

**DEVELOPMENT, LIBERALISATION AND THE
INDIAN TRADE UNION MOVEMENT**

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CERTIFICATE

Certified that this dissertation entitled "Development, Liberalisation and the Indian Trade Union Movement", Submitted by Mr.R.Swaminathan in partial fulfilment of the requirement for the award of the degree of Master of Philosophy to this University has not been previously submitted for any degree of this or any other University. This is his original work.
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Preface

This is my first research paper. The topic proposed to be researched into, in this paper is titled "Development, liberalisation and the response of the Indian Trade Union Movement". Several factors have influenced my selection of this particular topic and these motivating factors have to be understood fully in order to have a complete understanding of my research work. This paper aims to point out the logical and the theoretical linkage between the concept of Development as a paradigm and as a theoretical construct and the practical policy framework of liberalisation. Once such a linkage is established, this paper then seeks to analyse the liberalisation policy of India particularly in terms of New economic policy of 1991 and the response of organised Indian working class which is to be measured by the response of major Trade Unions. The methodology adopted in this research paper lays emphasis on the collection of data through secondary means like books, articles and reports.

The period starting from 1985 has been a period of major and cataclysmic changes. The end of Cold War released forces of change - both negative as well as positive, in the World arena. These forces brought about various changes in the Socio - political - economic sphere. These changes were interconnected in the sense that any change in one sphere resulted in a cascading effect and brought about changes in other spheres. The end of Cold War first resulted in revolutionary changes in the political sphere which saw the start of an era of relative openness. This era witnessed the collapse of Communism in the Eastern bloc and its replacement by Governments committed to the Western interpretation of freedom and democracy. Such a political change also brought about major changes in the Economic sphere. Most of the Eastern bloc countries including the former Soviet Union were facing

economic crisis though in varying degrees. These countries needed massive amounts of aid and loans in order to prop up their ailing economy and start a programme of economic revival and recovery. The establishment of "friendly governments" in these countries, according to the western perception, gave multilateral financial institutions like the World Bank and International monetary fund (IMF), the opportunity to push forward their economic doctrine of free markets and their related mechanisms as conditionalities for giving loans, with the tacit support of the western countries. Such an approach also found favour with many countries which had gone through the rigours of a planned economy and found the result in terms of development unsatisfactory and wanted to adopt a new model of growth. Moreover the success of countries like South Korea, Singapore, Malaysia and soon in the Socio-economic sphere was depicted as the result of the adoption of the policy of free markets and its related mechanisms. The period since 1985 has witnessed the decline of political factors and the rise of economic factors in the conduct of International diplomatic relations. The trend witnessed is the rapid de-politicization of International relations and the emergence of economic factors such as trade between countries and between economic blocs, the issue of trade deficits, creation of multilateral economic agreements and institution like GATT and WTO, as the prime motivating factors behind International relations. The end of Cold War has also witnessed a certain relative universality in the world arena as far as the issue of economic policy is concerned. Almost, all the countries favours a policy of liberalisation / globalisation in order to integrate their economy with the World economy. The issue of foreign investment in terms of foreign and multinational capital is no longer looked at with suspicion and circumspection by the Third World Countries. Infact, the Third World Countries right now are competing with each other to encourage foreign investment in their respective countries through various policy inducements and incentives. Such an atmosphere has

triggered an intellectual debate about the viability and the non viability of the policy of liberalisation /globalisation entailing the opening up of markets, entry to foreign capital and companies and so on.

Development as an issue has been of important concern to Economists. Political Scientists and Sociologists with each suggesting a particular aspect of development with adequate emphasis on their respective fields of study. Various trajectories of development have been popular at particular periods of time. The period after the 1932 depression was the period favouring state intervention and an increased state role in economy. The New deal put forward by Roosevelt was representative of this line of thinking. After the Second World war, the emphasis as far as the Western world was concerned was on Keynesian economics and Welfare state, though the United States of America advocated free market principles. As far as the newly Independent countries of Asia and Africa were concerned, the preferred model of growth was state-led-development with reliance on the instrument of planning. The adoption of such a model of growth by most of the Third World countries has to be understood in the background of the historical reality of colonialism. State led development with emphasis on planning as a means for an efficient allocation of scarce resources was seen as an autonomous alternative to the free market policies advocated by Western power, their former colonial masters which was seen as a strategy for their second enslavement. The 1970,s saw the emergence of a broad definition of development in contrast to the narrow economic view point prevalent till then. Such a broad definition of development in contrast to the narrow economic viewpoint prevalent till then. Such a broad definition of development took into account humanistic aspects and Development per se was measured through indices such as sanitation standard of living, access to primary health care services etc. The 1980's has seen

the re-emergence of an economic view point of development though indices such as standard of living, access to primary health care services, sanitation etc are also taken into account. The prevailing logic, which is also the logic of liberalisation states that Development in core sectors like Industry, Services, Agriculture will naturally result in a trickle down effect with other sectors including the Social service sector benefitting from it. This logic also propounds that the withdrawal of government from unnecessary areas like Industry etc. will give the Government greater time, energy and resources to invest in the area of social services. Hence the logic of liberalisation demands free markets, non-interference from Governments, removal of bureaucratic hurdles and other conditionalities

The New economic policy of 1991 also follows the basic logic of the policy of liberalisation. Such a policy has generated heat and debate within the intellectual circles. Various sections of the Indian society has responded to this policy in varying manner. The Indian Industrial class obviously has welcomed this policy as it gives them for the first time after independence, the opportunity to utilize their resources and their initiative in an autonomous manner. The Indian Middle class also, by and large has welcomed this policy as this has given the middle class range and a choice of consumer goods, which were not available to it before. Though the response of the Indian Industrial class and the Middle class has been documented extensively, the response of other sections of society directly affected by this policy such as the agricultural community the Indian working class and so on has not been documented to that extent. This paper seeks to objectively analyse the pro's and con's of liberalisation policy and the consequent responses of the Trade Unions and the response is viability, feasibility and their reasonableness]

The entire debate about development and the consequent theorizations which

arose from it has been dealt in my first chapter which is titled " An introduction to classical and contemporary theories of development". The Second chapter deals with the logic of liberalisation policy and its theoretical base. The new economic policy is also dealt with as an extension of the world wide movement towards liberalisation and globalisation. The chapter is titled : "The policy of liberalization as an approach to development : The New economic policy of 1991". The third chapter deals with the response of the Indian working class [The Trade Union] to the New economic policy. It also highlights the alternative development strategy extensively favoured by the major Trade Unions like CITU and AITUC. This chapter is titled "New Economic Policy, Trade Union and an alternative development strategy". The fourth chapter deals with the Trade Union specifically in relation to the new economic environment created by the implementations of the liberalisation policy. This chapter also includes concluding remarks. This chapter is titled " Future role of Trade Unions".

CHAPTER ONE

AN INTRODUCTION TO CLASSICAL AND CONTEMPORARY

THEORIES OF DEVELOPMENT :

The advent and the progress of Industrial revolution brought about widespread changes in Europe and in the United states of America. These changes were comprehensive and involved the Socio -Political and economic sphere) of these select countries. The countries which experienced Industrial revolution, though having their own peculiar and unique characteristics, have in a sense followed an Universal common path. This Universal common path followed by these countries was evident by a change in these countries from an pre dominantly feudal and an agricultural economy to a capitalistic and an Industrial economy characterized by Mechanisation, Standardization and Urbanisation. That (most important effect of the Industrial revolution was the creation of class consciousness and the division of the Industrial society into two broad contending classes i.e. the working class and the Bourgeois)

with time and with increased specialization various scholars and authors today say that the term "Industrial society" is an anachronism in terms of its use to define the present societies of the West. Daniel Bell in his book "The coming of Post Industrial society puts forward the concept of Post Industrialism in order to define the present western societies". Daniel Bell states that there are certain threshold measures which enables us to decided whether an Industrial nation has moved into the new category or not. They are (a) The majority of the labour to be engaged in services instead of production. (b) The preeminence of a professional and a technologically skilled class. (c) The preeminence of theoretical knowledge. (d) Technological planning. (e) Growth of intellectual technology, i.e. increased use of computes,

statistics and information system"¹.

The Industrial revolution and the consequent creation of an Industrial society brought about changes not only in the socio - political and the technological spheres of particular countries but also brought about dynamic changes in the Economic sphere. The rapid changes in the economic sphere brought about an acute need to understand these changes and the structure of the economic system as such. This resulted in great intellectual theorizing and a body of contending theories emerged which were collectively called as Development theories. Any social Scientist must base his study upon a particular theoretical framework and this has been my effort here by studying the various theories development. [In this study of Development theories, I have followed the broad scheme put forward by Ankie Hoogvelt in her book " The third world in global development" (1982).] The scheme adhered to in this chapter envisages the division of the entire body of Development theories [into Classical development theories and Contemporary development theories. Four important Classical theorists are dealt with. They are Adam Smith, Karl Marx, Emile Durkheim and Max Weber] The selection of these theorists are not arbitrary as they are regarded to be the founding fathers and also because their theories have shaped subsequent enquiry. [While Adam Smith is represented by Neo-classical free trade school amongst the contemporary Development theories. Marx has been represented in the Dependency school and Weber and Durkheim have been used in various ways by the theorists of Modernization] The second category of contemporary development theories is further subdivided into Bourgeois liberal theories like Growth theory. [Modernization theory, Neo-institutionalism etc. and into Marxist

¹. Daniel Bell, - The Coming of Post Industrial Society, New York. Basic Books, 1973.pp. 14-33.

theories like Latin American Dependency, theories of Paul Baran and A.G. Frank etc.

[A] CLASSICAL DEVELOPMENT THEORIES :-

(i) ADAM SMITH AND HIS THEORY OF LAISSEZ FAIRE

Adam Smith put forward his theory of free trade in his book "The Wealth of Nations". His doctrine of free trade implied liberalism and freedom from Government interference. He published his book in the year 1776 which was a period of struggle and transformation from feudalism to capitalism. It was a radical and a progressive philosophy in that particular context in the sense that it helped in the emergence of social and economic forces conducive to capitalism. Smith was an historicist whose conception of the economic world was subject to the Socio-Political institutions which Smith understood in the light of Natural philosophy inherited from his teacher Francis Hutcheson. Smith presented his social philosophy in the book "The theory of moral sentiments" (1759) and said that a society is as harmonious as the Natural order. He said that the key to this harmony was to be found in the human propensity to act in terms of self love, Sympathy and the desire to be free; in the natural sense of propriety, the habit of labour and in the propensity to truck, barter and exchange one thing for another. Adam Smith quotes that "self love cannot bring disharmony as it is balanced by sympathy". Adam Smith then uses his particular brand of Social philosophy in conceiving an economic order as having an ultimate harmony in the conflicting interest of individuals and groups. His principle is best reflected in this argument. Smith says "Because the natural effort of every individual is to better his own condition, when suffered to exert itself with freedom and security, is so powerful as a principle that it is alone at

². Adam Smith - A Theory of Moral Sentiments, London, 1869, Vol. I. pp-14. and Vol. II. p-178.

without any assistance, not only capable of carrying on the society to wealth and prosperity but of surmounting a hundred impertinent obstructions "Smith's social and economic philosophy which coincided with the decline of feudalism and the triumph of capitalism resulted in the construction of the theory of self - regulating markets. In practical terms, the theory of self - regulating markets meant that prices are determined not by any structure or person but by the interaction between the impersonal forces of supply and demand. In actual terms it meant the market will be clear and the needs of the society would be fulfilled. Selfishness then is held to have desirable consequences. As far as implication for workers was concerned this theory enunciated that low wages were merely a way of indicating that a particular form of labour was not needed by society. It said that poor people can command good wages simply by fulfilling social needs. Smith and his followers argued for free trade whereby each nation would produce that only which it could produce efficiently and import the rest i.e. International free trade. In practise however this principle was used by business to get the government off their back. Karl Polyani in his classic " The great transformation" argues as to how this Smithsonian principle was used by the Bourgeois for their own interest. Polyani in his book refers to the British Speenhamland act, 1795 and the Poor amendment act 1834 which deprived anyone deemed able bodied of aid as the starting point of modern capitalism as it forced labour to work under minimum wage and created a cheap labour market. Similarly J.K.Galbraith in his book " The New Industrial state" refutes the basic Smithsonian premise of economic man i.e. the concept of people being motivated only by rational economic self interest. Galbraith says that demand is not always a function of price but is also largely created by modern marketing techniques. Galbraith also prefers collective

³.Adam Smith - Wealth of Nations.Modern library Edition. 1776, p-508.

bargaining to individual bargaining thereby effectively countering Smith's Individual posture. Thus the basic theoretical idea of self regulating market put forward by Smith was used by the Bourgeois selectively to further their own interest

(ii) KARL MARX AND HIS THEORY OF HISTORICAL MATERIALISM :-

The significance of Karl Marx thought in the modern world can hardly be overemphasised. Marx's work comprises his writings like "Introduction to the critique of Hegels philosophy of Law" , "The Jewish Question". "The poverty of philosophy", "The German ideology". ["The Communist Manifesto", "A contribution to the critique of political economy" and ofcourse his master piece "The Das Capital". Marx's approach lay in refuting the philosophical tradition expounded by Hegel in the 18th century. Idealism basically was an attempt to explain the nature of society in terms of the development of human consciousness or "ideas"] Marx on the other hand postulated that it was society which produced ideas rather than the other way round. This is the starting point for [Marx's materialism which was also called Economic interpretation or Economic determinism] The first and the essential idea according to Marx is that Men enter into definite social relations that are independent of their will] In other words it implies that we can follow the movement of history by analyzing the structure of societies, the forces and the relations of production and not by their conciousness or ideas. It is these social relations which have to be understood to understand history. [The second idea in Marx's historical materialism is his distinction between the infrastructure or the base and the superstructure]. The infrastructure consists essentially of the forces and relations of production. The superstructure consists of cultural ideas or the ideological aspects of society. [Thirdly Marx says that the mechanism of change is based on the contradiction which arises between forces of production and the relations of

production] Mode of production was the general concept which Marx employed to encompass the complex process through which men simultaneously interact with nature and with one another. This included both the productive forces and the relations of production. [A productive force was conceived by Marx as a social force and included (a) labour power i.e. workers (b) Instrument of production (c) Definite form of cooperations conditioned by the instruments and means of production.] [Relations of production according to Marx referred to the fundamental property relations.] [The fourth characteristic of Marx's theory of Historical materialism or Dialectical materialism was the introduction of the concept of class struggle into the contradiction between forces and relations of production.] According to Marx in the early stages of a system's development, property relations would facilitate the constant growth of productive forces. He further says that in the later phase of its development the productive forces are retarded and hampered in their growth by the existing property relations. These property relations then have to be burst in order to allow the further growth of productive forces. Marx then postulates that the workers acting as a class will set free the forces potentially existing in their social labour by their revolutionary activities. [This contradiction or dialectic between the forces and relations of production takes the form of revolution.] Revolution according to Marx are a historical necessity.] In Marx's dialectical scheme of revolution, it is not man's idea which decides reality but reality that determines their consciousness. In Marx's scheme private property and accumulation of surplus wealth is explained through his theory of surplus value and it forms the basis for the development of class societies and in particular provides the preconditions necessary for the emergence of class of producers and class of non-producers. The theory of surplus value is Marx's distinctive contribution to Economic theory. It is the heart of Marx's economic system and is based on the premise that labour alone creates value. Marx pointed out that the labour in

a capitalist society was not adequately compensated for the value created by them and instead the surplus value created by the labour was misappropriated by the capitalists. Marx also focused on the shackles put on the creative freedom by the capitalist system through the concept of alienation which he said resulted in mindless standardization and de-humanization. The solution advocated by Marx to the evils of the capitalist system was the overthrow of the entire capitalist system as such by proletarian revolution and the establishment of a Socialist State leading to a Communist Utopia. [Marxism as a philosophy emerged during the latter phase of the Industrial revolution as a reaction against the dehumanized and debased conditions under which the workers were forced to work.]

(iii) EMILE DURKHEIM AND HIS EVOLUTION OF THE DIVISION OF LABOUR

[Emile Durkheim was a contemporary of Gabriel Tarde and is ranked second only to Auguste Comte in importance and influence in French Sociology.] The common denominator running through Durkheim's writings is the attempt to demonstrate conclusively that social forces exist as distinct levels of reality. Durkheim essentially conceived Sociology as the study of social facts and the explanation of these facts in a sociological manner. Durkheim has written many books like "The Rules of Sociological Method" (1895), "Suicide" (1887) and "The Elementary Forms of Religious Life" (1912). But [it is his book "Division of Labour" which in the present context is important because it tries to create a hierarchy of different societies in terms of socio-political-economic development.] Durkheim was mainly concerned about the achievement of conditions for social existence. In pursuance of this Durkheim sought to distinguish societies ^{with} based on the type of solidarity which held them together. The two forms of solidarity put forward by Durkheim were Mechanical solidarity and Organic

solidarity. These according to Durkheim correspond to societies where the division of labour is rudimentary and societies characterised by Modern Division of labour. [Mechanical solidarity according to Durkheim denotes the form of cohesion underlying primitive and traditional societies] and is characterized by the fact that it emphasises the homogeneity of the group, likeness and similarities between individuals and common moral sentiments binding one member to another. [Social solidarity developed in this manner according to Durkheim places severe restrictions on any given individual ability to develop sense of personal identity or uniqueness.] Durkheim says that in societies characterized by Mechanical solidarity co-operation within a group is restricted to what can be achieved through the close conformity of each member to a single stereotype. Durkheim called such societies to be segmentary and lacking in division of labour. The legal system of such societies is designed to punish those who isolate collective will and offend the sentiments of the group. Durkheim called this to be repressive or penal law roughly equivalent to present day criminal law. Organic solidarity on the other hand is the opposite of mechanical type as it depends upon accentuating and regulating complimentary differences in individual characteristic/sub group within the social whole. According to Durkheim a diversity of interest and perspective develop and therein lies the significance of the division of labour and it is also the source from which they derive whatever cohesion they possess. According to Durkheim the primary purpose of the legal system in the Organic type of solidarity is to restore to the individual that which has been wrongly taken away from him. Durkheim called it co-operative law roughly equivalent to the present day civil law. [The division of labour which Durkheim is trying to understand and define is not to be confused with the one envisaged by the economists. Differentiation of occupation and multiplication of industrial activities are an expression as it were of the social differentiation which Durkheim regards as taking priority. The origin of social differentiation

according to Durkheim is the disintegration of mechanical solidarity. Durkheim says that this differentiation extends into all spheres of life. According to Durkheim it is this wider fragmentation, this social division of labour which changes the relation of an individual to a collectivity. The essential novelty of Durkheim's treatment of the Division of labour lies in its moral role i.e. it is a source of restraint upon self restraint and thereby renders the society cohesive. The economists on the other hand see in the specialization of economic exchange simply an effect of the growth of wealth and the free play of economic self-interest. Durkheim named this distinction between the two kinds of solidarities as "historical law" reflecting the general trend in the evolution of human societies. Durkheim's study of society proffers an interpretation that identifies a progressive evolutionary shift. The movement according to this interpretation is away from tight knot communities whose web of moral rules are religious in character and tightly bind the individual into society towards loosely ordered social interaction in the increasingly differentiated division of labour with its re-integrative ethic of individualism. The image presented by Durkheim is of essentially smooth change and of a harmonious self regulating system. Durkheim work has been of considerable significance for latter theorists. The links that can be drawn between Durkheim's work and the Post Second World War studies of development are quite clear and distinct. The crucial legacy of Durkheim has been his evolutionary conception of change coupled with his functionalist strategy of analyzing systems. It is the Durkheimian interpretations of change especially the ideas of differentiation, re-integration and dichotomous characterizations that have come to underpin neo-evolutionary conceptions of change which in turn form the basis for the theories of Modernization. Contemporary theories of Modernization follow Durkheim in stressing the stable evolutionary change of social systems conceived as essentially harmonious and self-regulating. This Durkheimian scheme was presented in an influential

form by W.W.Rostow. Durkheim thus was a significant intellectual contributor to what has been the single most influential Post Second World War theory of development.

(iv) MAX WEBER AND THE RATIONALIZATION OF THE

WORLD :

[Weber's analytical focus was on Individual human actors] and in this he differed from many of his predecessors whose study of society was conceived in social-structural terms. [Weber's primary focus was on the subjective meanings that human actors attach to their actions in their mutual orientations within specific historical contexts]. I. Zeitlin in his work "Ideology and development of sociological theory" (1968) states about Weber that "His main interest, a life long preoccupation, was the origin and the nature of modern capitalism which eventually led him not only to fastidious examination of the economic system of the West but all its major social and cultural systems. Ultimately this became a matter of understanding the peculiar nature of Western civilization and the important contrast with the civilizations of the East"⁴[Weber study was mainly concerned with the emergence of industrial society and capitalism] [His approach to power and authority including his three-fold classification of authority] his concept of rationality and his theory of the ideal type of bureaucracy must all be analysed and understood within the context of his overriding interest in the emergence of the capitalist industrial system. Weber text "The protestant ethic and the spirit of capitalism" (1904-5) concentrated on the analysis of the development of capitalism and is of major significance in the context of development theories. His analysis of the development of capitalism contributed to the field of social change in Western civilization. Weber's thesis is often presented as a direct refutation of Marx's analysis of the origins of

⁴.I. Zeitlin - Ideology and Development of Sociological Theory, 1968 pp-111.

capitalism, offering an idealistic theory of the origins of capitalism in opposition to Marx's materialistic account. However this is a gross over-simplification. Weber was not trying to refute Marx but wished to add to Marx's theory which he considered as an ideal type. Marx stated that all social system and institutions including religion are determined by their economic system. Weber on the other hand wished to run the causal sequence in the opposite direction from ideological to economic factors. At the same time, however, Weber was not arguing that capitalism was caused by the rise of protestantism. He was attempting a much more complex task outlining what he called an elective affinity between protestantism and certain elements in the culture of capitalism. Weber was trying to establish the link between large unconscious similarities between early protestant sect, principally Calvinism and the required cultural stimuli for early capitalist development. The question which Weber posed in his text is 'How can a form of social and economic organization explicitly devoted to the 'material' be connected with a religion which is fundamentally concerned with the 'immaterial or spiritual'? In other words it meant that how can the rationalization of economic life which is the characteristic of modern Capitalism be connected with apparently irrational value commitments'. [Weber was well aware of the fact that capitalism was not a product of early modern European civilization and had existed in embryonic form in Babylonia] Ancient Chinese, Indian and Roman societies. But what was peculiar to Europe were the elements of rationalization which underlay the development of modern capitalism. Hence it was the development of rational goal oriented behaviour which particularly concerned Weber. The spirit of capitalism according to Weber is not simply the greed for wealth which many traditional societies exhibited. The distinctive feature of modern capitalism is not only the pursuit of personal gain but also the disciplined obligation to work as duty. Weber described it as the acquisition of more and more money combined with the strict avoidance of all

spontaneous enjoyment which is thought of purely as an end in itself. Reduced to its bare bones Weber's argument pointed to an elective affinity between protestant particularly Calvinist notion of calling which served to bring into mundane affairs of everyday life the pursuit of the greater glory of God and the requirement of capitalistic material accumulation which required amongst other things the habit of delayed gratification. [Weber then implies that as a historical phenomenon the rise of capitalism can be seen to have been assisted by a particular set of religious ideas.] The belief system of the Calvinists led them to act in such a way that they served as a catalyst for widespread changes in the economic character of society. Weber based his analysis of capitalism and protestant ethic on the comparative study of various religious attitudes. [The use of Max Weber in contemporary Development studies is in terms of the role of religious ideas in development. Two closely related approaches to Development have emerged as result of Weber's influence i.e. Cultural and Psychological approach.] In Cultural approach theorists speak of traditional patterns of thought and belief which severely inhibit the spread of economic rationality and Weber's work is drawn on to help characterize the cultural schemes of these traditional societies. In the Psychological approach attempts are made through the use of Weber's work to characterize the psychology of the people in the underdeveloped countries and try to identify ways of encouraging those with the 'right' psychologies.

[B] CONTEMPORARY THEORIES OF DEVELOPMENT : -

(a) BOURGEOIS LIBERAL THEORIES

(i) GROWTH THEORY :-

Growth theory is the earliest of the post second world war theories of development. [Growth theory basically is a broad interpretive scheme of authoritative

intervention] This premise of authoritative intervention involves three basic suppositions. They are (a) There is something to be acted upon--an object (b) It will respond and will do so in a predictable and anticipated fashion. (c) The idea that the intervention is accomplished by an actor in precise manner according to clear set of expectation. The above definition makes for two related points. Firstly it is clear that the notion of intervention itself involves subject - object dualism in the sense that the 'real world' seen as a realm of potentially manipulable objects. Secondly it is clear that an interventions to be successful must be knowing intervention i.e. intervention at the right place, right time and of the right kind. This authoritative intervention demands a descriptive general theory. Authoritative intervention requires a legitimizing intellectual core which is provided by the economic discussions of growth. The most important influence in the growth theory were economists Roy Harrod and Domar who reworked and extended the work of Keynes and introduced the Harrod-Domar model. This model postulated that if the actual rate of growth of an economy (G_a) equalled the predicted growth (G_n) and which then equalled the growth rate of labour force (G_w) then steady growth of full employment would occur i.e. $G_a = G_n = G_w$ --- Growth with full employment. However this was an ideal situation and its was felt that intervention would be essential for growth and this feeling provided the impetus for authoritative intervention & Growth theory. In practical terms intervention was implemented through socio-economic planning and the tool of Aid. The tool of Aid having international ramifications had widespread impact on many countries. Aid by the Growth theorists was understood to be generically specific, piecemeal intervention in the system with the aim of contriving a preferred state of affairs. Aid, by the growth theorists was considered to be simple corollary of economic growth models and was portrayed as technical and objective. However G.Zeylistra in his work "Aid or Development" (1977) criticizes the highly technical and value

free concept of aid put forward by growth theorists and highlights the detrimental effects of aid and also the perpetuation of the existing unequal world economic system through the tool of aid. Growth as an answer to developmental problems also prepared the ground for Modernization theory.

(ii) MODERNIZATION THEORY :-

Modernization theory is a label applied to an extensive body of work which was very influential in the late 1950's and early 1960's) D.C.Tipps notes that "the idea of modernization was primarily an American idea developed by American Social Scientist in the period after Second World War) and reaching its height of popularity in the middle year of 1960's" ⁵. A.D.Smith in his book "The concept of social change (1973) says that the emergence of Modernization theory to a very large extent was the result of the response of the functionalist theorists to their critics in the late 50's and early 60's who criticized functionalism for being static, biased against social change and oriented towards social and political conservatism. This criticism of functionalism resulted in the revival of interest in Neo-evolutionism which came to underpin the theories of modernization. The basic logic of neo-evolutionism involved three notions. They were differentiation, reintegration and adaptation. The notion of differentiation can be traced back to Durkheim and his concept of division of labour with its increasing complexity and specialization in modern industrial society. The Neo-evolutionists modified Durkheim's focus on Occupational specialization to structural differentiation and identified it as the motor as well as the central trend of all historical development. The idea is taken to have general applicability to political entities like

⁵.D.C. Tipps - Modernization Theory and the Comparative Study of Societies -- A critical Perspective in Black, C.E. (ed), Comparative Modernizations (1976), pp-71

Nation states, economies, institutions etc. The notion of re-integration is linked to the first, as structural differentiation entails an immanent notion of change which if unchecked leads to disintegration. Hence the notion of re-integration becomes the second major postulate of neo-evolutionism. Tendencies to disintegration are countered by re-integrating mechanisms such as ideologies and organizations like the state which then re-equilibrate a disturbed system. Finally the notion of adaption gives these patterned changes a direction. Adaptation is both a cause and an effect of differentiation/reintegration. [Modernization theorists looked to see as to how the Under developed countries (UDC's) were changing to become like Developed countries (DC's)] A.D. Smith in his book "The concept of social change" offers three sorts of Modernization theory. The first one is the social maturation model which involves a shift from traditional societies having characteristic patterns of ideas/culture to modern societies having their own typical patterns of beliefs and culture. Traditional society is seen as hide bound and static whereas modern society is perceived as energetic and innovative. The shift focused upon in this model from one to another is a means to a higher adaptive and the change essentially is a matter of changed patterns of idea/culture. This model basically is an application of Talcott Parsons pattern variables and a diluted notion of Weberian rationalization to contemporary change. The second model is called as the Differentiation-Integration model and it relates changes in external circumstances to internal adjustments within society. Thus according to this model the rise of capitalist industrial societies transmits a series of impulses which the recipient society simply has to adapt to. This approach to Modernization can be traced back to Herbert Spencer and Durkheim. The third model is called as the generating and absorbing change model which argues that all societies change. This model also focuses on how societies generate changes and absorb their impact. H. Brook field in his work 'Inter dependent development" (1975) looks at

Modernization as being characterized by its adherence to dichotomous characterizations of the issue of development. This dichotomy is not only in terms of tradition/modern but also in terms of rural/urban, religious/secular, literate/pre-literate etc. Samuel Huntington while enunciating the Modernization theory notes that the terms traditional and modern are merely the manifestations of a great dichotomy between more primitive and more advanced societies. The bridge across the great dichotomy between the modern and traditional societies is the process of Modernization W.W.Rostow's book "The stages of economic growth" (1960) is considered to be the single most famous work on Modernization theory. (Rostow identified five stages of economic growth. They were (a) Traditional society characterized by low technological and economic base and having overdependence on agriculture with the society being clan based and having a fatalistic mentality (b) Pre-conditions for take off stage is exemplified by Western Europe in late 17th and 18th century. In this stage medieval society disintegrates and modern science grows (c) In take off stage economic growth becomes normal and investment rises for 5% to 10% of national income. However, the growth is non-egalitarian (d) In the Drive to maturity phase there is a long period of growth with 10% - 20% of the National income invested (e) In the final stage which is the high mass consumption stage leading sectors shift to consumer durable and services and welfare provisions are made. Modernization theory has been severely criticized and is now widely discredited. The central notion of traditional/modernity dichotomy has come under severe attack and there is a complete lack of history of the Third World in Rostow's classification of stages.

(iii) DISSENTING ECONOMICS : NEO INSTITUTIONALISM:-

In addition to the body of theories which were placed within the framework of mainstream economics there were theories which were collectively titled as dissenting

economics. The marginalise revolution of 1870's which produced a steady stream of dissenters like Veblen and then latter on Galbraith and Myrdal can be said to be the base for Dissenting economics. Common to the various schemes of Dissenting economics is the stress upon economics as social economics. Economic analyses are linked to social systems and are perceived as having their own distinct socio-cultural patterns and histories. One of the most important theorist of this school was economist Gunnar Myrdal. The school of Neo-Institutionalism tended to view development studies as a novel and a distinct Social Science. This school derived the concept of simple transferability of Social Scientific concepts that had been produced in the First World to the circumstances of the Third World. Thus Dudley Seers one of the Neo-Institutionalist in his work "The limitations of special case" (1963) argued that the concepts of orthodox economics are not applicable to the economics of the Third World. He argued that attention must be paid to the particular institutional and social contexts of the economies in question and also to their position in World economy. The theory of Neo-Institutionalism has to be understood in the background of the breakdown of colonial system and the consequent withdrawal of colonial powers. The school of Neo-Institutionalism was concerned with the project of reworking long established colonial relationship in such a manner that over a period of time a replacement ruling elite affirming the ideas of nationalist development be installed. The project of re working involved :- (a) First World experts deploying a reflexive social science (b) Indigenous replacement rulers (c) continuing aid from departing colonial powers (d) long period of co-operative exchange between the ex-colonial masters and their former colonies i.e co-operative intervention. The roots of Neo-Institutionalism can be traced back to the institutional economics of Thorsten Veblen who was a stern critic of un regulated market and wanted government control of business. Gunnar Myrdal another Neo-institutionalist rejects neo-classical equilibrium theory and offered a new

'sociologized economics' having the central idea of circular causation. Here the social and economic system is no longer seen as a self-regulating system. Myrdal argues that once a direction of change is set then the social system adjusts to reinforce that direction of change. Myrdal also treats people naturalistically and say that they become the causal agents of change. Myrdal says that the process of cumulative causation results in welfare state. The next logical step according to him is "World welfarism". With regard to Third World Myrdal applies his notion of circular cumulative causation both to the Third world position vis-a-vis the world economy and to its internal and institutional structures. The third World nations according to Myrdal are locked in a debilitating position in the world economy and are internally crippled by outmoded social forms. As a remedy Myrdal suggests the use of national planning to shift individual economies into an upward dynamic. The state planning agencies are considered to be the vehicle for contriving an upward dynamic.

(b) MARXIST THEORIES :- (i) LATIN AMERICAN
DEPENDENCY THEORY

Until the Great Depression of 1930's latin American nations had pursued an outward oriented development policy based on primary product exports) Such a strategy was legitimised by the Ricardian concept of internaional specialization which postulated that each area of the world should produce only such commodities for which the local circumstances best fit it. This in turn necessitated extensive exchange between areas with the result of maximum general benefit. Depression hit the Latin Americans economies badly as the world wide demand for their products fell in line with the falls in production in the industrialized world. As a reaction against adverse circumstances created by depression Latin American

countries adopted a strategy of import substitution. Influential development theorist Raul Prebisch argued against the claims of traditional Ricardian theories to the effect that specialization conferred benefits upon all those involved. Against this in his theory Prebisch uses a version of centre/periphery idea. This idea was available in Marxism as well as in Indigenous Latin American anti-imperialist and anti-Marxian writings. Prebisch argues that Latin American economies were condemned to a secondary and a relatively declining position. The solution advocated by Prebisch was to pursue industrialization behind protective barriers. Prebisch not only reworked the conception of the position of Latin American economies but also reworked the explanation of the nature of peripheral economies. Prebisch rejected the neo-classical equilibrium model in favour of structuralism which he perceived to be empirical, pragmatic and a problem oriented approach. The structuralist approach attempts to realistically model the local situation. It perceives a single national economy so as to be split in terms of very loosely integrated set of Quasi-autonomous sectors. Each sector is said to represent either a residue of the historical process of the expansion of the Western European capitalism or a present requirement of contemporary capitalism. Hence instead of a single national economy there is a collection of various enclaves and each of these different structures have a specific type of behaviour. The structuralist argument states that it is precisely because of the above conditions that an under developed country always remains within the framework of under development. The notion of reformist structuralism was the first step towards the formulation of the Dependency theory and the failure of the policy of imports substitution in the mid 60's crystallized the notion of dependency. Celso Furtado, an important dependency theorist in his work "Development and Underdevelopment" (1961) states that under development is not an original condition but a historically generated one. Furtado states that the advent of an industrial nucleus in the 18th century Europe disrupted the

world economy at that time and eventually conditioned latter economic development in every region of the world. He says that the nucleus expanded in three direction i.e. in Europe internally, into the empty lands of North America and Australasia and into the already inhabited lands. The effect of the impact of capitalistic expansion on these archaic structures varied from region to region though it always resulted in the creation of hybrid structures. The impact of the expansion of Industrial capitalism upon various colonized territories had the effect of producing economies comprised of distinct sectors. Furtado identifies three typical sectors. They are :- (a) sector of remnant economy having a predominance of subsistence activities (b) Second sector comprising of activities directly connected with foreign trade (c) The third sector consisting activities directly connected with the domestic market. Furtado finally concludes that the present day economic and social structure of the Latin American countries are the result of the manner of its incorporation into and its role within the world capitalist system.

(ii) NEO MARXISM AND PAUL BARAN :-

{Contemporary Marxian enquiry into the issue of development has been heavily influenced by the particular context of the social-Scientific discovery of Marx in the late 1960's} This particular context was created by the breakdown of liberal consensus politics, decomposition of affluent societies and the failure of the U.S. in the Vietnam war. Neo-Marxism was a major attempt within the Marxian line to theorise development and basically revolves around the work of Paul Baran who speaks of monopoly capitalism and analyses it in terms of surplus value. According Paul Baran Monopoly capitalism cannot realise the full potential of modern economies and is irrational and wasteful. Baran analyses the situation

of Third world in terms of how local economic surplus is realised and used. Like dependency theorists Baran diagnoses subordinate and deforming incorporation within a world capitalist economy. [The key to development according to Baran is via a socialist revolution and disengagement from the world capitalist system] Baran in his text "The political economy of growth" (1957) analyzed the Post Second World War capitalist systems and through this analysis advanced the idea of monopoly capitalism] The capitalist system according to Baran could no longer be regarded as having a competitive market nor could it be regarded as a progressive social form. Baran argues that in monopoly-capitalist situation, the economy is dominated by a handful of giant firms and they operate in various ways to control competition. Baran says that these giant firms use their monopoly power so as to defend the status quo in which they have a crucial interest and dominant position . In general they become historically conservative and Baran defines it as moribund capitalism. The crucial idea according to Baran is that of surplus which he feels is the key to the understanding of the general working principles of capitalism. The idea of surplus used by Baran is not that of Marx but is that of the orthodox idea of economic surplus i.e. the total national output of an economy. [Baran argues that monopoly capitalism fails to realise the economic surplus that could be generated with the available factors of production and that it diverts much of the economic surplus it realises into wasteful and immoral consumption. [Baran identifies three notion of surplus. They are (a) Actual surplus (b) Potential surplus (c) Planned surplus and it is through the relationship of these three notions that Baran makes his analysis of the monopoly capitalism and of the Third World. [Actual surplus is basically that which an economy produces] Potential surplus is that which an economy could produce and Planned surplus is that which could be produced by a rational and a humane (Socialist) society. Baran argues that in monopoly capitalism there is an in built tendency towards stagnation and this

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is due to insufficient consumer demand within an economy. The remedy identified by Baran was in terms of the role of the state as consumer. Baran argues that the state spending underpins the monopoly capitalist system and he cites the example of military spending as one that does not raise general questions about social arrangements in society. Hence [Monopoly capitalism is viewed as irrational and wasteful.] As far as Third World is concerned Baran again uses the trio of notions of surplus to analyse and prescribe . [According to Baran the World capitalist system is divided into two historically generated sectors.] Baran analyses the present day circumstances of the Third World by identifying a series of sectors within the Third World economy. [According to Baran firstly there is an agricultural sector characterized by peasant farming or commercial plantation. Secondly there is the merchant sector having middlemen, moneylenders, traders etc. Thirdly there is the sector of local industrial group] Baran says that its members face daunting internal handicaps and external competition. He says that their contribution to the total economic surplus is depressed and they as a group are not progressive. The fourth sector or the group identified by Baran was the state. Baran postulates that the state should absorb a large measure of available economic surplus, if there is to be development and the state must use this surplus to foster development. Baran however, says that in practise this does not happen. The state according to Baran in reality has the task of trying to balance the conflicting demands of internal, agricultural, mercantile and capital sector. Moreover, Baran feels that the state employees themselves come to have a powerful interest and externally also there is the power of the overseas capital i.e. Multinational corporations and multilateral loans and aid institutions. Thus according to Baran the available economic surplus is either drained away to the metropolitan centres or is misused in the peripheral states. Baran states that the economic surplus produced by the Third world countries cannot be effectively utilized

within the world capitalist system. The only solution advocated by Baran is the complete withdrawal of the Third World from the world capitalist system and state socialist pursuit of development.

(iii) A.G. FRANK :-

A.G.Frank is the best known theorist working within the general Marxian line.

(He can be called as a radical underdevelopment theorist. A.G.Frank in his 1967 text "Capitalism and Underdevelopment" identifies three fundamental contradictions) that characterize capitalist development and the development of underdevelopment. The contradictions are (a) The expropriation of economic surplus and its appropriation by the few (b) Polarization of the capitalist system into metropolitan centre and peripheral satellites (c) Continuity of the fundamental structure of the capitalist system throughout the history of its expansion and transformation, due to the persistence or re-creation of these contradictions everywhere and at all time. A.G.Frank in his 1969 text "Latin America : Underdevelopment or revolution" puts forward a central argument which though specifically focusing on Latin America can also be applied to other Third World countries having a colonial past. Frank says that Underdevelopment in Latin America and elsewhere developed as a result of the colonial structure of the World capitalist development) This structure penetrated the whole of Latin America thereby forming and transforming the colonial and class structure of underdevelopment throughout the continental, the national and the local levels. Frank says that as a result of this the development of underdevelopment will continue in Latin America until its people free themselves from this structure by violent revolutionary victory over their own bourgeois and over international imperialism. A.G.Frank postulates that the economic development of the advanced industrial countries is held as the model) and the Third world countries are fated to repeat this sequence. Frank in his book "Lumpenbourgeois --

"Lumpendevelopment" (1972) puts forward these claims. First he says that the conquest of Latin America placed it in a position of subjection and colonial and neo-colonial economic dependence in relation to world commercial capitalism. Secondly, this colonial or neo-colonial relationship to the capitalist metropolis formed or transformed the economic and class structure and the culture of Latin American society with the transformation in national structure occurring as a consequence of changes in the forms of colonial dependence. Thirdly, this colonial and class structure established the direct interests of the dominant sector of the bourgeoisie and this sector using the instruments of the state influences the policies of economic, social, cultural and political underdevelopment for the "nation" and the people of Latin America. Frank dubs the dominant class of Latin America with its alliance with the centre as 'Lumpenbourgeois' and the politico-economic consequences of their rule 'Lumpendevelopment'. Finally A.G. Frank argues that the problems of underdevelopment can be resolved only through an armed revolution and the construction of Socialism. 7

CHAPTER TWO

THE POLICY OF LIBERALIZATION AS AN APPROACH TO DEVELOPMENT: THE NEW ECONOMIC POLICY OF 1991

The term liberalization policy in narrow terms denotes a discourse on economic modernization which is centered upon the theoretical framework of liberal market economics. Even though liberalization as a policy has wide ranging effects in areas other than economy like the socio-cultural sphere, political sphere and so on, but for the purpose of brevity and clarity, I would focus mainly on the economic aspect of the liberalization policy with a general reference to its socio-political impact in this chapter. [Kumaresh Chakravarthy] in his paper 'Being within and outside -- Globalization and Indian political economy', [says that "Globalization and liberalization are two sides of an unified process"]¹ Kumaresh Chakravarthy defines liberalization and globalization as a process which brings about a new configuration of forces within the world capitalist system. He says that as a process liberalization envisages a closer all round integration of a developing economy with the international market. Such an integration according to him is achieved through expanded trade and foreign direct investment and also through the free mobility of finance capital. With such a target in view liberalization policy attempts a structural change which seeks to minimize state intervention in terms of regulating private ownership and use of capital and in mediating the relationship between capital and labour. This however, is not an unqualified characteristic of liberalisation as the extent of state intervention actually depends upon the

¹. Kumaresh Chakaravarthy, - "Being within and outside : Globalization and Indian Political Economy, p.I [Paper presented at a seminar in Zakir Husain College, Jan. 20 & 21 '96.]

states ability to intervene and the purpose which such intervention seeks to serve. "K. Clements on the other hand in his book" from right to left in development theory (1980)' defines liberalization policy as being associated with certain universal prescriptive policy postulates based on the principles of orthodox economics"² [Clements says that the entire policy formulation of liberalization is based on two major assumptions] (The first assumption is that of human economic rationality) which entails the strategy of securing maximum returns for minimum input. [The notion of economic rationality seeks to establish a relationship between human intentions and action and thereby rendering human behavior amenable to scientific study] The second assumption which is related to the first is the notion of consumers and consumer sovereignty] Clements, who classifies liberalization policy as an offshoot of Neo-classicism affirms that liberalization policy assumes human beings as rationally calculating in pursuit of consumption. [Clements says that the consumer is the key figure in the entire theoretical framework of liberalization] [Clements says that the proponents of liberalization using these two basic theoretical assumptions construct the main general and practical policy guidelines] advocated as an universal cure for economic ills. [These general and practical policy guidelines are :- (a) Regulation of market is to be avoided] save for crises and for the removal of malfunctions or inhibitions to full functioning (b) Subsidies should be abolished] tax rates adjusted and tariff barriers and other disguised restrictions removed to encourage enterprises (c) Government's role in the economy should be minimized] with parallel encouragement of private initiative and enterprise (d) Labour unions should be curbed] so as to keep the cost of labour low (e) International trade should be "free trade"] which effectively translates into export-led growth as a policy, more so for less developed

².K. Clements -- From right to left in development theory, Institute of South East Asian studies, Occasional Studies No 61 (1980).

countries (LDC's). These set of policy guidelines, based on neo-classicism with minor changes depending upon the countries involved, have been advocated with renewed enthusiasm, specifically after the long and severe post - 1973 depression. Such a policy framework also got a boost with the failure of traditional Keynesian economics, which in practical terms translated itself into welfare state, to solve the pressing economic problems of the day like inflation, lack of sustained and efficient growth and slump in industrial production. The end of cold war has again given new lease of life to this particular brand of Socio-economic policy. This has been possible due to the widespread depiction of cold war as the conflict between two contending economic ideologies, with the economic ideology of the West i.e. a free market, non-regulating, non-planned economy winning over the ideology of the East [K. Clements gives certain plausible reasons for the sudden rise as well as the popularity of the neo-classical approach of liberalization policy] They are :- "(a) The entire approach as such leaves the world economic system intact and does not demand any radical restructuring of the economy (b) Such a policy can be accommodated to by most conservative philosophies (c) It is claimed to have worked in countries like South Korea, Taiwan, Singapore etc which have registered high rates of growth in recent years & (d) The failure of Keynesianism to solve the depression in Western economies and the resultant slumpflation³. The entire theoretical framework of liberalization/globalization cannot be properly understood unless we refer to the debate on the meaning and concept of development. The entire literature on economic development in general after Second World War has been dominated by two major strands of thought. They were the "stages of economic growth" theories of the early 1950's and 1960's in which the process of development was viewed as a series of successive stages through which all the countries

³.ibid..

must pass. It was primarily an economic theory of development in which the right quantity and mixture of savings, investment and foreign aid were all that was necessary to enable Third World nations to proceed along an economic growth path that historically has been followed by more developed countries. Development thus became synonymous with rapid aggregate economic growth. Its most influential and outspoken advocate was the American economic historian W.W.Rostow. The Harrod-Domar growth model was also based upon the intellectual and the theoretical framework of the "stages of economic growth" theory. [The liberalization policy which has been variously called as the policy of globalization and integration, policy of structural adjustment and the New economic policy etc] is the intellectual successor to the "stages of economic growth" theory. The "stages of economic growth theory" was replaced in the late 60's and early 1970's by 'structural-internationalist' models. This approach viewed "development - underdevelopment" in terms of international and domestic power relationships, institutional and structural economic rigidities and the resulting proliferation of dual economies and dual societies both within and among the nations of the world. The theories based on the "Structural internationalist' model such as the Neo-colonial dependence theory (*) and the False paradigm theory (**) tend to emphasize external and internal institutional constraints on economic development. Such theories place emphasis on policies needed to eradicate poverty, to provide more diversified employment opportunities and to reduce income inequalities.

[The 1980's and the 90's have been increasingly dominated by the Neo-classicist approach of the policy of liberalization/globalization/integration of an economy as means to rapid socio-economic development] This policy basically is an adaptation of the "stages of economic growth" theory with certain modifications and improvements. The economic logic of this theory demanded that in order to grow, economies must save and

invest a certain proportion of their Gross National product (GNP). The more they can save and therefore invest, the faster they can grow. In fact Rostow and Harrod - Domar defined the "take off" stage of an economy in precisely this way. They said that countries which are able to save 15% - 20% of their GNP¹⁶ would grow at a much faster rate than those that saved less. Such a growth was seen as self-sustaining and development was perceived simply as a matter of increasing national savings and investment. The main obstacle to or constraint on development according to this theory was the relatively low level of capital formation in most poor countries. Hence the entire concept of "capital constraint" became a means to justify the massive transfers of capital and technology from the developed to the less developed countries [LDC's] and the Marshall plan was cited as successful example of this approach. However, this approach failed to take into account that the Marshall plan worked for Europe because the European countries receiving aid possessed the necessary structural, institutional and attitudinal conditions [example :- well integrated commodity and money markets, highly developed transport facilities, well trained and educated manpower, an efficient government bureaucracy etc.]. The Rostow model and the Harrod Domar model implicitly assumed the existence of these same attitudes and arrangements in under developed nations, which in many cases were not present nor were other complimentary factors such as managerial competence, skilled labour etc. present in sufficient quantities. This theory projected a particular model of growth as a historical reality and tried to portray it as an universal cure for all economic ills irrespective of countries, situations or contexts. The failure of this approach in advancing Third World development and its excessive economic determinism without adequate emphasis on socio-cultural factors and conditions and its development resulted in the rise of 'structural - internationalist' school of development in the 1960's and 70's. The failure of the 'structural - internationalist' school of development to

explain the rapid socio economic rise of countries like South Korea, Taiwan, Thailand, Indonesia etc. which followed an economic policy dependent on foreign capital, technology and exports led-growth and their advancement particularly in the field of social sector like rapid reduction in illiteracy, reduction in poverty levels, increase in basic health care facilities etc made the policy of liberalization/. globalization find favour in the Decision making circles of many developing countries. Such a policy further got a boost with the end of cold war and the emergence of an unipolar world.

India also was not completely free from such socio-economic changes and theorization despite the inward looking and the relatively insular economic model which was followed. Indian economic model since independence was characterized by an emphasis on socialist pattern of society which necessitated a reliance on the instrument of planning as the most effective means for the balanced utilization of the countries resources for all round economic development. Indian economy at independence as characterized by nil or sometime even negative growth rates. The First five year plan document gives the reasons for it. It says "This is primarily because basic conditions under which an economy can continuously expand have ben lacking. Moreover the import of machine made goods from abroad destroyed the traditional pattern of economic life without creating a viable alternative. The decline of traditional arts, crafts and industries leads to an increased pressure of population on land. This retrogression led to an increased decline in productivity per person engaged in agriculture. The result was a continuous increase in under employment and a decline in the standard of living. The surpluses generated under this system were directed to the purchase of imports"⁴. Immediately after independence the

⁴.The First Five Year Plan, 1951-56, Government of India, Planning Commission.p.28.

Government's main concern in economic policy was to control persistent and severe inflationary pressure and to alleviate shortages of essential food items aggravated by the partition of 1947. Planning was thought to be the most effective instrument which would address these immediate concerns. Accordingly The Industrial policy resolution of 1948 advocated planning as a means to development marking a fundamental departure from the earlier policy of Laissez-fair. According to the New Policy resolution, the Government was to have a major role in initiating and regulating development in the key sectors of the economy. With the setting up of the Planning Commission in March 1950, Planning as an instrument of socio-economic development was institutionalized. Moreover, the Industrial policy resolution of 1956 which gave primacy to the role of the state to assume predominant and direct responsibility for industrial development cementing the role of planning in the economic processes. The first six plans (***) followed a strategy of state led industrialization with the second plan emphasizing heavy industrialization. Such a strategy had a positive as well as a negative effect. The positive result of this strategy was the creation of wide and vast industrial base with India being self reliant in heavy and basic industries. The negative effect was the stifling of private initiative and enterprise with the public sector units (PSU^s) entering non-essential areas like consumer goods. Moreover, these PSU's operated on the principle of employment generation and on social objective rather than on profits. Consequently even chronic loss-making PSU's were given subsidies by the Government on the specious plea that they generated employment. The end result was worsened Balance of payments [BOP] situation and fiscal imbalance. The Industrial policy resolution of 1973 marked a significant change in policy in the sense that for the first time it identified select high priority areas where investment from large industrial houses and foreign companies would be permitted. The sixth plan of 1980 was a logical continuation of the Industrial policy resolution of 1973 and

is identified by economists as the turning point in Indian economic history as the start of this plan witnessed the era of liberalization which ultimately culminated in the New economic policy of 1991. The sixth plan saw the encouragement of private initiative and enterprise and gradual withdrawal of the Government from non-essential areas. This process was quickened in the seventh plan with selective entry given to Multinational corporations and with emphasis being placed on technological and managerial modernization. The annual average growth rate during this period was a phenomenal 8.5% . Many Economists contend that the New economic policy of 1991 is only a logical conclusion of the process of liberalization which started in 1980's and other factors like worsening BOP situation, fiscal deficit, pressure from World Bank and International Monetary Fund (I.M.F.) etc. were complimentary in character and only speeded up the process. The New economic policy of 1991 [NEP-1991] made widespread changes - both structural and institutional in fiscal sector, Agricultural sector, Trade sector, Industrial sector etc. I would focus mainly on the Industrial policy and the Trade policy of the NEP -91 as these sectors are most relevant to my subject of study. It is the changes which have come about in these two sectors which have affected the Indian working class the most.

NEW ECONOMIC POLICY OF 1991 :- The New economic policy laid down by the Government towards the end of 1991 aims at imparting liberalization to industrial and trading activities and at giving the economy a global linkage. When the Congress Party assumed office under the leadership of Narasimha Rao in 1991, the Nation was faced with a three fold crises. They were - (1) a crisis of resources due to a high budgetary and fiscal deficit (2) Balance of payment [BOP] crisis arising out of a large extent due to the Gulf War which resulted in high oil import bill and also due to disintegration of U.S.S.R. which was a major market for Indian goods (3) A political crisis arising out of unstable governments and also

due to the Mandal and Ayodhya controversy. [The New economic policy which is often described as the Structural adjustment programme has been variously described as being necessary for greater economic growth by its advocates and as being imposed upon India by the International monetary fund by its critics] The critics of the New economic policy in defence of their argument that it has been imposed upon India point to the fact that the recommendations made under this policy are similar to the Andersson memorandum submitted to the Government in December 1990. However, the advocates of New economic policy point out that for the want of open competition bureaucratic hurdles, cumbersome system of industrial licensing and excessive protective barriers the industries of the country were becoming confined to captive domestic market. Moreover, the technology adopted was import intensive without facilitating exports. The advocates of New economic policy [NEP] also argue that for stepping up industrial activities, the volume of investment has to be raised and this called for in the absence of adequate domestic capital, foreign investments including direct capital outlay from Multinational corporation [MNC]. The rationale offered is that it is only through industrial growth that, surplus labour from rural and agricultural sector can be mopped up, where they are facing unemployment and under-employment and leading a poverty ridden life. The NEP is also intended to step up growth rates considerably and this higher growth rate is supposed to increase the number of jobs and make the task of poverty removal easier. [The NEP is also expected to create an environment in which the productivity of resources particularly that of labour through higher wages and better standard of living is expected to improve at a rapid pace] The advocates of NEP claim that it is intended to reduce the use of capital in industry and force them to use more labour per unit of production. [According to Dr. Manmohan Singh the former finance minister and chief architect of the NEP "We are creating a macro-economic environment in which industry speeds ahead with growth

rates of 12% or more, generates more jobs and higher level of wages and incomes through increased productivity⁵. To attain such a growth rate adequate capital had to be harnessed and since there was a scarcity of domestic capital due to the want of commensurate savings, foreign capital including direct investment from MNC's had to be allowed. To achieve this Industrial and fiscal policies were suitably liberalized. The fiscal deficit was proposed to be reduced by doing away with unnecessary subsidies and by reducing non-productive ventures in the public sectors. The adoption of NEP by the Indian government cannot be explained by any one single factor. The basic reasons as to why NEP was adopted was due to objective economic pressures, increasing pressure from technocrats to change the model and path of development and of course pressure from international agencies. The immediate catalyst for the NEP was the increased price of petroleum products due to the Gulf War which resulted in the loss of Rs. 5200/ crores per annum. Moreover, the foreign exchange reserves in December 1990 was equal to only two weeks imports. With loans from I.M.F., World Bank, IDA and Aid India consortium, India was able to overcome the immediate BOP crisis. A stark indicator of the severe economic crisis faced by India is that, India along with Argentina and Brazil accounted for more than two thirds of the SDR's 8.7 billion given by the IMF in the period 1990-92. A series of steps were taken in pursuance of the NEP. The Industrial policy resolution was put forward on 24 July 1991. The basic theme of the Industrial policy resolution was continuity with change. There was an end to all licensing requirements except for eighteen specified industries. The private sector was allowed investment except in eight areas namely atomic energy, minerals, mineral oils, mining, railways, coal, lignite etc. The

⁵.Dr. Manmohan Singh, - *New Economic Policy and Challenges Towards Labour Economists Annual Conference of the Indian Society of Labour Economics, J.N.U. New Delhi, Jan, 2, 1993. p.34*

Government removed all restriction on MRTP companies. The rupee was devalued. Proposals for the privatization and disinvestment of Public sector under takings was put forward. This was due to the presence of large number of loss making Public sector enterprises. By 1991-92, there were 102 loss making Public sector enterprises and these units together incurred an annual loss of Rs.3674 crores. The idea inherent in the NEP was that the Public sector should limit their activities to essential and priority areas. Sick units were to be referred to the Bureau of Industrial finance and restructuring (BIFR) and eventually closed down. An Exit policy, though not yet implemented was put forward. Partial convertability of the rupee was introduced. There was widespread reduction of import duties and all export subsidies were abolished and procedures simplified. As a whole and in general, the New economic policy of 1991 shows a strong preference for and a reliance on the mechanism of market for solving the basic ills of the economy.

The experience of other developing countries which took similar policy measures have been mixed. In Latin America - Mexico and Brazil inspite of their impressive growth of manufactured exports, the overall employment and economic situation was dire during the 1980's. In Mexico between 1982 (the beginning of the debt crisis) and 1988, the average growth rate of the Mexican economy has been close to zero. This meant a reduction in per-capita income of 15%, a large fall in employment, a cut in real wages in industry of the order of 50% and an increase in poverty. In the Newly Industrializing economies (NIE's) of South East Asia, which followed the same kind of policies, however, operated at full employment for over two decades. "Indonesia and Thailand reported full employment in 1990 whereas South Korea reported marginal un employment rate of 4%, Malaysia and Phillipines

recorded an unemployment rate of 6% and 8% of the labour force respectively" ⁶. Liberalization increased the demand for labour in the ASEAN countries. In these countries the supply of labour increased mainly through the increased participation of women. Some scholars, on the other hand argue that liberalization leads to flexibilization of labour leading to an increase in the employment of temporary casual, contract and female labours. This implies a substitution of permanent unionized labour by non-unionized flexible labour categories. This in turn increases the insecurity of employment and income and the exploitation of labour by lengthening the workday. Thus the policy of liberalization has both benefits and pitfalls and a pragmatic and a long term vision is needed to avoid the pitfalls and to make a smooth transition to high velocity growth rate leading to all round socio-economic development.

-----* * *Neo-colonial dependence model is an indirect outgrowth of marxist thinking and it attributes the existence and maintenance of Third World underdevelopment primarily to the historical evolution of highly unequal international capitalist system of rich country -- poor country relationships which it analyses in terms of centre - periphery framework.*

*** - The false paradigm model attributes Third World underdevelopment to faulty and inappropriate advice given by international experts from multinational donor organization and assistance agencies like World Bank, UNESCO etc. The Policies suggested by these experts often serve the vested interests of existing power structures - both domestic and international, because of structural and institutional factors like highly unequal ownership of land etc.*

**** - First Five Year Plan - [1951-56]*

⁶.L.K. Deshpande - "Economic Liberalization and Labour in India", Indian Journal of Labour Economics, No 35, No. 4, 1992, P - 314.

Second Five Year Plan - [1956-61]

Third Five Year Plan - [1961-66]

Two Plan Holidays

Fourth Five Year Plan - [1969-74]

*Fifth Five Year Plan - [1974-79] - Did not Complete because of Janata Party
Coming to Power.*

*Sixth Five Year Plan - [1978-83] - Change in Government. resulted in Change
in Period i.e. [1980-85]*

Seventh Five Year Plan - [1985-90]

Eighth Five Year Plan - [1992-97]

CHAPTER THREE

NEW ECONOMIC POLICY : TRADE UNIONS AND AN ALTERNATIVE DEVELOPMENT STRATEGY

The New economic policy of 1991 has had widespread impact on the organized Indian working class. This impact can be measured through the responses and the various measures taken by the major Trade Union's. This chapter deals with the responses of major Trade Unions like Bhartiya Mazdoor Sangh (BMC), Central Indian Trade Union (CITU), All India Trade Union Congress (AITUC), and Indian Trade Union Congress (INTUC) to the various policy proposals put forward in the New Economic Policy (NEP-91). This chapter also deals with an alternative development framework which has come up in response to the policy of liberalization. For a proper understanding of the entire debate on the NEP which is raging in the Trade Union circles it is essential to have a general idea about the employment scenario and the employment structure of the work force in India.

The employment structure of the work force in India is characterized by heavy dependence on agriculture sector which accounts for a little more than two thirds of the workers. Manufacturing, Community services and trade are the three other important sectors employing 11.13%, 8.80% and 7.30 % of the workers in 1987-88. Construction and transport account for about 4% and 2.8% of the workers respectively (Table 1). A percentage decline of about 7% has taken place in the agricultural sector employment. Though agriculture is still the most important sector of the economy in terms of employment of workers, there has been a significant deceleration in the growth of employment in this particular sector. This is because of the relatively fast Industrialization taking place in comparison to a slower

growth in agricultural sectors. It is projected that by the year 2010, only about 50% of the total work force would be employed in the agricultural sector. It is by keeping this scenario in mind and view that we will have to analyse the impact of the New economic policy on the Indian working class. [The Indian working class in the present context of my study would mean the people working in the organized sector including the white collar workers. The planning commission however, indicates that employment has grown faster in the unorganized sectors of the economy as compared to the organized segment. The planning commission report states. "The ratio of growth of organized sector manufacturing has been 1.44% during 1973-87 and 0.06% during 1983-87, in case of unorganized manufacturing sector the rates have ben 4.57% and 2.78% respectively for the corresponding period ¹. The report also indicates that there has been an increasing casualisation of labour force during 70's and 80's particularly in the rural areas. However, this phenomena, though important, cannot be included and also because of the lack of hard data and also because of the absence of an unified representative body as in the case of organized labour.

¹. *Eighth Five Year Plan - [1992-97]*, Government of India, Planning Commission Document, Vol. 1.

Table 1 : Percentage Distribution of Workers.

Sector	1977-78	1983	1987-88
1) Agriculture	70.70	66.31	63.90
2) Mining & Quarrying	0.52	0.65	0.77
3) Manufacturing	10.00	10.93	11.13
4) Electricity, Gas & Water Supply	0.26	0.32	0.34
5) Construction	1.82	2.47	3.96
6) Trade	6.18	3.67	7.30
7) Transport	2.13	2.71	2.78
8) Financing Real Estate Insurance & Business service	0.55	0.73	0.83
9) Community, Social & Personal Services	7.82	8.78	8.80
Total	100.00	100.00	100.00

Notes : I. Total includes a negligible group industry not recorded.

Source : Planning Commission (1992)

The Trade Union movement which is over a century old is now facing as elsewhere in the world major changes and challenges. It has generally been observed that structural adjustment programmes and their related changes seem to make Trade Union position more vulnerable and pose to them several challenges and dilemmas. Structural adjustment programme the world over affect the organized sector, which is the mainstay of all Trade Unions, adversely in the short run resulting in a reverse movement of employment from organized to unorganized sector. Such a scenario calls for a redefinition of the role of the Trade unions. The New economic policy of 1991 have also had far-reaching implications for the future as well as the relevance of Trade Unions in India. According to the National commission of labour Unions symbolize (a) workers right to organize (b) their right to press their demand collectively and go on a strike if their claims are not accepted² However, the Trade Unions traditional role of protecting the workers from arbitrary treatment in line with Taylor and Keynes are no more the concerns and issues of the industry and their managements. The use of latest technology has considerably reduced the role of mass production worker with adverse impact on the Unions. The Unions hence are now expected to shift to a more co-operative role of increasing productivity and quality. In India organized labour accounts for only 10% of the population and most of the Trade Unions still believe in the Pluralistic concept of Industrial relations. In India, the Trade unions have contributed to the economic well being of the workers mostly in the organized sector. This has been possible to a large extent by the pro-labour stand of successive Governments. As far as the issue of the membership of the major Trade Unions are concerned, it was found that the membership base of the Trade Unions grew till the late seventies. However, during the eighties particularly in the second half Union membership tapered off. "The latest official

². *Report of National Commission on Labour, 1968, p-277.*

records show that a total of 47014 Unions account for a membership of 64.33 lakh members. The data also shows that two fifth's of the Unions in the country have a membership of not more than 100 and only 2% have a membership of 5000 and above ³. Moreover, the Trade Union movement in India has developed in hydra-headed fashion with over a dozen national federations of Trade Unions slit over ideological and factional considerations. Apart from low membership coverage and fragmentation of Union, several studies also point to a decline in membership (Sheth, 1991, Sarath 1992), growing alienation between Trade Unions and members particularly due to the changing characteristics of the new work force [Sheth 1991, Ramaswamy 1988 and 89, Sengupta 1992] and the waning influence of national federations over the enterprise Unions (Ramaswamy 1988 & 89, Sarath 1992]. Moreover, the new pattern of Unionization points to shift from organizing workers in a region or a industry to the emergence of independent Unions at the enterprise level whose obsession is with enterprise level concerns with no fora to link them with at national policy making levels. [The traditional Trade Union structures have also been weakened by issues like the process individualization started by leaders like Datta Samant, Rajan Nair etc.] Social movements and upheavals like Naxalism, struggles for regional autonomy and protests over sensitive issues like Mandal and Mandir. The World labour report prepared by the International labour organization (ILO) in 1992 summarizes the present Indian Trade Unions situation aptly. [It says that "Indian Unions are too very fragmented.] In many work places several Trade Unions compete for the loyalty of the same body of workers and their rivalry is usually very bitter and sometimes violent. It is difficult even to say as to how many Trade Unions operate at the National level since many are not affiliated to any All-India federation. The early splits in Indian Trade Unionism tended to be on ideological grounds - each linked to a particular political party. However,

³.The Government of India, -- Ministry of Labour [1995]

much of the recent fragmentation has centered on personalities and occasionally on caste and regional considerations ⁴. With the above-mentioned scenario being the present reality, the introduction of the New economic policy has posed several new challenges and it would not be an understatement to say that the approach taken by the Trade Unions to the New economic policy will make or break their future. [The implications of the New economic policy for the Trade Unions and their consequent response can be studied in terms of four sub-divisions which are mentioned here in order of decreasing importance.] They are :-

(A) CLOSURE OF INDUSTRIAL UNITS -- EXIT POLICY AND NATIONAL RENEWAL FUND (NRF) :-

One of the major theoretical underpinnings of the New-economic policy of 1991 is the reliance on the mechanism of market to solve the basic problems of demand and supply. This was a radical departure from the earlier theoretical framework of planned economic development. Such a radical departure necessitated structural reforms to create the framework necessary for the proper functioning of a market mechanism. The earlier framework of planned economy with its emphasis on the concept of the Public sector occupying the commanding heights of the economy resulted in the proliferation of Public Sector Units (PSU ⁵) which were inefficient, over staffed, under productive and which produced shoddy goods. Such units were subsidized by the Government under pressure from the Trade Union on the plea that they generated employment in a labour surplus economy. This resulted in fiscal and budgetary imbalance which ultimately created a Balance of payments (BOP) crisis. The New economic policy aims at imparting liberalization to the economic environment of India in terms of removing insular protective barriers which were

⁴.International Labour Organization - *World Labour Report*, 1992 p-64.

making companies both in the private and Public sector un competitive and inefficient, making them incapable of global competition and confining them to domestic market. Such a policy would allow only the fittest to survive, thereby forcing the inefficient and uncompetitive enterprises to become leaner, and efficient by cutting down surplus labour and by bringing in technological changes in terms of mechanization and computerization to produce better products and services. It was precisely this possibility of retrenchment which was provided for in the New economic policy of 1991 in the form of closure of sick industrial units. Exit policy and the setting up of National Renewal Fund (NRF) etc. which was opposed by all major Trade Unions.

The Government in accordance with the New Economic Policy (NEP) announced that the chronically sick Public Sector Units would be referred to the Bureau for Industrial and Financial Restructuring (BIFR). On the basis of this policy, the Government has identified chronically sick Public Sector Units. "According to the economic survey conducted by Government in 1993 there are about 100 Public Sector Units which have been incurring losses and out of these 100 units 58 of them are perennially sick. The data also points out that about 3.5 lakh workers will be retrenched if the perennially sick public sector units are closed down"⁵. The Trade Unions are against this closure and retrenchment. The New Economic Policy of 1991 provides for an Exit policy for sick industries, though the proposal as of now stands shelved. [Theoretically the freedom to hire and fire is the fundamental principle of a market economy] The protagonists of this principle argue that the freedom to hire and fire is essential if a firm is to attain the optimum level of productivity

⁵.J.S.Sodhi, - New Economic policy and Their Impact on Industrial Relations. *Indian Journal of Labour Economics*. Vol. 29 July 1993. p-38

and efficiency. The antagonists on the other hand of whom the Trade Unions are the most important, are equally vociferous in their argument that in a labour surplus economy like India, labour cannot be treated on the whims of management. C.K. Johri commenting on the concept of Exit policy states that "for too long, the Industrial policy relations have become increasingly soft and the Industrial policy has moved towards stricter regulation. The legal framework which was intended to protect the disadvantaged working class became usually obstructive of normal growth and functioning of industry.⁶ The Government of India has been pro-labour so far. One major example of pro-labour attitude of the Government of India (GOI) have been clauses which have been enacted in the Industrial disputes act of 1947. The industrial disputes act of 1947 gives Quasi property rights to "Workmen". The clauses relating to restrictions concerning notice of change (section 9-A, 9-B and 33 of Industrial disputes act), retrenchment and closure (section 25 and chapter V B), maintenance of discipline (section 11-A) create more practical difficulties than are apparent. As a result of such clauses a feeling is created whereby employees may feel that they are secure even if the organization that employs them is not. The advocates of Exit policy argue that such a retrograde clause in the I.Dact exists only in India and has been one of the major causes of the Industry ills. The Trade unions on their part feel that the permission to close down and retrench workers virtually implies that the major fall out of the closures will have to be borne by the workers (although the Trade Unions feel that the workers are only marginally responsible, for the sickness of the units (Sanat Mehta - A Veteran AITUC leader)). The Trade Unions in order to substantiate their viewpoint quote figures from the RBI survey conducted in 1986. The survey highlighted that mismanagement (52%) followed by faulty planning (14%) were the

⁶.C.K. Johri - Industrialism and Industrial Relations in India : *Indian Journal of Industrial Relations* Vol 25(3), Jan, 1990 p-230-242.

major causes of sickness. [The major burden of the closure, hence according to the Trade Unions should be borne by managers along with the planners and not the workers.] The Trade Unions have been demanding that the Exit policy will be accepted only if the workers are immediately absorbed in other profit making enterprises. The Government of India on its part to minimize the impact of retrenchment and downsizing of enterprises announced the setting up of a national Renewal fund (NRF) under its New Industrial policy of 1991. NRF was expected to protect the interests of the workers who may be affected by the technological upgradation and modernization in the Indian industry. The intention in establishing a NRF was to provide a social safety net to the workers. [The guidelines of the NRF were approved by the Cabinet committee on economic affairs on October 28 1992 and it had three main objectives.] They were (a) to provide assistance to cover the costs of retraining and re-deployment of employees arising as a result of modernization, technological upgradation and industrial restructuring (b) to provide funds where necessary for compensation of employees affected by restructuring or closure industrial units, both in the public and private sector (c) to provide funds for employment generation schemes both in the organized and the unorganized sectors in order to provide a social safety net for labour needs arising from the consequence of industrial restructuring. [In line with the above mentioned objectives the NRF was divided into two constituents of (1) National renewal grant fund (NRGF) which will deal with the immediate requirements of labour in sick units arising from the revival or closure of such units and (2) Employment generation fund (EGF) under which the money will be disbursed in the form of grants for approved employment generation schemes for both organized and unorganized sectors. Both the NRGF and the EGF will be in operation for limited period of time upto a maximum of ten years from the date of their inception. However, according to the Trade Unions [AITUC & CITU] the NRF does not specify any

concrete measures and only makes a provision for voluntary retirement scheme (VRS) and Golden handshake. The Trade Unions also argue that the funds earmarked for the NRF would be insufficient to meet even the one time needs of all the retrenched workers. The Trade Unions (CITU & AITUC) in defence of their position give the example of a similar fund known as the Textile workers rehabilitation fund (TWRF) which was created in 1986 to provide succour to workers who were retrenched due to the closure of large number of sick textile mills. AITUC a major Trade Union affiliated to the CPI points out that in Gujarat alone 27 composite textile mills were closed down rendering about 50,000 workers unemployed an till date inspite the creation of 750 crores fund all the 50,000 workers are unemployed. Hence unless a consensus is arrived at through mutual negotiation between the Government of India (GOI) and the Trade Unions and amongst the Trade Unions themselves, decisions on such crucial issues will hang fire.

(B) PRIVATISATION AND DISINVESTMENT OF PUBLIC SECTOR UNITS :-

Another contentious issue of debate and concern for the Trade Unions has been the issue of Privatization and Disinvestment of Public sector units which has been provided for in the New economic policy of 1991]. Such a policy was in line with the changed approach of the Government which wanted the state to with draw itself from areas which it considered non-essential. [Such an approach entailed the privatization and the disinvestment of PSU's particularly in areas like consumer goods industries, service industries like Hotels etc] Under the NEP the Government has announced a share holding in the public sector to the mutual funds, financial institutions, the general public and the workers. This according to the Trade union would further curtail the size and scope of the Public sector, which they argued was

essential because it was the largest industrial employer. [The Trade Unions also have a vested interests in opposing the privatization and disinvestment of the PSU's in the sense that the planned economic development followed right from the independence translated itself into primacy for the public sector.] Hence any kind of a revamp of the PSU's would adversely affect the membership of these Trade Unions as the majority of the membership of these Trade Unions come from Public sectors units. [Most of the major Trade Unions like AITUC, CITU, BMS, INTUC in varying degrees have been opposing privatization right from the beginning.] Such a belief stems from their ideology of sharing of gains by all including the workers. [Privatization according to the Trade Unions would pamper the capitalists which would then eventually weaken the working class.] Such a definition, though an anachronism in the present circumstances, arises from the basic Marxian doctrine of the divisions of society into the two antagonistic classes of the capitalists and the workers. The Government had also adopted the socialistic pattern of society and privatization was discouraged with a large number of regulations and licensing procedures. The New economic policy however on the other hand gives a loud and a clear message that the future of the Indian Industry will be in the hands of the private sector. [The Trade Unions while arguing against privatization also point out that launching an industry in the private sector in no guarantee that the unit would be productive and efficient.] The trade unions argue that there are 2.5 lakh sick private sector which owes the banks over Rs.7705 crores. [The Trade Union stance against privatization and disinvestment is also due to the fact that the Government will no longer have the power to direct investment to any end of public policy.] However, successive Governments have recognized the need for public sector disinvestment. On June 27, 1996 the Government headed by Mr. Deva Gowda announced a radical new plan for Public sector restructuring aimed at more transparent disinvestment. According to the new policy which has been put

Unions. The Industry ministry's note to the CCEA is silent on the need for having a dialogue with the trade unions in order to have atleast tacit approval to the privatization programme; though the note seeks support from Trade Unions for the disinvestment process. [The Trade unions must discard their rigid stance against privatization and disinvestment, if they are not to be marginalized and if they are to have an effective say in the entire process.]

(C) FOREIGN INVESTMENT AND MULTINATIONAL CORPORATIONS : -

[Another important aspect of the New Economic Policy (NEP) of 1991, which has been rankling the Trade Unions has been the opening up of the economy to foreign investment and multinational corporations] The Government of India in accordance with the NEP announced that approval will be given for direct investment upto 51% equity in high priority industries. Under this new policy even 100% foreign equity has been allowed in certain key industries with total export orientation. Under the New Economic Policy export oriented trade policies have been announced which will facilitate foreign investment and the entry of MNC's into India. [The Trade Unions however fear that opening the flood gates to a foreign investment and MNC's will cause unemployment since these units will bring in sophisticated technology which will require less and less manpower and this in turn will result in a progressive drop in the number of people participating in the development process. In support of their criticism of the use of latest technology CITU. Trade Union leader M.K.

Pandhe states "Imagine what will happen if sophisticated machine are brought in for the crushing of cashewnuts. More than 80,000 workers will lose their jobs". [Even the most vocal critic of the Trade Union leaders from amongst their own rank, late, Shankar Guha Neogi felt that the monster of mechanization seems to gobble up workers jobs.] [Trade Unions contend that the Multinational corporations will adversely affect employment in small scale units as these units will not be able to compete in terms of quality and it is also an established fact that one large firm drives a number of smaller firm out of the market.] [The trade Unions also argue that the MNC's will come and exploit our cheap labour, sell obsolete technology and will drain our foreign exchange.] The Trade Unions also argue that MNC's would prove a threat to the Indian companies because the Indian companies will have to compete with the MNC's in terms of quality and the costs and this may result in the closure of some Indian industrial units. The Trade Unions fear that in order to ward off this risk, the large Indian companies will join with the MNC's and enter into a process of cartelization. [The logic of the government that MNC's will boost exports is also contested by the Trade Unions.] According to trade unions why should outside companies come to another country and export to a third country when this can be done from the parent country. However, this was true of the past but not any more. The international market has become very competitive and the MNC's in order to cut down their production cost shift out of their parent countries to other areas to cut down on cost of inputs like labour, raw materials etc in order to become cost effective. The ideas of MNC's entering the Indian economy and entrenching themselves have become a reality and the Trade Unions must recognize this fact and must adapt their approach and response to this new reality.

(D) DE-LICENSING AND THE MRTP ACT :-

The issue of de-licensing and the amendments to the MRTP act as mentioned under the NEP-91, though of peripheral interest and concern for the 70's in comparisons to the above mentioned issues nonetheless have managed to raise the hackles of the Trade Unions. The Government of India under the New Economic Policy (NEP) had announced the delicensing of most of the industries and amendments to remove the threshold limit of assets in respect of MRTP companies and dominant undertakings. [The Trade Unions while opposing the new policy of de-licensing argue that the earlier licensing policy of the Government helped in investing in the areas which were crucial for the country along with locating them in backward rural areas.] B.S.Dhume an AITUC leader states that the "abolition of licensing will only accentuate industrialization in metropolitan area of the few already developed states, thus leaving out largely backward areas and states of our country⁷. With regard to the amendments to the MRTP act which has given industries the freedom to expand capacity, the Trade Unions feel that this will result in the establishment of large industrial companies which will then adversely affect the employment on the smaller units. The amendments to the MRTP act are also criticized by the Trade Union on the ground that these will result in the concentration of wealth in the hands of the few and this will further widen the income disparities in India.

These are the major criticisms put forward by the Trade Unions and the Trade unions are to a large extent justified in having such fears because it has been generally found throughout the world, that the countries following the structural adjustment programme, in the short run experience a certain depression in employment generation and India being a labour

⁷.J.S.Sodhi - New Economic Policy and Their Impact on Industrial Relations, *Indian Journal of Labour Economics* Vol. 29 No-1, July 1993 p 42.

surplus economy the interests of the working class cannot be ignored. [Several suggestions have been put forward to reduce the adverse impact of the structural adjustment programme specifically relating to retrenchment.] The International Labour Organization convention and recommendation on the termination of employment (1982) suggests several measures to avert or minimize job losses. They are (a) restriction on hiring (b) spreading the work force over a period of time (c) internal transfers (d) training and retraining (e) voluntary early retirement with appropriate income protection (f) restriction of overtime and reduction of normal work hours (g) Partial compensation for loss of wages for normal hours not worked (h) Well defined criteria of selection for termination (i) according priority to retirement with retention of seniority rights to terminated workers. The evidence of worker, disinterest in Union related activities points to a trend of de-unionization. The unions in order to avoid this must become more homogeneous. [The Trade Unions should become more democratic and participatory] The implementation of the New Economic Policy has created new challenges for the Trade Unions] and in order to function effectively in the new environment the unions must discard their rigid postures and must become more flexible and adaptable. Several well meaning suggestions have been put forward. It has been suggested that the unions should form a confederation for effective collective bargaining. [It has also been suggested that Unions should become more autonomous] and should not function as mere appendages of political parties to which they are affiliated. Another suggestion has been to check the proliferations of Unions as it reduces the scope for effective bargaining and for this purpose amendments should be made in the Trade Unions act of 1926 which states that any seven persons can join and register an union. Such suggestions are essential and need to be implemented if the Trade Unions are to survive and retain their influence with the workers.

The introduction and the implementation of a Structural adjustment programme (SAP) in India in the form of the New economic policy of 1991 has resulted in strong views of either affirmation or opposition to the new policies. Several important sections of the Indian society has opposed these new policies. The opposition of the organized working class is the most manifest one, though other sections like the vast majority of the Agricultural community, a significant section of the intellectual class and so on also oppose these policies. The intervening years after 1991 has seen the emergence of a broad consensual front of these dissenters who have adopted an Alternative economic policy and an Development strategy which is a direct contrast to the policy of liberalization and globalization. Such an alternative development framework has been put forward by intellectuals who are sympathetic to the cause of these dissenting sections of the Indian society and who feel that the policy of liberalization and globalization will result in the loss of the relative autonomy enjoyed by the Indian state vis-a-vis the world capitalist system Such an Alternative development framework is often referred to by the Trade Unions while arguing against the New Policy of liberalization. The basic tenets of the Alternative development strategy must also be understood in order to have a complete understanding of this research work. The major and basic difference between the Alternative development strategy and the policy of liberalization is their different sectoral emphasis respectively within the occupational structure of India Indian occupational structure is dominated by dependence on agriculture with approximately 63 percent of the total population dependent on it in 1987-88. The other 37% of the population is dependent on various other sectors like Mining and quarrying, Manufacturing, Trade, Transport, Services etc. The difference between the two strategies lies in the fact that the policy of liberalization seeks to change the occupational structure of India by introducing greater inputs in terms of technology, capital -- both domestic and foreign and policy

incentives to reduce the overall dependence on agriculture. The roots of such an approach can be found in the intellectual theorization of the "stages of economic growth" theorists like Rostow, Harrod - Domar etc who defined development in terms of evolutionary progression from one stage to another with each progression being constituted as development. The alternative development strategists recognize the present occupational structure as being indigenous to India and they also provide Socio-Cultural and historical justification in favour of it. Consequently their policy framework is rural based with emphasis on improving agriculture and its related activities in order to increase employment. They operate on the premise that since the majority of the rural population is rural based, development in the form of employment generation, establishment of industries etc. must also be rural oriented. With this objective in mind and operating within this broad framework is the alternative development strategy. Prof. Prabhat Patnaik a well known economist and an ardent critic of the programme of structural adjustment is a perfect representative of the school of alternative development. Patnaik differs with the basic assessment of the International monetary fund (IMF) and the World Bank and other economists with regard to the origins of the crisis of 1991. Patnaik says that the origins of the crisis were almost entirely speculative in origin having little to do with developments in the real sectors of the economy. Patnaik further contends that the vulnerability of the economy to the speculative forces was itself in part a result of the gradual liberalization of the economy in the 1980's. Patnaik also analyses the role of the World Bank and the International monetary fund (IMF) from and within the theoretical framework of world capitalism and the changes which have occurred in it. Patnaik does not agree with radical economists who lump the World Bank and International monetary fund (IMF) as indistinguishable entities. Patnaik argues that there were significant differences between the fund and the Bank which have narrowed over time. Patnaik argues that the

Bank had always been opposed to any attempts on part of the Third World countries to break away through conscious design i.e. through conscious state intervention, from the pattern of international division of labour inherited from the days of colonialism and semi-colonialism. Patnaik argues that the Bank expects such a change/break to be achieved entirely through the mediation of market which means in particular through the predilections of direct foreign investment. The Bank has remained faithful to this position of opposing state-intervention-sponsored industrialization. [Patnaik then analyses the role of the Bank with regard to India. Patnaik says that until the end of the fifties; the Bank studiously avoided giving any loans for Government programmes] In the early sixties it modified its stance to giving loans for social infrastructure projects but not for any specific Public sector undertakings. Patnaik contends that it is only when the policy of boycott of the Public sector undertakings (PSU)⁸ appeared to be counter productive from its own point of view that it started financing investment in such undertakings, but with its own conditionalities such as global tendering, scale of plants, specifying the technological details etc. Patnaik says that "this shift from 'boycotting' to 'infiltrating' the Public sector enabled it to exercise great leverage, to induct MNC⁸ directly into PSU⁸ as collaborators; undermine domestic technological self-reliance and indigenous technological capabilities to dictate pricing policies and acquire an indirect say on the Government budget and to set up "networks" with bureaucrats and managerial personnel of Public Sector"⁸. Patnaik further says that together with this began the process of World Bank employees shifting to key Governmental position, especially in the Ministry of Finance. These official in turn according to Patnaik, provided a powerful lobby working

⁸.Prabhat Patnaik and C.P. Chandrasekhar -- The Indian Economy Under Structural adjustment, J.N.U. New Delhi p-7 (Seminar Presented in Zakir Hussain College, Jan 20 & 21, 1996)

in concert towards "liberalization-cum-structural adjustment". Patnaik explains the widening of the Banks package, from rolling back state sponsored industrialization to an integration of domestic economy to the operations of global finance, as reflecting a fundamental change that was taking place within world capitalism. This change according to Prof. Patnaik was a tendency towards greatly increased fluidity of finance across national boundaries i.e. globalization of finance. Patnaik, however, defines the approach of the International monetary fund (IMF) as the conservatism of narrow-minded financier and not that of an ideologue of development frowning overtly upon any attempt to alter forcibly the colonial pattern of International division of labour as was done by the World Bank. Patnaik postulates that the conditionalities put forward by the International monetary fund should be looked at from a non-ideological point of view as guarantees which any private financial institution would expect from a borrower. Hence its conditionalities in terms of privatization of public assets, opening up of financial markets, removal of exchange restrictions etc. coincided with the kind of structural adjustment which the World Bank was espousing. Patnaik says that the conservatism of the Bretton Woods institutions has continued unabated, though changes which have occurred in the precise texture of conservatism reflects the changes which have occurred in World capitalism. Patnaik also postulates that the coming together of the Fund and the Bank in terms of outlook has been to a significant extent promoted by the vastly enhanced role of globalized finance. With such an approach, an Alternative development strategy has come up specifically in relation to India. Many Political economists like Prof. Prabhat Patnaik, C.P.Chandrasekhar, Seema Singh etc. contend that any meaningful development strategy for India must aim to bring about an immediate improvement in the living conditions of the working masses, especially the rural sector. According to Prabhat Patnaik, a major votary of the alternative development strategy, states that "this is not merely

an ethical proposition but a practical necessity both for the preservation of meaningful democratic structures as well as for arousing the kind of enthusiasm and participation among the masses on the basis of which alone the structure of a more accountable state, a state capable of imposing discipline upon the rich and capitalists can be built"⁹. Such an immediate improvement then must have as its cornerstone an accelerated agricultural growth based on egalitarian land reforms. Alternative development strategists like Prabhat Patnaik give the example of China and say that it shows the vigour of an Industrialization drive based on the expansion of mass markets deriving from an accelerated agricultural growth which was achieved through a break-up of Communes on the basis of ground work prepared earlier like the destruction of landlordism and the erection of water management systems etc. The alternative development strategists want to base Indian Industrialization on accelerated ones not appear to provide for such an opportunity with the emergence of a consensus in terms of economic policy, with all the major political parties including the Communist Parties supporting the policy of liberalization, though in varying degrees and with certain modifications, either tacitly or overtly.

⁹.ibid, p-26

CHAPTER FOUR

FUTURE ROLE OF THE TRADE UNIONS

The New economic policy of 1991 has thrown up new challenges and dilemmas for all the section of the Indian society, albeit of varying impacts and of different natures. The greatest challenge posed has been to the working class who are faced with unpalatable consequences like retrenchment, closure of sick mills etc. Moreover the emergence of a political consensus amongst the major parties has also forced the Trade Unions to operate within a very narrow and an increasingly non-mainstream political space. The challenge posed to the Trade Unions by the New economic policy is in terms of their very survival. Their survival is challenged by the rapid decrease in the strenght of the Trade Union both in terms of effectiveness and in terms of relevance. It is within this new environment created, that role of the Trade Unions and their future must be conceived.

Due to its socialistic orientation, the Government of India has so far been pursuing policies which were pro-labour. The policies, beginning with the first five year plan have been directed at maximizing employment and the welfare of the workers. The first plan in this context states that "worker is the principle instrument in the fulfillment of targets of the plan and in the achievement of economic progress generally". It further mentions that "the problem is one of devising ways and means of utilizing labour power for productive purposes so as to increase the volume of goods and services available in the country and

¹.First Five Year Plan, 1951-56, *Planning Commission, Government of India, New Delhi, p-571.*

raise standards of living all round"². Various policies were provided to the labour like secure employment, fair wages and employment conditions and legislative framework to protect labour from unfair dismissals and retrenchments. The Seventh Five Year Plan made a subtle shift from the Government's overreaching concern for labour when it stated that "while maximizing employment generation, requisite attention has to be directed at improvement of labour productivity through the adoption of upto date technology in productive processes in major sectors and corrective measures of industrial sickness"³. Once productivity through technology becomes the primary concern, the interests of the labour, in terms of employment, would be affected adversely, atleast in the short run. [The recent policies of the Government are often termed as market friendly and market friendly is often labour unfriendly] Moreover, once development is oriented towards competitive markets and profit maximization becomes the dominant motive, which is what the economic policies would lead to, labour would normally cease to be viewed as a resource of special significance. [The Trade Unions and the labour force are aware of this and consequently are opposing the New economic policy particularly the Exit policy. The Trade Union (CITU and AITUC) argue that the formulation of an Exit policy would result in immediate unemployment of about two and a half lakh workers along with shrinking employment opportunities for the labour force in future because of the introduction of upto date technology] Swaminathan S. Anklesaria Aiyer a noted votary of Exit policy refutes this argument by studying the small scale sector. He says that "The Small scale industry (units employing upto 100 workers) have been permitted to retrench workers and close down their units. The employment trends during the last fifteen

². Ibid, p-650.

³. Seventh Five Year Plan, 1981-86, *Planning Commission, Government of India, New Delhi -- Section 5.5.*

years (1972-73 to 1987-88) in small scale units show that there has been an annual compound growth rate of 5.46%. Compared to this the growth rate of employment in others has been just 0.5% during the entire eighties. This shows that employment has grown more in industrial units which had an "Exit policy" as compared to those which did not have it "⁴[The Trade unions however must fashion their responses keeping in mind the broad consensus available with regard to economic policies.] They must also realize that their strength vis-a-vis collective bargaining has decreased over the years and the only option left to them is to modify their stance from one of obstruction to that of constructive criticism and co-operation. Such an attitudinal change is essential for their future relevance and survival.

[The future role of Trade Unions then depends upon as to how they perceive the structural adjustment programme (SAP)] If the Trade Union perceive the structural adjustment programme to be a problem, then their tendency would be to protest, impede and resort to industrial action, covert or overt, to subvert the process of change in whose formulation, they might ultimately be left out. However, ["if the Trade Unions consider the structural adjustment programme (SAP) to be an opportunity, then the Unions could play a vital role in the following key areas.] They are :-

- (a) Influence adjustment programmes with a human face.
- (b) Pro-actively respond to technological changes.
- (c) Productivity improvement.
- (d) Participation in the Decision making process.

⁴.S.A.Swaminathan - No Exit, No Entry, *The Times of India*, Nov. 23, 1992.

(e) Introspect their role in the changing situation."⁵.

[John Hoeven suggests that Trade Union's have a positive role in influencing the Decision making and structural adjustment to give it a human face. Hoeven suggests that

:-

- (1) "Trade Union need to develop data base and analytical skills to influence the government and employees in the formulation of effective policies aimed at strengthening employment and income generating activities and raise productivity of low income activities focussing in particular on small farmers in informal sector producers in industry and services.
- (2) Trade Unions need to objectively analyze and determine the impact of policies towards taxation, Government expenditure, foreign exchange, credit etc.] on the distribution of income and resources to fulfill the needs of vulnerable groups.
- (3) Trade Unions should also come up with pragmatic action plans to improve the efficiency of social sector spending by restructuring public expenditure, by improving targeting of intervention and their cost effectiveness.
- (4) Trade Unions should also draw up implementable compensatory programmes with due considerations to the available resources to minimize/avert the hardships to affected persons/groups with respect to education, re-training, health, nutrition etc.
- (5) Trade Unions should also monitor the human situations especially the living standards of not only their members but also of poorer sections with regard to health nutrition and so on"⁶.

⁵.C.S. Venkata Ratnam, -- Impact of New Economic Policy on the Role of Trade Unions, *Indian Journal of Industrial Relations*, vol 29, No. 1, July 1993, p-70

⁶.John Hoeven -- What should Unions do, *Span*, Feb 1992. p-127.

The Indian Trade Unions, however have a very narrow membership base [2% of the total work force], with just half of the total membership being covered by collective agreements. [Moreover just 5% of this total membership is literate and the entire movement is extremely fragmented] This has affected their representative character and their ability to influence events positively in the interest of their members] The Trade Unions must look at the emerging challenges posed by the New economic policy as an opportunity to put its own house in order and react positively to it. Some lessons from international experience may prove to be useful for the Trade Unions in re-defining their roles. They are in brief :-

- (1) The evidence of workers disinterest in Unions activities has to be taken as movement towards de-unionization. The Union in order to prevent this must become more homogeneous and must expand their scope of activities.
- (2) [The Trade Unions cannot afford to deviate from being democratic organization. Leaders at all levels must be democratically elected, and outside leadership strictly avoided] The entire process of Trade Union must be oriented towards achieving maximum mobilization and participation of the workers.
- (3) The Trade Unions should form a confederation. In countries like Australia, Japan and Sweden * the workers are better off and more conscious because of the presence of a centralized bargaining authority.
- (4) The Trade Unions must also strive to get involved in business strategies like work organizations, career planning of the company etc.

The above mentioned suggestion have been put forward by specialists of Industrial relations. These suggestions have to be taken into account by the Trade Unions

if they are to emerge as effective collective bargaining mechanism in the changed economic environment. [The future attitude of the Trade Union's will also determine to a very large extent the power and influence to be enjoyed by the Indian working class in the Decisions making apparatus of the country]. The more flexible and adaptable, the Trade Unions are at present, the more powers the working class would exercise and enjoy in the future. The present juncture is very crucial for the Trade Unions and their approach at present would determine whether Trade Unions would go down in history as precursors and pioneers of change or would go down as status-quoist non-entities.

CONCLUSION :-

The implementation of the policy of liberalization in India in the form of the New economic policy of 1991 has generated a bitter debate about the impact of such policies. This debate has resulted in contrasting view points and conclusions about the ultimate impact of the liberalization policy. The contrasting view points about the policy of liberalization can be broadly divided into two major categories of one advocating the policy of liberalization as the most effective policy in the Indian context and therefore concluding in a particular way and another criticizing the policy of liberalization and therefore highlighting it as having negative consequence for the entire Indian socio-economic structure. The advocates ** of liberalization say that the entire policy is oriented towards achieving a growth rate of around 7-8 percent. Such a growth rate is to be primarily sustained by exports. The policy also increased internal competition by removing bureaucratic hurdles like Industrial licensing procedures and also be allowing in the Multinational corporations

(MNC's). Such a policy, would, according to the advocates, give the Indian consumers world class goods at reasonable prices. The advocates cite the example of the monopoly enjoyed by certain industries like automobiles in the earlier regime which allowed them to dictate prices without improving the quality of goods produced, as an argument for removing industrial licensing requirements and for allowing Multinational corporations. The advocates of the policy of liberalization also feel that the economic crisis of 1991 was due to the excessive profligacy of the successive Governments which resulted in massive fiscal deficits. The advocates consequently favour privatization of certain sick Public sector units (PSU's) and the retrenchment of surplus labour. They argue that such a measure, in the short run, is essential for improving the efficiency of the economy as this would in the long run generate more employment. The advocates operate on the basic logic that more efficient the economy, the more labour it will be able to absorb. They cite the example of countries like South Korea and Taiwan which are operating at full rate of employment to bolster their claim. [Ultimately the advocates of liberalization conclude that the New economic policy will herald in an era of greater socio-economic prosperity in terms of better employment, better standard of living, greater access to health care facilities, reduction of poverty levels, better agricultural outputs and consequent improvements in rural infrastructure etc.] They feel that the withdrawal of state from the arena of economy will give it an opportunity to utilize and invest the surplus resources generated thereof, in the field of social sector, thereby improving and increasing the basic necessities available to the people, which will then improve the Human development Index (HDI) of India. The advocates of the policy of liberalization are convinced that if India continues to follow the policies enunciated in the New economic policy of 1991 to its logical conclusion, then India would in a few years occupy the exalted position of a Developed country (DC).

The critics *** of the liberalization policy, however, obviously, come to a radically different conclusions. As we have seen earlier they have different views as far as the origins of the crisis of 1991 is concerned. The critics of the liberalisation policy claim that the early euphoria generated by the talk of 7-8 percent growth rate after the market oriented reforms has vanished. They also claim that the belief that the so-called withdrawal of the state would be followed by a less corrupt, less arbitrary and more rule governed order has also vanished. The critics claim that, at the same time, there are very strong and unmistakable pressures from below for a betterment in living conditions, pressures that sometimes find outlet in the refracted form of the "lower caste" demands. The critics contend that the only way these demands can be met is if the basic classes i.e. workers [both organized and unorganized] and the bulk of the peasantry make the alternative development programme, mentioned earlier, their own. [The critics of the policy of liberalisation also claim that there is latent grassroots opposition to the entire policy.] In order to bolster this argument of theirs, they mention the manifest opposition of the working class, specifically the organised sectors. [The critics of liberalisation policy also contend that the entire policy is inflationary in character.] The critics say that policy of liberalisation, concerned as it is with fiscal austerity, advocates the removal of subsidies in areas like food for public distribution system (PDS), fertilizers, fuel etc.] and these would result in the rise of inflation of daily basket of commodities in use. Consequently they claim that such an inflation would erode the real incomes and the purchasing power of the poorer section of the society, thereby reducing the overall standard of living of the majority population in India. They also claim that the policy of liberalisation will create further schisms in the Indian society in terms of income, standard of living, health care facilities and so on, [with a minority having the purchasing power and thereby having access to all facilities and a majority having negligible purchasing]

power and being treated as second class citizens. [As far as the agricultural sector is concerned, the critics of liberalization policy divide the farmers movement into two for the purpose of analysis.] A minority movement which strongly backs the new policies is one, like the movement led by Sharad Joshi in Maharashtra. They contend that such movements represent the interests of the capitalists and the business houses. [The second, is the movement comprising the the majority of the farmers who are alarmed by the new policies by way of displacement of foodgrains, loss of employment, environmental damage and extension of control by big industrial houses and Transnational Corporations (TNC's).] They give the example of the movements led by Nanjudaswamy in Karnataka, Jaganathan in Tamil Nadu, Banka Behari Das in Orissa as representative of the grassroots opposition to the liberalization policy present in India. Overall the critics of liberalization policy conclude that the ultimate effect of such a policy would be detrimental to the entire socio-economic structure of India and would result in the subversion of progressive democratic economic institutions.

The existence of two diametrically opposite view points make the task of arriving at a conclusion very difficult. The solution to this problem lies in separating the facts from hyperbole from the two viewpoints. The present political scenario of a consensual approach with regard to economic policy must also be considered while arriving at a conclusion. While the policy of giving encouragement to private initiative and enterprise is laudable, care must be taken against the process of cartelization which would affect the poorer sections of the society like the working class, the most. Unhindered access to foreign companies should not be allowed and screening of foreign investment must be made. Ideally investment in capital intensive and high technology areas and in areas of infrastructure must be encouraged. India has remained insular for too long. Its growth strategy through socialistic

model and Import substitution industrialization (ISI) has failed. The new policy of export oriented growth must be given a chance to prove its worth and the Government of India must take into account and confidence all section of the society particularly the working class which would be the most affected sections in the short run. [The Trade Unions must be consulted and taken into account on issues such as retrenchment, Public sector disinvestment, privatization and Exitpolicy.] These measures would help the Indian economy reach its maximum efficiency which would then allow for a greater growth and consequent greater employment in the longer run. The Government should also take into account positively the suggestions given forward in the Alternative development strategy. The suggestion of Agriculture led growth must be considered seriously. Efforts must be made for a full and comprehensive land reforms package which would then free the potential for growth in the agricultural sector. Such a land reforms package in order to be successful must also need a social revolution upturning the present caste based hierarchy. The Government must also take steps to strengthen the social security net to cope with the adverse impact of structural adjustment and it must focus attention and resources on social services sector specifically on rural infrastructure and rural employment. Overall the policy of liberalisation as put forward in the New economic policy of 1991 has great potential for creating all round development, growth and employment, provided a consensual approach is followed and the cooperation of all the sections of the Indian society enlisted. [The New economic policy has given the Government of India a great opportunity to alter the distorted economic structure and put in its place a rational and a logical economic structure dictated by the forces of demand and supply] Such transformation is essential, if India is to keep pace with the world and not get isolated and occupy a position of importance and influence in the world hierarchy. India already is one of the few great military powers in the world and the New economic policy

has given India the chance to become a great economic power too.

- * (a) Australia - Australian Trade Union Congress (ACTU)
- (b) Japan - Japanese Trade Union Confederation (RENGO)
- (c) Sweden - Swedish Trade Union Confederation (LO)

** The advocates include Dr. Manmohan Singh, C.S.Venkata Ratnam, J.S.Sodhi, Swaminathan. A. Aiyer. *** The Critics include Utsa Patnaik, Dr. Prabhat Patnaik, Seema Singh, C.P.Chandrasekhar and Kumaresh Chakravarthy here. The broad term critics and advocates of liberalization policy has been used here for a congealed debate and understanding of the whole issue.

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