Constitution and the redistribution of wealth

Why in news?

Supreme Court has constituted a nine-judge Bench to interpret the Directive Principles of State Policy (DPSP) with respect to ownership and control of material resources.

Constitutional provisions of wealth redistribution
• **Preamble-** It seeks to ensure social and economic justice, liberty and equality for all citizens. • **Part III**- It outlines the *fundamental rights* that safeguard liberty and equality. • **Part IV-** *Directive Principles of State Policy (DPDP)* outlines the governments towards achieving justice, it is not judicially enforceable. • **Economic justice**- It is given under Part IV of DPSP. • **Article 39(b)-** It states that the ownership and control of the material resources of the community should be distributed in such a way as to best serve the common good. • **Article 39(c)-** IT aims to prevent the concentration of wealth and means of production which could be detrimental to the community.

What is the historical context of property rights in India?

- **Right to property**- The Constitution initially recognized the right to property as a fundamental right under Article 19(1)(f).
- **Article 31**- It also stated that the State shall pay compensation in case of private property acquisition.
- **Amendments-** Due to limited resources and the need for flexibility in land acquisition, amendments were made notably Article 31A, Article 31B, and Article 31C.

Article	About
31A	It exempts certain laws from the scrutiny of fundamental rights, such as acquisition of property by the State
31B	It validates certain Acts and Regulations that are included in the Ninth Schedule of the Constitution
31C	Article 39(b) and Article 39(c) cannot be challenged on the grounds that it violates the rights granted under Articles 14 and 19
44th Amendment Act (1978)	It removed the right to property from fundamental rights to reduce litigation by property owners, thus making it a constitutional right under Article 300A.

- **Judicial interpretation**- The Supreme Court has adjudicated on the balance between fundamental rights and DPSP, particularly in cases like Golak Nath case (1967), Kesavananda Bharati (1773) and Minerva Mills (1980).

The Supreme Court ruled that the Constitution exists on a harmonious balance between fundamental rights and DPSP.

- **Current status**- Right to private property remains a crucial aspect of both constitutional and legal frameworks. When the state seeks to acquire private property, it must adhere to specific principles
    - **Public purpose**- Any law allowing the state to acquire private property should serve a public purpose.
    - **Adequate compensation**- Property owners must receive fair and just compensation when their land or assets are acquired

Overview of India's economic policies
• **Socialist model**- Post Independence, India adopted a socialist approach characterized by significant state intervention and control. • **Land acquisition laws**- Laws were enacted by both the central and state governments to acquire land from zamindars (landlords) for public purposes, facilitating land reforms. • **Nationalization**- Key sectors such as banking and insurance were nationalized, reflecting the state's control over important economic resources. • **Taxation**- There were extremely high rates of direct taxes, sometimes up to 97%, along with estate duty on inheritance and a tax on wealth, aimed at redistributing wealth. • **Regulate private enterprise**- Measures like The Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act) were implemented to regulate and restrict the growth of private enterprise, preventing the concentration of economic power. • **Economic reforms**- During 1990s India marked a shift from a closed economy to one focused on liberalization, globalization, and privatization. • **Industrial Policy of 1991**- A new policy aimed to empower market forces, improve efficiency, and address industrial deficiencies. • **Legislative changes**- The Monopolies and Restrictive Trade Practices Act (MRTP Act) was repealed and replaced by the Competition Act, 2002. Additionally, income tax rates were significantly reduced. • **Tax Reforms**- Income tax rates were significantly reduced, estate duty and wealth tax was abolished in 1985 and 2016 respectively. • **Market driven economy**- The reforms increased government resources, helping to alleviate extreme poverty. • **Inequality growth**- As per World Inequality Lab, as of 2022-23, the top 10% of the population held 65% of the wealth and 57% of the income, while the bottom 50% only had 6.5% of the wealth and 15% of the income.

What lies ahead?

- Growing inequality is a global challenge within liberalized open-market economies. While innovation and growth are essential, it is crucial for government to protect the interests of marginalized and economically vulnerable populations.
- Past policies, such as high tax rates, estate duties, and wealth taxes, did not always achieve their intended goals and sometimes led to hiding income or assets to avoid taxation or for other financial advantages.
- Balancing economic growth with equitable distribution is essential. Policies should be carefully framed through debate and consideration of current economic models. Ultimately, the underlying principle remains consistent: economic justice for all, as

enshrined in our Constitution

Reference

The Hindu- Constitution and the wealth redistribution