

**NATIONALISATION
OR
GOVERNMENTALISATION ?**

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SECOND WAR OF INDEPENDENCE

Political expediency was the real motivation behind banks' nationalisation in July 69. To achieve Ultra Leftist image and to liquidate a powerful "Syndicate", the then Prime Minister of India Smt. Indira Gandhi used the nationalisation instrument with superb acumen. Her power-craze had, at the same time, foreseen the advantages of centralising money-power with political power in her own hands which landed Indian masses ultimately in silent slavery under her dictatorship of Emergency Era (Jun 1975 - 77 Mar) These dire consequences of Governmentalisation under the Garb of Nationalisation were foreseen and prophetically predicted by Mananeeya Shri Thengdiji in his article published by NOBW in the shape of this book-let where in he had warned in the following words-

"The present move for nationalisation is thoroughly illconceived. Political expediency and scripturalism should not be suffered to play lightly with the entire economic life of the country. Let us not nationalise in haste and repent at leisure. Under the present circumstances, the move is nothing but a leap in the dark and again it is governmentalisation of the Industry. It will be a big step ahead in the direction of totalitarianism".

More than two decades have seen nationalised banks' astronomical expansion and business growth without any economic relief, to masses below the "Poverty-line" nor salvaged indian economy from total rut, Loot of public money through loans and advances from banks to industrialists, have landed 8 banks in red. They are New Bank of India, Punjab & Sindh Bank, UCO Bank, Vijaya Bank, Syndicate Bank, Bank of Maharashtra, Bank of India and United Bank of India. Apart from several smaller and one-state banks having been merged with bigger banks during the same period. The Banking authorities are concerned over trend of declining financial health of the Industry.

Unemployment has risen from 53 lakhs to 4 crores while hi-tech computerisation in last 7 years has eaten away around 5 lakh jobs in banking industry alone.

Rs. 1980 crores are locked up in 2,17,436 sick units till July 88. Thus Economic indicators present a shuddering picture of suffering masses, price rise, Unemployment and indebtedness to foreign powers.

Thirteen, out of top Hundred Centres, account for 42 1/2 percent of total deposits which stood at Rs 172,759 crores as on last friday of March 90. Total outstanding credit of these centres accumulated for 46.1 percent, which stood at Rs. 113,592 crores. This spells out concentration of wealth in 100 centres of which first 13 control the rest. Another frighthening feature is that India's external debts position has been going from bad to worse according to world Debt Tables 1989-90. Excluding IMF Debts, Indias total external Debts stood at 69.783 billion dollers to rise to 77.428 billion dollers in 1991 against 62.348 billion dollers in 1989 and 54.94 billion dollers in 1988. The series of scandals - Fairfax affairs, the German submarine deal, Bofors Gun Contract, Rajendra Sethia, Etc, Scandals, to name a few, rocked the nation periodically, and on each occasion agents from authority in power moved swiftly behind the curtain to save and shield the involved bureaucrats, boards, Chairman or custodians etc.

In this context a reproduction and recirculation of the historically prophetic article is hoped to impart a vision which the new generation is looking for. NOBW invites the banking youth to read, and ponder over the contents of this pamphlet and to act fast to save to the nation, from economic slavery and western hitech bondage.

With best wishes and greetings.

Brotherly
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An ordinance was promulgated on July, 19 nationalising 14 of the major commercial banks, incorporated in India, which had minimum deposits of not less than Rs. fifty crores at the end of June last. These banks together with the State Bank of India and its subsidiaries which already operate under public ownership account for more than 85% of bank deposits in the country. Branches of foreign banks incorporated outside India were excluded from the purview of the Ordinance.

This has been a link in the chain of dramatic political events.

On July 12 : The Congress Parliamentary Board chose Sri N. Sanjiva Reddy as the party's candidate for the Presidential nomination. Mrs. Gandhi expressed dissent.

On July 16 : Shri Morarji Desai resigned from the Union Cabinet.

On July 19 : The Ordinance nationalising banks was promulgated.

On July 21 : Both the houses of Parliament were scheduled to meet.

Comments regarding motivation would be superfluous.

Consequently, there was jubilation in certain quarters and apprehension in others. The gesture gave rise to certain pertinent questions:

Whether the impugned Ordinance contravened the fundamental rights under the Constitution ?

Whether the Ordinance was within the ambit of Art. 123 of the Constitution ?

It was felt that though the satisfaction of the President was a subjective factor, before that stage arises the existence of circumstances as an objective fact must have been there. Suspicions arose whether the promulgation of the Ordinance

was deliberately resorted to with a view to side-tracking full normal effective functioning of the Houses of Parliament on a matter of the most vital significance to the national economy. All could appreciate the statement of the Prime Minister that this "swift and sudden move" was necessary "to forestall any possibility of manipulations"; but there was difference of opinion about the identity of 'manipulators'. Some thought that they were bank-lords, others that they were her adversaries within the organisation.

Any way, the Supreme Court alone is competent to judge these issues.

Nobody ever claimed that Private Bankers were angels. That the Private Banking has failed to persue National policy and did not render adequate assistance to agriculturists and small scale industrialists is a fact. The credit facilities have to certain extent been utilised for speculative and unoroductive purposes. It has also helped the process of concentration of economic authority in a few hands. It has had its own commi-ssions and ommissions.

All right thinking persons are agreed on the urgency of introducing certain changes in the functioning of Banking industry to meet the requirements of the country. For example, we are all aware that agricultural financiag through the co-operative sector is not being used properly. The Reserve Bank has not been given the power to control the utilisation of these funds which the State Governments have been using for political ends. Today, there are innumerable bad debts in agricultural finance. Small peasants do not receive credit since they are not creditworthy. Only the creditworthy farmers, i. e. the bigger ones, can avail of credit facilities. Our problem is how to make uncreditworthy peasants creditworthy through the medium of credit facilities. For this purpose, it is necessary to organise financial consultation service which will require a peasant to produce his developmental plan, scrutinise it, introduce appropriate modifications in it and supervise its implementation so as to ensure that loans advanced to him enable him gradually to become creditworthy. In absence of such a financial consultaion service the main purpose in the

agricultural sector will never be served. The same holds good, though to a lesser extent, about small scale industrialists. Again, there is a vast unorganised money market flourishing in the country. It is already creating difficulties. These must not be allowed to increase. Tightening of the financial discipline for the whole money market is the need of the hour. An establishmentwise functional specialisation is also necessary. Needless to say that this enumeration is only illustrative and not exhaustive.

Nevertheless, it cannot be denied that the Ordinance was promulgated with undue and indecent haste.

We assert that this was a hasty step, not only because of the manner in which the measure has been rushed through but also because, even if such a drastic change was deemed to be advisable, it would have been in the fitness of things to await the recommendations of the Banking Commission which is examining the very problem of defining a structure for the banking system which would be more appropriate to the needs of the economy. We dare say that, notwithstanding her enthusiasm for this cause, the Prime Minister has not with her any blue print of nationalised banking. Her declaration is not preceded by adequate training of Managers and technicians so as to equip them for the new role. The needs of short-term finance for business will bring in its trail the question of decentralisation of power to agents in decision-making. This cannot be managed expeditiously by bureaucrats.

There is no clarity of thought about the role of Co-operative sector in agricultural finance under the new set-up, and financial consultation service for the benefit of farmers or small scale industrialists would again require specialisation. The place of bank employees in the new scheme has nowhere been defined. Rather, they have been taken for granted. Otherwise, as a gesture of goodwill, the Ordinance would have been accompanied by the initial declaration that the present pay-scales of the Bank of India would be made applicable to all employees of nationalised banking-including those of the subsidiaries of the State Bank-from July 1, 1969, and that they would have their due share in the management of nationalised industry.

Even supporters of this nationalisation are not sure how the Government proposes to check the flight of deposits, business and profits to foreign banks which are excluded from the purview of nationalisation. And, what is most important, the procedure through which the public accountability of the industry would be ensured has no where been laid down.

We do not credit Prime Minister with the ignorance of these aspects but her decision was influenced by political expediency and doctrinaire approach.

Our approach to the problem of Nationalisation is practical and pragmatic, and not doctrinaire and dogmatic. We consider Karl Marx as out of date as Adam Smith. "Das Capital" is as irrelevant to the existing conditions as "The Wealth of Nations".

Even in U. S. A., the Industry is not that free. After approximately century of free banking, it was placed under official control after the depression of the 1930's. The Government extended to deposits the sort of protection it had conferred on bank notes in 1863. All Commercial Banks in U. S. A. are eligible to come under the insurance protection of the Federal Deposit Insurance Corporation. Only a few banks remain outside the pale of the insurance programme. Federal and State banking authorities became much less liberal in granting new charters and reduced substantially the opportunities to engage in private banking. The more rigorous control of entry and of bank-lending reduced the incidence of bank failure almost to zero. Slightly less than half of the banks are members of the Federal Reserve system. It adds to their prestige and provides them with access to short-term loans and other Federal Reserve services. They have also to abide by Federal Reserve regulations prescribing minimum cash reserves and other phases of bank operations. Though more than fifty percent of the commercial banks do not belong to the Federal Reserve System, non-members account for only one-sixth of total bank assets. Banks bear a peculiar responsibility in so far as they are the means through which Federal Reserve Monetary policies affect the economy. Under the new system, banks function

mainly for the benefit of the general public rather than for that of their own managements or stockholders. The Americans, however, apprehend that the present network of regulations designed to preserve bank solvency may be carried too far. Thus free enterprise is not so very free even in U. S. A.

On the contrary, the centralised banking system of U. S. S. R. has not succeeded in achieving its original objectives. The primary tasks the Gosbank, i. e., the Soviet State National Bank, was expected to carry out were (i) to re-establish sanity in the Soviet Financial System through the stabilisation of the Soviet currency, and (ii) to develop sound credit operations, of which the bank had the monopoly, necessary, for the rehabilitation of economic activity in the country. The President of Gosbank is simultaneously Assistant Secretary of the Finance Ministry of the Soviet Union. The problems concerning credit are a function of the Soviet Govt. Article 14 of the constitution of the U. S. S. R. empowers the Government to direct the monetary and credit system. Greater concentration of economic authority cannot be conceived of. Never-the-less, the Soviet economy underwent a severe currency and credit inflation between 1925 and 1940, which was materially accelerated during the war between 1941 and 1948. Like other countries, the Soviet Union also had to use the method of deficit financing. According to one expert on Soviet economy, one of the paramount difficulties encountered by the Soviet State since the time planning was established has been the fluctuating value of Soviet currency. In spite of the centralised credit system leading to 'Control by the Rubble', the U. S. S. R. could not protect itself for decades - till it became an imperial power—from the evils of inflation, considerable decline in the purchasing power of the Soviet currency, various shortages of necessities, high cost of production, and low standards of living for the great majority of the people.

Thus, extremism on either side would be unjustified,—and divorced from realism.

In Great Britain, non-socialists and anti-socialists as well as Socialists have always been pragmatic,

Curiously enough, in Great Britain, the first experiments in nationalisation were conducted by the non-socialist and the antisocialist governments which were opposed, in principle, to nationalisation. In 1880, the High Court ruled that telephones were a State monopoly. By 1912, a nation-wide public telephone service had been established. Prior to that, in 1908, the Liberal Government constituted the great Port Trust of London Authority which "in some respects provided the model for future public corporations."

During the inter-war period conservative or conservative dominated Governments brought about nationalisation of the British Broadcasting Corporation, the Central Electricity Board, the London Passenger Transport Board and the Overseas Airways Corporation. Even before the Labour Party came to power in 1945 some other industries, i. e. Gas and Electricity, Harbours and Railways had begun to lose their 'private' character.

This nationalisation by anti-socialist governments was inspired by practical considerations. Even the criticism against the Labour Government's nationalisation moves was based upon practical considerations. The Labour Government nationalised different industries not so much for principle as for practical considerations which applied as much to the Labour nationalisations of 1945-50 as to the previous conservative and Liberal ones. For example, the under-capitalised coal industry would have been nationalised even if the conservatives had formed the Government in 1945. And the Labour party abandoned all talk about nationalisation of Banking Industry, after 1945.

It was customary to take into account the following factors before selecting any industry for nationalisation :

Is the industry 'basic' in Character ?

Is it being run inefficiently ?

Is it developing monopolistic tendencies ?

Is it suffering from bad labour relations ?

Is it unable to raise capital for its development ?

In course of time it was experienced that the nationalised industries are not necessarily more efficient than those in the private sector, that nationalised industries can also become monopolistic, and that labour relations under public sector are as good or bad as they usually happen to be under private sector.

And gradually it was realised that no industry could be 'nationalised' in the real sense of the term.

The Boards of Management of the different nationalised industries could not be made fully accountable to the nation for the discharge of their obligations. Parliament could not devise methods for bringing them effectively to account. Accountability presumes effective control of the industry, and the parliamentary system has been found to be unsuitable for such control. The statutory consumers' councils have also failed to regulate the affairs of the nationalised industries in their (i. e. consumers') interest.

Some questions, framed by British economists, about public accountability of nationalised industry would make an interesting as well as instructive reading.

1. What is the degree and character of control which the Minister should exercise over Nationalised Industry ?
2. Should the Nationalised Industry be considered as of equal status with the government department ?
3. Is it not possible that parliamentary interpellation will bring a loss of managerial freedom ?
4. How can you ensure that the Nationalised industry do not fall outside the democratic regime and become a step towards the corporative State ?
5. Who will control the day-to-day administration? How are the interests of consumers and employees to be guarded in the day-to-day administration ?
6. Should the Nationalised industry be a profit-making body? How should the profits be allocated? From where should the deficiency grant come in case of losses ?

Does not this question of profit touch the roots of conflict of interests between workers and consumers ? How do you propose to solve it ?

7. With whom will rest the powers of borrowing for capital investment? Who is responsible for development?
8. How will the Parliament be kept informed about the activities of the Nationalised industry? What effective check can the parliament ensure to see that the Nationalised industry is run on efficient lines? How can you avoid the danger of Nationalised industry becoming an arbitrary empire?
9. Who should take decisions of non-economic character e. g. (a) extension of facilities of uneconomic rates in rural areas, (b) policy regarding wages, prices etc., (c) contributions to charitable appeals, political parties, research and university centres, publications, scientific and popular causes, public festivities etc., (d) relations with foreign countries, launching of uneconomic export drives?
10. Can a Member of Parliament ask questions of detail and particular point of service of Nationalised industry? How can they gather the requisite information to exercise the necessary vigilance? Will not such a practice impair the Nationalised industry's commercial freedom of action? How will you prevent this method from affecting the initiative of the staff, tendency of centralisation in administration? Will it not make executive positions in the nationalised industry less attractive to men of outstanding ability, with first class business mind?

(If Ministers are made liable to unlimited questions this would force the boards towards centralisation and bureaucracy and create disincentives to efficient management).

11. Who is to audit the accounts of a Nationalised industry? What are the limits of such audit? Can they make any pronouncements on technical competence, efficiency and organisational structure, budgetary policy and such other broad and important topics?

12. Do you feel that the M. P.'s who are normally burdened with dozens of interests and innumerable claims on their time and energy are competent to assess the efficiency of Nationalised industries? How do you then ensure public accountability of these concerns—that they are run in public interest?
13. Generally the magnitude and complexity of these organisations is such that expert guidance is needed to evaluate their performance. How can then we develop effective methods of public criticism, desired organs of security and investigation which can act without political interference—who can act as eyes and ears of the general public?

The British Socialists have frankly admitted the failure of their experiments in this respect. They are still bitterly opposed to private capitalism, but they no longer consider Nationalisation as a panacea for, or the only alternative to, private capitalism. In a statement of Labour House Policy accepted by the Sixtieth Annual Conference of the Labour Party at Blackpool, (26th October, 1961) other forms have also been respectfully referred to :

“To achieve these different purposes the forms of public ownership will, of course, vary widely. Already we can see it developing in various forms—nationalisation of a whole industry or firm, State participation in industrial companies on a partnership basis, the establishment of a State-owned undertaking competing with private concerns, municipal enterprise and finally, cooperative ownership. All these kinds of the social ownerships have their part to play in meeting the danger of monopoly, in achieving a fair distribution of the national dividend—and most important of all, in helping to fulfil our national plan for economic growth.”

It would also be interesting to note the reaction of the British Trade Union Congress on this issue. The Interim Report on Public Ownership (TUC 1953) states: “The almost uncritical enthusiasm for public ownership displayed by the trade unions before 1945 has given way to cautious approbation and a reluctance to support the taking over of further industries

by the State. There is a group of unions, some communist-dominated, others with a strong, old-fashioned socialist tradition, that is still determined to see public ownership as the panacea for all social problems, but the report presented by the General Council and adopted by the 1953 Trade Unions Congress, illustrates the doubts of the majority."

The Report analyses the trade union approach to public ownership, the experience of public ownership in the major industries nationalised since 1945, the current economic background against which further proposals for nationalisation had to be seen, and the criteria for the future taking over of industries.

Trade Unions opposed to Further Nationalisation

B. C. Roberts in his *Trade Unions and Nationalisation* observes,....."the change in the attitude of the unions is a fundamental one: they are not prepared, at this stage, to recommend that nationalisation should be carried much further, and it is worthwhile considering why they have reached that conclusion.

"The appeal which the public ownership of industry has made to the trade unions in the past, was both an ideological and a practical one. Ideologically, the public ownership of industry was viewed as the vital step to a new type of society, a society free from the hardships which working men and women had been compelled to endure for centuries; which would be co-operative rather than competitive; an El Dorado which would fulfil the dreams of everybody. Practically, it offered the hope that the unions might be able to secure higher wages and better working conditions through the abolition of profits; the maintenance of full employment through the more direct control of the state over the operations of industry; and a say in management through the greater influence of the unions and even the direct representation of the unions on boards of management.

* To what extent have the objectives of unions been achieved by the nationalisation of basic industries? Ideologically, so far as the great mass of trade union members is concerned, nationalisation has been a failure. No one, in any of the indust-

ries, is widely enthusiastic about the results, and the general attitude of most members is, to a very large extent, one of indifference."

The TUC Report (1953) clearly reveals that the hopes of workers about satisfactory wage-increase under nationalised industries are already shattered. It can be asserted on the strength of experience that the maintenance of full employment has little to do with nationalisation. And the climate of industrial relations in nationalised industries is not significantly different from what it is under private enterprise.

Joint Consultation Under Nationalisation A Failure :

Joint consultation under nationalisation has been a failure. Though in 1930's the unions demanded participation in the management of nationalised industries, their tendency today is "to move away from expecting much from the appointment of trade unionists to the boards of nationalised industries." The TUC Report on Post-War Reconstruction made it clear that it would not be in the best interests of work-people of a nationalised industry to have, as directly representative of them, members of the controlling board who would be committed to its joint decisions. "It will be essential not only, for the maintenance and improvement of the standards and conditions of the work-people, but because of the power of independent criticism that they can exert, that the trade unions shall maintain their complete independence. They can hardly do so if they are compromised in regard to board decisions, which are not considered to be in their member's interests by the fact of their representatives' participation in them."

Whether the interests of the workers and those of their Industry cannot or should not be made reconcilable through appropriate change of attitudes is a different question; but the fact remains that in Great Britain trade unionists selected for membership of the boards, cease to have any connection with their own union. Workers in every nationalised industry feel that no fundamental change has occurred after nationalisation. Nationalisation has failed to bring about the expected transformation of the relationship between employers. This has given rise to "the continuing dissatisfaction of many work-people with the structure

of the nationalised industries, and with the limited extent to which they can influence the policy of the industries in which they work. " (Trade Union Congress : Interim Report on Public Ownership, 1953)."

As Clive Jenkins puts it, . . . " the outworn owner-worker relationship has been carried over into the public corporations. "

Gaitskell's View : Against this background it would be easier to appreciate what late Mr. Hugh Gaitskell, a renowned Labour Leader, wrote in 'Socialism and Nationalisation' :

" It may be said that nationalisation has not so far lived upto expectations in this matter precisely because too much power is left in the hands of managements and not enough given to the workers. Certainly most of us would like to see a greater degree of "workers control " and there will be general agreement on the desirability of creating a sense of partnership and participation. But the very hesitations and doubts which assail the Labour Movement on "workers control " at the moment show how much more complicated the issue of " power " is than at first sight appears. "

Consequently, after studying dispassionately the experiment of nationalisation in different industries, Mr. Gaitskell came to conclude, "I disagree with the view that nationalisation or even public ownership is the be-all and end-all, the ultimate first principle and aim of socialism. "

Mr. Anthony Crosland, Labour M. P., writes in "Socialist Commentary " (December, 1959), "We must conclude that the ownership of the means of production is no longer the key factor which imparts to a society its essential character. Either collectivist or private ownership is consistent with widely varying degrees of liberty, democracy, equality, exploitation, class feeling, planning and workers' control."

Nationalisation is thus not only a Socialist first principle; even as a means to end it is now less central to socialists Strategy. "

“ A Dinosaur, with a Large Heart but a pin-head”:

Mrs. Eirene White, M. P., yet another socialist leader of G. B. said at Scarborough on October 6, 1960, “it is no good just bashing away at nationalisation like a dinosaur. We all know what happened to him : he had a pin head, and he is extinct.”

Another British Socialist, Mr. F. J. Bellenger, asserts, “I have no doubt at all that we must scrap nationalisation. That is politics—“Government of the people, for the people, and by the people,”—and the people have spoken. They want no more of the Labour Party’s stale lines.” (“People,” 8th November, 1959)

The consensus of opinion about the inadvisability of indiscriminate nationalisation, was expressed at the Scarborough Conference of the Labour Party. Curiously enough, the Labour Party which vehemently advocated nationalisation of Banking Industry in 1930’s is significantly silent over the problem today. The fact is, the Labour Party as well as the British Trade Union Congress can rightly claim that the approach of British Socialism is more practical and less doctrinaire.

In fact, ‘ Nationalisation ’ is a misnomer. There is no governmentalised industry, in the world which fulfils the basic conditions of ‘ public control ’, ‘ public administration ’, and ‘ public accountability ’. And yet the orthodox socialists are clinging dogmatically to the myth that Governmentalisation is Nationalisation.

The Indian Marxists are doing a disservice to Marx by making it appear that his thoughts have become a closed book of thinking. Probably he never wanted his thinking to be focalised into any ‘ ism ’. As Lenin said, while replying to the critics of his New Economic Policy, Marx has not written a single word about Economics of Socialism. By becoming scripturalists, Indian Marxists have missed the very essence of Marxism.

The progressives’ are wrong in believing that Nationalisation is the only alternative to private capitalism. There can be various other alternatives. As mentioned earlier, Co-operative-

sation and Municipalisation are fairly well known. Labourisation of industries is also an alternative which deserves to be given a fair trial before any industry is handed over to the Government. Labourisation can be of various types. To evaluate labour of the worker in terms of shares, and thus to raise him to the status of a shareholder contributing labour-capital is one such method. The details of the scheme can be worked out. In case of private factories or industries which are due to be taken over by the Government it is worthwhile to encourage workers within the factory or industry to run their own concerns.

If the financial and the technical aid which is to be made available to such concerns in case of its Governmental takeover is made available to workers therein, there are reasons to believe that they will cultivate a sense of belonging regarding their industry and strive their best to make its functioning a success.

If, because of the peculiar characteristics of any industry both these types are deemed to be impracticable, partial labourisation can be introduced by setting up an autonomous corporation for the industry whose board of management should be composed of the representatives of all the concerned interests including the employees. It must be added that no one pattern of industrial ownership can be prescribed for all the industries. Different industries have different peculiar characteristics of their own and the pattern of ownership should be suited to these peculiarities of various industries. For example, the Pressaug Industrial Estate in West Germany was denationalised. According to dogmatists whatever is not nationalisation must be private capitalism. But the denationalisation was with four conditions. Every share was to be small; no one was allowed to purchase more than five shares; only those who produced low income group certificates were entitled to purchase shares; and employees of the estate had priority over others in matters of such purchase. We should like to know whether this pattern can be termed as private Capitalism though in fact it is denationalisation.

Even regarding Banking various countries have adopted various patterns. For example, in Greece, banking industry prohibits the entry of private capital in the field of banking. The State and State enterprises are not allowed to hold more than 10%

of the nominal Capital of the Bank of Greece. The rest is controlled by the traditionally grown social welfare organisations. In Canada, the eight Sardars of banking are each given a ten-year charter to run the banking industry. At the end of this term, every bank has to submit itself for a thorough scrutiny by the Banking and Commerce Committee of the House of Commons. If it is felt that the bank has failed to fulfil to the given national targets its charter for banking operations is not extended for another term. The Canadian banking system presents a 'singular' case of non-failure. The Bank of Japan is controlled by a board of seven members in which only five have voting rights, the Government having only one vote. Both the houses of Diet appoint four members on this board who are all independent men of experience and represent the local banks, large city banks, commerce and industry and agriculture. There is a Governor who is a Government employee. These five have voting rights. The remaining two members of the board having no vote, represent the Ministries of finance and the economic planning agencies. The only power that the Ministry of finance can exercise over the Central Bank is to request the bank to defer any of its decisions for a specific period if that decision conflicts with the interest of the State. This deferment cannot be renewed. It only provides an opportunity to have a public debate on questions of policy involved from opposite points of views.

In Australia, the Banking Act and the Commonwealth Bank Act 1945 culminated in a bill to nationalise the banks. This bill was passed as Banking Act of 1947. Subsequently, a general election was fought on this issue in December, 1949 in course of which the bank employees canvassed vehemently against the bank nationalisation. The victorious Liberal Government repealed the Act. The banking system was entrusted with the responsibility of pursuing a banking and monetary policy in such a manner as to stabilise the currency of Australia and ensure fullest employment. The evolution of the Australian Bank Act from 1945 to 1953 demonstrates that the basic objectives—holding the price line and maintaining full employment—can be achieved through the banking system. This experiment in denationalisation cannot be dubbed as private Capitalism. Thus it would be an oversimplification to suggest that there are only two alternatives of industrial ownership.

Bharatiya Mazdoor Sangh has its roots in the culture of the soil, it therefore seeks to steer clear of both, the private as well as the State Capitalism. The functional jurisdiction of the State; according to Bharatiya tradition cannot be co-extensive with that of the Society. During Mouryan period some factories were placed in charge of local civic bodies and there was a practice of digging mines and running factories at the Governments' expense. Under Vijayanagar Empire artists working on gold and silver thread were employed in factories run by the Government. But in all such cases the State used to be the Patron and not the Proprietor.

The evils of private sector flow from the fact that there can be progressive centralisation of economic authority in a few hands. As has been rightly said power corrupts, absolute power corrupts absolutely. But if this can corrupt private capitalists, those wielding the State authority cannot be said to be immune to this corrupting influence. Rather, while in private enterprise there is concentration of only economic power, under nationalisation economic power is vested in the hands of those who run the State apparatus. This makes the situation all the more dangerous.

State authorities are as human as capitalists. Unless there is decentralisation of all power-political, economic, social etc. democracy in the real sense of the term would be inconceivable. Again, our experience of the working of public sector undertakings in India is not happy. Nationalisation in these cases has meant only bureaucratisation. These bureaucrats at the helm of public enterprises have neither business acumen nor any appreciable knowledge of industrial psychology. In most of these undertakings the employees are almost constantly at war with the managements. Communists had welcomed the nationalisation of Life Insurance, but subsequently they found out that the management of this nationalised industry was no less anti-labour than the private employers. With the concentration of economic power in the hands of political bosses, consumers and workers are pitted against much more formidable foe-if, after nationalisation, the management prefers to be anti-people. Bharatiya culture stands for economic as well as political democracy through decentralisation of power.

Neither can it tolerate the growth of Private Capitalism. According to it :

‘ यावद् अत्रियते जठरं तावत् स्वत्वं हि देहिनाम् ।
अधिकं यो ऽ भिमन्येत स स्तेनो दण्डमर्हति ॥

“One can rightfully claim only as much as is sufficient for his livelihood. Whosoever claims more is a thief deserving punishment.”

The Atharva enjoins :

‘ शतहस्त समाहर
सहस्रहस्त वीकिर ।’

“ With hundred hands - Produce
With thousand hands - Distribute ”.

Regarding self-centred anti-social elements it has been said :

“ न रेवता पणिना सख्यमिन्द्रो ऽसुन्वता सुतपाः संगृणीते ।
आस्य वेदः खिदति हन्ति नग्नं वि सुष्वये पक्तये केवलोमूत् ॥”

“Soma-loving Indra does not befriend a wealthy and uncharitable niggard. He destroys the hoardings of such a man and kills him naked. He (Indra) is the friend of only him who cooks food as an offering to sacrifice.” (Rig Veda-4/25/7).

The Bharatiya attitude is properly and precisely stated in the Upanishadic injunction of :

‘ तेन लक्तेन भुञ्जीथाः ’ (इशावास्य)

In the process of national reconstruction B. M. S. is determined to eliminate both the evils.

With this end in view we propose that the Reserve Bank of India which is in practice subservient to Government of India today should be raised to the status of a real monetary authority. Its character and composition should be altered suitably for this purpose. Independent economists, as distinct from bureaucrats, should head the RBI and control effectively its board of directors. Such a reconstituted RBI should be the final, autonomous authority on all monetary problems, such as

currency or credit. While the Government remains the supreme authority regarding fiscal policy, it should respect the authority of such a RBI regarding monetary policies. Whenever, there is a difference of opinion on policy matters between the monetary authority and the finance ministry, the matter should be placed before the Parliament and its verdict taken. The Finance Ministry should have no power to override the decisions of the monetary authority without formal approval by the Parliament. The main point is what should be the proper agency whose motivations and competence can be trusted upon to harness the country's credit resources to the best interests of the people. Neither industrialists nor government can do the job. There is a difference between executive control and public accountability.

For this purpose, we are of the view that the R. B. I. and S.B.I. should be completely de governmentised. Such a monetary authority will be in a position to propose and work out the details of the country's banking structure. For this purpose the definition of banking industry should cover the mint, the security printing press, the R. B. I. and co-operative and land mortgage banks besides the State Bank and Commercial Banks. It should be the objective of the monetary authority to mould the banking industry so as to ensure full employment and price stability. The new structure must be free from Government control otherwise like the R. B. I. it will fall a prey to government's political expediency of deficit financing and printing notes without any metallic or foreign exchange backing. It should not be a monolithic bureaucracy. The bifurcation of monetary and fiscal authority must be ensured. The management of any new set up of the Banking industry proposed by the monetary authority should be in the hands of representatives of various economic interests connected with the industry - including those of the bank employees. We find that in the Constitution of the Central Bank of Japan these objectives are specially laid down and it has been stated that the banking authority would be an autonomous monetary authority. Government will have all fiscal powers. Though the monetary authority should co-operate with the fiscal authority, that is, the Government, the fiscal authority should pay respect to the decisions and recommendations of the monetary authority

At the same time, the independence of the monetary authority must be established and even as we are now having three wings, the Legislature, the Executive and the Judiciary, there should be a fourth wing or fourth arm, i. e. the monetary authority. As explained earlier, whenever there is any difference between the decision of the monetary and the fiscal authorities, the latter should have no right to override the former before placing the controversy before the Parliament and securing its verdict.

Unless such an authority is created, nationalisation of banking would virtually lead to its governmentalisation.

The present move for nationalisation is thoroughly illconceived. Political expediency and scripturalism should not be suffered to play lightly with the entire economic life of the country. Let us not nationalise in haste and repent at leisure. Under the present circumstance, this move is nothing but a leap in the dark and, again, it is governmentalisation of the industry. It will be a big step ahead in the direction of totalitarianism.

The Prophet said, 'the letter killeth'.

'Nationalisation' is one such letter—in the present context. We appeal to all those interested in the national reconstruction to remember the prophetic words of Maharshi Aravind :

'The State is NOT the Nation'

