

GADGIL
and the
Economics of Indian Democracy

By
S. A. Dange



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PUBLISHER'S NOTE

In this short pamphlet, S. A. Dange, Chairman of the Communist Party of India, deals with the radical economic policies advocated by Dr Dhananjay Ramchandra Gadgil. Tributes have been paid to him from the press and platform by all sorts of people who while he was alive not only not appreciated his suggestions for improving the lot of the underdog but opposed them tooth and nail and hounded him out of the Planning Commission. We are sure his radical ideas would be cherished and fought for by the progressive forces in our country. The working class has a special reason to be grateful to him for his work in the Bombay Textile Enquiry Committee in 1937-40 when he exposed the false balancesheets submitted by the mill-owners in order to cheat the workers of their dues.

Dr Gadgil was born on 10 April 1901 at Nasik. He was educated at Nagpur and studied at the Queens College, Cambridge.

Starting as a teacher, he later took up service in 1924-25 in the finance department of Bombay government. Then he was principal of MTB College in Surat up to 1930.

He has been associated with the Gokhale Institute of Politics and Economics from 1930, first as Director and after 1966 as Professor Emeritus.

A towering personality among intellectuals, he distinguished himself as an economist and educationist and was connected with various public bodies—Agricultural Finance Subcommittee (1944-45), Commodities Prices Board (1947), National Income Committee (1950-52), UN Group on

Development of Underdeveloped Countries (1951), Rural Credit Survey (1951-54), International Institute of Pacific Relations (1950-54), Bombay State Federation of Cooperative Sugar Factories (1956-59), etc.

He was associated with the Maharashtra State Cooperative Bank, State Bank of India, Agricultural Refinance Corporation, National Federation of Sugar Factories, National Cooperative Union, Board of Trade, National Cooperative Development Corporation, International Institute of Labour Studies and Planning Commission.

He has left behind a rich heritage of some 30 odd publications and innumerable notes and speeches before learned bodies. Even what would normally be dismissed as random thoughts carelessly spoken, in his case would demand study because they were the flashes of his genius.

In 1966 he was nominated to the Rajya Sabha, but he resigned his seat to become the Deputy Chairman of the Planning Commission on 1 September 1967.

What he had taken up with enthusiasm and hope to set the country on the path of progress and economic stability proved his Waterloo. After stubbornly fighting the machinations of the monopolies and the intrigues and sabotage of the ruling party for three years he at last came to the conclusion that he could do no good and so he resigned and left Delhi.

This indeed proved his last journey. His stout heart gave way at 11.05 a.m. on 3 May 1971 when the Frontier Mail was nearing Bombay.

Gadgil was not a man of action, he has no prison sentences to his credit. All the same he was what Dange calls him a revolutionary democrat—and in his own special field he held quite advanced views, which made him most unpopular in the rich sophisticated circles. The PPH is proud to publish this short account of his economic thought as a tribute to him.

INTRODUCTION

On this day, one month ago, D. R. Gadgil died on his way to Poona. The autocrats of Delhi could not stomach this intellectual crusader against monopoly capitalism in the planning chief's chair. He had to resign. He was returning to his institute when he got a heart attack in the train and died on the way. His wife was with him.

I came to know Gadgil in 1936 when, after my release from a long imprisonment, I went to Poona to take some rest and also work on my history project. In that connection I used to visit the Servants of India Society Library. I was introduced there to the company of Gadgil, Vaze and others by N. M. Joshi.

Gadgil used to deliver talks in the society on the subject of economics which I sometimes attended. But mostly I used to meet him at the afternoon tea-table. The lectures struck me as being rather unusual in their logic. But Gadgil,

after building the premises of the theme, would many a time drop the inevitable and unavoidable conclusion and sidetrack it into many other variants. If he stuck to the unavoidable conclusion, he would be arriving at a line nearer to scientific socialism than bourgeois economics.

When I would confront him at the tea-table with this view and ask him what prevented him from crossing that line, he would fold his hands in the characteristic Marathi way, saying, "I am comfortable where I am. Crossing the line is for people like you. It is not for me."

And yet he was not an idle thinker. He used to participate in movements affecting the peasant interests, land questions, cooperative development, linguistic reorganisation of states and so on. He would argue fearlessly and furiously. But he had decided for himself not to join any "active politics".

We had an opportunity to sit together again in 1937, when he was appointed a member of the Bombay Textile Enquiry Committee. The textile workers, under the leadership of the Bombay Girni Kamgar Union, were agitating for increase in wages which had been cut during the depression of 1930s to the extent of over 25 per cent. The millowners pleaded that they were still making losses and could pay nothing. In my evidence before the committee, I pressed for a thorough scrutiny of the finances of the mills which, I said, were hiding their profits.

Gadgil took up the question. To his surprise, he found that the mills were showing fraudulent losses by manipulating speculative transactions in cotton. Gadgil scrutinised the financial dealings of every mill and showed that the mill industry had made profits enough to restore the wage-cut. It was due to his efforts that the committee, presided over by Jairamdas Daulatrami, gave us an increase of 25 per cent. The millowners' representative on the committee could not dislodge Gadgil from his position. And it was mainly

due to his deep study that the other members also saw the justice of our demands.

Gadgil was well known as an economist and educationist. But the real Gadgil is never taught to students nor is he properly represented before the people.

His writings have not drawn "political notice" from political parties and young revolutionary thinkers of Indian economy because many a time he used a very deceptive garb of abstruse terms to convey his real ideas. But when he was forced to speak out his mind on the question of planning and reshaping of the Indian economy, he could not hide his real soul, though he tried much.

He could not then avoid talking straightaway against monopoly capitalism, the need for class outlook, the necessity of a party of social revolution, the bureaucracy and monopoly capital as the main enemy of growth and true democracy. He then did not hesitate to expose the ruling classes and their robbery of the people and national economy in all its nakedness. The student, the peasant, the unemployed, the intelligentsia and all had their sufferings traced to that fountainhead of poison that is monopoly capital and the powers that served it. In spite of his style, the burning fire of his wrath and the heavy blows of his intellectual hammer and sarcasm came out fully in his notes to the Planning Commission.

He had no certainty that he would be heard. But he still wanted to try. And hence he agreed to head the Planning Commission. But monopoly capital throttled his voice as he had predicted.

I thought of summarising Gadgil's notes in this booklet for many reasons. But I know I have not been able to do justice to the task fully and cover all his writings and study Gadgil in evolution. I have concentrated attention on the last and final phase of his thinking.

Gadgil was what we call a bourgeois economist to begin

with. But historical experience changed him. He then refused to hold, like the official vulgar economists, to the apron strings of the bankrupt theory of bourgeois economics. No doubt Gadgil used many tools of Keynes, Joan Robinson and such others. But none of them had exposed monopoly capital as Gadgil had done. Gadgil was essentially dealing with the economics of a developing country, India, that had just come out of the political-military clutches of capitalist imperialism. As such he dealt with theory to solve India's problem. And he found that attack on monopoly capital was the king-pin of the whole situation—a conclusion which none of the celebrated economists have put forward so clearly and persistently.

Gadgil, after having found the main enemy, also shows its allies, its tools and instruments and the way the enemy sneaks into all pores of the national economy and sucks it to fatten itself.

And hence he has to deal with the question of state, bureaucracy, foreign capital, prices, market, land reforms, wages and salaries, small and medium industry and so on. Gadgil has presented us an integrated picture of Indian democracy, when a new social revolution will have taken place and Indian economy and politics reconstructed after the liquidation of monopoly capital.

I have not yet named the democracy which Gadgil had in his conception. Neither did he. There are many variants of democracy under discussion, not only with different names, but different content and class correlations such as national democracy, people's democracy and socialist democracy and so on. What we have at present in India is a bourgeois democracy.

But this is a subject which cannot be discussed here. This is not the place for it because Gadgil never raised that question of finding a new name for his conception of democracy. He only raised the question of what new

content to put in place of the present monopoly-bureaucrat ridden democracy of India. That new content is put before the reader in the large number of extracts I have given here.

In my opinion, if you take all the characteristics and content of the new socio-political order which Gadgil proposes with his ideas of the "socialistic approach" and "mixed economy", you may find that he is in fact describing the content of "revolutionary democracy", which will be born only after the overthrow of monopoly capitalism. As the thing is there in the subsequent pages, I need not spend time on it.

I do not insist that everyone accept this nomenclature or interpretation of mine. Young and old students of economics can study, assess and accept Gadgil, without being obsessed by the title I am putting on his system.

In the recent period, with the growing strength of the world socialist system, the weakening of imperialism and the wave of successes of the national liberation forces, since the end of the second world war, the newly-liberated countries of Asia, Africa and Latin America have been throwing up new forms of democracies revealing new economic and political content suitable to their own economic and political correlation of class forces. India also is bound to produce its own new form of democracy after the liquidation of monopoly capital.

Gadgil suggests this just vaguely as the subject in its further development was not his immediate objective. Hence, we will also reserve this part of the subject to another place and occasion.

Another reason of my summarising Gadgil's notes is that it is a matter of pride and pleasure to find how Marxist-Leninist thinking on the question of monopoly capital and the situation as it is developing in the newly-liberated countries draws independent support from the most established

thinkers of economy in the bourgeois world. The powerful world socialist system is having its impact on the thinking of men like Gadgil. In fact, as is well known, the very concept of planned economy owes its birth to Soviet planned economy.

It was not an accident that not only Gadgil, but men like professors Bettelheim and Lange also contributed to the economic thinking in the circles of the Planning Commission set up by Nehru. But the tragedy is that all of this remains only as abstract thinking, which when taken to real life, is blown up by the powerful death-dealing hand of monopoly capital and its myrmidons in state power. Unless the working masses make the thinking their own, no force can defeat monopoly capital. I hope, if nothing else, this summary will serve to shed light on the innermost thoughts and feelings of a good and learned man, a serious thinker and friend of the toiling people of our country.

3 June 1971
Bombay

S. A. DANGE

I

The death of Dr D. R. Gadgil, the wellknown economist and chief of planning in the Government of India, in the railway train when he was on his way back home to Poona on 3 May 1971, evoked fulsome tributes from the world of the learned and governmental circles. Everyone said that India had lost a great economist.

That we have lost a great economist is a fact. But very few stated where exactly his greatness lay.

Only a few days ago, the Prime Minister had asked Gadgil to resign as planning chief; and only a day before his death, she had reconstituted her government and put her new planning chief, C. Subramaniam, in the cabinet.

Gadgil was dropped because he was too angular to fit into the framework of the new cabinet. And secondly because he was averse to joining any ministerial set-up. For many years he had refused to join the government despite

his active participation in the formulation of plan thinking, as head of the Panel of Economists, since the Second Five Year Plan in 1955. At one time a proposal to make him the Finance Minister was being unofficially mooted. But he cold-shouldered it and it went to C. D. Deshmukh.

The removal of Gadgil from the leadership of the Planning Commission was not due to any of his disabilities nor was his resignation due to any feeling of frustration on his part. When Y. B. Chavan, the Finance Minister, stated in an interview in Bombay to the Marathi daily *Navakal* on 7 May 1971 that when he met Gadgil, on the eve of his departure from Delhi, he did not see any signs of frustration or bitterness in him, he was telling the truth. But then why had the Finance Minister to go out of his way to give such an unusual assurance at all? That it had to be stated means there was something in it!

That something is that Gadgil, though not frustrated, felt his line was defeated. After four years at the head of the Planning Commission, he came to realise that he could not win the battle he had been fighting for the last 15 years as an economist and thinker of Indian planning and India's developing economy.

What was the battle he was fighting and where did he lose it? For a time, he felt he was winning the battle in principle at least. And hence, after long hesitation, he had agreed to head the commission. But he was too honest, too realistic and too knowing not to see that those who seemed to agree with him in principle were not taking any rapid strides to translate agreement into honest practice. He came to feel that, despite bank nationalisation and such other things, the political groupings in power at the centre and in the states had strong elements in the leadership of government who would not allow the vital citadels of monopoly capitalism to be really liquidated. The request to him to resign and all that followed confirmed what he felt.

He bought his ticket for the journey back home, but did not complete it, as if symbolising the fate of India's journey on the so-called socialist path of our economy at the hands of the ruling gentry.

It is, therefore, necessary to see what was really great in this "great economist". It is necessary for our masses, our intelligentsia, to know what he fought for, though all his life he never joined any political party and almost hid himself in the quiet corner of his institute, unless he was dragged out by popular demand to lend his learning to the problems of the democratic masses.

I do not want to go into a life-sketch of Gadgil here. Here I want to confine myself to his writings on the Plan-schemes of Indian economy and his basic approach to that vital question.

II

Gadgil was aware of the fact that if the Indian people were to overcome the poverty in which the British had left them, India must embark on rapid industrialisation and a complete overhaul of its agrarian structure. While every school of thought agreed on these basic propositions, there were very vital and fundamental differences on the questions of where to begin and how to begin.

The perspectives of the Second Five Year Plan, as were opened up by Nehru after the frustrating experience of the post-war period and the First Five Year Plan, and some of the new faces he saw in the economist group led Gadgil to agree to participate in the work of the Panel of Economists.

The draft of the Second Five Year Plan was a complete departure from previous thinking and it disturbed the foreign and Indian monopolists very much. If the whole line of thinking that made the basic structural features of

the new Plan-frame were adopted, the entrenched power of foreign and monopoly vested interests was sure to be immensely shaken and a new democratic orientation not only in the economy but also in the politics of the country would set in. Hence reactionary vested interests opened up a big offensive against the Second Plan.

The Panel of Economists set up by the Planning Commission invited Gadgil's contribution. He wrote down his views in a memorandum in April 1955 and pursued the subject right till the end. Though the vested interests succeeded in preventing the Second Five Year Plan being fully given effect to, and also in sidetracking the Third and Fourth Plans, Gadgil never gave up the core of his thinking on the subject, a core which had a revolutionary democratic content and which, therefore, invited opposition from several quarters, including those who professed outward sympathy with his line of thinking.

What was the basic approach of his thinking? He wanted to completely do away with the old foundations of the economy as had been handed down by the British and the six years of rampage that the vested interests enjoyed after independence.

What was the first important point he emphasised?

The first and basic point he emphasised was that unless "monopoly capitalism" was abolished, there would be no rapid progress in India.

What did he mean by monopoly capitalism in India? Clearly by that he did not mean all "private enterprise", which is a comprehensive term including many types of economic activity.

In discussing the Indian situation, at least two distinct types need to be clearly separated. Firstly, there is private enterprise which may be identified with the type of operation implicit in all classical economic analysis. In this the number of operators or units of activity in each sphere or

field are so numerous and relatively of such size that no single operator could by his action affect either the market for his products or the market for his resources, which he has to acquire in order to produce.

The same is true of the sphere of agriculture and primary producers, barring plantations. Similar is the case of small enterprises, cottage industries, commerce, transport and trades and professions.

"There has been never any suggestion from any quarter that this large field of private enterprise should be disturbed or included in the public sector." (p. 6)*

But the propagandists of the monopoly press play upon these millions who handle this sector, frightening them with the bogey of nationalisation. So Gadgil states very clearly that this sector of private enterprise "will not be a part of state-socialistic apparatus".

Whom then has he in mind for nationalisation or for being taken over in the public sector? As he puts it:

"The dispute arises entirely in the field of what may be correctly described, not private enterprise but monopoly capitalism." (p. 7)

"The sphere of operation of this is confined to certain restricted though extremely important sectors of economic activity within the country. These sectors are modern banking and insurance, largescale machine industry, modern mining, plantations, foreign trade and internal wholesale trade and financial operations such as those on the commodity and stock-exchanges." (p. 7)

Emphasising this further, he says:

"The main point to be noticed about this field of economic activity is that though in relation to total occupied numbers and total number of units and establishments, its

* All page references are to *Planning and Economic Policy in India*, by D. R. Gadgil, Gokhale Institute of Economics, Asia, 1961. All emphases in quoted matter is mine — SAD.

constituents are small, *they are by far the most dominant in political, economic and social terms in the country today.*" (p. 7)

Gadgil then goes on to enumerate facts to describe the phenomenon. These need not detain us because, now, after the Monopoly Commission Report, the Dutt Committee Inquiry, the inquiries in the growth of large houses and the finances given to them by public financial agencies, what Gadgil wrote in 1955 is now familiar fact to most of us in 1971. But it was not so sixteen years ago, when Gadgil spoke to the Planning Commission.

Of course, even in those days there were political parties, socialist and communist, here and abroad, who drew attention to this phenomenon of monopoly development in India. But then it was ignored as party politics played by those who wanted to run down the ruling Congress Party. But when an economist of such standing as Gadgil took up the question and put it on the agenda of the Planning Commission, it acquired new dimensions and meaning.

Gadgil did not stop at merely describing the phenomenon. He charged the state of adopting policies which built up the octopus of monopoly capitalism. "*State policy has actively helped the full exploitation by the constituents of the field of modern business of their position as monopoly capitalists.*" (p. 9)

And citing an instance known to everyone and which even today operates with full force, he says:

"A study of prices of such commodities as cloth or sugar during the post-war period fully exemplified this." (p. 9) And further on: "Modern industry, more than other field in the Indian economy, is sheltered, protected and helped at the cost of the taxpayer and consumer." (p. 9)

In this note Gadgil just initiated the proposition by demanding "*the steady extension of the public sector*", and

left it at that. He was also prepared to accept a second alternative, that is "to regulate operation of units in the private sector in the same manner as was done in the UK and the USA during the war". (p. 13)

While suggesting this compromise alternative as a transition, he did not give up his main proposal.

"In both cases", according to him, "capital formation would not be in private hands but in those of public authorities and the second alternative can be looked upon partially as the transitional stage of the first." (p. 13)

But those in the governmental leadership, who thundered about putting the "economy on war footing" to achieve rapid progress, helped the monopolists to become still more powerful, which also was another effect of the war measures in UK and USA, though Gadgil did not mean it by his reference to UK and USA.

One year later, coming to the same subject again, in January 1956, in a note placed before the National Development Council, a body dominated by big business, big bureaucrats and ministers, Gadgil gave more forthright and positive views. He repeated his old basic proposition, saying, this time more clearly:

"A progressive widening of the public sector is an essential prerequisite of any progress towards a socialistic society, particularly in an underdeveloped area undertaking rapid planned development." (p. 28)

But the real hit of his thinking is not in this proposition.

One could widen the public sector and make it powerful by starting new units through state investments. That, of course, had to be done. But the first step, according to Gadgil, must be taken by breaking the concentration of economic power that lies in the hands of the private sector in certain fields. Repeating his division of the private sector into two divisions or parts, he demands the nationalisation of that division which is occupied by "monopoly

capitalists" who have grown, not by the sweat of their own brow but "due to the protection of one sort or another given by the state... This division is already the most influential in the country and the high concentration within it increases its ability to exercise power." (p. 29)

Hence mere fiscal measures would be powerless to overcome it.

"Mere fiscal devices such as income or inheritance taxes are unable to resolve the problem. This may be taken as sufficiently proved by the actual history of the progress of modern business during the last eight years." (p. 29)

And the story of the next 15 years, since Gadgil wrote this, further bears out the truth of the above proposition.

"The current phenomenon of a boom on the stock-exchange, the impetus to machine industry production and the prosperity of certain classes in the biggest cities side by side with increasing unemployment, depression in the village and smallscale industries and a general stagnancy, if not decline, of the purchasing power of rural society as a whole throw vivid light on the possible course of investment for development *unaccompanied by a proper social policy.*" (p. 29) What is that proper social policy and what is to be its main tool to begin with, according to Gadgil?

The various half-hearted measures of control or piecemeal nationalisation proposed by the ruling Congress Party in 1956 (or 1969-71) were not enough. His demand was a clean sweep of monopoly capital. He said:

"The only real solution to the problem in the long run is that the whole of the division at present occupied by monopoly capitalists should be transferred to the public sector." (p. 29)

Immediately the minimum programme should be to see that no further additions to units in the private sector is made in such fields as mineral production, generation and

distribution of power, capital goods industries and basic material industries such as cement, heavy chemicals, etc.

"Negatively the same thing may be defined as involving that, excepting in certain consumption goods industries, all new units in modern industry should be in the public sector. In foreign trade through the establishment of marketing boards, etc., *the exports and imports of all important and strategic goods should be brought into the public sector.*" (p. 29)

In a note given to the Finance Minister, C. D. Deshmukh, in January 1956, Gadgil and V.K.R.V. Rao (who had mutual discussions on the subject) gave more details of which industry and trade should be taken in the public sector. We need not repeat Gadgil's statements made on the same theme from time to time.

After the formulation of the Second Plan, the monopolists deliberately set out to sabotage it by various means. Foreign capital from the imperialist countries refused to go in a big way to help set up heavy industry in the state sector. Indian capital in those days was described as having "gone on strike" by Asoka Mehta, who at that time had not crossed over to the monopoly lobby.

The Government of India, therefore, nationalised the LIC to provide a stable flow of liquid capital for the public sector and governmental finances. A heavy dose of deficit financing had to be undertaken. The socialist countries were approached for supplies of heavy industry plants. But despite the pleading of progressive economists like Gadgil and some others in the Panel of Economists, *the Government of India took fright of radical measures and refused to nationalise the monopoly strongholds.* In fact, as the company law reports revealed, the concentration of monopoly capital grew on a bigger scale with the aid of the plans than before, as Gadgil had fully predicted.

III

Let us look further into this particular aspect of monopoly capital.

The Second Plan with its big investments, perspectives and big talk was finally adopted. But there were no effective implementing agencies, no mass participation, no check-up, no democratic consultations or criticisms. The result, as pointed out by Gadgil, was that the monopolists and their supporters, with the help of their agents in the ruling party and in the governmental machinery, particularly in the higher echelons of the bureaucracy, enriched themselves at the cost of the whole society and to the detriment of all other sectors of economy. The ambitious Plan floundered and in 1958, the talk of "rephasing" the Second Plan began. So in January 1958, Gadgil sent a long note to the Government of India on the subject.

Those very elements who had caused the disaster by misappropriating the gains of the Plan to enrich their private and class interests, those who had caused the steep rise in prices, shortage of foreign exchange, scarcity of foodgrains and raw materials, began to blame it all on the big size of the Plan and demanded curtailment, if not the total abolition of this "adventure". The Plan, according to them, had failed and should be scrapped.

What was Gadgil's reaction? Speaking on the assessment of the Plan fulfilment and the charge of total failure of the Plan, he said with his characteristic sarcasm: "There appears, for example, to have been almost *an overfulfilment of the plans in the large private business sector*. This was largely the result of the import licence policy." (pp. 77-78) As a consequence, other sectors had suffered.

In this connection, it is necessary to remember an episode in the financial history of this period. Following the adoption of the Second Plan, a large amount of foreign exchange was

put into the Plan-frame for development of industry. Most of this foreign exchange was quietly "stolen" by the monopolists with the help of the bureaucrats in the Finance Ministry and the large banks. So much so that when the public sector agencies began to ask for foreign exchange allocations, no such exchange was left over in the exchequer pipeline. Licences issued to the big monopoly houses had swallowed it up. And the banks and the bureaucrats had a hand in this. The paucity of funds felt by the state governments in 1957 and the inability of the banks to invest in government funds —

"was itself due to a large extension of credit limits given by the banks *to the large private business sector*, during 1956-57. It thus appears that the special extension of bank credit in 1956-57, which itself was related to the heavy imports of capital goods during the period, diverted funds which would ordinarily have been available for finance of the public sector." (p. 78)

"In other ways also it would appear that *resources in the economy are being specially diverted to the large private sector. The operation of all government-sponsored finance-organisations seem to work in this direction.*" (p. 78)

And the result?

"*Dependence on foreign aid and looking to foreign investment are likely to increase the power of large semi-monopolistic private business.*" (p. 79)

The remedy? Once again Gadgil demanded "a rapid expansion of the public sector and deliberate operation of all government finance and guarantee corporations in favour of small dispersed business, as distinct from large concentrated business." (p. 79)

And in a censoring tone, he says:

"However, nothing notable in the latter direction seems to have been undertaken during the last two and a half years, and it seems to have been tacitly agreed that there

would not be even a talk of extension of the public sector." (p. 79)

The dishonesty of the Indian monopoly bourgeoisie and its so-called theoreticians in the political, intellectual and bureaucratic world also set afloat the "trend of thought that nothing could move without foreign aid". Hence, Gadgil says,

"There is also the current trend of thought to make things easy for foreign capital, as for example, through special tax concessions. The claim of large Indian private business that it would be able to obtain foreign aid, when the Government of India is unable to obtain it, is also significant in this context. It is obvious that concessions originating in the foreign business sector will be transferred by a natural process to the Indian business sector." (p. 79)

While big business and monopoly capital thrives on public finance provided by government, by taxing the people in the name of rapid development, how does monopoly capital behave towards the people, the workers and the national economy?

In a paper prepared for the Panel of Economists in March-April 1955 under his guidance in the Gokhale Institute, the socio-economic implications of the existing institutional structure in modern business in India were discussed.

"It was pointed out that unless special steps were taken to colour with public interest large private business growing with government help, and as long as large private business was looked upon as a crucial medium in capital formation, its economic resources and power to dictate were bound to grow." (p. 79)

Citing the instance of the large textile mills closure, which then had begun and is even now continuing and also extending in other vital spheres such as heavy engineering, Gadgil says:

"The seeming helplessness of government in the face of

large unemployment caused by the closure of cotton mills raises in an acute form a chronic dilemma in the operation of a development plan in a mixed economy. Unless government is able to take effective action in relation to inefficient and/or recalcitrant units in the private sector, the social costs of operation of the mixed economy are bound to be high." (p. 79)

Since Gadgil wrote, the assistance to large private business, especially big monopoly houses, has grown on a large scale. The nationalised LIC, the Unit Trust, the IFC, the ICIC and all the various finance bodies, drawing their support from the government as well as foreign agencies, have increased their loans and equity holdings in many big houses. The nationalisation of the banks and general insurance and the presence of certain heavy engineering plants in the public sector, state trading in food, etc. may lead us to think that we have advanced a great deal on the road to abolition of monopoly capital, to extending the public sector in vital spheres and thereby acquiring control over production, prices and supplies in industrial as well as the agrarian divisions of the national economy. But this is a misleading and unscientific evaluation.

As long ago as 1956, in his note to the National Development Council, Gadgil had demanded a clear decision on "vesting immediately with public interest all private corporations to which public assistance is given and their progressive incorporation in the public sector". (p. 33)

Fifteen years later, in 1971, we still find the Government of India vacillating on the question and refusing to convert its loans to the monopolies into equity-holdings and converting equity-holdings into participation in management, that is, vesting them "with public interest", because the monopolies denounce it as "backdoor nationalisation".

Similarly while welcoming bank nationalisation, we cannot shut our eyes to the fact that these nationalised

financial levers are even now used by monopoly interests to corner the markets and raise prices against the consumer without giving the small peasant producer even his due share of the value produced by him. The instrument of "selective credit control" which the Reserve Bank is supposed to use to check speculative investments in food and raw materials in the busy season has all along failed to check speculative rise in prices and expropriation of the people's limited buying capacity. The high profits of the monopoly traders are still facilitated by the credit institutions under government control.

Writing on this very mechanism in August 1959 in his note to the Planning Commission on "The Approach to the Third Five Year Plan", Gadgil says:

"It has been claimed that the policy (of selective credit control) has resulted in checking the rise of particular prices. It appears doubtful whether the policy has had such an effect... Moreover, it is well known that banks and their clients transfer credits required for a particular purpose to general security or clean accounts, if the Reserve Bank directive makes this necessary. The wellknown special increase in clean credits, and other credits not involving the security of commodities, especially agricultural produce, during the busy season of 1958-59, has been commented on in this connection. It is, therefore, highly unlikely that selective credit control by itself can have any significant influence in restraining the prices of commodities." (p. 138)

Things have not changed much after nationalisation of banks in this respect. The practice of selective credit control by the Reserve Bank was done by it when it was as much "nationalised" in 1959 when Gadgil wrote the above as the other banks are now in 1971, thus showing that nationalisation alone is not enough to fight entrenched monopoly influences.

When prices of groundnut, cotton and other agricultural produce shot up, despite bumper production and selective credit control by the Reserve Bank, I had an occasion to raise the question in Parliament in 1970. But the government had no answer to give and could not give, because the nationalised banks, despite the facade of loans that they gave to the small businessmen or the kulaks, were being used to facilitate the operations of the monopoly capital in manufacturing and trading as much as before nationalisation.

Thus Gadgil's insistence on a full and complete take-over of the monopoly division of the private sector into the public sector was fully justified. But his aim remains unfulfilled as yet.

Let us resume the story where we left it in the Plan-sphere. Gadgil never softened in his hostility to monopoly capital. All his analysis proved correct when government ran into difficulties and began to "rephrase" the big Second Plan. And later, the same thing happened to the Third Plan also, which was virtually abandoned and a Plan holiday came as the monopolists had demanded.

When it came to formulating the Third Five Year Plan, Gadgil continued his criticism of the governmental leadership, which had failed to lay down proper policies or evolve suitable machinery for planned development. He angrily said in the "Memorandum on the Approach to the Third Five Year Plan", in August 1959: "It is my contention that in spite of all claims to the contrary, planning as such does not operate in India today. There are only schemes of public expenditure or of aid to private or cooperative enterprise... Moreover, to the extent that official policy is active, it aggravates the total effects by loading the dice in favour of traders and of large organised business." (p. 140)

Following the political changes in 1967, when Gadgil

was called upon to head the Planning Commission, when the Third Plan had met with a miserable fiasco and the Fourth was nowhere in sight, he was advised to soften or change his line, cooperate with big business, adopt a partly *laissez faire* policy, lower his sights and be less ambitious in planning and, above all, give up the idea of total rigid planning. He refused to yield.

Once again in his note to the National Development Council, on the "Overall Approach to the Fourth Plan" he said: "The problem of concentration of economic power and the monopolistic position held by some units in the private sector is another aspect that needs attention." And outlining some measures, he said: "A further step might be taken to orient the credit policies of financial institutions so as to prevent an undue proportion of available financial resources being diverted to large industrial houses." He wanted the public financial institutions, which have shareholdings in private companies, to exercise their right to participate in management. And referring to the proposed abolition of the managing agency system, Gadgil pointed out in his usual style, "care has to be taken that the abolition is effective and does not mean merely a change of name".

It was reported in the press that the National Development Council meeting was very cool towards this memorandum of the new chief of planning. They planned successfully for his removal. Monopoly capital had decided to fight him to the last. And they did it till he breathed his last.

IV

We have so far seen only one aspect of Gadgil's economic thinking, the aspect on monopoly capitalism. But Gadgil had a unified system of thought on the question of

the development of an underdeveloped country, which had already built a capitalist system of economy and had even produced a complex of monopoly capitalism. Naturally, any thinker who wants to take the country forward to progress and wants to do it on the basis of "planned development" has to present a unified and integrated system of views, with not only economic categories but also *socio-political* and *philosophical categories*. Gadgil, even while limiting himself to the sphere of planned economy, puts it in an integrated system of thought. That system he calls a socialist system of thought and his planning of economy is generally described by him as planning for a "socialistic society".

But it is very necessary to note that his attack on monopoly capital and insistence on building of public sector is not assumed by him to be a part of building socialist society in the immediate context, apart from whatever consequences it may have for the future.

The monopoly capital that he is fighting is not of an advanced capitalist country but of a backward or developing capitalism, in which, apart from capitalist relations of production, there are other relations too as is bound to happen in a country which has emerged from feudalism and rule of imperialism. Gadgil illustrates this proposition by saying:

"The fact that in India only a limited number of comparatively closed groups shares the growing prosperity and power of the monopoly capitalists makes the situation even more difficult. Therefore, even apart from any requirements of the progress towards a socialistic society, an extension of the public sector in that division of the private sector which is occupied today by monopoly capitalists, it appears, is urgently required; with an avowed socialistic aim, this becomes imperative." (p. 29)

Thus in Gadgil's view the liquidation of monopoly capi-

tal is not necessarily a step on the socialist path. Even for ordinary progress of democracy, equality and humanism, an economy has to be built which, while it retains a private sector and part of it working on the basis of modified or controlled capitalist relations of production, must liquidate monopoly capital. Thus an anti-monopoly direction, in his view, is not necessarily socialism. Then what is it? It may be "revolutionary" democracy with strong, non-capitalist and socialist pulls. But the existence of capitalist relations of production in the remaining sector of the economy which is purged of monopoly would not qualify it to be called socialist or non-capitalist as such. It becomes non-monopoly capitalist or cooperative and democratic economy, struggling to find the socialist path.

Hence Gadgil calls his economy a "mixed economy" which, in his conception, has a meaning quite different from what is put into it by its bourgeois apologists. In his view, "mixed economy" has no place for monopoly capitalism, but grows forward on the basis of a big strategic public sector of industry and trade. It still retains a private sector of industry and trade but builds up a cooperative sector alongside it. Its agrarian economy is made by rich, middle and poor peasants and agricultural labourers. But the immense power of the big kulak agriculture is gradually overcome by the fast-developing cooperative sector of the rest of the agrarian economy. It has an intelligentsia living and working without high disparities of income. It has a working class with a guarantee of essential rights, wages and living conditions and a democratic state led by a party of social revolution. Such a society can live without upheavals and crises and progress towards socialism gradually.

Gadgil's integrated system of economy and politics has been described in his writings and memos on the question of planning for the future of Indian society.

If monopoly and landlordism, foreign influence and parasitism are eliminated and the above aims are fought for and realised, what kind of revolution is Gadgil wanting to fulfil? The obvious answer would be that Gadgil was a revolutionary democrat and as such was putting forth an economic, political, ideological platform of the national democratic revolution, to establish a system of revolutionary democracy, working its path to socialism. Hence, in contrast to all the economists of his class and standing, he took the position of inveterate opposition to monopoly capital, as his first starting point.

It is, therefore, necessary to study Gadgil's concept of mixed economy as it reflects on other sectors of the Indian economy and other classes of the population. We shall do that in brief, relying on his notes to the Planning Commission.

When the whole of the monopoly capitalist division of the private sector in production, circulation and exchange is nationalised and taken into the public sector, quite a large number of the by-products and the inevitable adjuncts of monopoly capitalism, which unhinge social growth from its normal healthy path, begin to be eliminated. But these we shall look into when we come to the social-political changes that come up in the wake of the establishment of the new non-monopoly democratic order.

The lopping off of the monopoly is literally like ridding a body of an octopus that has caught it. The moment this is done, the body politic with its foundation in economy undergoes vast basic changes.

When all the factories, trading organisations, credit institutions in the most vital and strategic spheres owned by monopoly capital are nationalised, what will happen to the rest of the private sector?

The rest of the private division in production, trade and commerce, transport, etc. will continue not only to func-

tion and grow, not as before under the stultifying shadow of giant monopolies but with its own freedom of movement and growth.

Apart from medium and smallscale industry, there is also the big division of agriculture to be looked into and taken care of in a new way. This world of private sector undergoes a metamorphosis.

The apologists of monopoly capital frighten the people by saying that with their end will also come the end of efficiency, technological growth, capital formation, organised market, prices, employment and all. In fact, they say, with the end of private monopoly ownership, all private enterprise and property will vanish. The world will come to an end—the end of all that is venerable in the Indian world. Gadgil rejects all these sombre prophesies and maintains, on the contrary, that already with monopoly in command, India's growth to self-sufficiency and prosperity is stagnating.

The claim of monopoly that it is the biggest source of capital formation and hence of continued growth is denied by Gadgil. He blows up the myth that capital formation is done by the owners of monopoly capital, either by means of the old theory of "abstinence" and self-sacrifice or from their own entrepreneurial activity. He says in his note to NDC in January 1956:

"Already through such devices as the system of Industrial Finance Corporation, and through largescale direct financing of certain large units by government, a substantial portion of the capital required by modern business is being supplied by the state. The proportion of capital supplied by the public sector to the private sector is on the increase; and changed fiscal and social policies can easily enable the public sector to make up any gap that becomes necessary in capital supply to the private sector (here Gadgil means the non-monopoly sector—SAD) because of

the change (i.e. from monopoly to non-monopoly—SAD).” (p. 31)

Secondly, he also draws pointed attention to what this capital formation by monopoly means to the expropriation of the social product by the monopolies.

“No significant amount of capital formation in the hands of the rich could take place without allowing for fairly high levels of profits and consumption standards among the very rich who are the operators in the monopoly capitalist division.” (p. 31)

And in another place Gadgil gives a devastating picture of what kind of demands are made on resources and lines of production by those very rich operators in the monopoly capitalist division. Vast sources of capital are invested in terylene factories, while cloth for the poor is sabotaged: luxury hotels and houses are built, while ordinary workers' housing is denied. Unheard of salary and emolument scales, measured in terms of what is paid abroad in the UK or USA, are introduced, while the miserable minimum earned by others is sought to be frozen; the price market is thrown out of gear and so on. Gadgil in his usual pithy, terse style reveals the whole sordid picture of monopoly capital for everyone to see. Hence he says:

“Therefore, at this stage, a decision not to have fiscal and other policies influenced by considerations of formation of capital in the hands of the rich appear to be called for. These observations have, of course, little to do with the ordinary ‘private enterprise’ division as capital formation to the extent that it is taking place in the smaller units is not likely to be affected by fiscal or distributional policies intended to promote the socialistic approach.” (p. 31)

The non-monopoly sector of private enterprise consists of two divisions—one of industry, trade, etc. and other agricultural.

When monopoly holdings are transferred to the state

sector, the non-monopoly industrial sector gets tremendous opportunities to grow, first in medium and smallscale industries, including cottage industry, handicrafts, etc.

Does it mean that this sector operates on a lower technical base? And will it not add to the social cost of labour in the production sphere? Will it not hinder the economy from going to a higher level of production of wealth and consequent higher standards of living?

This question is answered in two ways. Firstly, the transfer of the ownership of largescale monopoly capital to the state sector does not mean doing away with largescale production or technical advance connoted by economies of scale. Secondly, despite the fact that private monopoly capital has invested in largescale units of production and brought in advanced technique, it does not necessarily keep to the line of technological advance to facilitating abundance of production and supplies and making things cheaper for the consumer and life easier for the whole of society. The technological revolution that has taken place in the big capitalist countries first arose out of needs of war and not out of the need to defend the standards of living of the people and make things cheaper and easier for them. Otherwise, the crisis of prices, market and unemployment would not have existed and sharpened in the richest of the countries of monopoly capital. Abolition of monopoly does not mean abolishing higher technological or largescale production.

Development of Indian economy has to proceed from the given base and from the point of view of people's interests. So, however attractive a fleet of automatic looms may be, we cannot afford to destroy the handloom base also. The interests of presentday humanity have to be reconciled with its future interests, which future can be satisfied, of course, only by adoption of the new technology. To Gadgil the problem presented itself as a human problem, as also a

problem of socio-economic and technical reorganisation. And he looks at it not only from the point of view of the Indian economy but also from world scale view.

Writing on this, in the same note, he says:

"The general trend in the technological development, and the operation of the ordinary market forces in modern economics, both lead to continuous centralisation of production and of location of population." (p. 31)

Having stated this general law, he wants to break it or at least modify it and says: "Unless an attempt is made to evolve a decentralised pattern in the plan of industrialisation and in the planning of social and economic overheads such as transport, power generation and distribution, and education and health facilities, the operating trends will prevail." (p. 31)

The result is already there in the concentration of industry and trade in the metropolitan cities like Bombay and Calcutta. The centralisation has skyrocketed land values, made housing and expansion difficult, clogging not only transport but social life in all its aspects.

But why does Gadgil think that existence of private monopoly capital is a hindrance to decentralisation? Very few economists emphasise this aspect of the solution, as the key to the problem. Is not technology itself and alone responsible for this? Gadgil in his formulation has very aptly added another factor, that is, "the operation of the ordinary market forces in modern economics". Private monopoly capital intent on making profits from any source, irrespective of national interests or human values, has picked up the thread and links where the British ruling class left them when India became independent. Export and import markets and the link with the "imperialist home market" was the driving force of British capital behind its policy of location of industries, trade, commerce, transport in Bombay, Calcutta, Madras, etc. The main road and rail system was

built by them on this pattern. Indian monopoly capital entered into partnership with this same line of development and further enhanced the unevenness and evil of capitalist centralisation in the same old metropolitan cities. Dispersal or decentralisation means a new direction of economy, a new plan and for the time being a lesser return of profits.

This is not an Indian necessity only but a world necessity. But, "Industrialisation on a decentralised pattern has neither come about in any country nor has been deliberately attempted by *any* so far." (p. 31)

The technological revolution and the growth of the socialist system, since Gadgil formed this view as a universal proposition (he says in "modern" economics of "any" country and not only capitalist economy), are leading to industrialisation without the accompaniment of the metropolitan evils as he frames them. Now the production of a giant aeroplane and its engineering is spread over not only in many centres in the same country (viz the production of MIGs in India) but even in many countries (viz the production of the supersonic plane being done in parts in the USA and England between Lockheed and Rolls Royce). Transistorisation and other branches of the scientific-technological revolution bring into existence new possibilities of decentralisation of industry. The case of the Soviet Union building its new industrial areas by planned decentralisation and locating them in Siberia is one direction in which the problem mentioned by Gadgil is sought to be resolved.

At the same time, it should be noted that even in socialist countries of planned economies the growth and concentration in metropolitan cities has not been overcome as is seen in the growth of such cities as Moscow and Shanghai, to mention but two only.

It is from this point of view that Gadgil insists on planned decentralisation. And he notes with displeasure the fact that

even when the Government of India decides to finance medium or smallscale industry by building industrial estates, these very estates tend to congregate in the metropolitan areas or become the subtenants of monopoly capital, which by its hold on the market expropriates them of all but the barest minimum of return, just enough to keep them on the level of simple reproduction and not permit extended reproduction.

Keeping all this in mind, the giant public sector alone, with its all-in control of finance and technique will help industrialisation in a new way than mere decentralisation and harnessing medium and small industry in the private sector for that task. Only in this way can the ruin of the millions working in the "private sector" be prevented and harmonious and democratic development of the national economy take place at a rapid rate.

V

Having discussed industrial production and the role of monopoly capital, the private sector and the public sector therein, Gadgil proceeds to discuss agriculture. The forces and instruments of production in this sphere are not the same as in industry. Here land, as the main instrument of production, is a given fixed quantity or area. It cannot be forged like the factory or the machine. Secondly, the given land mass is under cultivation, except in certain parts, by millions of peasant families, scattered all over the country. The unit of production, or "the independent unit of entrepreneurship", as Gadgil calls it, is by and large the family unit. Each family farmer conducts his business separately and the ultimate results in terms of total agricultural production are the added results of the activities of millions of family farmers all over the country. "It is their decisions and their actions that have to be influenced; and planning

for agriculture necessarily means planning to induce or influence this innumerable body of individual small entrepreneurs..." (p. 165) Moreover, in agriculture, almost all production units are non-governmental, unlike in industry.

The inducement takes various forms such as supply of cheap loans, improved seeds, machines, fertilisers, irrigation facilities, power, warehousing, marketing, crop information, soil conservation and so on.

All these are theoretically available to every cultivator, whether small, medium or big and whether owner or tenant.

But, in actual practice, all these inducements and inputs assume the form of investment of capital according to the size of the unit of land ownership. The tenant cultivator, despite his input of labour and holding of tenancy, for want of immunity from eviction, cannot afford security for the return of capital and hence is at a disadvantage compared to the owning cultivator or even the permanent and non-evictable tenant.

The second feature is that the investment of capital and its use by the family's own labour-power, or the labour-power of the hired agricultural labourer, has to realise its value on the market, that is, through prices on the market of the commodity-produce brought there in the form of food articles, raw material for industry like cotton, jute, sugarcane, etc.

But the market and the price are completely beyond the control of the farmer-producer. And the vicissitudes of the market have enriched some and ruined others, with the result that during the last 23 years, the problem of food supplies and raw materials has harassed the lives of millions of people. And because of the disasters caused by failures of rains and harvests, the capitalist market and the prices dictated by it have been the major criminal agencies to cause misery to the millions. And in this Gadgil holds the government and its policies as the chief culprit. The

question is why did the government behave that way? And Gadgil once again reverts to his theme of the role of monopoly capitalism.

Despite abolition of landlordism and the laws on land reform and ceiling on landholdings, the concentration of the major portion of cultivated land in a smaller percentage of the total number of peasant-producers continues to dominate the agrarian structure. As the draft of the Fourth Five Year Plan points out, "The small holders and the agricultural labourers represent 52 per cent and 24 per cent of the total rural households." But those millions of small holdings (2 hectares or less) hold only about 19 per cent of the cropped area.

It is said that the use of the high yielding varieties may make the small holder solvent and even prosperous. But it is not so. The draft Fourth Plan says, "In this uneven situation (of holdings) the new agricultural technology tends to add a further dimension of disparity between those who have the resources to make use of it and those who have not."

Speaking at the University College Hall in June 1968 on "Problems of Planning in India", Gadgil accuses government with favouring only the rich farmers in many ways:

"I want you to realise in this context what has been often said by a number of agricultural economists, that the problem is not a big problem in terms of land surface. If you take the middling and the big landholder they usually hold between 75 to 80 per cent of the land surface so that more than fifty per cent of the cultivators hold perhaps 15 per cent or less. So if you go into this a little more, you will find that our failure to solve problems has been more and more on this human side. Whatever has been done is done in a small number of directions, *where a fairly small number in agriculture with proportionately large resources can go ahead.*"

This in plain language means that government has deliberately adopted policies to benefit capitalism in agriculture and also semi-feudal forms of evictable-tenancy cultivation, conferring rentier incomes on the rich. Gadgil never forgot, despite his peculiar language style, to spot the main evil-doer.

Describing the muddle in food supplies and prices, Gadgil describes the criminal failures of the gentry in power in very clear terms. In his note on the Third Plan, he says:

“We may also examine in this context the refusal of government to do anything in relation to stabilisation of agricultural prices. Stabilisation of agricultural prices has been an accepted plank in government policies for almost a decade. Its need in underdeveloped economies has been widely accepted... In spite of all this, government has consistently opposed and avoided in practice the adoption of a policy of stabilisation of agricultural prices. While there is a good deal of talk about what may be done to increase the production of food, the simple expedient of guaranteeing in advance for each season a minimum price for food crops has been carefully avoided. The other part of the same policy of stabilisation is to put a ceiling to prices, but this, which is extremely important from the point of view of industrial and other costs, is also not undertaken.” (p. 145)

This was said in August 1959. Many changes have taken place since then. But it is necessary to hear why this was done at that time and continues to be done in a different way now. Gadgil says:

“It is possible to interpret this amazing behaviour only on the basis that stabilisation of prices of agricultural products is sidetracked because of certain consequences flowing from it which are not liked. A programme of stabilisation could be undertaken through either the entry of government, in a substantial way, in trading in agricultural products.

or a rapid cooperativisation of the field combined with certain overall operations by government." (p. 146)

And here follows Gadgil's frank indictment and class analysis. He says, "Either of these courses will affect seriously the strong entrenched position of the moneylender-trader elements whose combination of the two occupations has given them a stranglehold on Indian rural economy." (p. 146)

But the ramifications of this class are still wider and deeper. Says Gadgil:

"Historically the present capitalistic community in India has grown primarily on the rural moneylender-trader base. Any undermining of the position of this base would inevitably spell disaster to the trading superstructure in the urban areas and *may damage even urban financial capitalism, i.e. affect vitally those interests which are today politically the most powerful in the country.*" (p. 146)

Gadgil had raised the human problem of the small holder in agriculture being made solvent by putting him into cooperative form of production. On that, too, he has the following to say:

"Recent government policy in the cooperative field also lends support to this hypothesis. All recent experiments, which have been successful to any significant extent in transferring rural finance, marketing and processing out of private hands to those of cooperative organisations are obviously suspected, and a programme which has set this trend in motion and made its progress possible is being challenged and *sabotaged.*" (p. 146)

What does Gadgil want to convey once again? That monopoly capital and its handmaid of urban and rural finance capital are hampering the growth of production and productive forces in industry, trade and agriculture.

Hence, unless the backbone of monopoly capital is broken by nationalisation and the ramifications of rural financial

capital are set aside by cooperativisation of the small holder and unless the capitalist market-price mechanism is broken by socialisation of wholesale trade in foodgrains and industrial crops and of export-import, our economy and our democracy cannot go forward. That is the only way to carry forward the democratic revolution in the interests of the masses. Gadgil did not flinch from this conclusion even in the field of agriculture, whose main enemy is not bad seasons and drought but parasitic capitalism.

VI

The same thread leads Gadgil to find solutions to the problems of rising prices and questions of wages and unemployment. He does not divorce them from the original sin of monopoly capital and its superprofits in industry, the wholesale market mechanism, controlled by finance capital that sets the pace in prices and stagnation or ruin of small-scale agriculture and smallscale industry.

Gadgil treats the problem of prices, wages, incomes and unemployment in an interconnected line of thinking; but his interconnection is wholly contrary to that of the official or orthodox economics. He does not admit of the wage-price spiral or wage, price and productivity tie-up or their reflection on employment.

Who makes the prices on the market? Gadgil has the following to say:

“That in India the most important prices in relation to products and services of modern, large, organised business are *administered* may be taken to be an established fact. Government exercises little or no control in the determination of these administered prices or in the fixation of their levels. In the area of consumer goods, in an important category like sugar, government’s inability to control

extraordinary profits by traders and manufacturers has proved notorious." (p. 141)

It may be asked that government may do something, at least in those spheres where it gives subsidies, grants, assistance to industry and trade. Gadgil says:

"Equally important is it to observe that, where government gives special assistance or privilege, the benefits accruing therefrom are compounded into assets of the party assisted by government without any social claim or public interest being created within it. So that as against the possibility of government's stepping into the field in the future, current public assistance results in making acquisition of interest in the field by the state more difficult than before. That is, there is no quid pro quo, present or future, for liberal assistance given by government." (p. 141)

That is the story, how prices are made by superprofit hunters and that, too, with government assistance.

Maybe, the Ministry for Agriculture and those who like to talk of peasant interests being served by government policy of giving them good prices and profits may stake forward the claim that in this sphere, at least, prosperity and prices go without class bias. We have already seen Gadgil's views on food prices and government policy. Here is another on the question of "prosperity-prices" to the cultivator, who goes to the market.

"When talking of the fortunes of the agriculturists, it is well to remember that the margin available here is largely the margin that accrues in the *wholesaling and processing stages*. Characteristically, it is that stratum of farmers who are either connected somehow with this stage or are able to claim, because of the possibility of withholding supplies, some of the margins at this stage that have done well." (p. 136)

What happens to others? "For the others, fluctuations tend rather to depress average earnings than to yield

occasions of making special profits. All indications also point to a great difference in the fortunes of the richer and those of the more backward regions. Development programmes and expenditure are seen to profit the secure and rich areas, while they leave almost unaffected the backward and the poor. *All reports point to the same type of differentiation between classes as within an area.*" (p. 136)

The differentiation between the cities and the villages has widened further. And in the countryside the rich farmer has reaped most of the benefits, while conditions of the agricultural labourer, rural artisan, casual labourer have deteriorated. "Even the earnings of factory workers have not made any significant progress if 1959 is compared with 1951. The salariat which, next to labour, is important in the cities appears to be in a stagnant even perhaps a slightly difficult position. It is only the traders and the industrialists who appear to have consistently done well, and among them, the bigger and *those in the largest cities with the largest organised businesses appear to have done the best.*" (p. 137)

So whether in relation to the peasantry, the agricultural labourer, or the industrial worker or the salaried middleclass employee, their position has lagged behind and their share of the national product has fallen. Once again you see the hand of monopoly capital in their expropriation and the way it uses the price mechanism to shift the share of the national income in its own favour.

Thus Gadgil's attitude to incomes and prices was in no way that of the professional apologists of monopoly capitalism, who say that wages make prices and that high prices are due to high wages, which harm society.

Gadgil does not look at the problem of wages and salaries only from the point of view of the factory worker or the middleclass employee in the private sector or the civil servant. He takes under review the whole of the employed

force in the economy. One or two of his references should be studied. Discussing the subject of differences in salaries and wages in his note to the Commission (December 1956) on the question of "Differentials in Salaries and Wages" he says: "...the differentials in India today are very large." (p. 14) But before discussing that, he mentions the influence of external factors in payments of salaries in India.

"The scales of salaries of higher officials in India had been completely dominated by British scales and the influence persists. . . In recent years foreign companies operating in India have been recruiting Indians in large numbers as officers under pressure of government. This has introduced a new disturbing element in the situation. The scales offered by these companies to the Indian recruits are completely out of line even with the prevailing standards of pay in government or private Indian business." (p. 14)

Another possible external factor is the scales of remuneration of the new and expanding international organisations who establish their branches in India or employ Indian cadres abroad.

The influence of external standards is felt in other directions also. "The expectations of the rich in general, especially those of big businessmen, are most powerfully influenced by the pattern of consumption by the rich in other countries, particularly those of West Europe and North America."

This sets a standard of net income against which all personal tax measures and all proposals, such as that of a ceiling on incomes, are examined by those who virtually rule the private sector in modern Indian industry and trade. The same influence the standards of hotel accommodation, travel, tourist traffic, etc. "It is a matter to be very seriously considered whether the presumed advantage flowing from, say, tourist traffic may not be counterbalanced by the possible misdirection of national resource utilisation through the setting up of unreal standards in this manner. All this seems

to emphasise the need to eliminate as far as possible the influence of external factors on our expected as well as actual standards of consumption in all directions." (p. 15)

Discussing the same question of wages, salaries, incomes, he says: "The whole set of values associated with democratic functioning of quasi-autonomous small groups and with decentralisation of political and economic power make it necessary that the leaders, the top executives, and the administrators must have standards of consumption which do not mark them off sharply from the tiers below." (p. 22)

Referring to the preaching of abstinence by the leaders, he says: "In fact, in this context and in a poor country where the leaders have constantly to preach the need for abstinence from wasteful consumption, a comparatively moderate standard of consumption for leaders may have a high moral and incentive value for society as a whole. At least high incentive payments would in such a society have adverse effects through their reactions on public psychology. Also, there is nothing in the Indian tradition or in the existing Indian situation to show that socially valuable or highly responsible intellectual effort has been called forth only or chiefly by high incentive payments." (p. 22)

Gadgil was, however, aware that this would not be accepted by the ruling circles. In that case, he sees no reason why so much protest should arise about the wages and salaries of the working people.

And to emphasise the fact that the whole question is inter-related, he says:

"It is, however, relevant to observe that all these payments come out of the total Indian product, and the planned development of the country, with all the regulations on activity and burdens on the consumer that it involves is largely responsible for maintaining the conditions under which they are earned." (p. 25)

But the government, the employers, the economists would

sit in judgment on the calories and family budgets of the workers but not their own. Hence the workers demand the establishment of a general proposition on the basic question as to how the national product originates and how it is appropriated among various classes of society and sectors of economic activity.

This general policy proposition may be stated as follows:

"Whether the economic activity is in the private or public sector, whether it is conducted by indigenous or foreign operators, and whether emoluments received are in the nature of salaries, wages or profits, the absolute and relative heights of all incomes received out of the national pool are the concern of the government and the planning authority. And whether the payments are imposed, prescribed, permitted, or merely tolerated, they must be taken as parts of the plan. Therefore, whether through appropriate tax policy or through direct regulation, *all salaries as well as entrepreneurial incomes must be set at appropriate levels.*" (pp. 25-26) Then he proceeds to lay down certain norms of wage policy, which nowhere prescribe a "wage freeze" but are comprehensive in their coverage and which the workingclass movement should do well to study.

In his note to the Planning Commission in 1956, on "Differentials in Salaries and Wages", he says the following:

"(1) One of the major aims of the plan should be to raise the standard of living in the poorest areas and of the most disadvantaged classes through appropriate plans of development and employment. (2) The minimum-wage legislation should be enforced in the unorganised sector of industry and in the organised sector of agriculture over as large an area as possible. (3) In the organised sectors of industry collective bargaining and standardisation of rates of remuneration be actively encouraged. (4) Continuous and systematic attempts to be made to rationalise progressively scales of salaries and other types of remuneration paid to

top executives, administrators, and intellectuals in all official and semi-official employment. One of the main objectives of the rationalising process should be to see that, by the end of the plan-period, the range of differentials between the highest and the lowest scales of official payments should not be wider than that obtaining in the UK. Attempt should be made to narrow the variations between payments by various official departments and agencies and payments by various strata of governmental authority—central, state and local. (5) Standards of remuneration and earnings at the higher levels in private modern business should be amenable to public regulation. (6) The standards of convenience, amenities, etc. afforded by public services and agencies should not be set at levels current in the rich countries but should be evolved in appropriate relation to the size of our national product and the level of general well-being in our society." (pp. 26-27)

Fifteen years after this was written, neither the government nor the Planning Commission is anywhere near this policy. Hence the workers are forced to fight and no amount of preaching for "strike-free" economy and increased production is going to help.

As regards unemployment, he saw its roots in the same phenomenon of concentration of wealth in the hands of a few and the ruination of the poor peasant and agricultural labourer. Beaten by the rural bourgeoisie, unprotected by the governmental policies which favour the rich, they are forced out from the villages and march to the towns in search of employment.

The educated unemployed spring from the same fundamental law of concentration of wealth in the hands of monopoly and big bourgeoisie, in the towns and the rural areas. The inhibition that this imposes on the growth of productive forces, throws the newly educated youth into the graveyard of unemployment. And no palliatives of

linguistic or area reservations are going to do away with the roots of the main evil, from which sprout the evils of unemployment, high prices, falling wages and stagnation despite the show of affluence of some cities, areas or classes. Gadgil, the inveterate opponent of monopoly capital, does not mince words, and does not hesitate to hit hard at the ruling classes, which naturally disliked him immensely for this.

Gadgil, the practical planner, however, does not hesitate to discuss and propose short-term partial remedies to the situation, by way of increasing opportunities for employment. But he does not see much hope in such short-term make-shift solutions. In his "Note on Employment and Social Policy", July 1959, he says:

"The situation is worsening and the fact that migration to towns and cities is increasing, in spite of a more-than-proportionate increase in the rate of unemployment in them, shows the heavy pressure of the basic situation. The continued demand for educational opportunities, in spite of growing size of the problem of employing the educated, is evidence of the same heavy pressure. *The migration to towns or the problems of the educated unemployed do not constitute separate problems but are merely two symptoms of the general malaise.*" (pp. 126-27)

In the conditions in which India is today with its shortage of capital, can industrialisation with the most modern technique solve the problem of unemployment? Gadgil says:

"In our situation the adoption, for any purpose, of a technique more capital-intensive than that required for efficient production in any activity in the context of the total plan, is to take away a highly scarce factor from other activities, and is an action which is not only unsocial but also uneconomic. *This character of the action is emphasised when the vesting of such extra capital resources is in*

private and not public hands, but it is not excusable even in the public sector." (p. 152)

Here is an answer to those who want to follow the line of Galbraithian thinking on automation in the conditions of Indian economy and its technological base.

Having said that, Gadgil once again comes to his old friend, concentrated monopoly capital.

"This brief statement supports the conclusion that our industrial development must be planned on a general smallscale-industry model with deliberate adoption of a large scale and of concentration of capital only where modern production technique overwhelmingly requires it; the corollary is obvious that all such deliberate exceptions must be only under strict social control and should preferably be allowed only in the public sector." (pp. 152-53)

But if the opponents of the public sector defeat this line? Gadgil says, "A contrary view is tenable only on the suppositions that employment of all human resources is not an important national objective, that the human and economic costs of employment and underemployment are no concern of the national plan, and that high concentration of industrial production and capital in private hands in a poor and underdeveloped country does not constitute a grave national danger." (p. 153)

What apologist of the extant social order and monopoly capital will excuse Gadgil for such a statement which should sear through the soul of every humane person? He is emphatic that in present conditions, "it is a decentralised, dispersed industrial sector that we have to build". (p. 153)

And once again an indictment against the ruling classes. He cannot refrain from saying: "This has been a part of the political slogans of the last decade. But in spite of all talk, official policy has actually led to the growth of the largest organised businesses and the largest metropolitan centres." (p. 153)

Even then he pleads for taking up at least public works programme, building socio-economic overheads all over the country, with the smaller towns at the centre of the picture. Organise at least a "holding operation" for the traditional industries as employ large numbers and evolve an "intermediate technology", alongside the giants of modern industry in the public sector, for the employment programme.

Scanning the whole field of affluence on one side and misery on the other, Gadgil, the economist and patriarch, has a word to say about the needs of the next generation, particularly the destitute child, the victim of the forces of monopoly capitalism. At the end of his minute on employment and social policy he says:

"Partial and limited programmes of feeding school children have in recent years been adopted in some states... arrangements to take care of destitute children, as have been done in some states, also need emphasis. We should make our point clear if we state that, in our opinion, looking after destitute children as a socio-economic investment for the present and future should have much higher priority than, say, taking care of adult beggars." (p. 131)

In concluding his survey of the prices, income, wages and salaries and employment problem, Gadgil once again fixes his sight firmly on the nature of the reality of power. He says:

"...the grossly disproportionate share of the national dividend is appropriated by those who wield political and economic power, and by the classes from whom the state and social leaders are drawn." (p. 26)

It is, therefore, now necessary to go into the question of state power, its class nature, the bureaucracy and the question of democracy in Gadgil's system of thinking.

VII

No thinking on the economy of a country is possible without looking into the question of state power, that is, which *class* holds that power and makes its structure for exercising it.

Since Gadgil had a reputation of being an educationist and economist and not an active participant in political movements, it is generally believed that in his outlook on the Plan and his economic writings, he would not have raised political questions. This is a wrong impression. Even in his notes to the Planning Commission, he firmly held the view that no planning in favour of the people and the country as a whole is possible without paying attention to the question of state power, class-rule, bureaucracy and the need for a democratic revolution. He did not write any special note on this to the Commission. But he relates his economic propositions and the final success of planning to this basic question. Being a genuine scientist in his field and particularly that of economics which very directly reveals class relations, he could certainly not shut his eyes to this crucial problem. Here is his first basic pronouncement.

In his famous paper on "Approach to the Third Five Year Plan", he says:

"It is in the tradition of Indian economists to recognise that problems of national economy are in essence *politico-economic* problems. The proposition does not cease to be valid because there has been a transition from colonialism to independent rule. In any country the policies will be dictated mainly in the interest of the *classes* who actually hold power. Inferentially, it is valid to say that today in India real power rests with modern organised business and the trading community. All economic policies, whatever

their intention, have been so administered as to benefit these classes." (p. 148)

With that single formulation, Gadgil blows up all the false talk of sovereignty of the people, of power being exercised by the democratic masses and the talk of the welfare state.

For all these years, it has been said that it is the wicked communists who talk of classes, class struggle and class power, capitalists and monopoly capitalists wielding the state in their own class interests. Hence, it is necessary to know how a celebrated economist like Gadgil, and once the planning chief of the Government of India, thought about these things. He continues with his basic approach in the following way:

"It is important to note that actual power is held by a relatively small group, entry into which is becoming increasingly difficult; there is considerable concentration of influence even within its ranks, and effective control has been reduced to a few hands, and a very narrow social base. It appears that Indian social history is entering into a new phase. There has been by now a considerable breakdown of the monopoly of the priestly, intellectual and martial classes. Instead, political and economic power is being concentrated in the hands of selected sections from among the traditional trading communities." (p. 148)

Does it mean that the state-power in India has come to the stage of the state-monopoly capitalism, where the representatives of monopolies openly and actually occupy positions in the government and there is a continuous exchange between the monopoly houses and ministerial posts? In India it is not so yet. The Presidents of the Indian Union, the Prime Ministers, the Finance and Home Ministers and others have so far not been drawn directly from the families of the monopoly houses or big business, as is done in many European countries or in the USA. One

reason for this is also the fact that capitalism, and specially monopoly capital, has not yet occupied all the avenues of production, distribution and exchange and is not yet the producer of the overwhelming part of the gross national product as is the case in highly capitalised countries.

But capitalism in India without being directly integrated with the state, as in state-monopoly capitalism, uses the state power as its instrument of suppression and exploitation of the toiling masses. These functions which were formerly discharged in the pre-capitalist or feudal period by the ruling castes of India are now exercised by the new class, the bourgeoisie in alliance with their rural counterpart. Gadgil certainly does not use our terminology but his analysis and class characterisation are more or less the same.

As to why the direct identification of the top personnel of the state-power and the personnel of the exploiting classes has not yet taken place in India, he says:

"The existing situation is, however, unstable. Exercise of power by big business cannot yet be open. There is need for egalitarian and socialistic slogans and some pressure for actual action in those directions. The apparently inexpert handling of measures such as state-trading in foodgrains might thus not be due so much to incompetence as to the conscious or unconscious desire not to harm dominant interests, through effective operation of policies unwillingly accepted. The slogans have, so far, remained confined to the relatively innocuous area of land and agriculture: but it is uncertain they can always be so contained." (p. 148)

Herein stands exposed the whole truth of the sabotage that the bourgeois-landlord interests are able to carry out to thwart the economic development of the country along democratic lines demanded by the masses and "unwillingly accepted". The way the public sector plants of the most vital significance to the country's growth fail to work

according to "plans", as in HEC—Ranchi, Durgapur or Bhopal and Hardwar, etc. shows the truth of Gadgil's analysis as to how vested interests of big business and monopoly capital manage to sabotage the public sector.

Having shown the class basis of the economy and state power, Gadgil raises the important question as to who manages the state machine. There is an elected Parliament, the legislatures, ministers and so on. The majority of the legislators reflect the interests of the economically dominant classes in the socio-economic structure. But even they do not administer the machine. The elected legislatures pass laws and take policy decisions, but the execution is in the hands of the nominated, paid, irremovable *bureaucracy*. Whom does it represent? It represents the exploiting classes, which render any democratic intervention by the people and coordination of policies and work in fulfilment of planned policies impossible.

"Thus coordination which would force the emergence of a consistent policy-frame would not only lead to action opposed to general capitalistic interests and make much more difficult manipulation in individual instances, but would also reduce the numbers and powers of individual officers. *Coordination, simplification, or decentralisation of official agencies are not likely to receive support in high official circles which are again, of recent years, developing close connections with organised business.*" (p. 146)

Bureaucracy is, therefore, the greatest hindrance to real democracy, which it sabotages by wearing the mask of formal democracy that we have today in India.

If planning is to be successful, it must be decentralised and the masses drawn into its formulation, functioning and fulfilment. It has been done that way in many socialist countries and Gadgil cites the examples of Russia, Yugoslavia, China, etc. If it were so done in India, "It will act as some counterweight to the existing overwhelming

politico-economic influence of large organised business and of the top bureaucracy." (p. 159)

Again and again Gadgil reverts to the subject of the state, the classes that make state power, the bureaucracy that runs it for the interests of the bourgeoisie (large organised business) and the necessity of decentralisation and coordination, so that the masses by their participation can negate the bureaucracy and prevent the monopoly capitalists from using the whole process for furthering their class interests.

In his aide memoire, which he and Dr V.K.R.V. Rao, another noted economist, gave to the Finance Minister, C. D. Deshmukh, the two, therefore, proposed the following item in the measures to be taken to build new forces to manage the public sector, arising on the basis of rationalisation of the monopolies. The item says:

"Overhauling of the existing monolithic structure of the superior public service to provide for the accession to it of the new elements required for business-units in the public sector as also for bringing some freshness of outlook, and for giving adequate opportunities to these elements." (p. 35)

This was written in January 1956. The ruling classes and the entrenched bureaucracy never allowed this, as well as the other planks of Gadgil's memos to be given effect to. As a result, not only the public sector, but the whole Plan and economy have been suffering from the inevitable cramps of the capitalist crisis, whose burdens, as always, are sought to be shifted on to the shoulders of the toiling masses. How and who is to change this situation?

Discussing the prospects for the Second Plan in 1957, and the unsuitability of the present system for a democratic structure and his suggestions for change, Gadgil raised the question of the necessity of a truly democratic *class party*, representing the toiling masses. He said:

"It has to be emphasised that we have neither a dictator nor a small group of determined persons with clear notions as to what they want, nor a monolithic party ruling the country. The seemingly all-powerful Congress Party is composed of heterogeneous elements and is surprisingly sensitive to mass opinion and reaction. In its structure and working, it is more akin to Hindu society than to the ruling parties in the communist countries. Most of the inadequacies described above arise out of certain historical circumstances. The ruling section of the Congress Party, as of all other political parties in India including the communists, is drawn mainly from the urban educated professional and administrative service class; to these have been added, in recent decades, representatives of certain trading and financial classes who are dominant in modern business. It is the prejudices and interests of these that consciously or unconsciously *obstruct the steps needed to bring about a real social revolution*. Also, the class composition of the ruling section cuts it off from the rural masses making it less sensitive to their needs as also less sure of enthusing them." (p. 59)

Thus Gadgil, the scientist, did not shrink from thinking out the problem of economy, politics and social revolution in all its aspects, including the need for a monolithic class party.

Contrary to what certain philistines wrote about him after his death, Gadgil was a profound thinker and looked at each problem and situation in a dialectical manner. Knowing what social revolution is and what the resistance of the entrenched vested interests is to any change that affects their class interests, he did not hesitate to draw on international experience and comparisons. He admired Soviet planning methods though not their incentive principle. He even liked the Chinese approach of 1956 to egalitarian life of austerity. And when it came to the question

of using *compulsion and coercion through the state* on the unwilling vested interests, Gadgil was all for it. In his usual style, he called it "regulatory measures". Whom has he in mind?

"For regulating modern business, both for attaining the production targets and for restraining possible *monopolistic practices*", he wants a "*regulatory system*." (p. 33)

To those who want to denounce such measures of regulation or compulsion or coercion as they call it, as being the accompaniments of the dictatorship of the communist countries, Gadgil gives instances of non-communist non-planned economies. He says:

"In contrast with the East-European economies the planned sector in India is very small and the apparatus of controls, allocations, etc. very meagre and inefficient. In fact, the power of the state to regulate economic activity is less in India than in many West-European countries which are said to have unplanned economies. The proportion of national income collected through taxation and other measures by the state in India is much less than that in these countries of West Europe. The area of economic activity directly under control of the state is also proportionately smaller in India than in many of these countries..." (p. xii)

Planning in India under the extant capitalist economy and under a state power, not yet amenable to the will of the democratic masses, cannot do without operating a regulatory system of compulsions against the monopoly interests, who want to exploit the national economy and the masses for their own class interests. And if this is not done?

"The possible results of the present state of unpreparedness in this connection are that while the taxation and public-sector-investment parts of the plan will go through, the necessary efforts for building up the cooperative system and for regulating the activities, in particular, of modern

business will not be made. As a consequence, Plan targets will be unevenly fulfilled; an even more dangerous likely result is that social objectives will totally miscarry, and the efficiency of the present Plan and the country's ability to plan for the future will be greatly impaired." (p. 33)

And it happened as he predicted it. The Second Plan had to be phased. The Third Plan had to be abandoned. And the Fourth remained still-born for a long time. (And we can be sure that the one that ushered in recently will soon go out of gear.)

The economy got dislocated. The working class, the peasantry and the middle classes began to rise in revolt against the misrule of the ruling Congress Party and the parasitic classes whom it represented.

In November 1960, Gadgil had predicted the coming upheavals. He had said:

"In the not-too-distant future there is bound to be definite confrontation of the actual possessors of the politico-economic power in the country, the large business interests, the top administrative and professional groups and the political parties supported by them, with the mass of the common people..." (p. xvi)

The great confrontation exploded in 1967 and soon forced the ruling Congress Party to change its positions. And Gadgil, who had all along taken the role of an adviser from afar, agreed to join the Planning Commission as its Vice-Chairman, that is, its virtual head. But neither the new ruling circles led by Smt Indira Gandhi nor her entourage nor the vested interests would agree to the principles or norms of practice and behaviour that Gadgil had so long preached and now wanted to be acted upon by the government and the Planning Commission. He disagreed. The new regime also, which wanted more of a *darbari* in attendance in the chief of the Planning Commission than a determined, thinking, uncompromising

antimonopolist head, could not stomach Gadgil—neither his economics, nor his politics nor his practice, nor even the compromises he sometimes made to break inevitable deadlocks. He was ever prepared to modulate or modify his strong views, up to a point, but not give up his fundamental positions against monopoly capital. The bureaucrats, parasites and charlatans won and the principled thinker lost. He went out of the Commission and out of the world. He had finished his battle. He left his thinking behind in his profound notes on the economy and politics of India, to act as some guide for the builders of revolutionary democracy in a developing economy of a newly-liberated country, still carrying many scars of its past slavery and hopes of its future of democracy and socialism.



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