Corporate Capitalism in Independent India: the Interventionist Model and its Contradictions

In Chapter 3 I sketched the genesis and transformation of corporate capital in colonial India. In this chapter, I will attempt to develop a similar characterisation of capital in Independent India, spanning roughly the period 1950 to 1985. First, I will sketch the general context in which the interventionist model was adopted. Next, I shall discuss the principal structures of corporate governance associated with this model, looking at both the micro-level structures internal to the firm as well as the broader political-economic structures within which the firm was embedded. In the third section I will outline the nature of growth and corporate profitability that occurred as a result of the various governance structures specific to the period, and in the final section I will attempt to relate the discussion in the three sections to examine the relationship between the growth of the corporate sector and the overall growth and transformation of the Indian economy during this period.

The emergence of the interventionist model

I define the interventionist model as one in which the state participates very actively in the affairs of the private sector. By choosing this broad definition, I wish to break with the liberal/interventionist dichotomy that has been so central to the understanding of the state in traditional social science. As I hope this discussion will reveal, this dichotomy does not take us very far in comprehending the complexity of the state’s role in developing capitalism in countries like India. On the one hand,
the state remained quintessentially committed to a model of liberal capitalism. This was reflected, amongst other things, in the body of corporate law fashioned after the British model. On the other hand, the state sought to regulate capital in a somewhat substantive way, often exceeding the requirements of liberal regulation. Some elements of this regulation, however, often pertained to fairly routine or trivial aspects of corporate management; while these might have imposed certain restrictions on the powers of management, they were unlikely to have radically altered the nature of Indian capitalism. Moreover, sometimes the mere act of establishing regulatory mechanisms fulfilled a symbolic function that aided legitimation. Thus, it is necessary to take as our starting point, a nuanced view of state intervention in India. The particular contradictions of capitalism in independent India have to be located, first, in the contradictions of the political-economic context in which it emerged. It is to this that I turn now.

As is well known, the central political actor in independent India was the Congress Party which, from its very inception, was a fractured and conflicted entity. At least three factions were dominant within it at the time of independence. One was a conservative nationalist faction which saw private enterprise as the basic instrument of development but which also saw the necessity for state involvement, primarily for protection and the development of industrial infrastructure. The second was a moderate faction which regarded economic planning as an essential instrument of economic transformation in India. This group conceived of state involvement as critical for improving distribution rather than a change in the organisation of production. The third group consisted of those radical planners and social scientists that saw planning as an instrument of gradual political evolution toward a socialist state. For this group, the development of planning and the expansion of the public sector were steps integral to this transformation (Bagchi, 1991:611).

Each of these factions, in turn, was linked in different degrees to different classes and groups in society. The conservative faction was most closely linked to the largest faction of business, and shared the common project of appropriating the resources of the state for capitalist development. The linkage of this conservative faction to the agricultural population, both its rich and the poor factions, was rather weak (Kochanek, 1974:274–6). The moderate faction was most strongly linked to the urban and educated upper middle-classes, and the self-employed professionals (Mukherjee and Mukherjee, 1988:532–4). The radicals consisted mostly of intellectuals and idealists from the upper and middle classes, who claimed to represent the urban and agrarian poor. Not surprisingly,