6/07

MRM

WHY SWATANTRA OPPOSED BANK NATIONALISATION

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The Swatantra Party opposed bank nationalisation outright. Why ? A statement was made in our Election Manifesto as far back as 1967 and it is only too likely to be vindicated in the years to come. We said :

> "The Swatantra Party is opposed to the nationalisation of banks comtemplated by the Congress Party which is utterly irrelevant to the country's problems and would retard development beides being fatal to monetary stability, security and saving by placing the savings of lakhs of small depositors at the mercy of a Government seeking to lay its hands on all available resources."

It is for this basic reason that we opposed this Bill a second time in Parliament.

We believe in a mixed economy where State and private enterprise compete on equal terms for the welfare of the community. But the burden of proving the need for nationalisation lies very squarely on the shoulders of The Government.

Even in respect of socialist Sweden, where socialism had been practised with such success, Axel Iveroth says:

> "Those who maintain that the States should take responsibility for an increased rate of economic progress by carrying out thoroughgoing changes in our prosperity creating machinery must now realise that the burden of proof lies upon them."

This burden was not been discharged in this particular case. No case was made out why these fourteen banks were to be nationalised. The truth is unpalatable.

My Party stands for a commission of enquiry being appointed in respect of any industry where a case is sought to be made out for nationalisation. If something that approximates to a Royal Commission in England is appointed in this country, takes evidence and comes to the conclusion that for the public good a particular industry should be nationalised, I am prepared to go along with it. But that kind of judicious, objective enquiry has not been made in this case. On the contrary, in this particular case all the evidence is against it. The Prime Minister of this Government herself did not think in terms of nationalsisation at Bangalore. What did she say in her memorandum to the AICC? She said that they could either consider the nationalisation of the top five or six banks or issue dir ctions to the effect that their resources should be reserved to a larger textent for public purposes. In other words, she had an open mind; what she wanted could have been done without nationalisation. Yet within a matter of weeks, in fact, of days, her mind changed and it was suddenly discovered that nationalisation was the penaces that was required !

The Then Deputy Prime Minister of that same Government went on record as saying that nationalisation was not necessary. He said :

> "Recent experience does not suggest that large banks need to be taken over so as to be made to do something which they are not doing. There isno reason why, under central control, that is, social control, they cannot be made to do what the State Bank is doing in the national interests, nor is it right that State Bank is expected to do what banks as institutions concerned everyday with depositors' money cannot do. No bank, whether in the public or the private sector, can abandon the test of viability of a credit transaction. The experiment of social control is a continuing one. It aims at socialisation of credit without nationalisation of banking. Our experience in the last year or so shows that this is an experiment whose results, we have every reason to believe, will be rewarding.

So, whatever enquiry was made by the Prime Minister and the Deputy Prime Minister showed that there was no case for nationalisation. Social control was not given a chance and this measure was sprung upon the country.

We believe that a basic dilemma faces Parliament and the Government in a case like this. Either abank is run on commercial principles free from political intervention, as is done by nationalised banks in France. In that case, there is no change and there is no purpose in nationalisation. All that has happened is that Rs.87 crores of the tax-payers' money are wasted in paying compensation to the shareholders. On the other hand, if nationalisation means the encouragement of a monopoly and it is politically motivated, then it is pernicious because the money of the depositors will be trifled with in a manner that it should not be trifled with as is happening with cooperative banks an land mortgage banks in this country. Eithr nationalisation is pointless and expensive or it is pernicious and dangerous. And from this dilemma, we find there is no escape whatsoever.

Who will benefit from nationalisation? Is it the shareholders? There isno doubt that the compensation provided in this Bill is somewhat more generous and fair than the last one which we got struck down by the Supreme Court. Even this time, I am not sure that the compensation is adequate or fair. I will mention three or four reasons why I say so. The market value of land and buildings ofhead offices and hundreds of branches of the banks have been heavily depreciated in the books of thebanks, and are really worth much more than what was allowed for in the Government's computation.

The goodwill built up over several decades has not been accounted for in the compensation.

Equity and justice demand that the shareholders be entitled to a share of the banks' profits made between July last and February thisyear during which period the banks were illegaly occupied by Government. No compensation is been given for occupying the banks for six or eight months illegally without any legal authority.

Then, interest at the rate of four per cent is given on the compensation, but we know the prevailing rate for borrowing is nine and a half per cent to 10 per cent on secured borrowings, and so, the rate of four per cent is inadequate.

Then, will it benefit Labour? I say no. Those employees who belong to nationalised banks have already realised that their right to collective bargaining, their right to strike, their right to bonus have already been truncated. I would like to quote a resolution passed by the Reserve Bank Employees'

Association at an extraordinary general meeting of their union held in Bombay on 3rd July, 1964. This was passed after debate by 380 votes to 20. It says :

> "This extraordinary general meeting of the Reserve Bank of India Employees' Association, Bombay, held on the 3rd July, 1964, having considered the question of nationalisation ofbanks, resolvesthat this Association is opposed to the nationalisation of banks, since expereience shows that nationalisation of banks would not be conducive to the interests and welfare of the employees. As such, this Meeting decides to dissociate itself and the Association from the campaign for nationalisation of banks and to take all such steps are necessary in furtherance of this decision."

Therefore, Labour will not be benefited.

Now, let us take the depositors. The depositors' are in danger according to me when people like those in the ruling Party get their hands on them. These depositors are small people. In 1967, there were 12,400,000 personal accounts in this country with an average deposit of Rs.150. These are smallpeople whose money will now be diverted for unproductive investment in wasteful governmental enterprises, which will be the best that can happen, or there may be trafficking in overdrafts. We know that the resources of cooperative abnks and land mortgage banks are used for patronising the supporters of the ruling party throughout the country. It happens in allthe States. The biggest source of corruption today is cooperative banks and the land mortgage banks. This is likely to happen with the fourteen nationalised banks also.

If these resources are frittered away, the depositor has no guarantee beyond Rs.5,000. The first Rs 5,000 of your money, the Government guarantees, but nothing more.

A danger of nationalisation is concentration and monopoly. Gandhi believed in decentralisation of economic power. In his book <u>A Week with Gandhi</u>, Louis Fischer quotes Gandhi as saying something in which we believe, but not those in the ruling party. He says:

> "You see, the centre of power now is in New Delhi or in Calcutta and Bombay, in the big cities. I would have it distributed among the seven hundred thousand villages of

> of India. That will mean that there isno power. In other words, I want the seven hundred thousand dollars now invested in the Imperial Bank of India withdrawn and distributed among the seven hundred villages. Then each village will have its one dollar which cannot be lost."

This was symbolic. Gandhi wasmaking an argument against what the government is doing today, because what they are doing today is exactly the reverse of what Gandhiji wanted. They want to concentrate all the millions of dollars belonging to the small men in thehands of this Government andthose who carry out their orders.

Even so, thank goodness, the present law leaves some freedom of choice to the depositor and the creditor to move from one bank to another, because only fourteen banks have been nationalised and a few have survived. To that extent, there isno complete monopoly in banking. It is for this reason that we are opposed to the nationalisation of even a single more bank, whether it is an Indian bank or a foreign bank. We are not concerned with the area of freedom of choice left with the depositor or creditor. If more thanks are nationalised, the evil will spread further. Today the evil is there. Fourteen banks are struck by the plague. We do not want more banks to be struck by theplague because fourteen banks are struck.