

UNIVERSITY OF LONDON

INSTITUTE OF COMMONWEALTH STUDIES

COMMONWEALTH PAPERS 14

**Political Attitudes
of Indian Industry:
A Case Study of the
Baroda Business Elite**

Howard L. Erdman

UNIVERSITY OF LONDON

THE ATHLONE PRESS

301.154

Er 28 P

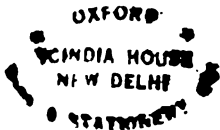
University of London
Institute of Commonwealth Studies

COMMONWEALTH PAPERS

General Editor
Professor W. H. Morris-Jones

I4

Political Attitudes of Indian Industry:
A Case Study of the Baroda Business Elite



COMMONWEALTH PAPERS

1. *The Vocabulary of Commonwealth Relations*. S. A. de Smith, 1954
2. *Imperial Federation: A Study of New Zealand Policy and Opinion, 1880-1914*. Keith Sinclair, 1955
3. *Richard Jebb and the Problem of Empire*. J. D. B. Miller, 1956
4. *The Investigation of National Income in British Tropical Dependencies*. A. R. Prest, 1957
5. *The Inter se Doctrine of Commonwealth Relations*. J. E. S. Fawcett, 1958
6. *The Commonwealth and Regional Defence*. W. C. B. Tunstall, 1959
7. *The Nyasaland Elections of 1961*. Lucy Mair, 1962
8. *Political Parties in Uganda, 1949-62*. D. A. Low, 1962
9. *Population Characteristics of the Commonwealth Countries of Tropical Africa*. T. E. Smith and J. G. C. Blacker, 1963
10. *Problems of Smaller Territories*. Edited by Burton Benedict, 1967
11. *Canadian-West Indian Union: A Forty-Year Minuet*. Robin W. Winks, 1968
12. *Louis Botha or John X. Merriman: The Choice of South Africa's First Prime Minister*. N. G. Garson, 1969
13. *Nigerian Politics and Military Rule: Prelude to the Civil War*. Edited by S. K. Panter-Brick, 1970
14. *Political Attitudes of Indian Industry: A Case Study of the Baroda Business Elite*. Howard L. Erdman, 1971

Guide to Resources for Commonwealth Studies in London, Oxford and Cambridge, with bibliographical and other information. A. R. Hewitt, 1957

Union List of Commonwealth Newspapers in London, Oxford and Cambridge. A. R. Hewitt, 1960

Political Attitudes of
Indian Industry:
A Case Study of the
Baroda Business Elite

by

HOWARD L. ERDMAN

*Associate Professor of Government
Dartmouth College, U.S.A.*

UNIVERSITY OF LONDON

Published for the
Institute of Commonwealth Studies

THE ATHLONE PRESS

1971

CAMBRIDGE

DATA ENTERED

Published by
THE ATHLONE PRESS
UNIVERSITY OF LONDON
at 2 Gower Street, London WC1
Distributed by Tiptree Book Services Ltd
Tiptree, Essex

Australia and New Zealand
Melbourne University Press

U.S.A.
Oxford University Press Inc.
New York

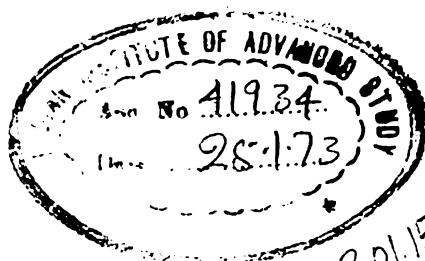
© University of London, 1971

ISBN 0 485 17614 9

 Library IAS, Shimla



00041934



301.154
Lr 28P

Printed in Great Britain by
WESTERN PRINTING SERVICES LTD
BRISTOL

NOTE

I wish to thank: The American Institute of Indian Studies for its support of research in India, 1966-67; the Comparative Studies Center, Dartmouth College, for additional research funds for the same period; the M. S. University of Baroda, for providing accommodation and for making the facilities of the University available to me; Mr Narendra Tiwari, for his research help in India; the Institute of Commonwealth Studies, University of London, for making research facilities available to me in 1969; the East Asia Language and Area Center, Dartmouth College, for financial support of the research in London; and the industrialists of Baroda who cooperated so well with this research effort, in 1966-67 and subsequently.

This essay was completed before the formal split in the Congress Party, which would necessarily affect some of the views reported here.

March 1970

H.L.E.

POLITICAL ATTITUDES OF INDIAN INDUSTRY:
A CASE STUDY OF THE BARODA BUSINESS ELITE

A few years ago Helen Lamb, one of the closer students of Indian business history, wrote:

There has been little sociological research on the development and motivation of Indian business. Even quantitative analysis of its structure and organization has been neglected, let alone a serious attempt to define its political, economic and social roles.¹

When this was written there were, of course, a number of works which did address themselves to some of these issues: some surveys of the development of private enterprise in India, some attention to the role of various business 'communities' (i.e., specific caste and religious groups) and organizations, some literature (mostly Marxist) on the extent of concentration of industrial power, and some general discussions of the place of business elites in contemporary Indian life.² The political dimension, with which we are concerned here, was relatively ignored, save in those works of Marxist persuasion, and even these, however, often simply invited the reader to draw 'appropriate' conclusions about the necessary role of business communities in the evolution of Indian public life.³

Since 1960 much water has flowed down the Ganges, and many new and useful studies, mostly elaborating on established themes, have appeared or are soon to appear, to help fill the vast gaps to which Mrs Lamb rightly referred.⁴ Still, by contrast with studies of entrepreneurship, which are multiplying like rabbits, studies of the political role of Indian business remain meagre, and the gaps in the literature are not being filled with notable alacrity.⁵ What we lack in particular are detailed studies of the political role of specific groups of Indian businessmen. It is this deficiency that this essay is intended to help remedy, through an examination of one aspect (i.e., political attitudes) of the political world of a small yet important group of industrialists in and around the city of Baroda in Gujarat State.

The major factor in defining business attitudes towards the political realm would clearly seem to be the way in which the latter is seen to impinge upon the private sector of the economy. That is, we begin with the not very startling assumption (which seems entirely warranted on the basis of this study) that on a day-to-day basis industrialists are primarily concerned with the well-being of their business interests. Thus political attitudes will be shaped in large part by the nature of government activity (or inactivity) in the economic sphere: by the extent to which government policies seem to advance or retard the

interests of private sector industrialists, through taxation, tariffs, regulatory legislation, direct involvement through public sector enterprises, and the like. This, too, is a neglected subject, although it has received some attention.⁶ Much less well treated than the more or less narrowly 'bi-lateral' dealings between industry and government is the subject of business attitudes towards and relations with other major social groups, both as they confront each other on a 'private', extra-governmental basis and as they jointly approach political institutions with their requests and demands. What, for example, is the view concerning land-taking for industrial purposes, especially in major agricultural areas? What is the attitude towards 'cottage industries', especially in the field of textiles? What is the range of attitudes on labour policy? Such issues bring businessmen into contact with agricultural, artisan, and labour interests; and if the 'politics of scarcity' are to be appreciated fully, such interactions must be considered. Yet most of the available studies do not deal significantly, if at all, with such questions.⁷

It would appear, on the basis of the Baroda data, that such issues as these, as well as the more direct, bi-lateral dealings with government, play the critical role in shaping business attitudes towards the political processes prevailing in India, including attitudes concerning the appropriateness of constitutional-democratic arrangements. But here it needs to be emphasized that we must not be concerned solely with an over-simplified pro- or anti-parliamentary dichotomy, as, for example, Weiner is inclined to do.⁸ Within the broad and flexible confines of the present constitutional framework in India, there is considerable scope for strong, 'law-and-order' oriented legislation which could be quite repressive but which would still leave India rather far removed from a crude authoritarian regime. Therefore, I shall try to locate the Baroda industrialists on a continuum, ranging from a general acceptance of the present regime and its policies, through primarily within-system alterations, to general rejection of the present regime.⁹

In sum, any study which would do justice to this broad topic would consider what industrialists feel their interests to be, how those interests are affected by government activities and by relations with other major social groups, and how these factors generate or shape attitudes towards the political processes, both within and outside prevailing constitutional patterns. Without making any grandiose claims for this essay, it is my hope that some light will be shed on these matters.

Some caveats are in order. This study focuses on the political attitudes expressed by a small group of Baroda industrialists, with only very limited attention to actual political activity (which is the subject of

a separate study). These attitudes need not remain stable over time (and, indeed, there is considerable evidence to suggest that significant changes have occurred over time in Baroda); they need not be comparable to political attitudes elsewhere in India (although I am reasonably confident that in broad outline they are comparable); and these attitudes will not necessarily be translated into political action.¹⁰ Finally, it is difficult to know the extent to which the views expressed by respondents (in interviews and through questionnaires) were tailored to fit the presumed prejudices of the interviewer (in all cases the author) or to protect the respondent against 'adverse publicity' through the author's publications. I would judge that this took place to a not insignificant degree, in the direction of heightened assurances by respondents that they were ardent champions of parliamentary (or some other form of) democracy in the Anglo-American tradition. If this is the case, some of the frankly anti-parliamentary and anti-democratic views expressed are all the more striking, and one might wish to discount somewhat the more robustly pro-democratic expressions. Still, I would judge that the expressed beliefs largely conform to the 'true' beliefs, and this, coupled with the assumption that the ideas in men's heads have some relevance for their actions, would seem to justify such a study, despite the caveats.

THE SETTING

The State of Gujarat, in which Baroda is located, came into existence as a separate political entity in 1960, upon the bifurcation of the erstwhile Bombay State into Maharashtra and Gujarat.¹¹ The newly-created State contained within its boundaries vast territories which had earlier been made up of a multitude of small, poor, and generally backward princely states (of which Baroda was *not* one);¹² it was separated from Bombay City, the premier industrial and financial city in Bombay State, which went to Maharashtra and became its capital; its supply of water and power for industrial purposes was decidedly limited; its mineral wealth was both limited and undeveloped; and it had experienced relative neglect at the hands of both the Bombay and the central governments in the matter of public sector enterprises.¹³ Yet, despite all this, Gujarat was still ranked 'among the industrially advanced States'¹⁴ in the Indian union. Moreover, Gujaratis, in their home state, in Bombay, and elsewhere in India, and, indeed, in parts of East Africa, consider themselves to be and are widely regarded as particularly gifted businessmen; and there can be no doubt that they contain in their ranks 'a vigorous class of entrepreneurs',¹⁵ although they cannot claim a family of the overwhelming stature of the Tatas

or the Birlas, India's greatest industrial dynasties.¹⁶ Contributing to the industrial standing and potential of Gujarat are many of her sons who have been (and are) prominent in the economic life of Bombay City and of East Africa, many of whom invested substantial sums of money in Gujarat even when living elsewhere and many of whom are now returning to, or investing more heavily in, their ancestral region, as they are subjected to pressure of varying types and intensities outside Gujarat. It is important to note, in this connection, that by contrast with many other States, where commerce and industry are dominated by 'outsiders', Gujarat's economic life is overwhelmingly dominated by her native sons, and in this respect at least the newly formed State and her (would-be) entrepreneurs faced a happy prospect.¹⁷

Gujarat's claim to industrial prominence has rested primarily on her textile industry, especially in Ahmedabad, the 'Manchester of India' and by far Gujarat's largest city.¹⁸ This circumstance has had the effect of diverting attention from non-textile industries in the State and from industrial centres other than Ahmedabad. Gujarat industry is, indeed, dominated by textiles and by Ahmedabad, but there has been considerable diversification and dispersal in recent years. In particular, engineering and petro-chemical/pharmaceutical industries have made very rapid and impressive strides in Gujarat and have moved towards, if not into, the front rank nationally. Baroda is one of the areas of greatest advance.¹⁹

Industrial development in the city of Baroda is of quite recent origin, and no striking progress was made until well into the twentieth century. Thus, as Lamb has noted for more general purposes,²⁰ 'most of the big business families are relatively new to industry [although, it should be noted, not necessarily to commerce or finance], only a few Bombay and Ahmedabad families having been in modern industry for several generations'.²¹ Further, recent progress and future promise should not obscure the fact that judgments on the industrial situation in Baroda between 1900 and 1930 were decidedly pessimistic: little note was taken of the industries which had emerged and there were few, if any, previsions of a major industrial breakthrough.

This is all the more important to note because prior to the turn of the century the widely praised Maharaja of Baroda, Sayajirao III, had established as state enterprises an industrial arts training centre, a sugar mill, a cotton mill, and an ice factory; and he also established a fund for the advance of capital and for other assistance to would-be entrepreneurs, to spur industrial development in his state.²² Yet the Maharaja himself (along with other observers) noted that the results were 'disappointing', and many of these ventures were closed down.²³ The Maharaja himself attributed the failure to the fact that these establish-

ments were state-run; but in this judgment and elsewhere he both explicitly and implicitly criticized his state's subjects for their 'apathy' in seeking to explain why they did not take the initiative themselves or respond to his example or to his encouragement.²⁴ Similarly, Sayajirao's rather enthusiastic biographers, writing in the late 1920s and early 1930s (at the time of the fiftieth anniversary of his accession to the throne), devoted very little space to industrial progress (save for the impressive railway development in the state) and paid little heed to the industries then in existence; and one biographer confidently speculated that Baroda would remain essentially agrarian and commercial, caught as it was between the two industrial centres, Bombay and Ahmedabad.²⁵ Thus Baroda's industrial community is, indeed, of decidedly recent origin and few, if any, people even thirty years ago would have predicted its very impressive progress.

Despite the prevailing pessimism of Sayajirao III and his biographers, many of Baroda's present industries, including some of the giants, date from Sayajirao's time, when the city was the capital of the princely state of Baroda, and their creation was in many cases the direct consequence of a very generous policy towards industrialists, on the part of Sayajirao and his successor, before independence. As a result largely of a favourable location on main railway lines linking Bombay, Ahmedabad, and New Delhi, and extremely favourable tax treatment and other forms of state assistance and encouragement under the Maharajas,²⁶ several industries were founded in Baroda State, despite the fact that in some cases the bulk of their business was carried on in British (i.e., non-princely) India, sometimes with Bombay as the *de facto* headquarters. Also worth noting is the fact that Sayajirao in particular was very much impressed with western technology, emphatic about the need for India to develop technologically-advanced industries, and an enthusiastic supporter of the *swadeshi* ('home-country', i.e., manufacture and buy in India) movement.²⁷ This certainly helped to create a favourable climate for industrial development, to which his institutional innovations could also contribute, if and when the local population shook off its 'apathy' and responded more vigorously to the *swadeshi* call—as, indeed, they did when Gandhi sent it forth more widely (albeit with a more substantial element of technological primitivism than Sayajirao could have liked) in the 1920s and 1930s.²⁸ Today, when some government policies seem rather less congenial than they might be, some of Baroda's older industrialists look back somewhat nostalgically on the 'good old days' of princely rule, although most are quick to add that they anticipated a brighter future when they contemplated the advent of independence and an integrated India.²⁹

BARODA'S INDUSTRIES AND INDUSTRIALISTS

The pre-independence industries in Baroda were diversified but by no means numerous. There was a scattering of textile mills, which dominated the early industrial scene, which provided the basis for the first significant business organization in Baroda State (The Baroda Mill-owners Association, 1918),³⁰ and which, in some cases, continue to play a major role in contemporary industrial life in Baroda.³¹ That the Millowners Association embraced only eleven firms, all in textiles, and *not* all drawn from Baroda City or its immediate environs attests to the limited scope and amount of industrial development in Baroda in the early years.³²

Yet side by side with these textile establishments there grew up a number of non-textile firms, some of which have continued in operation to the present time and some of which are quite formidable enterprises either locally or nationally. These include Sayaji Iron and Engineering, a locally important engineering firm, and a subsidiary quarrying firm, founded in the early 1920s, as a result of much encouragement and generous tax concessions from Sayajirao.³³ There is also the now very substantial Hindustan Tractors and Bulldozers, which had modest beginnings as a tractor import and repair operation. Founded and developed by the brothers Pashabhai and Indrakant Patel, who were relatives of Sardar Patel and close associates of Gandhi, this firm illustrates some of the general points noted earlier: Pashabhai left school (Baroda College) in 1921, in response to Gandhi's call for non-cooperation, was intrigued by a tractor which he saw at a model farm established in Baroda by Sayajirao, started to repair, then to import, and finally to manufacture tractors, and throughout he received considerable encouragement from Gandhi and from Sayajirao, who assisted the firm through tax concessions and the like, although the bulk of the firm's business was in British India and was largely handled from a Bombay office.³⁴

Pride of place in Baroda has, however, long been occupied by the Alembic Industries complex, which represents one of India's (not only one of Baroda's) major success stories. Established first in Bombay and then re-established in Baroda (1907) by three men, including the father of the present guiding lights of the group, Alembic too began very modestly, including among its products a few basic chemicals, industrial alcohol, and, notably, country liquor (from which it evidently derived a substantial part of its early income).³⁵ It too received aid from Baroda State,³⁶ and expanded its operations and diversified almost exclusively through indigenous talents and materials, until, today, it has established itself as one of India's major chemical/pharmaceutical

houses. Furthermore, because of uncertainties in the supply of necessary machinery and other materials (itself a sign of the economic backwardness of the region, if not of India as a whole), the founders of Alembic developed their own glass works (for laboratory equipment and, primarily, for bottles) and their own engineering works, to supply the necessary hardware for the chemical plant. Ultimately producing more than was locally necessary, each of these initially marginal operations has developed into a major separate firm—Alembic Glass (1944) and Jyoti Engineering (1943), now the largest manufacturer of pumps and engines in Gujarat and, at least as of 1963, the only manufacturer of sub-station equipment in the State—and each now produces a diverse range of items far removed from chemical production needs.³⁷ The principal developer and consolidator of this local empire is Ramanbhai Amin, certainly Baroda's most highly-regarded industrialist, and his election (for 1966-67) as president of the Federation of Indian Chambers of Commerce and Industry, the chief business association in India, may be taken not only as a reflection of his own stature but also as a sign of Baroda's coming of age as an industrial centre. More overtly active and vocal on the local scene, however, is Ramanbhai's younger brother, Nanubhai Amin, who is Managing Director of Jyoti Engineering, and, more importantly for this study, who is also the leading ideologue of private enterprise in the Baroda region.³⁸ Alembic Industries (taking the three firms together) has, as noted, occupied pride of place in Baroda for some time, and the Amin brothers are almost universally acknowledged—and admired, at least by their business colleagues—as the foremost industrial figures in the city.³⁹

A significant addition to the Baroda industrial scene, and doubtless a symbol of things to come, was the entry in the mid-1940s of the Ahmedabad- and textile-based Sarabhai family into the chemical/pharmaceutical field.⁴⁰ The Sarabhai decision to 'invade' Baroda was regarded by many Ahmedabad industrialists as virtual treason, and once again it was the generous tax policy of the State of Baroda which seems to have been the decisive factor in prompting this move,⁴¹ although the easy acquisition of large tracts of land also played a part.⁴² Despite its vast resources, the Sarabhai family operated on a relatively small scale in Baroda until the early 1950s, when collaboration with Squibb (USA) was undertaken, with no Squibb equity but with machinery and 'know-how' on a royalty basis.⁴³ Subsequently there were collaborations with Merck (Germany) and Geigy (Switzerland), with the foreign partners taking a minority share-holding.⁴⁴ Today, Sarabhai Chemicals (with Squibb), Sarabhai-Merck, and Suhrid-Geigy are thriving chemical/pharmaceutical firms, whose combined labour force now far exceeds that of Alembic Chemicals (excluding Alembic

Glass and Jyoti, that is).⁴⁵ Further, in accordance with Sarabhai's general emphasis on maximum self-sufficiency, glass and engineering firms have also been established in Baroda (in the manner of Alembic); and since 1967 there have been seven separate Sarabhai firms operating in the city, with the promise of more to come.⁴⁶ Sarabhai Glass, like Alembic Glass, now produces far more than its own firms require and sells on the market (although unlike Alembic Glass, it has limited its production to pharmaceutical needs).⁴⁷ As is also the case with Alembic, the Sarabhai complex is expanding and diversifying.

Local industrial life has also been further bolstered more recently, i.e., since independence, by Gujaratis from Bombay City and environs and from East Africa, responding less to considerations of Gujarati chauvinism than escaping from other people's local chauvinism. To give only one example, which illustrates some important facets of industrial development in Baroda, we may cite the case of Chandan Metals, one of India's major producers of steel office furniture. This firm was founded in Baroda by Asok Patel,⁴⁸ whose ancestral roots were in Gujarat, to the north of Baroda, but who was very much attracted to Poona (now in Maharashtra), where he was educated. Having been associated with a major steel furniture firm in Bombay (Khira) for three years, (until his departure over an unspecified 'difference of opinion'), Patel considered both Poona and Baroda as possible sites for his own firm. Poona was then expanding very rapidly and was tempting, but there was some slight apprehension about Maharashtrian chauvinism and, more importantly in this case, there was the knowledge that if bifurcation came (as seemed inevitable in the late 1950s), there would be no metal furniture firm in the new State of Gujarat. Encouraged by some Gujaratis in the Bombay administration and given assurances of all possible assistance from the new State, Patel opted for Baroda but insisted that his ancestral ties with Gujarat played no part in this decision.⁴⁹

Testifying still further to the industrial progress of the city and to the aggressiveness of certain key industrialists of the Baroda region was the establishment of a large industrial estate on the edge of Baroda City, where many of the smaller, new firms as well as some of the older ones (relocated) are situated. Originally covering 30 acres, with space for approximately 250 firms, this estate was (in 1966) on the verge of being doubled in extent, which in itself is a notable development. Also notable is the fact that the estate was in 1966 the only *privately*-sponsored industrial estate in Gujarat, the inspiration having come largely from Ramanbhai Amin.⁵⁰ Related evidence of Baroda's progress and promise, and of the public standing of the local industrialists in the eyes of the State government is the allocation by the government of Gujarat

of Rs.300,000 to the Baroda Industrial Development Corporation, which manages the private estate, to develop a 'functional estate' for the manufacture of radio components.⁵¹ Related still further is the decision of the government to develop a satellite township near Baroda, to accommodate some of the anticipated industrial growth.⁵²

Bulking large on the contemporary scene and dominating Baroda's industrial horizon is, however, the recent opening of a public sector oil refinery (built with Russian collaboration) just outside the city limits, and, adjacent to this and largely made possible by it, a major fertilizer complex (being built with Japanese collaboration), which when all stages are finished will (at least temporarily) be the largest in India. These developments are important for this study for the following reasons. First, the presence of the refinery, the availability of natural gas nearby, and the fertilizer complex virtually ensure that the Baroda region will become a major petro-chemical centre, and it is extremely unlikely that private sector industrialists will be excluded from the field. Second, the fertilizer complex, while state-sponsored, is a 'joint sector' enterprise, with the private sector, including Baroda industrialists, participating in terms of equity capital and management.⁵³ The participation by the private sector both reflects and enhances its stature in the State, and it illustrates as well the sort of public-private collaboration which exists there (further examples of which will be provided below). Furthermore, both private industrialists and government officials consider the 'joint sector' venture an example worthy of at least local emulation; and *ceteris paribus* the same approach may be taken to other, new state-sponsored industries.⁵⁴ Thus we can look forward to a marked expansion of activity in the purely private sector and to involvement by the private sector in state-sponsored ventures, along the lines of Gujarat State Fertilizers. These developments will not involve Baroda industrialists alone, to be sure, but they will surely play a significant part.

In sum, Baroda is rapidly becoming one of the major industrial areas, not only of Gujarat but of India. It has a very diversified pattern of industrial activity, including textiles (which, however, are lessening in importance), chemicals, pharmaceuticals, and engineering.⁵⁵ Many of its established firms have expanded their operations considerably in recent years,⁵⁶ many are at present planning major new expansion (in many cases going quite some distance from Baroda for adequate space),⁵⁷ and many new firms are being (or are soon likely to be) established, as suggested by the fact that the Baroda region ranks high nationally in the number of industrial licences granted,⁵⁸ and as evidenced further by the increase in the population of Baroda City of more than 40 per cent between 1951 and 1961.⁵⁹ A review of licences

granted recently indicates that many non-Gujarati firms are planning to build in or near Baroda, and these include some of the major Marwari business houses, whose 'invasion' could easily dwarf that of the Sarabhais. This means that local industrialists will by no means have the stage to themselves. Nevertheless, Baroda's captains of industry, although not of such relatively ancient vintage as the Tatas or the Birlas or even the Ahmedabad-based Sarabhais, have come of age and will play a major role. Moreover, most of the city's prominent 'home-grown' industrialists come from the community of *Patidars*, one of the most highly praised, aggressive, innovative, 'Puritan-ethic' oriented groups in India,⁶⁰ and most seem extremely cosmopolitan and venturesome, reflecting in part (one would guess) their extensive travels and, in some cases, ample overseas education.⁶¹ Many are also involved in enterprises elsewhere in Gujarat and in other parts of India, suggesting that their influence will not be strictly local;⁶² many are extensively involved in various non-industrial affairs, such as the Lions' Club and the Maharaja Sayajirao University of Baroda, suggesting that their influence will not be felt in the economic realm alone.⁶³ Furthermore, many of the prominent industrialists are very highly regarded by other groups in Baroda and elsewhere in the State. While elaborate data were not compiled on this point, a spot check of some prominent educators yielded a favourable response to most of the industrialists who had been members of the M.S. University of Baroda Senate and/or Syndicate; non-industrialist members of the Lions' Club were generally strong in their praise of local industrialist Lions; some prominent politicians and civil servants interviewed in Ahmedabad were quite generous in their praise of the Baroda industrialists, with whom they had extensive contact.⁶⁴ But even if this were not the case, this study may provide some detailed information on the views of one of India's most prominent and promising groups of private sector industrialists.

LOCAL BUSINESS ORGANIZATIONS

Baroda's industrialists naturally seek to advance and protect their interests in a variety of ways, including, of course, through business organizations. Although I shall not deal specifically with the activities of such associations, two local organizations which are the principal channels through which Baroda industrialists work should be noted: The Federation of Gujarat Mills and Industries (FGMI) and the Central Gujarat Chamber of Commerce (CGCC).⁶⁵ Both are Baroda-based, and both are Baroda-dominated. Of the two, the FGMI, which excludes merchants and traders, is far smaller and it is the more important for present purposes.

The FGMI was founded in 1918, with a membership of eleven, as the Baroda Millowners Association, a name which, as has been noted already, testifies to the earlier prominence of textiles in Baroda (although Alembic was already established in the city at the time). The organization had the blessings of Sayajirao and it was the first association of industries in the State. According to its own brief historical pamphlet,⁶⁶ the association 'took up several questions affecting trade and industry with the Governments of Baroda and Bombay and assisted its Members to effect joint purchases of raw materials in bulk of the articles which were not easily available'. By 1930 it had 27 members and the name was changed to the Federation of Baroda State Mills and Industries to reflect the altered composition of its membership; with the post-independence merger of the princely state with Bombay, the present name was adopted.⁶⁷ Not constitutionally limited to members from the Baroda region, it has a current membership of approximately 200, mostly from Baroda City and its immediate environs but it includes, for instance, some industrialists from Ahmedabad as well.⁶⁸

The FGMI is headed by a president, vice-president, and a managing committee, comprising about two dozen men, most of whom are elected, but with some provision for co-option to ensure representativeness. Its constitution requires that the four principal sectors into which its membership is divided, textiles, engineering, chemicals/pharmaceuticals, and oil mills, be represented on the managing committee and nominations for this purpose are made by sector committees. In recent years at least, there has been no need for elections, as only the necessary number of candidates has been proposed by the sector groups, and, by the same token, the incumbent vice-president moves automatically to the presidency. This testifies in some measure to the general cohesiveness of the organization as a whole, as well as of individual sectors, despite the diversity of interests and differences in the formal political party affiliation of its members, points to which I shall return below.⁶⁹

As a consequence of sector requirements and through co-option, where the 'elected' members seek to achieve maximum breadth and balance,⁷⁰ the managing committee reflects a fair cross-section of the membership. But this to some extent obscures the fact that a relatively small group of industrialists dominates the organization, in the sense that they are returned almost every time to the managing committee and provide the 'pool' from which the principal office-bearers are drawn. This small group, which numbers only about a dozen, is drawn primarily from the engineering, chemical/pharmaceutical, and textile elements (i.e., the oil mill owners, although always represented, do not

attain high FGMI office; and, indeed, one would not expect them to do so). Furthermore, some of the more prominent textile men even referred to themselves as 'something like stepchildren' in the organization.⁷¹ The Table illustrates some aspects of the recent situation.⁷²

Sector	1961-2	1962-3	1963-4	1964-5	1965-6
Textiles	7*	7	6†	7†	7*
Engineering	11†	11*†	10*	13*	14†
Chemicals	4	4	2	2	3
Oils	3	2	2	2	2
Other	1	2	3	3	3

* Sector from which the president came.

† Sector from which the vice-president came.

The leadership of an even smaller group was documented. Efforts to interview FGMI members from all sectors and at different levels established the effective leadership of an even smaller group, since the widespread response received was: 'Why talk to me? Talk to Ramanbhai [Amin], Nanubhai [Amin], Indubhai [Patel, Sayaji Iron], and Upendrabhai [Patel, Dinesh Mills].' Further, many of the younger industrialists, especially the *Patidars*, explicitly referred to the Amin brothers, and especially Nanubhai, as their own economic *gurus* (teachers).⁷³ Attention was by no means confined to the handful of most prominent leaders but it is important to note that the leading FGMI members themselves consistently identify an 'inner circle' of leaders of the organization and that at the centre of this circle are the Amin brothers.⁷⁴

This emphasizes one further noteworthy fact concerning the development of 'political culture' or 'ideology': that the FGMI is not merely a reflection of the interests of Baroda industrialists but also provides a framework through which political culture and ideology are being shaped, in this case, through the co-operative efforts of industrialists from different backgrounds and through the leadership of the Amin brothers. Furthermore, the election of Ramanbhai Amin as president of the FICCI points to another aspect of Indian public life which is often overlooked by those who undertake rather narrow gauge studies; that is, the importance of linkages between *different levels* of organizational activity. Here, for example, many Baroda industrialists were obviously extremely proud that 'one of their own' became president of the FICCI; some were almost rapturous in their response to his achievements (and it must be remembered that many local industrialists are new to industry and are also quite young) and the respect accorded to

Ramanbhai seemed definitely to have increased (if that was possible, given the esteem in which he was already held) as a consequence of his involvement at the highest levels of Indian business life.⁷⁵ At the same time, according to local industrialists, Ramanbhai's FICCI role obliged him to be somewhat more guarded in his utterances than he had been in the local arena. Put another way, what is evident here is a structure of attitudes in the process of development and these attitudes are being shaped by the institutional framework of the FGMI, by the leadership of the Amin brothers within that organization, and by the links between local and other institutions.⁷⁶

Founded in 1959,⁷⁷ the CGCC, which is constitutionally limited to four central Gujarat districts (unlike the FGMI) is far larger (nearly 1000 members) than the FGMI. For our purposes the CGCC is significant for the following reasons. First, its very creation reflects the growth of industry and commerce in the Baroda region in recent years and it reflects the attendant feeling that other Chambers in Gujarat, notably that in Ahmedabad, did not satisfactorily advance the interests of the Baroda region (if only for reasons of distance). Second, its membership includes most of the prominent firms on the FGMI list (the exceptions being those firms which lie outside the four districts to which the CGCC is confined) and the titans of the FGMI tend to dominate the CGCC as well. Third, and related to the two preceding points, the principal impulse for the formation of the CGCC came from Ramanbhai Amin.⁷⁸

On the basis of such considerations as economic prominence, offices held in local and other business organizations, and 'reputational' ranking by both business associates and other non-business public figures, a rough definition of a small group of captains of industry is possible; while there are enough ambiguities and lacunae to lead to caution in defining a 'power elite' in the economic sphere, we can be certain that a group of roughly twelve to fifteen industrialists, headed by the Amin brothers, provides the focal point (as seen from both the inside and the outside) of the private sector industrial community in the Baroda region.⁷⁹ Even this small group contains considerable diversity, the nature and consequences of which we shall consider below: the firms represented are from different sectors of the economy, have varying legal standing, are of varying size, and must, partly as a consequence of these facts, confront different problems. The men themselves are of widely different ages, are drawn from different communities (although notably from two: the *Patidars* and older *Bania* families), have had different life experiences, and have different formal partisan affiliations in the political realm. On balance I was struck by the surprising degree of uniformity of outlook which prevailed, despite these differences,

which, I think, is to be explained in part by the common problems which are faced (despite individual variations) by industrialists generally and in part by the ideological impact of the Amin brothers.

As noted at the outset, the industrialists were encouraged to discuss the position of their firms, the problems they faced, changes they hoped for, etc., in the first instance, although at later stages in the interviews, and in questionnaires, specific information was elicited. The range of issues on which they expressed themselves, either unprovoked or in response to interview questions and written questionnaires, was, understandably, quite wide. I have tried, however, to summarize their views under certain broad headings, many of which flowed naturally and obviously from the responses, and there were several recurrent themes upon which I shall concentrate. Almost all of these proved to be 'political' in the sense that the industrialists confronted the government in one way or another in whatever direction they turned. Some, however, were more specifically political, in the partisan sense and in terms of general assessments of the Indian political scene, and, as far as possible, these will be kept distinct. For obvious reasons, the respondents' names will not be used in discussing specific opinions.

THE RUPEE: TAXATION AND INDUSTRIAL FINANCE

It is one of the most common laments of Indian industrialists, whether speaking on behalf of their firms or as individuals, that the tax burden is so onerous that rapid economic expansion by the private sector is severely inhibited.⁸⁰ Related to this is the complaint that sources of industrial finance are also meagre, further retarding industrial growth.⁸¹ This being the case, it may occasion some surprise to note that among the FGMI industrialists neither taxation nor industrial finance was a subject of very serious concern. To be sure, all respondents favoured lower taxes and more ample sources of industrial finance but the large majority indicated that they could 'live with' the present arrangements. Further, most acknowledged that in both realms governmental agencies, although not without blemish, showed some solicitude for the needs of the private sector.

On the tax front, for example, almost everyone who completed the questionnaire marked taxes as a 'serious problem' for his firm but in discussions most industrialists held that they could live with the present levels of corporate and personal taxation.⁸² Also, as a modest, negative measure of this feeling it should be noted that, when asked to list the areas in which changes in government policy would be most beneficial to industry, Baroda's industrialists uniformly failed to place taxation at the head of the list and very few placed it very high on the list.⁸³ Other

facts of government policy (to be noted below) were held to require more urgent and more drastic refurbishing.

Moreover, many industrialists were quite prepared to acknowledge that both the Union and the State governments had shown some awareness of and concern for the private sector's needs in devising tax policies. Cited here, for example, were such concessions as a 'tax holiday' for new enterprises on income up to 6 per cent of the total capital employed; tax concessions and 'development' rebates for specified key industries; exemption from municipal *octroi* for new industries for a period of five years; and exemption for new firms from electricity duty for five years (or, if the industry generates its own power, for ten years).⁸⁴ These, among others, were cited as examples of reasonably enlightened government policy in the tax field and it should be noted that the first two examples pertain to the Union government, the last two to the State government. The State government was further praised for such non-tax concessions and incentives as the setting of lower power rates for power-intensive industries.⁸⁵

There were complaints, of course (and it should not be thought that these were necessarily attenuated in any way lest the government be offended, because the Baroda industrialists were quite free with their abuse in other areas) and in many cases, especially among older industrialists, these were explicitly set in historical perspective. That is, many remembered fondly the generous tax policies of the Maharajas of Baroda before independence and the integration of the princely states; many recalled that they had expected (or at least hoped for) even more generous tax policies and other incentives to private enterprise after independence, and they admitted their grievous disappointment here; most complained bitterly about some of the 'nuisance' taxes imposed in the late 1950s and early 1960s, following the Kaldor Report on taxation and the brief war with China, but most noted with some relief that some of the burdens (e.g., the 'wealth' tax on corporations) had been lifted in recent years, making the tax situation somewhat more satisfactory.⁸⁶

The most serious complaints which were registered in 1966-67 concerned some of the remaining, *centrally*-imposed taxes and, especially, the uses to which tax revenues were put. The principal grievance was, in fact, that the Union government did not spend its tax revenues well. Apart from the usual charges of corruption and 'normal' waste, heaviest fire was directed against the 'vast sums' which were 'wasted' on 'hopelessly inefficient' public sector enterprises—again, a failing of the Union government, in the eyes of the Baroda industrialists.⁸⁷ Here, however, it should be noted that most of the industrialists contended that in the composite Bombay State, Gujarat did not get its fair share

of tax revenues back in the form of investment in their region, which helps to account for the general support given by the industrialists to the movement for bifurcation (for instance, through the Mahagujarat Parishad).⁸⁸ This last apart, it is clear that, while tax policy is not an overriding issue, there are complaints and these relate primarily to Union government policy.

Baroda industrialists expressed even fewer complaints in the field of industrial finance and very few felt that this constituted a major bottleneck for their operations, irrespective of whether they confronted governmental or private financial agencies and irrespective of whether they dealt with 'indigenous bankers' (i.e., local money-lenders, with whom many small firms dealt), regular banking institutions, or State and central government agencies.⁸⁹ The mere existence of government financing agencies drew praise, although the hope was quite naturally expressed that more ample and more liberal credit facilities would be available. Almost all respondents felt that such agencies at both the State and central level were disposed to be co-operative; almost all acknowledged that funds and other forms of State support were far more ample than they were in princely state days; fewer, although still a large majority, held that even in the composite Bombay State government financial agencies were sympathetic (cf. the revenue allocation question, however); and, despite Gujarat's rather low ranking nation-wide in providing assistance through its State Financial Corporation—it ranked tenth among Indian states from 1960 to mid-1965—the SFC was also widely praised.⁹⁰ More specifically, a substantial liberalization of the SFC's financing policies was applauded, as was the close co-operation between private industrialists and government officials on the SFC itself.

Complaints in this area focused almost exclusively on the complicated procedures involved in getting financial assistance and on the related matter of 'red tape' in the bureaucracy—although it is important to stress that there was little emphasis on *baksheesh* as a necessary instrument in helping to cut this red tape.⁹¹ Small businessmen in particular complained that the applications required by the SFC were beyond the comprehension of most of them and that many were deterred from approaching the State for assistance for this reason.⁹² Other small businessmen declined to approach the SFC and even regular private banking institutions, preferring to deal instead with local money-lenders, for another reason which is pertinent here: small-scale industries (as defined by law in terms of capital investment) are exempt from certain regulatory legislation to which other firms are subjected and, in order to conceal the true extent of capital investment in their firms, some small industrialists dealt with 'indigenous bankers',

despite the substantially higher interest rates involved.⁹³ But this is clearly not an implied criticism of the adequacy of State (or other large-scale) financial agencies.

The only issue related to finance which elicited substantial concern in 1966-67 was the Congress resolution on 'social control of banking', with some of its ardent champions in the ruling party favouring complete nationalization of all large-scale banking facilities in India. On this point there was (as expected) unanimity among the FGMI elite: such an action, even if it fell short of outright nationalization, would be a major economic disaster, by giving the government a stranglehold on all private enterprise of any consequence through the banking institutions. Here the criticism (a) was directed against 'left-wing' Congressmen *at the centre*, and (b) was most vehemently expressed by the industrialists who labelled themselves Congressmen, not by those who identified themselves as Swatantrites or independents.⁹⁴ Presumably the responses would now be much heightened, in the light of the Union government's decision (1969) to nationalize the major banks in India and the related decision by Mrs Gandhi to strip Morarji Desai (a right-wing Congressman from Gujarat) of the finance portfolio.⁹⁵

LAND-TAKING AND ATTITUDES TOWARDS AGRICULTURE

Another area of considerable concern was that of land-taking for industrial purposes, which is obviously of major concern in view of the great expansion of industrial undertakings in the Baroda region. Virtually every major firm in the region contemplates expansion (most notably the chemical and engineering firms); many have already gone beyond their original confines; as has been noted, the BIDC industrial estate, the functional estate for radio parts, the satellite township, and of course the burgeoning petro-chemical complex in particular, will lead to substantial land requirements. If, as Myron Weiner claims, '... Indian business is in a silent partnership with the rural hinterland'⁹⁶ in many respects, this is one area where industrial development may well put strains on that partnership. The general problem becomes more acute in the Baroda region, particularly to the north, because this area contains some of the most productive agricultural land in the State.⁹⁷

Many of the industrialists in and around Baroda have confronted this problem in fairly serious form, both before and after the creation of Gujarat State. In many cases, despite very generous offers by industrialists, local agriculturalists refused to part with their land. As a consequence, the governments of both Bombay State and Gujarat State started to intercede on behalf of the industrialists, 'to acquire the land for the private sector pursuant to the Land Acquisition Act' of

1894,⁹⁸ on the grounds that the land so acquired would be for a 'public purpose'. Long delays, even with State assistance, led finally to the creation of a special 'land acquisition unit' in the Gujarat State government, which facilitated the acquisition of land for industrial purposes.⁹⁹ Baroda industrialists were in general agreement that the State government (and, indeed, the government of Bombay) was disposed to be very sympathetic and co-operative in this matter, despite the strength of agricultural interests in the Congress Party.

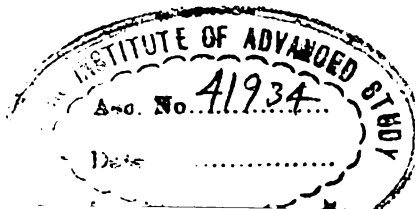
At the end of 1962, however, complications arose when Gujarat landowners secured a State High Court injunction against the acquisition of land for industrial purposes under the 1894 Act, as the Supreme Court of India had decided that industrial development was not a 'public purpose' as envisaged by that Act.¹⁰⁰ The Government of India, in one of the relatively few central government decisions which was generally applauded by Baroda industrialists, responded quickly with a land acquisition ordinance to permit such acquisition 'for a Company engaged or to be engaged in an industry which is essential to the life of the community or which is likely to promote the economic development of the country'¹⁰¹—a very broad phrasing indeed. After extremely heated debate in Parliament, the ordinance, somewhat watered down, was passed as an amendment to the Land Acquisition Act.¹⁰² The Gujarat landowners' petition was, as a result, dismissed, and the land acquisition unit resumed its activities.

Some difficulties which are pertinent to this study remained, however. The Government of India spokesman, in piloting the amendment through Parliament, gave assurances that the government would not intervene until private parties had exhausted all avenues for private settlement; that good agricultural land would not be taken, unless this were deemed absolutely essential; that farmers would be given alternatives, such as new land for cultivation, shares in the company acquiring the land, or cash settlement; and the states were urged to acquire land only in this spirit.¹⁰³ Further, the full scope of the Act, as amended, extended only to public limited companies, with the important exception that 'land can be acquired for a private limited company, only if it is for the purpose of erection of dwelling houses for its workers or for the provision of amenities connected therewith', e.g., schools, medical facilities, canteens.¹⁰⁴ This has meant that private limited companies which are anxious to expand cannot receive any help from the land acquisition unit, save for the stipulated purposes, and that they almost invariably have to pay higher rates for land which they acquire privately. Moreover, permission, often long in coming, must be secured from State revenue authorities for non-agricultural utilization of acquired land.¹⁰⁵ Public limited companies often encounter

delays, resulting from the failure of agriculturalists to respond to enquiries, prolonged haggling over rates and other forms of compensation, and so on, even though the State government will ultimately come to their assistance.¹⁰⁶ Hence, while the 'public purpose' crisis of 1962 has been surmounted, some problems still remain for the industrial community in the area of land acquisition.

Despite these problems, only the managers of private companies expressed any serious concern in the area of land acquisition and they, quite naturally, expressed the hope that the land acquisition law would be suitably amended to enable the State to intervene on their behalf, beyond what is presently permitted.¹⁰⁷ Even here, however, many of the managers of private limited companies agreed that the State government was trying to be co-operative, through the mechanism of State-organized industrial estates, for which land may be acquired under the Act—and then leased to private companies. This was not regarded as the optimum solution by any means, but it was considered an index of good-will.¹⁰⁸ On the other hand, most of the managers of the major public limited companies did not feel that any serious land acquisition problems remained, although they referred to the delays and 'red tape' involved in State intervention. This, too, may occasion some surprise in the light of the fact that for a major expansion of some big Baroda firms—e.g., Jyoti and Suhrid Geigy—it has been necessary to go quite far from the city, and in such cases the firms themselves generally have to provide transportation for workers and other personnel from Baroda city to the new site.

When asked about their general feelings on land acquisition, the Baroda industrialists were virtually unanimous in asserting that unrestricted acquisition should be permitted, regardless of the quality of the land to be taken, with the provisos that good agricultural land should be taken only as a last resort and that fair compensation should be paid. The major industrialists, presumably with more ample resources, favoured direct dealings with agriculturalists, even if this led to extraordinary payments for land (in order to avoid the red tape associated with State assistance), while the small-scale industrialists hoped that it would soon be possible for the State to intercede on their behalf (so that they could avoid extraordinary payments). Unrestricted acquisition was widely defended on the grounds that profitable industrial development required a confluence of many factors, such as labour supply, power, water, transport, etc., which severely restricted industrial location to limited areas, whereas, as one put it, 'agriculture can be carried on anywhere'. With only one exception—an older engineering executive who is a veteran Congress Party member—there was little sympathy expressed for the agriculturalists' attachment to



their ancestral holdings or for the presumed virtues of rural life, à la Gandhi, despite the fact that many of the industrialists are not far removed from their rural backgrounds. The consensus was that land-taking for expansion of industry should not be significantly fettered.

For a variety of reasons, however, local industrialists had to concern themselves further with the agricultural sector. For one thing, certain Baroda industries, such as cotton ginning and pressing, oil pressing, and textiles, require for optimally efficient operations a steady supply of locally-grown, high quality, reasonably-priced agricultural inputs. For another, the major industrial organizations in Baroda have calculated that food costs constitute a very large fraction of total labour costs and they have concluded, therefore, that they can effect major savings (and thereby increase profits) if the cost of food can be kept at the present level, or, preferably, reduced.¹⁰⁹ Even in the absence of major land-taking, then, there would be an incentive to improve *agricultural* efficiency and output. With much good agricultural land being acquired for industrial purposes, there is an even greater incentive for the major employers to concern themselves with agricultural production.¹¹⁰

Flowing from such considerations as these has been an effort on the part of the FGMI—again largely inspired by the Amin brothers—to use FGMI funds for the improvement of agricultural practices in and around Baroda. Rat and other pest control programmes are one component of this effort but more significant are the efforts to develop model farms (by improving already existing units), demonstration plots, and extension services (e.g., certain technical specialists are available for consultation); to provide assistance in securing a variety of agricultural inputs, in drilling wells, in marketing, etc. A rather ambitious service corporation, sponsored by the FGMI, which would in some respects be a functional equivalent of the Soviet machine tractor station, was contemplated at the time of my departure from India (1967); it was to provide farm machinery, technical assistance and other services to a limited (but presumably expanding) number of agriculturalists, on a strictly commercial basis (in cash for the wealthier agriculturalists, who would receive the bulk of the aid; in kind for the less affluent, whose inclusion in the programme was insisted upon by its sponsors). It is a further tribute to the stature of Ramanbhai Amin that the FICCI stressed such involvement in the agricultural sector, as part of its resolutions during Ramanbhai's period as president of the organization. It should also be noted, however, that the proposal for the service corporation (and, indeed, some of the earlier efforts) has been resisted by some elements in the FGMI, notably those with small labour forces and those who did not require direct agricultural inputs for their firms.¹¹¹

To sum up, the Baroda industrial elite, notably the leading figures in chemicals and engineering—favour a policy of unencumbered acquisition of land for industrial purposes, with adequate compensation. They also favour—for their own industrial purposes as well as for agricultural purposes—the swift completion of the Narmada hydro-electricity project, and, related to both these considerations, they have started to involve themselves in a variety of programmes to improve agricultural production. The privately-financed agricultural programmes meet with some resistance even within the FGMI, and presumably other Indian industrialists, both large and small, would share this aversion. Still, without imputing any excessively humanitarian motives to the sponsors of these ventures, we may concede that in the confrontation with the agricultural sector, Baroda's industrialists have taken a rather enlightened path which, furthermore, relies very much on private initiative rather than on government intervention.

POWER SUPPLY

Among the recurrent and more narrowly economic themes emphasized by Baroda industrialists was the question of power supply and power costs. In this area, very meagre progress had been made prior to independence; no major attack on the problem had been made before the bifurcation of Bombay State, and Gujarat came into existence in 1960 with a grossly deficient power situation. There was no hydro-electric power facility in the State; thermal power costs were extremely high (largely because of the need to bring coal long distances); and, prior to the mid-1960s, many of the Baroda industrialists had to install their own power supplies, at least on a supplementary basis, as insufficient power was available from the municipality (with which the industrialists had their principal dealings).¹¹² This constituted a major bottle-neck in industrial development, as was regularly noted,¹¹³ and the unit cost, which was, roughly, three times that prevailing in the Punjab, Madras, and West Bengal, imposed a considerable burden on local industrialists.¹¹⁴ Here again it is important to stress that the industrialists did not seriously fault either the municipality or the government of Gujarat for this difficulty; neither lack of interest nor ill-will was imputed to these agencies. But it is equally important to stress that the lack of hydro-electric facilities was in part attributed to the alleged pro-Maharashtrian bias of the government of Bombay State (although it was similarly conceded that the hydro-electric potential in Maharashtra was greater and more easily developed).¹¹⁵ This was frequently cited in explaining why Baroda industrialists (and, indeed, those in Ahmedabad) generally favoured the bifurcation of Bombay;

they fully expected the Gujarat government to be more accessible and more responsive to their needs, and events have in some measure justified this confidence.¹¹⁶

There was broad agreement that the acute power shortage has been *temporarily* alleviated, as a result of the opening of the state-built Dhuvaran thermal power station rather close to Baroda, this single facility having approximately doubled the State's power supply.¹¹⁷ The Gujarat State Electricity Board, under whose auspices this was undertaken (and which was headed by a retired ICS man now prominent in the Gujarat Swatantra Party), was warmly praised for its efforts and accomplishments, as was the State government as a whole. The commissioning of Dhuvaran in the mid-1960s enabled many of the load restrictions to be lifted and, although some firms still suffer from inadequate allocations and although power rates remain extremely high, virtually all private power supplies have been discontinued and in some cases the equipment has been sold off, testifying to the confidence which the industrialists have in the capacity and desire of the State to provide adequate power.¹¹⁸ However, most of the leading industrialists anticipate another, if less acute, power shortage in a very few years (estimates in 1966-67 ranged from three to ten years), and the unit cost remains a matter of concern, even if the quantum of power itself is not a problem.¹¹⁹

In assessing ways to improve the power situation in Gujarat, Baroda industrialists moved rather quickly from the more narrow economic realm into the political realm, from a variety of vantage points. As a minimum, Baroda industrialists insisted that Dhuvaran would have to be expanded markedly, if another power crisis were to be averted. State government officials concurred in this and gave Dhuvaran expansion high priority in State five year plan recommendations.¹²⁰ The projected expansion, which would double the output at Dhuvaran, involved a considerable foreign exchange component, however, and the central government was said to want to divert the necessary foreign exchange to the public sector heavy electrical works at Bhopal, in the neighbouring state of Madhya Pradesh.¹²¹ This brought the charge, primarily from opposition parties in Gujarat, that the central government was discriminating against the State of Gujarat in this matter (as in other matters, to be noted shortly).¹²² Further, some industrialists cited this as an instance of the central government's insistence on developing public sector enterprises to the detriment of more pressing private sector needs.¹²³ Both these charges against the central government, of discrimination against Gujarat and of partiality to public sector enterprises, recurred in other connections.

In the same vein Baroda industrialists insisted that every effort be

made to develop additional sources of power. Most noted that atomic power would probably have to be tapped for local industrial purposes, although estimates indicated that this would be available only at a high unit cost. In any such venture, the central government would, of course, be directly involved, through the atomic energy commission, and this illustrates the important point that Baroda industrialists are not in principle averse to central government intervention, provided it is of the 'proper' type.¹²⁴ Similarly, both the government of Gujarat and private industrialists had placed considerable hope in the availability of natural gas (at Ankleshwar, not too far from Baroda), both for fuelling the Dhuvaran plant and for private use, and this, too, involved the central government, primarily through the Oil and Natural Gas Commission (ONGC). However, negotiations with the ONGC proved unavailing, as the Commission refused to accede to the request for concessional rates for natural gas—rates which were considered entirely in order by both government and private industrialists in Gujarat, because of the high cost of bringing coal to Gujarat, for thermal power production, and because of the absence of any hydro-electric power facilities in the State.¹²⁵ Baroda industrialists were, in 1966-67, extremely critical of the central government for failing to utilize the gas, allowing it, for the time being, simply and exasperatingly to be burned off. This was cited as a typical example of central government stupidity, allowing a valuable resource to be wasted while interested parties try to decide how, on a long-term basis, it should be utilized.¹²⁶

The utilization of atomic power and of natural gas is, however, a relatively minor, if irritating, issue for the Baroda industrialists. Far more important is the question of a major expansion of the power supply and a reduction of unit cost, and this again moves them into the political realm in diverse ways. On the one hand, it is conceded that no private developer could generate enough power to guarantee the State a dependable quantity of low cost power. Hence Baroda industrialists admit the necessity of government intervention in the power field. On the other hand, satisfactory resolution of this problem is seen almost unanimously to depend on the utilization for hydro-electricity generation of Gujarat's only major, all-season river, the Narmada, at the earliest possible moment, and the matter becomes more intriguingly political when we realize that the Narmada project has been a subject of public attention and controversy for many years, involving States other than Gujarat and the central government.

Baroda industrialists remember only too well that as early as 1948 an 'expert' committee headed by a distinguished engineer, A. D. Khosla, made preliminary recommendations for the development of the Narmada for irrigation and hydro-electricity purposes, but that

'lack of accord amongst the beneficiary States has been holding up the development of a very valuable resources (*sic*) of our country'.¹²⁷ They are also painfully aware that at various subsequent junctures, unsuccessful efforts have been made to achieve the necessary accord on the distribution of costs and benefits. Some noted the reported agreement among the chief ministers of Gujarat and Madhya Pradesh, and the union minister of irrigation and power, concerning the stages of construction and a rough division of costs and benefits, in late 1963, from which nothing of consequence resulted.¹²⁸ Some noted that the then Home Minister, G. L. Nanda, who represented a Gujarat constituency, acknowledged in 1964 that Gujarat's power potential could not be significantly augmented without the completion of the Narmada project, and that he also promised speedy settlement of the inter-state dispute.¹²⁹ Virtually to a man, Baroda's industrialists noted with regret that yet a second committee—the Narmada Water Resources Committee—headed by A. D. Khosla had to be set up to consider the problem, that Khosla in 1965 promised swift completion of the report and claimed that inter-state differences would be easily resolved, that the final report, which was hopefully to have been binding on all parties, was submitted but not acted upon, and that the Narmada issue was still languishing.¹³⁰ In mid-1969, the matter had not yet been settled, as was evidenced by the creation of a tribunal to decide on Narmada, a step welcomed by Gujarat but termed premature and unfair by a deputation from Madhya Pradesh.¹³¹ Throughout this prolonged debate, the opposition parties in Gujarat have been hammering away on the theme that Gujarat is languishing as a result of discrimination and have, on occasion, promised that should the Congress Party be ousted at the State level a new State government would itself undertake certain phases of irrigation and hydro-electric development recommended by the second Khosla commission, although the major stages of the project seemed quite beyond the reach of Gujarat alone.¹³²

The political dimensions of this protracted and frustrating enterprise were quite uniformly perceived by the Baroda industrialists. They started with the premise that the Narmada project is absolutely essential for both the industrial and agricultural progress of Gujarat. Given this, any delay in implementing in full the recommendations of the second Khosla commission was entirely indefensible, and the industrialists made it clear here (and elsewhere) that expert commissions should be relied upon in such matters and their recommendations be binding on all parties.¹³³ Further, the industrialists argued that Gujarat was quite willing to accept almost any resolution of this problem, short of Gujarat having to pay a large part of the bill while getting little of the output, and this was cited as an illustration of the more broad-minded,

public-spirited attitudes of Gujaratis.¹³⁴ While occasionally criticizing Gujarat's MPs for their failure to press the Narmada case more vigorously, the industrialists nonetheless placed the principal blame on the parochialism of Madhya Pradesh and on appallingly weak leadership in New Delhi. They held that no 'sound' government would allow such a critical matter to remain unresolved for so long and they contended that Madhya Pradesh's importance in the political calculations of the regime in New Delhi led to the latter's 'capitulation' to the former in the Narmada controversy. It was repeatedly contended that a combination of reliance on experts and the very strongest national leadership in New Delhi was essential in the national interest, and in a few cases it was quite openly argued that only some form of authoritarian leadership could overcome such problems.¹³⁵ This was not the only occasion on which Baroda industrialists questioned the relevance of democratic processes for India's national problems, but it must be emphasized that the democratic regime at the State level was generally praised, which suggests that it is not democratic government *per se* which is being censured but rather the present functioning of the central democratically-elected regime.¹³⁶

LABOUR

Another area of great concern and another area in which the industrialists questioned the appropriateness of democratic politics was that of organized labour; here the industrialists' response was so uniform that they often seemed to be reciting a catechism (and, indeed, this may be a good example of the 'educative' role of the FGMI in developing coherent positions on public issues). As in other cases, the grievances were expressed *vis-à-vis* central government policy and not with respect to the State government, but unlike some of the other issues considered here, labour is not an area in which the State government could do much to earn praise or blame for its actions. Also, industrial relations in Baroda have been generally good, and the industrialists' outlook must be examined with this fact in mind.

Only the most limited information is available on the history of the labour movement in Baroda and environs. One study, which uses fictitious names but which clearly deals with Jyoti,¹³⁷ does, however, provide some pertinent, if limited, material. We are told, for example, that throughout the mid-1940s there were no organized unions at Jyoti, and the author attributes this to several factors: the relatively small labour force, which was 'new' to industry; the persistence of very personalized relations throughout the factory, as many people at all levels came from the same caste groups; and persistence of traditional

patterns of deference among the groups involved.¹³⁸ However, we are also told that the main developer of the Alembic complex, Raj Mitra B. D. Amin, was very autocratic in his approach to labour and that in this he was supported by the rulers of Baroda, who forbade trade union organisers to approach Alembic workers.¹³⁹ According to one trade union leader, 'So long as he [B. D. Amin] was living, it was impossible for us union leaders to enter the factories under his control. He was the *king* in his factories.'¹⁴⁰

In the mid-1940s, Jyoti's position improved, in large part due to government assistance and government purchases, the work force increased, recruitment to it became more diverse and relations, according to this source, became more depersonalized.¹⁴¹ Further, labour organizers attempted to unionize the workers and in 1948 a few workers did join a local union but were degraded or turned out for so doing; the workers' demands were not met, a seventeen-day strike resulted, but economic loss resulted in a dampening of enthusiasm on the part of labour; and a government adjudicator decided in favour of the management. Failing in this effort, many of the early recruits to the trade union movement concluded it was of no avail and left the union.¹⁴² In the mid-1950s, Jyoti workers joined the Congress-dominated Indian National Trade Union Congress (INTUC), as did most of the Baroda workers who were affiliated with any union, smaller numbers being aligned with the socialist-led Hind Mazdoor Sabha and local unions, but no strong sense of unionism emerged among the rank and file.¹⁴³ Workers saw little of value flowing from the union connection and management found it generally a more efficient way of dealing with the labour force. Local labour relations remained quite placid with INTUC leaders and it is quite widely held in Baroda that the leader of the local socialist union 'is a fast friend'¹⁴⁴ of Nanubhai Amin, Jyoti's Managing Director, rendering it pointless to shift from the INTUC to the HMS unions.

According to this same study, there is still much traditional deference shown, in large part due to Jyoti's (and Alembic's) general standing in Baroda and elsewhere, which is assiduously cultivated by the management, to the extent that many union members regard themselves as part of Jyoti, not part of the working class.¹⁴⁵ Discussions with local union leaders and would-be organizers, especially on the socialist side, indicate that there are still many 'professional' grievances among them *vis-à-vis* Jyoti; but even these have conceded that labour relations have generally been placid, due partly to the Alembic complex' enlightened paternalism, which involves housing developments, workers' canteens (subsidized), medical facilities, schools, etc.¹⁴⁶ Thus, it would appear, Baroda industrialists—at least those leading Alembic—have not been

directly involved in extremely acrimonious labour-management conflicts, they have not been subjected to *gheraos*,¹⁴⁷ and they do not seem to anticipate any outbreak of 'labour unrest' in Baroda in the near future.¹⁴⁸ The residue of Gandhi's influence in the Ahmedabad unions may play a part here,¹⁴⁹ but, whatever the reason, labour-management relations in Baroda have been generally free of bitterness, strikes, and so on.

It is important to understand this, because the industrialists' attitudes in the labour field were not only quite uniform but were also sharply critical of the present situation in India. The broad range of agreement embraced the following points. First, it was noted that the government at the centre had passed an 'abundance of regulatory and welfare legislation',¹⁵⁰ which included basic wages, bonuses, 'dearness allowance' (akin to a cost-of-living adjustment), hours, vacations, factory conditions (including dining facilities, nurseries for children of working mothers, clinics), etc., at a time when not much of this legislation was aggressively demanded by industrial labour interests. (A combination of humanitarian motives and expectation of political reward, i.e., support from organized labour, was cited to explain why the government did this.) Second, it was unanimously agreed that much of this legislation was essential to provide a basic minimum of protection for the industrial working force. Congress and non-Congress members (and independents as well) shared this judgment, but Congressmen invariably embellished their responses with references to Gandhi's social philosophy. Third, it was argued that much of the legislation went beyond the basic minimum required by labour and went beyond the level that the economic situation in India could sustain. The argument stressed here was that to cultivate the (still relatively small) labour vote Congress had given, and continued consistently to give, labour far more than labour itself demanded. Both Congress and non-Congress industrialists joined in this criticism. Fourth, it was widely held that a different and very troublesome stage had now been reached, with growing activism among trade union leaders and rank-and-file (partly as a result of the cultivation of the labour vote by political parties, including Congress and socialist and communist groups). At the present time the FGMI elite would agree with the view that protective legislation 'tempts organized labour, encouraged by its parliamentary and other political affiliates, to press for higher levels of, and higher rates of improvement in, compensation than the levels of, and gains in, productivity in novice industries may justify' and that protection of labour 'may deter private manufacturers from pressing production to the limits of their capacity . . .'¹⁵¹ Fifth, all would concur with the view that under any reasonably democratic form of

government 'it would be politically unthinkable' to try to revert to less generous policies but many industrialists did feel that 'a strong, right-minded government' (as one put it) might be able to hold the present line by telling labour that it could not expect further benefits unrelated to very marked productivity increases.¹⁵² (Many felt that strikes should be banned, with differences settled in the first instance through direct negotiations, or, if these failed, through compulsory arbitration.) Finally, a few respondents stated quite frankly that in their view a rational labour policy (and, indeed, a rational economic policy in general) was incompatible with political democracy, at least at India's present stage of development.

Those industrialists who were formally identified with the Congress Party were generally more cautious in criticizing the government on this score, but criticism there was nonetheless. In fact the most strident criticism came not from Swatantra industrialists but from independents (most of whom were pro-Swatantra) and from a veteran Congressman. What businessmen would actually be prepared to do to curb or curtail 'excesses' in this field is not, of course, clear from the foregoing remarks, although refusal to countenance further protective legislation, a desire to ban strikes, and some interest in banning the two principal communist groups in India (although neither is of much consequence in Gujarat) illustrate some of the tendencies evident. The Baroda data support Weiner's general observation that Indian businessmen are inclined to stress their 'social responsibility', which includes some scope for government intervention on labour's behalf.¹⁵³ At the same time, these data suggest somewhat greater reservations among industrialists about the democratic process than can be detected in Weiner's analysis.

THE 'PERMIT-LICENCE-QUOTA RAJ' AND THE PUBLIC SECTOR

While such matters as 'social control of banking' and government labour legislation were of considerable concern and often produced animated criticism of the central government in particular, the broad issue which produced the most widespread and vehement criticism was the array of regulatory legislation, which has led certain critics of the regime to term it the 'permit-licence-quota' raj.¹⁵⁴ Here again it was the central government which was castigated for errors of both omission and commission with respect to foreign exchange controls, general licensing requirements for either new establishments or for 'substantial' expansion of existing plant, price controls, among other restrictions on the private sector of the economy, such as those of factory textile output.¹⁵⁵ In the eyes of the FGMI elite, these restrictions were related to the 'socialist' bias of the government in New Delhi,

which not only led to control of the commanding heights of the economy through regulatory legislation but also led to the creation of a prominent public sector. Specific grievances naturally varied from case to case, depending on needs of the individual firm but virtually every industrialist had some bitter complaint to register.

Within the FGMI elite, there was considerable concern expressed over the availability of certain raw materials and other industrial inputs. In some cases those who experienced such problems looked to the government to initiate programmes which would alleviate or eliminate the shortages. In other cases the shortages themselves were seen to flow from certain basic decisions by the government in the economic sphere, especially in connection with foreign exchange and domestic private sector expansion in certain fields.

What may be called the pro-government viewpoint can be illustrated by two cases which also illustrate the influence of the major chemical/engineering figures in the FGMI. One local industrialist noted that his output required certain special types of steel which were not currently available in large enough quantities through domestic manufacture but which were projected as part of the output of the fourth public sector steel mill at Bokaro. 'From a purely selfish standpoint', therefore, he favoured the government's activity in this field but he also said that, partly for ideological reasons (which in part flowed from the influence of Nanubhai Amin), he did not press this position in FGMI meetings, supporting, rather, the general policy of minimum government intervention in the economy. His public position was to urge the government to allow the Tata Iron and Steel Company (India's largest private producer) to expand its operations, so that *they* could produce the requisite steel. It was deemed unlikely, however, that the government would permit Tata to expand in this way and this industrialist, at least, was privately quite happy that Bokaro was being set up.¹⁵⁶

The second pro-government viewpoint is in the area of textiles. Here the textile manufacturers generally favoured a policy of government subsidized cotton supplies and of government action to increase the quantity and quality of cotton produced. The FGMI as a whole, however, has so far resisted the demands of its textile committee and refuses to advance this as the Federation's official policy, partly on the grounds that it is the fundamental inefficiency of the textile industry itself which leads to a demand for such a policy. Here again we find an FGMI orientation which reflects the influence of Nanubhai Amin and his *chelas* (disciples) and it is largely due to this influence that the FGMI presents such a sharply-defined, *laissez-faire* position.

Related to the issue of availability of certain inputs is the issue of imports and, of course, the problem of restrictions on access to foreign

exchange bulks large here. This was one area in which Baroda industrialists were stridently in opposition to central government policy, and almost every major industrialist had some favourite story to tell to illustrate what was considered governmental stupidity in this area. Indeed, about as far as any industrialist would go in support of present government policy was to say that there was, remotely, a possible justification for some restrictions on foreign exchange. Most felt that government regulations were excessively restrictive and in some ways self-defeating.

There is no point in cataloguing the entire list of items that Baroda industrialists would like to, but cannot, import, but a few examples are in order. In one case, a major industrialist had been granted an import licence for a major component of his product, subject to restrictions set out in a later paragraph of the document. In this paragraph, however, he was forbidden to import certain parts of this component, on the grounds that they were manufactured in India, though it was precisely these parts which he needed most. He indicated that while the generic item 'x' was, indeed, manufactured in India, the specific variant of 'x' needed by his firm was not produced in the country and that no indigenous producer would supply it *in the limited quantity* required by his company. Thus his firm had an import licence involving a very substantial sum of money which was not being used, because it could not be used for the required items. In another case, the respondent indicated that he had been granted a similar import licence, with comparable restrictions, but that he had used the licence and had simply stockpiled the imported goods, either for future personal use or for barter with or sale to other firms which might need them. Rather than abandon or seek to alter the licence, this firm used its allocation, although the imported goods remained unused.

Virtually all the major industrialists had some analogous story and together they amounted to a massive vote of no confidence in the present system of foreign exchange control. One of the remedies suggested (favoured by three major industrialists) was total decontrol, whose proponents admitted that it was risky but still felt that industrialists would be 'responsible' in their use of foreign exchange, knowing that if the situation became absolutely desperate, they would have to pay the price later. Another recommendation was that a fixed amount of foreign exchange be allocated to the private sector and that this should be made available on a first-come, first-served basis, but with no restrictions on the uses to which it could be put. A third recommendation urged more careful scrutiny of a firm's needs than the previous two approaches would entail but held that once a firm was accepted as a priority industry and given exchange there would be no

restrictions on the uses to which it might be put. As in the first case, it was argued by those who favoured the last two approaches that industrialists would be responsible and would not waste foreign exchange, i.e., they would import only the highest priority items, because it was in their own interests to do so.

As expected, within the present system of foreign exchange control there was considerable dissatisfaction with the red tape involved in securing government approval. Many firms have to deal with a number of different ministries in the central government before approval is received, and, despite certain committees established by the government to facilitate speedy decisions on such applications, delays still plague the Baroda industrialists. In short, none of the major industrialists was happy with the present foreign exchange system, although some were more directly affected by it than others. As a minimum, all urged a substantial reduction in red tape within the present framework, but far preferable in their eyes would be substantially greater freedom for industrialists to obtain and use foreign exchange.¹⁵⁷ It should be emphasized that the villain of the piece, in the eyes of the Baroda industrialists, is the central government and a few expressed some satisfaction that the government was moving in the direction of de-control, although more in the realm of domestic restrictions than with respect to foreign exchange.¹⁵⁸

On the domestic front, there were also many, wide-ranging complaints. One issue clearly pertinent to the 'politics of scarcity' is the effort made by the government to have the handloom textile industry maintain a reasonably competitive position, in part through restrictions, duties, etc., imposed on factory-produced textiles. In this area, the textile manufacturers were obviously the most directly affected, but here too there was broad agreement in the FGMI: the government was justified in trying to improve the lot of the local artisan through support for cottage industries, but in the textile field in particular it was felt that no restrictions on factory output should be imposed. When asked if such restrictions were not essential to avoid serious hardship,¹⁵⁹ the industrialists generally responded that, if this was the case, hardship would have to be tolerated, in the interests of economic 'rationality'. As in the case of land-taking and relations with agriculture, concern was expressed for the interests of the non-industrial elements involved, but not to the extent of imposing major limitations on the progress of the industrial sector.

Another topic which was frequently mentioned in 1966-67, especially by pharmaceutical firms, was pricing policy. Here the argument was again uniform: government policy had led to an across-the-board increase in the cost of inputs, but price ceilings prevented firms from

passing these on to consumers. Hence, the argument ran, profits in some areas were rapidly diminishing and in some cases specific products were manufactured and sold at a loss. In a few instances the production of certain items had been discontinued because they were not profitable, and the major Baroda pharmaceutical houses were contemplating the discontinuation of still more items, unless price ceilings were lifted, or, alternatively, unless input costs were reduced (which they did not anticipate). The sentiment expressed by one industrialist was shared by most: if the government is going to fix prices for industrial goods, let it also fix agricultural prices and wages for industrial labour at equitable rates.¹⁶⁰ The latter was, however, considered a remote possibility, given the alleged imperatives of the democratic process in India.

Also of concern to pharmaceutical houses was the government's decision to exclude them from the manufacture of certain antibiotics and of polio vaccine because these items were to be produced by a public sector unit, in collaboration with the USSR. In some instances private sector industrialists were willing and able to produce the items but they could not get central government authorization. This was considered senseless, because the government's production was not expected to commence until the early 1970s and, in the meantime, many of the items would be available only from abroad, damaging the country's foreign exchange situation, and because the private sector could start production in a very short time, with established plant of proven efficiency. As a minimum, the Baroda industrialists felt that they should be permitted to manufacture these new items until the government plant commenced production but they preferred to be able to compete with the public sector plants even after the latter were in operation. This, in fact, was argued about all areas in which there were (or were scheduled to be) public sector plants, because of the universal conviction among Baroda industrialists that public sector enterprises were hopelessly inefficient. And in the area of pharmaceuticals this produced one superficially paradoxical situation: certain manufacturers claimed that for some products manufactured by both the public and private sectors the fixed ceiling price was higher than the free market price would be likely to be, because the fixed price was based on inefficient public sector production costs. Thus, they argued, if some prices would increase without government ceilings, others would go down.

Here it is appropriate to consider briefly the general question of public sector enterprises, where again there was virtual unanimity among the leading FGMI industrialists. First, there was no principled rejection of intervention by the government in the economy. Hydro-electricity projects, steel mills, heavy machine tools installations, etc.,

which might for the moment be beyond the reach of the private sector might legitimately be undertaken by the government. This, as has been suggested earlier, reflects the basic policy: maximum government assistance with minimum government control. Second, the present management of public sector enterprises was so lamentable that no new ones should be created until the established ones were put on a sound footing. Third, in all cases open competition between public and private sector enterprises should be permitted, with nothing 'off limits' to the private sector. This was not only claimed as a 'right' by private industrialists but it was argued that such competition would compel existing and future public enterprises to be more efficient. Fourth, public sector enterprises should be 'joint sector' enterprises, along the lines of the widely-applauded Gujarat State Fertilizer complex (and the suggestion that the State of Gujarat might sell its share to the private sector was in the minds of some who stressed this point).

There was little hope that public sector enterprises would be sold off and, as noted, little feeling that in principle the government had no business involving itself in industrial production. There was not much optimism that full competition would be permitted or that 'joint sector' enterprises would become the norm but there was virtual unanimity on the conclusion that some such steps would have to be taken to make the public sector function efficiently and to enable the Indian economy to move forward boldly.

ECONOMIC ORIENTATION AND POLITICAL OUTLOOK

The members of the FGMI elite were virtually unanimous on what they considered to be the major economic issues of the day, although the items of particular interest and the emphasis varied somewhat. To some extent, this uniformity flows from the fact that the major industrialists are exposed to roughly comparable problems in many fields (e.g. government regulations), even though the specific grievances may differ. However, the uniformity of views expressed was also in part due to the influence of the Amin brothers, and in particular to Nanubhai Amin.¹⁶¹

Moreover, there can be no doubt that the positions taken by the FGMI industrialists (particularly in such areas as government permits, licences, quotas, public sector enterprises, emphasis on the private sector) largely conform to the stated economic policy goals of the Swatantra Party.¹⁶² At the same time, the FGMI elite includes Congressmen and independents, as well as declared supporters of Swatantra. For example, Lalitchandra Patel is a very prominent Baroda Congress politician, whose late father was president of the Gujarat Pradesh

Congress Committee and a member of the Rajya Sabha (the upper house of the national Parliament); Haribhai Desai, director of a small engineering firm, is an active, if less prominent Congressman. On the other hand, Nanubhai Amin is one of Gujarat's most prominent Swatantra leaders, a generous contributor on a personal basis (i.e. not through Jyoti) to the Swatantra cause, founder of a pro-Swatantra, Baroda-based vernacular newspaper, and a man frequently approached to stand for Parliament on the Swatantra ticket; Pashabhai Patel (Hindustan Tractors) is the incumbent Swatantra MP for Baroda, although he is not as highly regarded as Nanubhai Amin in party circles. In between are the bulk of the industrial leaders, most of whom would identify themselves as independents, but with a marked pro-Swatantra bias, although a few (e.g. Indubhai Patel of Sayaji Iron and Engineering) are relatively inconspicuous Swatantra members and contribute on a personal basis to the party.¹⁶³ (In general, the *Patidar* industrialists are more strongly inclined toward Swatantra.) How is this disparity between doctrinal orientation and formal party affiliation to be understood? More generally, how do these industrialists view the political situation in India? These are the questions to which I now turn.

In trying to relate formal political affiliation and economic policy, we must realize, for one thing, that neither Congress nor Swatantra is homogeneous in its outlook, although it seems safe to say that the former is more heterogeneous than the latter, and Congress has always had a rather articulate and strong free-enterprise-oriented wing to which industrialists could turn.¹⁶⁴ This is consistent with the analysis of the Congress 'system' in India provided by W. H. Morris-Jones, Rajni Kothari, and others;¹⁶⁵ in this sense, it is not surprising to find Congressmen and Swatantrites, as well as independents, in the Baroda industrial elite. In comparing formal affiliation and economic orientation, however, virtually the only discernible difference between supporters of Congress and non-Congressmen (both independents and Swatantrites) was the more frequent mention of general notions of 'social justice' on the part of the former. Yet this was offset by the fact that the most vehement FGMI critics of the economic policies of the Congress were not Swatantrites but Congressmen. For example, no Swatantra member even remotely approached the vehemence with which FGMI Congressmen attacked the 1964 resolution on social control of banking, as well as the party's labour policies.

There are other areas of agreement which cut across the lines of formal party identification of FGMI members and together they add up to a formidable expression of common outlook. On the one hand, for example, FGMI Congressmen were not only severely critical of their party's economic policies at the centre, but stressed the importance

(for the Indian economy and political system) of a strong opposition party like Swatantra, to balance Congress, which they felt had become complacent, flabby, corrupt, and misguided as a result of its unchallenged pre-eminence since independence. More specifically, the FGMI Congressmen were quite generous in their praise of the Swatantra Lok Sabha contingent from Gujarat, a contingent which included (after the 1967 elections) a number of prominent industrialists and other business-oriented professional men, and they were also generous in their praise of Nanubhai Amin. In so far as there was any objection to Swatantra, it was on the grounds that the party was not yet ready, in terms of public strength and party organization, to take power, although there was some adverse comment about the prominence of aristocrats in the party.¹⁶⁶

On the other hand, Swatantrites in the FGMI acknowledged the importance of Congress at the centre as a stabilizing force, despite what they considered to be its deplorable economic policies and they conceded that their own party was in no position to wrest power from Congress, either alone or in coalition (and they were extremely wary, in any event, about coalition ministries). Moreover, the FGMI Swatantrites were inclined to be extremely critical of the condition of their own party, particularly at the State level. Despite optimistic predictions about Swatantra prospects in the 1967 elections at the State level in Gujarat, virtually every FGMI Swatantrite (including a number of 'fellow travellers') expressed the hope that his party would *not* form the government in the State, citing, among his reasons, organizational and ideological weakness, strong caste animosities which weakened the party, and the presence of both aristocratic elements and 'opportunist' Congress refugees who could not be trusted. Again, more specifically, most FGMI Swatantrites were sharply critical of their own parliamentary candidate from Baroda district, the industrialist Pashabhai Patel, who was judged to be excessively preoccupied with his own personal fame and fortune and not really interested in Baroda affairs, save at election time—criticisms which were expressed also by FGMI Congressmen.¹⁶⁷ In short, on the eve of the 1967 elections, the consensus of the FGMI elite, regardless of formal party affiliation, was that the affairs of Gujarat would be best handled by a continued Congress government, but with Swatantra in a strong opposition position. And while there was a strong feeling in all quarters that Congress at the centre had gone astray, it was realized by all concerned that no single party could hope to oust it. Consequently the FGMI elite felt that, for stability in the country, Congress would have to continue, while for sounder policy, Swatantra should have a strong opposition position.

It is worth underlining the fact that just as there was broad agreement

that the Congress Party in Gujarat was sympathetic, co-operative, and capable (albeit a bit sluggish at times), so there was broad agreement in respect of the central government. The feeling was unanimous that most of India's economic and other ills (in so far as they could be attributed to human origin) stemmed from errors of omission and commission by Congress at the centre; that during Nehru's time these ills flowed from his 'leftist' ideological posture and his doctrinaire dislike of capitalism at home and abroad; that Shastri had the makings of a sound prime minister but that Indira Gandhi was weak, misguided, and generally incompetent to deal with India's pressing problems.¹⁶⁸ The feeling was again unanimous that the present situation in India called for very strong and decisive leadership (naturally of a type not hostile to private enterprise) in the central government.

In considering this problem from the short-term viewpoint, with the Congress party in power at the centre, the plausible alternatives to Mrs Gandhi were seen to be very few, and were ultimately reduced to one. Preferred by many of the FGMI elite, regardless of party affiliation, was S. K. Patil, acknowledged leader of the free enterprise Congressmen and 'boss' of Bombay City, but his 1967 electoral defeat and his strong 'rightist' reputation (free enterprise, pro-American) were seen to preclude his selection.¹⁶⁹ The present Home Minister, Y. B. Chavan, was acknowledged to be in the ascendant and to have considerable potential as a strong leader but he was considered to be too parochial a Maharashtrian in outlook to be selected in the near future—or, in the event of his selection, his parochialism was seen to stand in the way of effective national leadership. In the eyes of the FGMI elite, the burden would have to fall on one man: Morarji Desai, himself from Gujarat and at one time Deputy Prime Minister in Mrs Gandhi's government.

It was generally argued that Desai was scrupulously honest, dedicated, and inclined to be strong and decisive, and that, although a Gujarati himself, he would bend over backwards to avoid partiality to his home State—a fact which did not disturb FGMI leaders in the least.¹⁷⁰ However, Desai was also unanimously judged to be excessively stubborn and rigid, and excessively attached to 'fetishes' such as prohibition. While everyone felt that Desai should be given a chance, there was considerable scepticism that even he could do the job required, in the prevailing political context.

In judging Desai, there were some differences which ran roughly along party lines. On the whole, FGMI Congressmen felt that, despite his limitations, Morarji's strength and integrity could, in some measure, revitalize Congress and get India moving again, in a useful direction. But some Congressmen and most Swatantrites and independents were sceptical of the extent to which even Desai could provide the requisite

leadership. Part of this argument (to which we shall return below) was simply that both within Congress, and in the country as a whole forces were at work which even Morarji could not tame; if he were anxious to continue in office, he would have to yield on many critical points, and if he sought to curb these forces his ministry would be short-lived. The most pessimistic on this score was one of the Congress veterans in the FGMI.¹⁷¹

THE ROLE OF INDUSTRIALISTS

Given these perceptions, how do the Baroda industrialists see their own role in the political system? Here, too, there was a fair range of agreement but also some significant differences. First, there was virtual unanimity that Indian businessmen had been unduly abused by Nehru. While admitting that there were some 'unscrupulous' businessmen (estimated by one respondent at 'two, or five, or maybe ten per cent'), the FGMI elite contended that Nehru had been guided by ideological prejudices and that all Indian private enterprise (and the economy as a whole) suffered as a consequence. Second, there was substantial agreement (though less than in the preceding matter) that throughout the Nehru period the hegemony of Congress (i.e., the absolute necessity of dealing with the Congress government), coupled with Nehru's bias, led to considerable caution on the part of businessmen in speaking out boldly against what they considered to be maltreatment, obnoxious economic policies, etc. Fear of government reprisals was cited by some prominent industrialists as a factor here, and one insisted that 'the government nearly ruined me' after he took a strongly anti-Congress stand, but this was still a minor theme in their remarks about the Nehru period. Futility rather than fear of reprisals seems to have been the dominant feeling. Third, there was substantial agreement that even before Nehru's death India's industrial community (including the Baroda group) had started to become more overtly critical of the government, despite the inhibiting factors just mentioned. Some dated this heightened interest and criticism from a foreign exchange crisis in the mid-1950s but more frequently cited was the Chinese invasion in 1962, which, according to one industrialist, 'shook the cobwebs from our minds' and which, according to others, merely provided a convenient opportunity for criticizing the government in a manner which had been contemplated for some time. This was held to account for heightened business interest in active, anti-Congress political efforts. Fourth, there was also broad agreement that, despite 'the huge mess' he inherited, Shastri had been a promising prime minister and that Indira Gandhi represented a major decline from Shastri's standard. There was

widespread criticism that she held many of her father's prejudices, while she did not have his personal appeal or strength to curb many of the disruptive forces in the country. Hence many felt that, while active involvement in politics was unwise and/or futile under Nehru, it would not have been necessary under Shastri, but was an almost absolute necessity under Mrs Gandhi. However, it was not only deemed necessary; it was also deemed a more viable course now than under Nehru. (Mrs Gandhi's relative weakness was in this respect seen as something of a virtue, because most of the businessmen did not envisage any drastic anti-business reprisals, despite what they considered Mrs Gandhi's biases.) As one man put it: 'As long as government does not realize that its task is government and not business, businessmen will have to enter politics'—or, if already involved, they will have to intervene more actively.

Greater involvement was thus considered essential by virtually everyone in the FGMI elite and there is considerable evidence of increased activity in the past few years. There was, however, by no means a uniform political response. Some continue to remain on the political sidelines, despite much local pressure but it is significant that even the non-participants berated themselves and insisted that 'we may be sorry before too long that we did not do more'.¹⁷² Others, moving tentatively towards overt activity in the political arena, expressed a strong preference that industrialists should stand as independents, on the grounds that this alone would permit them 'to judge each case on its merits'. Some, however, expressed more 'pragmatic' reasons for this position: an independent was considered less vulnerable to government neglect or reprisals than was a partisan who turned out to be on the losing side. Significantly, one of the reasons given for reluctance to enter the political arena at all was the general incompetence of the electorate: able, intelligent men (e.g., industrialists) would necessarily be subjected to scurrilous personal attacks, as reactionaries, spokesmen for vested interests, and so forth, to an extent that would be demeaning and, to the extent that 'good' men responded in kind, corrupting. This reflects further reservations about the nature of the democratic political process in India.

Some key figures in the FGMI are known to be active partisans of either Congress or Swatantra, but, as we have seen, there is considerable agreement on political matters, despite such differences in affiliation. Among the Congressmen, however, continued affiliation with the party seems dependent more on sentimental or practical rather than on ideological factors. Some emphasized Congress' role in gaining freedom and in providing political stability in India, others frankly acknowledged their indebtedness to 'connections' with Congress

politicians for gaining certain advantages, and all felt that, given Congress hegemony and the absence of a strong, acceptable alternative, it was more sensible and likely to be more productive to work through rather than against the ruling party. Implicit in this last point, however, (and quite explicit in the favourable estimate of the Gujarat Congress) is the view that so far business has been able to achieve a tolerable *modus vivendi* with Congress.¹⁷³

Swatantra claims its adherents also, and many of these were, of course, Congressmen in earlier times (as one put it: 'We were all Congressmen once'). But in addition to the declared partisans it is clear that Swatantra has the marked sympathy of most of the independent FGMI industrialists, and there is also much pro-Swatantra ideological sympathy among FGMI Congressmen. It is, thus, easy to visualize substantial defections from Congress, when Congress is no longer in control of Gujarat and/or the central government (with much depending on whether it is 'and' or 'or'), assuming that Swatantra or a like-minded alternative is available. The organizational problems and the composition of Swatantra both nationally and at the state level (including the still heavy reliance on aristocratic elements) have served as deterrents to some and trouble even many Swatantra partisans, but there seems little reason to doubt that Swatantra is the spiritual or ideological home of the Baroda industrial elite, particularly among the relatively young, among the *Patidars*, and among those in engineering and chemicals. Just as many nationally prominent industrialists have moved away from Congress, so further defections from among those Baroda industrialists who are now pro-Congress may be expected, under the conditions suggested above.¹⁷⁴ On the other hand, if a major challenge arises from parties to the left of Congress and if Swatantra or another alternative does not seem 'credible', one can visualize renewed support for Congress as the party most likely to maintain stability.

Partly because of these ambiguities and partly because of the fluidity in the Indian political system, Baroda industrialists will doubtless continue to follow different paths in the political arena, just as they have done in the recent past. It would seem, however, that a generally higher level of involvement, whatever the path, will characterize the next few years at least. But beyond the matter of political partisanship is the broad issue of their view of the future of Indian democracy. Here, as will be seen, the FGMI elite proceeds with some scepticism, and, just as a basic Swatantra ideological orientation exists, despite formal party differences, so some apprehension about the democratic process is apparent in the group, regardless of partisan affiliation.

THE FUTURE OF INDIAN DEMOCRACY

At a number of points above, I have touched—at least by implication—upon the question of the Baroda industrial elite's views of the democratic process and prospect in India. On the positive side, and this must be stressed, the functioning of the democratic process *at the State level* was judged to be good. Before 1960, the principal complaint against the government of Bombay was that the interests of the Gujarat area tended to be neglected by what was widely considered a pro-Maharashtrian government but there was great confidence that once a smaller (and therefore, presumably, a more accessible) government of Gujarat was established, Gujarat business interests would be in an improved position.¹⁷⁵ And as we have seen, the Gujarat government, in the hands of Congress, was considered to be sympathetic, co-operative, and able, even by Swatantrites. Moreover, after many years, with the emergence of Swatantra as a strong contender for power in the State, the State political scene approximated to the desired model of a strongly competitive two-party system, with neither major party being unacceptable.¹⁷⁶ Although few, if any, FGMI leaders would consider this positive experience decisive, it does nonetheless mean that they *have* seen the democratic process functioning in an acceptable manner and may, therefore, be less likely to consider it either a luxury or something inappropriate at India's present stage of development.¹⁷⁷

The FGMI elite is, of course, acutely aware that Gujarat is not all India and that their own fate (and that of Indian democracy) may well be decided outside the boundaries of their own State. As we have seen, most of the major grievances expressed by the FGMI elite pertain to errors of omission or of commission on the part of the central government, and that government, while considered to be less doctrinaire than in Nehru's day, is seen to be in desperate need of new leadership and new direction. Without exception the members of the FGMI elite insisted that democracy could not survive and that sound policy could not be expected without (i) very strong central leadership and (ii) a truly competitive party system, based on two parties akin to Congress and Swatantra.

The need for a competitive party system in which there was a genuine alternative to the ruling party was explained in conventional fashion. That is, prolonged, unchallenged rule by the same party invited complacency, corruption, etc., even where that party's basic policy orientation was sound (as, in the eyes of the FGMI, that of Congress was not). Only a clear-cut challenge from a party like Swatantra could hold out any hope for a 'rationalization' of political forces and for sound policy and honest, efficient government.¹⁷⁸

As we have seen, however, even the Gujarat unit of the Swatantra Party was widely judged to be unprepared to replace Congress at the State level, and at the national level there were no illusions whatever. A continuation of a one party-dominant, or a multi-party system, with Swatantra as only one among many competing groups, seemed inevitable. This circumstance, coupled with considerable distress at the direction of economic policy and at the signs of political decay in India, led most members of the FGMI elite to consider a variety of ways to reorient public policy and to re-establish some political discipline.

On the question of political instability at the State level, resulting from repeated defections from one party to another and from unstable coalition Cabinets, there was general agreement among the FGMI elite: at most, two efforts at forming a stable ministry should be allowed and President's rule should then be imposed. Chronic instability over a long period of time should not be tolerated. Related to this was the feeling that all disintegrative tendencies must be quickly and firmly resisted, and, as part of this process, a large number of FGMI industrialists recommended a ban on communal parties and on the two communist parties, and they recommended also immediate efforts to curb such locally chauvinistic groups as Bombay City's *Shiv Sena*, a populist, proto-fascist group which regularly abuses and occasionally physically attacks non-Maharashtrians in the city.¹⁷⁹

In considering the over-all national situation and particularly the problem of national leadership, the FGMI elite reflected considerable pessimism and some quite explicitly stated that to get out of the present difficulties, fairly substantial alterations might have to be made to the Indian political system. Most of these would involve modification, if not abandonment, of the democratic arrangements which exist at present.

The bases for the pessimism have in part been presented already. For example, many FGMI members expressed a strong preference for greater reliance on 'expert' bodies, to settle such matters as the Narmada project, public sector industrial location and management, allocation of permits, licences, and quotas, and the like. But at the same time it was frequently argued that in the absence of a strong national leadership, such bodies would be unavailing, because their recommendations would not be implemented (the Khosla commission on Narmada being a case in point) or would be subverted. Parochialism and political pressure considered to be inevitable in a democracy were deemed too strong to be overcome in many cases, as long as the present political framework existed.

We have also seen that in the area of labour policy, the government was accused of catering to the labour vote, in disregard of the economic

'realities' of a developing economy. But it is important to remember that the FGMI elite felt that there was no possibility of a reversal in this field. Thus, the most that any democratic government could possibly do would be to draw the line with respect to further concessions, and there was some doubt whether a Desai-led Congress government, or a Swatantra government, or a coalition of different parties could do even this. Considerations such as these underlay the scepticism about Desai's ability to provide the requisite leadership, although everyone expected him to be firm, should he become Prime Minister. There was a strong feeling that if he tried to do what had to be done (disregarding for the moment his 'fetishes'), his ministry would be short-lived.

Other recommendations about ways of 'saving' India followed from these attitudes. Two prominent industrialists hoped that a sufficient sense of urgency would lead representatives of the major non-leftist parties to form a 'national government' which would include, principally, elements of Congress (the 'rightists', as they were termed by most FGMI industrialists), Swatantra, and Jan Sangh. These industrialists felt that such a government would provide the proper orientation in terms of economic policy, that it would have an ample reservoir of talent upon which to draw for national leadership, and that it would maintain law and order and provide effective national discipline.¹⁸⁰ Most FGMI members felt, however, that such a coalition was 'not on the cards' and they also expressed the belief that the same logic which seemed to bode ill for a Desai ministry would apply here as well; the coalition, to survive, would have to yield to parochial and other public pressure on many points.

A number of FGMI members joined the small national chorus (to be heard both before and after the 1967 general elections) in favour of a very strong, non-figurchad President, who, hopefully, would be 'above politics'. Such a President, it was hoped, would exercise in an 'autonomous' fashion the powers accorded to the office by the constitution, i.e., he would not be bound by recommendations of the ministry of the day in approving legislation, in deciding to impose President's rule, etc. Among these respondents were some who felt that constitutional adjustments should, if necessary, be made to define in explicit fashion such autonomous powers, moving (in their view) in the direction of the American President, or, it should be noted, of de Gaulle, whose regime was cited approvingly in two cases.¹⁸¹

Explicit questioning of India's capacity to manage parliamentary or even presidential democracy was confined to very few. One man, a fairly regular member of the FGMI managing committee, spoke of the need for a period of benevolent autocracy in India, his only concerns

being the standard ones: how to guarantee benevolence and how to secure the termination of such a regime. Short of this, however, there was much doubt expressed, or, at a minimum, considerable apprehension about India's political future. This would seem to be a safe judgment, in the light of the feeling that greater reliance on expert bodies, a more strongly competitive party system in which Swatantra (or a kindred party) would play a major part, a strong President, a strong Prime Minister, etc., all seemed either unlikely to come to pass or inadequate to the challenge.

Much of this discussion bears upon Weiner's general observation about Indian business: 'It has seen representative government work and is not fearful of it. Most probably it could survive without it, and may take no steps to save it; but on the other hand, Indian business is not likely—in the foreseeable future—to take steps to destroy the institutions of representative government. That is of no small importance.'¹⁸² Although the Baroda respondents would doubtless object, I should say that this is, in general, true of their own disposition, given their assessment of the difficulties flowing from democratic politics, at least at India's present stage of development. Still, I would be somewhat less sanguine than Weiner with respect to business participation in the *destruction* of the institutions of parliamentary democracy in India. As we have seen, some of the difficulties to which the FGMI elite adverted were seen to be inherent in democratic political processes, i.e., there was little optimism that *any* democratic government could overcome them. This is far from being proof that the FGMI elite would be in the forefront of anti-democratic efforts in India but, despite vehement denials from the Baroda respondents, I would judge that many of them would be willing accomplices in such a venture, and, given any further deterioration of public life in India, they might well be co-conspirators in the process. There is, for example, some fairly strong, anti-democratic elitism present in the FGMI elite, and within the Swatantra Party (as elsewhere in Indian society) this finds support from other quarters as well. Weiner may again be correct in asserting that Indian business is comparable neither to English business in the nineteenth century nor to Japanese business in the early twentieth century with respect to their political responses, but it may well find itself in a position analogous to that of business in nineteenth-century Germany.¹⁸³ Democratic politics may be preferred, or at least tolerated, as long as no serious threat to business interests exists but when confronted with radical democratic pressures industrialists may well be inclined to turn toward aristocratic/agrarian interests for common political action to forestall radicalism.¹⁸⁴ It does not require elaborate mental gymnastics to judge from the preceding discussions that such a possibility exists in the Indian

case and, if anything, I should judge that industrial elites in other areas would be more vulnerable than those in Gujarat, where, as we have noted, the political process at the State level has been considered quite satisfactory.¹⁸⁵

- 1 Helen B. Lamb, 'Business Organization and Leadership in India Today', in Richard L. Park and Irene Tinker (eds.), *Leadership and Political Institutions in India* (Princeton, 1960), p. 251.
- 2 E.g., Vera Anstey, *The Economic Development of India* (4th ed., London, 1957); Daniel Buchanan, *The Development of Capitalist Enterprise in India* (New York, 1934); D. R. Gadgil, *The Industrial Evolution of India in Recent Times* (4th ed., London, 1944); Nagbopal Das, *Industrial Enterprise in India* (London, 1938); Baditha Srinivasa Rao, *Surveys of Indian Industries* (2 vols., London, 1957); M. M. Mehta, *Combination Movement in Indian Industry* (Allahabad, 1952); Daniel Spencer, *India: Mixed Enterprise and Western Business* (The Hague, 1959); Helen B. Lamb, 'The Indian Business Communities and the Evolution of an Industrial Class', *Pacific Affairs*, vol. xxviii, no. 2 (June 1955); Gokhale Institute of Politics and Economics, *Notes on the Rise of the Business Communities in India* (New York, 1951); R. Palme Dutt, *India Today* (London, 1940); R. Palme Dutt, *India Today and Tomorrow* (London, 1955); A. R. Desai, *Social Background of Indian Nationalism* (3rd ed., Bombay, 1959); Vera M. Dean, *New Patterns of Democracy in India* (Cambridge, Mass., 1959); Michael Brecher, *Nehru: A Political Biography* (New York, 1959).
- 3 For the Marxist point of view, see R. P. Dutt and A. R. Desai, *op. cit.*
- 4 E.g., B. B. Misra, *The Indian Middle Classes* (New York, 1961); James Berna, *Industrial Entrepreneurship in Madras State* (Bombay, 1960); Leighton Hazlehurst, *Entrepreneurship and the Merchant Castes in a Punjabi City* (Durham, N.C., 1966); Kenneth Gillion, *Ahmedabad: A Study in Indian Urban History* (Berkeley, 1969); R. K. Hazari, *The Structure of the Corporate Private Sector* (Bombay, 1966); Thomas A. Timberg, *Industrial Entrepreneurship Among the Trading Communities of India: How the Pattern Differs* (Cambridge, Mass., 1969, Report No. 136, Harvard University Center for International Affairs, mimeo); Barrington Moore, Jr, *Social Origins of Dictatorship and Democracy* (Boston, 1966); Myron Weiner, *The Politics of Scarcity* (Chicago, 1962); Howard L. Erdman, *The Swatantra Party and Indian Conservatism* (Cambridge, 1967). Among the works in progress at the time of writing (1969) are, to name only a few, studies by Robert Hunt (small scale entrepreneurship and politics, Gujarat); Ray Owens (same, West Bengal); S. C. Pathak (several studies of entrepreneurship, including Gujarat and the Punjab); Stanley Kochanek (political role of the Federation of Indian Chambers of Commerce and Industry).
- 5 In Weiner, *op. cit.*, ch. 5, there is some general coverage, with more detailed attention to the situation in West Bengal; Erdman, *op. cit.*, chs. 2, 3 and *passim*, contains some general information as well as detailed attention to business involvement in the Swatantra Party; Selig Harrison, *India: The Most Dangerous Decades* (Princeton, 1960), pp. 114-22, considers 'The Ubiquitous Marwari' and responses to him by other, more localized business communities; the titles by Moore, Dean, and Brecher noted above also contain some general treatment of business politics. Some of the works in progress (see note 4) should be of great value in this regard.
- 6 As in the works cited by Brecher, Dean, Erdman, and Weiner.
- 7 This problem is implicit in Weiner's entire book but he rarely gives explicit

attention to it. Somewhat more useful in this connection are the works by Moore and Erdman. Charles Myers, *Labor Problems in the Industrialization of India* (Cambridge, Mass., 1958) provides some important material on business-labour relations.

- 8 Op. cit., ch. 5.
- 9 Erdman, op. cit., pp. 36-43, provides a preliminary and general statement of some of these issues.
- 10 Erdman, op. cit., chs. 1 and 2 and passim, discusses some of the situational constraints on giving expression to certain types of attitudes, and on acting in accordance with them, in the Indian case.
- 11 In the pre-British period, areas of (would-be) empires were sometimes designated as 'Gujarat', although they were not coterminous with the present Gujarat State.
- 12 For detailed attention to the situation in what is now Gujarat and to the way in which the multitude of princely states, including Baroda, were handled after independence, see V. P. Menon, *The Story of the Integration of the Indian States* (Bombay, 1961). In the western, peninsular part of Gujarat there were over 200 states, together with fragments of Baroda state. After independence these peninsular states, together with relevant Baroda state fragments, were grouped into a State known as Saurashtra, with the State of Kutch remaining apart as a centrally-administered territory. Baroda was integrated into Bombay State; in the mid-1950s, Bombay, Saurashtra, and Kutch were merged, to form a new Bombay State, and it was this incarnation of Bombay State which was divided into Maharashtra and Gujarat in 1960. The bifurcation came about (despite official, i.e. Congress Party, opposition) largely as a result of agitation by elements in Maharashtra, although eventually a group known as the Mahagujarat Janata Parishad agitated for division as well. The fate of Bombay City was a key consideration in the Government's earlier decision to keep Bombay State intact, despite the general acceptance of the principle of unilingualism as the basis for states' reorganization in the mid-1950s, a principle which, if applied then to Bombay State, would have led to its division earlier. The bifurcation issue was a lively one in the minds of most Baroda industrialists, as will be noted *en passant* below.
- 13 E.g., in 1960, Gujarat did not contain a single public sector enterprise, although the situation was to change very quickly. See *Industries in Gujarat* (Ahmedabad, Directorate of Industries, Gujarat State, 1966), p. 7. Henceforth this will be referred to as *IG*.
- 14 See *Techno-Economic Survey of Gujarat* (New Delhi, National Council of Applied Economic Research, 1963), p. 4. Henceforth this will be referred to as *TESG*. The criterion used here was the economic position of the 'organized sector', viz., that covered under registration provisions of the Factories Act. This sector comprised 40 per cent of the total industrial employment in the State, vs. 19.4 per cent for India as a whole, and it comprised 68 per cent of the net industrial output of the State, vs. 44.5 per cent for India as a whole. *TESG*, pp. 4, 64, and 170-2. Using Gujarat's percentage share 'in respect of capital, employment, and output to all India', *IG*, p. 6, terms Gujarat 'third among the industrially advanced States of India'.
- 15 *TESG*, p. 69. Many Gujaratis will state solemnly, if not always correctly, that their lack of interest in politics, their inferior command of the English language, etc., are due to the fact that they are preoccupied with that which they can do best, namely making money in commerce and industry.
- 16 We are here referring to the various business communities, for which see,

- inter alia*, the titles by Lamb, Weiner, and especially Timberg. The Tatas are Parsis whose ancestral home in India is, indeed, in Gujarat, but they are thought of today as *Bombay-wallahs* almost exclusively. The Birlas are Marwaris. Gujarat can, however, claim some second echelon industrial families, for which see Timberg, *op. cit.*, pp. 63-73.
- 17 Harrison, *op. cit.*, pp. 114-22, discusses this matter and notes some of the hostility directed against Gujaratis outside their home State. Pressure on them is mounting in Bombay City, where they have dominated commerce and industry for a long time and where resentment by 'natives' (i.e. Maharashtrians) is growing.
- 18 E.g., in 1959-60, textiles accounted for over 60 per cent of the factories, 52 per cent of the productive capital, 77 per cent of the employment, and 65 per cent of the gross output in the registered factory sector (*IG*, pp. 10-11). According to another source, of 526 registered cotton textile factories in India in 1966, Gujarat contained 112, of which 72 were in Ahmedabad (*Gujarat Today* (Ahmedabad, 1966), II, 11, 12, and 67). *TESG*, p. 64, states that Ahmedabad accounted for nearly half the industrial employment in the State, with textiles employing over 85 per cent of the Ahmedabad factory workers. See Gillion, *Ahmedabad*, and Howard Spodek, 'The "Manchesterization" of Ahmedabad', *Economic Weekly*, 13 March 1965, pp. 483-90.
- 19 For a state-wide, industry-by-industry survey, see *Gujarat Today*, II, 1-121. For the role—past, present, and projected—of non-textile industries, especially those noted in the text, see *IG*, pp. 4-5, 10ff, and 16ff; *TESG*, pp. 64-107 and 156-8; and *Gujarat Today*, II, 8, 32-41 and 148ff. Data on the number of factories, employment, output, licences granted for expansion or for new plant, etc., are presented here. The rise of engineering, chemicals, etc., has led to a relative decline in the position of textiles. See, e.g., *IG*, pp. 4-5. Data on general growth are available in *Gujarat Today*, II, 8; *TESG*, pp. 66-7; and *IG*, p. 4.
- 20 Lamb, 'Business Organization . . .', p. 253.
- 21 See Timberg, *op. cit.*, for an account of some of the more prominent Gujarati business families and their background in commerce and finance.
- 22 See H. C. Malkani, *A Socio-Economic Survey of Baroda City* (Baroda, 1957); p. 2; Philip W. Sargeant, *The Ruler of Baroda* (London, 1928); pp. 122, 222ff, 234, and esp. 238-51; Stanley Rice, *Sayaji Rao III, Maharaja of Baroda* (London, 1931), I, 100ff, and II, 115-16 and 122ff; *Speeches and Addresses of His Highness Sayaji Rao III Maharaja of Baroda, 1877-1927* (London, 1928), xxv, 'The Revival of Industry in India' (1902), pp. 83-117, xxxix, 'The Needs of Indian Industries and the Lines of Advance in Education' (1906), pp. 183-217, and xli, 'Swadeshi and Western Methods' (1908), pp. 221-230.
- 23 See *Speeches* . . ., xxv; Sargeant, *op. cit.*, p. 247; Rice, *op. cit.*, II, 115-116.
- 24 See *Speeches* . . ., xxv, xxxix, xli, and Sargeant, *op. cit.*, p. 250, where, in a government order on state financial assistance to industry, the 'apathy of the public' is cited. Rice, *op. cit.*, also adverts to the Maharaja's view of public inertia.
- 25 Rice, *op. cit.*, stressed this factor, as well as public inertia.
- 26 Baroda was on the main railway lines involving Bombay (some 250 miles distant), Ahmedabad (about 65 miles distant), and New Delhi. *TESG*, pp. vi, 4, and 94, stresses Sayajirao's contribution. In addition to the establishment of

state industries, Sayajirao established the Bank of Baroda (1908), created a separate department of commerce and industry in the state government (1909) to provide assistance to industry, built an elaborate railway network, and encouraged 'co-operative investigation' of industrial possibilities, whereby the state and the industrialist would each contribute to the cost of a 'feasibility' study, with the state assuming the entire expense if the joint search proved fruitless, and the industrialist assuming the entire expense if it proved fruitful. See Sargeant, *op. cit.*, pp. 247ff, and esp. 250-1 for the joint search. Illustrative of the problems, however, is a state administrative report for 1923-24 which indicated that 'no application under the Co-Operative Investigation of Industries Scheme is recorded', although it is noted that the Director of Commerce and Industries had had interviews with 300 people engaged in or desirous of starting industries and that loans totalling Rs. 27,500 had been sanctioned by the state. In 1924-25 Alembic Chemicals, now one of Baroda's major industries, undertook a joint search but it is interesting to note that, in reporting this fact, Sargeant gives no indication that Alembic was a particularly notable or promising industry. For all of these points, see Sargeant, *op. cit.*, p. 251. There were other factors involved, including Gandhi's emphasis on *swadeshi*, as will be noted below.

- 27 See *Speeches*, xli, and Rice, *op. cit.*, 1, 100ff.
- 28 Although none of his published speeches refer to Gandhi's emphasis on more primitive technology, Sayajirao made it clear very early that in his view an economy based on local handicraft industry was doomed to failure. See the three speeches noted above.
- 29 Based on interviews, Baroda, 1966-67. The older respondents invariably noted the co-operative spirit of the State government, especially in the matter of tax concessions; but they also noted that state aid was still rather limited and that they hoped for more buoyant growth in free India, where more ample resources would be diverted to the industrial sector than was possible in Baroda State.
- 30 The date, 1918, is that given by the lineal descendant of the Baroda Mill-owners Association, the Federation of Gujarat Mills and Industries, to be discussed in some detail below. Malkani, *op. cit.*, p. 2, suggests an earlier founding.
- 31 Especially Baroda Spinning and Weaving, Shri Yamuna Mills, Sayaji Mills No. 1, and New India Industries in cotton textiles, and Shri Dinesh Mills in woollens. Of the nine textile mills which fall within the present boundaries of Baroda *administrative* district (which is very, very far from being coterminous with the old Baroda State), these five alone are in Baroda City. In 1960 these nine textile mills accounted for over 28 per cent of the registered factory employment in the district, and ginning and pressing firms (62 units), which are generally also of rather early origin but are individually much smaller, accounted for about 23 per cent. The total number of registered factories in this district in 1960 was 287, of which 83 were joint stock companies. See *Census 1961, Gujarat*, vol. 14, 'Baroda District' (Ahmedabad, Superintendent of Census Operations, Gujarat, n.d.), pp. 26-9, 38-9. Henceforth this will be referred to as *Census 1961*.
- 32 Baroda, as noted earlier, was a very far-flung princely state, with some of its territory embedded in other, rather remote jurisdictions. Some of the pre-independence activity involved some of these outlying jurisdictions which were very far from the present city and district of Baroda, with which we are concerned here.

- 33 The tax concessions included a tax 'holiday' for a few years and then taxes to increase in moderate slabs over time. Railway rebates were also provided (from an interview with Indubhai Patel, Director, Sayaji Iron and Engineering, Baroda, 1966). Indubhai stressed the great generosity and encouragement of the state government prior to independence.
- 34 Based on interviews with Pashabhai and Indrakant Patel, Baroda, 1966-67. Both agreed that Sayajirao was as encouraging as rather limited resources would permit and Indrakant tells the story that Gandhi once promised to become one of Pashabhai's salesmen, if he (Pashabhai) ever started producing tractors in India. Indrakant also relates that, while waiting for automobile repairs during a trip through central India, he was astounded to see Indians actually manufacturing pen points in a small shop and he underlined his surprise as an index of India's economic backwardness, which both he and his brother lay entirely at the feet of the British. Both brothers become extremely animated when they discuss India's recent industrial progress.
- 35 Based on interviews with Ramanbhai Amin, Director, Alembic Chemicals, Baroda, 1967, and with Messrs Mehra and Dalal, public relations and advertising managers of Alembic, in Baroda, 1966. A company pamphlet, 'This is Alembic', contains a brief history of the firm.
- 36 As noted by Ramanbhai Amin, who indicated that in Baroda State days, Alembic 'was in good shape', that it moved as fast or as slowly as it wanted, with reasonably swift attention to its problems and with minimal interference by the State.
- 37 See *TESG*, pp. 103, 105 for Alembic and Jyoti. Alembic and Jyoti also export on a significant and expanding scale, primarily to Southeast Asia and the Middle East.
- 38 Ramanbhai's father, Raj Mitra B. D. Amin, was one of the three founders of Alembic and was the guiding spirit in its infancy. Ramanbhai was educated in part in Germany; Nanubhai in the United States at M.I.T. and Cornell. They take great pride in the fact that the Alembic complex was developed with essentially no foreign collaboration (by contrast with some of the newer chemical/pharmaceutical houses, such as the Sarabhai firms, also in Baroda). Alembic Chemicals has done much work on, for instance, penicillin production, with purely internal resources, research, strains, etc.
- 39 For some further data on the Alembic complex, see Timberg, *op. cit.*, p. 97.
- 40 See *ibid.*, ch. iv and pp. 98-9, for some background and data on Sarabhais.
- 41 Based on communications with Messrs Pathak and Tripathi, Indian Institute of Management, Ahmedabad, who have done research on the rise of industry in Baroda.
- 42 Based on an interview with K. J. Divetia, Director, Sarabhai Chemicals, Baroda, 1967.
- 43 *Ibid.*
- 44 *Ibid.* Divetia stressed that Sarabhais insist on majority control.
- 45 According to mid-1960 figures contained in a membership list of the Federation of Gujarat Mills and Industries, Sarabhai Chemicals' work force is about 2500 as against about 2200 for Alembic Chemicals. Sarabhai-Merck and Suhrd Geigy employ some 900 more.
- 46 Based on Divetia interview.
- 47 *Ibid.*
- 48 Readers will doubtless have noted already the number of 'Patels' cited in the study, and there are more to come. Caution is therefore urged in keeping

them sorted out and, as is customary in Baroda itself, first names are sometimes used to this end.

- 49 Based on an interview with Asok Patel, Director, Chandan Metals, Baroda, 1967. Asok insisted that he would not have expected any undue hardship had he established his firm in Maharashtra and he cited the co-operative spirit of the Maharashtrians in the State government, when he was exploring the possibilities of establishing his own firm.
- 50 The estate is officially managed by the Baroda Industrial Development Corporation, which was sponsored, on Ramanbhai's initiative, by the Federation of Gujarat Mills and Industries, the principal, and Baroda-based, organization of industrialists in Baroda. Of ten industrial estates functioning in Gujarat in 1966, this was the only one which was privately sponsored. See *Industrial Bulletin*, vol. v. no. 1 (Ahmedabad, January 1966), p. 36. For other data on the estate, including its size and planned expansion, see *IG*, pp. 41-4 and *Gujarat Today*, II, 73. Some of the information cited is from an interview with Suresh Cirvante, Joint Secretary, Federation of Gujarat Mills and Industries, Baroda, 1966.
- 51 See *IG*, p. 44 and *Gujarat Today*, II, 72.
- 52 *Gujarat Today*, II, 88.
- 53 For some particulars on the petro-chemicals sector and on the refinery, see *IG*, pp. 130ff and *Gujarat Today*, II, 58. For Gujarat State Fertilizers, see *IG*, pp. 7 and 131ff; *Gujarat Today*, II, 60, 81-2; and *Industrial Bulletin*, Petrochemicals Utilization Number, vol. v, no. 3 (Ahmedabad, Directorate of Industries, Government of Gujarat, July 1966), pp. 10-13, 86. According to one source, the initial share capital of Gujarat State Fertilizers was set for Rs. 5 crore (1 crore = 10 million), with the State government contributing Rs. 2.6 crores, the balance to be raised through public subscription. See S. C. Pathak, 'Gujarat', in T. N. Kapoor (ed.), *Industrial Development in the States of India* (Delhi, 1967), p. 134. For some references to 'joint sector' ventures, see John P. Lewis, *Quiet Crisis in India* (Garden City, NY, 1964), pp. 238-9; Matthew Kust, *Foreign Enterprise in India* (Chapel Hill, NC, 1964), p. 314; and Spencer, op. cit.
- 54 Based on interviews with Baroda industrialists and officials of the government of Gujarat, Baroda and Ahmedabad, 1966-67. Some of the industrialists expressed the hope that the State would sell out its share once the fertilizer complex was firmly established but they cited no evidence to suggest that this was even a remote possibility.
- 55 For some figures, see *TESG*, p. 66; *Census 1961*, p. 34; and *Gujarat Today*, II, passim.
- 56 The table opposite for some major firms will suggest some dimensions of recent growth. The figures are very crude and not strictly comparable, however, as the first set is for the average number of workers employed per day, while the second represents the total number of employees of all classes and disregards absenteeism.
- 57 E.g., in 1966 Hindustan Tractors and Bulldozers received a licence to manufacture an additional 500 tractors per annum; Sarabhai Chemicals received a licence covering six items, old and new; and Sarabhai Machinery and Dinesh Woollens had applied for licences for major expansion. See *Industrial Bulletin*, vol. v, no. 3 (Ahmedabad, March 1966), pp. 80-3. Jyoti and Suhrid Geigy, already engaged in major expansions, have gone well away from Baroda City to build new plants. Availability of land, to be discussed below, is a major factor here.

	1953	1964
<i>Textiles</i>		
Baroda Spinning and Weaving	2287	2115
Shree Yamuna Mills	1613	1836
Sayaji Mills No. 1	2086	2578
New India Industries	636	925
Dinesh Woollens	421	747
Jagdish Mills	1401	evidently closed
<i>Oil Mills (vegetable)</i>		
Ambica Vijay	45	48
Gandhi Oil	38	180
Vithal	125	43
<i>Chemicals</i>		
Alembic	503	2215
Sarabhai	352	2532
Satyadev	17	133
<i>Glass</i>		
Alembic	241	1729
Baroda Crystal	195	263
<i>Engineering</i>		
Jyoti	454	2055
Sayaji Iron	163	631
Punjab Steel Rolling	107	211
Vasant Engineering	93	245
Swastik Engineering	59	139
Laxmi Vijay	61	70
Jayendra Metal	2	17
[Hindustan Tractors	not available	750]
[Chandan Metals	not established	480]

Based on data in Malkani, *op. cit.*, pp. 175-8 and the 1966 membership list of the Federation of Gujarat Mills and Industries, giving figures at 31 March 1966.

- 58 See *TESG*, pp. 67, 71, 101, 104, 171, and *Census 1961*, pp. 11, 14. *TESG*, p. 103, notes, for instance, that in the field of sub-station equipment, in which Jyoti specializes, 'most of the expansion [in Gujarat] is licensed for Baroda'. According to licensing figures for the period 1960-66, Ahmedabad, Baroda, and Surat dominated the Gujarat scene, as follows:

	<i>Licences for New Plant</i>	<i>Licences for Expansion</i>
Ahmedabad	20	75
Baroda	16	40
Surat	14	15

The following table, drawn from *IG*, pp. 3-4, is also revealing:

	% , by city, among registered firms			
	Factories, % of State		Employment, % of State	
	1960	1964	1960	1964
Ahmedabad	23.15	23.82	46.58	42.74
Baroda	4.38	4.77	5.79	7.29
Surat	14.54	12.28	5.41	4.74

Surat is a textile centre, in southern Gujarat.

- 59 *Census 1961*, p. 11. In 1961 (the most recent complete census), Ahmedabad had a population of approximately 1,200,000; Baroda, 298,000; Surat, 288,000.
- 60 For example, the *Patidars* were regularly and often lavishly praised in the old censuses and district gazetteers for their industry, thrift, etc., as agriculturalists. For some recent 'tributes' see Myron Weiner, *Party Building in a New Nation* (Chicago, 1967), pp. 71-8, which discusses Kaira district, to the north of Baroda, the stronghold of the *Patidars*; and Kusum Nair, *Blossoms in the Dust* (New York, 1961), ch. 22, 'In Kaira', which concentrates on the rural *Patidars*. Weiner, *Party Building*, p. 75, notes that an early Gazetteer described them as 'the best farmers in the district, sober, quiet, industrious, and except on such special occasions as marriages, thrifty'. He himself notes their 'readiness to move outside their district and indeed outside the country in order to maximize their prosperity' and terms this a sign of 'their extraordinary mobility and enterprise'. Although this is only an impression (shared by other observers), I should say that Baroda's *Patidar* industrialists are concerned far less with religio-cultural matters and with gross conspicuous consumption than are the Marwaris. The *Patidar* contingent in Baroda industry would include: Ramanbhai and Nanubhai Amin, Pashabhai and Indrakant Patel, Asok and Arun Patel, Indubhai Patel, Upendrabhai Patel, Lalitchandra and Bhupendra Patel (of LMP Co.), primarily in engineering.
- 61 Most of the major engineering and chemical/pharmaceutical figures have travelled extensively throughout the world, often representing India at international conferences. (Just prior to my interview with him, Indrakant Patel, for instance, had just returned from an ECAFE conference in Bangkok.) As already noted, Ramanbhai Amin was educated partly in Germany, Nanubhai Amin in the USA. The directors of Sarabhai Chemicals, Dinesh Woollens, and Sussen Textile Bearings, to name only three others, received either engineering or business training abroad, the first two in the USA, the last in Germany.
- 62 Many, for instance, are directors or on the board of directors of other firms elsewhere in the State. Ramanbhai Amin's election to the presidency of the FICCI reflects this, as, in a modest way, does the marital alliance involving Ramanbhai's family and the Kirloskar family, who are Brahmins from Maharashtra and one of India's most prominent industrial (engineering) families.
- 63 Complete data were not available with respect to the industrialists' involvement in civic, cultural, and other non-business organizations and affairs. However, the limited evidence available indicates that many of the prominent Baroda industrialists are deeply involved in such areas. As suggested, many are involved prominently in the Baroda Lions Club (e.g., Nanu Amin,

- K. J. Divetia, Manubhai Parikh); some have been members of the Senate and/or Syndicate of the Maharaja Sayajirao University of Baroda (e.g., Nanu Amin, Upendra Patel); some have been strong supporters of the development of Vallabh Vidyanagar, an educational and agro-industrial complex in the *Patidar* 'stronghold' (Charotar region) of central Gujarat (e.g., Upendra Patel is a member of the Senate of Sardar Vallabh Vidyapith, the University at Vallabh Vidyanagar); and many retain close ties with their ancestral home regions and with their caste groups. According to certain highly placed individuals at the M.S. University of Baroda, there is some support to have Nanu Amin selected as the next Vice-Chancellor of that institution; and, further, very elaborate collaborative programmes have been worked out between the faculty of technology and engineering at the University and major industrial establishments in Baroda, notably Jyoti, Alembic, and Sarabhai Machinery. (Similar collaborative programmes have been worked out with the Gujarat State Electricity Board, the State fertilizer complex, and others.) The most salient feature of the collaboration is that students from the University spend several months at an industrial establishment, first 'learning the ropes' and then carrying on some project, during the course of their educational career. In addition, however, certain firms (including Jyoti) have given equipment, etc., to the University to assist on-campus instruction in certain fields. It is thus clear that their influence extends beyond the industrial realm, but we cannot be sure what the extent of their influence is.
- 64 As we shall see below, some prominent Baroda industrialists are involved in State-level government financial agencies and in the State-sponsored, joint public-private sector of Gujarat State Fertilizers Corporation and it was on interviews with politicians and civil servants involved in such ventures that the above, largely impressionistic, judgment was based.
 - 65 These two are, of course, affiliated with other organizations, such as the FICCI, and there are other trade and business organizations through which individual firms operate.
 - 66 'Activities of the Federation and Short History', mimeo, p. 2.
 - 67 *Ibid.*, pp. 2-3.
 - 68 According to official FGMI records, there were 196 members, at 31 March 1966. Of these, 25 were textile mills, 46 oil mills, 51 engineering firms, 23 in chemicals, pharmaceuticals and dyes, 15 flour and pulse mills, and 4 glass factories, with the balance classified as miscellaneous.
 - 69 Based on interviews, Baroda, 1966-67.
 - 70 E.g., they seek to have representatives of small-scale industries, although this is not constitutionally required.
 - 71 Based on interviews, Baroda, 1966-67. It would appear that prior to the 1960s textile men were more prominent than they are now. Some of the evident malaise of the textile men may be attributed to the refusal of the FGMI as a whole to endorse their plea for government subsidized raw materials, a matter to be discussed below.
 - 72 Based on records of the FGMI. In the category 'other' has been put a representative of the Sarabhai industries, from Ahmedabad, as he is not identified with any single Baroda firm.
 - 73 From interviews. Many of the older men in textiles and in oils come from *Bania* families and were inclined to be less 'deferential'.
 - 74 Among the industrialists who were interviewed and/or who responded to the questionnaire were: Ramanbhai Amin, Alembic; Nanubhai Amin, Jyoti; Upendra Patel, Dinesh Mills; Indubhai Patel, Sayaji Iron; Pashabhai

- and Indrakant Patel, Tractors and Bulldozers; K. J. Divetia, Sarabhai Chemicals; Asok Patel, Chandan Metals; Haribhai Desai, Swastik Engineering; Dilip Mehta, Bharat Metals; Suresh Mehta, Suessen Textile Bearings; Lalitchandra and Bhupendra Patel, LMP Co.; Manubhai Parikh, Dye-Azo; Rameshbhai Parikh, Shri Yamuna Mills; Dinesh Chimanlal, Baroda Spinning and Weaving; Suresh Cirvante, Joint Secretary, FGMI; Mohanlal Varma, Secretary, CGCC.
- 75 Based on interviews, Baroda, 1966-67.
- 76 Such issues are in a broad way set forth in W. H. Morris-Jones, *Government and Politics of India* (2nd ed., London, 1967), chs. 1 and 2.
- 77 Based on interviews, Baroda, 1966. Malkani, op. cit., p. 2, mentions a Chamber of Commerce in the early twentieth century.
- 78 Indubhai Patel, Sayaji Iron, was the CGCC's first president, Ramanbhai Amin the second.
- 79 E.g., among the ambiguities, etc., one might note that Pashabhai and Indrakant Patel were rarely cited by their colleagues as local industrial leaders, although they are clearly major industrial figures. So, too, Lalitchandra Patel is by no means a major industrial figure, although as a wealthy, well-connected Congressman, with some business interests, he is fairly prominent.
- 80 See S. Ambirajan, *The Taxation of Corporate Income in India* (London, 1964); A. H. Hanson, *The Process of Planning: A Study of India's Five-Year Plans 1950-1964* (London, 1966), ch. 12; Kust, op. cit., ch. 11; and Weiner, *Politics of Scarcity*, ch. 5, for some relevant information on taxation and the response of industrialists. The annual sessions of the Federation of Indian Chambers of Commerce and Industry, and the annual reports of individual firms (for which the *Times of India* and the *Economic and Political Weekly* may be consulted) are also useful.
- 81 See George Rosen, *Some Aspects of Industrial Finance in India* (London, 1962), and Kust, op. cit., for relevant background.
- 82 Based on interviews, Baroda, 1966-67. When asked to discuss the major problems confronting their firms, Baroda's industrialists rarely volunteered information on taxation.
- 83 Based on questionnaires received in 1966-67.
- 84 See IG, pp. 91-2ff for the tax holiday and some related matters. See *Gujarat Today*, II, 111 for octroi exemption; IG, pp. 9, 75, and *Gujarat Today*, II, 138ff and esp. p. 143, for electricity concessions.
- 85 Ibid.
- 86 Based partly on interviews, and on Kust, op. cit., ch. 11, and Ambirajan, op. cit. The 'nuisance' taxes are discussed by Ambirajan, op. cit., pp. 293ff.
- 87 Based on interviews, Baroda, 1966-67.
- 88 Based on interviews, Baroda, 1966-67.
- 89 Based on interviews, Baroda, 1966-67.
- 90 See Mahesh Bhatt and V. K. Chawda, 'The Economic Growth of Gujarat', *Economic Weekly*, 25 September 1965, p. 1486, for the performance of the SFC in Gujarat and its national ranking. For the following points, see IG, pp. 20ff, 46ff, 85-7, and *Gujarat Today*, II, 80-1. In 1962 the SFC liberalized the scope of its assistance to include guaranteeing of loans secured elsewhere, underwriting of stock issues, raising the limit on advances to public limited companies from one to two million rupees. (*Gujarat Today*, II, 80-1.) Aid to small scale industries includes direct financial assistance, making machinery available on hire-purchase, power subsidies, guaranteed government purchases, raw material procurement, etc. (IG, pp. 20ff.)

- 91 Based on interviews, Baroda, 1966-67. For emphasis on the role of bakshesh, see Weiner, *Politics of Scarcity*, ch. 5.
- 92 Based on interviews, Baroda, 1966-67. Legal fees for professional assistance, the cost of travelling to Ahmedabad for personal representations, etc., were also cited in this connection.
- 93 Based on interviews, Baroda, 1966-67. This was not the only occasion on which Baroda industrialists admitted to engaging in somewhat devious practices to circumvent one or another law or obstacle.
- 94 Based on interviews, Baroda, 1966-67. As we have seen, however, the respondents felt that relations with financial agencies of the State and central governments were generally satisfactory, suggesting, perhaps, a somewhat paranoid response to the 'social control' resolution.
- 95 This issue came to a head in July and August 1969 and is well-covered in the daily press, both domestic and foreign. As we shall see, Desai was regarded as by far the best available man to serve as Prime Minister and his (perhaps temporary) decline must certainly have angered the Baroda industrial community. Correspondence with a few of the industrialists supports this belief.
- 96 See *Politics of Scarcity*, p. 139.
- 97 See the items cited in note 60 above.
- 98 Kust, op. cit., p. 77, notes that 'great difficulty is usually encountered by private industrial undertakings in purchasing factory sites . . .' See also *IG*, pp. 59-60.
- 99 *Gujarat Today*, II, 103.
- 100 The Supreme Court decision was handed down in 1962. See Kust, op. cit., p. 77. For some events in Gujarat pursuant to this, see *Gujarat Today*, II, 88-9.
- 101 Kust, op. cit., p. 77.
- 102 Kust, op. cit., p. 77, and *Gujarat Today*, II, 88-9, 104. Kust notes that the ordinance 'evoked considerable criticism' and that 'agricultural interests were particularly apprehensive that their property would be sacrificed for industrial development'. The amendment was made retroactive, and this provision was upheld by the Supreme Court.
- 103 Kust, op. cit., p. 78. *IG*, p. 59, notes that no application to the State will be entertained unless there is evidence that the industrialist made a serious effort to acquire the land privately, that he offered a reasonable price, that the land was not in excess of immediately licensed needs, and that, if the land was good agricultural land, no alternative site was available.
- 104 See *IG*, p. 58, and Kust, op. cit., p. 78. Kust, op. cit. pp. 239-40, indicates that a private limited company restricts the right to transfer shares, limits members to 50, and prohibits any invitation to the public to subscribe for any shares or debentures. The Industrial Finance Corporation of India, one of the foremost financial institutions in the country, also cannot make loans to private limited companies. See George Rosen, op. cit., p. 85.
- 105 *IG*, p. 21. See also *ibid.*, p. 38.
- 106 *IG*, pp. 59-60. See also *Gujarat Today*, II, 103. For a brief account of land-taking for industrial purposes in the state of Uttar Pradesh, see Paul Brass, *Factional Politics in an Indian State: The Congress Party in Uttar Pradesh* (Berkeley, 1965), p. 154. Brass notes that as a result of pressure from agriculturalists 'the Government of Uttar Pradesh decided to reduce the amount of land to be acquired from 35,000 to 6,000 acres only' for industrial development around the city of Ghaziabad in Meerut district.

- 107 E.g., in Baroda, Chandan Metals, a major producer of steel furniture, confronts this problem in serious form, and, as a private company, has found it extremely difficult to secure the necessary acreage for expansion.
- 108 Estates not only acquire land, but by providing floor space, roads, water, etc., for occupants, they aid small scale industrialists in many important ways.
- 109 Some of the major firms, e.g. the Alembic complex, maintain canteens for their employees, for whom subsidized meals are provided. Many of them have elaborate studies to indicate the proportion of total labour cost which is accounted for by food needs.
- 110 Humanitarian and 'public relations' motives reinforce these, which I judge to be the most important factors in attempting to develop the programmes mentioned below.
- 111 Some of the industrialists who are responsible for this programme of agricultural development are also trying to develop their own technologically advanced farms and ancillary industries (such as canned foods), partly for tax reasons, partly for the 'demonstration effect'. Here land ceilings, which have in some cases been circumvented, constitute an obstacle, according to the industrialists. Further, certain industrialists in the region are moving in the direction of vertical integration, whereby agriculturalists are provided with seeds, fertilizer, etc., in return for delivery of specified quantities and qualities at specified times. For example, Hindustan Lever has undertaken such operations in Gujarat, in connection with its growing packaged food operations. It is also worthy of note that the Baroda Lions Club has an agriculture committee, established in 1966, its first aim being the inauguration of a rodent control programme to improve local agricultural output.
- 112 Some indication of the situation is provided by the data for electric utilization in Baroda district over the decade 1950-51 to 1960-61:

Year	Industrial Power	Total Utilization
1950-51	3,008 kWh	7,516 kWh
1955-56	6,107 kWh	14,472 kWh
1960-61	59,972 kWh	116,213 kWh

Based on data in *Census 1961*, p. 27. For further data see also *IG*, pp. 72ff, and *Gujarat Today*, II, 107ff, and 133ff.

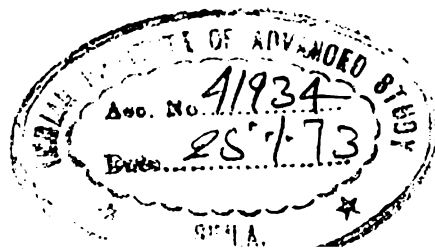
- 113 See, e.g., Bhatt and Chawda, loc. cit., p. 1483.
- 114 *Ibid.* According to this source, the rates in Gujarat ranged from 17 to 21 *np* (100 *naya paisa* = 1 *rupee*), vs., in the Punjab from 5.9 to 6.14, in Madras from 2.01 to 7.63, and in West Bengal from 6.35 to 7.89 *np*.
- 115 Based on interviews, Baroda, 1966-67. A few industrialists cited one case in which preliminary work had begun on a project in Gujarat and for which further materials had been assembled, but had been allowed to lie unused, as Bombay's resources were diverted to similar projects in the Maharashtra area.
- 116 This was repeatedly cited by most industrialists, with only one arguing that the larger, undivided Bombay State would have afforded better likelihood of industrial progress for the Gujarat section. A forthcoming study by Robert Stern, *The Oppositional Process in India: Two Case Studies*, pp. iii, 80-1 of the mimeo MS, indicates that Ahmedabad industrialists had precisely the same feeling about greater accessibility of government, and favoured the bifurcation of Bombay.
- 117 See *TESG*, ch. 8 and *IG*, pp. 9 and 72.
- 118 Based on interviews, Baroda, 1966-67. See also *Indian Recorder and Digest*, vol. 10, nos. 8-9 (July-August 1964), p. 24.

- 119 We have already noted some of the concessions made by the State of Gujarat in the area of power. For power-intensive industries, power is supplied at concessional rates, with the State government reimbursing the State Electricity Board for the differential. Information was not available on the public reaction, both urban and rural, to such a policy but this would be an interesting area to explore in considering relations between a *segment* of the industrial community and other elements of the population. The State government was also praised for eliminating regional differentials in power rates in 1965. See *Gujarat Today*, II, 138ff.
- 120 See *Indian Recorder and Digest*, vol. 13, no. 1 (January 1967), p. 17; *ibid.*, vol. 14, no. 8 (August 1968), pp. 16-17; and *ibid.*, vol. 15, no. 1 (January 1969), pp. 20-1, for some information on recent plans for Dhuvaran.
- 121 *Indian Recorder and Digest*, vol. 14, no. 8 (August 1968), pp. 16-17.
- 122 *Loc. cit.*
- 123 Based on correspondence with Baroda industrialists, 1968-69.
- 124 There are many other examples of this. Based on interviews, Baroda, 1966-67.
- 125 Based on interviews, Baroda, 1966-67. See also *Indian Recorder and Digest*, vol. 10, no. 1 (January 1964), p. 24.
- 126 Based on interviews, Baroda, 1966-67. This complaint was registered even by very small scale industrialists whose power requirements were decidedly limited.
- 127 *IG*, pp. 64-5. See also *TESG*, vii-viii, pp. 22-3, 112-13, and 173.
- 128 See *Indian Recorder and Digest*, vol. 11, no. 12 (December 1963), pp. 22-3, where the agreement is noted. The meeting occurred on 17 November 1963.
- 129 *Indian Recorder and Digest*, vol. 10, no. 8-9 (August-September 1964), p. 24.
- 130 *Indian Recorder and Digest*, vol. 11, no. 5 (May 1965), p. 18, notes Khosla's optimistic prediction. See more generally *IG*, pp. 65-6.
- 131 *Indian Recorder and Digest*, vol. 15, no. 6 (June 1969), p. 23.
- 132 The most prominent early leader of the Swatantra Party in Gujarat (both in the organizational and parliamentary wings) was Bhailalbhai Patel, a very respected retired engineer, and Patel and many of his party associates insisted that Gujarat could undertake significant stages of the Narmada project unaided. Baroda industrialists doubted that anything of consequence in the hydro-electric field could be undertaken, although some irrigation projects were deemed feasible.
- 133 Based on interviews and correspondence with Baroda industrialists, 1966-69.
- 134 There were other instances cited of the alleged broad-mindedness of Gujaratis. For example, Morarji Desai was cited as a public figure who bent over backwards to avoid the appearance of favouritism to his home State and some industrialists noted that the major figures at the refinery were non-Gujaratis, which, they said, was of no concern in Gujarat but a comparable situation elsewhere would in their view give rise to a great outburst of local chauvinism.
- 135 Based on interviews, Baroda, 1966-67.
- 136 Other facets of this problem will be discussed at several junctures below.
- 137 R. N. Sheth, 'Trade Union in an Indian Factory', *Economic Weekly*, vol. xii, no. 29-30 (23 July 1960).
- 138 *Ibid.*, p. 1159.
- 139 *Ibid.*
- 140 *Ibid.*
- 141 *Ibid.*, p. 1160.
- 142 *Ibid.*

- 143 *Ibid.*, pp. 1161-2.
- 144 *Ibid.*, p. 1166. Interviews, Baroda, 1966-67, with trade union and socialist party members supported this contention.
- 145 Sheth, *op. cit.*, pp. 1162-3.
- 146 Based on interviews, Baroda, 1966-67. Some of these workers' amenities are required by law, but even taking this into account the Alembic complex seems to have done quite well.
- 147 *Gheraos*, which involve sit-ins or other forms of cordons to prevent an individual or group from leaving his office, home, etc., have become a quite popular form of labour protest in some areas, notably in Bengal. For some reference to the Bengal situation, which has been far more turbulent than anything seen in Baroda, see, e.g., *New York Times*, 22 October 1967, p. 2, 'Indian Industrialist Decries Lack of Discipline Among Labor in Bengal', and *New York Times*, 10 August 1969, p. 5, "'Gheraos" Plague Indian Officials'.
- 148 Based on interviews, Baroda, 1966-67.
- 149 That is, Gandhi personally intervened in an Ahmedabad textile strike and presumably set the 'tone' for amicable labour-management relations in that city.
- 150 See Kust, *op. cit.*, p. 433 and, in general, ch. 13, 'Labor Laws and Policies'. See also Lewis, *op. cit.*, pp. 246-7, Weiner, *Politics of Scarcity*, p. 126, and IG, pp. 164ff, for some details on the legislation and on responses to it.
- 151 Lewis, *op. cit.*, p. 246. He cites the reluctance to add extra shifts on a temporary basis because of 'the long-term obligations (including severance pay) to additional workers that would be incurred under existing law . . .'
- 152 The first quoted fragment is from Lewis, *op. cit.*, p. 247.
- 153 *Politics of Scarcity*, pp. 127ff.
- 154 This phrase has been popularized in India by leaders of the pro-private enterprise Swatantra Party.
- 155 See, in general, Kust, *op. cit.*, chs. 6, 8, and 10.
- 156 Except as otherwise noted, all evidence adduced in this section comes from interviews, Baroda, 1966-67.
- 157 See Kust, *op. cit.*, ch. 5, 'Foreign Exchange Control', for some general background. See also the chapter on licensing in general. Kust notes (p. 125) that licensing problems (which are discussed below) are at their worst when foreign exchange is involved, with often as many as a dozen ministries, committees, and controllers scrutinizing and passing judgment upon applications. This 'results in inevitable protraction' of the process.
- 158 This was particularly noted for the Shastri period, which was favourably viewed by most respondents.
- 159 For an examination of pro-restriction views, see Howard L. Erdman, 'Chakravarty Rajagopalachari and Indian Conservatism', *Journal of Developing Areas*, vol. 1, no. 1 (October 1966).
- 160 For some discussion of price policy, see Kust, *op. cit.*, pp. 177ff. For licensing and regulation of industry, see *ibid.*, ch. 6, 'Licensing and Regulation of Industry'.
- 161 We have already noted that Nanubhai Amin is the most aggressive free enterprise ideologue in the group and he is a major Swatantra leader in the city. Ramanbhai exerts great influence, however, and it was in part due to his position in the FICCI at the time this study was carried out that he was not more vocal on the Baroda scene.
- 162 For the party's economic programme, see Erdman, *op. cit.*, ch. 8. The stated programme explicitly rejects unbridled *laissez-faire*.

- 163 Most respondents who filled up the questionnaire declined to state whether they were members of, or had contributed to, any political party. For some of these, information was gained in 'off the record' interview responses and from other industrialists. Judgments about some of the industrialists were made on the basis of their responses to an address given by the author before the Lions Club of Baroda, on the subject of the place of the Swatantra Party in Indian politics. The address was rather critical of Swatantra, and some of the industrialists present, although nominally independent, rose quickly and vigorously to the defence of Swatantra. With respect to Nanubhai Amin's state-wide prominence in Swatantra, it need only be noted that throughout the 1967 general election campaign he was in fairly constant touch with party leaders in various parts of the State and he seems to have been regularly consulted by them on many matters. On the matter of company contributions to political parties, most industrialists seemed to approve of the proposed ban on such contributions, a ban which had been recommended by Swatantra from its inception and which was then taken up by Congress, after the 1967 elections.
- 164 This wing was associated with Sardar Patel until his death, and is now identified with Morarji Desai, former Deputy Prime Minister, and, to an even greater extent, with S. K. Patil, 'boss' of Bombay city.
- 165 See W. H. Morris-Jones, op. cit., and Rajni Kothari, 'The Congress "System" in India', *Asian Survey*, vol. vii, no. 12 (December 1964), pp. 1161-73.
- 166 For this, see Erdman, op. cit., chs. 6, 7, and 10.
- 167 Pashabhai Patel had stood for Parliament twice previously and had lost. In the 1967 elections, he was returned from Baroda but did not receive strong support from his industrialist colleagues, even those in Swatantra.
- 168 Different reasons were given for the favourable assessment of Shastri. All conceded that he was more 'pragmatic' than Nehru, which was to the good but some considered him to be fundamentally weak, with the virtues of his period of office due more to his willingness to let administrators assume greater responsibilities, while others felt he was 'a quiet Sardar Patel'—the 'iron man', sometimes termed the 'Bismarck of India'. See Michael Brecher, *Nehru's Mantle* (New York, 1966), chs. 5 and 6.
- 169 Significantly, Patil has been wooed by the Swatantra Party, which considers him virtually one of its own. This is suggested by the widely held view that had Patil—who was defeated in Bombay in the 1967 General Elections—stood in a by-election from Gujarat, Swatantra should either not have opposed him or put up a sure loser. (Patil had been mentioned as a possible candidate from Gujarat but chose not to stand.)
- 170 Cf. the judgment about Chavan. This is consistent with the general 'line' that Gujaratis are less parochial than other Indians. One major industrialist sought to underline this belief by noting that Gujaratis were not prominent in high positions in the public sector refinery, which, he said, did not trouble Gujaratis in the least. In other States, he contended, 'such a thing would be intolerable'.
- 171 This gentleman was the most vocal 'Gandhian' in the group interviewed, and much of his distress stemmed from the fact that many of Gandhi's programmes were being ignored, that all politicians now were trying to legislate too much and educate too little, etc.
- 172 One prominent engineering executive said this, in commenting on his refusal to stand as a candidate for Parliament from Baroda on the Swatantra ticket. He remains, nominally at least, an independent.
- 173 For some discussion of this in general terms, see Erdman, op. cit., ch. 2, and Weiner, *Politics of Scarcity*, ch. 5.

- 174 On the national level, for example, the Birlas, long a massive contributor to Congress, continued to support Congress financially in the 1967 elections but gave money to Jan Sangh and Swatantra as well, and certain prominent Birla organization figures stood as Swatantra candidates for Parliament, especially in Rajasthan.
- 175 The parochialism attributed to the Maharastrians caused concern, however, as an alleged index of a weak sense of nationalism. The activities of groups such as the *Shiv Sena* in Bombay City have reinforced this feeling in the FGMI elite.
- 176 One cannot guarantee a continuation of this pattern, but the elections of 1962 and, especially, of 1967, have made Gujarat virtually a two-party State, unlike most others in India. One factor which is quite likely to alter this pattern is the vulnerability of Swatantra to decay (if not disintegration), at both the national and State levels, although this party's Gujarat unit is one of its strongest. See Erdman, *op. cit.*, 'Gujarat' in the index.
- 177 It would be interesting to compare, e.g., the views presented here with views drawn from industrial elites in the States of West Bengal and Kerala, where the communists are quite potent, or in other States which have experienced considerable ministerial instability (even in the absence of strong leftist parties), such as the Punjab, Haryana, and others.
- 178 That is, they implicitly rejected Kothari's contention that the Congress 'system' was sufficiently democratic, in the absence of a single, strong alternative. See Kothari, *loc. cit.*
- 179 The only communal parties specifically mentioned in this connection were the Hindu Mahasabha, the Jan Sangh, and the Akali Dal. The Jan Sangh was, however, judged non-communal by many FGMI industrialists. There was greater agreement on banning the communist groups.
- 180 These industrialists felt that the law and order, free enterprise Congressmen and Swatantra would have no difficulty working together and that the Jan Sangh could be brought in by making certain concessions to its strongly anti-Pakistan stance. A Jan Sangh-Swatantra coalition, if not merger, has often been mooted. For this, and for some of the problems involved, see Erdman, *op. cit.*, ch. 9.
- 181 Those who argued for a stronger President did not discuss the likelihood of this coming to pass, either within the political framework which now exists or through some major constitutional changes (with the attendant political problem of getting the amendments passed). Presumably only a great sense of national crisis could induce the incumbent leaders to move in this direction, or in the direction of a 'national' government.
- 182 *Politics of Scarcity*, p. 129.
- 183 *Ibid.*
- 184 This is one of the main themes in Erdman, *op. cit.*
- 185 Short of this, however, the question arises as to what industrialists will do within the context of the present constitutional apparatus to restrain or suppress 'radical' movements, as, e.g., through a ban on the assorted communist and other leftist parties, through restrictions on speech and association, demonstrations, strikes, etc., through emphasis on such 'disciplining' activities as wide use of preventive detention laws and President's rule. I think the industrial elite could go quite far in these directions, as one would expect in the light of the reservations about the democratic process in general. See, further, Erdman, *op. cit.*, pp. 36-45, and *passim*.



UNIVERSITY OF LONDON
INSTITUTE OF COMMONWEALTH STUDIES
COMMONWEALTH PAPERS

Titles in Print

2. *Imperial Federation: a Study of New Zealand Policy and Opinion, 1880-1914*
KEITH SINCLAIR, 1955 4s 6d
3. *Richard Jebb and the Problem of Empire*
J. D. B. MILLER, 1956 4s 6d
4. *The Investigation of National Income in British Tropical Dependencies*
A. R. PREST, 1957 4s 6d
5. *The Inter-Se Doctrine of Commonwealth Relations*
J. E. S. FAWCETT, 1958 5s 6d
6. *The Commonwealth and Regional Defence*
W. C. B. TUNSTALL, 1959 6s
7. *The Nyasaland Elections of 1961*
LUCY MAIR, 1962 18s
9. *Population Characteristics of the Commonwealth Countries of Tropical Africa*
T. E. SMITH, and J. G. C. BLACKER, 1963 12s 6d
10. *Problems of Smaller Territories*
Edited by BURTON BENEDICT, 1967 35s
11. *Canadian-West Indian Union: A Forty-Year Minuet*
ROBIN W. WINKS, 1968 12s 6d
12. *Louis Botha or John X. Merriman: The Choice of South Africa's First Prime Minister*
N. G. GARSON, 1968
13. *Nigerian Politics and Military Rule: Prelude to the Civil War*
Edited by S. K. PANTER-BRICK
14. *Political Attitudes of Indian Industrialists: A Case Study of the Baroda Business Elite*
HOWARD L. ERDMAN, 1971 22s



Library

IIAS, Shimla



00041934

ISBN 0 485 17614 9