf Ladejinsky, 'Tenorial Conditions and the Package Programme', 1963, in CS Papers, 1<sup>st</sup> installment, Subject File no 11 titled '1949-64: Papers/notes/statements relating to the role played by Charan Singh in the implementation of land reforms and abolition of zamindari system in U.P', NMML. Ladejinsky visited 5 districts in India to study the relationship between the tenorial conditions and the package programme: Aligarh, Ludhiana, Shahabad, Tanjore and West Godavary.

<sup>14</sup> *Ibid.*



One of the ways in which the credit problem of small holders and of sirdars who faced problems in the credit market either due to their lack of transferable rights in land or due to their lack of collaterals was through credit cooperatives especially if they worked on the principle of integrated credit linking credit with production plan rather than with collaterals. Charan Singh, however, remained indifferent to both cooperative credit and integrated credit. This aspect of credit is explored in more detail in the chapter on joint cooperative farming.

### **Agricultural Marketing**

The reform of agricultural marketing was a cause dear to Charan Singh's politics. As early as 1938, he introduced the United Provinces Agricultural Produce Markets Bill in the United Provinces Legislative Assembly. The Marketing Bill authored by Charan Singh sought to achieve a uniformity in market charges and also a reduction in them. Protecting the interest of the cultivator-seller and ensuring that he received the whole of the market price after deducting reasonable market charges was an important objective. To eliminate malpractices related to weights and measures, to improve the existing system of commission selling, to improve market conditions were other aims. The Bill sought to reduce the middleman's charges.

Charan Singh emphasised the need for such marketing reforms because the market conditions and charges affected substantially what the peasants got for their produce. Cultivator lost 15 percent through various market levies. As he put it:

The numerous market charges, whose number and incidence is nowhere specified, the complicated market practices, the shabby treatment that he and his bullocks receive—these and a host of other difficulties induce the grower to part with his produce in the village at a cheaper rate than himself risk the consequences of taking it to the market.<sup>15</sup>

The proposed bill passed the Select Committee stage but could not clear the further stages because the Congress Ministry resigned and a measure to regulate the

<sup>15</sup> Charan Singh's article on Agricultural Produce Markets Bill in *Hindustan Times*, March 31, 1938, in CS Papers, 2<sup>nd</sup> Installment, Subject File no 72 titled '1936, 38, 39, 53-55, 65: The United Provinces Agricultural Produce Marketing Bill – Correspondence with K. N. Katju and Press Clippings regarding Sir Choutu Ram and Tik Ram', NMML.

marketing conditions could not be enacted before 1964. However, in other parts of India, there were examples of measures enacted to control the powers of traders.<sup>16</sup> The Agricultural Re-organisation Committee, appointed by the United Provinces government in its report of 1941 suggested that '... no plan of agricultural development in the State could be prepared without re-organising the system of marketing of agricultural produce.' The First Plan had noted the establishment of regulated markets for agricultural produce in many states and had advised such states as Uttar Pradesh, which had not enacted legislative measures to establish regulated markets, to do so by 1955-56. Planning Commission and the central government had been advising the Uttar Pradesh government in 1953 to establish regulated markets.

Despite his failure in 1938, Charan Singh did not cease in his efforts to get a measure enacted. While he was the agriculture minister in Uttar Pradesh 1953, his ministry drafted a bill, based on the bill prepared by Charan Singh in 1938, and this was presented in the Council of Ministers of the state. However, the bill could not again become an Act in 1954. Charan Singh held the chief minister Sampurnanand responsible for the failure of the Agricultural Marketing Bill in 1954. He remarked that Sampurnanand rejected the bill because the latter thought that 'it would lead to re-introduction of control which had only recently been abandoned.'<sup>17</sup> Charan Singh pointed to him that the Bill was not aimed at a control of either the price or the quantity of the agricultural commodity to be sold but it made no difference.<sup>18</sup>

While Charan Singh was agriculture minister in 1963, the bill was again drafted by his ministry. By this time, it was suggested that 'such is the magnitude of exploitation on the part of intermediaries that the producer's net share is reduced by as much as 20 to 32 per cent of the price offered for agricultural products.'<sup>19</sup> Newspapers reports of this time also noted: 'the Government hopes ultimately to eliminate all middlemen and intermediaries by replacing the trade with co-operative marketing societies.

<sup>16</sup> First such measure was the Berar Cotton and Grain Markets Law of 1897. Charan Singh Papers themselves contain the text of one such legislative measure, namely the Hyderabad Agricultural Markets Act of 1930 which sought to control the traders and brokers engaged in agricultural markets. Another such Act in Charan Singh Papers is the Central Provinces Agricultural Produce Market Act, 1935. See CS Papers, 2<sup>nd</sup> Installment, Subject File no 72, NMML.

<sup>17</sup> In CS Papers, 2<sup>nd</sup> Installment, Subject File no 125(c) titled '1959 and 1969: Statement which was proposed to be made in the Assembly by Charan Singh but was refrained from doing so and connected material, a few papers relate to supply of cheap power to Hindalco (1969)', NMML.

<sup>18</sup> *Ibid.*

<sup>19</sup> 'Fair Deal for Farmers, *Indian Express*, May 20, 1963, Delhi.

Unfortunately, the experiment of setting up such societies has not gained momentum in U.P. so far.<sup>20</sup> This time Charan Singh was successful and the bill became an Act in 1964.

Charan Singh's conception of agricultural marketing was much restricted given that he never grasped the significance of linking production and marketing with credit in form of something like integrated credit, as propounded by the RBI's rural credit survey. He tended to define the role of agricultural cooperatives in the field of marketing in the limited sense of 'improving marketing facilities, that is, facilities for purchase of requirements ... and sale of produce'.<sup>21</sup> His understanding of agricultural marketing was hardly likely to help the small holders with uneconomic holdings who are forced to do distress sale of their crops at the time of harvest itself.

Moreover, traders were some times moneylenders too, and small holders would be forced to sell their produce at cheap rates to traders as part of payment of their debt. The All India Rural Credit Survey Report of 1954 accepted this fact suggesting that retail traders or the agents of the wholesale trade provided, on an average, five per cent of the borrowing needs of the cultivators. However, the actual financing of agriculture by private trade was far greater. 'In effect, much of this financing takes place as advance payment of part of the purchase price, the transaction of purchase being formally or informally effected long before the cultivator has obtained his harvest.'<sup>22</sup> This made 'the weaker section of the agricultural economy ... subservient to the superior financing resources and bargaining position of powerful private interests'.<sup>23</sup> This question has been taken up for a more detailed treatment in the chapter on joint cooperative farming. Taken together, while Charan Singh's actions on credit and marketing fronts were likely to weaken the stranglehold of moneylenders and traders on substantial landholders coming from rich and middle peasantry and thus increase the accumulation capacity of many of these large holders, it was not likely to help the cause of small holders

### **Land Consolidation**

<sup>20</sup> Fair Price for Producer, *The Statesman*, May 22, 1963, Delhi.

<sup>21</sup> Charan Singh, *India's Poverty and Its Solution*, Asia Publishing House, Bombay, 1964, p. 442.

<sup>22</sup> *All India Rural Credit Survey, Report of the Committee of Direction: Volume II, The General Report*, Bombay: 1954, p. 325.

<sup>23</sup> *Ibid.*, p. 325.

One of the measures that can be said to contribute to the growth of capitalist farming in UP and in which Charan Singh took special interest was the consolidation of landholdings. Brass writes about the consolidation of landholdings that it was 'designed to enhance the efficiency of peasant agricultural operations and of the agricultural economy as a whole, thereby leading to the increased viability of small holdings and the prosperity of the middle-sized landholders.'<sup>24</sup> However, it cannot be denied that rich peasants too benefited substantially from the consolidation. The rules of inheritance and the rapid population growth, among other factors, had led to the fragmentation of landholdings affecting adversely the viability and profitability of agricultural operations.

The Consolidation act was passed in 1953 and the implementation of the act began next year.<sup>25</sup> By 1976-77, almost 97 percent of the targeted land had been consolidated. The consolidation program sought to provide the landholders with a single patch of land and thereby to make the agricultural operations more efficient.

Charan Singh held the then chief minister Sampurnanand responsible for creating hurdles in the path of consolidation programme. He states that despite the AICC having made it clear that the consolidations operations were to continue as before, the Nagpur resolution notwithstanding, Sampurnanand government decided in April 1959 not to take up new districts for consolidations with ceilings being imposed and cooperative farming being introduced.<sup>26</sup>

That the consolidation program increased investment in agriculture was accepted by many scholars. Referring to the impact of consolidation programme in Aligarh in Uttar Pradesh, Ladejinsky report stated:

This impact of this program was quite apparent to us in villages where consolidation had been completed a couple of years ago. Its

<sup>24</sup> Brass, *An Indian Political Life*, vol., 1, p. 107.

<sup>25</sup> The consolidation of land had been considered by the colonial government in U.P. as early as 1921. In 1924, a resolution regarding consolidation was passed which said to the effect that '... while the Government was anxious to introduce consolidation wherever possible, in its opinion, the country was still a long way from the stage at which compulsion could be used.' The first attempt at consolidation was entirely based on consent and was undertaken by cooperative societies. Later, a Consolidation of Holdings Act was enacted in 1939-40. This Act introduced an element of compulsion in undertaking consolidation, but failed to achieve much and the scheme was abandoned. ( 'The Pieces Seem to Fit: U.P. Venture Proves a Success, *The Statesman*, December 17, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no. 12 titled '1949-66: Papers and press clippings relating to the passing of Consolidation of Holdings Bill in U,P, etc.', NMML.

<sup>26</sup> CS Papers, 2<sup>nd</sup> Installment, Subject File no, 125(c), NMML.

most significant result can be observed in the number of new surface wells farmers are putting in on the consolidated land. In one village 28 new wells were sunk upon the completion of this program<sup>27</sup>

While in his biography of Charan Singh, Brass considers land consolidation to be conducive to the interest of the small and middle peasantry, in his earlier writing, he considered such consolidation to be helpful to the interests of rich and middle peasantry. As he put it:

Although consolidation made more efficient cultivation possible for all landholders, it clearly had even greater significance for the middle and larger landholders, who were now in a position to make effective use of the new agricultural inputs and, in the case of the bigger farmers, to adopt some forms of mechanization.<sup>28</sup>

However, Brass has stated even in his biography of Charan Singh that poor peasants were most likely to be adversely affected by the consolidation proceedings. Further, the Consolidation of Holdings Act aimed at enhancing agricultural efficiency rather than achieving equalization of landholdings. It is clear from its lack of any provision relating to the maximum size for holdings. Also it did not put a stop to subdivision of holdings through inheritance.

In fact, this is also the position of Marxist scholars like Terence J. Byres who underline the benefits of consolidation program that accrued to the middle and rich peasantry, particularly to the rich peasantry. Referring to the Farm Management Survey in Meerut and Muzaffarnagar districts of UP, Byres states that fragmentation of landholding was a problem from which rich, middle and poor, all segments of peasantry suffered and felt fragmentation as a barrier to the efficient use of land.

However, this barrier was 'felt most keenly by the rich peasants'<sup>29</sup>, especially those in the process of becoming capitalist farmers, because fragmentation posed a serious obstacle to accumulation. Elder suggested on the basis of his study of Rajpur village in western U. P. in 1956 that the gulf between the rich and the poor had increased in this village due to their differential investment in increasing irrigation facilities, in the form of new wells being dug, which led, in turn, to differential share in increased

<sup>27</sup> Wolf Ladejinsky's 1963 report to the Planning Commission titled 'Tenurial Conditions and the Package Programme', in CS Papers, 1<sup>st</sup> Installment, Subject File no 11, NMML.

<sup>28</sup> Brass, 'The Politicization of Peasantry in an North Indian State: I,' *Journal of Peasant Studies*, Vol. 7:4, 1980, p. 398.

<sup>29</sup> Byres, 'Charan Singh', p. 154.

agricultural productivity.<sup>30</sup> The consolidation program assumed greater significance for rich peasants in the wake of the green revolution in mid-1960s. That the consolidation program was most successful in Punjab, Haryana and Western UP, the areas that became the 'heartland of agrarian capitalism' in India shows that consolidation program was particularly conducive to the interests of the rich peasantry and of the proto-capitalist farmers.

Scholars like Brass<sup>31</sup>, Elder and Oldenburg suggest that the consolidation program was relatively free from corruption. Charan Singh is widely credited with the success and corruption free nature of the consolidation proceedings. However, the allegations of corruption were often levelled against the consolidation operations and it was thought that such corruption proved detrimental to the interests of the poor and weaker sections of the peasantry in the process of consolidation.<sup>32</sup>

One Prabhu Narain Singh, an M.L.C. from the Socialist Party resigned from the U.P. Land Consolidation Advisory Committee alleging corruption and the harassment of the poor in the consolidation scheme.

Even after the formation of the Land Consolidation Advisory Committee, corruption has been wide spread and the high and mighty in the villages in league with the bureaucratic machinery have been harassing the poor and innocent peasants as usual. The poor peasants often get only poor land in exchange of good and fertile land.<sup>33</sup>

He further said that: 'As regards proper and equitable consolidation of land, the Socialist Party is not opposed to it. But the party believes that without an equitable redistribution of land, consolidation in the present context will not be of real help to the peasantry.'<sup>34</sup>

<sup>30</sup> Joseph W. Elder, 'Land Consolidation in an Indian Village: A Case Study of the Consolidation of Holdings Act in Uttar Pradesh', *Economic Development and Cultural Change*, Vol. 11:1, 1962, p. 36.

<sup>31</sup> Brass, *An Indian Political Life*, vol., 1, p. 108.

<sup>32</sup> Charan Singh, the then revenue minister, accepted in February 1958 in the Legislative Council that around 962 persons had been removed from consolidation scheme on charges or on suspicion of corruption. It was found that apart from 39 clerks, the rest were responsible officers. And by this time consolidation scheme had been introduced in only 26 districts. 'By the Way', *A. B. Patrika*, February 27, 1958, Allahabad, in CS Papers, 1<sup>st</sup> Installment, Subject File no 12, NMML.

<sup>33</sup> 'Consolidation Committee: Prabhu Narain resigns', *Leader*, 6 February 1958, Allahabad, in CS Papers, Installment 1, Subject File no 12, NMML.

<sup>34</sup> *Ibid.*

Apart from the criticism of the consolidation scheme on the ground of injustice to the poor peasants, it was also seen as an attempt to preempt ceilings and cooperative farming. One newspaper from Allahabad wrote thus:

In point of fact, the scheme was put forward in order to forestall fixation of a ceiling on landholdings, redistribution of land and co-operative farming. It can do little good to the overwhelming bulk of our cultivators who possess on an average not more than three acres of land per family. As for the big farmers whose plots might lie scattered in different parts of the village, they can take good care of themselves. In spite of Shri Charan Singh, the U.P. Government has declared itself in favour of co-operative farming which alone can do away with the economic evils arising from fragmentation of holdings.<sup>35</sup>

On the other hand, *The Statesman* saw the the consolidation efforts in U.P. to be 'succeeding beyond the expectations of its authors.'<sup>36</sup> On the whole, it is fair to say that consolidation operations increased the accumulating capacity of large holders especially in western Uttar Pradesh where the average size of holdings was greater than those in the eastern parts of the state.

### **Green Revolution**

Two main paths to the development of capitalist farming in India in general and Uttar Pradesh has been suggested. One is the landlord capitalist path and the other is the peasant capitalist path. While the peasant capitalist path was important in the western parts of Uttar Pradesh, landlord capitalist path was more dominant in other parts of the state. Talking about the two different paths of development of capitalist farming, Utsa Patnaik says that:

There are, historically, two paths of transition from petty production to capitalist production in agriculture, and hence from pre-capitalist to capitalist ground rent. Firstly, a section of the petty producers themselves develop into labour-hiring rich peasants and ultimately into capitalist producers. Secondly, landlords and at a later stage urban moneyed people turn into agricultural capitalists.<sup>37</sup>

<sup>35</sup> Need for Re-thinking, *A. B. Patrika*, 7 February 1958, Allahabad, in CS Papers, 1st Installment, Subject File no. 12, NMML.

<sup>36</sup> The Pieces Seem to Fit: U.P. Venture Proves a Success, *The Statesman*, 17 December 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 12, NMML.

<sup>37</sup> Utsa Patnaik, 'Classical Theory of Rent and Its Application to India: Some Preliminary Propositions, with Some Thoughts on Sharecropping', *JPS*, Vol. 10:2-3, 1983, pp. 77.

Scholars like Utsa Patnaik argue that capitalist production in agriculture in India faces an important barrier in the form of pre-capitalist ground rent. Given the extremely high rate of pre-capitalist ground rent, in the context of land scarcity and existence of a large body of petty producers willing to pay that high rent, the capital investment in land, by the landlord capitalists, urban entrants and to some extent rich peasants too, makes sense only when such investment gives returns enough not just to pay high rent but also to give a profit which will be equivalent to the average profit on capital in the economy.<sup>38</sup> As pointed out by many scholars, such agricultural output, which can pay for both high rent and at least average profit, can be attained only by resorting to 'new methods of production which lead to a direct rise in surplus per unit area.'<sup>39</sup>

The investment in new methods of production made a start in 1950s itself as reflected in about almost 40 per cent rise, at the national level, between 1951-52 and 1960-61, in the purchase of intermediate goods by agriculture from non-agriculture . However, a greater push in the adoption of the technically superior method of production came in mid-1960s with the launch of the green revolution. The provision of cheap, subsidised inputs and of high administered price for agricultural produce accompanying the green revolution helped, to a great extent, to overcome the pre-capitalist ground rent barrier by encouraging the adoption of superior methods of production which in turn yielded greater output, output sufficient to pay for not just high rent, but also profit.

Charan Singh believed in an investment centric approach to solve the problem of raising agricultural production after initial land reforms had been completed and landlordism and tenancy abolished. It was in contrast to the institutional approach which stressed cooperative farming, ceiling, etc to raise production and also solve the problem of uneconomic holdings. Suggesting that just because capital investments in agriculture yield greater return in comparison to industry, it will be wrong not to allot large funds for agricultural development. Rather in his view, for some time to come, India should spend major part of her financial resources in agriculture.

<sup>38</sup> As Utsa Patnaik writes: '... investing a given sum of money in direct capitalist production in agriculture is conditional upon that sum of money yielding a surplus profit at least equal to the existing level of pre-capitalist rent, over and above the average profit.'*Ibid.*, p. 79.

<sup>39</sup> *Ibid.*, p. 80. Utsa Patnaik argues that 'only with such a sufficiently large discrete rise in surplus per unit area can the investment of a given sum of money give not only a rent which petty producers are already producing but a profit in addition.'*Ibid.*, p. 80.



In his critique of joint cooperative farming too, he insisted that the increase in agricultural production will not come from joint pooling of land but from greater investment in agriculture. The green revolution led not just to the greater application of biochemical inputs but also a considerable mechanization of the Indian agriculture. Charan Singh made a distinction between three different kinds of agricultural technologies. He approved of the use of biological and chemical types of agricultural technologies such as high yield seeds, pesticides and warned against excessive use of chemical fertilizers. But he was against mechanical technologies such as tractors, the latter being seen as being labour displacing without contributing to any increase in production. The green revolution that was particularly effective in western parts of Uttar Pradesh led to the adoption, though disproportionately by large cultivators, of not just high yield seeds, fertilizers, and pesticides but also of tractors.

The adoption of a package of subsidised inputs and the guarantee of remunerative agricultural prices after the formation of the Agricultural Prices Commission in 1965 substantially increased the per acre output and income in agriculture and thereby facilitated the growth of capitalist farming in Uttar Pradesh, especially in its western parts. The substantial increase in per acre output made it possible for rich peasants and landlord capitalists to overcome the pre-capitalist ground rent barrier and also earn a profit. Such a profit was further enhanced by food inflation from mid-1960s onwards. The profit earned was further reinvested in agriculture in the context of greater output and prevailing high food prices.

The absence of agricultural taxation, due to the protests of leaders like Charan Singh, also helped in the growth of capitalist farming by enhancing the accumulation of investible funds with the rich peasants. To put it briefly, the nature of land reforms conceived and implemented by Charan Singh in Uttar Pradesh in 1950s and 1960s strengthened the position of the rich peasants in terms of their accumulation capacity and made them ripe for transition to capitalist farming, this transition being substantially facilitated by the green revolution from 1960s onwards.

While the peasant path to capitalism was more pronounced in western Uttar Pradesh, landlord path was more prominent in eastern and central Uttar Pradesh. Thomas R. Metcalf found in 1967 that in the Oudh region of Central Uttar Pradesh, many of the former landlords, taluqdars, had not just been engaging in intensive cultivation on

their old lands but also spread in new areas such as horticulture especially apple orchards. 'By providing capital and managerial talent for agricultural experimentation and the establishment of ancillary processing and distributive enterprises these taluqdars [of Oudh] are making a notable, if somewhat belated and reluctant, contribution to India's economic progress.'<sup>40</sup> Even smaller taluqdars had started engaging in intensive agriculture to deal with more difficult circumstances in the wake of zamindari abolition.

### **Capitalist Farming versus Family Farming:**

Since Karl Marx, it has been suggested that small peasant farm or petty production in agriculture will not be able to compete with the capitalist farming and that small peasants will join the ranks of agrarian labour. Thus even if small peasant farming flourished in the pre-capitalist period, it will not be able to survive in the capitalist society. Charan Singh disagreed. He argued that Marx's argument that just as large producer was displacing small producer in industry, the former will do the same to the latter in agriculture as well was not valid. In his view, Marx reached the above conclusion at a time when scientific investigation of the agrarian problem had not yet begun.

Charan Singh refers to various censuses in Germany, Holland and the United States towards the end of the 19<sup>th</sup> and the beginning of the 20<sup>th</sup> century which suggested the continuing resilience and thriving of peasant holdings in face of competition from capitalist agriculture. He found modern economics, with its concepts of wage, labour, rent and profit, to be inadequate in providing 'a true insight into the socio-economic nature of wageless family economy that the peasant agriculture symbolises.'<sup>41</sup>

Charan Singh's hope about the survival and even flourishing of the peasant farming in the face of competition from capitalist agriculture was based on many arguments. First of all, the tenacity and even prosperity of peasant farming arose from 'the greater care and interest the peasant put into his work, and also because of the fact that his demands were sometimes lower than even those of a rural labourer.'<sup>42</sup> Second, the peasant had extreme attachment to his piece of land which led him not just to work

<sup>40</sup> Thomas R. Metcalf, 'Landlords without Land: The U.P. Zamindars Today', *Pacific Affairs*, Vol.

40:1/2, 1967, p. 17.

<sup>41</sup> Singh, *India's Poverty*, p. 103.

<sup>42</sup> *Ibid.*, p. 103.

harder while depressing his own consumption level. In fact, the peasant wanted independence in matters of his livelihood and was willing to pay any price for it. It was this urge for independence that made him work harder in the field.

He suggested that the peasant's reward from his labour should not be evaluated primarily in monetary terms but in terms of satisfaction from independent labour. 'He (the peasant) does not reckon in the commercial way, and the peasant is right; for who can measure this, his income of independence and security derived from ownership of the land under his plough in terms of money? None can; it is imponderable.'<sup>43</sup> Charan Singh agreed with Otto Bauer, the Austrian socialist, that 'for the capitalist, property or tenancy is a means of employing his capital ; for the proletarian, artisan and the small peasant, property is rather a means of employing his labour.'<sup>44</sup>

Charan Singh also argues for the superior viability of the peasant family farms in the face of problems such as market and price fluctuations. This explanation of the superior viability of the peasant farming in terms of the willingness of the peasants to accept lower than wage income and consequently lower level of consumption goes back to Chayanov. What has been said about Chayanov can equally be said about Charan Singh:

There is only one element of truth in Chayanov's argument and that is the relative *tenacity* and *persistence* of small holdings *when there are no economic alternatives* ... But this persistence is not something to be extolled as the 'superior viability' and advantageous to them: it is to be deplored as the enforced reaction to an inequitable property structure combined with non-availability of alternative ways of earning a living at a higher level of productivity.<sup>45</sup> (Italics in original)

Charan Singh's argument about inverse relationship between farm size and yield per acre and his conclusion about the greater efficiency of small family labour farms compared to large wage labour based capitalist farms have been criticised by many scholars. Charan Singh's argument was that small family farms are more efficient than wage labour based large capitalist farms because small family farms apply more labour per acre, pushing the marginal productivity of labour below wage rate, thus

<sup>43</sup> Charan Singh, *Abolition of Zamindari: Two Alternatives*, Allahabad: Kitabistan, p. 132.

<sup>44</sup> Singh, *India's Poverty*, p. 104.

<sup>45</sup> Patnaik, 'Neo-populism and Marxism', pp. 393-94.

producing more output per acre. As the economist Utsa Patnaik shows, such an explanation of the inverse relationship fits perfectly in a neo-populist mould as originally propounded by Chayanov.

However, while the traditional neo-populist argument has assumed identical production function between small family farms and capitalist farms, Charan Singh, while assuming identical production function in comparing the relative productivity of small family farms and large capitalist or cooperative farms, argued that even superior capitalist techniques of production does not lead to greater per acre output than small family farms.

Charan Singh specially quoted the Farm Management Survey (FMS) data of mid-1950s to support his thesis of the greater production per acre on small farms which is quite unexceptionable.<sup>46</sup> He had argued for the superior efficiency of the 'small peasant cultivation' over 'large scale farming' back in 1945.<sup>47</sup> Scholars have alluded to the technical components of higher per acre yield on small farms [as found in the Farm Management Survey], some of them being: small farms having a greater proportion of net sown area under irrigation, more double cropping, and cultivation of more high value crops.<sup>48</sup>

As Utsa Patnaik suggests, the neo-populist explanation of why such technical components are found relatively more present on small farms is the greater application of labour on small farms especially since these small farms suffer from land shortage. There is nothing wrong in regarding increased application of labour as the cause of greater production per acre on small farms. "Where the neo-populist theory goes wrong however, is in relating the observed variation in yields to the

<sup>46</sup> Charan Singh was among the first people understand the significance of the FMS data. He began using the FMS data without waiting for surveys of at least 2 or 3 years. In a letter to Charan Singh, dated December 20, 1956, Ameer Raza, Chief of Land Reforms in the Planning Commission, cautioned the former about the use of the Farm Management Studies data. He wrote: 'I understand that on scrutiny of the data collected in the Farm Management Studies, it is felt that the results are not good enough to justify comparisons between productivity etc. on holdings of different sizes. It is felt that such comparisons would perhaps be possible when result of surveys for 2/3 years are available.' Charan Singh agreed with this point in his reply. He wrote back: 'It seems that I have committed a mistake inasmuch as I have referred the results of Farm Management Studies on page 5 of my brochure entitled "Whither Co-operative Farming". I will, however, exclude this reference when the brochure is published for general information.' In CS Papers, 1<sup>st</sup> Installment, Subject File no 19(b), NMML.

<sup>47</sup> Production and Size of Farm, *Hindustan Times*, 24 March 1945. In this letter to editor, Charan Singh agreed with the editorial that landlordism is more inefficient and unproductive than small scale peasant farming, he disagreed with the stand of the editorial that small peasant cultivation was less productive than large scale farming.

<sup>48</sup> Patnaik, 'Neo-populism and Marxism', p. 402.

difference between 'family farms' and 'capitalist farms' using hired labour.”<sup>49</sup> According to Utsa Patnaik, such a view which ascribes the yield difference between small and larger farms to difference between family farms and wage labour using capitalist farms is based on the twin assumptions of a homogeneous peasantry and of identical production functions.

Charan Singh believed in the neo-populist assumption of a homogeneous peasantry. He usually mentioned the category peasant farmers or peasant proprietors while comparing them with capitalist farmers or with cooperative farming. Further, while discussing the greater per acre productivity of small holdings in comparison to large holdings, whether private or cooperative, he always began with the assumption of identical production function. For instance, he states that “given the same resource facilities, soil content and climate, a small farm produces, acre for acre, more than a large one—howsoever organised, whether co-operatively, collectively or on a capitalistic basis.”<sup>50</sup> In Indian case, he sought to justify this assumption of identical production functions on the ground of specific condition of its agriculture, with labour being surplus and land and capital being scarce.

Charan Singh believed that small farmers' disadvantages were 'commercial more than technical'.<sup>51</sup> He [the small farmer] can hold his own in the field of production. It is when he enters the market that he finds it difficult to stand up to the big man.<sup>52</sup> The 'big man' was traders and middlemen. While he neglected the role of production technology in causing differential yields, Charan Singh mentioned approvingly, now and then, the yield raising quality of biological and chemical technologies [technologies that were relatively scale-neutral] like HYV seeds, fertilizers etc but at the same time disapproving of scale partial mechanical technologies like tractors.

Utsa Patnaik's own explanation is that “the observed 'inverse relation' between farm size and yield per acre is a phenomenon characterising the set of family-labour based holdings and arises from class differentiation within that set of holdings.”<sup>53</sup> The existence of absolute land shortage makes certain certain classes within this set of

<sup>49</sup> *Ibid.*, p. 403.

<sup>50</sup> Singh, *India's Poverty*, p. 39.

<sup>51</sup> *Ibid.*, p. 442.

<sup>52</sup> *Ibid.*, p. 442.

<sup>53</sup> Patnaik, 'Neo-populism and Marxism', p. 403.

family holdings work intensively on their farm, to the point of lowering their marginal product of labour below wage rate and get higher output than the others within the set.

For instance, Utsa Patnaik found in her analysis of the Farm Management Survey(FMS) data on West Bengal that agricultural labourers with land (in the range of 0-1,25 acres) produced the greatest output per acre among all the groups. She shows that there are no clear trends in relationship between output per acre and farm size for holdings above 5 acres, that is for holdings belonging to middle and rich peasants. In the same way, R.S. Rao and S. Brahma argue, on the basis of their analysis of the FMS data on Maharashtra that 'the so-called inverse relation appears to be the contribution of the "peasant" sector while the 'wage-based' sector remains free from such a relationship.'<sup>54</sup>

Utsa Patnaik argued in early 1970s<sup>55</sup> that the situation became far different than what prevailed in mid-1950s and due to improved terms of trade for agriculture and publicly subsidised inputs, the capitalist tendency in agriculture got a substantial push. The entire spectrum ranging from middle peasants to rich peasants and capitalist farmers was able to enhance their per acre yield, while small and marginal peasants were not able to take advantage of the new improved techniques and inputs.

Charan Singh's arguments about the per acre productive superiority of the small farms in comparison to the large ones were borne out by the Farm Management Surveys. However, in the wake of the Green Revolution, the medium and large scale farms assumed a new significance. Farm management data [of the mid-1950s] suggested that 'large holdings tend to generate more capital per acre and can make higher profits from participation in commercial markets than can small subsistence farms.'<sup>56</sup> That small farms had many constraints was realized in the very beginning. The Congress central leadership and the planners sought to obviate such constraints of small landholdings by resorting to joint cooperative farming. Charan Singh averred that while he had no problem to cooperation in marketing, credit etc, joint production will lead to a decrease in production.

<sup>54</sup> Rao and Brahma as quoted in Patnaik, 'Neo-populism and Marxism', p. 406.

<sup>55</sup> *Ibid.*, p. 407.

<sup>56</sup> Richard S. Newell, 'Ideology and Realities: Land Redistribution in Uttar Pradesh, *Pacific Affairs*, Vol. 45:2, Summer 1972, pp. 236.

One remarkable thing about Charan Singh's views on the small farms and on the inverse relationship is that he sometimes accepted that despite greater per acre production, small farms were showing deficits. Writing in 1962 to the Planning Commission, he conceded that small farms, below 5 acres, were showing a net loss and were thus uneconomic.

It will be observed that, if the labour of the farmer and his family is taken into account or paid for (even at the village rates of permanent hired labour and not at the rates of industrial or non-agricultural wages obtaining in towns), farming on a holding of less than 5 acres is definitely a deficit undertaking.' (emphasis in original)<sup>57</sup>

### **Concentration of Property in Agriculture**

Charan Singh also denied that anything like the capitalist concentration and its concomitant proletarianization was taking place in Indian agriculture. He quoted data from nineteenth century Europe and also from 20<sup>th</sup> century India to show that family farming flourished in the face of capitalist concentration and that Marx was not right in his prediction about increasing capitalist concentration in agriculture, having erred in applying to agriculture a process which was specific to manufacturing. (In fact, he sometimes also tried to argue that large scale production was failing even in industry)

Having already argued about the economic superiority of small scale production over large scale production in agriculture, it is not surprising that Charan Singh reached such a conclusion. It, however, appears that his views on capitalist concentration in Indian agriculture suffered from a basic misunderstanding about what such process of capitalist concentration in agriculture involves, a misunderstanding which appears to be common to so many neo-populist writers.

This misunderstanding emanated from treating capitalist concentration solely in terms of area concentration, the latter misconception arising from treating physical area of farms as an accurate index of their scale of production. But as one scholar argues, 'the physical area of farms is not an accurate index of their scale of production under

<sup>57</sup> 'A note on proposed increase in land taxation in Uttar Pradesh, dated 10 September, 1962, submitted to the Planning Commission, in CS Papers, 1<sup>st</sup> Installment, Subject File no 34, NMML.

capitalist conditions in particular.<sup>58</sup> Charan Singh did not take into account the fact that capitalist production, as different from other previous modes of production, is characterised by what Lenin called 'capital intensification in agriculture.'

In fact, capital intensification or the greater application of constant and variable capital to a land holding is a necessary condition for the existence of capitalist production in agriculture given that capitalist agriculture has to produce not just super-profit or rent, which even petty production has to produce but also a normal profit, unlike petty production. To conclude, rather than looking at other possible indices such as capital intensification to verify whether capitalist concentration is taking place in agriculture, Charan Singh made the mistake of looking at only the concentration of land area resulting in his conclusion that no such thing as capitalist concentration in agriculture was taking place in India.

This misconception about the nature of capitalist concentration in agriculture was also linked with his understanding of historical expansion of capitalist production in agriculture. He tended to emphasise the role of state supported processes such as the enclosure movement in the sixteenth to eighteenth century Britain. However, as Utsa Patnaik suggests,

Lenin stressed that the ways in which capital overcomes the barrier of the existing property structures and existing tenures are extremely complex and diverse; it would be a mistake to think that an obvious process of dispossession such as the enclosures is the only way.<sup>59</sup>

Charan Singh argued that there was no increase in land concentration in India recently. However, he forgot to mention that one of the main reasons why there was no increase in land concentration in terms of area in the early decades of post-Independent India was that due to abolition of the zamindari and imposition of ceilings and the break-up of large feudal holdings, land concentration had been partially reduced. 'Such a decline in precapitalist concentration is a necessary condition for the subsequent growth of capitalist production and it widens the field over which the law of capitalist concentration can operate.'<sup>60</sup>

### **Agricultural Labour and Proletarianisation**

<sup>58</sup> Patnaik, 'Neo-populism and Marxism', p. 411.

<sup>59</sup> *Ibid.*, p. 414.

<sup>60</sup> *Ibid.*, p. 411.



Referring to the decline of the number of agricultural labourers as a percentage of total workers on land in Uttar Pradesh between 1931 and 1951, Charan Singh argued against the proletarianisation thesis. He based his argument about the continuing resilience of the peasant farming on the basis of increase in the number of cultivators as a percentage of the total population in Uttar Pradesh between 1901 and 1951 from 48.53 per cent of the total population to 67.41 of the same. He regarded such figures to be 'an unmistakable tribute to the inherent internal strength of the system of peasant farming, its adaptability to changing circumstances, its capacity to bear the stresses of modernisation , and above all its power to endure.'<sup>61</sup>

A comparison of the 1961 and 1971 population census shows the decline in the number of cultivators and increase in the number of agricultural labourers in Uttar Pradesh as a percentage of total rural workers over the years from 1961 to 1971.<sup>62</sup> While in 1961, the number of cultivators was 64.35 of the total rural workers in UP, in 1971 census, their number declined to 57.43 percent. On the other hand, the percentage of agricultural labourers increased from 10.34 of the total rural workers in 1961 to 19.95 of the total in 1971. In a letter written to Charan Singh, the Planning Commission made it clear in 1979 that the concepts and definitions regarding the terms cultivator and agricultural labour were identical in both the census while the operational steps for covering the two categories were somewhat different.<sup>63</sup> Both the census also showed the decline in the percentage of cultivators to total agricultural workers from 84.97 percent in 1961 to 74.22 percent in 1971.

Charan Singh did not show much solicitude for the interests of the agriculture labourers and in fact, opposed the provision of minimum wage for them. In a note titled 'Crop Insurance' belonging to either late 1965 or perhaps 1966, he dealt with the question of minimum wages for agricultural labourers. Extension of the Minimum Wages Act for the benefit of agricultural labourers was being debated in 1965. Charan Singh was critical of such proposals on various grounds.

He suggested that the Census of 1951 classed 56 per cent of the people as farmers and 12.5 per cent people as agricultural labourers. If we excluded the small holders, then

<sup>61</sup> Singh, *India's Poverty*, p. 105.

<sup>62</sup> In CS papers, 2<sup>nd</sup> Installment, Subject File no 82(a) titled '1970: Agricultural Labour: Proportion to cultivation and total rural population', NMML.

<sup>63</sup> *Ibid.*

two farmers were left for each agricultural labourer. 'According to the inexorable law of supply and demand, the agricultural labourers in the country as a whole can, and do, dictate their terms to the farmers.'<sup>64</sup> In many regions they were getting more than the proposed minimum wage, and in places where they were getting less than the minimum wage, it was because of their large numbers or due to the low income of the farmers. In cases where the agriculture labourers were getting more, the minimum wage was not required, and in cases where they were getting less, the minimum wage law would not work.

Further, minimum wages for agricultural labourers could not be justified on the ground that they were provided for industrial workers because the analogy between industrial labour and agricultural labour was not correct. Industrial labour was indispensable to the working of factories but agricultural labour was not indispensable to the working of farms. In the latter case, farmers could always fall back on their family labour. Moreover, the law related to the minimum wage for agriculture would not facilitate more efficient agriculture in terms of greater production.

### **Mechanisation**

Charan Singh made an elaborate case against mechanisation in agriculture. He claimed that his arguments against mechanisation applied to any form of large-scale farming. Terence Byres suggests that 'the argument [against mechanisation] was not always pursued in the context of consideration of capitalist agriculture. But that was the unspoken premise, which did become explicit on occasions.'<sup>65</sup> It seems to me that both his argument about the inverse relationship thesis and his views about mechanisation were deployed more in the service of proving the unsuitability of joint cooperative farming in India.

He suggested that we do not need large farms to use the biological and chemical types of agricultural technologies which, as in case of Japan, are capable of being used on one- and two-acre farms as well. As for the mechanical type of agricultural technologies such as tractors, he conceded that they cannot be used on small farms but

<sup>64</sup> In a note titled 'Crop Insurance', in CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File Number 423 titled '1964-66: Speeches/news items/articles/press clippings etc regarding food and agriculture', NMML.

<sup>65</sup> Byres, 'Charan Singh', p. 176.

then asserted that such technologies do not increase per acre production which is our aim in the context of a labour surplus economy.

Charan Singh strongly deprecated the need for mechanization in agriculture given that India had such a huge labour surplus. It was also pointed by him that there are many instances of very modern and intensive agriculture yielding high production without any use of mechanization, or at least a substantial degree of mechanization. Charan Singh's suspicions regarding mechanization in agriculture were many. First, he feared that mechanisation will come to act as “a chain which will bind the peasant to the co-operative farm once he enters it.”<sup>66</sup> He gave the example of Russia where he believed mechanisation had helped in the communist control of agriculture.

Further, he held that in agriculture, as different from industry, it is soil and not machinery which produces the commodity. In fact, there is no task in agriculture which cannot be done by human or animal labour without the help of machinery. He pointed that had machinery had any positive relationship with the agricultural productivity per acre, which is what is important in our conditions of labour surplus economy, then production per acre would have been greater in the United States compared to that in Western Europe and Japan where far less machinery is deployed in agriculture. But, in fact the reverse is true and per acre production is far higher in Western Europe and Japan compared to the United States.

He however accepted that mechanisation helps to increase production per unit of labour but this is not the concern in the conditions of Indian agriculture. He referred to studies conducted in India to estimate the impact of mechanization on productivity per acre and concluded on the basis of these studies that bullock-cultivated farm produced more income per acre than tractor-cultivated farm did.

Further, according to Charan Singh, mechanised cultivation is suitable only for temperate climate and where rainfall is evenly distributed over the year. In tropical and sub-tropical regions like India which also get heavy monsoon rainfall during a short period, tractor-ploughing destroy the productivity of soil. Tractors, apart from leading to soil erosion, completely turn over the soil, thus exposing soil to hot tropical

<sup>66</sup> Singh, *India's Poverty*, p. 81.

sun, leading to the death of soil bacteria etc. Tractors are not able to manage humus found in soil and lead to the depletion of humus.

Charan Singh also refuted the argument that mechanisation was likely to reduce the cost of cultivation in comparison to ploughing by animal power. Given that variable costs were higher in case of tractors compared to animal power, tractors were useful and cost effective only for intermittent work. But in India 'where steady and constant work on land throughout the year is generally available, the use of bullocks for traction purposes is not uneconomical as compared with that of machinery.'<sup>67</sup> Moreover, machinery such as tractors did not produce any manure such as animal dung which helps in maintaining productivity of the soil.

Moreover, if at all some machinery was needed in agricultural work, then Charan Singh pleaded for adjusting agricultural machinery to the small size of landholding in India rather than adjusting the size of holding to agricultural machinery. This, he suggested could be done by designing small machinery which is suitable for use on small farms as was being done in Europe and Japan.

He asserted, in the light of designing and use of small machinery such as small tractors with 3 to 5 horse power in Japan and Europe, that 'a large farm is no longer a condition precedent to the use of machinery or application of scientific knowledge.'<sup>68</sup> In any case, if one left the question of machinery aside, one did not need a large holding for the application of other kinds of agricultural technologies such as biological and chemical technologies which can be used as easily on small holdings too.

Many in Uttar Pradesh, however, supported farm mechanisation. A. P. Jain, former Union Food and Agriculture Minister and the president of the Uttar Pradesh Congress Committee in early 1960s, for instance, supported farm mechanisation. 'Critics of farm mechanisation forget that the use of tractors improves not only operational efficiency, standard of living and working conditions of farm workers... but mechanisation increases agricultural production by timely performance of operations, making best use of soil moisture, preparation of seed-beds.'<sup>69</sup> He argued that

<sup>67</sup> *Ibid.*, p. 84.

<sup>68</sup> *Ibid.*, p. 88.

<sup>69</sup> 'A Plea for Mechanisation of Agriculture', an article by A. P. Jain, dated March 1965. In A.P. Jain

mechanisation can be deployed with advantage on about 80 per cent of cropped area in India, with power tillers and small tractors being used on medium size holdings and bigger tractors being used on large size holdings.

It was found in an all -India study of mechanisation in agriculture<sup>70</sup> that already by 1966 Uttar Pradesh had one of the highest intensity of tractors per thousand hectares of net cropped area in the country. It had 0.6 tractor per thousand hectares of net cropped area with only Punjab(including Haryana in 1966) ahead at 2.1 tractors per thousand hectares. In terms of total number of tractors too Uttar Pradesh (10139) was the second in the country with Punjab (15489) leading in this area. In terms of the use of pumpsets (both electric and oil engine based), however, Uttar Pradesh lagged behind many other states in the country.

This study argued that the progress of farm mechanisation was related to '... comparatively large size of holding, land consolidation, growth in irrigation, intensive cropping, larger concentration of high yielding varieties, the resulting high income of farmers and rise in farm wages'.<sup>71</sup> Given this mechanisation was likely to proceed rapidly in those parts of Uttar Pradesh where these conditions were present.

The study also found that '... the intensive technology with higher productivity per unit of land, as practised in Japan and Taiwan, can support not only a much larger population but also seem to require mechanisation of an appropriate pattern and scale.'<sup>72</sup> Thus, the number of tractors and number of workers per 1000 hectares in Japan was respectively 533 and 2105, which was far higher than in India where the respective figures were 0.3 and 890. Taiwan also showed a far higher number (respectively 16 and 1888), compared to India, of tractors and workers per thousand hectares.

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Papers, Speeches/writings by him, File no 18, NMML. Jain was then a Member of Parliament from the Congress Party from Uttar Pradesh. He had been Union Food and Agriculture Minister from 1954 to 1959 and the president of the Uttar Pradesh Congress Committee in early 1960s. Jain had, however, opposed mechanisation while he was Food and Agriculture Minister at the centre. See 'Small Co-op. Farms More Suited to India: MR. A. P. Jain is Opposed to Mechanisation, *Times of India*, 11 May, 1956, p. 1.

<sup>70</sup> 'Farm Mechanisation in India', a report prepared in 1971 by P. S. Majumdar, Chief (Agriculture) in the Planning Commission. In Asok Mitra Papers, Subject File no 209, NMML.

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*

This report cautioned against unnecessary curbs on mechanisation in agriculture. 'Unnecessary curb on mechanisation will arrest productivity and income of farmers while unplanned or unfettered growth will blow up the already explosive problem of unemployment and income disparity. No doubt mechanisation is a must, but with caution and order.'<sup>73</sup>

By early 1970s, regional variations had emerged in Uttar Pradesh in terms of the degree of mechanisation used in agriculture. Western parts of the state with their larger per capita holdings and with greater investment accompanying the Green Revolution saw greater use of machines in cultivation. On the other hand, Ladejinsky was struck by the near-total absence of mechanisation in eastern U.P. in his 1971 trip. Even bigger farmers who had otherwise invested in improved techniques did not resort to mechanisation. Among the factors for the absence of mechanisation in eastern U.P., Ladejinsky counted: cheap surplus labour, fragmentation of the holdings, initial heavy expenses, absence of repair facilities in nearby towns and uncertainty about water supply.<sup>74</sup>

### **Tenancy and capitalist farming**

An important issue facing Uttar Pradesh in the 1950s and 1960s with its possible implications for the growth of capitalist farming was the question of tenancy. As mentioned earlier, the ZALR Act had prohibited future leasing of land, except in certain circumstances such as in cases of widows, minors, disabled persons and those serving in defence forces.. This had been done because of the overarching ideal of the ownership of land by tillers and also due to the oppressive nature of tenancy for the tenants in the colonial period. It was felt that allowing tenancy may lead to the resurgence of landlordism.

However, despite the legal prohibition, tenancy continued in an informal manner. Moreover, the nature of tenancy was changing. Already by 1955, about 61.38 per cent of the land leased out in the entire India was contributed by small peasants holding less than 5 acres and in the undivided Uttar Pradesh 64.13 per cent of the land leased

<sup>73</sup> *Ibid.*

<sup>74</sup> Louis J. Walinsky, ed., *The Selected Papers of Wolf Ladejinsky: Agrarian Reform as Unfinished Business*, New York: OUP, 1977, p. 479.

out was contributed by these small peasants holding less than 5 acres.<sup>75</sup> As for the land leased in the entire country, around 60 per cent were taken on lease by those holding more than 10 acres; only 20 per cent was taken on lease by those holding less than 5 acres.<sup>76</sup> Moreover, tenancy was becoming more commercial.<sup>77</sup> As one economist wrote in 1962, 'Thus, the benefits of cultivation on the leased out area are largely reaped by the large holders... They take lands on rent with a view to investing capital in cultivation and reaping some benefits by undertaking commercial agriculture on those lands taken on lease.'<sup>78</sup>

The inquiries made by Ladejinsky in Aligarh district of Uttar Pradesh in 1963 revealed that despite legal prohibition, clandestine leases were entered but the area under such leases were not much. Some leases were also claimed as *sajhedari* that is partnership-in-cultivation, the latter being permitted by the ZALR. The *sajhedari* envisaged the cultivation of land by the landholder with the help of his partner. Ladejinsky found that even the area under this system of cultivation was not much. The Planning Commission urged the State government in 1960 that 'the problem of concealed tenancies in the form of *sajhidars* needs to be tackled expeditiously.'<sup>79</sup>

In 1964, a proposal was discussed in the UP cabinet. This proposal sought such amendments in the zamindari abolition act which will allow *bhumidhars* and *sirdars* to lease out their lands in order to facilitate increased agricultural production. Such amendments were justified on the ground that they will facilitate increased agricultural production. Charan Singh opposed this proposal.

In fact, the Planning Commission had also supported allowing leasing out of land in Uttar Pradesh. Charan Singh suggested that the violation of the ZALR Act with regard to the prohibition of leasing out of land was done only by 5 percent of *bhumidhars* and *sirdars* and the leased land did not constitute a substantial percentage. Fearing that allowing the leasing out or subletting of land may 'upset the entire basis of our land

<sup>75</sup> National Sample Survey, Eighth Round, No. 10, First Report on Land Holdings, Rural Sector, Delhi, 1958, pp. 23-4.

<sup>76</sup> Sulekh C. Gupta, 'Agricultural Growth', in Romesh Thapar, ed., *Indian Economic Thinking*, Bombay: Allied Publishers, 1979, p. 61. This article was first published in the October 1962 issue of *Seminar*.

<sup>77</sup> *Ibid.*, pp. 61-62

<sup>78</sup> *Ibid.*, p. 62.

<sup>79</sup> Planning Commission, Land Reforms Division, *Progress of Land Reforms*, July 1960, Appendix II, p. 50.

reforms<sup>80</sup>, Charan Singh said that: 'Reference to the opinion of the Planning Commission or any 5-year Plan carries little weight with me... We here have to take decisions on merits and not on what the Planning Commission says or does not say.'<sup>81</sup>

A few months later, Charan Singh argued that 'it is the right of a land-owner to lease out his land to others for cultivation which leads to landlordism or the system of Zamindari.'<sup>82</sup> Giving back this right of leasing out to bhumidhars and sirdars, he feared, might lead to the revival of landlordism. While in an earlier note, he seemed to accept that allowing leasing out might lead to increased agricultural production, soon he argued that leasing out will not lead to increased production. He argued that 'it is admitted all over the world that a tenant does not produce as much as an owner. By conferment of the right of lease on a land-owner, we are going against this universally-accepted economic truth.'<sup>83</sup>

Charan Singh's stand on tenancy in 1964-65 shows his inability to distinguish three different types of tenancy, pre-capitalist tenancy paying pre-capitalist ground rent, a transitional form of tenancy paying a transitional rent and capitalist tenancy paying capitalist ground rent.<sup>84</sup> In the 1950s, a reverse tenancy was coming into greater presence with substantial landowners especially rich peasants leasing in land from small holders. While a smallholder leases in land for one's subsistence, the 1950s in Uttar Pradesh, especially in those re saw the increasing prominence of large holders especially rich peasants leasing in land who would be driven to leasing in of land not to meet their subsistence needs but to earn profit. This kind of large holder tenants

<sup>80</sup> Charan Singh in a note to Special Secretary, Ministry of Agriculture, dated June 25, 1964, CS Papers, 1<sup>st</sup> Installment, Subject File no 11 titled '1949-64: Papers/notes/statements relating to the role played by Charan Singh in the implementation of land reforms and abolition of zamindari system in U.P.', NMML.

<sup>81</sup> *Ibid.*

<sup>82</sup> Charan Singh in a note to the chief minister dated January 11, 1965, in CS Papers, 1<sup>st</sup> Installment, Subject File no 11, NMML.

<sup>83</sup> *Ibid.*

<sup>84</sup> Utsa Patnaik differentiates pre-capitalist rent from capitalist rent : 'Thus, pre-capitalist rent represents the surplus of output value over production costs including customary consumption of the petty producer, while capitalist rent represents the surplus of output value over the price of production(which includes average profit.' In Utsa Patnaik, 'Classical theory of rent and its application to India: Some preliminary propositions, with some thoughts on sharecropping', *JPS*, Vol 10:2-3, 1983, p.77. Thus pre-capitalist rent is got after deducting from the output value the cost of cultivation which includes cost of material inputs and consumption cost of the family. The capitalist rent is output value minus cost of material inputs, wages and average profit. Prof Patnaik also talks about a third kind of rent which is transitional form to capitalist rent. This rent is characteristic of a transitional form of tenancy. In this tenancy form, the rich peasants lease in land to produce some profit('embryonic profit) after paying for ground rent and cost of production. See Utsa Patnaik, 'Class differentiation within the peasantry: An approach to analysis of Indian agriculture', *EPW*, Vol. 11:39, p. A-91.



were different from the earlier small holder tenants: while the former managed to earn some profit ('embryonic profit' which would be less than the average rate of profit in the economy) apart from paying high ground rent and cost of cultivation, the small holder or petty producer tenants could barely produce enough to pay pre-capitalist ground rent and cost of cultivation. Thus, the large holding tenant can pay for both rent and some profit.

After the green revolution, this transitional form of tenancy increasingly gave way to capitalist tenancy paying capitalist rent. The capitalist tenant was able to earn an average rate of profit (far greater than 'embryonic profit earned by rich peasants in the transitional form of tenancy) apart from paying for capitalist rent and cost of cultivation, only by producing more output by using better inputs and techniques of cultivation. Thus Charan Singh's argument regarding the greater producing capacity of the owner in comparison to tenant does not hold.<sup>85</sup> What matters is the kind of tenant we are talking about, whether it is the smallholding tenants or transitional rich peasant tenant or pure capitalist tenant. Further, given the nature of tenancy which was prevalent in Uttar Pradesh in 1950s, the fears of revival of landlordism were unjustified to some extent. What was prevalent was more a farrago of different kinds of tenancies, with reverse tenancy present and poised to grow further in the context of food inflation, greater private investment in technical change (as in irrigation) leading to improved productivity enabling the tenant to earn a profit apart from paying for rent and cost of cultivation, and greater government support (with substantial landholders and tenants more likely to benefit from such support).

The proposal to allow leasing out of land was discussed in the Uttar Pradesh cabinet meeting on November 17, 1965. The proposal was supported by the then revenue minister Hukum Singh and the agriculture minister Genda Singh. According to Charan Singh, the chief minister Sucheta Kriplani was in favour of this proposal but she agreed to drop it after hearing Charan Singh's arguments.

<sup>85</sup> In this regard, Utsa Patnaik aptly says: '... The question of the 'efficiency' of the typical 'tenant' compared to the typical 'owner', would represent a meaningless way of posing the question where 'tenants' run the gamut from large-scale capitalist producers to poor peasants hiring out their labour, and 'owners' similarly run across this same gamut.' Utsa Patnaik, 'Ascertaining the Economic Characteristics of Peasant Classes-in-themselves in Rural India: A methodological and Empirical Exercise, *JPS*, 15:3, 1988, p. 303.

However, he soon discovered that the proposal was discussed again on November 22. The chief minister asked Charan Singh in a letter a few days later to discuss the leasing out with cabinet and revenue secretaries. Charan Singh wrote back to the chief minister on February 4, 1966 that the prohibition of leasing out was a policy decision of the Congress Party and Uttar Pradesh and that now permitting it 'will be detrimental to public interest and will undo the effects of zamindari abolition, to a very, very large degree.'<sup>86</sup> To this, the chief minister said that this matter could wait. As it turned out, nothing happened to this proposal and the leasing out continued to be prohibited with the relevant provision in the ZALR Act remaining unamended.

However, the leased-in area as a percentage of operated area had increased in Uttar Pradesh between the NSS 17<sup>th</sup> round report on landholdings of 1961 and the NSS 26<sup>th</sup> round report on landholdings of 1971 from 8.06 to 13.01.<sup>87</sup> Green revolution from the mid-1960s onwards may also have affected the nature of tenancy in Uttar Pradesh by giving a further fillip to reverse tenancy. Talking about the impact of the 'new technology' associated with the green revolution on tenancy at an all India level, Byres says that 'renting out by poor peasants to rich peasants has been given an impetus by the conditions wrought by the 'new technology.'<sup>88</sup> The same might also have happened in Uttar Pradesh with rich peasants and capitalist farmers, enabled by new techniques of cultivation to overcome pre-capitalist barrier and earn profit too, leasing in more land from poor and middle peasants.

Among the forms of tenancies which were informally present in Uttar Pradesh during the period under study, sharecropping was the leading one. One reason for its greater prevalence might be the fact that sajhedari system was recognised in the ZALR Act. However, the greater prevalence of sharecropping was not likely to be incompatible with reverse tenancy. Rich peasant and capitalist tenants are also known to cultivate on sharecropping basis though not to the same extent as do petty producers. As Utsa Patnaik argues:

While sharecropping as a sub-form of kind-rent payment is empirically associated with petty production, it is not restricted to petty production, but

<sup>86</sup> Charan Singh, *Land Reforms in U.P. and the Kulaks*, Vikas Publications, New Delhi, 1986, p. 194.

<sup>87</sup> Pranab Bardhan, 'Variations in extent and forms of agricultural tenancy-II', *EPW*, Vol.11:38, p. 1544.

<sup>88</sup> Terence J. Byres, 'The new technology, class formation and class action in the Indian countryside', *JPS*, Vol, 8:4, p. 430.

can be compatible with transitional and capitalist production as well ... Share-of-crop rents are sometimes also found to be paid by labour-hiring rich peasants, or by capitalist entrepreneurs.<sup>89</sup>

However, as late as 1978, Charan Singh was conflating farm tenancy with landlordism.

Farm tenancy, therefore, needs to be replaced by peasant proprietorship which means that landlordism has to be abolished lock, stock and barrel ... and no farmer [permitted] to lease out his land unless he is a member of the armed force of the Union, suffers from an unsound mind or is physically handicapped from carrying on cultivation.<sup>90</sup>

### **Conclusion:**

Thus, it appears that his theoretical defence of peasant proprietorship notwithstanding, his political action with regard to land reforms helped in the emergence of rich peasants as a powerful economic strata with potential to become proto-capitalist farmers and finally make a transition to the full-fledged capitalist farming. The green revolution and the provision of remunerative prices along with high food prices from 1960s onwards helped the growth of capitalist farming in Uttar Pradesh, especially in its western parts, by making it possible for the rich peasants and landlord capitalist to overcome the high pre-capitalist ground rent barrier. As discussed in an earlier chapter, Charan Singh was a vocal opponent of the proposed agricultural taxation. Both this and his opposition to compulsory procurement of foodgrains further strengthened the accumulating capacity of the rich peasants and the capitalist farmers.

It also appears that Charan Singh had a flawed understanding of the nature of capitalist farming and peasant farming. As a result, he was led to believe in the superior viability of peasant family farming and in the inverse relationship thesis, he denied the process of differentiation among the peasantry and also repudiated the idea of capitalist concentration of land in agriculture. Due to his misconceptions regarding both capitalist and peasant family farming, he failed to recognise the

<sup>89</sup> Patnaik, 'Classical Theory of Rent and Its Application to India', p. 81.

<sup>90</sup> Singh, *India's Economic Policy*, p. 11.

changing nature of the agrarian structure in a capitalist direction. He also failed to appreciate the true character of tenancy in 1950s and 1960s, and refused to lift the legal prohibition on tenancy for the fear of revival of landlordism.

## Chapter 4:

### Peasant Proprietorship and Joint Cooperative Farming

As one of the foremost defenders of the peasant proprietorship in post-independence India, Charan Singh dismissed the zamindari system, disapproved of the capitalist farming (though as the previous chapter showed, his actions in the political realm often helped the cause of capitalist farming by increasing accumulating capacity of the middle and rich peasantry thus paving the latter's way to transition to capitalist farming) and was severely critical of the joint cooperative farming. Arguing for historical and continued superiority of peasant proprietorship over capitalist farming, he sets himself to the task of constructing the institutional and legal foundations of the former in post-independence Uttar Pradesh. His role in the zamindari abolition, implementation of consolidation operations, ceilings, land records, the question of food policy including foodgrains price, the issue of taxation of substantial landholders, etc laid not just the foundation of peasant proprietorship but also built in this system considerable potential for differentiation with a strata of large landholders either already doing or at least well set to earn profit in cultivation by producing more through investment in improved techniques and by the use of wage labour.

On the other hand, peasant proprietorship could never solve the problems faced by the majority of small, uneconomic holdings. The question of agricultural labour was even more intractable within this system. One solution could have been the cooperative organization of the agriculture, in the form of growth of service cooperatives or joint cooperative farming or both of them. Charan Singh, however was averse to joint cooperative farming and not too enthusiastic about service cooperatives. One newspaper was constrained to observe in 1954:

The U.P. agrarian reform encourages agrarian capitalism and takes no notice of landless labour. There is scope for subletting under disguise and many of the bhumidars are intermediaries in new form. The principle that land should belong to the tiller is not near realization and a system of peasant proprietorship, in which the owner could use or misuse land as he likes, is not calculated to promote either productivity or economic democracy.<sup>1</sup>

<sup>1</sup> 'More Land Reform', an editorial in *National Herald*, Lucknow, 22 September 1954, in CS Papers, 1<sup>st</sup> Installment, Subject File no 13 titled '1950-54: Papers and press clippings relating to forcible

While supporting what the U.P. Land Reforms (Amendment) Bill, which was enacted in 1954, did for adhivasis (a tenant of sir, a sub-tenant or an occupant), this newspaper pointed out the continuing problems of big holdings and also of fragmentation of holdings, in the absence of any scheme for redistribution of land and for cooperative farming.

This chapter deals briefly with Charan Singh's work related to the zamindari abolition and then takes up his theoretical defence of the system of peasant proprietorship. Many of the steps related to agrarian organisation and such questions as credit and marketing etc which affected peasantry in a certain way have been dealt with in the previous chapter. After Charan Singh's theoretical justification of peasant proprietorship, whose some aspects like the questions of superior viability and efficiency of the peasant production have been dealt with in the previous chapter, I take up the issues related to the cooperative reorganisation of the agriculture which, the planners hoped, would solve not just the specific problems of the small, uneconomic and marginal holdings, but will result in higher total production and employment opportunities.

There were two aspects of the cooperative reorganisation of agriculture, first the creation of service cooperatives which would solve such problems as those of credit, marketing, processing etc by promoting cooperation between peasants on such and other issues. The second aspect was the question of joint pooling of land and labour. While Charan Singh supported only the first kind of cooperation, and that too only unenthusiastically, the planners and the central government, while putting due emphasis on the importance of service cooperatives, saw the second form of cooperation as being crucial to resolving many of India's agricultural and rural problems. I deal with both aspects of cooperative reorganisation of agriculture in an integrated fashion, though devoting more space to joint cooperative farming.

'The ideal system of land tenure which I would suggest for the consideration of those in whose hands it lies to influence the destinies of this great country, is peasant proprietorship that is ownership of land by the man who tills it.'<sup>2</sup>The principle on

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contribution for the Zamindari Abolition Fund', NMML.

<sup>2</sup> A note titled 'Peasant Proprietorship' dated June 13, 1939, in CS Papers, 1<sup>st</sup> Installment, Subject File

which this system of land tenure operated was: treating land as a means for employing the labour of those engaged in agriculture and not as a source of rent or speculation. Further, land was to be held only as long as it was used in the national interest.

As early as 1939, Charan Singh declared that the ideal system of land tenure was neither zamindari system which '... resulted in improper and insufficient utilisation of the nation's greatest source of wealth' nor the collective farming of the Soviet variety which failed '... to take into account the psychological realities ... with the impossibility of abolishing the 'instinct of private ownership in this acquisitive age.'<sup>3</sup> As early as 1947, Charan Singh was convinced that peasant proprietorship was the ideal economy for India, 'the next step at any rate or the final step as you will.'<sup>4</sup>

The change in land tenure from zamindari to peasant proprietorship was to be achieved, not through the expropriation of the landlord but through payment of compensation by the tenants to the landlords at the rate of eight or nine times the annual rent of the holding. Further, since large scale farming was not in the national interest, therefore large estates was to be broken up into small holdings and the ceiling was to be fixed at 50 acres. He argued that peasant farming will lead to higher proportional returns from land.

He presented a bill in the United Provinces Legislative Assembly in 1940 which was titled the U.P. Land Utilization Bill. It sought to transfer the proprietary right of the agricultural holdings from the landlords to the actual cultivators. The landlords were to be compensated. Further it sought to prevent the sub-division of the agricultural holdings below a certain minimum. The Bill was seen by him to be 'the most non-violent way of revolutionizing the rural social organisation.'<sup>5</sup>

Charan Singh played a crucial role in the formulation and implementation of the Zamindari Abolition and Land Reform Act (ZALR), 1950.<sup>6</sup> The ZALR Act had

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no 2 titled '1939-65: Articles by Charan Singh on peasant proprietorship, production and size of farms, and debt redemption in U.P. Includes correspondence with K. N. Katju, Nawab of Chhatari and others and other papers related to the Subject', NMML.

<sup>3</sup> *Ibid.*

<sup>4</sup> Charan Singh, *Abolition of Zamindari: Two Alternatives*, Kitabistan, Allahabad, 1947, p. 154.

<sup>5</sup> In a letter to a friend dated 28 February 1940, in CS Papers, 1<sup>st</sup> Installment, Subject File no 2, NMML.

<sup>6</sup> Charan Singh was a member of the Zamindari Abolition Committee and the chairman of the drafting committee of the Zamindari Abolition Committee. He also played an important role in the Nainital meeting of the UP Cabinet, in which the zamindari abolition bill was drafted, lasting for 11 days. Oral History Transcript, Accession no 518, Chaudhari Charan Singh, pp. 37-38.

abolished tenancy except in the cases of widows, minors, persons serving in the defence forces etc. The ZALR Act had created two kinds of peasant proprietors, bhumidhars and sirdars. In 1964, a proposal was discussed in the UP cabinet. This proposal sought such amendments in the zamindari abolition act which will allow bhumidhars and sirdars to lease out their lands. Such amendments were justified on the ground that they will facilitate increased agricultural production. Charan Singh opposed this proposal after which the Chief Minister Sucheta Kripalani agreed to drop the proposal. Charan Singh argued that 'it is admitted all over the world that a tenant does not produce as much as an owner. By conferment of the right of lease on a land-owner, we are going against this universally-accepted economic truth.'<sup>7</sup>

In 1964, someone petitioned the chief minister to exempt orchards from the existing ceiling of 12.5 acres. Sucheta Kripalani referred the matter to Charan Singh who stoutly opposed such suggestion for raising the ceiling. He said that orchards bring higher incomes than ordinary agricultural crops. So if orchards are exempted from the existing ceiling, there is no reason why ceiling itself should not be removed. These two developments led Charan Singh to write a letter to the then Congress President, K. Kamraj in December 1965 where he expressed his fear that both these measures were likely to result in 're-emergence of landlordism and concentration of land in the hands of a few persons.'<sup>8</sup> He saw both these demands related to leasing and orchards as having the potential to upend his system of peasant proprietorship.

Apart from his role in the creation of two types of peasant proprietors in the categories of bhumidhars and sirdars, Charan Singh also worked actively to protect the interests of the adhivasis, a temporary type of land tenure which was expected to last for around 5 years, consisting of tenants of sir or sub-tenants. Demands were raised from many bhumidhars and sirdars that those of them who had less than eight acres of cultivated land be given the right under section 237 of the ZALR Act to eject adhivasis who had been otherwise given 5 years of security of tenure after which they could buy bhumidhari right on the payment of 15 times the circle rate of their land. Charan Singh spoke against such demands and, contrary to the demands being raised, he suggested that adhivasis should immediately be given the right to acquire

<sup>7</sup> CS Papers, 1<sup>st</sup> Installment, Subject File no 11, NMML.

<sup>8</sup> *Ibid.*



bhumidhari status on the payment of aforementioned amount of money.<sup>9</sup> The abolition of zamindari brought some change, at least social and psychological, in the position of sirdars, as compared to adhivasis who remained completely untouched.

Although the Act has not brought about any concrete economic change in the lives of the sirdars (for, they continue, and quite rightly, to pay the same rents now to the State as they were formerly paying to the zamindars), yet abolition of zamindari has meant a great social change for them and they can now walk with their heads erect.<sup>10</sup>

Charan Singh accepted that there had been no improvement in the status of adhivasis, not even in personal relations.

The adhivasis not only pay the same rents, which must be on the average more than double of those payable by sirdars, but they pay them to the same persons as before: they are still tenants and their future is uncertain. For them no zamindari has been abolished: they have no economic security.<sup>11</sup>

In order to get the adhivasis' rights in land recorded, he played an important role in the formulation and implementation of the Land Reforms (Supplementary) Act. He, however, was not satisfied with the results of this Act in recording the rights of adhivasis in land:

Far greater number of adhivasis who were even as much as recorded in possession have been ousted than have been entered or recorded in pursuance of proceedings taken under the Land Reforms (Supplementary) Act. Further, one should not be surprised if in some districts the number of those tenants of sir and sub-tenants who are not recorded but have not, owing to their poverty or ignorance, been able to take advantage of the L.R. (Supplementary) Act is found to be greater than that of those who have.<sup>12</sup>

He blamed the lack of active support from the Congress and other public workers for the inadequate results from the implementation of this Act. He said that the zamindari abolition legislation, though revolutionary in nature, did not require the Congress workers to do much, but this Land Reforms (Supplementary) Act 'which was a step

<sup>9</sup> The problem of adhivasis', Charan Singh's note, marked secret, dated 7 August, 1953, sent to the Chief Minister G. B. Pant on the same day along with a letter, in CS Papers, 1<sup>st</sup> Installment, Sub File no 11, NMML.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

full of vast potentialities, required public workers' active cooperation to reap full benefit out of it.<sup>13</sup> However, in the absence of such cooperation forthcoming, many adhivasis were deprived of their rights and evicted from their lands.

Charan Singh again raised the question of granting bhumidhari rights in their land to these adhivasis. Despite the opposition of some ministers in the U.P. government and many 'prominent Congressmen from eastern districts'<sup>14</sup> the Chief Minister Pant agreed with Charan Singh's proposal and an ordinance was promulgated giving the adhivasis the right to acquire sirdari and bhumidhari rights in their land on the payment of fixed multiples of their rents.

Further, for all its limitations, the ZALR Act did succeed in giving a huge fillip to personal cultivation and causing a big decline in tenancy. A study of the impact of zamindari abolition in Uttar Pradesh, conducted under the Planning Commission, noted that:

At the time of abolition, about 20% of total cultivated area was cultivated by proprietors and the remaining area by tenants. There were six main categories of tenants under the Zamindari system. After the Zamindari abolition, it was found in the sample villages that 87.12% of the medium holdings (5-15-acres) and 72.26% of large holdings (15-40 acres) were personally cultivated.<sup>15</sup>

Charan Singh also offered a theoretical defence of peasant proprietorship system. In every sphere of economic activity, he had four goals in mind. First was the question of production: how to increase the total wealth of the Indian society. The next two goals were related to the question of distribution: elimination of employment and under-employment and the equitable distribution of wealth. Fourth and the final goal was making democracy a success because democracy was considered, among other things, to be the best means of achieving the first three goals.

Charan Singh argues that

<sup>13</sup> *Ibid.*

<sup>14</sup> Charan Singh, *Land Reforms in U.P. and the Kulaks*, Vikas Publishing House, New Delhi, 1986, p. 84.

<sup>15</sup> A copy of the report, submitted to the Planning Commission, titled 'Land Reforms in Uttar Pradesh' by Baljit Singh and Shridhar Misra. In Asok Mitra Papers, Subject File no 617, NMML.

while in sheer theory, the size of the farm, in and of itself, did not affect production per acre, in actual practice and for reasons following, given the same resource facilities, soil content and climate, a small farm produces, acre for acre, more than a large one—howsoever organised, whether co-operatively, collectively or on a capitalistic basis.<sup>16</sup>

First of all, a plant is a living thing. Therefore, it requires personal care and the yield depends on the care that the farmer is able to give to the conservation of soil and the protection of the plant. Unlike the industrial work which is mechanised, repetitive and impersonalised, the farm work requires intimate care of the crops which is possible only on a small farm. If wage labour is employed to manage cultivation on a big farm, that will give rise to the myriad problems of supervision and management. If the big farm is a co-operative one, then that will create the problem of distributed responsibility and this problem will persist as long as members of such co-operative farm are not inspired by common interests or by high idealism.

Another ground for the greater per acre production of the small farms was the greater effort put in by the peasant family who, as Charan Singh correctly points out, are usually under-employed on their holdings. Since they do not pay themselves for their work on farms, they are willing to put in every bit of their labour for even a small increase in produce. Charan Singh had suggested that the condition of the Indian agriculture, marked by shortage of land and surplus of labour, necessitates the maximum exploitation of land. The same is also true of peasant farming. 'In the peasant farming land is the limiting factor, and the greatest profits, therefore, lie in the maximum yield per acre.'<sup>17</sup>

Thus there is a fit between the condition of Indian agriculture and this above-mentioned quality of peasant farming which enables extraction of maximum yield per acre. On the other hand, for a large farm employing wage labour, labour is the limiting factor and not the land. The owner of a large farm employs wage labour and he will not employ extra labour unless the additional output is more than the wage of the extra labour. Thus land, the limiting factor in Indian agriculture, may well fall short of being exploited to the maximum extent on a large farm. As Charan Singh puts it, 'the maximum profits in the case of a big farmer will not, therefore, correspond to

<sup>16</sup> Singh, *India's Poverty*, p. 39.

<sup>17</sup> *Ibid.*, p. 41.

the maximum yield from land as in the case of a small farmer, but to maximum exploitation of labour.<sup>18</sup>

To put it differently, the reason why peasant farming, in comparison to wage labour based large scale farming, lends itself to maximum exploitation of the limiting factor in Indian agriculture namely land is that peasants are willing to work on below-wage level returns. But Charan Singh also offers a non-economic argument for why peasants working on small farms achieve greater production per acre. Peasants cannot be matched by wage labour in terms of devotion to various aspects of farming. While labourers work for their wages, peasants are motivated not just by material gain, Since agriculture is also a way of life for them, farming is labour of love for them.

The ownership of property in the form of land and the fact of being the master of his produce give the peasant the incentive to work hard. It was suggested by many that joint co-operative farming will not necessarily lead to the elimination of individual ownership and the peasants will have shares in the joint cooperative farming societies. Charan Singh, however, suggested that land is much more to a farmer than shares in a company. 'Merger of a person's land in a joint farm will mean a world of change in his life; not so the purchase of shares by him in a company.'<sup>19</sup>

Finally, peasant farmers are able to rear more cattle per acre due to their surplus labour resources. A large private farm does not have such surplus resources that could take care of such cattle. As for co-operative or collective farms, they may have surplus labour resources, but cattle may not get the affectionate and intimate care there that only peasants are capable of giving to it. As a result, the capacity of a large co-operative to maintain cattle is inferior compared to that of small peasant holdings. Since small peasant holdings can carry more cattle, they produce greater farmyard manure which helps in the long term maintenance of soil fertility leading to greater production per acre compared to large farms which are more dependent on inorganic chemical fertilizers which, according to Charan Singh, may give spectacular increase in production in the short run but are ultimately soil-depleting.

The creation of maximum employment was a central pillar in the political economy of Charan Singh. As he put it,

<sup>18</sup> *Ibid.*, p. 41.

<sup>19</sup> *Ibid.*, p. 43.

In our country, with its dense population, the practical politician will have to correct the economic stand-point with the social, and in many respects the economic problem for him will become a problem of population. He will want employment more than he hates poverty. Hands, therefore, must have precedence over the machine in India (even if we equate mechanisation with plenty).<sup>20</sup>

But off course this trade-off between employment and poverty never existed for him, because small farms not only provided greater per acre production than large farms but also provided employment to more people than did large farms.

Charan Singh argued that 'small-scale economy, both in the field of agriculture and industry, is the major solution of our employment problem.'<sup>21</sup> While large holdings lead to the heavy use of machinery and to the displacement of labour, small farms largely avoid machines and use more human labour. It was his concern with the elimination of unemployment that led him to oppose mechanisation in Indian agriculture. Arguing that there is no work in agriculture that cannot be done by the vast labour resources of India which remain unemployed or under-employed, he opposed mechanization of agriculture which he considered to be 'unnecessary, impracticable in our conditions, or too expensive.'<sup>22</sup> Against the view that mechanisation may eliminate some jobs, but will create other jobs in agriculture, he said that jobs created by mechanisation will be eclipsed by those lost by it.

The chief benefit of mechanisation was seen by him not as the elimination of work but only of drudgery and servile work. However, unlike labourers who worked in a factory, a peasant's work was not 'servile or a type of work that the machine was intended to eliminate.'<sup>23</sup> While Charan Singh welcomed those tools and machines which do not eliminate either the use of animal power or that of peasant's labour and which did not affect the peasant's independence, he was opposed to tractors. He expressed his fears thus: 'the tractor strikes at the very basis of independent farming. For, it nullifies the one competitive advantage which the peasant-farmer enjoys over the large farm or farmer, viz., the cheap labour supply of his family.'<sup>24</sup>

<sup>20</sup> *Ibid.*, p. 114.

<sup>21</sup> *Ibid.*, p. 107.

<sup>22</sup> *Ibid.*, p. 107.

<sup>23</sup> *Ibid.*, p. 115.

<sup>24</sup> *Ibid.*, p. 115.

Charan Singh argued that large, privately-owned farms would have no place in India if she wanted to build an economy marked by equitable distribution of wealth and an absence of disparities of income. The principle of social justice would require transferring land from those who possessed more than the ceiling limit to those who were either agricultural labourers or had uneconomic holdings. He disagreed with those who had argued that both agricultural and non-agricultural property should be treated in the same way and any ceiling on land should be accompanied simultaneously by limits on non-agricultural, urban property.

He made a distinction between land and non-agricultural forms of property on the ground that while man cannot create land, the non-agricultural property owner has, while establishing factory etc, brought something new in existence. Moreover, in India, it was land that was the limiting factor, and while capital too was scarce, it was not as limited as land; therefore it was land more than capital, the latter being a crucial factor of production with which non-agricultural property owners dealt with, that needed a ceiling. Nevertheless Charan Singh suggested measures to reduce concentration of wealth in non-agricultural sector too. For this, he suggested the imposition of limits on shareholdings and imposition of uniform accounting systems, appointment of independent auditors etc to prevent accumulation of illegal profits.

As for land, the governing principle for ceiling and redistribution of land should be that:

... none is allowed to possess an area of land which under our technique of farming is beyond the capacity of an average man or worker to manage and none possesses less than an area below which, howsoever more labour may be applied to it, land will not produce more per acre.<sup>25</sup>

The ceiling or the upper limit of the farm should be fixed at a point where the law of decreasing returns begins to operate and the lower limit or floor of the farm should be fixed at a point where per acre production, no matter how much labour is added, begins to decrease. On the basis of various studies made about the size of the holdings and productivity such as those made in the United States and China, Charan Singh calculated the upper limit or the ceiling of the farm to be at 27.5 acres and the lower limit of the holding to be at 2.5 acres. The ceiling of 27.5 was only for an individual

<sup>25</sup> *Ibid.*, p. 123.

worker on land, so if an average family of 5 had 2 workers on land then the ceiling of that family would stand at 55 acres. He however conceded that since the upper limit of 27.5 acres and the lower limit of 2.5 acres had been reached with reference to other countries such as the United States and China, so if slight changes are made in these limits, 'we will not be deviating, or deviating far from facts of agricultural economics.'<sup>26</sup>

These upper and lower limits of 27.5 acres and 2.5 acres respectively per worker had been reached in studies on farms cultivated basically with the help of human labour and with basic tools, so a different ceiling applied to mechanized farms, this ceiling coming around 100 acres. However, given the conditions of Indian agriculture, with such a huge labour surplus, only the upper limit of 27.5 acres and lower limit of 2.5 acres applied here.

While Charan Singh was usually harshly critical of joint cooperative farming, he conceded that as far as the question of equitable distribution of wealth was concerned, this kind of farming will be better than 'an economy of small farms, where disparities in economic status, although greatly reduced, will still remain.'<sup>27</sup>

Another great advantage of peasant farming, according to Charan Singh, was that it fostered freedom and was conducive to the maintenance of democracy. He deprecated big property and saw it as facilitating the rise of authoritarian governments. On the other hand, dispersion of property in both agriculture and industry was seen by him to be a prerequisite for democracy. This theme will be taken up for a more detailed discussion in the next chapter on agrarian populism.

Charan Singh responded to the charge that small farms would not be able to survive the competition from the capitalist farms. That small farms might be useful in the pre-capitalist world but that small farms have become a fetter on productive forces now. He held that small farms, rather than being a fetter on production, is an encouragement to greater production. He asserted that while the discoveries and inventions of 18<sup>th</sup> century brought about a revolution in manufacturing, no such

<sup>26</sup> *Ibid.*, p. 124.

<sup>27</sup> *Ibid.*, p. 126.

revolution or technical improvements occurred in agriculture. Since agriculture is a biological process, and not a mechanical process, the introduction of mechanical inventions have not led to an increase in the capacity to produce from land. If at all some technical progress has been made in the field of agriculture, then 'peasant farming as such offers no hindrance to technical progress which can be achieved by co-operative action on the part of peasants.'<sup>28</sup>

Charan Singh was of the opinion that Marx's doctrines had failed to materialize in the field of agriculture. The concentration of property in increasingly fewer hands had not taken place as predicted by Marx. The average unit of agriculture had continued to be small. If peasantry had disappeared in places such as England, that was accomplished by political means and not due to any technical inferiority of the peasant holdings. Charan Singh also effectively denies the class differentiating process in agriculture. Writing in 1947, he said that peasants have not become proletariat and that the agricultural "wage-slaves" of Marxian economics have not come into existence. Arguing that the number of agricultural labourers compared to that of cultivators was small in UP according to the 1931 census, he held that the 'labour in an Indian village enters into the realm of commodity in a very limited sense only.'<sup>29</sup> These themes of peasant differentiation and concentration of property in agriculture have, however, already been dealt with in the earlier chapter on capitalist agriculture.

He also averred that it would not be proper to call a peasant a capitalist since, unlike a capitalist, a peasant never accumulates. 'A peasant proprietor is neither a capitalist nor a labourer in the usual sense of the terms. Although he may occasionally employ others, he is both his own master and his own servant.'<sup>30</sup> The peasant neither exploits others nor exploited by others.

### **Land Ceiling and Charan Singh's Class Location within Peasantry**

The question of ceiling on land holdings was an important component of land reforms undertaken in post-independent India. It was also a piece of land reforms with regard to which his opponents heavily criticised Charan Singh. In the period after the enactment of the ZALR Act, Charan Singh showed a general indifference towards the

<sup>28</sup> Charan Singh, *Abolition of Zamindari: Two Alternatives*, Kitabistan, Allahabad, 1947, p. 147.

<sup>29</sup> *Ibid.*, p. 150.

<sup>30</sup> *Ibid.*, p. 152.



question of ceilings and was more occupied with the problem of the consolidation of holdings. Charan Singh wrote a letter to *Times of India* after an article in this newspaper on land reforms in some of the States had made no mention of U.P. This letter gives the impression that Charan Singh did not consider land ceilings to be an urgent and important measure that needed to be taken in U.P.

Big holdings in our State are very few, only one out of a thousand having an area of 50 acres or more. At the same time agricultural labourers constitute only 5.7 percent of our population while the percentage for the entire country stands at 12.5. If we take away excess land from holdings of more than 25 acres, only 7.5 lakh acres of land will be available for distribution while more than 4.25 crore acres is already under cultivation. That is why, the problem of land redistribution in our State is not a live issue or a problem of any practical significance; otherwise we would not have hesitated to put a ceiling on the existing holdings.<sup>31</sup>

Writing to Lieutenant Governor in Shimla on February 1959, Charan Singh expressed his opposition to the use of land ceilings as a way of reducing the size of large holdings. Instead he referred to the earlier Large Holding Tax which he believed had been effective. He believed that land ceilings will do 'irretrievable harm to the Congress'.<sup>32</sup>

The central Food and Agriculture Minister A. P. Jain, himself from U.P., drew Nehru's attention to the difficulty of implementing land reforms especially ceilings programme.

Constituted as our State Legislatures are with a large element of middle class farmers, any programme of a ceiling finds little support there. I am afraid that the Planning commission and my Ministry will not succeed in increasing the pace of the land reforms in any substantial degree. This can be done by you and the Cabinet and the Congress Executive.<sup>33</sup>

<sup>31</sup> See his three page letter to *Times of India*, dated 29 May 1955. He also reserved this letter for the Chief Minister. In CS Papers, 1<sup>st</sup> Installment, Subject file no 21 titled '1953-59: Papers/press clippings relating to critical appraisal of land reform measures in U.P. and its replies by Charan Singh. Related correspondence with H. D. Malaviya, Sucheta Kripalani, Frank Moraes and others', NMML.

<sup>32</sup> See his letter to Lieutenant Governor of Shimla, dated 20 February 1959, in CS Papers, 1<sup>st</sup> Instalment, Subject File no 49, NMML.

<sup>33</sup> A. P. Jain's letter, dated 25 November 1957, to Nehru, in A. P. Jain Papers, Subject File no 6, NMML.

Following the Nagpur resolution of 1959, the Act related to ceiling was passed in UP in 1960 and was titled the Imposition of Ceilings on Land Holdings Act.<sup>34</sup> This Act fixed the land ceiling at 40 standard acres for a family of five. But for a large family the ceiling was fixed at 64 acres as far as the highest quality land was concerned and at 128 acres as far as the poorest quality land was concerned. But the act provided so many loopholes and exemptions. The Land Ceilings Law of 1960 was amended in 1972 but could come into force only in June 1975. However, the estimate of surplus land to be available for redistribution was only one lakh hectares despite significant lowering of ceilings. When the original ceiling law had been implemented, the estimate of surplus land to be available for redistribution was 2.5 lakh hectares.

As for Charan Singh, he accepted the need to impose ceilings on land holdings. But his ceiling was fixed too high given that in India the land man ratio was quite low. On the basis of many existing studies he came to regard the ideal size of a farm for an adult worker in a labour surplus and land scarce economy like India to be between 2.5 and 27.5 acres. The upper limit was the point below which there was decreasing returns to per unit of labour applied and the lower limit was the point below which no matter how much labour was applied, the production per acre began to decline. He argued for the inverse relationship thesis which stated that as the size of landholding increased, the production per acre began to decrease.

Scholars such as Terence J. Byres have criticised Charan Singh's high ceiling on holdings. He has suggested that going by his logic of inverse relationship thesis, Charan Singh should have placed the ceiling at 2.5 acres rather than at 27.5 acres. But class allegiance stood in the way of following the logic of his argument. Paul Brass defends Charan Singh by arguing that while Byres' critique is cogent, but 'it diminishes Charan Singh's own vision of the conversion of the downtrodden Indian peasantry into a class of self-respecting and prosperous farmers into an apologia for the "rich" as well as the middle peasantry.'<sup>35</sup>

<sup>34</sup> One author commented on the rather late introduction of ceilings law in Uttar Pradesh. 'The rich farmers' lobby in the Congress has been so strong that the first attempt to impose a ceiling on land was made in 1960, 13 years after independence, though radical elements in the party had been clamouring for decades for leveling inequalities in villages by giving land to the landless.' U.P. Harijans Deprived of Land Reform Benefits, *Times of India*, 13 September 1973, in CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File no 446, NMML.

<sup>35</sup> Brass, *An Indian Political Life*, vol. 1, p. 118.

Brass also refers to the compulsion of the competitive electoral democracy which made it impossible for Charan Singh to stick to such a low figure as 2.5 acres as the ceiling.. Moreover, he says, even with a ceiling of 2.5 acres, there was hardly enough land to provide for each family or adult worker. Charan Singh had also opposed the ceiling policy in the Nagpur session of the Congress in 1959. Further, as pointed by Brass, he believed that the zamindari abolition and the Large Holdings Tax Act of 1957 had led to a reduction in the holdings of the large owners and had made imposition of ceiling redundant.<sup>36</sup>

Scholars have differed on the question of the exact strata of peasantry whose interest Charan Singh represented. Charan Singh's own image was one of the representative of the entire peasantry, in fact even the entire rural classes as against the urban classes. Scholars like Paul Brass have suggested that Charan Singh represented the interests of small and middle peasantry, but not those of marginal farmers, tenants and labourers. Brass says that it would be wrong to depict him as defender of the rich peasantry and that Charan Singh's position was

... not merely or even primarily a case for the establishment of a kulak class of rich peasants, but was designed to benefit all small and middle holders of land that could be cultivated efficiently and productively to the benefit of both the cultivator and the country...<sup>37</sup>

For the marginal farmer, Charan Singh supported redistribution of land so that their holdings may be brought up to the size of 2.5 acres, this size being necessary for efficient cultivation. Brass concedes that agricultural labour had no place in Charan Singh's agrarian vision. In fact Charan Singh argued, as against the positions of leaders such as Vinoba Bhave, that if agricultural labourers were provided with tiny plots of land then the country's political leadership may get complacent. He thought that there was only one solution to the problems of agricultural labourers. They should be absorbed in the labour-intensive small-scale industries that should be established on a large scale.

<sup>36</sup> *Ibid.*, pp. 119-20. One farmer from Meerut, G. E. Puech, wrote to Nehru and while Puech supported higher taxation on agriculture, he termed as expropriatory Large Holdings Act. 'Till a rational system of agricultural Income Tax can be devised to take the place of Land Revenue, all existing Land Revenue should be doubled. The present rates are pre-war and quite unreal. Enhancement would be no burden at all. On the other hand such acts as the U.P. Large Land Holdings Act are not bonafide taxation at all but openly and avowedly ex-proprietary.' From 'Note given to Prime Minister by Shri G. E. Puech, a farmer of Meerut District, UP, on 26<sup>th</sup> May, 1959' In A. P. Jain Papers, Subject File no 6, NMML.

<sup>37</sup> Brass, *An Indian Political Life*, vol. 1, p. 120.

## **Joint Cooperative Farming and Service Cooperatives**

Charan Singh differentiated between two kinds of cooperative farming. He was opposed to the kind involving the joint pooling and cultivation of land which he believed prevailed in Russia and China and which had been declared the ultimate aim of agrarian organisation by the Nagpur Resolution of the Congress Party in 1959. He, however, supported the kind of cooperative farming known as service cooperatives, which prevailed in Scandinavian countries and which involved cooperation in the areas of credit and marketing between independent cultivators.

Charan Singh opposed the kind of cooperative farming that had been proposed in the report of the Zamindari Abolition Committee. This type of cooperative farming was to involve pooling of individual holdings, capital, stock and labour. In its place, he suggested the establishment of service cooperatives. He further suggested certain measures related to land reforms, in a note on the report of the Zamindari Abolition Committee, whose focus was the consolidation of holdings, prevention of the multiplication of uneconomic holdings and the promotion of service cooperatives which will encourage cooperation between individual peasants.<sup>38</sup>

Arguing that cooperative farming cannot resolve the problem of unemployment, he proposed that latter can be tackled

... only by cottage industries which we will have to foster, organise and improve, with the aid of electric power where possible; we will have further to make them part of a system, including workshops and small factories, related to them. This system, integrated with agriculture, alone can give optimum employment to our rural masses.

Charan Singh asserted, in a letter to the chief minister Govind Ballabh Pant in 1952, that the abolition of zamindari had not solved the land problem completely but none of the three possible alternative proposed by the Commission namely land ceilings, cooperative farming and cooperative village management 'will be expedient just at present or is likely to be successful in the near future.'<sup>39</sup> He said that it was

<sup>38</sup> Note on the Report of the Zamindari Abolition Committee' dated October 18, 1948, in CS Papers, 2<sup>nd</sup> Installment, Speeches/writings by him, File no 446 titled '1946-1973: Material collected for the book "Land Reforms in U.P."', NMML.

<sup>39</sup> Charan Singh's note to chief minister Pant in 1952 in response to prime minister Nehru's letter to

theoretically correct to break up large farms and distribute the excess land among the landless or the owners of uneconomic holdings but stated the numerous practical difficulties besetting any such programme. Moreover, while land ceilings and distribution of surplus land 'may bring about some psychological change in the atmosphere, it will not solve the problem of the landless or uneconomic holdings or that of food production to any appreciable extent, at least, in Uttar Pradesh.'<sup>40</sup>

As for cooperative farming, Charan Singh rejected it on the ground that it could not yield greater produce or provide more employment opportunities. Moreover, it was also likely to destroy individual freedom.

Could large scale agriculture, whether private or cooperative, be carried on more successfully or produce more and give happiness to those engaged in it, the logic of technological advance, that is economic and other forces by themselves would have, just as they did in manufacturing industry, long ago abolished small, independent farming and, without any pressure from the State, replaced it by big units worked jointly by hundreds or thousands of persons together.<sup>41</sup>

The cooperative village management was considered by him to be as 'impracticable and injurious' as collective farming. He saw it as an attempt to introduce cooperative farming in disguise which will lead to collective farming. In place of the above-mentioned three measures suggested by the Planning Commission, Charan Singh proposed his own vision of steps necessary in the agrarian sphere. These measures were: consolidation of holdings, making holdings impartible below a certain minimum and such cooperative farming as found in Scandinavian and other European countries. 'The real mission of agricultural cooperation or cooperative farming should be simply to save the farmer from the disabilities entailed by the small size of his business and his lack of training in the ways of a commercial civilization, and nothing more.'<sup>42</sup>

However, with the beginning of the Second Plan, the cooperative reorganisation of agriculture acquired an urgency. The Union Minister of Food and Agriculture, A. P.

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Pant dated 20 June 1952 with which he had forwarded a note by the planning Commission. In CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a) titled '1952-58: Papers and press clippings relating to agrarian reforms, mainly feasibility of co-operative farming; includes views of Nehru, Charan Singh, G. B. Pant and some other people prior to Nagpur resolution', NMML.

<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*

Jain stated that the government intended to form co-operatives of the size ranging from 50 to 200 acres so that these co-operatives could 'derive optimum advantage of the technological improvements and all the financial and other assistance which the Government are providing to farmers.'<sup>43</sup>

He also promised preference to these co-operatives in the allocation of resources. However, he stated that the government was not visualising large-scale mechanised farming because a mixed farming combining mechanised and indigenous cultivation would be more appropriate for India. He allayed the fears that co-operative farming may result in more unemployment rather than solving the problem of unemployment. He opined that co-operative farming will provide full employment to many while the establishment of small-scale farming will make it possible to find employment for others.

In July 1956, the chief minister Sampurnanand declared the failure of the experiment of co-operative farming in the state and stated that 'time had not yet come to introduce co-operative farming in the state.'<sup>44</sup> The very next day, Charan Singh, the revenue minister, told the state assembly that the state government would retain big agricultural farms and did not agree with the recommendation of the Planning Commission about the fixation of ceilings on agricultural holdings. He suggested that there would be only 2 lakh acres of land, out of a total 4.5 crore acres of land in UP, available for distribution after fixing the ceilings.

Next year, however, Charan Singh brought a bill which proposed taxation of large holdings which would ensure that large farms would reduce their size and only efficient farms would continue to exist. The contradiction in Charan Singh's stand on small farms and ceilings was noted by one writer who suggested: 'one would wish the Government to be consistent. If a small holding yields more than a big one, then one fails to see how the newfangled zamindars' big farms could be treated differently.'<sup>45</sup> It was suggested that it was Charan Singh's views about cooperative farming which convinced Sampurnanand about the failure of the experiment of cooperative farming in UP.

<sup>43</sup> A news report in *The Pioneer*, April 20, 1956.

<sup>44</sup> CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>45</sup> A news report in *National Herald*, July 1956, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

Writing after the conferences of Central and State Ministers of Agriculture and of Cooperation in Mussoorie in June 1956, Nehru expressed his distress over what some State Ministers had to say in this conference about cooperative farming. Regarding cooperative farming as being essential from the economic and social points of view, Nehru wrote a few months later:

It is true that from the economic point of view, a large farm will also be very productive. But, once we give up these large farms, and have relatively small holdings or farms, then it becomes inevitable for cooperation between a number of small farmers.<sup>46</sup>

He further added: 'There are, of course, many types of cooperative farming, and we need not be rigid about a particular kind. But the principle and the essential aspects of practice have to be accepted and acted upon.'<sup>47</sup> Later in November 1956, he conceded that the cooperative movement had failed to evoke necessary response in India. Holding 'wrong and worthless' methods responsible for the insignificant impact of the cooperative farming movement, he tried to inject some urgency.

The movement was started a long time back and yet its effect has been so little. If we go at this rate, I am afraid, it will take hundreds of years to emancipate our farmers from the present state of poverty. We have to take quick steps. But, at the same time we have to adopt right methods.<sup>48</sup>

Nehru further emphasised the importance of cooperative farming in his speech in Lok Sabha in May 1957. This speech was considered to be an oblique attack on the agrarian policies of UP by many in the government there, including Charan Singh.<sup>49</sup> A news report opined that cooperative farming had failed and it had succeeded only where cooperative farms had been heavily assisted by the state governments. It made a reference to an unpublished study done by the Programme Evaluation Organization of the Planning Commission which pointed that "pooling of land for co-operative farming is of little advantage as such without improvements in the productivity of land and adoption of remunerative commercial crops."<sup>50</sup>

<sup>46</sup> Nehru's fortnightly letter, dated August 12, 1956, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> 'UP experts doubt feasibility of co-operative farms', *The Statesman*, May 19, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>50</sup> *Ibid.* It so turns out that Charan Singh had forwarded this unpublished report of the Planning

By August 1957, Nehru had softened his stance regarding cooperative farming. 'But, the question of cooperative farming really does not arise at this stage, except perhaps in the new land or here and there where people may agree to it.'<sup>51</sup> In a secret session of AICC on September 1, 1957, Nehru said that a beginning could be made by introducing cooperative farming in Gram Dan villages and in reclaimed areas. This was considered to be a shift from the earlier official emphasis on launching cooperative farming in the existing individual farms as well. As usual, Charan Singh criticised cooperative farming in this meeting holding it as being against individual freedom.<sup>52</sup> The September 1957 meeting of the AICC decided that

It is agreed on all hands that cooperative methods should be introduced in as many processes of agriculture as possible, including credit, irrigation, manuring, harvesting, marketing etc. The scope for Service Cooperatives is, therefore, very large.

Cooperative farming through the pooling of land could be experimented with especially in new agricultural colonies and in Gramdan villages. Needless to add that cooperative farming should be on a voluntary basis and the size of the farms should not be too large in order that close personal contact between the joint cultivators could be effectively maintained.<sup>53</sup>

In his fortnightly letter on September 3, 1957, Nehru stated that:

Our first concern must, therefore, be to build up multi-purpose cooperatives, apart from joint farming, and make them a success. It is only later that the question of joint farming arises. We cannot impose anything on our peasantry, and we can only introduce these changes by their willing consent...There are two cases, however, where it should be possible to have joint farming right at the beginning. This is where new land is reclaimed by the State, and it is open to the State to settle it in any manner it chooses. The second is in the case of Vinobaji's Gramdan.

Nehru's stand in this AICC meeting was considered to be a dilution of his earlier views which sought to impart urgency to cooperative farming. It was also seen as a

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Commission to this newspaper. He wrote to this newspaper criticising it for making a mention of this report despite a word of honour not make a reference to it.

<sup>51</sup> Nehru in his fortnightly D.O. dated 1 August, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>52</sup> A news report in *The Statesman*, September 2, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>53</sup> As referred to in the proceedings of the Congress Working Committee meeting of November, 1957, in AICC Papers, 2<sup>nd</sup> Installment, File no 3791, NMML.



vindication of the stand taken by Charan Singh.<sup>54</sup>

The cooperative movement in Uttar Pradesh faced innumerable difficulties. This was specially true of the cooperative farming societies engaged in joint cultivation. The First Plan had set a target for 100 co-operative farming societies in UP. During the period of the First Plan 168 societies were organised. One official report of 1957 on the working of these farming societies in the state mentioned that 'there exists in the state a potential demand for the organisation of the co-operative farming societies, specially from farmers who are unable to tackle their socio-economic problems with their meagre individual resources.'<sup>55</sup>

Such societies faced many problems hurdles in their working. To begin with, there was the question of agricultural income tax which discriminated against such farming societies. The co-operative farming society was treated as an individual for assessing such income tax. The result was that members of such farming societies who individually would not have been paying income tax due to their low income became liable to pay this agricultural income tax when they came together to form such co-operative farming societies.

The Second Five Year Plan had stated that 'co-operative farming societies formed by voluntary groups should receive special assistance from resources made available under agricultural production and other programmes.'<sup>56</sup> Such farming societies were also to receive preferential treatment with regard to credit, seeds, fertilizers etc in the national extension and community project areas. But as the official report noted, co-operative farming societies were not able to receive taccavi loans in their corporate capacity and also priorities in irrigation as provided in the Zamindari Abolition Act was not made available to them.

<sup>54</sup> 'Co-operative farms" limited success', *The Statesman*, September 4, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>55</sup> A news report in *National Herald* dated January 9, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(b) titled '1956-61: Papers/press clippings relating to Charan Singh's book 'Whither Co-operative Farming' and his views on the subject; related correspondence with V. J. Moore- secretary to the President of India, V. T. Krishnamachari, Tarlok Singh, C. B. Sharma, G. R. Anant, Guru Narain and others', NMML.

<sup>56</sup> *Ibid.*

Newspapers like *National Herald* also referred to the unenthusiastic and even hostile attitude of many members of the UP government towards co-operative farming. The 'cumulative effect of this ministerial crusade against co-operative farming'<sup>57</sup> and absence of organisation of training in the theoretical and practical aspects of co-operative farming for agricultural and extension workers certainly had a dampening effect on the movement for co-operative farming.

Charan Singh was not alone in his criticism of co-operative farming in UP.<sup>58</sup> In fact the UP chief minister also seems to have lukewarm towards it. In his foreword to Charan Singh's brochure on co-operative farming that had been submitted to the Planning Commission, Sampurnanand stated that he agreed with Charan Singh 'to a large extent'. He said that 'the consolidation of holdings, which is being carried out in U.P., is itself a great step and its results should be watched carefully before launching upon other.'<sup>59</sup> Sampurnanand also found no incompatibility between peasant proprietorship and the socialist pattern of society.

The Zamindari Abolition and Land Reforms Act had provided that any ten or more members of a village, holding bhumidhari and sirdari rights in at least 30 acres of land, could establish and operate a co-operative farm. After such a farm had been established, all uneconomic holdings in the village would be considered to have been transferred to this cooperative farm. However such a provision did not prove to be effective. Charan Singh wrote in a letter to Nehru in April, 1959:

I honestly believe—and there are valid arguments behind this belief—that joint cultivation is impracticable, will impair democracy, will decrease production and will lead to unemployment. Such are the views not only of myself but at least of 90 per cent of Congress workers who have a peasant origin or know anything about the conditions in the countryside. But nobody has the courage to

<sup>57</sup> *Ibid.*

<sup>58</sup> The economist Raj Krishna wrote to Charan Singh in 1957 about their respective monographs on cooperative farming. Raj Krishna had just written his *Cooperative Farming — Some Critical Reflections* and Charan Singh had written *Whither Cooperative Farming*. Raj Krishna was critical of cooperative farming. He wrote to Charan Singh: 'It would be tragic if our peasants are huddled into joint farming cooperatives (with pooling of land) against their will and purely on the basis of ideological prejudices or ignorant propaganda about the so-called achievements of Communist countries or a vague idealistic emotionalism without any beneficial results acquired in terms of productivity or income.' Raj Krishna's letter to Charan Singh, dated 15 May, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(b), NMML.

<sup>59</sup> A news report in *The Statesman*, April 24, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(b), NMML.

differ openly from you. And this is the greatest ill from which the Congress Organisation suffers to-day.<sup>60</sup>

The Resolution on Agrarian Organisational Pattern passed in the Nagpur Session of the Congress proved to be a milestone towards the quest, mostly failed one, for cooperative reorganisation of the agrarian structure.

The future agrarian pattern should be that of cooperative 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.<sup>61</sup>

Service cooperatives were to be organised as a first step towards joint farming. This first stage however to be completed in three years. The resolution made it clear that joint farming could be started, even within this period of three years, wherever the farmers were generally agreed with it.

The CWC in its meeting on March 15, 1959 stated that increased agricultural production and the formation of Service Cooperatives were two immediate tasks and must receive the full attention of the Congress. Pointing to the attempts by the opponents of the Nagpur resolution to divert attention away from service cooperatives by focusing their offensive on joint cooperative farming, the CWC stated:

Joint Cooperative Farming was envisaged in the Nagpur resolution as the ultimate pattern. For a period of three years our main task should be the formation of Service Cooperatives.... Some such farms [joint cooperative farms] already exist and others may be started where agreed to by the farmers even during this period of three years. But the emphasis at present has to be on service cooperatives.<sup>62</sup>

Nehru remained strident in his support for cooperative farming. The only alternative to cooperative farming was big landlordism. 'Since we have ruled out the latter, we are naturally left only with the course of cooperation.'<sup>63</sup> He argued that co-operative

<sup>60</sup> Charan Singh to Nehru dated 3 April, 1959, in CS Papers, Speeches/writings by him, File no 446, NMML.

<sup>61</sup> 'Resolution on Agrarian Organisational Pattern', dated 10 January, 1959, AICC Papers, 2<sup>nd</sup> Installment, file no 3792, part 1.

<sup>62</sup> In AICC Papers, 2<sup>nd</sup> Installment, File no 3792, part I.

<sup>63</sup> See a news report in *National Herald*, May 5, 1959, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(c) titled '1959-64: Papers and press clippings concerning Nehru's advocacy of co-operative farming,

farming had the various advantages of small ownership and at the same time the advantages of a larger area to work on. Speaking in the AICC meeting, Prime Minister Nehru clarified that the Nagpur Resolution had not compartmentalised service cooperatives and joint cooperative farming and that both should be pursued together:

At the moment, the emphasis should be laid on the service co-operatives. Some people were of the view that this meant the postponement of the introduction of joint farming, while others felt that it was going to be introduced immediately and thereby disturbing the peasant proprietorship in the existing form. It was not true that only service co-operatives had to be started within a period of 3 years and then only one should go over to the joint farming co-operatives. These things could not be done obviously in such separate compartments...<sup>64</sup>

The cooperative movement in Uttar Pradesh acquired some momentum in the wake of the Nagpur resolution. In April 1959, the Uttar Pradesh government deliberated on the proposals contained in the Nagpur resolution including that related to cooperative farming after which the chief minister Sampurnanand held a lengthy press conference. He said that U.P. had more than a lakh of villages and after making the villages viable, they would have around 98,000 service cooperatives. He claimed that around 70,000 villages were already covered by one cooperative society or the other and 28,000 villages remained to be covered. Most of the existing cooperative societies were credit societies and the latter had now to be changed into service cooperatives. He asserted that service cooperatives were not new to the state as the latter already had multi-purpose cooperatives, both service and multipurpose cooperatives 'being practically the same thing.'<sup>65</sup>

The government accepted the Planning Commission's suggestion that the state government should '...make a grant of about Rs. 1,000 to each co-operative for the

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ceiling on land-holdings and state trading in food-grains and its opposition by Charan Singh; includes correspondence with Jawaharlal Nehru', NMML.

<sup>64</sup> Jawaharlal Nehru's speech in the AICC meeting, published in *Congress Bulletin*, April-May, 1959, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(c), NMML.

<sup>65</sup> '40 Acres for Family of Five, Service Co-operatives and State Trading: UP Decisions, *National Herald*, Lucknow, April 28, 1959 in Charan Singh Papers, 1<sup>st</sup> Installment, subject file no 12 titled '1949-66: Papers and press clippings relating to the passing of Consolidation of Holdings Bill in U.P, etc.', NMML.

first five-year period to enable the co-operatives to stand on their own feet.<sup>66</sup> The Chief Minister stated that 'the Government would not take part in the village level societies but might take shares in the district level societies.'<sup>67</sup> The service cooperatives would be required to '...form a programme and to have a register showing the creditworthiness of every member which would make the obtaining of necessary loans easier...'<sup>68</sup>

The Chief Minister declared that the state government would provide for the non-official control of the cooperatives and officials would be available only for providing technical advice. He also stated that there would be no compulsion employed in the cooperative movement and that '...any kind of compulsion would be negation of co-operation.'<sup>69</sup> He also said that the state government will forward its scheme related to service cooperatives to the Planning Commission and if the required money was given, the state government will implement this scheme.

In the wake of the Nagpur resolution, a State Co-operative convention explaining the implications of this resolution was organised in April 1959. The U.P. Congress Committee organised a State camp in June 1959 where the officers of the State Co-operative Department trained the non-official workers in the programme of co-operation.<sup>70</sup> The State Government accepted that the future primary cooperative societies will be co-terminus with the jurisdiction of the Village Panchayats. These primary societies were to focus on 'the preparation of production plans, distribution of cash credit, improved seeds, agricultural implements and fertilizers.'<sup>71</sup> Already by August 1959, around 1700 block unions, each consisting of about 15 village societies, had been formed and were working as the main supply line of agricultural inputs. The U.P. Government also agreed to organise service cooperatives throughout the state within three years and planned to form such cooperatives in 10,000 villages during 1959 itself. Mobile units also started working in more than half of the districts in Uttar

<sup>66</sup> *Ibid.*

<sup>67</sup> *Ibid.*

<sup>68</sup> *Ibid.*

<sup>69</sup> *Ibid.*

<sup>70</sup> 'Implementation of Nagpur Resolution: Steps taken by State Governments', a resolution considered in the CWC meeting of 22-23 August, 1959. In AICC Papers, 2<sup>nd</sup> Installment, File no 3792, Part 2, NMML,

<sup>71</sup> *Ibid.*

Pradesh to give training to the office-bearers and members of the service cooperatives.

In some places like Ghazipur district, efforts were made to organise propaganda work on cooperative farming with the help of local newspapers. In Ghazipur district, for instance, the local Hindi weekly Loksewak, run by a Congressman, was enlisted to '...serve as an organ of the Congress Cooperative Movement in the Eastern Districts of U.P.'<sup>72</sup>

The organisers of the cooperative movement in U.P., appointed by the Congress, underscored the difficulties faced in the formation of service cooperatives. One such organiser from Ghazipur wrote that: 'In villages various rural groups hindered the progress. People usually express their doubts regarding the success of the Service Cooperative Societies on the basis of their sad experience of the old Societies.'<sup>73</sup> Further, the Congress' caution against taking hasty steps regarding the formation of cooperative farms was also noted by the cooperative organisers on the ground.<sup>74</sup>

Various reports sent by cooperative organisers of the Congress, in the wake of intensified efforts on the service cooperatives front after the passage of the Nagpur resolution, give us reasons why these cooperatives did not succeed along the expected lines. One of the important such reasons was the chronic shortage of agricultural inputs, such as seeds and fertilisers, supplied by these cooperatives. These reports also indict the growing official corruption and indifference in these cooperatives.

Organisers of the cooperative movement in U.P. pointed out that peasants were not making full use of the cooperative credit because of the short duration of the loans and the inconvenient timing of the repayment of these loans. They also pointed to the fact that cane unions distributed loans at cheaper rates compared to those advanced by the service cooperatives.<sup>75</sup> As a result, service cooperatives were facing difficulties in the area of credit distribution.

<sup>72</sup> A letter written by Abu Zafar Ansari, a Congress Cooperative Organiser, to Sadiq Ali, General Secretary of the AICC, on 14 September, 1959, in AICC Papers, 2<sup>nd</sup> Installment, File no 3887, part 2, NMML.

<sup>73</sup> Abu Zafar Ansari to AICC on December 17, 1959, in AICC Papers, 2<sup>nd</sup> Installment, File no 3887, part 2, NMML.

<sup>74</sup> *Ibid.*

<sup>75</sup> See a letter by Ramkrishna Dviwedi, zonal cooperative organiser in charge of three divisions of eastern U.P. namely Gorakhpur, Deoria and Balia, to the AICC dated 30 September, 1959, AICC

The Cooperative organiser from eastern U.P. observed that the position of marketing cooperatives was bad in Eastern U.P. To begin with, there were just a few in numbers and lacked adequate and quality warehousing capacity. He also stated that cooperative or joint farming societies were facing registration problems. The law required 30 acres and at least ten persons to form a cooperative farming society. But eastern U.P. having a predominant majority of small landholders, even when many persons came together, they could not pool together the required minimum of 30 acres to form a cooperative farming society. Mr Dviwedi argued that the formation of cooperative farming societies should be preceded by the consolidation of holdings.<sup>76</sup>

Coming to the national level, the Nagpur Resolution was criticised heavily by opposition leaders both inside and outside parliament. There were many voices within the Congress itself, like Charan Singh and N. G. Ranga, who were critical of the Nagpur proposals in respect of cooperative farming. The then Congress president Indira Gandhi, however, staunchly defended the Nagpur proposals on cooperatives.

The completely false propaganda which was launched by certain sections against the Cooperative movement succeeded in causing considerable confusion in the minds of our peasants and rural workers, but it could not fully succeed in retarding the success of the movement. Many credit societies have been converted into multi-purpose societies and new ones have come into being.<sup>77</sup>

From 1959 onwards, a comprehensive programme on joint cooperative farming was taken up all over the country. Around 318 pilot projects, each covering 10 farming societies, were started. Its main objective was to convince the farmers that pooling land and manpower can increase their agricultural production and also help them utilise their manpower resources more efficiently.

During the Third plan, 7 crores were spent, by the central government, on the promotion of joint cooperative farming in the country. It was found in June 1964 that there had been uneven progress in the country with reference to the Third Plan targets for the establishment of joint farming societies. However Uttar Pradesh had exceeded

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Papers, 2<sup>nd</sup> Installment, File no 3887, part 6, NMML.

<sup>76</sup> See various letters sent by Ramkrishna Dviwedi to the AICC, in AICC Papers, 2<sup>nd</sup> Installment, File no 3887, part 6, NMML.

<sup>77</sup> These observations were made by her at the meeting of the Subjects Committee in the Bangalore session in 1960. She was laying down the office of the Congress President. From AICC Papers, 2<sup>nd</sup> Installment, File no 3794, part II, NMML.

its Third Plan target for establishing 450 joint farming societies in the pilot areas by June 1964 itself, nearly two years before the completion of the Third Plan.<sup>78</sup> During the annual plans, the central government spent two crores for the promotion of joint cooperative farming. By June 1968 around 8000 cooperative farming societies had been established in the country.<sup>79</sup>

The Fourth Plan did not initiate any new additional programmes in respect of cooperative farming. The reason was that problems of motivation and organisation had not been solved and cooperative farming had not been sponsored actively by any large body of opinion. There was another change from the Fourth Plan onwards which weakened the condition of cooperative farming. Cooperative farming was a Centrally sponsored scheme under the Third Plan (1961-66) and under the annual plans (1966-69). However, under the Fourth Plan, it became an activity in the State Plan sector. This was done because the NDC had criticised the proliferation of the Centrally sponsored schemes and the Committee of the Chief Ministers of the NDC had decided to remove cooperative farming from the list of Centrally sponsored schemes.<sup>80</sup> After that, the States, in general, gave a low priority to the cooperative farming.

In November 1971, the then minister of co-operation in Uttar Pradesh blamed Charan Singh for damaging the cause of cooperative movement in the State. To this Charan Singh replied that, 'deficiencies of the co-operative movement cannot be made up by hurling accusations against me.'<sup>81</sup> Terming cooperative farming as 'a chimerical dream'<sup>82</sup> which had not been implemented in any democracy, he said that he supported service cooperatives if they emerged with the voluntary desire of the people.

By 1971, however, the Planning Commission was arguing for the same view that Charan Singh held about cooperative farming. The view was that service cooperatives should be the focus of the government's policy towards cooperative farming, with

<sup>78</sup> 'Uneven Progress Made by Co-operative Farming, *Times of India*, 8 October, 1964, p. 8.

<sup>79</sup> A paper on Cooperative Farming, prepared by the Agriculture Division of the Planning Commission and considered in the Commission's meeting on 8 September 1971. In Asok Mitra Papers, Subject File no 214, NMML.

<sup>80</sup> *Ibid.*

<sup>81</sup> Charan Singh's statement as the BKD president, dated 21 November, 1971, in CS Papers, 1<sup>st</sup> Installment, Subject File no 21 titled '1953-59: Papers/press clippings relating to critical appraisal of land reform measures in U.P. and its replies by Charan Singh. Related correspondence with H. D. Malaviya, Sucheta Kripalani, Frank Moraes and others.

<sup>82</sup> *Ibid.*



joint cooperative farming being a distant goal. This becomes clear in the official correspondence concerning the then President of India V. V. Giri's call for multipurpose cooperative farms to deal with the absorption of surplus manpower in rural areas. In a meeting of Planning Commission to consider a note on cooperative farming in September 1971, the Deputy Chairman of the Commission had this to say about cooperative farming.

...The attempt should be at the present stage of development to concentrate on service societies even where surplus land is distributed to the landless labour. Joint farming should be left as a goal to be attained at a later stage when higher levels of social consciousness could be expected to develop.<sup>83</sup>

In the same meeting, one member of the Commission questioned the economic incentive for joint farming while accepting that there was need for a cooperative institution for land development and for the development of irrigation and drainage. Another member argued that the failure of joint farming was 'apparently due to a lack of any advantage of scale'.<sup>84</sup> This member suggested that 'the possibility of joint farming societies could again be explored in a systematic way with a few pilot units, and not on a large scale, as had been attempted in the past'.<sup>85</sup>

In April 1971, the President V. V. Giri wrote to the Prime Minister making suggestions in respect of multipurpose cooperative farms.<sup>86</sup> He had written to the Minister of Food and Agriculture in February 1971 about the same thing. However, both the Prime Minister and the Minister of Food and Agriculture showed, in their replies, cautious enthusiasm towards the President's proposal mentioning past experience with regard to joint farming initiatives as a reason for treading cautiously with regard to joint cooperative farming. Prime Minister Indira Gandhi wrote this:

...Our past experience with cooperative farming has not been at all encouraging.... Naturally we should not be deterred by our past experience which has not been altogether happy.... But it may be necessary to begin

<sup>83</sup> From 'Summary record of the informal meeting of the Planning Commission held on September 8, 1971 to consider the paper on Cooperative Farming', in Asok Mitra Papers, Subject File no 214, NMML.

<sup>84</sup> *Ibid.*

<sup>85</sup> *Ibid.*

<sup>86</sup> The President of India, V. V. Giri's letter, dated 3 April, 1971, to the Prime Minister Indira Gandhi regarding the former's proposal about multipurpose cooperative farms. In Asok Mitra Papers, Subject File no 214, NMML.

in a small way and step up the pace of our efforts in the light of results achieved.<sup>87</sup>

The Prime Minister also referred to the fact that the states had not been enthusiastic about larger plan allocations for cooperative farming. She referred to a review of the joint farming societies by the Cabinet Secretariat which found that nearly 40% of such societies had not been functioning properly. The Minister of Food and Agriculture F. A. Ahmed wrote to the president, in reply to the latter's call for 'exclusive allotment of all available land to cooperative farming societies of landless people', that:

It is, however, unfortunate that of all sectors of cooperative development, cooperative farming has made the least satisfactory progress.... While every effort will be made to form cooperative farming societies of landless people where conditions are favourable, you will kindly appreciate that in the existing circumstances it may not be feasible to put an absolute ban on the allotment of land to individuals.<sup>88</sup>

The Planning Commission too remained cautious with regard to the suggestions made by the President. The reason was that

The experience in the past of cooperative farming has not been satisfactory. This was so even in the case of societies where small farmers voluntarily pooled their lands together, In the case of cooperative collective farming societies, where land had been allotted by the State, the performance was even more unsatisfactory.<sup>89</sup>

In fact, the study carried out by the Programme Evaluation Organisation, in 1966, of the programmes of resettlement of agricultural labourers on government or Bhoodan lands did not throw up encouraging results. It was found, for instance, in Bihar that joint farming was not acceptable to the settlers on the Bhoodan lands, with the result that settlers were allotted individual plots even though the land continued to be in the name of joint farming societies.

Writing in 1971, the Planning Commission was not too optimistic about the prospects of joint cooperative farming on the land expected to be available as a result of

<sup>87</sup> Prime Minister Indira Gandhi's letter, dated 30 May, 1971, to the President of India, V. V. Giri. In Asok Mitra Papers, Subject File no 214, NMML.

<sup>88</sup> The Minister of Food and Agriculture, F. A. Ahmed's letter, dated 15 February, 1971, to the President of India, V. V. Giri. In Asok Mitra Papers, Subject File no 214, NMML.

<sup>89</sup> A paper on Cooperative Farming, prepared by the Agriculture Division of the Planning Commission and debated in the Commission's meeting on 8 September 1971, in Asok Mitra Papers, Subject File no 214, NMML.

lowering of land ceilings. It was not clear to the Commission how much land would be available as a result of lowering of land ceilings. Further, it pointed out that such lands as would be available would be scattered throughout the village. 'This is likely to present serious obstacles to any worthwhile cooperative farming programme unless, simultaneously, consolidation of holdings is carried out.'<sup>90</sup>

Both Prime Minister Indira Gandhi's and the Planning Commission's mild enthusiasm towards the President's proposal was informed by the Gadgil Committee's report on the working of cooperative farming societies. The Government of India had appointed a committee under Prof. D. R. Gadgil in July 1963 to evaluate the performance of the cooperative farming societies. The Committee suggested, in its report submitted in 1965, that taking the country as a whole, cooperative farming had not taken a 'firm root' and that most of the existing societies were not functioning properly.

### **Rural Credit and Cooperatives**

The question of agricultural credit was raised in Parliament during the discussion on the Reserve Bank of India (Amendment) Bill in 1950. Before this time, the government at the centre had not concerned itself with the problem of agricultural credit which was seen as the job of the Agricultural Credit Department in the Reserve Bank. The central government believed that 'the abolition of Zamindaris may have created a bigger vacuum since the big landlords were serving as the agency for providing credit in various forms to their tenants.'<sup>91</sup> It had been suggested by many that moneylenders and indigenous bankers should be linked with the Reserve Bank.<sup>92</sup> However such proposals were not pursued seriously and by early 1951 it was thought that:

There is now even less need for bringing the indigenous bankers into relationship with the Reserve Bank in view of the fact that, since the enactment of the Reserve Bank of India Act, the position in respect of banking facilities has considerably changed and branch banking has made very great progress.<sup>93</sup>

<sup>90</sup> *Ibid.*

<sup>91</sup> A letter, dated 5 January, 1951, by K. G. Ambegaokar, Secretary in the Department of Economic Affairs, Ministry of Finance, to B. Rama Rau, Governor of the Reserve Bank of India. In C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 22, NMML.

<sup>92</sup> *Ibid.*

<sup>93</sup> *Ibid.*

But still the Reserve Bank continued to hold talks with indigenous bankers such as the Bombay Shroffs for cooperation between the Reserve Bank and these indigenous bankers, especially in the field of rural banking and finance.<sup>94</sup> The RBI's All India Rural Credit Survey Report of 1954 frowned upon these negotiations between the RBI and the indigenous bankers that had been going in for the past 15 years and declared that neither indigenous bankers nor moneylenders despite their considerable present share in the rural credit market satisfied the criteria of 'a good system of credit' and, therefore, could not be regarded as 'an appropriate instrument of rural credit'.<sup>95</sup> This point is important because moneylenders continued to occupy a pivotal position in the rural or farm credit market even in 1970s despite its reduced share in the wake of development of banking and cooperative credit. In fact, Charan Singh also returned to the question of significance of moneylenders in his 1981 work *Economic Nightmare of India*.

Suggestions had been made about the establishment of an All-India Agricultural Finance Corporation during the discussions in Parliament on Reserve Bank of India (Amendment) Bill in 1950. The Government and Reserve Bank were both sceptical towards this idea. It was argued by the government: 'It is true that the existing co-operative movement does not fully cater for the needs of the cultivators but a solution of this difficulty can only be found in Provincial Corporations as suggested by the Gadgil Committee.'<sup>96</sup> The Government of India had suggested to the Reserve Bank, in early 1951, itself the need for a fact finding enquiry to know more about agricultural credit.<sup>97</sup> The Reserve Bank acted on this suggestion which led finally to All India Rural Credit survey.

One of the most important constraints of the small holding farmers that service cooperatives were required to deal with was the lack of adequate credit with the former. However, as brought out by the Reserve Bank of India rural credit survey of

<sup>94</sup> A letter, dated 22 January, 1951, by B. Rama Rau, the Governor of the Reserve Bank of India, to K. G. Ambegaokar, Secretary in the Department of Economic Affairs, Ministry of Finance. In C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 22, NMML.

<sup>95</sup> *All India Rural Credit Survey, Report of the Committee of Direction: Volume II, The General Report*, Bombay: 1954, pp. 325-326.

<sup>96</sup> K. G. Ambegaokar, secretary in the Department of Economic Affairs, Ministry of Finance, in a note dated 13 December, 1950, in C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 22 titled '1950-56: Correspondence as Finance Minister', NMML.

<sup>97</sup> A letter, dated 5 January, 1951, by K. G. Ambegaokar, Secretary in the Department of Economic Affairs, Ministry of Finance, to B. Rama Rau, Governor of the Reserve Bank of India. In C. D. Deshmukh Papers, 1<sup>st</sup> Installment, Subject File no 22, NMML.

1955, credit cooperatives had performed poorly in the provision of credits. One of the reasons for small holders not getting adequate credit was the lack of collaterals that credit cooperative societies or banks required for extending credit. The RBI had suggested the linking of short-term credit to production plans, in the form of 'crop loans'<sup>98</sup>, to deal with this problem. The peasants taking credit would have to furnish a production plan to get credit; further the peasants could sell their produce only to marketing cooperatives linked to the credit cooperatives which extended loans to them. Charan Singh, however, remained indifferent towards such credit plan. Nehru, though, defended linking credit with production.

The important factor that deserved careful consideration was to link the credit with production. It had to be seen how the poor farmer who had no security to offer could get credit. He represented the great majority in India. Credit was advanced on the basis of security with the result that it reached only a relatively few people. There was a tendency among the farmers, specially the small ones to be improvident. The credit they received might be spent in some other way and not for productive purpose. As such, it was essential that credit should be linked to production and that was the only way the money advanced could be received back.<sup>99</sup>

Even though the RBI rural credit survey could not resolve satisfactorily the question of consumption loans<sup>100</sup>, its recommendation regarding crop loan integrating credit and marketing seemed promising. However, this system of crop loan never really took off. One of the crucial reasons of the failure of this system of integrated credit has been pointed out by Frankel. The Second Plan made a significant concession to the vested interests with regard to the recommendations of the All India Rural Credit Survey whose effect was to weaken efforts to mobilize agricultural savings and surpluses through state trading in foodgrains and other commodities. While the Second Plan reiterated the All India Rural Credit Survey's recommendation about loans given by credit cooperatives being based on production plans and the capacity

<sup>98</sup>All India Rural Credit Survey, *Report of the Committee of Direction: Volume II, The General Report*, Bombay: 1954, p. 386.

<sup>99</sup>Jawaharlal Nehru's speech in the AICC meeting, published in *Congress Bulletin*, April-May, 1959, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(c), NMML.

<sup>100</sup>Thorner argued on the basis of his study of cooperative societies of Nauranga (Uttar Pradesh) and in the Nilgiris (Madras), these being organized following RBI's model: 'Although the peasant members of the cooperatives were drawing as much as they could from the society by way of crop loans, they continued to rely upon the moneylenders for their most basic credit needs, namely, family living.' *Agricultural Cooperatives in India: A Filed Report*, Bombay: Asia Publishing House, 1964, p. 18.

to pay back in kind, but the loanees were not be compelled but only persuaded to market their produce to the primary marketing society linked to the credit cooperatives. The Second Plan eliminated the element of compulsion.<sup>101</sup>

Moreover, the fate of integrated credit got linked inextricably with the question of size of cooperative societies. This aspect will be taken up soon. Wherever the system of integrated crop loan succeeded it was in the field of 'cash crops like sugarcane, cotton or oil seeds, where adequate arrangements linking credit and marketing have been worked out between primary credit societies and marketing/processing cooperatives.<sup>102</sup>

On his part, Charan Singh emphasised the importance of credit for agriculture. 'The combination of the two factors – slow turnover of, and low return on capital – demands that the farmer must be assured of cheap credit for a comparatively long period.'<sup>103</sup> However, he found that neither the state or credit cooperatives could fulfill the credit requirements of the farmers. Among the reasons for the failure of credit cooperatives, he mentioned rampant corruption and the fact that such cooperatives were less of an organic growth and more of a government imposition.

Along with the failure of the cooperative movement on the credit front, it was the declining role of moneylenders that he saw as the most important factors behind the credit squeeze of the agriculture. One of the factors behind the weakening of the moneylender's grip on the agricultural economy was the anti-usury laws. As pointed out in the chapter on capitalist agrarian transition, he himself had played a crucial role in debt redemption legislation in 1939 in United Provinces. The 'preferential fillip' to manufacturing under centralized planning made industrial credit more attractive and traditional moneylenders either migrated to urban areas or shifted some of their business from farm credit to industrial credit. Some moneylenders also started undertaking industrial production which they found more profitable. Thus, according to Charan Singh, encouragement to industry was also a factor behind the problems on the farm credit front.

<sup>101</sup> Frankel, *India's Political Economy*, p. 135.

<sup>102</sup> Jean Paul Chausse, 'A note on Agricultural Credit in India', *Savings and Development*, Vol. 6:3, 1982, p. 289.

<sup>103</sup> Singh, *India's Poverty*, p. 440.

Could a way be found of retaining the services of the private moneylender yet avoiding the unconscionable practices of which he was guilty, great service would be rendered to the farming community. As things are, the usurious money-lender still meets more than half of the credit needs of the agricultural sector.<sup>104</sup>

While Charan Singh argued that the government's credit policy favoured bigger farmers relative to small farmers in terms of rates of interest charged and that 'the bigger the machine a candidate for the loan (whether an industrialist or a farmer) required, the bigger the Government's largesse'<sup>105</sup>, it is still not clear how just a reduction of rates of interests on loans to the marginal farmers and tenants or just increasing the flow of credit to agriculture as a whole could have helped the latter given that they often lacked collaterals, or as in the case of the sirdars (who constituted 60 per cent of the land owning cultivators in Uttar Pradesh) they lacked transferable rights in land thus weakening their creditworthiness in the credit market. It seems that only a mechanism such as integrated credit could have solved the credit problems of the small farmers.

One of the important controversies associated with the cooperative movement was the ideal size of the cooperative societies. The fate of large-sized societies covering 4 to 10 villages was intimately linked with that of the concept of integrated credit. Nehru and the Planning Commission were in favour of 'one village, one society' principle and had argued for small-sized societies. Large-sized societies had been introduced in the wake of the All India Rural Credit Survey Report of 1955 to deal with rural credit problem because small-sized cooperative credit societies were proving unviable and ineffective in this regard.<sup>106</sup> The All India Rural Credit Survey Report stated that:

It is our considered view that the formula 'one society to one village and one village to one society' has failed in India as the basis for the organization of co-operative rural credit ... The future line of development

<sup>104</sup> Singh, *Economic Nightmare of India*, pp. 178-79.

<sup>105</sup> *Ibid.*, p. 180.

<sup>106</sup> The Reserve Bank of India argued for large-sized societies so that each can have a trained, full time paid secretary because without such a secretary, they would not be viable. Daniel Thorner, *Agricultural Cooperatives in India*, p. 19.

of co-operative credit at the level of the village should be unhesitatingly in the direction of bigger societies covering larger areas.<sup>107</sup>

Large-sized societies were to have a membership of 500 persons, a minimum share capital of Rs. 15,000, serving four to ten villages grouped together within a radius of three miles, and having a business of Rs. 1.5 lakhs. The Second Plan provided for the formation of 10,400 large-sized cooperative societies. Two conferences of the State Ministers of Cooperation, in April 1955 and in July 1956, supported the formation of large-sized cooperative societies. All India Cooperative Union too supported it. It was also decided that good small-sized societies should be assisted and allowed to work and that 'there should be no attempt to compel or coerce any small-sized society to merge itself into a large-sized society.'<sup>108</sup>

However, differences emerged in mid 1957 between the Planning Commission on the one hand and the Ministry of Food and Agriculture. The Planning Commission in its note dated 28 July, 1957 argued that: "the large-sized societies should be regarded as an experiment. This experiment should be confined to the 1500 societies already formed."<sup>109</sup> The Deputy Chairman of the Planning Commission, V. T. Krishnamachari, one of the major exponents of small sized cooperatives and one person who may have influenced Nehru's change of mind on this question, wrote to Charan Singh in favour of small sized cooperatives. 'The "large societies" that are now being formed are based on distrust of our people and I do not regard them as genuinely co-operative.'<sup>110</sup>

From 1957 onwards Nehru again started supporting small-sized cooperatives. The difference of views on this question between different government agencies infuriated Nehru so much that he wrote to the Minister for Food and Agriculture about the conflicting policies in the field of cooperatives being followed by the states. 'At present it appears that the Planning Commission goes on laying stress on one

<sup>107</sup> *All India Rural Credit Survey, Report of the Committee of Direction: Volume II, The General Report*, Bombay: 1954, p. 450.

<sup>108</sup> Ajit Prasad Jain's letter to H. V. R. Iengar, RBI Governor, dated 3 August, 1957, in A. P. Jain Papers, Subject File no 6, NMML.)

<sup>109</sup> Ajit Prasad Jain's letter to Nehru, dated 3 August, 1957. The Agriculture Minister was complaining to Nehru about a note by V. T. Krishnamachari from the Planning Commission on large-sized societies. In A. P. Jain Papers, Subject File no 6, NMML.

<sup>110</sup> V. T. Krishnamachari to Charan Singh in a letter dated 12 December, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(b), NMML.



approach and the Food & Agriculture Ministry another approach, which is different. The States reflect this confusion.<sup>111</sup>

Nehru now described large-sized cooperatives as being against the spirit of original idea of cooperation: 'Are we still pushing along with our big scale cooperatives which go entirely against the whole conception of the village economic foundation? Do we continue to make them officially run? I am told that in the U.P., thousands of Village Cooperatives have been liquidated.'<sup>112</sup>

In the period after RBI's Rural Credit Survey report, a quite a few large cooperative societies were established some of which covered more than 100 villages. The Union Minister for Food and Agriculture, A. P. Jain, however expressed his concern about the growth of very large size cooperatives. The state cooperative officials told him about difficulties faced by the small-sized cooperatives. Jain, however, told these officials that the government was not agreeable to setting up large-sized cooperatives because the 'real objective of cooperation' did not operate there.

I strongly objected to it [large-size cooperatives] and told them that such Societies were neither cooperative nor did they conform to the pattern that we had laid down ... Wherever a Society could not be set up in a single village, they could include more than one village but in no case should the number of villages exceed 4 or 5.<sup>113</sup>

Ultimately the Nagpur Resolution expressed itself in favour of small-sized cooperatives. And after that the large-sized cooperatives were given up. While the Congress and the government continued to talk about the concept of integrated crop loans even in future, it was difficult to see how small-sized cooperatives could implement this concept given their often precarious and unviable situation.

### **Charan Singh's Arguments against the Joint Cooperative Farming**

Charan Singh contested the arguments put forward by the protagonists of the cooperative farming. Such protagonists argued first of all that scientific farming can be done only on big farms.

<sup>111</sup> Prime Minister Nehru's letter, dated 31 July 1957, to A. P. Jain, the Union Minister for Food and Agriculture, in A. P. Jain Papers, Subject File no 6, NMML.

<sup>112</sup> A letter, dated 13 March, 1958, written by Nehru to A. P. Jain, the Union Minister for Food and Agriculture. In A. P. Jain Papers, Subject File no 6, NMML.

<sup>113</sup> A letter, dated 23 June, 1958, written by A. P. Jain to Nehru. In A. P. Jain Papers, Subject File no 6, NMML.

Given that the average farm size in India is between one to two acres, modern methods of cultivation cannot be used unless the size of such landholdings is increased. Writing in 1964, Charan Singh argued that average holding in India was much larger than just one to two acres. He calculated the size of an average family holding to be 6 acres in a book published in 1964.

Secondly he distinguished between the three kinds of technologies used in agriculture. One kind of agricultural technologies was of biological nature, examples being high-producing genetically modified and hybrid plants and animals. The second type was chemical agricultural technologies such as chemical fertilizers, insecticides, fungicides etc. Third kind of agricultural technologies derived from the work of physicists and engineers; for instance, tractors and other farm machinery.

As against the argument that owners of small holdings will not be able to afford facilities such as irrigation, credit etc, Charan Singh suggested that there were two courses open which could be resorted to rather than going for joint co-operative farming. One way would be for the state to provide such facilities as water and credit on a much larger scale than what it is already doing. Another way would be for the farmers to establish service cooperatives to provide such facilities. But such cooperation should be limited only to non-farm operations and should not involve the pooling of land for joint cultivation.

Another reason given in favour of joint co-operative farming was that it will help in the land improvement. Individual farmers, even those owning more than 10 acres were considered to be incapable of executing land improvements because such improvements may not be sufficiently remunerative. The Patil delegation which went to China to study co-operative farming suggested that cooperative farms will help in land improvement by bringing together those who have the land but not labour and those who have labour but not the sufficient land.

The Patil delegation also suggested that the service co-operatives may not be effective in bringing about the land improvements by financing small landholders because it may not be easy for service co-operatives to recover loans from such small landholders who might benefit from such land improvements. Charan Singh contested this reasoning. To begin with, he argued that individual cultivators had effected substantial land improvements in India because for them agriculture was a way of life.

He quoted *Studies in Economics of Farm Management in Uttar Pradesh*, conducted in Meerut and Muzaffarnagar districts in 1954-55, to claim that it was individual cultivators who had effected considerable land improvements in such places. As for the claim that joint co-operative farms will facilitate land reclamation, Charan Singh argued that such land reclamation can be better effected by individual cultivators if the latter are given the incentive of high agricultural prices.

As for the claim that joint cooperative farming will lead to crop rotation and more rational use of land, Charan Singh had his objections. Since one important objective of crop rotation was the prevention of soil erosion and the maintenance of its fertility, this could be best achieved, according to him, on small holdings which had more farm-yard manure. Further, small farmers are unlikely to raise commercial crops which are soil exhausting. Moreover, he held that 'crop rotation is not essential to good farming in all circumstances; mixed farming so widely practised by small farmers can serve the purpose equally well.'<sup>114</sup> Small farmers go for double cropping more than large farmers leading to greater gross output per acre on small farms than on large farms.

Proponents of joint co-operative farming suggested that a cooperative farm will make available a large area of land which were wasted as field boundaries between small holdings. Charan Singh argued that very little land was wasted as field boundaries and moreover, it was not possible to entirely do away with field boundaries which would be needed even on cooperative farms.

One of the arguments given in favour of joint co-operative farming was that it will lead to reduction of costs of cultivation. Charan Singh disagreed. He conceded that small holdings may involve waste of time and water but these problems can be solved by consolidating these small holdings in a larger bloc. Further, he says that, peasant farming is less costly than modern scientific farming and that is why the former has been able to survive competition by the latter.<sup>115</sup> The costs of supervision and management make a large co-operative farm more costly than small farms put

<sup>114</sup> Singh, *India's Poverty*, p. 95.

<sup>115</sup> However, one should not be in any doubt about how the peasant farming is less costly. Utsa Patnaik argues in this regard: 'It is reasonable to assume that surplus cannot be raised by cost-cutting within the existing set of techniques: for as we have seen, petty producers are already cutting costs to the maximum extent possible (by underfeeding themselves, by underfeeding draught animals, not maintaining farm equipment adequately). The only possibility of raising surplus is the shift to a more productive set of techniques.' Patnaik, 'Neo-Populism and Marxism', p. 401.

together. It is not just the working costs but also the initial costs involved in establishing a co-operative farm that make small farms more cost effective. 'It is due to the diseconomies of large-scale management in agriculture that the size of the optimum unit is relatively low in agriculture in most countries—except where the abundance of land and shortage of labour makes the existence of large mechanised farms unavoidable.'<sup>116</sup>

Further, it was argued that joint cooperative farming will address the problems of fragmentation and uneconomic holding. Charan Singh suggested consolidation of scattered, small holdings to deal with this problem of uneconomic holdings. He also argued that uneconomic holdings are not present to such an extent as is usually thought. The number of uneconomic holdings has been overestimated by many because of the confusion between persons, families and holdings.

Finally, it was suggested that joint cooperative farming may be an effective instrument for mobilising the national resources of both man-power lying idle and marketable surplus from agriculture. Charan Singh did not believe that one needed pooling of land and labour for more effective use of vast labour resources of India. Further, the large joint farms will not solve the problem of marketable surplus of foodgrains needed for industrialization. Charan Singh averred that the important thing is high productivity per acre. 'Once this is achieved, as it can be on small, independent farms, the peasants will have more to consume and also more to sell.'<sup>117</sup>

Apart from contesting the arguments given by the protagonists of the joint cooperative farming, Charan Singh also referred to various factors which made such farming impracticable in India. He did not believe it would be possible for a democratic government to take land from the millions of peasants in order to establish cooperative farming. He considered a large collective undertaking such as joint cooperative farming to be more suited to the needs and mentality of the agricultural labour<sup>118</sup> but not to the farmers or even to the tenants who, as long they could get

<sup>116</sup> Singh, *India's Poverty*, p. 97.

<sup>117</sup> *Ibid.*, p. 102.

<sup>118</sup> *Ibid.*, p. 143.

their subsistence, however modest, on their farm, would not be willing to part with their land for their membership of the joint cooperative farms.

He suggested that India was different from Russia where ownership of land had always been joint and communal throughout its history. But in a country like India where individual ownership has such a long history, the peasants will not accept the joint pooling and merging of their holdings.

Charan Singh sought to argue that joint co-operative farming can never be possible through the voluntary participation of the peasants who for various reasons would be unwilling to agree to a joint pooling of their holdings in joint co-operative farming. Deprecating the suggestion that the attachment of the peasantry to land can be ended and its participation in joint co-operative farming secured through legislation, he argued that efficient and successful functioning of joint co-operative farm will require the willing participation of the peasants which cannot be achieved through law. In fact he expressed his fear in these words: 'Any government with democratic pretensions, run by any political party whatsoever, attempting to establish an economy of large farms in India will either founder in the attempt never to recover, or, will turn dictatorial in the process.'<sup>119</sup>

While pointing out that in none of the countries, with the exception of Israel, had the cooperative farming in the sense of joint cultivation been brought about without the use of coercive measures, he hoped that the government in India would let the peasants decide and debate the question of joint cultivation. He deprecated the Planning Commission's measure giving preferential treatment regarding credit, consolidation proceedings, technical assistance etc to those who pool their holdings in cooperative farming. He perceived this measure to be discriminatory to those peasants who decided to remain out of joint co-operative farming.

Charan Singh referred to certain facts of human nature which he believed militated against the successful working of the joint co-operative farming. It is unrealistic to expect that the average peasant who cares so much for his independence will suddenly come to identify his interests with those myriad other members of the joint farm who may have been strangers to him before. A joint co-operative farm brings together

<sup>119</sup> *Ibid.*, p. 145.

people with no former social ties making it difficult, according to Charan Singh, to work together for some higher ideal like joint cooperative farming.

Scientific progress or progress in control of the outer world has not resulted in greater control of the inner world of the self, without which a large joint economic undertaking cannot be run smoothly or successfully. Man remains as selfish or greedy, proud or jealous, and ambitious as ever.<sup>120</sup>

He referred to the report of the Patil Delegation, which had gone to China to study cooperative farming, saying that 'higher considerations of socialism and patriotism' would have to be combined with promise of material gain in order to convince peasants to join and then stay together on joint cooperative farms.

There were logistical problems too relating to the joint cooperative farming that, in Charan Singh's view, considerably weakened the case for it compared to a system of peasant proprietorship supplemented by service co-operatives. Among such problems, as mentioned by Charan Singh, were: relationship between the government and the joint cooperative farms, the formulation and implementation of production targets, organisation of labour force on such farms, use of government subsidy, acquisition of means of production such as tools, machines, seeds, fertilisers, draught animals if any, etc, marketing of produce, the provision of cultural and welfare services etc.

The assessment and remuneration of various persons involved in agricultural work in such co-operative farms was one of the most difficult problems facing such farms. The absence of proper assessment and remuneration of individual work was likely to lead to a loss of incentive and the prevalence of jealousy between the efficient and the lethargic workers. On the other hand, an extensive system for proper valuation of work was bound to involve very high costs.

The lack of village level enlightened leadership and competent managerial personnel amidst the general illiteracy of peasants presented a formidable difficulty to the functioning of joint co-operative farms. As a result, most such leaders and managers would be brought in from the towns and this would lead to the insertion of the urban influence which will be detrimental to the villages because towns 'will rule the countryside and rule it unimaginatively, with all the evils that are associated with an

<sup>120</sup> *Ibid.*, p. 165.

unsympathetic bureaucracy.<sup>121</sup> Given the negative perceptions of the city dweller and the village about one another, with the former considering the latter as being 'intellectually deficient and culturally backward' and the latter regarding the former as being 'morally degraded', the successful functioning of the joint co-operative farms may not be easy.

Charan Singh also saw the link between the ceiling and the resultant distribution of land on the one hand and the introduction of joint cooperative farming on the other. Even Brass accepts this: 'Charan Singh's antipathy to collectivization was so great that he saw even any small move towards redistribution of land as a step on the track towards the end of collectivization.'<sup>122</sup>

Charan Singh found support from other contemporary leaders in his opposition to the joint co-operative farming. Vinoba Bhave had earlier supported the joint cooperative farming but later changed his mind and said in January 1961 that 'co-operative farming is entirely unsuitable for India where most of the farmers are illiterate.'<sup>123</sup> He averred that only some large farmers and managers of the farms would be benefited by the joint co-operative farming. However, Bhave supported service co-operatives which he believed could be a success in India because it had not been opposed by any political party. E.M.S. Namboodiripad too did not find the idea of joint co-operative farming practicable in the immediate circumstances. He stated in September 1957 that 'service co-operatives which would supply seeds, manure, implements etc would be welcome in the State but joint farming co-operatives where the whole process of cultivation was done by co-operatives would not be feasible *at present*.'<sup>124</sup> (Italics in original, as quoted by Charan Singh) There were other leaders in 1950s and 1960s like C. R. Rajagopalachari, Minoo Masani, K. M. Munshi, N. G. Ranga etc who shared Charan Singh's critique of cooperative farming. But their views will be taken up for a discussion in the next chapter on agrarian populism.

## Conclusion

<sup>121</sup> *Ibid.*, p. 170.

<sup>122</sup> Brass, *An Indian Political Life*, vol. 1, p. 119.

<sup>123</sup> Singh, *India's Poverty*, p. 158.

<sup>124</sup> *Ibid.*, pp. 158-59.

Charan Singh's arguments about joint cooperative farming suffered from many problems. His argument about less production per acre on joint cooperative farms derived from, among other factors, higher cost of supervision and management of labour on large joint cooperative farms, the problem of incentives, the adverse psychological effects of joint cooperative farms, etc. Charan Singh's defence of the peasant proprietorship had basically two components: the economic argument that small farms produce more due to more intensive application of labour leading to marginal product, and ultimately the average product of labour, being pushed below the wage level, and the sociological argument about the psychologically positive impact of ownership of land which goads peasants towards maximum labour efforts and also maximum care for one's crop.

While he used the marginal product argument to prove the per acre productive inferiority of the capitalist farms, he basically used the psychological argument plus the problems of supervision, management and work evaluation against the joint cooperative farming. Further, he used the size-productivity inverse relationship debate against both capitalist and joint cooperative farming but more so against the latter. As already argued in the chapter on capitalist agrarian transition in Uttar Pradesh, the small and large holdings are not proxies for family and capitalist farms and that, as Utsa Patnaik argues, inverse relationship is 'a phenomenon characterising the set of family-labour based holdings and arises from class differentiation within that set of holdings.'<sup>125</sup>

It is true, however, that there is a greater application of labour on family farms compared to wage labour based capitalist farms. But the fact that there is lower application of labour on capitalist farms does not mean the same will be true of joint cooperative farms too. As Ashok Rudra and Amartya Sen argued: 'It is important to distinguish between capitalist and co-operative farming despite the possible similarity of large scale. Even when it is accepted that capitalist farming provides by and large a lower utilisation of labour power, nothing about co-operative farming emerges from that observation.'<sup>126</sup>

<sup>125</sup> Utsa Patnaik, 'Neo-Populism and Marxism', p. 403.

<sup>126</sup> Ashok Rudra and Amartya Sen, 'Farm Size and Labour Use: Analysis and Policy', *EPW*, Vol., 15: 5-6-7, 16 February 1980, p. 393.



Further, as suggested by Rudra and Sen, the family mode of labour use can be applied in cooperative farming thus enabling the latter to benefit from the peasant's advantages with regard to labour use. In fact, the family mode of labour use can be extended to capital creation projects related to agriculture as well.

In so far as co-operative farming is run as a communal operation, it will have more in common with family farming than with capitalist farming, and indeed in co-operative farming (sic) it might even be possible to extend (sic) the advantages of the family mode to “subsidiary operations, eg, building canals, dams, etc”....<sup>127</sup>

Noting the artificial restriction on the choices of production modes (alternatives reduced to peasant farming and capitalist farming) in the farm size, resource use and productivity debate, Rudra and Sen asked for considering cooperative farming too.

The assessment of the co-operative mode of production would require information directly relating to that mode. It cannot be deduced from something as remote as the general relations between size and productivity obtaining in the past, or indeed now, in Indian agriculture – be it inverse or not.<sup>128</sup>

Thus Charan Singh's understanding of joint cooperative farming did not include all the choices in terms of labour use. As a result, he thought that joint cooperative farms, like capitalist farms will be characterised by a less intense application of labour. He failed to relate family mode of labour to cooperative farms. He underestimated the peasant's disadvantages with regard to capital resources.<sup>129</sup> He also underestimated the increase in production due to greater capital investment on joint farms. However, the actual experiments of joint cooperative farming in India, limited as these experiments were and also lacking full official and political support, partially vindicated Charan Singh's arguments about the impracticability of joint farming.

Further, Charan Singh tended to rely on service cooperatives to deal with the problems faced by peasant family farming in the sphere of non-labour that is capital resources. His support for service cooperatives was, however, uncertain and came

<sup>127</sup> *Ibid.*

<sup>128</sup> *Ibid.*

<sup>129</sup> As Rudra and Sen argue: The advantages of peasant cultivation (chiefly in labour use) has to be balanced against its disadvantages (chiefly in the use of capital), and there is no case for seeking the salvation of Indian agriculture, as some have done, in cutting up holdings into smaller units, in pursuit of greater efficiency. *Ibid.*, p. 394.

forth especially when he was faced with the real prospects of the introduction of the joint cooperative farming. He saw joint cooperative farming as going against the true meaning of cooperation in agriculture, true cooperation consisting in individual cultivators coming through service cooperatives for cooperation in non-farm cooperations. As he often maintained, small farmers' true handicap was commercial and not in the domain of technical conditions of production.

It seems that Charan Singh saw the question of credit and marketing constraints faced by peasants in vary technical terms. He failed to situate the credit and marketing problems in the wider political economy constraints of the agricultural production, as was done by the RBI's All India Rural Credit Survey report of 1954. He saw credit and marketing problems faced by peasants in terms of the high interest rates, inadequate growth of institutional credit, lack of adequate marketing facilities in the marketing centres etc. He could not appreciate the fact that collaterals based credit system excluded many peasants who lacked any collaterals, or as in the case of sirdars (who constituted more than 60 per cent of the cultivating households in Uttar Pradesh), they lacked transferable rights (right to sell their holdings) in land thus reducing their credit standing in the market, as was also noted by Ladejinsky in his study of Aligarh district in western Uttar Pradesh in 1963.

It is interesting to note that as late as 1981, he still saw moneylenders (with proper regulation of their activities) as one of the possible instruments of rural credit policy. As for marketing, Charan Singh did not appreciate the fact that marketing problems, including that of distress sale, faced by peasantry was a consequence of the interlinked markets with moneylenders, traders, and landlords (tenancy was prohibited in Uttar Pradesh, but I am talking about informal tenancy) often likely to be the same person. Cooperative, whether service or joint farming ones, could have provided a way out on the basis of production linked integrated credit, but either the performance of credit and marketing cooperatives themselves was discouraging or Charan Singh did nothing to promote them.

As far as his actual role, whether as a minister, Chief Minister, or as an opposition leader of the Bharatiya Kranti Dal (BKD), regarding cooperative movement is concerned, he was often accused, both in the press and by his opponents, of positively hindering the cooperative efforts in agriculture. Further, it is true that whenever the

Congress and the government started thinking seriously about joint cooperative farming, Charan Singh emerged as a serious opponent of such efforts, mobilizing efforts not just within the Congress but also outside with such elements as the Swatantra Party. This is especially true of the post-Nagpur resolution period but even of the period before it, when he was said to have influenced Chief Minister Sampurnanand's views regarding joint cooperative farming and to have led to a dilution of Nehru's views on this question in 1957. Charan Singh's dislike for the joint cooperative farming was so much that often his opposition to ceilings and state trading stemmed partially from their potential links to joint farming. In fact, he often saw them together as being pieces of the same jigsaw puzzle called heavy industries led industrialization in India.

## Chapter 5:

### A Critique of Charan Singh's Agrarian Populism

Charan Singh has been characterised as a neo-populist in the Marxist writings about him. It seems that this characterisation is an apt one. Except that one can call him, following Byres' characterisation of Michael Lipton, as a liberal neo-populist. He was populist to the extent that there is some continuity in his stance and that of classical populists such as the narodniks,<sup>1</sup> on many basic issues. However, he is neo-populist for three reasons. First, like other neo-populists<sup>2</sup>, Charan Singh does not deny the need for industrialization. He only wants to defer it to a time when agriculture has been adequately developed. This is unlike classical Russian populists who were completely against industrialization.

Second, Charan Singh is a neo-populist because there is a striking similarity between his writings and those of Alexei Chayanov, the most famous figure in neo-populism.<sup>3</sup> The similarity extends to their views about superior viability and greater efficiency of family farming, denial of class differentiation in peasantry and of the tendency towards concentration of property in agriculture, and to the assumption of identical production functions for both family farming and capitalist farming. Thirdly, Charan Singh's writings as well as his political actions often tended to help the cause of the rich peasantry. This is also considered one of the features the neo-populism.<sup>4</sup>

He is, however, a liberal neo-populist, in the sense that he believes in the power of the state to help him achieve his ideal system of agrarian organization. Thus while saying that peasant production is superior to capitalist production, he also talks about how the state can help make the former more productive. He also believes that though the state suffers from urban bias, the latter can be rectified through the pursuit of appropriate policies. Further, unlike the narodniks, he did not believe in the necessity of revolution to overthrow the state and to achieve his ideal agrarian order.

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<sup>1</sup> See Andrzej Walicki, 'Russia', in Ghita Ionescu and Ernest Gellner, ed., *Populism: Its Meaning and National Characteristics*, Weidenfeld and Nicolson, London, 1960, pp. 62-96.

<sup>2</sup> Byres, 'Of Neo-populist Pipe-dreams: Daedalus in the Third World and the Myth of the Urban Bias', *JPS*, Vol. 6:2, 1979, p. 238.

<sup>3</sup> A. V. Chayanov, *The Theory of Peasant Economy*, edited by Daniel Thorner, Basile Kerblay and R. E. F. Smith, Manchester University Press, Manchester, 1966.

<sup>4</sup> Byres, 'Of Neo-populist Pipe-dreams', p. 238.

## Urban Bias and Charan Singh

Michael Lipton, in his 1968 work<sup>5</sup>, was one of the first academics to talk about 'urban bias' of the Indian planning. While conceding that planning in India had achieved 'a great deal in rural India', he criticised planning for focusing resources on big farmers, who could produce greater amount of marketed surplus of foodgrains even though producing lesser output per acre, rather than on small farmers who could produce greater production per acre by greater investment of labour. He also asked for 'a break with the whole ideology of premature industrialization.'<sup>6</sup> He stated that 'India's experience since independence proves that neglect of agriculture is a recipe for slow industrialization, not for rapid economic growth.'<sup>7</sup>

Charan Singh's argument about urban bias preceded that of Lipton by at least a couple of decades. Brass argues that Charan Singh's articulation of the rural values was framed 'in contrastive, combative terms' from the very beginning of his writings and political career. 'He saw the principle line of division in Indian society as one *between* the cultivators and the city-dwellers, agriculture and industry, peasant values versus commercial values, villages versus towns.'<sup>8</sup> As early as 1939 he had prepared a resolution to be introduced in the meeting of the Uttar Pradesh Congress Legislature Party asking for a minimum of 50 percent reservation in government employments for 'sons or dependents of the actual tillers of the soil.'

He persisted in his demand for reservation for agriculturists as in a note of 1946 and believed that the Indian society was divided into two distinct classes, one consisting of town dwellers and the other of the villagers and agriculturists. Later he increased the reservation percentage to sixty. Initially, the term tillers of the soil excluded the agricultural labourers, but when this inconsistency was pointed out to Charan Singh, he

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<sup>5</sup> Michael Lipton, 'Strategy for Agriculture: Urban Bias and Rural Planning', in Paul Streeten and Michael Lipton, eds, *The Crisis of Indian Planning: Economic Planning in the 1960s*, Oxford University Press, London, 1968, pp. 83-147.

<sup>6</sup> *Ibid.*, p. 147.

<sup>7</sup> *Ibid.*, p. 147.

<sup>8</sup> Paul R. Brass, *The Politics of Northern India: 1937 to 1987*, 3 vols.; *An Indian Political Life: Charan Singh and Congress Politics, 1937 to 1961*, 1st vol., Sage, New Delhi, 2011, p. 69.

included agricultural labourers in the category tillers but increased his demand for reservation for this category from 60 to 75 percent. However, he refused to base his demand for reservation on caste criteria.

The idea that peasants were the authentic people of India is found in Charan Singh's writings and personal correspondence from late 1940s itself. For instance, in a document from March 1947, titled "why 60% of services should be reserved for sons of cultivators?", he states that 'it is the agriculturalists...who are entitled to be called the people—the masses of the U.P.'<sup>9</sup> Even Brass identifies such a statement as being clearly populist or *narodnik*. Moreover, Charan Singh was prone to characterise what he considered to be the divergent interests of the town and the countryside as being inherent.

But despite this, Brass is way off the mark when he argues that Charan Singh believed that '... the ruling classes in contemporary India are no better than the former British rulers!Moreover, they are incompetent to understand the basic terms of existence of the vast majority of their own countrymen.'<sup>10</sup> It is clear from his writings that Charan Singh considered the British colonialism to be the primary contradiction in colonial India and regarded India's independence from the British rule as a precondition for her economic development. He never saw the early post-independent India as being the same as the colonial India despite his critique of the developmental strategy of the early post-independent India.

While Charan Singh often ascribed the difference between the village and town to divergent economic interests, there is also a constant refrain of difference of character, upbringing, and basic values between the villagers and town dwellers. In fact he asserts the superiority of the rural character and values over those of the town dwellers. While arguing for the reservation for the sons of cultivators in the government jobs, he talks about how such reservation will affect the government departments:

... it will give them a tone, a virility of character as nothing else will. For a farmer's son by reason of the surroundings in which he is brought up, possesses strong nerves, an internal stability, a robustness of spirit

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<sup>9</sup> *Ibid.*, p. 78.

<sup>10</sup> *Ibid.*, p. 79.

and a capacity for administration which the son of a non-agriculturist or a town-dweller has no opportunity to cultivate or develop ... An agriculturist's son has, therefore, strength and firmness to see decisions through, which the non-agriculturist often lacks; his hands and heart will not tremble in a crisis as those of a soft person from the city are likely to do. The peasant's son ... is simpler and less sophisticated and less amenable to calls of ease and comfort.... less open to corruption than a city-dweller....<sup>11</sup>

The idea of urban bias and the charge that Indian development strategy in the post-independent period favoured towns over villages and industry over agriculture can be found in the writings and politics of Charan Singh throughout his career. This is true even of his writings before 1950 and continues till his last major work in 1981. As pointed by Byres, 'anti urban sentiments consistent with the rural idyll invoked abound: the evils of the city are deprecated and are to be avoided... An urban bias thesis runs through his writing.'<sup>12</sup>

The question of urban bias is also prominent in some of his private papers from 1959 related to the Sahu Jains chemicals and the Rihand Dam.<sup>13</sup> In the Sahu Jain Chemicals case, he accused the then Chief Minister of UP Dr. Sampurnanand of giving loans to the Sahu Jains Chemicals at a rate far below the market one, and also agreeing to buy its electric plant, though the UP government later cancelled the purchase of this electric plant. As for the Rihand dam, Charan Singh accused the government of the neglect of agriculture with the latter agreeing to allocate one third of the electricity generated by the Rihand Dam to the Birlas' aluminium factory at a concessional rate. He suggested that 'aluminium may be important but in no case as important as agriculture.'<sup>14</sup> In fact, one of the important reasons for Charan Singh's critique of the then chief minister Sampurnanand was on the question of the relative importance of agriculture and investment in the development process in UP. He accused Sampurnanand of a neglect of agriculture.

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<sup>11</sup> *Ibid.*, p. 81.

<sup>12</sup> Terence J. Byres, 'Charan Singh, 1902-87: An Assessment', *JPS*, Vol. 15:2, 1988, p. 179.

<sup>13</sup> CS Papers, 2nd Installment, Subject File no 125(c) titled '1959 and 1969: Statement which was proposed to be made in the Assembly by Charan Singh but was refrained from doing so and connected material, a few papers relate to supply of cheap power to Hindalco (1969)', NMML.

<sup>14</sup> Paul R. Brass, *The Politics of Northern India: 1937 to 1987*, 3 vols.; *An Indian Political Life: Charan Singh and Congress Politics, 1957 to 1967*, 2nd vol., Sage, New Delhi, 2012, p. 120.

The most detailed exposition of urban bias is found in Charan Singh's 1981 work *Economic Nightmare of India: Its Cause and cure*. Here he takes up the question of urban bias in India's developmental strategy in three chapters which are titled: 'Capital Starvation of Agriculture', 'Exploitation of the Farmer' and 'Deprivation of the Village'. He suggested, in 1981, the forced nature of Indian industrialization which rather than being a consequence of economic process, was born out of an ideology that ignored the nature of our factor endowments.<sup>15</sup> Thus, 'the expansion of industrial production has been pressurized through the issue of production licences, through controls over capital issues and over the grant of credit facilities, and through subsidies and incentives on the export of industrial output.'<sup>16</sup> The result was that such an unnatural industrial development cost India in terms of the overall production, employment and income and divided the country in 'virtually two worlds—rural and urban.' A urban class consisting of 'businessmen and industrialists, workers, professional intelligentsia and bureaucracy'<sup>17</sup> with high standards of consumption has come to control the state while a predominant majority of the rural India continues to eke out their living as landless labourers and as marginal peasants supplementing their livelihood through wage labour.

He considered the neglect of agriculture in terms of public outlays allocated to it as a crucial factor behind this sorry state of affairs. He pointed that except the First Plan, right since mid-fifties beginning with the Second Plan, agriculture got a short shrift in terms of plan expenditure despite the fact that it contributes far more to national production and employment. He quoted Michael Lipton to explain this alleged neglect of agriculture:

Urban elite of industrial employers and the unionised employees, together with their rural allies, the urban-oriented big farmers, exercise a major influence on planners and policy-makers, and policy is largely conducted in the interest of this grand alliance. The vast majority of unorganised —the illiterate small farmers—are unable to be heard.<sup>18</sup>

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<sup>15</sup> An exponent of neo-populism, Michael Lipton often tended to see claims of development, planning or industrialization by post-colonial third world states as part of the latter's ideology.

<sup>16</sup> Charan Singh, *Economic Nightmare of India: Its Cause and Cure*, National Publishing House, New Delhi, 1981, p. 164.

<sup>17</sup> *Ibid.*, p. 162.

<sup>18</sup> *Ibid.*, p. 164.



But it was not just the plan expenditure but also in terms of transfer payments for social and economic services that agriculture received far less than its due share. The agricultural sector got far less subsidy than the non-agricultural sector: Rs. 646 crores and Rs. 957 crores respectively in 1979-80 which worked out to the ratio of 9:34 for per head agricultural workers and non-agricultural workers respectively. Further he suggested that the non-agricultural sector got other kinds of invisible subsidy such as in the areas of housing, transport, educational facilities and concessional loans. Moreover, he referred to the figures concerning the distribution of sales of electric energy in 1976-77 and argued that while agriculture received only 14.4 percent of the electric energy, non-agricultural sector got 85.6 percent of the same.<sup>19</sup>

The low pricing of foodgrains was seen by Charan Singh to be tilting the terms of trade against agriculture and in favour of non-agricultural sector. The adverse terms of trade for agriculture itself was considered one of the major factors responsible for the urban bias in the Indian economy. Asking for fixing the prices of foodgrains at such a level that terms of trade do not turn against agriculture, he asserted that:

Payment of infra-parity price to agriculture producers in conditions of controlled market involves money transfer from them to other classes and, while it is the primary cause of our failure to increase agricultural production, it is one of the main causes of increasing pauperization of the rural people in comparison to the rest of the society.<sup>20</sup>

He further stated that if parity between agricultural and non-agricultural prices is not maintained then 'no economic or other policies for rural development or uplift of the rural masses will have any meaning or relevance.'<sup>21</sup> His arguments against an adverse terms of trade for agriculture and against state trading in foodgrains have been dealt with in the earlier chapter.

Charan Singh, off course, dealt with the question of taxation in intersectoral terms. He tried to demonstrate how rural or agricultural sector could not bear any additional taxation because it was already burdened with excessive taxation despite having a very

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<sup>19</sup> *Ibid.*, p. 170.

<sup>20</sup> *Ibid.*, p. 202.

<sup>21</sup> *Ibid.*, p. 202.

low per capita income in comparison with the urban or non-agricultural sector. But this has already been dealt with in the earlier chapter on public savings.

One of the reasons suggested by Charan Singh for the need to prioritise rural development is the prevalence of greater inequality in urban sector than in rural sector. Charan Singh, like Michael Lipton, pointed to the existence of greater wealth inequality in urban sector compared to that in rural sector. He pointed to the study bringing out the greater wealth disparity among the urban households than among the rural households. The wealthiest 1% in families in cities controlled 20.7% of the total urban wealth while the wealthiest 1% rural families had 13.12% of rural wealth.

The prevalence of greater poverty in rural areas compared to that in urban areas was seen by Charan Singh as being indicative of urban bias in India. He argued that not just the magnitude but also the intensity of rural poverty was increasing. Further, over the period 1950 to 1975, the productivity per worker had declined in agriculture while that in industry had recorded a steady increase. Equally, the quantum of rural saving was far less than that of the urban saving. He quoted figures to argue that the per capita rural saving was Rs. 106 in 1975-76 while the per capita urban saving was more than two and a half times at Rs. 272. He held the poor savings rate responsible for declining gross domestic capital formation in agriculture in post-independent India. He showed that the gross domestic capital formation in agriculture had reduced from 21.8 percent in 1950-51 to 13.34 percent in 1974-75.

The urban bias was also reflected in the discrimination by the government in the provision of social amenities like water, health, transport, electricity, education, housing etc. While a substantial amount was spent on urban water and sanitation, the supply of water in rural areas was neglected. In the same way, the supply of health services and the building of hospitals in the rural areas got a short shrift. Rural housing was neglected due to the focus of housing finance on urban areas. Transport facilities in rural areas, important for agriculture from the marketing point of view, was neglected. The government also discriminated with the rural areas in the supply of electricity.

On the basis of figures for Uttar Pradesh, Charan Singh sought to prove that actual cost of power supply for agriculture was more than three times the actual cost for industry. He quoted the Uttar Pradesh government's 25 year agreement with the Birlas in 1962 for the supply of electricity to the latter's aluminium company at below-cost rates as an exemplar of the discriminatory attitude towards agriculture in supply of power. Moreover, 'the favoured treatment which the capitalists got from the Government of Uttar Pradesh, at the cost of the poor masses, was generally true of other States also.'<sup>22</sup>

He found urban bias to be noticeable in the sphere of education today. The state's policy towards education was seen not just to be ignoring the specific needs of agriculture in terms of imparting of agricultural training and research but also to focus disproportionate resources on the establishment of educational institutions in urban areas. More dangerously, the education system led the villagers '...to share the vision of city life as the way of the future. They look upon the city as an opportunity for a better life, if not today, if not for themselves, at least, for their children some day.'<sup>23</sup>

He also points to the effect of urban bias in terms of the types of foodgrains whose production has received emphasis. It has resulted in the relatively slow growth of coarse foodgrains and pulses which are high in protein and are consumed largely in rural areas. 'The planners being primarily concerned with extracting a food surplus for the towns, have devoted more attention to wheat and rice.'<sup>24</sup>

The question of land acquisition was another issue seen by him to be a part of the general discrimination against the rural interests. He had seen land acquisition in Ghaziabad, then the part of Meerut district, in the early decades of post-independent India. This land acquisition was conducted to develop townships in Ghaziabad. Charan Singh was deeply distressed by the process of land acquisition there which was seen by him to be deeply discriminatory to the villagers. He saw land acquisition there as the process which transferred wealth from villagers to the urban rich. Remarking on the treatment meted out

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<sup>22</sup> *Ibid.*, p. 228.

<sup>23</sup> *Ibid.*, p. 235.

<sup>24</sup> *Ibid.*, p. 234.

to the villagers, he said that 'their land are taken over from them in the same way as a conquering army would take over the properties of the subjugated people.'<sup>25</sup>

### **Charan Singh and Industrialization**

Being aware that agriculture pays less than non-agricultural employments, Charan Singh stated that 'wealth, prosperity or economic development, therefore, means greater growth of the non-agricultural sectors as compared with the primary or agricultural sector.'<sup>26</sup> However, he was somewhat pessimistic about the prospects of industrialization in India. He enumerated many constraints which made the job of industrializing India all the more difficult. He referred to the unfavourable ratio of natural resources to population here. India had less natural resources like land, mineral ores, petroleum etc. Countries like the United States had far greater quantum of mineral ores, petroleum, coal etc compared to India. 'The rate of capital growth was, therefore, far higher in the USA than it can possibly be in India.'<sup>27</sup>

There was the problem of domestic demand for industrial products too given the low purchasing power among the Indians. Charan Singh argued that purchasing power of the Indians cannot be enhanced unless the production of farm surpluses is increased but the latter will require 'far greater application of capital to land'<sup>28</sup> than India had managed to achieve in early post independent years. In the absence of such increases in farm surpluses, industries in India will be hindered as 'there is too little market anywhere in the world for the things she might manufacture, and our farmers will not be having the wherewithal to buy the products manufactured by their countrymen.'<sup>29</sup>

Charan Singh understood the additional problems that newly independent countries like India faced in their quest for industrialization. They had no colonies to exploit (exploitation of colonies also involved an ethical question for him) and no easy foreign

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<sup>25</sup> *Ibid.*, p. 228. For more details on the land acquisition process in Ghaziabad and Charan Singh's reaction to it, see Paul R. Brass, 'Urban Development and the Peasantry: Land Acquisition in Ghaziabad and the Cultivators (1950-2009) in his *An Indian Political Life: Charan Singh and Congress Politics, 1937 to 1961*, Sage, New Delhi, 2011, pp. 133-53.

<sup>26</sup> Charan Singh, *India's Poverty*, p. 187.

<sup>27</sup> *Ibid.*, p. 234.

<sup>28</sup> *Ibid.*, p. 235.

<sup>29</sup> *Ibid.*, p. 235.

markets to access. Colonies had made the task of capital accumulation easier in the early industrializers like England apart from giving the latter access to protected markets. Moreover in the early industrializing western Europe and the United States, industrialization preceded political empowerment of the masses through grant of adult suffrage and trade union rights. It was possible in these countries to accumulate surpluses through the exploitation of the workers and peasants.

In countries like India, on the other hand, democracy has preceded economic development. Further, the task of capital accumulation by India had to be done within the framework of a democratic polity. It was not possible to exploit our own people 'beyond a point'<sup>30</sup>. He averred that industrialization involved sacrifices of the common people in terms of high taxes and inflation and was therefore far more difficult to achieve within a democratic set-up than in a totalitarian country. In a democratic set-up it was not easy to cut down on the consumption of the masses in order to raise the savings needed for industrialization particularly since the living standards of the people in India were already at a subsistence level. Moreover, the industrial projects take time before their benefits reach down to the masses. Masses may not be patient enough to bear the costs of industrialization on the 'plea that at the end of another Five-Year Plan, the nation will be all the stronger and all the wealthier.'<sup>31</sup>

However, Charan Singh was not in favour of any haste to industrialize India despite the fact that she had to accomplish in decades a task which had taken the early industrializers a century or even more. In fact, writing in early 1960s he felt that India's attempt at "forced industrialization" in the shortest possible time was based on the wrong lessons learnt from the Soviet and Chinese experiences.<sup>32</sup> He concluded that 'we need not make haste to set up a capital-intensive structure on the lines of the USSR' by resorting to forced savings and 'if, as a result, industrialization does not proceed at break-neck speed, it will develop on a sounder basis with less waste and suffering for the people.'<sup>33</sup>

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<sup>30</sup> *Ibid.*, p. 229.

<sup>31</sup> *Ibid.*, p. 250.

<sup>32</sup> See Charan Singh, 'Conditions for Industrialism in India not Favourable', chapter no 15 in his *India's Poverty*.

<sup>33</sup> *Ibid.*, p. 251.

Charan Singh recognized that unlike agriculture, there is no serious limiting factor in industry or service sectors. Consequently, the development of both industry and service sectors is 'necessary not only *as a means of raising our standard of living but also as a source of employment.*'<sup>34</sup>(Italics in original) The question, therefore, was what kind of industrial pattern India should pursue? Charan Singh argued that there were two courses of industrialization available to India at the time of independence, one course represented by Gandhi and the other by Nehru. Having argued that the Gandhian path of industrial development was more suitable to India in the light of her factor endowments, he set out to critique the alleged fallacies of the Nehruvian vision on industrialization.

First of all, the Nehruvian industrialization required huge amount of capital. But it was not easy to mobilize this much capital through either of two domestic sources of capital accumulation: voluntary savings or taxes. Another ground of his opposition to the strategy of capital-intensive industrialization was the question of employment. Charan Singh argued that cottage and small-scale industries provided greater employment per unit of capital invested than what the of large-scale heavy industries did. Pointing out that the question of employment had received a short shrift in the Nehruvian strategy, Charan Singh quoted Nehru's speech before the All-Indian Congress Committee on 28 September 1959 where the latter had said:

The primary thing about an integrated plan was production and not employment. Employment was important but it was utterly unimportant in the context of production. It followed production and not preceded production. And production would only go up by better techniques which meant modern methods.<sup>35</sup>

Charan Singh averred that it would be fantastic to think that heavy industries can absorb a growing labour force let alone reduce existing unemployment. On the other hand, an alternative strategy of industrialization based on the Gandhian approach, or in other words, industrialization based on increased agricultural production would create new employment for the workers. But even then, agriculture will continue to be the largest source of employment and income in India.

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<sup>34</sup> Charan Singh, *Economic Nightmare*, p. 239.

<sup>35</sup> *Ibid.*, p. 245.

Charan Singh was insistent in reminding us that he did not oppose industrialization per se but only emphasized the priority of agriculture over industry. He said that both agriculture and industry are 'to a large part complementary to each other: it is more a question of emphasis and priorities.'<sup>36</sup> He conceded that industrialization will help raise productivity in agriculture by supplying capital goods, will provide consumer goods to agricultural workers, and will expand demand for agricultural goods thereby increasing income of the farmers.

On the other hand, a growing agriculture is crucial to industries too, in terms of providing wage goods, providing workers by releasing them from farms as a result of increased production, expanding the internal market for industrial goods, and earning foreign exchange by export of agricultural products. However he remained unequivocal in his conclusion:

All this, however, does not mean that industry is as important as agriculture. It is agriculture which plays the primary role- the role of a precursor. While man can do without industrial goods, he cannot do without food. Similarly, while agriculture can, in the ultimate analysis, do without a heavy or capital goods industry, industry cannot do without agriculture at all.<sup>37</sup>

### **Choice of Technique**

One of the pressing questions confronting the planners was related to the choice of techniques, meaning which factor of production will have a predominant role in the production process. Charan Singh was of the view that since India was a labour surplus and capital scarce country, the production technique should be one which makes maximum use of capital: that is production technology should be such as produces maximum output and creates maximum employment per unit of capital rather than producing maximum output per unit of labour employed. Given that labour was a cheaper

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<sup>36</sup> *Ibid.*, p. 98.

<sup>37</sup> *Ibid.*, p. 99.

factor of production than capital, Indian industrialization should be labour intensive rather than being capital-intensive.

He compared the cottage and handicraft industries on the one hand and modern industries on the other in terms of their relative capital coefficient, the ratio of the value of output to the amount of capital used and found that the former had greater capital coefficient that is to say the low capital-intensive cottage and handicraft industries produced more from the same amount of capital than did the high capital-intensive modern industries. Since in India capital was a scarcer factor of production compared to labour and consequently the rate of interest was higher compared to the wage rates, it was desirable to go for the economic structure which economises on capital and is more labour intensive. India could not afford to copy the labour saving techniques of the West given the abundance, even redundancy, of labour in this country. She should aim at maximum utilization of capital so that this scarcer factor of production is never wasted or misused.

Charan Singh argued that left to themselves private entrepreneurs will use labour intensive methods of production compared to capital intensive ones because labour intensive method will be more cost effective for them. However, various labour laws and trade union movement increased the wage level and thus made labour more costly than capital compelling private entrepreneurs to resort to greater application of capital in their industries.

The planners, however, took a different position. They argued for capital intensive technique on the ground that it made easier the mobilisation of greater surplus and thus helped increase the investment rate in the economy. They suggested that there was no question of choice of technique in heavy industries where capital intensive techniques were appropriate. This question arose only with regard to consumer goods industries. The Planning Commission argued that labour surplus technique yields less surplus per person compared to what a more advanced technique does. However, the Second Five Year Plan document conceded that 'the total surplus available per unit of output for capital formation, taking into account the social and economic cost of maintaining those who will remain unemployed may, perhaps, be larger in the case of labour-intensive



methods.<sup>38</sup> The problem remained on the question of mobilization of such surplus, this mobilization being more difficult in case of labour-intensive technique given that surplus or saving got dispersed in a large number of smaller units since labour intensive technique employed a larger number of people. But the Second Five Year Plan document declared that 'this is an organisational problem and requires to be faced.'<sup>39</sup>

The question of choosing appropriate technique of production, in the light of India's factor endowments, was central to Charan Singh's economic thinking. He argued that the choice of appropriate technique will resolve the question of what kind of goods are to be produced.

Once the techniques are controlled, that is, once we ensure how goods are made and that, as a consequence, incomes are distributed amongst the (sic) largest number of our people, we need not bother what kind of goods, whether goods of class consumption or goods of mass consumption, are made. *Everything else will take care of itself.*<sup>40</sup> (emphasis mine)

It seems that Charan Singh gave too much importance to the choice of technique and too little to the choice of goods to be produced. However, this is not tenable because production is demand-oriented, whether domestic demand or export demand. As John P. Lewis wrote in 1962:

If the issue were simply to match technologies with available resources so that total output would be maximized without regard to the exportability of, or domestic demand for, the resulting product mix, then many of the widest "technological" choices facing planners actually would be interproduct choices.<sup>41</sup>

Thus Charan Singh could not appreciate the fact that India's choice of technique was somewhat restricted by her commitment to a 'comparatively fixed commodity pattern in expanding output'.<sup>42</sup>

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<sup>38</sup> Singh, *India's Poverty*, p. 266.

<sup>39</sup> *Ibid.*, p. 267.

<sup>40</sup> Singh, *India's Economic Policy*, p. 109.

<sup>41</sup> John P. Lewis, *Quiet Crisis in India: Economic Development and American Policy*, Asia Publishing House, Bombay, 1962, p. 56.

<sup>42</sup> *Ibid.*, p. 56.

The Planners, on the other hand gave more importance of the choice of goods to be produced. It was their recognition of the importance of basic productive goods which led them to capital intensive, large scale method of production. As the Planning Commission argued:

... since the technology of such industries [heavy industries] is relatively capital-intensive on the average, they cannot avoid making a heavy claim on investment. At the same time, it should be emphasised that the present proposals reflect no inherent preference for capital-intensive technology; rather, the reverse.<sup>43</sup>

The Planning Commission also noted that :

It is certainly not legitimate to find out what kinds of production are easiest to expand, in relation to India's abundant manpower and shortage of capital, and then seek to secure a rapid increase in total output by concentrating on providing facilities for a vastly increased output of (say) fountain pens, bangles, earthenware pots and haircuts.<sup>44</sup>

Charan Singh knew that a lot of research and state support would be needed to make labour-intensive techniques viable and more profitable. John P. Lewis also argued for 'a redoubled, many-faceted effort to foster indigenous innovation, especially that which will economize in the use of scarce factors.'<sup>45</sup>

Further, the choice of appropriate technique will also solve what was, for Charan Singh, a fundamental factor retarding India's industrial progress. His words deserve quoting:

It is not possible to curb the trade unions, in other words, to ask factory workers to curb their appetites or exercise self-restraint. It is possible, however, to so control or regulate the techniques of production that control over the trade unions or the appetite of workers becomes virtually unnecessary.<sup>46</sup>

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<sup>43</sup> 'Provisional Outline of Perspective of Economic Development: India 1955-70', dated February, 1960, by the Perspective Planning Division of the Planning Commission, in Asok Mitra Papers, Subject File no 45, NMML.

<sup>44</sup> 'Long-term Strategy for Development', a planning Commission note, undated, perhaps from 1960 or 1961, in Asok Mitra Papers, Subject File no 45, NMML.

<sup>45</sup> Lewis, *Quiet Crisis in India*, p. 58.

<sup>46</sup> Singh, *India's Economic Policy*, p. 109.

The promotion of small or cottage scale of production will make trade unions redundant. 'For there will be no hired workers in cottage industry and only a few of them in small-scale industry.'<sup>47</sup>

### **Neo-populism and Peasantry**

Like classical populists, Charan Singh denied the tendency of class differentiation in peasantry and treated it as a uniform, undifferentiated category, both in his theoretical writings and also in his writings on how peasantry developed in the first couple of decades of independent India. But unlike classical populists and like neo-populists, his writings and actions advanced the interests of substantial landholders from middle and rich peasantry. The debate on land taxation in Uttar Pradesh in 1962 illustrates it.

During the debate on the Land Taxation Bill in 1962, Charan Singh pointed out that if at all surcharge had to be imposed on land revenue, it should be imposed on the sirdars who held rights of possession and hereditary transfer in their land holdings but, unlike bhumidhars, could not sell them. But the superior kind of land holders bhumidhars, who were already paying far less land revenue than the the sirdars (on an average half of land revenue paid by the sirdars), should be exempted from it.

C. B. Gupta, the Chief Minister, however, expressed a different view in his letter to Charan Singh:

If the Sirdar can pay the additional levy there is no reason as to why the Bhumidaris cannot pay whose land revenue per acre at an average is only about half of that paid by the sirdars. Due to the lower land revenue per acre on the Bhumidars their taxable capacity is greater than that of the Sirdars.<sup>48</sup>

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<sup>47</sup> *Ibid.*

<sup>48</sup> C. B. Gupta, the Uttar Pradesh Chief Minister, in his letter to Charan Singh, dated 26 July, 1962, in CS Papers, 1st Installment, Subject File no 34 titled '1962-65: Papers relating to clash between C.B. Gupta and Charan Singh over proposed increase in land taxation in U.P. and Charan Singh's opposition to related bill-'Land Holdings Tax Bill', NMML.

Gupta accused Charan Singh of '... protecting the interest of one class against the other'.<sup>49</sup> He pointed to what he interpreted as Charan Singh's suggestion '... to throw the entire burden on the Sirdars and exempt totally the relatively better-off Bhumidhars or to tax the relatively higher-taxed urban incomes rather than the lower-taxed agriculturist'.<sup>50</sup>

Charan Singh denied the suggestion that he was seeking to protect the interest of one class against the other and instead claimed that bhumidhars were not necessarily better off than sirdars. There were two types of bhumidhars in Uttar Pradesh. One, there were those ex-intermediary zamindars who were given bhumidhari rights in respect of the unlet sir, khudkasht and grove lands. Second, there were those tenants who purchased bhumidhari rights after zamindari abolition. According to what Charan Singh wrote in 1962, the first type of bhumidhars constituted 14 to 15 per cent of the farming community in UP while the latter type constituted 25 per cent of the farming community. He suggested that the former type of bhumidhars possessed around 14 per cent of the cultivated area and the latter type of bhumidhars possessed 20 per cent of the total cultivated land, with the rest 66 per cent being accounted for by the sirdars. According to him, the former type of bhumidhars possessed on the average 'much the same little amount of land' as the rest of the peasantry while the latter type of bhumidhars possessed in 1962, on the average, at least, 0.75 acre less than what the tenants who chose to remain Sirdars, possessed. The reason for the latter type of bhumidhars possessing less land than even the sirdars was that '...it is comparatively the smaller tenants who opted for bhumidhari'.<sup>51</sup>

In his reply to Charan Singh, C. B. Gupta did not contest Charan Singh's argument that bhumidhars were not better off than the sirdars and told the latter that there would be some concessions in rates to bhumidhars in respect of the proposed surcharge on land revenue.<sup>52</sup> It appears that Charan Singh might not have been right in his repudiation of C. B. Gupta's argument that bhumidhars were better than sirdars. For instance, it was

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<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

<sup>51</sup> Charan Singh to C. B. Gupta, dated 5 August, 1962, in CS Papers, 1st Instalment, Subject File no 34, NMML.

<sup>52</sup> See C. B. Gupta's various letters to Charan Singh in 1962, in CS Papers, 1st Installment, Subject File no 34, NMML.

suggested by Baljit Singh and Shridhar Misra<sup>53</sup> that those who had become bhumidhars were likely to be more prosperous than those who remained sirdars. 'Since bhumidhari was acquired partly by conversion and partly by payment or purchase it is obvious that the less prosperous or the more indigent could not acquire bhumidhari interest to the same extent as farmers and the upper caste Hindus...'<sup>54</sup> Moreover, they found that on the whole the average size of land holdings of bhumidhars was 10.5 acres while that of sirdars was only 6.1 acres.<sup>55</sup>

Thus it appears that Charan Singh's stance, in the 1962 land taxation bill debate, was supportive of the interests of the better off sections of the peasantry such as the holders of the prime category of land tenure, bhumidhars and would have adversely affected the interests of sirdars who did not have rights in land equivalent to those of the bhumidhars, and who possessed less land than bhumidhars in terms of the average size of land holdings. Thus, Charan Singh's neo-populism was supportive of the interests of the better off sections of the peasantry such as the bhumidhars.

Moreover, there was also a tendency within Charan Singh's writings and actual politics to conflate the interests of the cultivating households, especially the rich and middle peasant ones, with those of the entire agricultural population including agricultural labourers or even with those of the whole rural people. This was pointed by the then Chief Minister of Uttar Pradesh C. B. Gupta in his letter to Charan Singh in the context of the proposal for land taxation in 1962.

'The main issue in the proposed tax is not the economic condition of the entire rural people.... The proposed tax is to be paid only by the land holding section of the rural people and they do not constitute the entire rural community. Even all agriculturists will not be required to pay the new tax as it will fall only on the land holding cultivators who do not constitute more than half of the rural population. It is only this half which will bear the new tax. They will each bear according to the land revenue paid or the size of their holdings and it can

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<sup>53</sup> He and Shridhar Misra, along with their Department of Economics in Lucknow University had carried a survey in Uttar Pradesh, under the auspices of the Research Programme Committee of the Planning Commission, to study the impact of the land reforms in Uttar Pradesh. Their findings were published in Baljit Singh and Shridhar Misra, *A Study of Land Reforms in Uttar Pradesh*, Oxford Book Company, Calcutta, 1964.

<sup>54</sup> *Ibid*, p. 123.

<sup>55</sup> *Ibid*, p. 132.

roughly be estimated that more than 70 per cent of it i.e. Rs. 7 crores out of an estimated yield of Rs. 10 crores will fall on about one-third of the cultivating households. The majority of the cultivators i.e. nearly 70% will pay amongst themselves only Rs. 3 crores or some 30 % of it.<sup>56</sup>

While Gupta was referring to the taxation of a class of cultivators, Charan Singh talked about agriculturists as the masses whose putative interests he claimed to be defending. It appears from this 1962 taxation controversy in Uttar Pradesh that when the imposition of levy seemed inevitable, Charan Singh was actually asking for taxation of relatively weaker sirdar cultivators and exemption for relatively substantial bhumidhar landholders. In a letter to Gupta, Charan Singh deflected the question of equality of treatment to both bhumidhars and sirdars in matters of taxation and of his own insistence on exemption for bhumidhars from levy by referring to agriculturists as masses and contrasting them to urban classes.

... it must be realized that the agriculturists, forming as they do 74 per cent of our State population, constitute the masses, and not a class as the traders, transport-owners or industrialists might do. So when I plead that agriculturists are not in a position to bear fresh financial burdens, and that, despite the fact that town-dwellers, too, are smitten by high prices, they are comparatively in a better position to do so, it is not fair to suggest that I am trying to set up, or “protect the interest of one class against the other”.<sup>57</sup> (emphasis in original)

## **Democracy**

Charan Singh's populism was underlain by a strong advocacy of democracy. In fact, he believed strongly in constitutionalism. He decried all extra-constitutional methods of protests against the government such as strikes and civil disobedience. One of his grounds for opposition to Nehruvian strategy of industrialization giving emphasis on heavy industries was that it may well pave the way for the dictatorship or communism. His fear was that popular aspirations and population were growing rapidly in India while capital-intensive industries and projects were bound to have a long gestation period. Given this the time when people could have had increased levels of consumption was

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<sup>56</sup> C. B. Gupta to Charan Singh, 26 July 1962, in CS Papers, 1st Installment, Subject File no 34, NMML.

<sup>57</sup> Charan Singh to Gupta on 5 August, 1962, in CS Papers, 1st Installment, Subject File no 34, NMML.

being postponed. This was making the people increasingly more impatient. He feared that this impatience may lead people to demean the importance of means compared to ends and they may 'conclude that the democracy is no good and hand over the reins of government to those who promise quick relief from poverty by any means whatsoever.'<sup>58</sup>

Charan Singh argued for the economic foundations of democracy. Economic freedom of the individuals was a sine qua non for the survival of political democracy. Such economic freedom could be assured only with the individual becoming 'the master of his tools or means of production.'<sup>59</sup> Thus petty production was considered to be the best guarantee for the protection of economic freedom. He saw 'big economic units' as being perilous for a democratic society. Such big economic units did not leave scope for individual freedom and initiative and concentrated power in bureaucracy. As he put it, 'the liberty of the worker- a condition precedent to successful functioning of democracy- varies inversely with the size of the undertaking in or upon which he is employed.'<sup>60</sup> And bureaucracy was something which, in his view, bedeviled not just capitalism but also, in fact more so, socialism.

He argued that big owners of property, whether of urban, industrial property or of rural, agricultural property are 'anti-democratic in their outlook'. The replacement of private property by public ownership hardly alleviates this problem given that 'every form of concentrated economic power is inherently dangerous, even when that power is concentrated in the hands of the state.'<sup>61</sup> But while he was wary of the implications of big property owners for the health of democracy, there is no doubt that he considered the ownership of property as the foundation of freedom, and thought that property gave the individual both the means and motivation to resist the state. His only caution was that there must be wide dispersion of property so that democracy could endure.<sup>62</sup> Since he regarded both capitalism and socialism as being detrimental to the cause of democracy, he asserted in a classic populist vein that 'today, it is ideals that matter or should matter,

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<sup>58</sup> Singh, *India's Poverty*, p. 280.

<sup>59</sup> *Ibid.*, p. 128.

<sup>60</sup> *Ibid.*, p. 128.

<sup>61</sup> *Ibid.*, p. 290.

<sup>62</sup> *Ibid.*, p. 141.

not ideology.<sup>63</sup> Asserting that only in 'an economy of predominantly small units alone, small family farms and small industry or handicrafts', would the democracy thrive and there will be no glaring inequalities between the men and that the personality of the individual will develop most, Charan Singh called for 'a broad distribution of private economic power':

Only a broad distribution of private economic power can guarantee individual freedom, and this distribution of economic power is assured in an economy of decentralised enterprises of low capital intensity. Such an economy will contribute to an increase in the number and dispersal of those exercising initiative and making decisions, and thus strengthen the roots of democracy in the country.<sup>64</sup>

Charan Singh, in his opposition to a constitutional amendment that had been proposed in 1971, argued that: 'BKD believes that democracy is founded upon private ownership of property. It, therefore, further believes, as a corollary, that a wide dispersion — as wide a dispersion as possible — of private property is the only assurance that democracy is safe and would endure.'<sup>65</sup>

### **Charan Singh and His Contemporaries**

Charan Singh was not the only leader to defend peasant proprietorship and criticise joint cooperative farming and also state trading in foodgrains. Other leaders, both within and outside the Congress, like C. R. Rajagopalachari, K. M. Munshi, Minoo Masani, N. G. Ranga and other held more or less the similar views on such questions. Most of these leaders went on to found the Swatantra Party which finally merged in Charan Singh led Bharatiya Kisan Dal(BKD) in early 1970s.

Defending peasant farming, M R Masani in his speech in Lok Sabha on July 30, 1958 asked whether it was 'sociologically desirable' to take away land from the peasants.

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<sup>63</sup> *Ibid.*, p. 292.

<sup>64</sup> *Ibid.*, p. 293.

<sup>65</sup> BKD's election manifesto dated 26 September 1968, in CS Papers, 1st Installment, Subject File no 53(a) titled '1968-74: Some statements regarding state and nation, election manifesto and resolutions on behalf of B.K.D.', NMML.



... to call a small farmer a kulak or the capitalist, to give him a bad name and try to hang him, is not correct. I should like to say that there are many in this House, probably a majority, who in Russia would be called kulaks, because they come from middle-peasant families. What is wrong in being a middle-peasant? Rather it is the instinct of owning land that every democracy should be proud to cherish, foster and encourage...It is a tenacious sociological fact which cannot be defeated, which defeats the most powerful governments, as the experience of Soviet Russia and East European countries have shown.<sup>66</sup>

Apart from the sociological undesirability of joint co-operative farming, Masani stated that such farms would not lead to greater production and that establishing and maintaining them will involve a great deal of coercion. Speaking in Lok Sabha on March 9, 1959, during the general discussion on budget, Masani said that there were three risks of the proposal about joint cooperative farming.

The first is that the primary obligation of Government to supply water and irrigation, to supply fertilisers, to give better advice and tools, and to give credit is sought to be overlooked; attention is diverted from these primary tasks of Government to help the cultivator by this talk about joint cooperative farming three years from now.<sup>67</sup>

Second, it will lead to a decrease in food production by creating insecurity in the minds of peasantry. Also it will aid the communist propaganda. Later in August 1959, he suggested that the way to increase food production was not to resort to cooperative farming, but to provide the peasants with necessary inputs like water, fertilisers and seed, and to teach them the improved techniques of cultivation.

C. Rajagopalachari emphasised the need to increase the amount of capital invested in farming in order to increase agricultural production. He said that

steady and well-considered assistance to individual owners so as to *increase*, not decrease, the out-put of working capital to be sunk in land

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<sup>66</sup> See his Lok Sabha speech dated July 30, 1958, in CS Papers, 1st Installment, Subject File no 28 titled 'Papers/correspondence relating to the views expressed by C. Rajagopalachari, N. G. Ranga, K.M. Munshi, M. R. Masani, Shri Ram Sharma, Raja Bajrang Bahadur Singh of Bhadri, Jayaprakash Narayan and organisations such as the AllIndia Agriculturists' Federation on agrarian reforms', NMML.

<sup>67</sup> See his Lok Sabha speech dated March 9, 1959, in CS Papers, 1st Installment, Subject File no 28, NMML.

is what is called for, not change of hands by expropriatory laws from those who have capital to those who command neither capital nor credit and the rousing of unfulfillable mass egalitarian hopes of gifts of landed property. *These are good for raising votes, not for raising food crops.*<sup>68</sup> (italics in original)

N.G. Ranga was the secretary of the Congress Parliament Party at the time of Nagpur resolution on co-operative farming. He was highly critical of the proposal for joint cooperative farming. He wrote that: "It is dangerous to launch any campaign against the non-exploitative peasant family economy, as if it is inimical to socialist ideals or the co-operative commonwealth. For such a campaign will discourage peasants from ploughing back their savings into their land improvements. It will prevent any more investment in land. It will induce the highly educated and more enterprising elements among peasants to give up agriculture. It will set in motion the disintegration of villages, rural life and family economy."<sup>69</sup>

Addressing the Punjab State Farmers' Convention in late January, 1959, he demanded that the central and state governments should not proceed with the agrarian policy announced in Nagpur unless the Congress gets a fresh mandate in the next general elections. He criticised the Nagpur approach as being contrary to democratic socialism. He warned the crores of peasants, artisans and other self employed sections of the people that 'their much-cherished economic independence and freedom from bossism are in danger of being subverted by the gilded planners of India.'<sup>70</sup>

Fearing that the status of peasants as the free producers and creative personalities would be threatened, he said that the peasants would be 'enslaved to the nationwide bureaucratic machine of employment and economic production in the same way as the industrial workers have come to be in the Sovietised or capitalistic parts of the world.'<sup>71</sup> Ranga called on 'other self-employed masses, like the four crores of kalakars (artisans) and lakhs

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<sup>68</sup> *Rural Voice*, Vol. 2:19, 1959, in CS Papers, Installment 1, Subject File no 28, NMML.

<sup>69</sup> CS Papers, Installment 1, Subject File no 28, NMML.

<sup>70</sup> See a news report in *National Herald*, February 1, 1959, in CS Papers, Installment 1, Subject File no 28, NMML.

<sup>71</sup> *Ibid.*

of small shopkeepers<sup>72</sup> to stand with the peasants in the latter's fight against the Nagpur approach to agrarian reorganization.

Ranga also demanded the fixation of remunerative prices for at least the important agricultural crops. Tax burden should not be increased on peasants and the betterment levy on newly irrigated areas should be reduced. He also asked land ceilings to be stopped till such time as ceilings on non-agricultural earnings were also imposed. He continued his criticism of land ceiling in March 1959 when addressing a farmers' convention in Mysore, he asked for the payment of compensation at market rates to those whose land may come under ceiling.

Writing later in the *Kalki* magazine, published from Madras, in August 1959, Ranga saw co-operative farming and state trading in foodgrains as an inherent part of the plan to industrialize India. He said that Nehru and planners were convinced that industrialization in India could be achieved 'only by squeezing out of peasants, the maximum of their surplus value without paying for it, through the mechanism of price-squeeze and by turning the terms of trade against peasants.'<sup>73</sup>

Industrialization could be speeded up only if 20 crore peasants, through co-operative farming, could be made 'to deliver the prescribed portion of the local production of agricultural produce at stated times at prescribed prices, unmindful of the needs of peasants and other rural public for such produce.'<sup>74</sup> Referring to the Nagpur proposal for state trading in foodgrains, he said that: 'The chief motive force behind the proposal for State Trading in food grains is to get our peasantry into the monopolistic and iron-grip of the State even while the edifice of Cooperative Farming is being built up.'<sup>75</sup>

The idea of self employment was espoused not just by Charan Singh. N G Ranga, for instance, said on the occasion of the first convention of the Swatantra Party in Bombay in 1959 that the this party had been formed as a response to the government's threat to the

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<sup>72</sup> *Ibid.*

<sup>73</sup> CS Papers, 1st Installemnt, Subject File no 28, NMML.

<sup>74</sup> *Ibid.*

<sup>75</sup> *Ibid.*

'freedom of the great majority of our nation to find self employment and a modicum of social securities in the family economy in agriculture, cottage industries and trade.'<sup>76</sup>

Another leader with whom Charan Singh had an extended correspondence on Nagpur proposals for agrarian reorganization was K.M. Munshi. K.M. Munshi saw joint co-operative farming as exemplifying 'the forces of a new despotism.'<sup>77</sup> He felt that co-operative farming can lead to class conflict. "...If farmers owning economic holdings are kept out of the co-operatives, as the Congress resolution apparently intended, we would introduce the element of class conflict between those with land and those without it instead of harmony."<sup>78</sup> He stated in 1959 that cooperative farming had already failed in India. Moreover, India did not have enough resources and trained personnel to implement cooperative farming.

Munshi also doubted the capacity of co-operative farming to give greater production than individual farming supplemented by service co-operatives.<sup>79</sup> In order to increase food production, he suggested revitalising family farming by giving it incentives and service facilities. He declared cooperative farming as a doctrine which would mean 'death to the farm, the family, and the Indian social structure.'<sup>80</sup>

All India Agriculturists Federation was an organisation of the rich peasants and capitalist farmers. It published a magazine named *Rural Voice*. It planned to publish a detailed article in 1959 on the Nagpur resolution on co-operative farming and state trading in foodgrains. The draft of the article which was sent to Charan Singh praised his opposition to the Nagpur resolution but went further than Charan Singh on issues involved in this resolution.

It supported the use of income tax to deal with the problem of inefficient large holdings. It argued that due to the imposition of graduated income tax, '...only highly efficient farms would be able to exist and the inefficient farms and absentee landlordism would

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<sup>76</sup> *Ibid.*

<sup>77</sup> *Ibid.*

<sup>78</sup> *Ibid.*

<sup>79</sup> A news report in *Hindustan Times*, January 30, 1959, in CS Papers, 1st Installment, Subject File no 28, NMML.

<sup>80</sup> A news report in *National Herald*, June 25, 1959, in CS Papers, 1st Installment, Subject File no 28, NMML.

automatically disappear.<sup>81</sup> It opposed the co-operative farming declaring it to be 'a miserable failure' despite extensive government aid to it. It opposed state trading in foodgrains at its Bangalore convention.

What is interesting, however, is its views on the relative strength of small and large farms. It contradicts Charan Singh's own position on this question. At Nagpur, S.N. Misra, the then Union deputy minister for planning, who otherwise contested Charan Singh's views, had stated that yield per acre of small holdings was more than that of large holdings. The federation rebutted such an analysis calling it the result of colossal ignorance and said that the production of large farms in terai areas of UP and on coffee plantations in Mysore is more than double that of the small farms.

Expressing fear that with the impending co-operative farming more financial resources will move to cities and the agriculture will become 'the monopoly of only resourceless people,' this article also stated

... that the so-called land reforms have frightened the people to the extent that (what to talk of further investments in land) people are withdrawing investments already made in land and they are migrating to cities and this has been recently emphasized even by Chief Minister Madras.<sup>82</sup>

The draft article also took up the question of relative efficiency of family farms and commercial farms. It pointed out that:

farmers are not even able to earn in the whole year even as much as mere wage earners in those very localities do, which clearly shows that if the farmers were to charge wages for their own labour done on the farm, farms will show a definite loss.<sup>83</sup>

On the other hand, 'if the commercial farms are able to exist even after paying the normal labour charges, it is because of their greater efficiency in management and greater finances resulting in higher yield and low cost of production.'<sup>84</sup> However, despite

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<sup>81</sup> CS Papers, 1st Installment, Subject File no 28, NMML.

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*

pointing to the greater efficiency of the large, commercial farms, the article suggested that commercial farms could exist side by side with small farms, if the latter were enabled to cooperate in matters such as marketing of produce, provision of credit, warehousing etc. Charan Singh seems to have taken exception to the argument that small farms could be less efficient than large commercial farms since he suggested to the author of the article to leave out this part of the article before being published in *Rural Voice*.

### **Conclusion**

Charan Singh, thus, emerges in this chapter as a neo-populist, and a liberal one at that, who conceived peasantry as a uniform category and denied that anything like differentiation was taking place in Uttar Pradesh in the early decades of independence. Unlike the classical populists, his actions tended to advance the interests of substantial landholders of the middle and rich sections of peasantry. Second, he conceived rural people as a category having common interests against the urban dwellers, the former being exploited by the latter, in alliance with the Indian state, through the urban bias of the developmental strategy. Third, he did not deny the need for industrialisation but held the Nehruvian strategy of industrialisation to be a forced one, with adverse implications for the total output in the economy and for employment opportunities. Instead of the prevalent model of industrialization, he pleaded for what he termed as the Gandhian model of industrialization. But there was no doubt in his mind as to the priority of agriculture over industry. This often led him to argue for deferring industrialization till such time that agriculture is adequately developed in India.

## Conclusion

The period 1950 to 1975 was a crucial period in the post-independent Indian history when India set out to unstructure the colonial legacy of economic stagnation and of the forcible separation of the linkages between agriculture and industry. This unstructuring of the colonial legacy of stagnation and backwardness was to be achieved through the pursuit of planned economic development and of the strategy of heavy industries led import substituting industrialization. The state assumed a central role in the economic transformation of the country. It came to involve itself not just in direct production, but also in the mobilization and allocation of productive resources and in the management of political conflicts accompanying the process of such economic transformation.<sup>1</sup>

This process of economic transformation also raised the question of the relationship between agriculture and industry in economic development. That India must develop industries was something that almost everyone agreed to, including populists like Charan Singh, despite his continuing ambivalence on this count. What was in dispute was the exact role of agriculture in the process of industrialization. Many including Jawaharlal Nehru and the planners emphasised the urgency for industrial development in order to achieve self-reliance and self-sustaining and self-generating growth and to impart an organic character to the economy which had been sucked during the colonial period into the international division of labour between manufacturing colonisers and raw materials producing colonies.

Nehru and the planners also recognized the technological externalities for the economy that industrial development would unleash. Having recognized the urgency for industrialization, they were also conscious of the role agriculture was to play in this process; if for nothing else, then for the simple reason that agriculture was the largest sector of the Indian economy at the time of independence. This is not to say that Nehru and the planners did not acknowledge the importance of agriculture for India's economic development. They were conscious of the fact any slack in efforts on the agricultural front will create constraints in the field of availability of wage goods

<sup>1</sup>Matthew McCartney, *India : The political Economy of Growth, Stagnation and the State*,Oxon: Routledge, 2009, especially chapter 5.

and industrial raw materials, export earnings from agriculture and demand for industrial products.<sup>2</sup>

There were other leaders like Charan Singh who had a different view of the role of agriculture in the economic transformation of the early post-independent India. He supported what has been termed as the agriculture first policy. He argued that India first needed to achieve development of agriculture along with cottage and small scale industries. This, in turn, would lead to the rise of medium and heavy industries. Heavy industries, he stated should constitute the apex and not the base of economic structure. Thus, he claimed that he did not deny the need for industries but only sought the deferment of industrial development, especially heavy industries, till such time that agriculture begins to produce a surplus which can support the demand for industrial goods as well as facilitating the release of workers engaged in agriculture to industrial sector.

Charan Singh played a central role in the land reforms in Uttar Pradesh in 1950s and also 1960s. He claimed peasant proprietorship to be his ideal system of agrarian organization compared to both the earlier zamindari system and also the capitalist farming. Declaring peasant proprietorship as the ideal form of land tenure already in 1947, he worked tirelessly in 1950s and to some extent even in 1960s to create the every last detail of peasant proprietary system. He professed himself to be hostile to capitalist farming, and his published writing and private papers show his negative view of the suitability of capitalist farming compared to peasant proprietorship given India's factor endowments. But it is evident from his writings that he is more hostile to joint cooperative farming which involved pooling of land and labour resources.

His inverse relationship thesis emphasised the greater per acre productivity of small farms in comparison to large farms. He attributed the greater productivity of small farms, inter alia, to the greater labour investment on small farms, to the point that marginal product of labour, and finally the average product of labour, was pushed below the wage rate. However, he generalized the difference between the productivity of small and large farms to that between the relative productivity of family and

<sup>2</sup> See Byres who argues that industry is not dependent on agriculture for demand of its products in the early stages of industrialization. On the other hand, different branches of industry are dependent upon each other. Terence J. Byres, 'Land Reform, Industrialization and the Marketed Surplus in India: An Essay on the Power of Rural Bias', in D Lehmann, ed., *Agrarian Reform and Agrarian Reformism: Studies of Peru, Chile, China and India*, London: Faber and Faber, 1974, pp. 221-261.



capitalist farms. He failed to grasp the factors underlying the productive superiority of the capitalist farming.

Charan Singh argued vehemently against joint co-operative farming on the grounds of productivity, employment and democracy. He argued that joint farming cannot produce more than what individual cultivators, linked by service cooperatives, can produce. Neither can joint farming solve the problem of unemployment, which, according to him, can be solved only through the development of cottage and small-scale industry in the villages. Further, joint farming was against the democratic spirit and promoted authoritarian tendency. Right since 1940s, through Nagpur Resolution of 1959 to 1970s, he categorically rejected joint cooperative farming, only supporting service cooperatives, meant to remove the disabilities of individual cultivators in the realms of credit, marketing etc. In fact his hostility to joint cooperative farming was so great that any attempt at land ceilings or state trading in foodgrains appeared suspect to him because he feared them to be ultimately leading towards joint cooperative farming.

Sometimes, as in the case of the writer of an essay in the magazine *Rural Voice*, referred to in the chapter on agrarian populism, Charan Singh was presented with the greater productivity of the large commercial farms compared to that of small holdings. But he refused to take into account such contrary evidence and continued to adhere to the alleged per acre productivity superiority of small holds. In this, he failed to realize, as the economist Utsa Patnaik<sup>3</sup> writes about the neo-populists, that the difference in productivity between small and large farms extend only to the peasant spectrum, that it does not apply to capitalist farming. This is so because capitalist farming has to produce enough not only to yield rent and cost of production but also earn a profit, while, on the other hand a peasant has to produce to pay just rent and cost of production.

As has emerged from the chapter on the capitalist agrarian transition, he was against leasing of land, and under his watch, tenancy was prohibited in the ZALR Act. In fact when the demands for the lifting of prohibition on leasing was raised in mid-1960s and the matter came for the discussion before the Chief Minister Sucheta Kripalani,

<sup>3</sup> Utsa Patnaik, 'Neo-populism and Marxism: The Chayanovian view of the agrarian question and its fundamental fallacy', *JPS*, Vol. 6:4, 1979, pp. 375-420.

Charan Singh opposed it and instead argued for the continued banning of leasing. As a result, the prohibition on tenancy was never lifted. Charan Singh continued to believe in the inferiority of tenant farming relative to peasant proprietorship even in 1970s. He erred in believing that productivity was a function of the ownership (or the lack of it) of land and not of the technical conditions of production.

As noted by scholars such as Terence J. Byres, despite Charan Singh's professed commitment to small family farming, his measures as a politician and minister often helped the rich sections of the peasantry and, by increasing their accumulating capacity, facilitated their transition to capitalist farming. A study of his private papers indicates firmly towards this conclusion. His agrarian measures and his vision of the place of agriculture in the national economy tended to favour the substantial landholders more than any other section of the peasantry. It must be accepted, however that the constraints of democratic politics also influenced his views and policies in the realm of the agrarian economy.

A study of Charan Singh's writings and political actions suggest an intimate link between his respective views about industrialization and about agrarian reorganization. He understood that Indian industrialization was bound to lead to an attempt at transfer of resources from agriculture to industry. This fear of surplus transfer from agriculture to industry was an important factor in his opposition to any measure in agrarian reorganization such as joint cooperative farming or state trading in foodgrains that hinted at the possibility of surplus transfer from agriculture.

One of the crucial concepts in Charan Singh's writings is that of urban bias. He was talking about the neglect of villages and the rural areas and their relative backwardness compared to the urban areas even in the pre-independent period. He argued that Nehruvian strategy of industrialization produced urban bias in Indian polity and economy and it led to misallocation of resources and to the neglect of villages and rural areas. This theme of urban bias was taken up by the new farmers' movement in 1980s.

Further, it appears that Charan Singh was the proponent of a populist ideology. There are some similarities between his worldview and that of the classical populists of the 19<sup>th</sup> century Russia. But in many respects, his ideas were different from that of the classical populists. That is why he is usually called neo-populists in the Marxist

literature about him. Charan Singh was also hostile to anything Marxist or communist. He feared that joint cooperative farming would lead India towards an authoritarian system of government just as such an authoritarian system prevailed in Russia. He was also critical towards wage labour, whether it was industrial labour or agricultural labour. He appears to be an exponent of the idea of self employment. As in the case of the peasant in agriculture, or in the case of self employed persons in cottage and household industries, self employment was central to his worldview.

Further, Charan Singh's politics and writings seem to anticipate some of the issues brought to fore by the new farmers movement which occupied an important place in the political economic space of India from late 1970s till early 1990s. To illustrate the point, the Government of India decided to add intersectoral terms of trade as a factor in the determination of agricultural prices, both minimum support prices and procurement prices, from late 1980s onwards. Terms of trade was a crucial concept in Charan Singh's concept; however, the concept seems to have become central to his thinking only in the 1970s. But the concept of urban bias in India and the resulting neglect of rural areas and agriculture is found in his writing from late 1930s itself. This concept of urban bias was central to the worldview of the new farmers movement and the latter's binary of India versus Bharat.

One significant contribution of the populist ideology as propagated by Charan Singh was that it was aware of the cost of economic transformation, especially of industrialization. It was aware of the intimate linkages of agriculture with industrialization. His attitude towards such cost were different from those of Nehru and the planners.. He sought to defer such cost by positing industrialization in some distant future, apart from such heavy industries under the state ownership as may be indispensable immediately (but this point about heavy industries was relatively rare in his writings) , when agriculture and small-scale industries had already developed fully. And second, he sought to depict the impossibility of imposing excessive cost of industrialization on peasantry in a democratic set-up based on adult franchise and where the peasants constituted a large part of the electorate. Speaking in June 1957, Nehru had said:

So, when we talk of socialism, we mean maximum production in the country ... How can we march forward unless we also produce a surplus? And so we have to come out of this vicious circle and the

alternative that presents itself before us is to tighten our belts, to go in for a period of self-denial and austerity in order that we may save , remembering always that this additional burden that we would be lifting today will tremendously help us in the coming years and the succeeding generations.<sup>4</sup>

Charan Singh agreed that people will have to be patient and be ready to make sacrifices for achieving development. But he was wont to underline the fact that people were susceptible to the influence of authoritarian ideologies if the benefits of development were not delivered to them in a time bound manner.

Charan Singh told the U.P. Legislative Assembly in March 1956 that the State, except for consolidation of holdings, had achieved an agrarian revolution. He was criticised in the press for this view. The press termed this claim as 'vainglorious' and criticised him for 'boastful, unfounded declarations'.<sup>5</sup> It pointed out that Uttar Pradesh had much ground to cover in the realm of agrarian reforms, if one went by various historical resolutions of the Congress and also the latter's election manifesto for the first general elections.

The present study shows that ideas also can determine political and policy actions. The question of tenancy in Uttar Pradesh illustrates it. While there were demands in mid-1960s for ending the prohibition on leasing, Charan Singh's decisive action on this front assured the continued banning of leasing. His passionate portrayal of how legalisation of leasing might lead to the resurrection of old-style landlordism and could also cause the unravelling of the whole structure of agrarian reforms derived from one of his core arguments, that farm tenancy is inferior to peasant proprietorship. As has been pointed out by the scholars, determining the productive inferiority of an agrarian organization on the basis of ownership [or the lack of it] rather than on the basis of technical conditions of production, for instance whether it is pre-capitalist or capitalist farming, can be misleading.<sup>6</sup> Charan Singh could not appreciate the fact that not only the tenancy was increasing in significance in post-

<sup>4</sup> A news item in *The Pioneer*, June 18, 1957, in CS Papers, 1<sup>st</sup> Installment, Subject File no 19(a), NMML.

<sup>5</sup> 'Agrarian Revolution, *Amrit Bazar Patrika*, 24 March, 1956, in CS Papers, 1<sup>st</sup> Installment, Subject File no 21, NMML.

<sup>6</sup> As one of his contemporaries, Morarji Desai said, in a foreword to a book in 1954, 'what is most important is not so much who owns the land as how land is cultivated.' Desai, as quoted in Frank J. Moore, 'Land Reform and Social Justice in India', *Far Eastern Survey*, Vol 24:8, 1955, p. 124.

independence Uttar Pradesh but its nature was also changing, with reverse tenancy emerging as a phenomenon, in this state as also in states like Punjab and Haryana.

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