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**IN CONTEMPORARY INDIAN SOCIALISM AND
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In Contemporary Indian Socialism and Indian Economic Policy

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Abstract – This paper examines the interaction of socialist ideas and doctrines over the last three decades with the development of Indian economic policy. It concludes with an analysis of the differences in relation to these socialist objectives between ex-ante aspirations and ex-post outcomes.

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INTRODUCTION

The Communist Party of India (CPI) is India's oldest Communist political party, and one of the country's eight national parties.(1) Exactly when it was founded there are different views. The date maintained by the CPI as the day of foundation is 26 December 1925.[9] The Communist Party of India (Marxist), also a national party, separated from the CPI in 1964 after an ideological rift between China and the Soviet Union, continues to claim to have been founded in 1920. The party's commitment to Marxism–Leninism remains (2).

The Communist Party of India has officially stated that it was formed at the first party conference in Kanpur on 26 December 1925, then in Cawnpore. S.V. Ghate became CPI's first Secretary General. But according to the CPI (M) version, India's Communist Party was founded on 17 October 1920 in Tashkent, Turkestan Autonomous Soviet Socialist Republic, soon after the Communist International's Second Congress. The party's founding Members were M.N. Roy, Evelyn Trent Roy (Roy's wife), Abani Mukherji, Rosa Fitingof (Abani's wife), Mohammad Ali (Ahmed Hasan), Mohammad Shafiq Siddiqui, Hasrat Mohani, Rafiq Ahmed of Bhopal and M.P.T. Acharya, and Sultan Ahmed Khan Tarin of the North-West Frontier Province[10][11][12] According to the CPI there were many communist groups formed by Indians in different parts of the world and with the help of foreigners. Contacts with Bengali groups Anushilan and Jugantar. In Bengal (led by Muzaffar Ahmed), Bombay (led by S.A. Dange), Madras (led by Singaravelu Chettiar), the United Provinces (led by Shaikat Usmani) and Punjab and Sindh (led by Ghulam Hussain) small communist groups were formed. Only Usmani however became a member of the CPI party. (3)Terms of Reference (2)

THE POLITICAL ECONOMY OF DEVELOPMENT IN INDIA

After 1975 India gradually deregulated investment in the private sector. (4) In the 1980s, that phenomenon was consolidated. In the 1980s, there was substantial domestic opposition to trade, although the lessons from East Asia's success stories had an impact on policy makers. It was only after the 1991 balance of payments crisis that substantial economic deregulation was possible which favored the private sector. That was also a time when industrial policies began aggressively to promote exports. India's economic deregulation must be understood as one of the highest regulated economies in 1975, in the context of its evolution.

India's economic development story defies the logic of development in many Asian economies which have been characterized as hard-headed states. The story of promoting competitiveness and human development has been argued to be one of dealing with powerful vested interests that are prone to hide behind protectionist walls. Authoritarian states in Asia were disciplining industrialists, redistributing land and promoting literacy and public health—the prerequisites for competitiveness and growth. (5) On the other hand, the landed, the industrialists and the bureaucrats could use their capacity to organize themselves more effectively against trade liberalization and to halt the empowerment of the poor and the lower caste groups. (6) How has a State, which has become increasingly soft towards business groups, the poor and the lower caste groups, tackled the challenge of promoting competitiveness and human development? What challenges do India face when it comes to sustaining economic growth and social development?

The Legacy of Controls in a Self Reliant Economy: In the immediate aftermath of an anti-colonial struggle was born the "mixed economy" of 1947-74 India (7). There was a widespread belief that Indian industry had been harmed by colonialism. (8) The opposition to trade liberalization was legitimized by a powerful paradigm of import-substitute industrialization economic development, which deployed the argument of infant industry. Infant industries were believed to require substantial state-supported finance and protection from international trade until they matured into competitive industries, especially in high technology areas. (9) This section sets out the context within which the liberalization measures needed to be understood after 1975.

THE GRADUAL EVOLUTION OF THE LIBERAL MOMENTUM: 1975-1990

Industry and Agriculture

Prime Ministers, Indira Gandhi (January 1966–March 1977; January 1980–October 1984), Rajiv Gandhi (October 1984–December 1989), Morarji Desai (March 1977–July 1979), Charan Singh (July 1979–January 1980), Vishwanath Pratap Singh (December 1989–November 1990) and Chandra Shekhar (November 1990–March 1991). During this period, trade promotion was less successful than industrial deregulation, and between 1980 and 1990 there was no significant rise in the trade-to-gross domestic product (GDP) ratio. Politically, factions within the Congress Party and Indian industry contested the liberalization initiatives. Powerful interest groups created through years of regulation had developed a stake in keeping a highly protected economy ridden by government controls.

The technocracy understood the need for industrial reforms and was promoted by the Office of the Prime Minister (PMO). The 1980 Industrial Policy Statement under Indira Gandhi's leadership showed a new direction and was more gradual than Rajiv Gandhi's reforms.³⁵ Her most visible decision was to engage with the IMF for funds following the second oil shock in 1979. The Government of India pre-empted macroeconomic policy reforms that the IMF would have demanded and secured funds that were largely used by developing the publicly-owned Oil and Natural Gas Commission to harness India's oil and gas reserves. The funds were secured in 1981, despite harsh criticism from India's left parties. The IMF was interested in building a relationship with India, although the Reagan administration was opposed to this decision.⁽¹⁰⁾ These funds contributed to India's energy security as the ratio of oil imports to domestic production was reduced over a five-year period from 60:40 to 30:70.⁽¹¹⁾ Human Development Industrial and Agricultural Development in the 1980s had an impact on the country's development. Firstly, India's higher education success was accompanied by unacceptable levels of illiteracy and poverty. The late MIT Professor Myron Weiner had argued that

perhaps there was something in India's caste system and the stratified social structure that allowed it to produce excellent institutions of higher learning but not free and compulsory education for all. The government had turned a blind eye and argued even in favor of child labour, arguing that this might be necessary for the survival of families hit with poverty. After 1975 a few notable policies were initiated which would work to reverse this trend.

Realizing that education had suffered in part because it was governed solely by Indian Union states, in 1976 Indira Gandhi successfully put her political weight behind amending the Indian constitution. Education was moved from the Indian-ruled list of subjects to one that would be governed simultaneously by the Center and the states. Rajiv Gandhi's National Policy on Education and the National Literacy Mission were significant attempts to have an impact on eradicating illiteracy.⁴⁸ Second, education attracted more political attention and resources compared to public health.⁴⁹ Third, whereas there was no significant decline in the proportion of Indians living below the poverty line until 1973, a steady decline h

Gandhian Socialism

Gandhian Socialism demands that man should not exploit man. Every man must live a virtue-life. There should be no immorality of gambling, or hatred of class. The foundations of its socialism are Satya and Ahimsa. Gandhi ji was in favor of dispossessing every person of his private property if truthful and nonviolent methods could be used to achieve that. People should be using their property to the benefit of their community, according to Gandhi ji. If practiced universally, trusteeship would lead to an equitable distribution and economic equality. In Gandhi ji's words, "Trusteeship is a means of transforming the present capitalist order of society into an egalitarian one, it does not give capitalism a quarter but gives the present owning class a chance to reform itself," he repudiated the state for ethical, historical and economic reasons. The state, he claims, represents violence in a concentrated, organized form. In his own words, "I look with the greatest fear at an increase in the power of the State, because while apparently doing good by minimizing exploitation, it does the greatest harm to humanity by destroying individuality at the root of all progress," both Gandhi ji and Marx wanted to establish an order that would make the masses share in the gift of nature and the fruits of h But while Gandhi ji insisted on adherence to truth and non-violence in order to achieve this objective, Marx did not care about the means provided they could reach the end as soon as possible. Marx put forward the theories of the proletariat's class war and dictatorship, while Gandhi ji pronounced the theories of Varna, Dharma, Satyagraha, Decentralization and Trusteeship. It should be remembered that the bulk of the differences between different theories of socialism are based not so much on the nature and definition of socialism but on the method and tactics of transforming the present capitalist society into a

socialist one. All the above groups of socialism, however, have one thing in common. They lay emphasis on people's well-being.

Socialism seeks to give people gender equality. It seeks to eliminate exploitation of one class by another and to guarantee economic and political equality for all. The basics of socialism can be summed up as follows.

(a) Socialism puts emphasis on Society

Socialism puts more emphasis on people than on society. The individual interest is subordinated to the higher interest of the society. According to the socialists, the entire country's productive system should aim to produce only those things that society needs. Socialism emphasizes society's organic unity. It aims to organize society in the interests of the freedom of the individual. It implies providing those opportunities that allow an individual to live a full and free life, and also to do what he considers right. In Sriman Narayan's words "Socialist society would be the creation of social and economic order based on equal opportunities and social, economic, and political justice"

(b) Socialism aims to the elimination of Capitalism

Capitalists are the natural working-class enemies. Capitalism leads to an unequal distribution of riches. Under this system, the workers are only given a small share, and the surplus goes into capitalist pockets. It is an exploitation that represents a major obstacle in the way of social justice. Capitalism also leads to the country's unfair distribution of riches. It is based upon the profit making principle. Wealth was invariably concentrated in the hands of a few, some ten or eleven thousand years ago. The rich owned the means of production, and they needed everything else to maintain their dominance. Characterizing the development of a civilization dominated by private ownership, Engels wrote, "Naked greed was the moving spirit of civilization from the first day of its existence to the present time, wealth, wealth and wealth again, wealth not of society, but its sole and determining purpose was this shabby individual"

(c) Socialism stand for Equality

The Socialists condemn the existing inequality that the present capitalist system creates. Because of the existing economic disparities, there is no fair competition between rich and poor. The danger of famine forced the workers to accept whatever the capitalists offered them. As Victor Turovtsev remarks: "The purpose of the capitalists is to enrich the ruling class and exploit the working people". Under socialism, the link between labour powers and the means of production is based on the community of the

working peoples' economic interest, on their mutual dependence. Production is organized, guided and regulated by their joint efforts to improve the well-being of all.

(d) Socialism stands for the abolition of Private Property

Socialism wants to do away with private property ownership. It wants to have the means of production transferred to social ownership. It wants to bring about a state of affairs in which all men become property owners, leading them to a healthy and prosperous life. In Marx's words, "Capitalism cannot be overcome without abolishing the means of production's private ownership."

The impact of socialism on policy framework

It should be noted that these major contours of the Indian economic policy framework, influenced by Fabian-style socialist thinking and the Soviet practice of socialism, were reinforced by other factors on the scene, and indeed reinforced one another in many instances. Thus, the Second Plan was to precipitate a foreign-exchange crisis in 1956—7, which led to the view that administrative regulation should carefully preserve foreign exchange; this, in turn, reinforced the impetus for licensing and targeting capacity building and output along Soviet lines. Similarly, the expanded role of heavy industry with the Second Plan reinforced the relative expansion of the public sector share of investment; it was difficult to persuade the private sector to invest in heavy industry and the public sector had to step in, quite aside from ideological reasons, to undertake these investments. To take yet another example, many also saw the expansion of the public sector as yielding economic externality in terms of creating additional savings. Tax policy was likely to be con-stressed by political factors and the concerns of the public sector could elevate the 'revenue' and savings more readily to lead to greater capital formation through appropriate price policy. Again, the industrial and import licensing machinery was not merely directed at the regulation of the composition of industrial production and investment, but was also considered necessary as an instrument for preventing the concentration of wealth and economic power within a limited number of large Industrial Houses in the private sector.

Socialist thinking and precept influenced not merely the policy-making élite in the Congress Party that has virtually dominated the political scene since independence in 1947; it also constrained the flexibility of the Congress Party for moving in other directions, because the more doctrinaire left-wing political parties pulled the Congress Party's programmes in the socialist direction, at least at the ex-ante level of party resolutions and declared intentions. Indeed, within the Congress Party itself,

the left wing exerted strong pressure in the direction of socialist programs, and the party divided into the Old and New Congress along these lines, with Mrs. Indira Gandhi's New Congress castigating the Old, and now increasingly deceased, Congress as right-wing and reactive. In fact, the country's political ethos has turned 'socialism' into a good word that wins elections, unlike in the US where, as Galbraith discovered in the last national election, it's a word that loses elections. However, whether the socialist content of the programs was real or illusory, and whether the programs were successful or compromised when socialist, is a separate issue, undoubtedly of importance, which we postpone in this paper until later.

RELATED DIMENSIONS OF POLICY FRAMEWORK

This view reflected in part the feeling that, based on earlier statistical studies, the Lorenz-curve type of distribution measures, short of communist societies, indicated that very little could be changed by way of income distribution in different societies. More importantly, this view was reinforced by the view that a long-lasting effect on the incomes of the poor could only be achieved if the economy was geared to raising incomes, investing in jobs for the underemployed as quickly as possible: the alternative policy of immediately using savings to redistribute consumption, as distinct from investing in them, was considered a short-term policy;

Thus, Indian economic policy was essentially set up in the context of a growth model aimed at achieving a rapid growth rate, attaining higher levels of domestic savings through appropriate tax efforts (as evidenced by the growth of taxes as a percentage of GNP and by the public sector's share of domestic savings in the 1960s over a quarter) and complementing it.

COMPARISON OF THE TWO SYSTEMS

(A) General similarities and institutional arrangements:

Most of capitalism and socialism's interpretations as economic systems were based on a model that emphasized their contrasting characteristics (13). But on a general historical and theoretical level, there were significant similarities, pointing to some kind of brotherhood, or even twin character, of both system families, that gained throughout their co-evolutionary process. Capitalism as well as socialism are highly diversified monetary and wage-labour systems based on a widespread division of labor within the economy and large organizations. Both are confronted with the problem of finding sustainable forms or capital accumulation and income distribution regimes. Coordination of labor division in a complex and monetary economy and reproduction of the wage-labour nexus—which presupposes structural tensions in production and distribution—requires proper and

consistent institutional mediation. Such mediations would allow growth and development as conditions for systemic sustainability, and provide legitimacy for (in a Weberian sense) social domination. As national economic systems represent complex configurations of numerous interdependent institutions—some designed and others evolved (and, most often, a combination of both design and evolution)—they face the contrasting necessity of coherence and stability, on the one hand, and flexibility and adaptability, on the other, from a dynamic perspective.

B. Some qualifications

Conclusions based on the actual historical experiences of each of the two families' national systems seemed less sharp than those delineated within each system's general contrasting models. While some positive features of the preferred system seemed to be enhanced in specific times or countries, some flaws also became visible in different times or countries. Significant regularities observed in countries belonging to each of the really existing systemic families led to a comparative assessment where favourable, and adverse trends were mixed on both sides, making objective economic comparison more difficult (table 2).

Table 2 Two great historical systems

	<i>Capitalism</i>	<i>Socialism</i>
<i>General commonalities</i>	<i>Division of labour, monetary-wage labour economies</i>	
Political regime	Diverse (democratic or authoritarian)	Monoparty regime based on Marxist-Leninist ideology (dictatorship)
Dominant forms of ownership and coordination	Private ownership Market coordination	State ownership Vertical mediations in coordination
Type of structural disequilibrium	Surplus economy (demand-constrained system)	Shortage economy (resource-constrained system)
Dominant employment trend	Unemployment	Labour shortage
Accumulation regime	Diverse: extensive, intensive, mixed	Predominantly extensive
Stability of growth	Weak, important fluctuations, business cycles	Weak, important fluctuations, investment cycles
Stability of prices	Generally low	Generally high
Technological change	Generally fast, endogenous	Generally lagging, often imitative
Degree of social security for wage-earners	Generally low, tendency for historical increase	Generally high
Income distribution	Unequal	Fairly equal (for official incomes)
Consumer gains from growth	Significant	Limited
Relationship of national economy with the international economy	Generally strong	Generally limited

CONCLUSION:

It should be stressed that the course of economic policy and performance in India, in turn, has also influenced socialist intellectual thinking. Mahatma Gandhi, Nehru and Tagore were among the dominant nationalist leaders who articulated extensively on the possibility of adopting a soviet-type system in India. In their assessment of Marxism-Leninism-Communism, it would appear that all three categorically rejected the

violent means of achieving a socialist system while, in essence, agreeing with its basic objectives.

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