

INSTITUTE OF CURRENT WORLD AFFAIRS

GSA-17
India: Financing a Tamasha

25A Nizamuddin West
New Delhi

20 March 1965

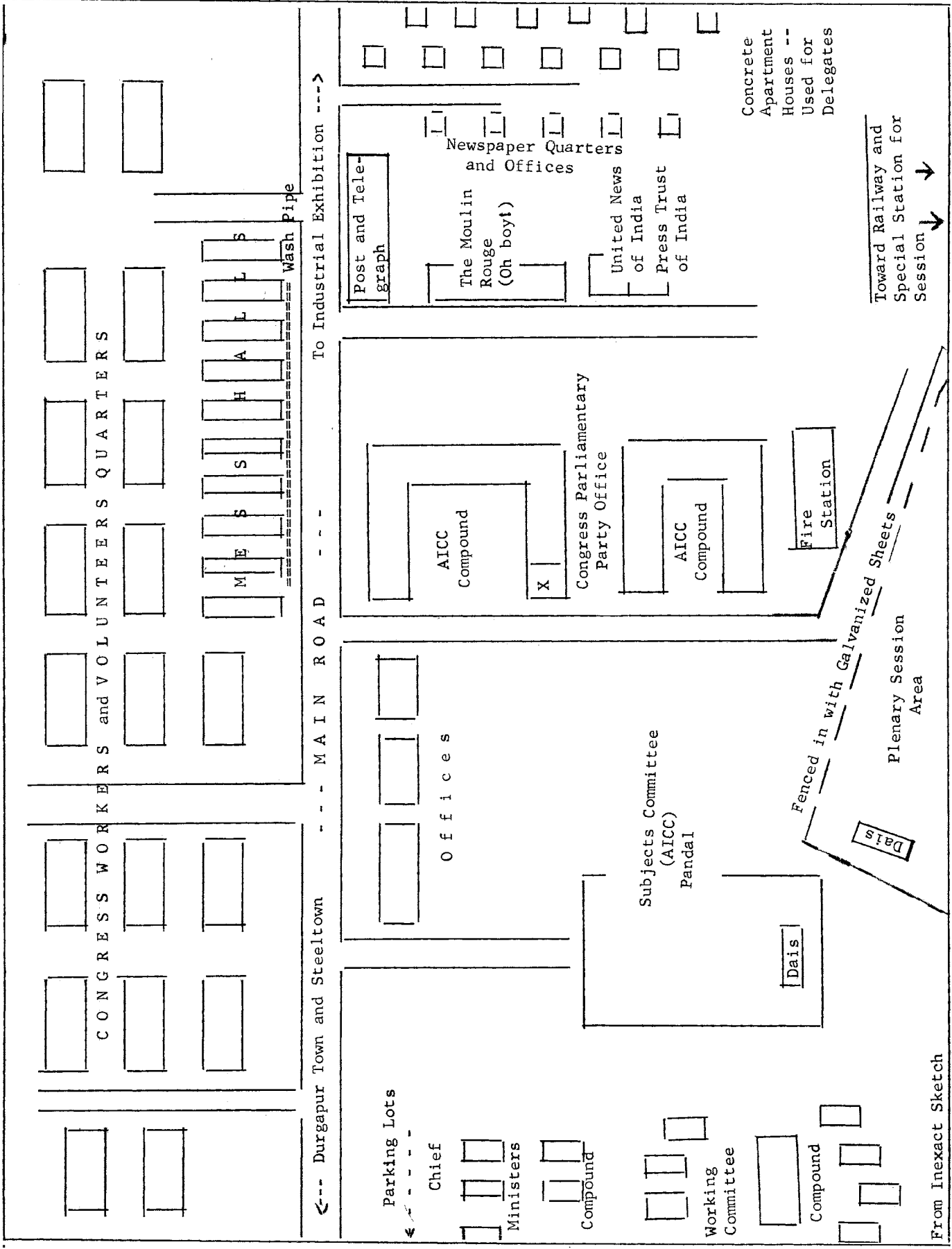
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Dear Dick,

The annual sessions that the Congress Party has held in various parts of India over the past eighty years, and particularly since 1947 and independence, have been large scale productions involving a good deal of effort and money. The session this year at Durgapur, not far from Calcutta, was no exception. Temporary houses, dormitories, dining halls, offices, meeting places, communications facilities, toilets, and roads had to be built. The area covered by all this, as I said in my last letter about the political aspects of the session, covered about 250 acres. One morning when even the January sun was getting so bright and hot that the shade felt good, I found a representative of the engineering company that built Congressnagar, or Congress town. He was sorting out gallon tins of paint, and after he had given several marked Sage Green to some laborers we sat on a pile of old boards while he told me about the job.

The housing accomodation broke down into six types, he said. The first was the enclosure for members of the Congress Working Committee (see GSA-16 for a brief description of Congress Party organization). This contained a dozen and a half separate houses each with a bedroom and attached bathroom--hot and cold water and flush toilets-- and each with a garden of green grass and flowers in front. In the center of the open quadrangle he had built other houses, one as a pandal or meeting place for the Working Committee members and a second for their private dining hall. Enclosure Two was for the chief ministers of the states and the Provincial Congress Committee presidents and closely resembled Enclosure One except that it had a common garden and one lounge cum dining hall. These buildings, like the others in Congressnagar, were made of bamboo split and woven into sections about eight feet square. Corrugated, galvanized-iron sheets were also used. The plumbing was of good quality.

Distinctions of rank entered at this point. Members of the All India Congress Committee (AICC) didn't get private houses. Six hundred of them were accomodated in dormitories, usually twelve persons to a room. Members of Parliament also lived here, and the Congress Parliamentary Party had an office in the corner of one building. AICC members had their own canteen and lounge. The canteen was for tea, breakfast, and snacks; they ate their two main meals in a big dining hall especially reserved for them. The bulk of the five thousand Delegates lived not in the temporary structures but in unfinished concrete, two-floor apartment houses that were being built by a company of the West Bengal Government for foremen and junior staff of government industrial enterprises in the Durgapur area. Several such buildings were also assigned to the Indian press. The rooms were dingy with dirt



From Inexact Sketch

and rubble on the floors. I would have preferred the bamboo barns. The fifth group to be housed were the Congress workers, four thousand of them, who ran the kitchens, stores, offices, and general administration of the camp. They lived in dormitories not divided into rooms, but with beds lined up barracks-like. The last group, the volunteers of the Congress Seva Dal, two thousand boys and five hundred girls, had similar arrangements--separate of course, my informant said. Scattered about among the dormitories were tea stalls for breakfast and snacks and tanks with wood fires under them where anyone could come and draw hot water.

The center of attraction at Congressnagar was the huge circus tent or pandal for Subjects Committee meetings. Designed to hold eight thousand persons, it had electric chandeliers and a lilac-colored muslin ceiling. The area for the plenary session, which the public could attend, was big enough for five hundred thousand, he said. This had been fenced in with galvanized sheets. It took two months to level the ground and build Congressnagar, using five to six hundred workers per day, mostly recruited locally. The more technical work, such as installing the constant-flush latrines, the loudspeaker systems, the electric and telephone lines, etc., was done by sub-contracting to Calcutta firms. At this point my engineer acquaintance had to go back to work and I went to eat in one of his dining halls.

Everyone except the privately housed VIP's ate in one of the ten dining halls, each seating 500 persons at plank tables. The Congress ran nine of these and the tenth was run by the Marwari Relief Association. Visitors to the session could also eat here and the planned capacity was fifteen thousand per meal to be fed in three sittings. Five kitchens served the mess halls and five sub-stores and one main store supplied the kitchens. Along the front of the dining halls ran a pipe with faucets every few feet for washing, equally necessary to remove dust before meals and food after meals--Indians prefer to eat with their fingers. I ate in the AICC dining hall with the man who produced the cultural programs for nightly entertainment. After we sat down young volunteers brought us clay cups (disposable) of water and others came round and ladled rice and dal (lentils) onto our banana-leaf plates (also disposable). Then came curried potatoes and cauliflower and some pickles. Two boys came next, one handing out chappaties (thin pancake-like bread) and the other with his cupped hands full of tomato and onion slices. For dessert we were given something resembling cookies.

I took the routine bath after eating and then followed another guide to see the kitchens and storehouse. The kitchens were much alike, fires smoking, pots bubbling, men scurrying, and the occasional off-duty chap asleep on a sack of cauliflower. The main store was a shed about fifty by twenty feet and it was jammed to the eaves with food. In charge was a member of the Bengal Legislative Assembly. He told me that that day the kitchens would cook four tons of rice, and would use two and a half tons of atta (brown wheat flour for chappaties). Five truck loads of vegetables arrived every day from Calcutta as well as five hundred gallons of milk from the West Bengal Government's central dairy. He expected that as the crowds got bigger these amounts would increase. The rice and atta were shipped by rail from as far away as the Punjab, he told me; various Provincial Congress Committees had contributed it. How much of the grain was donated, as some rice was in Bengal, and how much purchased by the PCC's, I don't know. According to my rough figuring this Congress session must have used thirty tons of rice and atta.

The Provincial Congress Committee of the state where the Annual Session will be held is responsible for all arrangements, according to the party constitution. The PCC then appoints a Reception Committee to do the work. The three senior members of the Durgapur Reception Committee were Chairman, A.J. Mukherjee, who is also PCC president; Vice Chairman, P.C. Sen, the Chief Minister of West Bengal; and Treasurer, Atulya Ghosh, a former PCC president and presently the unquestioned boss of the state's politics. Party officials and ministers in the state government made up the other committee members.

The cost of both annual sessions and AICC meetings and the manner of raising money for them has caused considerable comment in the last few years. A PCC president was recently proved to have sold materials used for an annual session on the black market to his own considerable profit. At the AICC meeting at Guntur (South India) last autumn movie sets were brought from Madras at an estimated cost of Rupees 100,000 and the total cost of the meeting has been put at Rs. 1,000,000. There are no official figures yet about the Durgapur session because the Reception Committee has not published its accounts. But there has been a great deal of speculation and press comment. Both at Durgapur and afterwards in Calcutta I looked into the issue. Information is not easily come by, however, because the Congress is sensitive about its finances, fearing that it may be 'misunderstood'. And large-scale contributors to the Congress are almost equally reticent.

The expenditure at Durgapur seems to me to be as follows: The cost of renting the ground for Congressnagar, nominal. The land, owned by the Durgapur Development Board, a West Bengal Government company, was made available to the party for little or nothing. The cost of building Congressnagar, nearly 400,000 rupees, a figure based on a variety of interviews at Durgapur. This does not include one million rupees spent for the galvanized sheets used at the session site and at the industrial, agricultural, and khadi exhibitions held not far away. More about this sheeting later. The cost of the food for the session, 125,000 rupees, using as guides the current wholesale prices of rice, atta, milk, and so on and the consumption figures given me at Durgapur. The costs of gasoline for transport, water, electricity, telephones, and so on, unknown--a correspondent of the Statesman reckoned these at about 300,000 rupees. Thus the cost of building the site and running the session might total about one million rupees, not counting the galvanized sheets.

The Statesman correspondent has reached a much higher figure by adding in the indirect costs of the session. He claims 1,000,000 rupees were spent by the West Bengal Government to improve roads in the area, another 700,000 by the Posts and Telegraphs for making such services available, and 400,000 by the railways to provide special train services and to build a new railway station close to the session site--despite Durgapur station being hardly a mile away. His total is ten million rupees in indirect costs borne by the taxpayer, not counting the costs of Congressnagar itself. Another figure appearing in the press has been eight million rupees as the total of the direct and the indirect costs of the session. The director of the Post and Telegraphs department of the West Bengal Government, in a letter to the Statesman, claimed that most of his costs were not related to the Congress session at all, but were part of an established program to increase communications facilities in a burgeoning industrial area. He claimed that only a few thousands were spent on the installations at the session site. Personally, I can agree with his first statement but not with the second. The communications at Congressnagar must have cost either the Congress or the P. and T. upwards of 100,000

rupees. The new railway station has also been cited as a permanent improvement, but the Statesman claims that it is now being demolished. The only official figure so far available came from Atulya Ghosh himself, who told the press a week after the session that expenditure was about 1,600,000 rupees. Unfortunately, one doesn't know precisely what costs he included.

Now to income, money raised at or in connection with the session. The Reception Committee, as I've said, is charged with making all arrangements for the Annual Session, including finding the wherewithal. The Bengal PCC, according to a public statement by Atulya Ghosh, raised about 1,500,000 rupees to defray the expenses of the session. About 1,200,000 rupees, he said, came from donations of one to five rupees. Interviews in Calcutta and in Delhi with several senior Bengali Congressmen seem to bear out Ghosh's claim for small donations. But the total figure, which would include contributions from wealthy individuals and business firms, is probably higher than Ghosh admits.

In addition to this income, the Reception Committee received about 400,000 rupees from advertising and sales of the souvenir magazine--editor, Atulya Ghosh--that it published. The printing costs were very, very low, I was told, and the Congress provided the paper--which may have been donated, and in any case would not have been expensive. At the session itself, the Congress also raised money. Tickets for meals cost one rupee each--the Seva Dal volunteers did not have to pay--and the income during the entire session could have reached 50,000 rupees. Tickets were also sold for the plenary meetings on 9 and 10 January and the Subjects Committee meetings on the two previous days. The manager of one ticket counter told me that he'd sold tickets worth 28,000 rupees. A conservative estimate of these sales would be 200,000 rupees.

The real money-maker for the Congress was the industrial exhibition held a mile from the session. The income came from the space rented to the exhibitors and from admission tickets to the exhibition grounds. The tickets cost 19 paise (100 paise to the rupee) or in the old currency, three annas (16 annas to the rupee before conversion to decimal coinage). Three annas was the traditional price for tickets to exhibitions at former annual sessions, a member of the committee in charge of the exhibition told me, and it was only coincidence that this was one paise less than 20 paise, the sum at which entertainment tax begins. According to this man, 150,000 tickets had been sold through 9 January. The Statesman reported that 80,000 were sold on 10 January, the last day of the session. Income from tickets, therefore, may have reached 45,000 rupees.

The exhibition grounds covered about 30 acres in the shape of a rectangle. Around the perimeter were several hundred stalls ranging from 10 feet to 15 feet square. In blocks laid out in the center of the grounds were stalls ranging from 20 feet square to 40 x 20 feet. Next larger were small pavilions approximately 40 feet square. Fourteen big pavilions measured 100 x 200 feet. The small stalls cost from 300 to 600 rupees, the middle sized ones from 1000 - 2500 rupees, and the small pavilions 5500 rupees. The ground rent in the big pavilions was reckoned on a sliding scale, the first 1000 square feet at 5 rupees per foot, the second 1000 square feet at 3.50 rupees per foot, and so on. A 200 x 100 foot pavilion cost 54,750 rupees. Included in the ground rent was the stall, or a simple large shed called a pavilion, made of bamboo and galvanized sheets and no more. Electrical installations in excess of two light sockets cost extra. If exhibitors wanted

a more elaborate pavilion they could build it themselves. The exhibition committee, a branch of the Reception Committee, circulated this information in a brochure to potential exhibitors last summer.

Although small private traders and shop keepers hired the perimeter stalls, where they sold cloth, trinkets, and all manner of goods, the larger stalls and the pavilions were taken almost entirely by the state governments, government owned or operated industries, and a few Central Government ministries. Most states took areas of 4000 square feet costing about 12,500 rupees. Orissa took 10,000 square feet for which the ground rent was 28,000 rupees, and the West Bengal Government had a huge pavilion of over 100,000 square feet that cost nearly 250,000 rupees. The Defence, Information and Broadcasting, and Food and Agriculture ministries of the Central Government as well as the Central Government sponsored Coffee Board, All-India Handicrafts Board, and the Department of Social Security all had areas of more than 3000 square feet. The total cost to the Government, not counting construction of special pavilions was about 70,000 rupees.

The 'public sector', government incorporated or managed companies, had the largest and most elaborate pavilions at the exhibition. Hindustan Steel, for example, had space worth 54,750 rupees and the pavilion is estimated to have cost 100,000 rupees to build. Indian Oil, another public sector firm, paid 28,000 rupees ground rent; Eastern Railways (railways in India are owned and operated by the government) paid the same; the Heavy Engineering Company paid approximately 40,000 rupees, and so on. Government firms must have paid the Congress nearly 300,000 rupees in rents apart from the costs of the pavilions. A stall (area 800 square feet, value 4000 rupees) given free by Atulya Ghosh to the Sadachar Samiti, an unofficial anti-corruption group that operates with the blessing of Union Home Minister Nanda, added an atmosphere of sanctity to the exhibition.

If the exhibition had been full, the gross income to the Congress would have been more than 1,200,000 rupees. I expect that revenue fell below this, however, and that with the cost of enclosing the area and building the stalls and a few pavilions the net profit must have been about 900,000 rupees. The Economic Weekly, in an article critical of Durgapur finances, sets the profit at not less than one million.

These figures do not, again, bring into account the cost of the galvanized sheeting that was used to build stalls and to enclose the exhibition grounds in the same way as at Congressnagar itself. Galvanized sheets are a priority item in India today, and they are not available on the open market. The Central Government, however, gave the Reception Committee a priority that allowed it to buy 1000 tons of sheets from the Indian Iron and Steel Company of Asansol, near Durgapur. The controlled price of these sheets is 1275 rupees per ton. The Reception Committee bought slightly less than its allotted tonnage at a cost of one million rupees, an official of the exhibition committee told me. When the Reception Committee bought the sheets the government stipulated that it must resell them to the West Bengal Government, which would then make them available to purchasers. Preference would be given to industrialists in the Durgapur area, this man said. Because the sheets had nail holes in them or were otherwise not in perfect condition, the resale price would be 10%-15% below the cost—or about 850,000 rupees. I learned from the man whose company makes these sheets that their value on the black market, even when somewhat damaged, would be nearly double the controlled price.

Reckoning up my figures, the Reception Committee balance sheet for the Durgapur session looks like this:

Costs

Construction of Congressnagar	400,000 rupees
Food for Delegates, etc.	125,000
Petrol, electricity, water (100,000 less than <u>Statesman</u> estimate)	200,000
Construction of industrial exhibition	100,000
Loss on resale of galvanized sheets	<u>150,000</u>
	975,000 rupees

The cost announced by Atulya Ghosh, but inclusive of what I don't know, was 1,600,000 rupees.

Income

From donations (Atulya Ghosh's figure)	1,500,000 rupees
From advertising and sales souvenir magazine	400,000
From food tickets	50,000
From plenary and Subjects Committee meeting tickets	200,000
From industrial exhibition tickets	45,000
From industrial exhibition exhibitors	<u>900,000</u>
	3,095,000 rupees

Thus, according to my figuring, the Reception Committee made a profit of 2,120,000 rupees. Subtracting even Atulya Ghosh's cost figure from my income figure, the net was 1,495,000 rupees, a business-like 90% profit. Any profits from an Annual Session, according to the Congress Constitution, are to be divided equally between the Provincial and the All-India Congress Committees.

The Durgapur Congress has caused a good deal of public discussion of the propriety of Congress fund-raising methods as well as of the cost to the public. Criticism has been directed especially at the participation by state governments and public sector companies in the industrial exhibition. The Congress held the exhibition ostensibly to publicize national achievement but in fact primarily for party profit, both in terms of money and its own prestige. Had financial profit not been the main motive, the exhibition would have been run on a non-profit basis. The party acquired the use of the land for nothing or close to it and then solicited exhibitors to pay high rental fees for pavilions or space at the exhibition. Private commercial and industrial enterprises were approached, but, in the main, only governments and government corporations participated. There were two reasons for this, I was told. One—that private industry was showing its displeasure with the government by not cooperating with the Congress—I'll come to later. The other was that private companies believed that they wouldn't get sufficient advertising benefit from exhibiting. "India is a seller's market," one managing director said to me in Calcutta after the



"...with grand decorative pandals, processions, pageantry, gala tribal dances, cultural shows.... The session is simple, unostentatious and austere in view of the difficult economic situation"!

Courtesy of
The Times of India

in Calcutta after the

session. "Our production is booked five to ten years in advance. Why should we exhibit, particularly at Durgapur? No peasant is buying rolled strips or machine tools."

Accepting this as a reasonable position, why should heavy industrial government corporations like Hindustan Steel, Heavy Engineering, and Indian Oil spend several hundred thousand rupees on rent and pavilion-construction at the exhibition? "For public relations," was the answer I was given. I could not talk with the directors of these companies because their headquarters are far from Delhi, but I did meet several ranking officials in the ministries concerned. "The commercial value and even the cost of these exhibitions," an official of the Ministry of Steel, Mines, and Heavy Engineering said, "are not very important. We must publicize ourselves. The mass of the people must see what the nation has achieved. That's the way to educate them and give them pride." He explained that the decision of the Hindustan Steel Co. and of the Heavy Engineering Co. to exhibit was taken by the managers of these corporations, not by the ministry. "But if the decision was mine," he said, "I'd exhibit. I'd spend money at a Communist Party exhibition if I thought enough people would attend." Officials here of two government ministries that had pavilions at Durgapur held like views. A.N. Jha, the Secretary of the Ministry of Information and Broadcasting said that his ministry had long exhibited at Congress sessions, fairs, religious gatherings, etc. "Our criterion," he said, "is the size of the crowd that will see the exhibition." This, too, seems to be an at least theoretically acceptable standpoint.

But the ethical shoe still pinches in several places. No more than 200,000 persons saw the Durgapur exhibition. Was this number worth the ground rent the Congress was charging plus the expense of constructing a pavilion? Not according to officials in the exhibits section of Information and Broadcasting who claim to have refused to participate unless they got a better price. As a result, they told me, their ground rent was 9,600 rupees instead of 27,000. Their pavilion cost 17,000 and transport and other expenses brought the total to 35,000 rupees (just over \$7000). I have not heard that any other exhibitor approached the problem so realistically. Using crowd size as a criterion it seems that government and government enterprises wasted a lot of money at Durgapur.

But more important was that taxpayers' money and revenue from government corporations went to a political party. The Congress held the industrial exhibition primarily for the money it would make. State governments and public sector corporations participated. Although it is difficult to prove that these governments and government corporations participated in the exhibition because they are controlled directly or indirectly by Congress politicians, one must assume that this connection exists.

I expect that if Indian Oil had not had a pavilion there would have been few recriminations from the ministry in New Delhi. As a ministry official said, "I might make a few concessions to the local Congress for the sake of good will, but nothing much." Yet if Hindustan Steel, with a plant at Durgapur, had refused to exhibit I expect that the minister would have suggested to the manager that he change his mind. I doubt that the director of Hindustan Steel was told to take a pavilion at Durgapur. He probably decided himself that it would be wise to do so. An official of another Union ministry, however, admitted that "the word came down" to exhibit, even though

the staff didn't think it worthwhile. That state governments participated in the exhibition largely because they are manned by Congressmen, there can be little doubt. In India, however, these exhibitions shouldn't be dismissed merely as party graft. They probably do contribute to the very necessary building of national consciousness. And if they glorify the image of the Congress, it is almost surely a good thing for the Congress to continue to lead the country. And even if these expenditures came before state legislatures, the honestly elected Congress majorities would presumably approve them. Democratic processes are thus in theory served, but the use of government revenue to help finance a political party still seems a shady proposition. I can imagine the screams of indignation in the U.S. if a Republican administration in New York spent several hundred thousand dollars to rent a pavilion at a Republican Convention in San Francisco.

In Calcutta after Durgapur I talked with a variety of individuals about the finances of the Annual Session and to a lesser degree about Congress finances in general. Durgapur finances took two forms: cash donations and contributions in kind. The latter were the less important and consisted of making company guest-houses, cars, buses, etc. available to the Reception Committee at Durgapur. One company director said he had made guest-houses available as his support for the "party of the right". "I'm a Tory," he said, "and because I'm against the left I contribute to the party that holds this country together." The managing director of another company with a plant near Durgapur said that he had refused to have cars requisitioned by the Reception Committee. I inferred that he was reacting to snippyness of the part of some local party autocrat as much as anything else. The guest-house of the Durgapur Steel Co. (a subsidiary of the government Hindustan Steel Corporation) was turned over to Union Government ministers for the session. A ministry official told me that such guest houses were always available to ministers on tour. An official of Durgapur Steel put it this way: "The Minister of Steel can stay at the guest house anytime. If he brings a dozen guests, what can we do?"

Cash for the expenses of Durgapur came from small contributions of one rupee upwards--according to machine-boss Atulya Ghosh these produced most of the money collected--and from businessmen in Calcutta. Some weeks before the Durgapur session Ghosh sent a circular letter soliciting donations to the larger business houses in the city, to business groups, and so on. The Bengal Chamber of Commerce, whose membership is largely foreign and particularly British firms, sent a letter to its members quoting Ghosh's circular; other groups did likewise. The response to the circular evidently was disappointing. Some firms contributed but the number was fewer than usual and the sums were smaller. This drying up, according to a variety of persons including a senior Bengali Congressman, was the companies' way of showing their displeasure with government policies over the half-year preceding the session. The tension between the government and business was reportedly due to the capriciousness of government policies, to threats of increased taxation, and to what commerce considered undue harassment by the government as a result of the food shortages and price rises of the period. The Bengal Government actually detained without trial--permissible under the 1962 Defence of India Rules--some 1300 grain dealers for hoarding, food adulteration, and other alleged offences. There can be little doubt that commerce and industry have much on their side, but the government has its points, too. The possessors of capital here often do not play the constructive role they do elsewhere, and grain merchants and other food dealers are considered as crooked as used-car dealers are in the U.S.

The non-cooperation of the 'private sector' may have been reflected in the number of 'public sector' corporations and state governments that

participated in the Durgapur industrial exhibition. One knowledgeable man told me that they were filling in because private industry refused to participate. The statements of Atulya Ghosh himself may also bear out business's lack of cooperation. In December, sometime after sending his circular letter appealing for funds, Ghosh announced that he had refused donations from persons and



It's quite nice to live in a hut
if you do it up a bit, as I have
done with this one!

Courtesy of
The Times of India

companies who had criticised the taxation policies of Congress governments. As this would exclude just about every businessman, it may have been a face-saving gesture when the expected donations didn't arrive. Ghosh's statements brought down the editorial wrath of the Hindustan Times, owned by G.D. Birla of the famous commercial and industrial family that has supported the Congress for forty years. The editorial said that a great political party needed money so why not admit it, and that if contributions were voluntarily made and were prompted by a genuine faith in the party there was no harm in accepting them. But Ghosh's statements, said the paper, were symptomatic of "the double talk which has become a habit with Congressmen".

According to Indian law companies may contribute very freely to political parties. Under the Companies Act as amended in 1960 public companies (more than fifty shareholders and shares publicly subscribed) and private companies (under fifty shareholders and stock not on sale to the public) can donate in any year Rs. 25,000 or 5% of its average net profits during the previous three years, whichever is the greater. This would permit the Martin Burn Company of Calcutta, according to one of its directors, to contribute about two and a half million rupees yearly to the Congress. Since 1960 a company must state the amount and the recipient of all donations in the 'profit and loss account' of its annual report. The annual report of Tata Oil Mills Co. Ltd. for 1961-1962, for example, lists contributions of Rs. 33,000 to the Swatantra Party and Rs. 67,000 to the Indian National Congress. To make sure that there was no legal hitch in making political contributions after the first law relating to them was passed in 1957, many companies began changing their articles of association specifically to permit contributions to political parties. Prior to 1957 there were no controls on company donations to political parties and there still are not in relation to partnerships and private persons. The changes in articles of association required the approval of the courts, and in their early opinions several judges expressed their fear of donations. "To convert convictions and conscience by money is to pervert both democracy and administration," said one judge. The first judgement also stated that the fullest publicity should be given to such contributions to alert legislators and the public to the machinations of big business. Other courts followed this precedent, so contributions have been listed in annual reports since 1957, although the law was not amended to this effect until 1960.

Under the law government corporations are private companies because they have fewer than fifty stockholders and the shares are not on public sale. They may, therefore, contribute to political parties if their articles of association (formally entitled "Memorandum of Association") permit. The articles of four major public sector corporations incorporated during the past few years, which I selected at random, do permit political contributions.

They are Hindustan Steel, Hindustan Machine Tool, Heavy Electricals, and Indian Oil. According to the annual reports of these corporations, however, they have not made any donations to political parties, and I expect it would create quite a fuss in Parliament if they did. This may in part explain their appearance at Congress industrial exhibitions, which can be justified with at least some truth in terms of company public relations.

Tax aspects of company political contributions are also interesting. Under the Income Tax Act of 1961 expenditures wholly and exclusively for the purpose of a business or profession are deductible. And contributions to political parties can come under this if they are solely to advance the trade and profit and protect the assets of the taxpayer. The precedent here is principally an English case. Tate and Lyle, the sugar monopoly, fought nationalization with a propaganda campaign and political contributions and these were allowed as a business expense. General political activity dealing with matters unconnected with a company's operation are not deductible according to an Indian case. Gift tax is also not payable on gifts made in the course of carrying on a business or profession if the gift has been made to further business or professional purposes. Political contributions can sometimes be made taxfree under this law.

So far this has been about open contributions to the Congress, especially in regard to the Durgapur session. What about undercover contributions? There are plenty of these, but perhaps not to the degree the public imagines--the Congress is probably not quite so wealthy nor so corrupt as it is believed. Undercover contributions, according to the knowledgeable, usually are not made directly to the party, but privately to a ranking member or to a party-member who is also a government official or a legislator. Some of the money stays with the individual and the rest goes quietly into party funds. The donors in return expect that tax assessors will be sent the other way and that government contracts, permits for their businesses, and licenses for cement and other materials would be forthcoming when needed. Most businessmen I met believed that neither Atulya Ghosh nor the Chief Minister, P.C. Sen, would threaten to withhold licenses if contributions were not made, but they agreed that many firms would pay up as a form of insurance against future needs. Such contributions, it is said, come from 'black money'--that is, money unaccounted for on an individual's or a company's books and on which taxes haven't been paid. There is a good deal of black money in India. The Finance Minister, T.T. Krishnamachari, took a shot in the dark some months ago and estimated it amounted to 100 billion rupees. He has said, according to the press, that 40% of all taxes are not collected, and the Uttar Pradesh Government announced officially last year that it was behind 100 million rupees in its sales-tax collection alone. Although undercover money has in the past come rolling in, particularly before election time, less than usual was contributed toward the Durgapur session due to dissatisfaction with the government, according to businessmen I met in Calcutta. But the drought is presumably temporary.

The relative size of open and undercover contributions to the Congress is difficult to assess. According to a statement in Parliament by the Finance Minister, based on the declarations of companies under the law, Congress received 9,800,000 rupees from 1961 through September last year. This is about two million rupees yearly (\$400,000). But in each of these years there was an annual session more expensive than at Durgapur as well as All-India Congress Committee sessions, and in 1962 there was a general election.

I very much doubt that this was the limit of Congress income. Large sums must have gone unrecorded to the party and to individual candidates in the elections. And there is good reason to suppose that many companies made both public and undercover donations.

Motives behind the contributions were, of course, varied. Many donors expected (and certainly received) specific favors. Many of the larger companies, however, seem to take a longer view. "We contribute to the Congress," said several big businessmen in Calcutta, "because it won us our independence and because it gives this country stability. We'd prefer a more conservative party but we won't get one and without the Congress we'd have a government of the far left." But there is a more indirect reason for contributions than either of these: the desire to affect the implementation of government policies. The industrial and commercial community in India concerns itself hardly at all with the formation of policy. The Congress can pass as many resolutions as it pleases and the government can declare anything it likes. But if a company or an interest group doesn't like the government's course of action, it will get the legislators, or cabinet members, and sometimes officials who are beholden to it to alter, slow down, or prevent this action being taken. Unpopular policies are not openly opposed, just quietly emasculated. For this reason undercover contributions to particular ministers, to candidates at election time, and to lesser officials (Congressmen and otherwise) may be more effective than donations to the Congress Party as a whole. "We don't go through the party to get things done," one managing director said, "we go straight to the government." "You can't buy a party or a whole legislature," another director told me, "but you can do a lot with a couple of men." Mr. L.N. Birla, a director of Birla Brothers, one of the country's two largest financial empires, told me that his company and the private sector in general could not bring pressure to bear on the government. "We're tied hand and foot," he said, "by government regulations and because the public sector outweighs us." With due respect to Mr. Birla, this just isn't so. Government regulation in India is often harmful, but not always, and the public sector is relatively very small, much less pervasive in its influence than in France or Italy, for example. The influence of the private sector in the Indian economy and in politics is very great.

The Congress needs financial support and its supporters need the Congress. Yet the party's backing is a good deal wider and deeper than the business community and it thus holds the advantage. I think that Congress could handsomely win a general election without the help of large-scale business if the members worked hard enough and used the non-cooperation of the 'capitalists' as a propaganda advantage. But the Congress has learned that it is easier to win elections with the help of the big money. The result is that Congress and commercial interests are like two horses hitched as a team. Neither one can move far without the other so long as the harness doesn't break. And if one horse did get away, could the other pull the wagon so well alone? The trouble at present is that neither horse is well enough broken to team work and that the reins are all snarled up. The horses have a lot to learn and they need a better driver if not an occasional touch of the whip.

Yours sincerely,



Granville S. Austin