problems of the third world

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India: Social and Economic Development

(18th - 20th Centuries)

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CHAPTER ONE

INDIA'S SOCIO-ECONOMIC STRUCTURE FROM THE 18TH TO MID-20TH CENTURIES

General

The rapid progress of political, economic and social sciences which serve to form our knowledge of contemporary India has necessitated a fresh approach to certain processes and phenomena that have emerged in the modern and contemporary history of that country. The views held by Soviet students of India in the early sixties were adequately presented in books published in India at the time.* For all the qualifications concerning the inhibiting and distorting impact of colonialism and feudal survivals on India's agriculture the general conception of the socio-economic process rested on the recognition of the continuous development of capitalism in India which had been drawing into its orbit greater and greater numbers of the country's small-commodity and semi-subsistence producers.

However, the experience of the past 25-odd years of development, since the date when India gained her independence, has convincingly demonstrated that the transforming potential of capitalism proved to be much weaker than had been expected by those who based their judgement on an analogy with other countries, which had experienced the emergence and subsequent development of capitalism more or less simultaneously with the establishment of capitalist economies all over the world by the turn of the century. Therefore, it

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* *Modern History of India*, New Delhi, 1964; *A Contemporary History of India*, New Delhi, 1964; V. I. Pavlov, *The Indian Capitalist Class. A Historical Study*, New Delhi, 1964.

has now become necessary to take a fresh look at the socio-economic situation in India at that period, using methods of inquiry normally employed to analyse analogous problems in the contemporary world.

A history of the economic development of India in the modern and contemporary periods calls for a combined effort by many different scholars. Indian scholars have achieved notable success in this area, especially in their assessment of the social and economic situation in India on the eve of British rule.

The studies conducted so far indicate the importance of an objective, science-based and unbiased approach, free of any desire to either overstate or understate the actual level of historical development in India. The Marxist historian's major task is to study the gradual waning of capitalism's transforming potential in the social sphere of Third World countries, as capitalism reaches its highest stage of development on a world scale. We do not, of course, refer to a modernised version of the vulgar and voluntarist concept that capitalism loses its potential for boosting productive forces and for technological improvements in production.

Yet, today in the economically backward countries capitalism displays a relatively reduced ability, compared to the dawn of its history in Western Europe, to transform the social set-up, overcome the plurality of social and economic structures and secure its domination both in the volume of production and in the sphere of production relations. To a certain extent the technological achievements of state-monopoly capitalism in the imperialist states lead to a stagnation of the social processes in the Third World. In other words, in economically backward countries capitalism is finding it increasingly difficult to become the socially dominant structure and to provide full employment for the bulk of the population. The countries that have been late in embarking on the capitalist road of development have been ever less able to secure full employment at the technological level of present-day capitalism. The Afro-Asian countries are in a particularly difficult position in this respect.

Historically, the most favourable conditions for the formation of the class structure of capitalist society emerged in Britain, where the bourgeois transformation of society had originally begun in the pre-manufactory and the manufactory period characterised by a low rate of capital investment per unit of labour force. Besides, Britain had the benefit of considerable resources and funds pumped in from outside, while the "surplus" population emigrated to North America and other colonies. A completely different situation emerged in India.

Nowadays massive capital investments are required per unit of labour force, investments which exceed by hundreds of times those made during the capitalist transformation of English society. Besides, the influx of resources through the usual external economic channels is much too inadequate and sometimes has an adverse effect on the national economy. The difficulties involved in capital accumulation on a scale necessary for the capitalist integration of society have been multiplying as up-to-date technology has become more advanced and expensive. Besides, opportunities for siphoning off "surplus" population abroad are negligible.

Some Aspects of the Study of a Multistructural Society

One of the central problems facing economists is to identify the true place of the capitalist structure within the national socio-economic system and within the system of world economic ties. In working out a specific methodology to apply to studies of the situation in individual countries one should bear in mind that Karl Marx in his *Capital* examines English society, which had undergone capitalist transformation in pure form and which had solved the problem of plurality of socio-economic structures by the mid-19th century. Therefore, Marx largely confined himself to an examination of the relations between the lower and higher forms of capitalist production. Lenin pointed to this when he wrote, "Marx speaks of one 'economic formation of society' only, the capitalist formation, that is, he says that he investigated the law of development of this formation only and of no other."*

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* V. I. Lenin, *Collected Works*, Vol. 1, p. 136.

In his *The Development of Capitalism in Russia* Lenin provided an exemplary study of the small-commodity structure and of the various types of capitalist production in their interaction, without setting out to examine every aspect of the general problem of multistructuralness. This is fully understandable, because in that work Lenin concentrated on disproving the Narodnik assertion of the impossibility of capitalist development in Russia. In his subsequent studies of the agrarian question, Lenin elaborated his concept of the multistructural nature of Russian society and of the place held within it by the capitalist structure. In the most generalised form, Lenin posed the problem of the plurality of socio-economic structures in Russia in his later works on the New Economic Policy (NEP) after the Civil War.

The approach based on the study of society as predominantly a multistructural system does not solve the problem, but only paves the way to a better understanding without simplification. The use of familiar definitions of social and economic structures creates the illusion that we use well-established categories and that all we must do is identify the existing correlations of the various structures within a given socio-economic system.

The distinguishing features of any system, however, arise not only from the correlation of the constituent structures but also from the national features of each structure individually and from its interaction with other structures. Marx noted that events displaying a striking similarity but taking place in differing historical situations may lead to completely different results. In studying the evolution of each of the processes separately and in comparing them, one can find the key to an understanding of the phenomenon under study. But one can never hope to gain this understanding if one uses a universal, so to speak, master key drawn from a general historical and philosophical theory. Engels pointed out that none of the laws of social development have "any reality except as approximation, tendency, average, and not as *immediate* reality".*

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* K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 482.

Thus, the definition of the economy of the Indian rural elite in the modern period as a feudal economy, or the economy of urban craftsmen and artisans as a small-commodity or a small-capitalist one can only enable us to make a start on the study of their real socio-economic content and internal economic ties. A definition of socio-economic structures as such does not enable one to draw a clear-cut line of demarcation between the various types of production relations. It is by no means easy to tell when, say, a carpenter or a well-to-do peasant, who are full-fledged members of a community, become small-scale commodity producers.

Similarly, if one proceeds only from the quantity of labour inputs and their detailed breakdown in, say, the production of sugar-cane by-products in the Indian village, one should perhaps classify the production units involved within the capitalist category. But data on the terms of payment in kind to the workers and the patronage relationships between them and their employer make it impossible to adopt this approach.

Conversely, in another socio-economic environment one can classify as capitalist a farm or a business based on the work of the owner himself. Thus, under developed capitalist production, as Lenin pointed out, even simple commodity production becomes a reserve of capitalism and one of its lesser varieties. "This category includes every small commodity-producer who covers his expenditure by independent farming...."* One could hardly hope to observe a similar situation in India in the period under review, but Lenin's argument provides another major methodological criterion for making finer distinctions based on salient features.

The Place of Individual Structures in the "Mixed" Economy

By relating a particular economic unit to a particular structure we have but approached the problem of indicators determining the place and role of separate structures, notably which of them exercises the formation-moulding function. Usually, decisive importance is attached to two indices—the

* V. I. Lenin, *Collected Works*, Vol. 3, p. 311.

contribution made by a particular structure to the gross national product and to the total labour force. However, the theoretical propositions and studies made by the founders of Marxism-Leninism show that these indices alone are not enough.

The differences in the conditions of price formation prevailing in different structures tend to make the first index rather inaccurate and unreliable. But this is not the main point. The volumes of the national product comparable in terms of value may vary widely in their concrete material composition and, more specifically, in the quantity and quality of the elements of reproduction. It is also essential to establish to what extent these elements are part of the necessary or surplus product. As Marx pointed out, "surplus-value is convertible into capital solely because the surplus-product, whose value it is, already comprises the material elements of new capital".*

It is evident that the importance of a particular structure is determined by its share and the volume of the surplus product it provides. Just as important is the distribution of the surplus product between the accumulation and consumption funds. The example of India provides convincing proof that the volume of the surplus product is not adequate to the scale of extended reproduction in the structure where that product has originated. What is more, a large body of surplus product may exist side by side with the stagnation of the given structure or it may be mainly expended to finance rapid expansion of production in another structure (the transfer of resources from small-scale farming to large-scale industry is a case in point).

In some cases the redistribution system acts as a brake on extended reproduction, thereby maintaining the dominance of those sections of society which live off the surplus product of a given structure. If the volume and material composition of the surplus product are well balanced with the numbers, demographic dynamics and aspirations of the dominant class, then this class for a long time experiences rather weak stimuli for change in the mode of production.

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* K. Marx, *Capital*, Vol. I, Moscow, 1972, pp. 544-45.

In stagnant societies with a primitive technological base the relative numbers of the dominant sections of society depend on the size of the surplus product appropriated by them, which in turn depends on the natural conditions of labour. Marx pointed out that "should labour-power be minute, and the natural conditions of labour scanty, then the surplus-labour is small, but in such a case so are the wants of the producers on the one hand and the relative number of exploiters of surplus-labour on the other, and finally so is the surplus-product, whereby this barely productive surplus-labour is realised for those few exploiting landowners".*

When we examine the conditions under which a ruling class took shape over a long period of historical development we see that the division of the surplus product appropriated by this class into the part used for consumption and the part used for expanding production comes into conflict with the reproduction pattern of that class. The greater the surplus product consumed by the class, the more numerous that class is. But without putting aside part of the surplus product for extended reproduction the dominant class "eats away" its own future, as it were, condemning its lower sections to property degradation. Therefore, excessive non-productive consumption by the dominant classes of the entire or almost entire surplus product brought about a "demographic explosion" in their midst at a later point (if there were no extraordinary limiting factors, e.g., wars) and produced innumerable have-nots who aspired to the traditional amount of the good things of life.

Recognition of the multistructural nature of a society calls for a more complex approach to its superstructural institutions. To be sure any society needs a system of legal and moral standards and a network of superstructural institutions to regulate and manage the particular mode of production,** to arrange the relationships among its members and between social micro-elements (family, community, caste), production units and macro-formations (state, nation, national economy). In stagnant, slowly evolving societies

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* K. Marx, *Capital*, Vol. III, Moscow, 1971, p. 792.
** Ibid., p. 793.

this mechanism in the ideological and institutional areas takes on an aura of something perpetual, eternal, complete and sacrosanct, blessed by divine reason and will in the eyes of the masses. This attitude on the part of society to its own institutions and moral and legal norms and standards imparts additional independence to both. This leads some historians to conclude that constitutional and legal complex in the East is self-sustaining and self-generated.

Undoubtedly, any given society is dominated by the state superstructure instituted by the structure that determines the type of socio-economic formation to which that society belongs. However, the network of superstructural institutions also includes as subordinate components social institutions of both moribund and nascent structures. In the course of a long coexistence they have interacted closely, which in conditions of overall social stagnation causes them to come together in terms of formal organisation and functional operation. For instance, the system of caste institutions in India exhibits features of tribal cohesion, slavish humility, and guild and social estate organisation. Different tiers of the caste hierarchy manifest these features differently, while some lack them altogether. But even in the upper echelons of the state apparatus and the army, the master-servant relations typical of the tribal and slave-owning systems have been practised widely. In this sense India did not experience the uniform vassal hierarchy of the ruling class as feudal Western Europe did. The widespread practice in the Eastern countries of replenishing the military and administrative personnel (often by coercion) with persons from alien ethnic groups or religions based on slavish devotion to the ruler, demonstrates the incomplete feudalisation of the dominant class and of its apparatus of management and coercion.

The alignment of forces among different groups of exploiting classes in India was no simple reflection of their numerical strength or role in the country's economy and ideology. Thus, the Mogul nobility was far outnumbered by the Hindu landowning sections, but the Moguls held sway for over 150 years thanks to their cohesion and military and political mobility. Therefore, the more mature feudal tendencies that were represented by the interests of local landowners failed for a long time to be adequately reflected in the country's social and economic system.

The role of the toiling classes in the economy, politics and ideology cannot be accurately deduced from their sheer numerical strength either. The growing expenditure on reproduction and technical equipment for the worker in a more advanced mode of production imposes limits on the size of the labour force as the transition is effected from outdated to more advanced socio-economic structures. The growing labour productivity of workers in different structures also operates in the same direction. But the workers in a more productive sphere can compensate for their relatively small numbers by greater cohesion, higher cultural standards, activeness, flexibility, etc. In this sense the proletarian of today is at the opposite pole from the labourer in a subsistence, patriarchal household; in between we find a whole series of workers of a varying productive and social quality. This circumstance is also to be taken into account when determining the importance of a particular structure within a given system.

The System of Distribution As the Progeny of the Mode of Production and As Its Index

In examining in detail the social division of labour (national and international) and accumulation we were guided by the following proposition of Marx's: "The so-called distribution relations ... correspond to and arise from historically determined specific social forms of the process of production and mutual relations entered into by men in the reproduction process of human life."* And then Marx sets apart capitalist distribution from other, pre-capitalist forms of distribution which only disappear along with a definite form of production.** In other words a given aggregate of the modes of production generates a corresponding system of forms of distribution. In Asia the highly complex and characteristic pattern of socio-economic structures is matched by several systems of distribution.

* K. Marx, *Capital*, Vol. III, p. 883.
** Ibid.

Until she had won independence, India's traditional superstructural institutions and those set up by the British played an active social role in the redistribution and consumption of the national product, while their contribution to productive accumulation was relatively insignificant. This mixed system of redistribution overlay and influenced a yet more complex system determining the movement of the product along the channels of the social division of labour, which contains in a contradictory manner the product turnover within the framework of a micro-region (cells of the Djajmani type, village communities, tahsils, i.e., districts), on the emergent national market and later on the world capitalist market.

With the appearance in India of factory production the interaction of the multistructural pattern of production relations with different modes of distribution acquired a highly contradictory nature. A new type of production inevitably gives rise to a matching method of distribution, a fact which Engels pointed out when he wrote: "The method of distribution essentially depends on *how much* there is to distribute, and that this must surely change with the progress of production and social organisation, so that the method of distribution may also change."*

It is clear that the output of an average capitalist production unit (factory) exceeded by an astronomical margin that of a typical traditional unit of production. Therefore, alongside the rather rapid replacement of the Indian feudal states' fiscal apparatus by the Exchequer of the British administration, the capitalist apparatus of redistribution gradually took shape in colonial India (banks, management agencies, commercial firms, etc.). In this way the new multistructural quality of production found its reflection and further development in the multistructural and specific pattern of the sphere of circulation (although in India the latter was far narrower than the total system of redistribution).

The effects of the multistructural pattern of circulation were manifested in the varied composition of the commodity mass, not only in terms of product range (which is inevitable),

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* K. Marx and F. Engels, *Selected Correspondence*, p. 496.

but also in terms of conditions of production and, hence, in the size and rate of profit inherent in goods which are different but comparable in terms of price. Accordingly loan capital varies in origin and application, a fact reflected in interest rates, credit terms and, most important, in the degree of connectedness with production and ability to reorganise it on a new technological basis. To be sure, in the sphere of circulation the border lines of different economic structures are blurred and are less clearly defined than in the sphere of production (witness the activities of trade and money-lending capital in small-commodity and early capitalist production). Nonetheless, the introduction of criteria such as the form and conditions of connectedness with production, provides a sufficiently clear landmark to help us differentiate between various structures.

Capital within the sphere of circulation can be transformed into a different quality as it becomes associated with a particular type of capitalist production. As a result it represents a fundamentally new, capitalist principle of redistribution. This is only to be expected for, as Marx pointed out, pre-capitalist production was aimed primarily at the production of use values. "On the one hand ... circulation has not as yet established a hold on production, but is related to it as to a given premise. On the other hand ... the production process has not as yet absorbed circulation as a mere phase of production. Both, however, are the case in capitalist production."*

With pre-capitalist modes of production, Marx went on, merchant capital "appropriates an overwhelming portion of the surplus-product partly as a mediator between communities which still substantially produce for use-value, and for whose economic organisation the sale of the portion of their product entering circulation, or for that matter any sale of products at their value, is of secondary importance; and partly, because under those earlier modes of production the principal owners of the surplus-product with whom the merchant dealt, namely, the slave-owner, the feudal lord, and the state (for instance, the oriental despot) represent

* K. Marx, *Capital*, Vol. III, p. 328.

the consuming wealth and luxury which the merchant seeks to trap".*

Thus, the consumer wealth is personified in a pre-capitalist society mostly by those segments of society which skim off the surplus product without participating in the process of production and circulation as an essential element. In these circumstances merchant capital acts as an intermediary not so much between different spheres and types of production but rather between owners of large concentrations of the surplus product removed from these spheres of production. That is why merchant capital does not usually reach the lower sections of the system of redistribution, concentrating rather in its higher echelons. The redistribution of the necessary product (in the broad sense, including elements of production) proceeds for the most part on the basis of natural-type consumption, exchange or remuneration. Here we are abstracting ourselves from the interference of the money-lender in small-scale subsistence production.

Summarising the foregoing on the formation-moulding structure in pre-capitalist society we observe the following salient socio-economic features of that structure: more advanced technical equipment and labour organisation and, as a consequence, higher productivity; the production of the bulk of the surplus product; maximum entry of that product into the upper, centralising echelons of the system of redistribution; its materialisation in the most advanced consumer goods, arms and, most important, producer goods; the decisive impact of the productively employed part of the surplus product on the nation-wide processes of extended reproduction (the latter index is especially applicable to the capitalist structure); the determining role of the dominant class of the given structure in the functioning of the entire social mechanism and specifically in the workings of its superstructural institutions; the emergence and concentration of basic social contradictions in class conflicts within the structure; the decisive impact made by the ideology of the structure's dominant class on the shaping of the nation-wide ideology. Needless to say those features play a different role in different formations and under varying internal, external and natural conditions.

* Ibid., pp. 330-31.

Awareness of the Social Being in a Multistructural Society

The structural pyramid of medieval India has not yet been adequately clarified, but we believe that it contained a dominant feudal structure that existed side by side with significant carry-overs from primitive-communal, tribal and slave-owning relations, which in certain areas produced structures of their own. It also appears to be fairly certain that elements of a small-commodity structure existed primarily in the urban artisan industries and contained rudiments of capitalist relations in some areas. Indian feudalism itself presented a varied pattern of types and forms. All this combined to produce a highly ramified pattern representing the material and spiritual culture of the country's toiling masses.

Perhaps the long coexistence of working sections of a community marked by extremely varied living conditions led to a situation in which the multiplicity of forms of social ethics produced their rigid religious consolidation in the caste regimentation of Hinduism which nonetheless tolerated different interpretations, sectarian trends, and philosophies. In any case two striking features, which distinguish Hinduism from Judaism, Christianity and Islam, include the open and direct consolidation of social singularities in the social norms and life aspirations (food, clothing, etc.) and a tolerance of ideological pluralism among its adepts. This requires a historical and sociological explanation.

The socio-economic processes which emerged in India after British conquest, specifically the extension of the small-commodity structure and the emergence of a capitalist structure, led to a separation of social being from social consciousness. In these new conditions labour and its product not only entered, as Marx put it, "in the transactions of society", as "services in kind and payments in kind" (as under feudalism) but increasingly assumed "a fantastic form different from their reality" (as under commodity production).* Indeed, in his everyday life the Indian peasant or artisan appropriated or alienated the product not only

* K. Marx, *Capital*, Vol. I, pp. 81-82.

through the mechanism of direct personal relationships which were perfectly clear to him, but also through commodity turnover where he was brought face to face with "the whole mystery of commodities, all the magic and necromancy that surrounds the products of labour so long as they take the form of commodities".* In this respect British rule presented a dual profile, as it were, to the Indian toiler: on the personal plane—as a very familiar tax collector appropriating part of his product, and, in a rather mystical way, as an impersonal owner of the product produced by anonymous labour in anonymous conditions on anonymous outlays.

Further, in India the "immediate social form of labour" could be both its "particular and natural form" and "its general abstract form" "as in a society based on production of commodities".** Accordingly, unpaid surplus labour could be expressed both in rent and in profit.*** Therefore, the Indians were subject, on the one hand, to a variety of extra-economic, coercive methods of exploitation (taxes, rent, and exactions) and, on the other, to trade and money-lender and more or less purely capitalist methods. Paraphrasing Marx, we may assert that Indian social labour relations have since the mid-19th century manifested themselves as both their own personal relations and as those "disguised under the shape of social relations between the products of labour."****

In the Christian world the dualism of social consciousness in the period of transition to capitalism found a more or less adequate, albeit contradictory reflection in the Reformation. But none of the two great religions of India, Hinduism and Islam, borrowed anything from the Reformation (interestingly, Christianity as practised in India has retained its pre-Reformation features). What is more, we believe that the maturity of Hinduism as an ideology of developed feudalism is by no means unquestionable. Jainism, Sikhism, Zoroastrianism and Christianity of the Nestorian variety have remained socially and geographically localised world outlooks, while their maturity and receptivity to a bourgeois

* K. Marx, *Capital*, Vol. I, pp. 80-81.
** Ibid., p. 82.
*** Ibid., pp. 81-82.
**** Ibid., p. 82.

"reformation" have not yet been proved conclusively. In a word, by the mid-19th century India had no classes or large social groups possessing an ideology which combined the life aspirations of a given class or social group with the national interests.

Essentially none of the ideologies existing in India went beyond a justification of the established system of redistribution, although in exceptional cases they attempted slightly to modify it. That is why the regimentation of consumer aspirations was part and parcel of India's traditional ideologies, as was indeed the regimentation of the way of life within a particular social group. This regimentation concerned above all deductions for the maintenance of those who were the bearers and mouthpieces of the ideologies (Hinduism, Islam, etc.), which in turn served to intensify their social conservatism and adherence to traditional institutions.

In the new historical situation when the most acute social conflicts were mediated by the intervention of capitalism, traditional religious consciousness could serve only as a basis for conservative reaction to newly emergent processes and trends. At the same time none of the secular ideologies of a narrow class nature, including bourgeois nationalism in a more or less pure form, could replace the religious world outlook as a "working" everyday ideology for the majority of the population. In this situation the appearance of Gandhiism as an ideology with claims to nation-wide recognition and acceptance seems to have been a logical development. Interestingly, Gandhiism's weak points as exemplified in its vagueness, eclecticism and class "lack of focus" became for a time its advantages. This explains the widespread acceptance of its socio-economic programme, at least during the struggle for national sovereignty.

The Comprehensive Approach to the Socio-Economic Structure and Its Functional Interrelationships

The comprehensive approach is a Marxist method of analysing historical progress. In this connection the problem arises of assessing that type of situation which has come to be known in Marxist literature as "formational leap", that is to say, the comprehensive transition of all the basic elements of a given socio-economic system to a historically new qualitative unity. We lay particular stress on the comprehensive nature of this transition because in some bourgeois conceptions of this type of leap its content and implications are reduced to the technological "take-off" (according to Walt Rostow) or to some other unidimensional change.

In the Marxist view the formational leap is a logical development when it is preceded by an accumulation of crisis phenomena in all the key elements of the predominant structure (formation-moulding structure), including the spheres of productive forces, production relations, social institutions, ideological notions and cultural values. However, the necessity of such an accumulation does not imply that the transformation begins simultaneously and proceeds at the same rate and with the same depth in all social areas. This unevenness of the revolutionary replacement of successive formations leads to certain imbalances and even deformations which constitute "the birth pangs" of history.

The Marxist concept of the basic and constantly operating stimulus to progress differs importantly from the systems of "valuations" advanced by Gunnar Myrdal precisely because it proceeds not from an optional set of criteria, but rather from objective and ineluctable factors. For the Marxist internationalist the difficulty of this problem lies in establishing the true relationship of these factors in the specific—national and regional—and in the global contexts.

Thus, for the Marxist historian the initial conceptual position is greatly complicated by the need to analyse the entire complex of internal and external imperative relations. To Lenin "a knowledge of the basic features of a given epoch"* was the basis for an understanding of national specificities. This formula, we believe, may serve as a basis for a scientific approach to the study of India's socio-economic development and the impact of British rule. Indeed, if one proceeds from "basic features of a given epoch" at the turn of the 19th

* V. I. Lenin, *Collected Works*, Vol. 21, p. 145.

century then nothing could be more appropriate as a standard of historical progress than the industrial revolution which involved the transition from manual to a mechanised mode of production. At the same time, our assessments of the impact of British capitalism on India will be more valid and mediated, if, according to Lenin, we examine the world industrial revolution as a basis "for taking account of the more particular specific features" of socio-economic processes in a particular country.

The Capitalist Structure As an Element of a Multistructural Economy

Lenin emphasised that the main task in studying the genesis of capitalism is to establish whence and how it came into being.* In an investigation of the pre-capitalist structures in India we must therefore concentrate on finding out what system of production relations they represented, "Asiatic", feudal or some other. We are inclined to agree with those who interpret the Asiatic mode of production as a profoundly specific regional variant of the feudal mode of production. At the same time, according to Marx this mode of production should be regarded in the system of other precapitalist modes of production.

Similarly, the student of economically backward countries in the modern and contemporary periods must first of all employ Lenin's methods of studying capitalism as an element of a multistructural society. Only with this approach can one hope to avoid the methodological error of investigating capitalist structures as such in the countries of the East in isolation from other structures. That error would inevitably lead to the undue exaggeration of capitalist relations. First of all, the investigator has to establish the nature of relationships between the capitalist structure and the other structures, beginning with those between pre-capitalist structures and individual "cases" of capitalism.

An important line of relations between the capitalist structure and pre-capitalist ones runs through the sphere of

* V. I. Lenin, *Collected Works*, Vol. 3, p. 380.

accumulation, which under early capitalism constitutes an all-important problem for a nascent capitalist structure. Accumulation in the small-scale capitalist and manufactory industry can be effected through free commodity exchange with the peasant economy only at the stage when capitalist production in industry outstrips agriculture in terms of labour productivity. Already at this early stage there arises the problem of the non-equivalent exchange, which is often interpreted exclusively as an aspect of external economic relations. In fact it arose as a problem of exchange between structures with different levels of labour productivity, that is to say, as an essentially domestic, class contradiction.

Of special value for the study of this particular problem are Marx's thoughts on the Indian village community, the redistribution of the agricultural product, and the social division of labour in India. At one time the opinion gained currency that the concrete factual material goes far beyond the confines outlined by Marx for particular socio-economic phenomena in India. To this we may reply as follows: first, Marx's views of India did not remain static, but developed to a higher level of accuracy (thus, he revised his assessment of how quickly British capital captured the Indian market); second, Marx's propositions laid no claim to giving an exhaustive characterisation of socio-economic phenomena in India, but only pointed out the specific nature of these phenomena in the light of the general laws governing historical development.

To underscore these observations let us recall that in 1853 Marx described "the so-called *village system*, which gave to each of these small unions their independent organisation and distinct life.... Now, sickening as it must be to human feeling to witness those myriads of industrious patriarchal and inoffensive social organisations disorganised and dissolved into their units, thrown into a sea of woes, and their individual members losing at the same time their ancient form of civilisation, and their hereditary means of subsistence, we must not forget that these idyllic village communities, inoffensive though they may appear, had always been the solid foundation of Oriental despotism, that they restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical energies."*

Thus, as Marx put it, from the traditional institution of the village community there emanates a whole series of varied and multidirectional impulses which nevertheless exercise an equally conserving effect. Some, "descending impulses", formed the historically concrete individual devoid of any creative potential, while others, "ascending impulses", shored up the macro-organism—the Oriental despotism. If we recall what Engels wrote about the impossibility of capitalist accumulation in conditions of Oriental despotism, we shall see clearly the comprehensive approach of the founders of Marxism to the problem of the stagnation and backwardness of Asian society.

If we translate Marx's thought to the formalised language of contemporary sociology we will have the model of a dual social structural organisation in which the totality of homologous microstructures (village community) emerges as the unity of elements on which the macrosystem itself (Oriental despotism) rests. The mechanism of this organisation operates through the interlocking system of the social division of labour within each microstructure (farming—handicrafts) and equally within the macrostructure as a whole (through the removal and redistribution of the rent-tax). The economic and social homeostasis of this system generated a stagnation which found subjective expression in the historical lack of individual initiative, in man's devotion to traditions and submission to prejudice.

Marx's overall view concerning the stability of the socioeconomic structure of Indian society is today being corroborated by new evidence of a systematising nature. Undoubtedly, with national independence the stagnation of this structure would long ago have been ruptured by that segment of society which would have wakened up to and recognised the need for a radical way out from stagnation.

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* K. Marx and F. Engels, *Selected Works* in three volumes, Vol. 1, Moscow, 1973, pp. 491-92.

The Production and Redistribution of Agricultural Produce in Feudal India

The forms of landholding and land use exert a decisive influence on the scale and terms of produce exchange between peasants and artisans in any feudal country. It is these forms that determine the mechanism of the draining off and redistribution of agricultural produce which in a feudal society accounts for the bulk of the national product. In turn, that mechanism determines the relationship between direct exchange of produce between the artisan and the peasant (in a natural or commodity form) and exchange mediated by the redistribution of agricultural produce taken away from the peasant through commodity-money channels.

To arrive at a true picture of the rate of agricultural produce extraction one should proceed not so much from the rate prescribed by state taxation, but rather from the actual deductions from the tax-payer's harvest. According to Benjamin Heyne who studied the situation in South India in the first decade of the last century,* the tax equalled 35 per cent of the crop, the remuneration for the administration and armed men accounted for 12.5 per cent, for members of the clergy over 2.5 per cent, and for servants (not engaged in agriculture) and artisans 2.5 per cent. Thus, only about a half of the total crop (in an average year) was retained by the working part of the rural population (ryots, pariahs, servants and artisans).

We believe that at the time Indian society lacked the objective conditions for a formational leap into capitalism. The high level of feudal rent and the huge volume of the land produce it alienated, which was consumed by the ruling classes and by the numerous army of those who waited upon them, tended to perpetuate the stagnant nature of the country's socio-economic system, which relied on the unusually large population living off the surplus land produce. At the same time the subsistence-extensive basis of India's economy and the undeveloped nature of purely economic rela-

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* Benjamin Heyne, *Tracts, Historical and Statistical on India; with Journals of Several Tours Through Various Parts of the Peninsula*, London, 1814, p. 69.

tions and of the common interests of these classes and segments prevented the formation of a socially uniform (albeit heterogeneous vertically) machinery of management and coercion (especially in the upper echelons), machinery that was capable of safeguarding external security and internal political stability throughout the Mogul despotic state.

The Mogul land-tax system (to the extent its principles were applied) placed the lower and medium sections of the feudal lords in relatively cramped circumstances, leaving the top crust in a privileged position. According to the calculations of I. Habib, as a result of the deductions made in favour of local government officials, soldiers and other types of rural rent receivers, from one-fourth to one-half of the net product was taken away from the peasants.*

The development of commodity exchange between town and country was hampered by the economic insularity of the village community and by the fact that a considerable part of the surplus land produce was taken away in natural form as rent-tax. Economic relationships between town and country were dominated by a one-way flow to the town of agricultural produce, extracted from the peasants by the feudal state and by individual feudal lords. Marx wrote that in India the product became a commodity "and a portion of even that, not until it has reached the hands of the State, into whose hands from time immemorial a certain quantity of these products has found its way in the shape of rent in kind".**

We should also pay attention to the confusion, still common, of two essentially different categories, commercialisation of agricultural product and the commodity nature of agriculture, viz., the conversion of manpower and implements into a commodity. With the relatively high rate of surplus product in Indian farming and its extraction through land tax and other rent payments, a considerable part of the land produce could be converted into a commodity by the formal rent receiver or buyer-up without its marketing by

* I. Habib, *Potentialities of Capitalist Development in the Economy of Mughal India. An Enquiry. The International Economic History Congress*, Section 1, 4, "The Extent of Capitalistic Development Outside Europe", p. 11.

** K. Marx, *Capital*, Vol. I, p. 337.

the producer (ryot). In those cases when land tax was collected by buyers-up and their agents the money-lender's interest paid by the peasant was little different from the rent-tax and to a certain extent represented its converted form (while showing a tendency towards independent existence which later became manifest under British rule). The commercialisation of the land produce through rent and money-lender's interest militated against the commercialisation of reproduction in agriculture because it deprived the producer of that part of the surplus product which, upon realisation on the market, he could exchange for means of production.

Regardless of the specific links within which agricultural produce was commercialised, under Oriental despotism the level of final product commercialisation on a national scale was to a certain extent inversely proportional to the commercialisation of peasant production itself. In the words of D. R. Gadgil, "the export or sale of produce helped in paying the dues owed to the state or landlord by the agriculturist but did not usually give him resources in exchange with which he could buy significant quantities of the products of urban industry".*

Even in the 18th and early 19th centuries in Gujarat, Mysore and Rajasthan, areas with comparatively developed commodity-money relations, the landholders normally paid their land taxes directly to the buyer-up either in kind or in cash borrowed from the money-lender, to whom they later gave part of their harvest.** In either case, to pay the money tax the landholders did not have to go to the market or to become independent commodity producers.

The Social Division of Labour Between Agriculture and the Crafts

Before examining this problem as such it is important to note that the consolidation of property rights to land in the case of individual rent receivers did not lead directly

* D. R. Gadgil, *Origins of the Modern Indian Business Class*, New York, 1959, p. 5.

** See J. Forbes, *Ras Mala, Hindoo Annals of the Provinces of Goozerat in Western India*, Vol. II, London, 1856.

to the elimination of the subsistence nature of agriculture or to significant changes in its technological base. The property stratification among agriculturists in its qualitative aspect affected only the consumer demand for the artisan products without changing the structure of production demand. Therefore, while paying attention to the role of private landholding in destroying the early forms of the village community and the gradual erosion of its subsistence, closed nature one should not overestimate the scope and depth of processes taking place within a subsistence economy.

In particular, the emergence of large-scale landownership did not in itself introduce any radical changes in the existing system of the social division of labour. When state ownership of the land and the communal organisation were predominant surplus products were commercialised primarily through the medium of the rent-tax. With the consolidation of landownership rights, however, part of the agricultural surplus product, in the form of tribute or ground rent, was directly consumed by big feudal lords in its natural form, another part was exchanged for luxury items and other forms of consumption while the balance was used to maintain the artisans. In this fashion, the increase in the share of the ground rent held by local landowners as such did nothing to eliminate the subsistence basis of the economy. At the same time the increased share of rent siphoned off by local landowners confined the distribution and consumption of that rent to the place where the surplus land produce was put out and formed an exchange fund for dealings with local artisans and craftsmen.

As landownership rights were strengthened communal rights to the distribution of not only part of the surplus product but also the necessary land produce were gradually whittled away. Interesting data on the impact made by the growing zamindar landownership on the mechanism of intra-communal product distribution are provided in the description of a Gujarat commune from the pen of James Forbes: "Some particular fields, called pysita and vajeesa lands, are set apart in each village for public purposes...; in most the produce of these lands is appropriated to the maintenance of the brahmins, the cazee, washerman, smith, barber, and the lame, blind and helpless; as also to the support of a few vertunnees, or armed men who are kept for the defence of the village."*

That was the reason why, according to Forbes, Gujarat peasants were seriously harmed by the fact that the zamindars seized the pysita harvest that was due to the brahmins and artisans.**

In the tax report of June 10, 1815, prepared by Forbes, we find a more accurate description of pysita as a land allotment provided "for the maintenance of various descriptions of artificers in each village". It was also allotted to members of the clergy, communal servants and administrative staff of the district. The total area of these lands in the district was 36,563 bighs, of which only 5,190 bighs were owned by "village artificers, such as carpenters, blacksmiths, potters, tailors, washermen, barbers, shoemakers and tanners". An estimated 14,380 bighs was owned by communal servants (bhils, jaires, etc.), while the rest of this land belonged to administrative personnel and priests staffing the temples and mosques. In other words, this part of the land was in effect feudal tax-exempt property.*** Clearly, the land owned by artisans constituted an insignificant part of even this category of land in private hands.

In studying the connection between the changes in the sphere of landownership and the distribution of the product within the village community one should not jump to conclusions as to the scale of commodity-money relations between agriculture and the crafts. In the past some Soviet experts on India concentrated intentionally on the emergence of new and progressive phenomena in Indian society, which led them to draw premature and rather lopsided conclusions and notions. For instance, at one time these authors presented the rather simplistic formula according to which in India "the old manner in which the community remunerated the artisan in kind, that is by allotting him a share of the harvest or a plot of land, was beginning to give way to commodity-

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* J. Forbes, *Oriental Memoirs. A Narrative of Seventeen Years Residence in India*, Vol. II, London, 1834, pp. 416-17.

** Ibid.

*** See *Selections of Papers from the Records at the East-India House*, Vol. III, London, 1826, pp. 649, 654.

money relationships between the craftsman and the consumer or customer".*

Irfan Habib rightly criticises the views presented by L. Alayev and V. Pavlov in their earlier works, concerning the "subverting" impact upon the community caused by the departure from it of weavers, cotton-carders and oil-makers. So long as the relations of such artisans with the villagers were determined by custom, Habib points out, it is difficult to see precisely in what way village community could have been subverted.** Today our position on this matter approaches in principle that held by I. Habib. At the same time in each individual case one has to be clear as to exactly what custom and, consequently, what type of relations is being referred to.

The production requirements of farming were met by the traditional system of communal remuneration in kind (through land allotments and a share of the harvest) while the consumer needs of the individual cultivator and his family were met by the artisan who acted in his capacity as an independent producer entering into natural and barter or commodity-money relations with other producers (landholders). These relations were independent of the communal set-up. The fact that artisan-produced consumer articles became earlier than the implements of labour the object of out-of-community transactions between artisan and cultivator is also demonstrated by the long-standing separation of weaving from the community. Weaving was perhaps the largest industry producing solely personal consumption items.

The satisfaction of the consumer demands of community members through individual transactions with the artisans is explained, we believe, by the fact that the Indian community was not an association of equals. The very fact that the community was marred by slavery and by the dependent status of lower castes deprived their members of the right to claim a share of artisan and handicraft items on the same footing with full-fledged members. As property stratification

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* V. I. Pavlov, *The Indian Capitalist Class. A Historical Study*, New Delhi, 1964, p. 22.

** See I. Habib, op. cit., p. 6.

continued, even among full-fledged members of the community the impersonal remuneration of the artisan by means of a fixed share of the cultivators' harvest did not in fact correspond to established relations between the artisan and his clients who placed strictly personal orders with him.

The situation was different with the production of agricultural implements. Above all, the property stratification of members of the community and the emergence of a wealthy top crust among the cultivators did not produce any qualitative changes in the demand for agricultural implements because the lands owned by both rank-and-file members and by the top crust were worked with the same implements. To be sure, the cultivation of a large area called for more implements. That is why, had communal artisans received equal remuneration from each landholder, this remuneration would have ceased to correspond to the actual volume of individual requirements in implements. However, the Indian community had a system of remuneration for the manufacture of implements, whereby the manufacturers were to some extent indifferent as to whether they filled the orders of a big or small cultivator because they got paid either on the basis of the acreage or the particular set of implements involved.

A report dated October 10, 1845, prepared by P. N. Gooddine, provides an idea of the mechanism of this system. This report says that village artisans and servants were divided into three oli (or khasses, according to Moslem terminology) depending on the amount of remuneration. The first group comprised sootar, lohar, and chambhar. The second, koombhar, and the third, representatives of local anthorities and the clergy. The first group received their remuneration on the basis of 30 units of produce from a unit of acreage cultivated, the second group—on the basis of 25 units, while the third group—on the basis of 20 units. Moreover, this amount was given "by the Patel from the farmer's stack, on the appeal of either party" [i.e., artisans or communal servants.—*The author*].*

P. N. Gooddine described the duties and rights to remuneration of individual artisans as follows:

* *Report on the Village Community of the Deccan Government of Bombay, Selections from Records*, p. 11.

"*Sootar.*—The Carpenter is at the head of the artisans, his services being most in requisition: he makes up and mends all wooden implements for agricultural purposes, the owners finding the materials; but for any other work, as building a house, or making a cart for other than agricultural purposes, he is paid. His average remuneration is about 6 paeelees per paeen.

"*Lohar.*—The Smith makes and repairs the iron work for all agricultural instruments, the owners finding the material; but anything apart from these, such as a cart, & c. for other than agricultural purposes, he must be paid for. Remuneration 5 1/2 paeelees per paeen.

"*Chambhar.*—The Shoe-maker makes all leathern halters, whips, ropes, and bands, for agricultural purposes, the owners finding the leather; but he must find the leather himself for all repairs. He has also to furnish gratuitously the Deshmookh and Deshpandee of the district, and the Patel and Coolkurnee of his village, with a new pair of shoes each annually. His average remuneration per paeen is 5 1/2 paeelees [one paeen consisted of thirty bighs, or some four hectares.—*The author*].

"The above are the three principal artisans of the village and they possess several perquisites above the others, among which may be mentioned the privilege of sowing in every farmer's field a strip of land each with ralla, each strip consisting of four furrows. The farmer tills the land, and these artisans merely bring each his basket of grain, which is sown by the farmer, and reaped by the recipient when ready."*

According to our estimates, the hakdars received 7-8 per cent of the harvest, while the artisans got some 3 per cent of the total land produce in payment for their services in satisfying the cultivators' production needs. Such were the expenses incurred by the Indian cultivator in reproducing his implements of production. The system of communal remuneration for artisans covered their modest needs and guaranteed their more stable position compared to their urban counterparts in the mid-19th century. Moreover, the village boundaries protected the communal artisan from the penetration of products of Britain's machine industry.

* Ibid., p. 12.

The demand for consumer goods was shaped by the changing pattern of the tastes and opportunities of the clientele. An idea of the varied structure of this demand can be provided by a simple inventory of the utensils and chattels of a well-to-do Marathi peasant from the kunbi caste. This inventory comes from Coats, an official of the Company, and is dated 1819. It includes a stone hand-mill, two wooden mills, pestles with iron tips, a large copper water-bowl, two or three copper bowls for drinking, two or three small copper basins and other household utensils.

The value of these chattels and utensils exceeded by far that of a single set of implements even in Maharashtra, where these implements were of a complex design and more expensive than, say, in Bengal. However, utensils and chattels as distinct from implements did not need repairs, which tended to reduce the volume of usual artisan services to keep them in good order. It can be assumed that the ratio, which radically differed from that in Maharashtra, of outlays made by the larger households including cultivators on artisan items of production and consumer destination, could lead to a situation in which the system of intracommunal remuneration based on production demand lost much of its former importance within the context of the four artisan castes. For instance, this ratio could take shape in Bengal and to a certain extent in Bihar, where the higher land fertility and ease of cultivation reduced the expenditure on agricultural implements and increased the volume and share of agricultural produce consumed by both rent receivers and rent payers.

The surplus product of a peasant household retained by the zamindar was converted with minor exceptions into articles and products consumed by landowners, their servants and domestics, and by the priests of the country's two principal religions. The consumer aspirations of rent receivers and their clients, and the quality of the articles consumed varied with the volume of appropriated means. Accordingly, more modest demands were met by local artisans, while more sophisticated tastes called for imported goods. However, in both cases the demand was predominantly of a consumer nature, while realisation of rent in the implements of production was limited in scope.

On the basis of the estimates provided by Grant (the value of the produce of one bigh equalled six rupees) it appears that "senior ryots" in Bengal retained up to Rs 600 after paying land taxes, while the lower had about Rs 50.* In feudal times and after the British conquest (rig t up to the introduction of the Permanent Settlement) the rural elite were in a position to avoid the bulk of taxes, and so their gross income exceeded half of their harvest. Therefore, the relations between these landowners and village artisans could not be based on barter as relations of independent producers are. The caste subservience in the case of Bengal was the lot not only of community's servants, but also of such honourable artisans as blacksmiths.

As for the lower categories of ryots, their income after taxes and production expenses enabled them (given supplements from other sources) to maintain the living standards of their families with 3-4 rupees a month, which was a level common enough for working Indians in the medium income bracket. Clearly, one could not count on expansion either in landholding or household at this income level. The small ryot clearly found it difficult to maintain his implements and draught animals in good working order. That is why the wealthier ryots often lent out their implements and draught animals in exchange for labour in their own households.

It can be assumed that in Bengal and Bihar deep-going stratification among rural landholders eroded intracommunal relations between cultivators and artisans who produced the implements needed by the former. At the same time in some areas the traditional direct barter was observed in a broader context.

On the whole, it seems that the village community in Bengal, and, to a considerable extent, in Bihar (in any case by the early 19th century and perhaps even earlier) lost its functions as regulator of barter relations between cultivators and artisans and for the most part turned into a fiscal institution. In those areas where such relations were maintained, they were based on the relations between

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* See *The Fifth Report from the Select Committee on the Affairs of the East India Company*, Vol. II, London, 1812, pp. 276-77.

the cultivator and the producer of his implements, relations that were independent of the village administration. The purely individual nature of these ties in a situation dominated by deep-rooted stratification in agriculture inevitably upset the egalitarian nature of the remuneration of the artisan—based upon a share of the harvest—and facilitated the transition to a system of separate orders paid for the amount and complexity of work done. At the same time it seems that in the Ganges valley, as one travelled in the northwestern direction, the traditional relations between cultivators and artisans were largely unchanged. In the Shahabad district (Western Bihar), according to Francis Buchanan, "the harvest[er], carpenter, blacksmith, shoemaker, village Brahman and weigher, are paid from the heap before division. The amount of the crop is settled by a survey, and from this the allowances above mentioned having [been] deducted, the share due to the landlord is usually paid in kind, sometimes however in money."* With traditional deductions the landholder and the rent receiver divided on a suitable proportional basis not the whole of the harvest, but only that part of it which was left over after the deductions had been made.

The division of labour within the village community or any other rural unit was the basis, then, of the social division of labour in India. At the same time, when one analyses the prerequisites for the genesis of capitalism, special attention should be given to the movement and transformation of that part of the produce which was supplied to the town. In his study of this problem, Irfan Habib offers two possible variants. First, that the surplus product taken away from farming equalled that part of the land produce which was retained in the countryside. With this assumption the ratio of population engaged in the agricultural and non-agricultural sectors would roughly correspond to the division of the land produce into surplus (extracted, to be more exact) and subsistence. In this case the majority of the population in the non-agricultural sector would be made up of persons engaged in non-productive labour.**

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* Francis Buchanan, *An Account of the District of Shahabad in 1812-13*, Patna, 1934, p. 367.

** See I. Habib, op. cit., p. 27.

Second, the surplus product would largely be made up of "market crops" that provided a higher cash income per unit of cultivated area. In this case the share of the non-agricultural population would be lower than the corresponding share of the extracted surplus product. But among this population the artisan class would be more numerous, while the non-agricultural population would largely tend to concentrate in the towns. This latter variant, according to Habib, appears to create certain prerequisites for the rise of capitalism, something that would be impossible without at least a minimum of concentration of non-agricultural manpower in towns.* (The latter seems to be a questionable contention, since early capitalists often preferred to establish their industrial units in rural areas.)

A simple calculation on the basis of Habib's estimates shows that his approach is quite valid. Indeed, it appears that with the first variant the urban population would grow only as a result of the qualitative deterioration of its social and occupational composition, while with the second variant the urban population would decline, both in absolute and relative terms, but at the same time—and this is most important—there would be a qualitative change in favour of the productive element within this sector of the population.

Further, the Indian scholar concedes that he does not have in his possession a sufficiently large body of statistics to provide corroboration for either of these variants in the Indian historical context, and instead examines the problem through an indirect approach involving the study of the nature of the distribution of the surplus product (for instance, rent) among its consumers. Habib recalls that the rural economy (after the deductions in favour of the rural and local rent receivers had been made) lost from a quarter to a half of the agricultural produce to the ruling elite. In 1647 a mere 445 mansabdars (out of a total of 8,000) appropriated 61.5 per cent of the entire income of the Mogul state (which, incidentally, did not include the income from the lands owned by the Mogul dynasty). According to Habib's estimate, two-thirds of the incomes of the biggest mansabdars were allocated to the armed forces, particularly the

* Ibid., pp. 27-28.

cavalry. Habib estimates that, all told, the outlays on the armed forces in Mogul India provided a livelihood not only for the warriors themselves, their families and their servants, but also for traders and craftsmen, totalling approximately 5 million. For instance, the production of cold steel and firearms (not fewer than 25,000 barrels) provided employment for numerous artisans and craftsmen. Apart from the two-thirds under consideration another quarter of total income was spent by the nobility on personal consumption and about one-tenth went to maintain priests, scholars, physicians, poets, artists, musicians and dancers.

Concluding his discussion of the amount of the land tax allocated to the maintenance and reproduction of non-productive labour power and crafts, Habib concedes that he has no sufficient data to make a definitive conclusion in favour of the one or the other variant. He believes that both variants of distribution were fairly common. He also assumes that although the first distribution variant had gained a secure position in Indian society, it coexisted to a certain extent with the second option. That is why the townsfolk accounted for less than one-fifth and not for a third or a fourth of the total population (which would be the case when the structures of extracted and retained produce coincided).*

In the most generalised form Habib's approach to the redistribution of the surplus land produce appears to be fairly fruitful and basically correct. At the same time the mechanism of the removal and subsequent redistribution of the product in Habib's view is confined to the taxation apparatus and to the operation of its transmitting channels and ramifications among the urban producers and consumers. In fact, the formation of the subsequent structure of the extracted land produce followed a far more complex route, if only because its non-productive raw material component was not produced in many areas (for instance, in Western Maharashtra and Bengal local cotton production was insignificant). Moreover, all known descriptions of the distribution of the harvest relate a story of the sharing of grain and not of any industrial crop (which could be the staple

* See I. Habib, op. cit., pp. 31-42.

one in peasant households given extremely favourable conditions).

It seems reasonable to assume, therefore, that industrial raw materials and non-grain foodstuffs, e.g., dairy and sugar products, were supplied to the town through market channels. It is a different matter that the peasant could sell these products to pay his land tax. But even in this case merchant capital took part in the redistribution of the agricultural product at the initial stages. Lastly, urban artisans and craftsmen processed not only agricultural produce but also worked with metals, precious stones, wood, clay and other non-agricultural materials and semi-manufactures.

The transportation of these raw materials to the place of processing called for the participation of merchant capital, while the conversion of surplus land produce acquired here a more complex and mediated character.

Trade and Money-Lending Capital in Feudal India

The structure and functions of trade and money-lending capital were determined by the nature and degree of the social division of labour, by the links between individual spheres of production and consumption and equally by methods for the extraction and redistribution of the surplus product as well as by the specific features of the processes of reproduction. The caste and religious communal system of Indian feudal society left a deep imprint on the social organisation and personal ownership of this capital.

As a whole trade and money-lending capital constituted a complete functional system which regulated the movement of commodities and money in socially expedient directions. It is to be noted that within a microregion vertical outflow of the product predominated, but when a medium let alone upper tier of the system of redistribution had been reached, the product flowed through the horizontal channels involving large provinces and even political entities as sizeable as those ruled by the Moguls. Accordingly, the internal functional relationships characterising trade and money-lending capital were dominated within a district by vertical relations (from petty money-lender or trader to merchant and banker), while in and between macroregions by horizontal relations of parity.

The functional system of trade and money-lending capital was reflected in the organisational structure of Indian merchant capital as a whole, and in the hierarchical network of the larger castes and communities. Combination and interaction among the businessmen of different calibre provided the underlying framework in the microregion, and could be instituted by representatives of a particular caste or community of traders. The larger the territory involved in the operations of merchant capital, the more inevitable was the involvement of different castes and communities in the overall orbit.*

In feudal times the trade and money-lending castes in Gujarat, Marwari and other regions served the feudal chiefs. They acted as tax collectors (particularly in the case of land tax), supplied the feudal chiefs with goods, provided credits to them, supplied the army and changed money. Moreover, they conducted normal money-lending and commercial activities among the peasantry and the artisans and acted as middlemen in product exchange. The close ties between Marwari and Gujarati traders and money-lenders, on the one hand, and the feudal chiefs, on the other, may be attributed above all to the role played by trade and money-lending castes in the collection of feudal rent-tax which was the basic form of surplus product extracted from direct producers in Mogul India, that is to say, within the system of the feudal exploitation of the peasantry.

Irfan Habib argues that grain was the principal item of merchant trade since agrarian exploitation in the Mogul Empire relied upon pumping out large quantities of grain and other agricultural produce from the countryside to the towns. He notes that regardless of whether the peasant sold his grain in his village, at the nearest fair or at the urban market, the merchant usually took over.** Therefore, the participation of trade capital in the sale of agricultural produce was more intensive than was the case with the realisation of artisan products since the artisan in most cases worked on direct demand from the consumer.

* See D. R. Gadgil, op. cit., p. 18.

** I. Habib, op. cit., p. 59.

The practice of money-lenders' converting payments in kind made by peasants into cash tax was quite widespread although the conversion of the surplus product into cash which was to be paid as tax could be effected by any of the following three individuals—ryot (tax payer), patel (village elder) or sahookar (money-lender). But the fact that the sahookars provided credits to the patels in return for grain and that the former speculated in grain shows that at a particular stage the bulk of the grain (which was the staple agricultural product) ended up in the hands of the money-lender. Finally, it seems likely that the expropriation of ryot-owned lands in retribution for the non-payment of debts was carried out predominantly or even exclusively by the patels. The sahookars were prevented from doing so by traditional caste principles of landownership.

The trade and money-lending castes played a great role in tax collection, in financing the rulers, in supplying the army, and in trade. This, coupled with their business acumen, facilitated their penetration of the government, primarily the tax apparatus (diwan). Big traders and money-lenders gained particularly powerful influence by the early 18th century, when they took over the control of the Mogul state's fiscal functions.

The money-lenders' conversion of the natural levies paid by ryots into a money tax was fairly widespread in the Peshwa state too, at any rate in the latter period of its existence. According to studies conducted by British imperial officials, soon after the conquest of Maharashtra (1821), "the money rent, when paid, is stated to have been founded on the grain rent, and the conversion is said to have been made at one-seventh of the prices of the present day".* Thus, the size of money-lender's remuneration gave him sufficient opportunity for enrichment. But he did not stop there. He was usually connected in some way or another "with the farmer or Mamlutdar of the district", and "had always the means, after the demands of the latter were satisfied, of compelling the cultivator to pay to the utmost of his ability; in many instances the money-lender paid the cash direct into the hands of the Mamlutdar, and took bonds of

* *Selections of Papers from the Records at the East-India House*, Vol. IV, p. 318.

from fifty to one hundred per cent from the cultivator to be paid in kind at the harvest season. These lenders usually managed all the money concerns of the Ryots, keeping an account of grain against cash; and it not unfrequently happened that the Ryot got back at the end of the year, or received at an advanced rate, the same grain he had previously paid for at a depreciated rate to the Sahookar, in liquidation of the last year's demand."* There is other evidence of the heavy debts owed by Maharashtra ryots arising from "the violence of the Naib buyers-up". The old debts accumulated compounded interest until they surpassed the ability of the ryot to discharge them.**

It could be that British officials deliberately painted the picture black to make their own tax system seem a lighter burden. One thing is certain, however; the collection of a money tax in Maharashtra was also conducted without upsetting the subsistence isolation of reproduction within the cultivators' households cut off as they were from direct and unfettered relations with the market by trade and money-lending capital. Normally, the ryot gave his money-lender a promise to pay the tax that was due from him. The money-lender then paid the tax to the Patel. The latter forwarded the taxes to district fiscal institutions, and in his turn, provided a signed promise (havala) to a bigger money-lender, who then proceeded to pay the tax in cash. This system was so predominant that only 25 per cent of the tax was paid by the ryot in cash. The grain sales on the market to cover taxes called for the establishment of a vertical credit-trade system in Maharashtra too. The money tax itself was either transferred by discount to the banks in Poona or was paid in cash.

Trade and money-lending capital in India in the 17th and 18th centuries possessed huge reserves accumulated from participation in the feudal exploitation of the peasantry and the oppression of the artisans. The development of the next, higher form of capital which came later, however, was largely hampered by the nature of the existing state structure,

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* *Selections of Papers from the Records at the East-India House*, Vol. IV, p. 328.

** Ibid., p. 514.

because Oriental despotism was incompatible with the capitalist system. The extracted surplus value was not guaranteed against the encroachments of the satraps and the pashas, and the first and basic condition of bourgeois proprietorship was lacking, viz., the merchant and his property were not secured. The constant threat to the merchant's property from the feudal chief not only slowed down the accumulation of capital, but, which is most important, prevented the conversion of capital from the monetary into a productive form, as materialised in the means of production.

One should not, however, take an undifferentiated approach to the Indian merchants' legal and actual status on the eve of the British rule for the simple reason that this status varied from State to State, and even within a particular State it changed with time in response to the needs and whims of the rulers. It was only to be expected that the Sikh and Maratha States that emerged from the ruins of the Mogul Empire should have tried to encourage local merchants and artisans in every possible way.

The concentration in the hands of Indian rulers of huge masses of the surplus product in the form of feudal rent cannot be looked upon as a form of capitalist accumulation. All this is properly to be classed as evidence of the archaic nature of feudal relations. By contrast the real merger of merchant capital and the accumulations made by feudal lords did not begin until a later stage of feudalism when the latter began to disintegrate and when both merchants and feudal chiefs were sucked into the orbit of capitalist production. In India before the British conquest this process was a rare phenomenon.

Non-Communal Artisans and Craftsmen and the Social Division of Labour in Feudal India

The Classification of Artisan Production

The division of artisans into rural and urban categories marking a feudal society does not quite fit the Indian reality. As we have shown earlier, rural artisans had two fundamentally different types of relationships with the agricultural population, and above all with the landholders. If we begin with the artisans' place within the intra-communal division of labour as a criterion for determining their position within the social division of labour as a whole, those rural artisans who did not fit into this division (e.g., weavers and oil-makers) were closer to urban artisans and craftsmen than to their neighbours within the village community. Moreover, as distinct from Europe, in India there were no social-legal and economic distinctions between urban and village artisans for the urban artisan held no obvious political advantages over his rural counterpart in terms of privileges or rights. And conversely, the rural artisan in India had no significant economic advantages over his urban counterpart, i.e., he was not free from production regimentations and restrictions, because the caste system, the vehicle of these regimentations and restrictions, treated both rural and urban artisans in the same way (in Europe the guild system did not, as a rule, apply to rural artisans).

The foregoing considerations prompt us to classify artisan production in India above all into intra-communal and extra-communal varieties. One should not, however, approach this division as static. As mentioned elsewhere, certain branches of rural artisan production—notably tanning and pottery-making—lay on the border of these two spheres of production by virtue of the type of their relations with the consumer. Even within the traditional communal branches (blacksmiths and carpenters) distinctly individual relationships emerged between the artisan and his customer, particularly in Bengal.

Unfortunately, in his quite interesting and comprehensive survey Habib did not specifically analyse the potential for the genesis of capitalism contained in the artisan industries catering to the needs of peasants and village communities. Habib deemed it possible to exclude these as a source for the germination of capitalist relations because he argued that in neither of these industries "would real commodity production have taken place".*

We believe it would be wrong to excommunicate from commodity (and hence potentially capitalist) production weaving, oil-pressing and sugar production and even traditional intra-communal crafts, insofar as these showed distinct

* I. Habib, op. cit., pp. 49-50.

signs of a transition to commodity-money relations with the peasants. Moreover, and this is the main point, the development of such relations with agriculture and peasants c uld alone offer the artisans secure historical prospects for the subsequent development of capitalist relations on the basis of the social division of labour on a regional and national scale.

The erosion of the intra-communal isolation of rural artisan industries intensified the social division of labour and the emergence of new forms of production relations. The artisans' status in the village community excluded the appearance of new relations between them and so the artisan production could only become historically active and generate first the small-commodity and then early capitalist relations by breaking these new relations.

The social and economic status held by extra-communal artisans was determined by the place and importance of their production and products in the social division of labour. The absence of any appreciable division of labour on a national scale and its immaturity within individual regions was attributable among other things to the fact that extra-communal artisan production (with the exception perhaps of metal-working) had weak ties with reproduction in agriculture as a whole. But part of rural consumer demands was also satisfied by the artisans who did not break their ties with the village community (potters, tanners and jewellers). The weavers were the only major group of extra-communal artisans upon whom the village community depended to any serious extent (a circumstance which largely determined their relatively privileged position).

The weavers and other artisans produced part of their implements of labour themselves and so communal craftsmen who could make these tools participated in the reproduction of both rural and urban crafts on a rather limited scale. This brought about a corresponding reduction of the intersectoral division of labour within the artisan production. The non-communal artisan industries had a productive, to be more exact, transport designation and were centred above all on the manufacture of ships and carts.

Examining the reasons for the relatively slow improvement of artisan implements and tools in India it has to be admitted that the artisans' low level of pay, particularly of skilled ones whose remuneration was little different from the incomes of rank-and-file craftsmen, served to impede technical progress because it tended to devalue expenditure on the manufacture of better and more expensive instruments of labour. On the other hand, the cheapness of artisan labour was attributable to low price levels for products they consumed (particularly foodstuffs), and to the rather modest aspirations in clothing and housing. These latter stemmed from the combination of natural conditions and historically shaped life aspirations and behaviour.

It is difficult to compare the productivity of an Indian and European labourer. The wide difference in the variety of items and in the traditional standards of ornaments and workmanship does not make it possible, as a rule, to compare labour inputs spent on similar types of product by the European labourer and his Indian counterpart. What is unquestionable, however, is that by the mid-18th century European pre-factory industry, at any rate, British industry, had a higher level of productivity than Indian industry. According to the evidence of an English engineer in the 1770s, an English blacksmith using more advanced tools boasted a level of productivity three times higher than that of his Indian counterpart.*

The basic reason for the low level of productivity among artisans and craftsmen in medieval India was the poor division of labour in the production process. The producer often had to handle the manufacturing process single-handed from start to finish. According to Buchanan, "division of labour was an unusual and strange phenomenon in India".** This is how H. Colebrooke describes production organisation in India's artisan sector at the end of the 18th century in his *Remarks on the Husbandry and Internal Commerce of Bengal*: "The want of capital in manufactures and agriculture prevents the division of labour. Every manufacturer, every artist, working for his own account, conducts the whole

* See *Gazetteer of Bombay Presidency*, Vol. 26, "Materials towards a Statistical Account of the Town and Island of Bombay", Part 2, Bombay, 1894, pp. 425, 428.

** See M. Martin, *The History, Antiquities, Topography and Statistics of Eastern India*, Vol. III, London, 1838, p. 320.

process of his art, from the formation of his tools to the sale of his production."*

Orme wrote that the arbitrary rule of the authorities prevented the employment of several workers in a single workshop, thereby precluding a European-type division of labour based on the manufacture of individual components. The sole exception was perhaps weaving where the division of labour was achieved by involving the weaver's wife and children in certain production operations.**

The foregoing sounds perhaps too categorical. In the 17th and 18th centuries certain branches of the artisan sector (not only weaving) had a rudimentary division of labour based on specialisation in the performance of individual operations, a fact which testified to definite advances in the development of productive forces. Lenin pointed out that "on the basis of hand production no other progress in technique was possible except by division of labour".***

As early as the thirties of the 17th century J. A. de Mandelslo remarked that "a piece of work must pass through three or four hands before it is finished".**** Later on in the present work we will show that there existed in India a diversified division of labour within the individual workshop.

Any pre-capitalist society is characterised by a higher level of productivity in agriculture than in industry.***** India was no exception in this sense.

Here is what Marx said in this connection: "On the whole it can be assumed that under the cruder, pre-capitalist mode of production, agriculture is *more productive* than industry, because nature assists here as a machine and an organism, whereas in industry the powers of nature are still almost entirely replaced by human action (as in the craft type of

* H. Colebrooke, *Remarks on the Husbandry and Internal Commerce of Bengal*, London, 1806, p. 48.

** R. Orme, *Historical Fragments of the Mogul Empire, of the Morattoes and of the English Concerns in Indostan*, London, 1805, p. 410.

*** V. I. Lenin, *Collected Works*, Vol. 3, p. 428.

**** J. A. de Mandelslo, *The Voyage and Travels of J. Albert Mandelslo ... into the East Indies*, London, 1669, p. 64.

***** See K. Marx, *The Theories of Surplus-Value*, Part II, Moscow, 1968, p. 109.

industry etc.). In the period of the stormy growth of capitalist production, productivity in industry develops rapidly as compared with agriculture, although its development *presupposes* that a significant change as between constant and variable capital *has* already taken place in agriculture, that is, a large number of people have been driven off the land."* Clearly, the second half of the above quotation does not apply to the India of the period in question or to the India under British rule, because up to the mid-20th century India had experienced no intensive development of capitalist production, nor was there any significant change in the ratio between the variable and constant capitals in agriculture. The predominance of industry in terms of labour productivity was secured in a different way, namely, by the introduction of machine technology from outside. In the pre-capitalist period the technical superiority of agriculture was matched by the relatively greater degree of production concentration within it. The use of several "ploughs" (sets of agricultural implements) and employment of an adequate number of agricultural labourers recruited from outside was a far more common expedient used by the rural elite than even the simplest form of co-operation of hired labour in the artisan sector. Therefore, it is reasonable to assume that small-scale feudal farming surpassed the artisan sector in terms of productivity.

Moreover, the favourable climatic and natural conditions in most of India's farming areas, coupled with the possibility of having 2 or 3 harvests a year of more labour-intensive and valuable crops (such as rice, sugar-cane, ground-nut and cotton) than those cultivated in Europe where only one harvest could be obtained, served to keep the Indian peasant occupied for longer periods during the year, and increase his productivity. The advantages of Indian agriculture over the artisan sector were enhanced further by irrigation which increased employment and productivity.

Had this situation been maintained for long, and but for external factors, conditions could well have arisen at a certain level of development of Indian agriculture conducive to the growth of capitalism there. With the level of labour

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* K. Marx, op. cit., pp. 109-10.

productivity in agriculture and in the artisan sector being roughly the same there would have been no non-equivalent exchange. Indeed in the Middle Ages, as Engels rightly pointed out, the peasant and the artisan exchanged products roughly on the basis of the quantity of labour embodied in them. However, as money penetrated the economy more and more the tendency towards conformity to the law of value was increasingly disrupted as a result of the combined intervention of money-lending capital and the fiscal system.* This disruption is of great importance for the period of Indian history under review.

Apart from Quesnay who put forward his brilliant theory on the subject, which he failed to complete, it was Marx who first worked out a political and economic model of the conversion of agricultural produce into artisan items. As early as the mid-19th century, he noted, in the backward provinces of British India there still persisted archaic forms of relationship between feudal lords and artisans. "The non-agricultural labourers ... are directly employed by the magnates, to whom a portion of the agricultural surplus-products is rendered in the shape of tribute or rent. One portion of this product is consumed by the magnates in kind, another is converted, for their use, by the labourers, into articles of luxury and such like things; while the rest forms the wages of the labourers, who own their implements of labour."**

Indeed, in the 40s of the last century in some areas deep within the Indian subcontinent artisans were still directly dependent on feudal lords. In 1841 S. Fraser, Agent to the Lieutenant-Governor in Bundelkhand, described the position of local Moslem weavers who produced the famous "Chunderee" fabrics (named after the district where they were manufactured). The weaver worked in badly lit damp workshops underground to preserve from dust the extremely fine and delicate thread which was worth its weight in silver. The weaver slaved day and night for his feudal lord and was unable to sell his product on the free market. The coarse qualities were sold on the market while the superior fabrics went to the rulers. Each bale of cloth was liable to duty

* See K. Marx, *Capital*, Vol. III, p. 898.
** K. Marx, *Capital*, Vol. I, p. 561.

levied by the authorities.* In the mid-19th century this type of relationships was clearly a survival of earlier times.

The status of the weavers of Dacca provides yet another graphic illustration of the heavy dependence of artisans including very skilled ones on the authorities' orders. J. Taylor wrote: "The annual investments for the imperial wardrobe at Delhi and for the Viceregal Court of the province monopolised the whole of the finer muslins.... To superintend the provision of these State investments, a special agent resided on the spot who exercised an authority, independent of Magistrates and Government officers, over all brokers, weavers and embroiders engaged in the business."** A government official from Delhi would bring weavers together in special "manufacturing stations" of the Mogul karkhana type where they worked under the supervision of peons.***

The socio-economic implication of this mechanism whereby the feudal sections were the prime customers and consumers of the urban artisans' products, with merchants acting as their agents, was both political and economic subordination of the Indian town to the feudal lords. To this should be added an important circumstance, namely, that state landownership also covered urban lands. Merchants, artisans, and other town dwellers paid rent to their respective feudal lords for the land taken up by their own dwellings and shops. That is why Indian town dwellers, unlike their West European counterparts, were subject to the arbitrary rule of the feudal authorities.

Orme notes that the Indian artisan was not free as an individual and so he had few or no opportunities for expanding his business. According to Orme, the artisan "will work only to the measure of his necessities. He dreads to be distinguished. If he becomes too noted for having acquired a little more money than others of his craft, that will be taken from him. If conspicuous for the excellence of his skill, he is seized upon by some person in authority, and obliged

* See *Return*: *Cotton* (*India*), 1847, p. 123.

** J. Taylor, *A Sketch of the Topography and Statistics of Dacca*, Calcutta, 1840, pp. 189-90.

*** See Abdul Karim, *Dacca the Mughal Capital*, Dacca, 1964, pp. 84-85.

to work for him night and day, on much harder terms than his usual labour acquired when at liberty....

"Hence all emulation is destroyed. If any improvements have been made in the few years of a milder administration, they are utterly lost again when the common methods of government succeed."*

Available data on the nature of commercial relations between different categories of artisans and craftsmen in different towns enable us to assume that in the latter half of the 18th century too artisans in some major cities continued to work for the court, the army, and the nobility, as well as for supplying the external market. The latter situation prevailed in Bangalore where weavers, once they had lost orders placed with them by the court of the Mysore sultan, could only subsist by selling their products on the external market.

Maharashtra, notably its capital city of Poona, provides a good example of the diversification of artisan production in the 17th and 18th centuries. D. R. Gadgil on the basis of manuscript material kept by the Peshwa Daftar in Poona emphasised that in the 18th century the Poona artisans did not practise any significant intersectoral specialisation while the city itself had a diversification of economic activity which met its needs as the seat of military and administrative power.**

Apart from artisan industries that existed either directly or indirectly thanks to converted rent, there were extra-communal craftsmen and artisans who worked to meet the requirements of peasants in their capacity of small-commodity producers on the basis of barter, or commodity exchange. They were usually grouped on an occupational and caste principle. By the 18th century Indian towns and cities had developed artisan industries that catered for the needs of the peasantry. Available data indicate the production by town artisans of coarse fabrics as well as the brisk trade in these fabrics in Bengal and Bihar.

It is safe to assume that in the early 18th century there were signs of the amalgamation of the rather limited local

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* R. Orme, op. cit., pp. 405-06.

** D. R. Gadgil, *Poona. A Socio-Economic Survey*, Part II, Poona, 1952, p. 15.

markets to form a larger market for consumer goods. This process involved areas as big as Bengal or Mysore. Although commodity circulation in 18th-century India was largely confined to the satisfaction of the needs of the feudal class and the social strata in its service, nonetheless it prepared the ground for the establishment of capitalist production. The emergence of an internal market for consumer goods in great demand in the more advanced areas of India reflected the established pattern of division of labour between town and country. Subsequently, the development of that market could make for strengthening capitalist-type relations in the depths of the feudal system.

All the same, the market relations were not mature enough to allow the development of capitalism on any significant scale. For instance, the absence of a stable demand often caused long spells of inactivity among the artisans and craftsmen. The British student of Indian economic development H. Colebrooke wrote about the Indian artisan of the late 18th century that "unable to wait for the market or to anticipate its demand he can only follow his regular occupation as immediately called to it by the wants of his neighbours. In the intervals he must apply to some other employment which is in present request...."*

Available data indicate the existence in India at the turn of the 19th century of just about every basic form of trade capital within small-scale artisan industries, which was characteristic of artisan production in the period of developed feudalism. An examination of the economic relationships within the artisan industries shows that in Bengal, Bihar and Mysore artisan production was characterised by the combination of trade and money-lending capital. Moreover, weavers often bought the requisite raw materials with the money advanced by their buyers-up. This form of trade capital in the crafts approached its highest form, as exemplified in the distribution of raw material among the artisans for its subsequent processing upon payment of a specified charge. Nonetheless merchant capital was not linked directly with artisan production to any significant extent. It functioned outside of it without assuming a pro-

* H. Colebrooke, op. cit., p. 48.

ductive form and was a tool of artisan exploitation through the sphere of circulation.

Besides, the relations of hire within artisan production were even less developed than they were in agriculture, where the seasonal nature of production called for the periodic employment of additional manpower.

The highly specific character of the social division of labour in India determined the scale and the sphere of the buyers' activities. Of course the capital in their possession could not sever subsistence relations between the cultivator and the artisan. The role of merchant capital as a middleman in the commodity exchange between weaver, oil-maker and other extra-communal artisans, on the one hand, and the agricultural population, on the other, was confined to the fairly widespread direct links between artisans and those who supplied raw materials and semi-finished products and equally the local consumers of finished products. Only the production of goods and articles destined for consumption by the feudal sections and for distant markets was wholly dominated by buyers-up.

As the productive forces and division of labour in pre-British days developed, a pattern of capitalist production gradually emerged whereby "the producer becomes merchant and capitalist...".* The appearance of capitalist relations within India's small-scale artisan industries at the turn of the last century is evidenced by the existence of early forms of capitalist production organisation, such as simple capitalist co-operation and manufactories which at that time were still in embryo. At the same time, apart from shipbuilding and paper production, India lacked industries where the capitalist workshop was the dominant form of production organisation. The circulation of commodities put out by capitalist-type workshops was not stable enough to form a system of permanent market ties either among themselves or with the agricultural sector. One is under the impression that in the pre-British period India did not have a sufficiently developed system of capitalist manufactories and so a manufactory period never set in.

At a 1968 symposium attended by Indian experts on social

* K. Marx, *Capital*, Vol. III, p. 334.

and economic history considerable debate developed around the question why India failed to experience a full-scale industrial revolution. The proceedings of the debate indicated that according to the Indian scholars' terminology the industrial revolution does not imply a transition from the capitalist workshop (manufactory), with its division of labour, to factory production, but rather the formation of such a workshop on the basis of small-scale commodity production.

S. Chandra, one of the contributors to the debate, advanced a hypothesis whereby Gujarat and possibly the Coromandel and Malabar coastal areas had in fact reached an initial stage of capitalist development. However, this hypothesis is still to be proved. The British conquest of the coastal areas of India, Chandra argued, apart from disrupting the traditional pattern of internal trade, served to gradually curtail external trade and eventually undermined artisan production. In this situation local capital was poured into land purchasing on the strength of the British-introduced rights to free and unimpeded alienation of land.

In conclusion it should be emphasised that India has failed to develop the basic prerequisites for a transition to factory production (which to a Marxist is the essence of "industrial revolution"), i.e., to a developed capitalist workshop with a detailed division of labour, primarily in the production of instruments of labour. The commodity exchange between town and country covered a relatively limited range of products centring on consumer goods. Commodity production that existed outside the system of community's artisan industries and as individual elements in peasant production failed to reach a sufficiently high degree of maturity since the sale of agricultural produce was geared to the acquisition of consumer goods or to the raising of funds to pay the diverse duties and impositions.

Small-scale capitalist industries in India were geared to the traditional rent receiver and the overseas consumer or, as in metallurgy, to the production of goods which later became the first victim of the competition from the factory goods produced overseas. That was the reason why these industries were condemned to gradual extinction. An important, albeit negative, indicator of the level of socio-economic development in India was the absence of developed forms of city self-administration, let alone the independence of cities or their ability to initiate political action.

Nonetheless, the socio-economic structure of India developed a variety of new forms that coexisted with traditional relationships. There is a sufficiently large body of evidence to show that the forms of landownership and land use, the social division of labour and production relations in the crafts in the more advanced areas of India had by the start of the 18th century reached a level characteristic of developed feudal society.

Indian Entrepreneurship and Primitive Accumulation of British Capital in India

Until the 19th century all attempts by British industrialists to increase the sale of their products in India to any appreciable extent failed to produce the desired effect. The long-standing frictions between the East India Company and these industrialists, who experienced substantial competition from Indian goods, were made worse by complaints from the latter to the effect that the company's monopoly of trade inhibited the sale of their products on the Indian market. In fact, however, the company was not the chief culprit in this matter, as its management was vitally interested in expanding British exports.

Giving evidence before the Lords Committee in 1813, D. L. Pendergast, who had spent some 18 years in Gujarat and Bombay, said that in his view the demand of the native population for European goods did not grow. The only exception were the parsees, who used British textiles, and some rather limited sections of Bombay's population. By and large Indians were indifferent to the British fashions.* Evidence given by others indicated that Manchester-produced goods sold in India at lower prices than comparable goods of local origin because the Indian consumer did not show any preference for the former.**

* See *Minutes of Evidence taken before Right Honourable the House of Lords, on the Lords Committee, appointed to take into Consideration so much of the Speech of His Royal Highness the Prince Regent as to the Charter of the East India Company...*, London, 1813, pp. 92-93.
** Ibid.

For a long time British attempts to convert India into a major producer of raw materials for British industry did not meet with success, although as the documents of the East India Company indicate, its management tried really hard. Characteristically, reports of the East India Company on the production of cotton fibre stated: "The importance of endeavouring to obtain a supply of good Cotton-wool from the East-Indies, for the use of the Manufacturers of Great Britain, appears to have become a subject of public attention about the latter part of the eighteenth century. The great inventions which had taken place, and the improvements which had been effected in the various kinds of machinery for spinning and weaving, as well as in the arts of bleaching and calico-printing, from the first introduction of Arkwright's patent spinning machine in 1769 to the establishment of the factory system about the year 1785, occasioned a constantly increasing demand for the raw material, and increased means of supplying it were consequently sought."*

Marx pointed out that the eroding influence of the commerce in India and China was countered by the internal stability and system of pre-capitalist national modes of production.** This proves the groundlessness of assertions that Marx had absolute and unconditional preferences for Asiatic, feudal or any other single mode of production in India. Marx clearly formulated his understanding of Indian and Chinese socio-economic system as a multistructural one which, of course, does not dispense with the problem of the emergence within it of a dominant, formation-moulding structure.

Marx's formula quoted above deals with the impact of British merchant capital on the pre-capitalist modes of production. Within them Marx identified only that which was based on "the unity of small-scale agriculture and home industry" which was supplemented in India by "village communities built upon the common ownership of land".*** Apparently Marx thought that this structure was predominant

* *Reports and Documents connected with the proceedings of the East-India Company in regard to the Culture and Manufacture of Cotton-wool, Raw Silk, and Indigo in India*, London, 1836, p. 2.

** See K. Marx, *Capital*, Vol. III, p. 333.

*** Ibid.

in India and was the cause of the overall stagnation of her socio-economic system. Judging by what Marx wrote on the tragedy of Dacca's weavers, who were ruined by British competition, the conclusion seems inescapable that the stability of that small-commodity production appeared to him in a less favourable light than that of the basic mode of production.

Thus, if we sum up some of Marx's ideas on the impact of British expansion on different areas of India's economy it becomes clear that he viewed that impact in the light of concrete situations depending on the extent of British expansion. British merchant capital and the East-India Company as its military and administrative embodiment resorted to different methods in destroying and subjugating the various links of the Indian socio-economic system.

Since it was unable to destroy the subsistence unity of agriculture and artisan production through the market, British merchant capital set about seizing the fiscal apparatus, primarily the machinery for the collection of land tax. It resorted to police regimentation to straitjacket the small artisan, while forcing the Indian agriculturist to grow export crops. In other words, to oppose the internal stability of the structure that rested on the subsistence and traditional patterns of social relations British merchant capital used a variety of extra-economic and forcible methods of appropriating the product, some of which were borrowed from the practices of the Oriental despotisms, while others were devised by the British rulers.

Using a variety of military, police and administrative measures, British capital interfered with the operation of relatively backward pre-capitalist structures.

But this interference failed to significantly disrupt the traditional relations within Indian society. The system of traditional interrelationships remained intact, the only exception, but a significant one, being the upper tier of distribution. The system of land tax was wholly under the control of the administration of British merchant capital. In this way the ground was prepared for upsetting the balanced nature of the entire system of predominantly subsistence-type relations including some of its commodity-money components.

Data relating to the situation in Bengal provide a clear illustration of the three-tier social system that existed there: British administration at the top, the British-dominated tax-collection machinery on the district level linked with the zamindar "native" personnel, and the "senior ryot" system at the bottom.

As the Bengal consumer proceeded down the ladder of property and social hierarchy, he not only consumed less and less. His consumption underwent some qualitative changes as expressed in the shrinking proportion of artisan articles, and their ever narrower variety and inferior quality.* That is why the poorest sections were the best prepared for the consumption of British standard goods which were cheap. At the same time these sections' purchasing power was negligible. For instance, if we bear in mind that the landless peasants in the district of Dinajpur numbered some 300,000 families and the urban poor not less than 50,000 families, we find that two-thirds of Dinajpur's population could buy less than one million rupees' worth of industrial goods (on average the family spent three rupees a year). That is why the British could only expand their market significantly by creating a demand for their goods among the better-off sections of the community. But here British goods had to compete with artisan-produced items that generally catered to traditional, often more sophisticated, tastes.

Thus, after 50 years of domination by British merchant capital, Bengal's basic socio-economic indices underwent some changes which did not amount to any significant qualitative shift in the existing economic structure. Having entrenched themselves in the upper echelon of Bengal's social hierarchy, the British rulers exercised a negative influence on many areas of its economy. The penetration of British merchant capital into India's socio-economic system through commodity-money channels was hampered by the administrative and tax-collection system introduced by the British who appropriated the lion's share of agricultural and artisan produce which could be used as the object

* See F. Buchanan, *A Geographical, Statistical and Historical Description of the District of Zila, of Dinajpur in the Province, or Soubah, of Bengal*, Calcutta, 1833, pp. 120-31.

of purchases-sales and thus provide a basis for boosting the effective and relatively standard demand among the masses of producers.

The alien position of British capital within the system of Indian social relations was clearly pronounced. Having appropriated the land owned by the native chiefs, the British administration as an exception handed over to some of its officials part of these lands granting them landownership rights on the zamindari pattern or simply as a form of British private property. The point here is not so much the unscrupulousness of the British lawyers, who in some cases did not bother to resort to any subtle tricks and subterfuges to seize lands because many zamindars in Bengal and Bihar either opposed the British by force of arms, or would not pay land tax on a regular basis. The chief cause of the rather limited scale of private British landownership is apparently the close intertwining of landownership and personal relationships in India, and the fact that the hierarchy of the various categories of cultivators and landowners overlapped with the caste and communal pyramid of Indian society to form a single functional system.

Characteristically, neither the ethnic, nor even the religious and communal estrangement of the early invaders had presented any serious obstacle to their intrusion in the Indian system of social and landownership relations. Source materials relating to the period provide ample proof of the existence of even Hindu and Sikh landowners in parts of Hindustan with the majority of the Moslem population (let alone the reverse situation). Needless to say, this often was the cause of rebellion against those members of the upper crust who belonged to an alien religion or nationality, but the replacement of these members by "local" people implied only personal and group changes.

The situation was different when the functions of the zamindar were exercised by an Englishman, who represented a higher, capitalist formation and belonged to the bourgeoisie, the highest social product of that formation as yet unknown in India. The English bourgeois could formally exercise the functions of a zamindar feudal chief, but he was unable to enter into traditional personal relations with members of the zamindar personnel, let alone with the common people. That is why the introduction of Englishmen on a personal basis into India's system of land relations never materialised. The lands transferred to Englishmen in the latter quarter of the 19th century for tea plantations in the Himalayan foothills formed part of the "social virgin lands" of India and were excluded from the mature systems of land relations.

In whatever guise the Englishmen represented a totally new legal consciousness and law and order. Even those of them who gained an intimate knowledge of Indian laws and traditions were not accepted by the local population as custodians of tradition. And that in a society with a pattern of production relations matched by an appropriate mode of production where, as Marx pointed out, "tradition must play a dominant role.... It is furthermore clear that here as always it is in the interest of the ruling section of society to sanction the existing order as law and to legally establish its limits given through usage and tradition. Apart from all else, this, by the way, comes about of itself as soon as the constant reproduction of the basis of the existing order and its fundamental relations assumes a regulated and orderly form in the course of time. And such regulation and order are themselves indispensable elements of any mode of production, if it is to assume social stability and independence from mere chance and arbitrariness."*

Apparently British merchant capital was in no position and did not really intend to introduce into Indian society a new, capitalist mode of production and so it was unable to establish an order and a system of regimentation that could consolidate the new mode of production. What is more, this capital's administrative, legal and political apparatus had to reckon with the form of social consolidation that had taken place within the system of pre-capitalist relations that existed in India prior to British conquest. That is why our previous view of the "conservation of feudal relations by British colonialism" was incorrect in the sense that it ascribed a deliberate character to the actions of the British administration which in fact represented a form of conformism.

* K. Marx, *Capital*, Vol. III, p. 793.

It was precisely the strict regimentation and order so typical of the social system of an Oriental despotism such as the Great Mogul state, that protected the traditional set-up of Indian society from the arbitrary rule of British colonialists. British merchant capital established itself in the upper tier of that society's superstructure and usurped the right to collect rent-tax, but it failed to overcome the resistance of the traditional system in the lower echelons of socio-economic relations or disrupt their order, stability and regularity.

Similarly, the interference of British merchant capital with India's internal commodity exchange and with the system of the social division of labour was insignificant. The latter, just as the system of landholding, was backed up and kept together by master-servant relations, and so its penetration involved functional duties and practices.

While the penetration of personal and landholding relations by British merchant capital implied association with the privileged sections of the subjugated population of India, the limited penetration of the trade and money-lender community would have called for association on the level of the social status that was incomparably lower than the social status gained by the British merchants and entrepreneurs in their home country. In other words, the British colonialists would have had not only to penetrate the social structure of the subjugated people, but also to accept the price of that penetration in the shape of a none-too-respectable status, that is to say, to pay a double price in national and social terms for the right to wax fat on the internal commodity exchange through robbing native landholders of their produce.

By and large the impact of British merchant capital on India's artisan production that for two centuries had been geared to the satisfaction of the needs of Europeans, was insignificant. For one thing, European countries mostly imported hand-made textiles and cloths from India. The system and terms of placing orders with artisans were such as to benefit only Indian buyers-up, while the elements of industrial entrepreneurship had few stimuli for development. As Tapan Raychaudhuri pointed out, "there is a plausible case for the hypothesis that the increase in exports in the early 18th century was partly generated by a shift in the centres and an increased appropriation of the surplus by a monopolistic company and did not indicate a proportionate increase in production".*

A temporary expansion within one export industry did not lead to the development of that industry as a whole, nor did it make for transformation along capitalist lines, as could have been the case if the producer and his customer had enjoyed equal rights.

Merchant and banking capital in Bengal traded in agricultural produce, purchased land including urban plots, particularly in Calcutta, and was engaged in providing subsidies to European entrepreneurs and businessmen; it participated as junior partners in British firms, and invested in the East India Company's securities, without making productive investments in traditional industries.

True, for a number of fiscal and strategic considerations, the East India Company personnel were inclined to maintain certain branches of local production that catered for their daily needs. That is why apart from shipbuilding, which was largely geared to export, the company took a favourable view of some other branches not immediately export-oriented. During the Napoleonic Wars which increased the demand for warships and which cut Britain off from the supplies of shipbuilding timber from Northern Europe, interest in Indian shipbuilding was very great. An article on shipbuilding in Bengal published by A. Lambert in 1803 presented a wealth of calculations and estimates to prove the expediency of building warships for the British Navy in Bengal. At the same time the author remarked that almost every component for a warship excluding timber would have to be imported from Britain at the cost which would amount to not less than two-fifths of the overall cost of the resultant sea-worthy ship. This latter remark is significant in that it shows that even at a time when Indian shipbuilding was regarded as a profitable enough proposition its British advocates still thought of keeping Indian shipbuilding technically dependent upon British industry.

By the start of the 19th century there were in India a

* *Readings in Indian Economic History*, London, 1964, p. 77.

certain number of British artisans, particularly in Calcutta, Bombay and Madras, who employed local labour.

However, no massive migration to India of small-scale European industrialists ever occurred. British capitalist production only began to shift to India as factory production 40-50 years later. Similarly, Indian artisans engaged in producing European-type goods never became small-scale capitalists to a considerable degree. The reason for this was that the Indian artisan lacked requisite financial and technical facilities, while merchant capital showed no interest in penetrating even European-type industrial production, being content with maintaining traditional operations if only in a modified form. The few oases of capitalist production based on the capitalist-type workshop, created by the British colonialists, did not form a sufficiently solid basis for the emergence of manufactories, let alone of factory production as we know it. As for Indian crafts, the development of capitalist relations within them played a distinctly negative role. The traders and artisans of India's coastal regions which represented a potential breeding ground for new social relations were hardest hit by the crippling impact of colonialism.

New Methods of Colonial Exploitation in the Period of Industrial Capitalism and Socio-Economic Relations in India

Industrial capital just like its commercial variety used extra-economic coercion as a weapon of colonial exploitation. The inevitability of coercion as a factor in the destruction of the subsistence insularity of Asian and African countries upon their involvement in the system of the world capitalist market was pointed to by Rosa Luxemburg, who said that capital accumulation cannot wait "for the completion of the natural slow erosion of non-capitalist forms in preparation for a transition to a commodity economy.... Coercion in this case is the direct consequence of the clash between capitalism and subsistence structures which set a limit on capital accumulation."*

* R. Luxemburg, *The Accumulation of Capital*, Moscow, 1931, p. 260 (in Russian).

Usually the import of European goods despite the customs privileges failed to provide a sufficiently large return to purchase requisite raw materials on a commercially viable basis. Therefore a considerable part of goods coming from India was directly supported by taxes levied for the most part on peasants while tribute extracted by military and political coercion began to be exported from India usually as raw material and semi-finished products which eventually took the place of artisan goods as the chief export item.

Apart from draining primary products from India, British industrial capital had another aim, namely, to draw India into the system of market outlets for its products. The pumping away of goods from the colonies was supplemented and even partially replaced by a non-equivalent exchange, maintained not through the mechanism of coercion which had paved the way for that exchange, but rather through outwardly equitable commodity-money relations between seller and buyer.

The essence of non-equivalent exchange* lies in the gap between the national levels of labour productivity (including the degree of its complexity, quality and intensiveness) in advanced and backward countries. The former spend far less socially necessary labour on the production of the same amount of exchange value than the latter.

The industrial revolution put Britain ahead of the rest of the world in terms of labour productivity, marking the beginning of her non-equivalent exchange with other countries on an unprecedented scale.

At that period Asian countries cowered in stagnation while in some, productive forces declined under the impact of their colonial subjugation, wars, and the disruption of traditional economic relationships. The gap in the levels of labour productivity that was created previously proved to be catastrophic for these countries as it exacerbated their dependent economic position even when they maintained trade with foreign capitalists on a formally equitable basis.

To give substance to her technological and economic supremacy Britain had to breach by forcible means the

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* See K. Marx, *Capital*, Vol. III, p. 238.

subsistence isolation of India to convert her into a major market for British goods just as it had done when drawing India into the world market as a raw material supplier. The first move in this direction was the disruption and later, as British conquest gained momentum, complete elimination of India's customs independence. The competition offered by British industry and commerce first hit those branches of Indian artisan production that had already separated from the system of subsistence relationships with agriculture. In other words, the most developed elements of India's national economy were threatened most of all. Accordingly, foreign competition largely crippled those areas where relations of production and the social division of labour were the most mature. The urban artisan industries which catered for the emergent national market and went through the early stages of capitalist development were hardest hit. The rural artisans offered a far stiffer resistance. The explanation here is that they specialised in making traditional agricultural implements which in India have survived to the present day with little or no modification. Those craftsmen who were engaged in the production of consumer goods had the advantage of catering for the predictable traditional tastes and wants of the local population.

The British factory proceeded to capture India's consumer market very slowly, partly by adapting its products to make them more attractive to the Indian consumer and partly by deliberately standardising his demand. The competition offered by British consumer goods reduced production in some major Indian industries, but it failed to change significantly the reproduction process as a whole. This competition tended to straightjacket local industrial entrepreneurship, inhibited capital accumulation, but failed to bring it under the complete control of foreign capital. The first major penetration by British industrial capital of the Indian reproduction cycle began in the 20s and 30s of the last century, with the importation of factory-produced yarn, metals, dye-stuffs and other semi-finished goods that found a market among local artisans and craftsmen. These imports spelt the destruction of hand-weaving, metal-working and other crafts, and facilitated the invasion by the large-scale foreign industry of the reproduction process in many artisan industries.

The low prices of local raw materials did not compensate fully for the vast losses resulting from their processing by traditional methods. Much the same situation prevailed in regard to textile prices. In the late 30s of the last century high quality shirting imported from Britain sold in India for 10 anas a yard, while comparable Indian-produced shirting, even if manufactured from imported yarn, was offered at double that price.*

The importation of foreign goods enhanced the role of middlemen during sales, and that exercised a twin impact on national industrial entrepreneurship. On the one hand, the merchant-middleman, by selling consumer goods, harmed and often ruined local artisans. On the other, by selling industrial materials, he ruined some industries, helped keep production costs down and product quality up in others, thereby somewhat raising their competitiveness vis-à-vis the factory-produced goods.

The merchant, after gaining control of the supply of artisans with raw materials and monopolising the marketing of their produce became their actual lord and master. This enabled him to appropriate not only surplus products but also part of the necessary product, all of which hampered the artisan's productive accumulation. Since, with few exceptions, the buyers-up did not invest capital in artisan production which was technically backward, the surplus value they obtained went into the circulation sphere while artisan reproduction proceeded on a severely restricted extensive basis. The persistence of hopelessly antiquated technology coupled with the consequent low labour productivity led to a progressive drop in wages for the workers and ultimately to the impoverishment of the artisan himself who found it difficult, if not impossible, to compete with factory-produced goods on the free market.

The gap between the scale of capital accumulation in the sphere of exchange and in the production sphere, so typical of India, widened in the period of industrial capitalism.

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* See *Report from the Select Committee on East India Produce*, London, 1840, p. 168.

Formerly capital was accumulated by tax collectors but later it shifted to the comprador bourgeoisie. Even in individual areas where British competition was not so strong, the capital controlled by merchants and bankers exceeded by dozens of times the total value of equipment and implements owned by the artisans and craftsmen.

India's economic backwardness the first signs of which were in evidence in pre-British days, stemmed from the fact that the production of instruments of labour had failed to reach the level of developed manufactory. Only the establishment of the manufactory-type workshops capable of producing mechanical aids and machines could have slowed down India's technical and economic backwardness in the period of industrial capitalism However,in the last century India, like so many other Asian countries except Japan, did not experience any significant positive changes in the production of instruments of labour.

In the mid-19th century capitalist powers, Britain above all, had undivided monopoly of advanced instruments of production and means of transportation, and so they were able to influence directly the economic development of their colonies and dependent territories by exporting to them not only consumer goods, but also capital goods and transport equipment. Thus, by the start of the latter half of the 19th century, conditions had arisen for exporting capital in its productive form.

However, in that period the application of British capital in India was limited. As one British colonial official put it, apart from indigo and sugar production India had no sizeable areas where British capital could be profitably invested. Nor did the granting of permission to purchase land change the situation, as Englishmen were reluctant to buy land because they did not think it was the right country to buy land in.* Indeed, British industrialists were reluctant to purchase land and in this way enter into personal relations with the local population. Neither did they regard conditions for hiring labour and its qualifications or the organisation of the market as suitable. In other words, British capitalists were reluctant to come down to what to them was a long past stage historically.

* See *Report from the Select Committee...*, p. 11.

It would be an oversimplification to think that British rulers deliberately slowed down or even destroyed Indian productive forces everywhere and at all times. Already in the early stages they were interested in boosting production in some areas of Indian agriculture (for instance, cotton production), and even in some industries and transport services. But all attempts to create individual oases of improved production floundered on the rocks of the outdated socio-economic relations, which British rule not only left intact, but did a good deal to consolidate.

Crafts, Trade and Credit System in Maharashtra in the 20s-50s of the 19th Century

The economic history of Maharashtra has repeatedly attracted the attention of students of Indian economic history. Of special interest are the agrarian relations in Maharashtra, which is attributable to: a) the fact that the land and taxation structure continued to be the decisive factor in the social and economic system there, and b) the availability of a large body of statistics covering the period under review.

According to our estimates, the average well-to-do peasant landholder and his household spent some 3 per cent of the value of the staple crops harvest to purchase agricultural implements while another 6-8 per cent was spent on artisan goods. Whereas agricultural implements were acquired principally through barter with rural artisans, consumer goods were purchased with money and were instrumental in creating a market demand among the rural population.

No reliable data are available on the economic organisation of Maratha crafts in the early half of the 19th century. What fragmentary data are available lead one to assume that most urban artisans were dependent on their buyers-up. This dependence was particularly heavy in the case of artisans producing expensive articles, as the buyers-up controlled the supply of the requisite raw materials and semi-finished products. In the twenties of the 19th century the artisans of Maharashtra as indeed all over India, began to use imported semi-finished goods such as yarn and metals, which enabled the buyers-up to tighten their grip on small-scale artisan industries.

In the first half of the 19th century Indian society showed the first signs of economic fragmentation and social disintegration. These were the formative factors that later were to contribute to the creation of a multistructural system earlier unknown in India. Available data on the situation in Maharashtra and in some of the adjacent areas of Western and Southern India indicate that the colonial development of India in the first half of the 19th century was not accompanied by processes contributing to the primitive accumulation of capital in the sphere of production. The lack of conditions favouring the development of capitalism had determined the parasitical nature of merchant capital in agriculture. In the ryotvari areas of Madras and Bombay the peasant, overburdened by taxes, fell easy prey to the extortions of the local money-lenders. But for all that, cases of ryot allotments passing into the hands of money-lenders were rare. Perhaps the only significant stage in primitive capital accumulation which was at all possible in the first half of the last century was the accumulation of monetary capital. At that period merchants all over India enriched themselves in every way, although the extent of enrichment varied widely. The Gujarat compradors, notably those of Bombay, found themselves in particularly fortunate circumstances.

In the period under review Bombay continued as an entity oriented not so much inwards as outwards, towards Britain and her interests in the Indian Ocean and the Far East.

Overall Economic Situation, Crafts, Trade and Entrepreneurship in Bengal and Bihar

Between the 20s and 60s of the last century Bengal and Bihar differed from other parts of India in many ways. This was explained by the specific features of these areas' development, the relatively early arrival there of British colonialists and their socio-economic measures, plus the very special natural conditions and resources of Bengal and Bihar.

The economic history of Bengal in the first half of the 19th century is attracting great interest primarily among Indian scholars. Attempts are being made to present the results of the area's economic development at the time in a different light than formerly, when the decline of Dacca and other ancient towns with the resultant tragic consequences in the social field overshadowed individual positive processes.

Thus, A. Guha concedes some progress achieved by the generation before and after 1815 in some branches of Bengal's economy, notably in the production of indigo, cotton, silk, in shipbuilding and in internal and external trade. He cites the statement made in 1831 by Rammohun Roy, an acknowledged authority, to the effect that the increase in wealth was explained by the "actual rise in the value of landed estates" (he meant zamindari estates). Therefore, Roy concluded, only "landlords and dealers in commodities" were able to enrich themselves.* Most of the resultant surplus product was exported to Britain with the balance being retained by the afore-mentioned landlords and dealers in commodities.

The decline of traditional industries, particularly weaving, could be compensated if not in the social then at least in the production sphere by the development of new industries on an early capitalist, manufactory or even factory basis. Bengal entrepreneurs who operated in partnership with Englishmen or on their own pinned great hopes on this compensation. However, by and large banking and merchant capital in Bengal did not evince any serious intention to go beyond serving British entrepreneurs and local zamindar landlords. The chief sphere of these operations in the 40s continued to be trade in agricultural products, which secured a steady flow of tax revenue and rent as well as exports of primary products.

In the first half of the last century Indian industrial entrepreneurship in Bengal compared favourably with its Bombay counterpart both in scale and maturity. One explanation here is that until the 20s of the last century Bombay's entrepreneurs lacked a sufficiently large territorial base. However, subsequently Bombay went ahead to outstrip Bengal in the development of national industry. Throughout the last century, the traditional trading castes of Bengal took advantage of the disdainful attitude of the landed

* *Rammohun Roy on Indian Economy*, Calcutta, 1965, p. 22.

aristocracy and "educated middle classes" to trade, and slowly, but surely, gained control of the circulation sphere in Calcutta. Many petty traders became big-time operators while the wealthier rent receivers were gradually becoming impoverished through extravagance and pleasure living.

Thus, while in the late 18th century independent industrial entrepreneurship in Bengal was limited enough, by the mid-19th century it had shrunk to negligible proportions, both absolutely and relatively. So one can hardly speak of the formation of any national capitalist structure in Bengal's industry at the time. Individual enterprises generally owned by Englishmen and engaged in processing agricultural raw materials made it easier for the British to ship these from India. However, the relatively high marketability of Bengal's peasant economy prepared the ground for the formation of the small-commodity structure. The indispensable condition for this was the introduction of the so-called protected lease, designed to limit the amount of produce taken away from the peasant by the zamindar.

The early elements of Bengal bourgeoisie turned their attention to their zamindari estates or went to serve the British or the princely administration. A proportion of the bourgeoisie went into the liberal professions. Most zamindars reconciled themselves to their dual status because the price they had to pay in terms of national pride and prestige was more than compensated by the resultant material well-being and the high social status in the eyes of their fellow countrymen. But it was precisely the Bengal zamindari milieu that produced Rammohun Roy, the first Indian who could give conscious expression to the overall national needs and interests. While accepting British rule and its Permanent Settlement, Roy nevertheless campaigned to modify it significantly. His economic views are especially relevant in the context of the present study. Among other things, he pointed out that the basic land-tax systems disturbed the traditional restrictions of rent levied on the ryot, which hampered capital accumulation in Indian agriculture. He therefore proposed to fix the rate of both the land tax in the ryotvari areas and that of rent payments in the zamindari areas.

Without attempting to solve the problem of the presence of entrepreneurial potential in the rural elite's economic activities. we should note that the rate of the extraction of agricultural produce introduced by the British did not in itself block the way to the realisation of this potential. What is more, the impression is created that the British land-tax policy compelled the rural elite to use unproductive methods of enrichment such as sub-lease of land, money-lending and trading.

No marked changes took place in the artisan industries that served farming because the peasants presented rather static demands both in quality and quantity At the same time the stagnation of agricultural implements protected these industries from foreign competition.

The situation was quite different in weaving, the largest industry within the small-scale commodity structure. Apart from the decline of those of its sectors which turned out high quality products, there were signs of change in the conditions of production and sale of staple consumer goods. The increasing use of imported yarn put textile quality up and prices down, and in this respect at least seemed to have alleviated the position of the weavers (if we leave out of account the losses sustained by members of their families who were formerly engaged in spinning). But this gain was largely wiped out by the mounting competition offered by the cheap factory-made goods imported from Britain. The introduction into the Indian market of the cost of production at the British factory as a basis for fixing textile prices ruled out any entrepreneurial capital accumulation in local hand-weaving.

The changes occurring in India at the time had a varying impact on individual artisan industries engaged in the manufacture of utensils. The hardest hit were those artisans who catered for the refined tastes of the nobility, both local and foreign. At the same time those artisans who serviced small landowners' community also found themselves in tight circumstances, though not everywhere. The position of these artisans was dependent primarily on changes in the effective demand for their goods among their traditional clientele.

The only exception to this rule were enterprises manufacturing European-type goods which were located for the most part in presidencies' capitals. The extensive employment of hired labour coupled with the use of technology borrowed from Europe required not only co-operation in production, but specialisation and division of labour according to production technology. However, such enterprises, although numbering several hundred, were concentrated in a few centres and in a country the size of India could not form a nation-wide economic structure of the manufactory type. As for the "transplantation" of this structure by the British entrepreneurs in the period that saw the completion of the industrial revolution in Britain, it did not make sense to export obsolescent hand-operated equipment even to colonies.

If we take into account the extent of the impoverishment and decline of industries based on workshops with detailed division of labour (arms manufacture, paper production, etc), we shall see that all ideas about the existence in India at that period of a small-scale capitalist structure or a manufactory are totally groundless. The enrichment of individual merchants and bankers, and landowners should be properly viewed as something that prepared the ground for the capitalist structure that came later. The abortive attempts to initiate industrial entrepreneurship in shipbuilding, coal mining, iron and steel industry and even in the processing of indigo testified to the absence of objective economic and political conditions favouring the growth of national capitalist industry in India. A new situation was required to enable India's propertied classes to materialise their financial resources in the means of capitalist production, a situation that was later created by modified land-tax policy, large-scale railway construction and the gradual conversion of India into a major market for British capital (after the national insurrection of 1857-1858).

Transition to Imperialist Methods of Exploitation and Indian Capitalism

By the mid-19th century the export of Indian primary products and the import of British factory-made goods had grown substantially. Yet they failed to reach a level where

India could be converted into an agrarian and raw material appendage of Britain. The revenue of the Indians' tax plunder continued to be the primary object of the British colonialists.

Although the overall tendency towards the eventual transformation of the product taken away in taxation into export goods which were the substance of colonial tribute was maintained, the structure of external trade underwent radical change. Artisan-produced goods were chased out of India's exports which were dominated by land produce. Therefore the transformation itself was gradually becoming a matter of successive alienations and not a conversion of the product removed (say, grain) into a commodity (textiles, for instance). In areas where the tax was paid by selling export products such as cotton, jute, or wheat, commodity transformation as a stage never came about. In consequence the intermediate function of merchant capital was dispensed with in the middle link of the chain: farmer—artisan—exporter.

The export of British capital to India which began in the mid-19th century was not initially an end in itself being geared to the task of stepping up the pumping of primary products away from India. Throughout the latter half of the last century it was the railways that absorbed the bulk of British capital in India. From the mid-19th century on, British capitalists began to invest in factories and in mining. By the late 50s they commissioned their first jute mills near Calcutta. The cotton- and jute-growing areas had thousands of small mechanised units for the primary processing of cotton and jute. The construction and rehabilitation of irrigation networks was another major area of British investment in India.

The process of national capital accumulation was hampered by the huge tribute Indian capitalists had to pay to their British masters. The size of the tribute grew with every passing year. It is impossible precisely to establish its size because British official statistics for obvious reasons concealed some ingredients of the tribute, while understating the rest. For instance, such important, both visible and invisible, items of colonial tribute as revenue from non-equivalent exchange and shipping, reinvested profits, the huge expenses to maintain the military and administrative apparatus of colonial domination, and to finance wars of conquest have been completely left out of account. The army and colonial administration absorbed as much as three-fifths of all budget revenue, about half of which was transferred abroad by British servicemen and officials. All told, the colonial tribute exceeded £100 million a year.

The new imperialist methods of exploitation provided a definite impetus to the development of capitalism in India. But an essential condition of this exploitation, like of colonial domination generally, was the severe restriction of capitalist development by the narrow colonial and feudal framework. To this end British imperialism tightened its grip on India's political and economic life thereby preventing any meaningful development of agricultural entrepreneurship.

The impression is created that in the latter half of the last century India's rural elite set itself apart more by the size of its landholdings and particularly by the extent of its monetary resources, rather than by the extent and organisation of agricultural production under its control. Entrepreneurs emerged in the Indian countryside essentially as trader and money-lender entrepreneurs. The landowner-entrepreneur was the exception to the rule. Having done away with the tax-revenue system, the British colonialists created new opportunities for extending the trade and money-lending operations.

The retention of the supreme right of landownership in the hands of the British colonialists caused some friction between them and Indian landowners. In the economic sphere this friction manifested itself in the distribution of the rent levied on peasants between the landowners and the British administration, particularly when the land tax was not fixed. In the political sphere this clash of interest found reflection in the growing opposition among the landowners and the intellectuals and office employees associated with them. The discontent of certain groups of landowners was fueled by the British confiscation of part of their landed estates and by the shrinking incomes of some sections of landholders.

The establishment in the latter third of the last century of large-scale landownership and small-scale peasant property against the background of an intensive invasion of the Indian countryside by commodity-money relations set the stage for primary capital accumulation (expropriation of the peasants, their deprivation of the means of production, primarily of land). But the continued existence of the traditional social structure prevented the completion of that process. Upon losing his land the peasant had it restored to him only when he agreed to be a sharecropper or a farm labourer for a pittance.

The British rule of law tore down the barriers which had prevented the handing over of peasant allotments to money-lenders. As R. D Choksey wrote, "in pre-British days there were two restraints on the money-lenders; firstly, the existence of vigorous village communities, and secondly, the apathy of the State towards the recovery of loans, a function that was entrusted to the village Punchayats. It was the disintegration of the village communities that gave the Sawkars and land grabbers their opportunity to exploit the Ryot."* In the latter half of the 19th century allotments began to pass into the hands of traders and money-lenders. Even in the United Provinces, where the cultivation of export crops was limited, land property began to be concentrated in the hands of the money-lenders. In the 70s the ryots began to be deprived of land in Maharashtra which was converted by the British into a major cotton-growing area.

An examination of the commodity structure of India's external trade on the eve of the First World War shows that her imports continued to be of a predominantly consumer character. As for producer goods imported, their total value amounted to £ 20 million, which was about a quarter of the total value of the imports. Industrial semi-finished goods such as ferrous and non-ferrous metals and coal exceeded the value of imported plant and equipment by 200 per cent. The import of consumer goods likewise exceeded by 200 per cent the import of producer goods in terms of value. The

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* R. D. Choksey, *Economic History of the Bombay Deccan and Karnatak*, Poona, 1945, p. 187.

British authorities made no serious efforts to change the structure of India's imports in favour of producer goods. As a result, as much as two-thirds of the total imports (in terms of value) offered direct competition to locally-produced goods, while the remaining third hindered the rise of a modern national industry.

The structure of India's exports was much the same. Only one-fifth of total exports (£25.4 million out of a total of £125.2 million) was represented by finished or semi-finished goods, the rest being raw materials (£55.6 million) and opium (some £6 million).* The basic export items were agricultural produce and its derivatives (e.g., textiles). It was only India's extremely favourable natural conditions for the cultivation of some crops, notably tea and jute, that enabled her to count on the competitiveness of her goods without abandoning traditional farming methods. India's mineral resources, such as manganese, mica and iron ore, were little exploited or not at all. India had an adverse balance of foreign trade in mineral raw materials. The country's dependence on foreign monopolies for this type of raw materials was heavy indeed.

The deep contradictions attending the formation of the Indian market and the development of the commodity structure of her domestic and external markets, in the final analysis, sprang from the fact that the social division of labour was disturbed and warped by the British colonialists. The division of labour between industrial and agricultural sectors was not so much a division of labour between town and country as a growing division of labour between individual industries of British factory production, on the one hand, and Indian agricultural and artisan production, on the other.

In the late 19th century India saw the emergence of a multistructural economy, the appearance of factory industry (foreign and national), and the formation of capitalist and small-commodity structures in her agriculture and artisan industries. These structures had more or less isolated repro-

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* See *East India: Accounts and Estimates, 1910-1911, Explanatory Memorandum by the Under Secretary of State for India*, London, 1910, pp. 32-33, 34-35.

duction complexes. In the case of factory industry and modern transport facilities, extended and partially simple reproduction were only maintained on the basis of imported equipment and materials. In the case of the small capitalist and small-scale commodity industry reproduction was based on the domestic production of capital goods and imported raw and other materials. In agriculture the reproduction process was even more closed and inward-looking since the peasants continued to use traditional implements of local manufacture. The fragmented nature of the reproduction process, the absence of a unified technical and production base, the widely varying terms and scale of capital accumulation in different sectors of the economy, combined to create a situation where Indian capitalism, having begotten a multistructural economy typical of its early classical stage, failed to transform along capitalist lines the whole of the Indian socio-economic structure.

The Economic Situation, Handicrafts and Entrepreneurship in Maharashtra and Gujarat in the Latter Half of the 19th Century

Maharashtra and Gujarat in Western India comprised most of the Bombay Presidency, the socio-economic structure of which was perhaps more diversified and contrast-ridden than in any other part of India. The period under review saw the emergence of the system of socio-economic structures which, with a few changes and amplifications, has survived to the present day. In some areas of the vast Bombay Presidency different structures presented a different picture, varying in size and share of production and employment rate. Sometimes some structures were totally absent. For this reason, it would be impossible to compare, say, the composition and proportions of the socio-economic structures in the Kolhapur Principality and in the city of Bombay. Still railway construction had by the close of the last century blended the entire heterogeneous conglomerate of production units and foci into an economically interacting system, although the intensity of interaction varied widely both among individual components of the system and from area to area.

The chief reason for the technical stagnation and overall backwardness of India's agriculture was the insufficient productive accumulation caused by the huge volume of rent-tax and money-lender claims on the surplus land produce. Another reason for the technical conservatism in Indian agricultural implements was the stability of the traditional methods of their reproduction. In the period under review and much later (up to the 20s of this century) the Indian countryside did not have a massive demand for agricultural machinery and reproduction in Indian agriculture continued to be based on traditional old technology and natural exchange between farmers and artisans who produced agricultural implements. This is confirmed by the fact that in the latter half of the 19th century and indeed in the subsequent decade, the commodity inventories of trade fairs and markets in Maharashtra (some sources provide very detailed inventories) make no mention of agricultural implements.

Mention of the continued use of remuneration in kind, notably with land, is made in statistical accounts relating to Surat* and other areas of Gujarat. Thus, in the district of Mahi Kantna carpenters, besides their primary trade, were also engaged in cultivating the allotments granted to them for their services to the village.** In the Reva Kantna agency village artisans, such as potters, barbers, tanners, carpenters, blacksmiths, cobblers and tailors (the latter four lived only in the larger villages) were remunerated with grain if they served fellow villagers, and with money if they filled the orders placed with them by outsiders. Even in the 70s of the last century, the artisans of the district of Ahmadabad were remunerated either with grain or cash.

The position of communal artisans in the Maratha districts of the Bombay Presidency is described in source materials relating to the 1880s with less detail than formerly. However, here too we have sufficient evidence that village carpenters, blacksmiths and tanners produced and repaired agricultural implements and were remunerated for their

* See *Gazetteer of Bombay Presidency*, Vol. IX, Part I, Bombay, 1901, pp. 191, 205.

** See *Gazetteer of Bombay Presidency*, Vol. V, Bombay, 1880, p. 365.

labours both with a share of the customer's harvest and with an allotment. For instance, the village smiths of Ahmadnagar were primarily engaged in the manufacture and repair of agricultural implements for which the peasants paid them with grain (the balute system). By contrast in the coastal district of Thana the communal system of remuneration was almost totally destroyed.

As we see, the balute system was losing ground, but it did so slowly and not everywhere. True, in the opening years of this century some new methods were introduced into Maharashtran agriculture. Thus, the *Gazetteer* of the district of Akola records that by the first decade of the 20th century the design of carts had changed while that of agricultural implements had stayed the same as many years ago. Only some people had acquired metal implements of foreign manufacture. Besides, a foreign-produced iron plough cost the cultivator Rs 42, whereas a locally-produced plough cost between Rs 3 and 5. However, the advantage was, according to the *Gazetteer*, that in a week the peasant could plough as much land as would take him six weeks using the locally-produced plough. In the same district of Akola, where the European-type plough began to be used, in the early 20th century there still existed a system of remuneration in kind (khaks) for village servants (alongside with watans), and also for the village carpenter, blacksmith and tanner. Despite this there were distinct signs of change. To begin with, the artisans were remunerated only for repair work, while the manufacture of new implements was paid for additionally, according to fixed rates. Second, those who leased land in the village for one year paid for the artisans' services in cash, and the artisans actually preferred this.

A comparison of the incomes of skilled artisans with the wages of technical personnel and the salaries of employees and officials is of interest. In 1908 and 1909 an average oil-maker in the Akola district earned Rs 9-10 a month, a locksmith between Rs 40 and 50, a carpenter up to Rs 20 a month, while a second-class machine operator earned Rs 65 and a first-class operator, Rs 140, in addition to living accommodation, lighting and heating facilities. Clerks with private trading companies got far less, a mere Rs 8 to 10 with

Rs 15-30 a month being the maximum. Officials got anything from Rs 25 to 200 a month. The tastes of the officials and members of the technical trades began to develop away from traditional ones. Demand for British-produced textiles and other cheap imported consumer goods continued to be low on account of the essential poverty of and remuneration in kind for the bulk of India's teeming millions. For this reason, the demand was sufficiently stable and limited in volume and variety.

British colonial policy in India, having preserved the traditional pattern of consumer and producer requirements, was geared to the rather limited objective of cornering the Indian market.

The lack of sufficient financial resources among small industrialists acted as a brake on the technological modernisation of their enterprises. The limited innovations that were slowly introduced did not go beyond improvement of manual operations (e.g., the flying shuttle in weaving). Until the First World War the State of Maharashtra had seen only two instances of conversion of weaving manual establishments into small-scale production units of the factory type. These units used a combination of machinery with manufactory-type tools.

Perhaps the most interesting example of the gradual conversion of the small-scale workshop into a larger unit and later into a factory, with subsequent formation of a large-scale company of the monopoly type, is provided by the history of the Kirloskar House. This major engineering concern, perhaps the biggest in India's private industry, traces its beginnings to a small workshop producing simple agricultural implements.

In the late 19th century multistructuralness in the Bombay Presidency was the salient feature of not only industrial production as a whole, but of its individual branches. In the cotton textile, leather, and oil-pressing industries many different types of industrial units existed side by side, ranging from the artisan-owned workshop to the factory. The carpenters, blacksmiths and potters presented a more homogeneous pattern in the social and production terms, but these too gradually evolved into small-scale commodity producers.

The Principality of Kolhapur provides a good illustration of the evolution of the socio-economic structure in India. In Kolhapur progress was greatest in the sphere of commodity-money relations, which had destroyed completely the former isolation of the principality from the outside world. But the subsistence base of the economy—archaic peasant households—had been preserved intact. The commercialisation of the land produce continued to be mediated by the removal from the peasant of part of his produce through feudal rent and money-lender interest. Rent in the form of land tax and lease payments to the landowners was levied on over 700,000 acres. The per acre rent ranged from Rs 3 to 4.6* and so the total was close on Rs 3 million, i.e., it was slightly above the level of the mid-19th century. The rent payments amounted to 20 per cent of the cultivator's harvest, and another 50 per cent was removed through other channels (taxes, interest, remuneration of village craftsmen, Brahmans and officials).

There are clear signs of a definite tendency towards an absolute reduction in the numbers of the artisans of main professions and a sharp decrease in their proportion of the principality's growing population. Another circumstance that attracts attention is declining production and a falling employment rate in such industries as sugar, oil and paper production, where small capitalist entrepreneurs operated on some scale. This type of production shrank to insignificance compared with trade and money-lending operations.

For all the variations in the estimates of the amount of money-lending capital and its profits it is clear that this capital exceeded by dozens of times the value of the equipment in Kolhapur's basic industries. Only an insignificant portion of that capital was involved in the industries' working capital. When one attempts to assess the changes that occurred in the principality's socio-economic structure in the latter half of the 19th century in terms of the prospects of the development of capitalism in local industrial production, the picture arrived at is contradictory. On the one hand, there are signs of a reverse movement because the hardest hit were industries dominated by small capitalist entrepreneurs. On the other hand, the reduction in the pro-

* See *Gazetteer of Bombay Presidency*, Vol. XXIV, p. 172.

portion of feudal rent, the chief source of finance for these and other branches of the extra-communal industries, was progressive to some extent. However, the drop in the number of orders placed by feudal lords was not offset by an adequate expansion in the peasant demand for the products of extra-communal artisans.

The Kolhapur Principality was far behind the Maharashtra districts of the Bombay Presidency socially and economically. There were several reasons for this, including the preservation until the mid-19th century of the traditional feudal land-tax system, the subsequent decline of the city of Kolhapur as the military-administrative centre and consumer of artisan-produced goods, and the principality's remoteness from railways. Therefore, the evolution of Kolhapur's socio-economic structure in the latter half of the 19th century was typical of the backward districts of Maharashtra, and indeed of all of India.

Agricultural and Artisan Production, Commerce and Credit in East India in the Latter Third of the 19th and Early 20th Centuries

The area under review in general, and Bengal in particular, provided, perhaps, the most striking example of the combination of the highest forms of capitalist entrepreneurship such as railways, jute mills and collieries and the small-commodity economy of peasants and artisans who oriented themselves partially or even wholly towards the market but who nevertheless maintained the traditional stagnant basis of simple reproduction. The development of the capitalist national production in the form of the workshop based on a detailed division of labour or small mechanised units was as a rule inversely proportional to the intensity and scale of export-oriented raw material production.

Part of the rural elite's households, by virtue of the size of land operated, could be placed on a capitalist footing if protected lease were secured. Apparently in some cases when big cultivators hired labour certain elements of capitalist exploitation were already in existence, although the rates of remuneration were far lower than those offered to other categories of labourers, which indicates that the traditional bondage of the lower sections of the rural population continued. The exorbitant rent tax paid by a considerable proportion of the rural elite, coupled with a tight credit situation and the difficulties involved in the sale of their land produce, inhibited the development of their entrepreneurship, which hampered the transition to a more productive pattern of farming based on the employment of advanced technology, fertilisers, and other attributes of modern agronomy. Large households continued to use traditional implements just as small cultivators did.

The development of market relations in East India, particularly in Bengal, largely transformed the artisan-peasant barter-type relations into commodity-money relations. But the scale of the commodity component was limited. The negligible volume of accumulation left after the extraction of land produce through rent and tax payments limited the volume and range of the commodities consumed by the village. By that time the last traces of the traditional barter relations between rural artisans and cultivators had almost disappeared in Bengal and even in Bihar. A statistical account on the district of Rangpur, compiled by Gopal Chandra Das, assistant tax collector, contained a description of a local village community at the time of the Hindu Kings. The description gave a usual structure of administrative personnel and community artisans. But it was pointed out that little remained in the district of Rangpur of the local ancient rural associations of the type that had existed at the time of the Hindu monarchy. The few village officials who were still to be encountered were servants of the zamindars or landholders rather than in the service of the community.* Indeed, according to the subsequent description, persons who had retained their titles as community officials were actually turned into members of the tax-collection staff of the zamindar and acted in his interest.**

Some useful data on the socio-economic relationships in Bengal in the late 19th century come from two official surveys, the *Memorandum of the Material Condition of the Lower Orders in Bengal during the Ten Years from 1881-1882*

* See *Statistical Account of Bengal*, Vol. VII, London, 1878, p. 230.

** Ibid., pp. 231-34.

to 1891-1892 and the *Report on the System of Agricultural Statistics of the Dacca Districts.**

The most general conclusion that can be drawn from these surveys is the stunted nature of socio-economic processes despite the progress of railway construction, jute mills, new collieries and iron and steel works in Burhanpur. These centres of factory entrepreneurship coupled with the railways exercised little influence on the overall socio-economic development of Bengal. The railways and jute mills provided greater opportunities for the marketing of jute which was the most intensive industrial crop, and brought about changes in the local land-tax system by securing the removal of greater surplus land produce by local zamindars and British administration, but they did not affect the traditional agricultural practices.

The ploughing up of new lands and growing cash incomes enabled the Bengali zamindars to increase substantially their rent revenue. For instance, in the late 80s of the last century the peasants paid to zamindars and the British colonial administration 415 per cent more than they did when the Permanent Settlement was introduced (1793). The share of rent appropriated by zamindars grew both absolutely and in relation to the land tax. According to official statistics, in the late 1880s, of the Rs 66.8 million derived as rent the zamindars transferred Rs 21.7 million as tax to the British colonial authorities and appropriated the remaining Rs 45.1 million.**

However, the quoted amount of gross rent reflected only those payments which the peasants made according to protected lease enactments. The actual size of taxes and levies was incomparably greater. A. S. Sen wrote that the ryot had to pay a contribution to the zamindar's rent collector and to make presents to any of the zamindar's children on their wedding day, the award of an honorary title to the zamindar or simply on the occasion of his arrival at

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* F. H. B. Skrine, *Memorandum of the Material Condition of the Lower Orders in Bengal during the Ten Years from 1881-1882 to 1891-1892*, Calcutta, 1892.

A. S. Sen, *Report on the System of Agricultural Statistics of the Dacca Districts*, Calcutta, 1897.

** See A. S. Sen, op. cit., pp. 64-65.

his estate from town.* F. H. B. Skrine remarks in his *Memorandum* that the land tax in the early 90s of the last century was less than a fifth of the zamindar's income.** The impression is created that a hundred years after the introduction of the Permanent Settlement found Bengali ryots poorer and more short of rights than they ever were before the arrival of the British.

In this hopelessly stagnant socio-economic situation the demand for industrial goods among the rural population remained low. At the same time competition from foreign and Indian factory-produced goods continued to mount. The artisans of Bengal and Bihar and especially the weavers found themselves in an extremely difficult situation towards the close of the 19th century. The development of the transport communications accelerated the impoverishment of Bengal and Bihar weavers who served the local peasant communities.

The subordination of Bengal trade capital to British monopolies, particularly in wholesale comprador trade, was a factor inhibiting the expansion of national large-scale industry. Although Bengali propertied classes invested in large-scale industry even before the First World War this took the form of buying the shares of British enterprises, primarily of jute mills. In the opening years of this century Bengali capitalists owned a limited number of small mechanised jute-pressing mills.

The 1911 population census in Bengal, Bihar, Orissa and Sikkim provides an idea of the scale and sectoral composition of factory and plantation production in numbers of employed and of enterprise owners in East India on the eve of the First World War.

As Table 1 indicates almost the whole of large-scale production came from industries that processed agricultural produce.

The region's industry comprised 45 enterprises run by the colonial administration, 754 enterprises owned by Indians and 654 owned by Europeans. Thirty-three enterprises were in mixed ownership. Some industries were almost wholly

* See A. S. Sen, op. cit., p. 63.
** See F. H. B. Skrine, op. cit., p. 5.

Table 1

The Breakdown of the Structure of Factory and Plantation Industries in East India in 1911*

Concerns	Number	Number of employed
Jute mills	50	200,446
Tea plantations	240	191,286
Collieries	129	37,707
Railway workshops . . .	15	22,735
Brick and tile factories .	161	22,019
Jute presses	109	13,842
Printing presses	103	12,171
Cotton mills	18	11,752
Machinery and engineering works	37	11,714
Total	862	523,672

* *Census of India*, Vol. V, 1911, Part I, "Report by L. S. S. O'Malley", Calcutta, 1913, p. 526.

owned by Indians, including bronze- and type-casting, oil-pressing, rice-chaffing, footwear- and umbrella-making. Foreign capital dominated the more important industries, such as tea plantations, engineering workshops and jute mills. Indians did not own a single jute mill and even among the jute-press owners Indians were a minority. The foreigners owned two-thirds of the cotton mills.

Thus, the rise of the Bengali bourgeoisie in the modern period proceeded against the background of the seizure by the British colonialists of the commanding heights of the economy, a process that assumed an unprecedented scale even in the colonial India. The merciless colonial exploitation of Bengal helps to explain certain peculiarities of the rise of the Bengali bourgeoisie, notably the fact that the accumulations made by landowners exceeded those made by the merchants and that manual establishments were mostly formed in rural areas, as mainly small-scale units. The industrial capitalists with a few exceptions arose in the manufactory-type industry. Many capitalist entrepreneurs came from the privileged castes associated with landowners and the colonial administration. In large-scale industry the independent role of Bengali capital was negligible which was the reason why it had to co-operate with British monopolies.

The Formation and Position of India's Factory Proletariat in the Latter Quarter of the 19th Century

The first contingents of the Indian factory proletariat emerged in the 60s of the last century in Bombay and Calcutta. In the early 90s the proletariat numbered 400,000. Because of the uneven development of large-scale industry in some areas of India the factory proletariat concentrated in two centres: in Bombay—over 118,000, and in Calcutta—120,000. There was no parallel concentration of factory proletariat elsewhere in India. In the Madras Presidency, for instance, there were not more than 25,000 workers* while the total of factory workers, railwaymen and miners in India did not exceed 700,000-800,000.

The occupational composition of the Indian industrial proletariat was characterised by the absolute preponderance of textile workers employed in cotton and jute mills. The workers employed in the metal-working industry (arsenals, railway workshops, repair shops) totalled scores of thousands. The rest were employed in the food, cement and other industrial enterprises belonging to large-scale industry of secondary importance to India. For instance, in 1892 the industrial enterprises of the Bombay Presidency that were within the scope of the factory law employed a total of over 118,000 workers, of whom 22,844 were women and 5,946 children. Of this total, 77,872 were employed in cotton-spinning and weaving, 8,028 in cotton-pressing and cleaning, 1,552 in other textile industries (wool, hosiery and silk), 12,196 in railway workshops, 3,466 in iron workshops and 2,140 in printing presses.**

* See *East India (Factory Inspection). Copies of Recent Correspondence with the Government of India on the Subject of Inspection of Factories and of the Factory Inspectors' Report*, London, 1894, pp. 51, 56, 108.

** See *Report of the Bombay Mill-Owners' Association for the Year 1893*, Bombay, 1894, pp. 68-69, and *Provincial Report on the Working of the Indian Factories'Act in the Bombay Presidency for the Year 1892*

The extremely low wages of Indian factory workers coupled with the low demand for labour in a situation where the supply was massive combined to determine the caste, age and sex composition of the Indian workers. At first glance one would be surprised to learn that in the late 19th century the factory population was dominated by members of the many different peasant castes, although it would seem that artisans ruined by colonial oppression should be the main source of labour and of the incipient working class. In colonial India the factory worker could not hope to keep his family relying solely on his miserly wages. Therefore, the family of an urban artisan, upon losing a skilled craftsman when he went to work at a factory, could not, as a rule, make both ends meet. The rural residents, by contrast, were somewhat better off. The cultivation of their own or rented plot of land, day or seasonal work could provide women and children with meagre food. The big proportion of some sections of peasants and artisans in India's nascent working class was also largely determined by the shackling indebtedness of the artisans and the peasant poor to the money-lender, the landlord and the tax officials. This indebtedness checked the migration of the worst hit peasants to the towns, which explains the relative preponderance among the factory workers of Bombay and Ahmadabad of people from the relatively well-off upper peasant castes. With the supply of cheap labour as plentiful as it was, the capitalists were free to choose the young and strong males. Thus, the cotton mills of Bombay between 1884 and 1913 employed from 69 to 76 per cent of males, while the share of female workers fluctuated between 20 and 26 per cent and that of children between 1.3 and 5 per cent. In Bombay only men were allowed to operate lathes, with women and children being employed on manual auxiliary operations.*

The stunted character of capitalist development in Indian agriculture brought about by British colonial rule, coupled with the extremely narrow sphere of capitalist production in industry, produced a huge relative overpopulation. This was in evidence not only in the countryside, but in the towns

* See Morris D. Morris, *The Emergency of an Industrial Labour Force in India. A Study of the Bombay Cotton Mills, 1854-1947*, Berkeley-Los Angeles, 1965, p. 62.

as well (unemployed artisans, coolies, small traders, intellectuals), a feature typical of most colonies. The pressure of this army of unemployed on the labour market was sufficiently strong in the early stages of the rise of the Indian proletariat. As time went by, this pressure continued to mount. The enormous preponderance of the labour supply over its actual employment by the capitalists was a major reason for the cheapness of labour in India.

The over-exploitation of the Indian workers was the source of additional funds to purchase more industrial equipment, pay the salaries of foreign engineers and technicians and buy industrial materials at high monopoly prices. Charles Wood, speaking in the House of Commons, noted among other things that large sums were saved on wages in India. A given number of workers earned £400 a week in Lancashire, but only £100 in India.*

The monopoly of foreign financial capital on the modern means of production was a major reason for Indian industry being dominated by some of the most arduous methods of exploitation. Colonialism prevented India from developing her own engineering industry and training her own industrial personnel, and compelled the Indian factory-owner to employ inferior equipment imported from Britain. The situation in agriculture was even worse. There the technological level was much the same as it was in the Middle Ages. The principal method of increasing surplus value was the lengthening of the working day. It took the Indian proletariat a good deal of viability, tenaciousness and heroism not only to fight for its vital rights, but to wage economic and later political struggles.

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The genesis of capitalism in India proceeded under the impact of three main factors: first, the historically constituted backwardness of the social environment exacerbated by colonialism; second, the involvement of India in the world capitalist market and her consequent switching from external

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* See *Hansard's Parliamentary Debates*, Third Series, Vol. 160, p. 46.

economic links with Afro-Asian countries in a similar position to economically unequal relations with the industrialised countries, above all, with Britain; and third, the policy of the colonial administration which strengthened the impact of the other two factors, while at the same time hindering the development of national capitalism.

The crippling effect of the latter two factors did not mean that capitalist development in India was not coloured by any national features and peculiarities. The British colonialists were compelled to reckon not only with the socio-economic situation they found in India when they first landed there as conquerors, but with the objective processes which occurred in the Indian economy in spite of their will. Therefore British colonial rule, having distorted the development of capitalism in India, failed to deprive these processes of specifically Indian features.

The early elements of capitalist relations arose in the depths of the colonial economy. The presence of these elements leads one to think that had not India been under colonial rule it might have produced its own "Indian" version of capitalist development precisely because of the operation of universal economic laws, just as Japan has done. To be sure, the conversion of this Indian version from a historical potential into a socio-economic reality could only have taken place following a complicated and highly contradictory resolution of internal conflicts. Since India was deprived of state independence, the development of capitalism followed an Indian model not along national lines but along colonial lines, with certain deviations in the direction of a specifically national pattern caused by the operation of internal economic processes.

Both the emergence of capitalism (the establishment of small capitalist production based on manual labour) and its subsequent development (the rise of a large-scale capitalist factory industry) took place in India in the latter half of the last century. This coincidence in time of the two usually successive processes is attributable to the fact that the capitalist structure of India (colonial capitalist sector to be more precise) was from the very beginning dominated by British capital, which had complete political power and controlled the key economic levers (state finance, the bulk of factory production, railways, banks, foreign trade, shipping, etc.). At this period Indian agriculture witnessed developments which were more characteristic of late feudalism (the strengthening of big and medium landowners, the incipient expropriation of peasants, the development of commodity-money relations, etc.). The small-commodity structure evolved slowly in the Indian countryside; it was hamstrung by the domination of the non-cultivating rent receivers' landownership and by the British colonialists' supreme ownership of land.

The contradictory and highly specific combination of different processes marked by a varying degree of historical maturity often puzzles those students of India who approach her socio-economic development at the turn of the 20th century in a lopsided way. To be sure, if you limit the range of your observations to the Indian countryside, you could indeed arrive at the conclusion that at that period India was passing through the stage of late feudalism, since in her agriculture, which was the biggest sphere of production, traditional relations of landholding and land use gradually developed; but at the same time Indian agriculture was dominated by the colonial capitalist sector which, though it had a limited material and organisational basis, was very strong politically and economically. Finally, and this is most important, in a situation marked by the forcible involvement of the Indian economy in the system of the nascent world capitalist economy, India's colonial capitalist sector developed in indissoluble unity with British capitalism relying on the latter's powerful support.

Therefore, India had in a sense "skipped" the stage of late feudalism, although it did go through some of its typical processes. The decisive role in this leap was played by the export of British capital which began in the mid-19th century.

CHAPTER TWO

THE AGRARIAN EVOLUTION OF INDIAN SOCIETY IN THE 50s AND 60s OF THE 20th CENTURY

The multistructural pattern of India's society changed rapidly in the period of the general crisis of capitalism, particularly so after the country gained independence over a quarter of a century ago. Modern India presents such a rich variety of socio-economic forms that only a close examination of the totality of relationships characteristic of them may yield a more or less complete picture of the country's socio-economic process.

Agrarian evolution forms an integral part of this process. India's agrarian evolution offers a complex and highly diversified pattern indeed. India, with her rich variety of economic structures and regional imbalances, provides a unique example among the developing nations of Asia of an extremely wide range of agrarian evolution within a multistructural society. The country's agrarian evolution has seen just about every variant of rural development experienced by Asian countries that have not gone through a radical transformation of their socio-economic structures.

An analysis of the agrarian evolution of a multistructural economy in the light of the Marxist-Leninist theory inevitably gives rise to a series of methodological problems common to many Third World countries, including India.

It was pointed out earlier that a national economy is a system in which the general trend of different interacting structures is determined by the development of the formative, system-moulding structure. In Third World countries the functions of the system-moulding structure are fulfilled either by the capitalist structure or by the national state whose property in the course of gradual or abrupt changes ceases to be a simple form of manifestation of the capitalist structure and assumes an independent existence thereby undermining and swallowing up other forms of property which give rise to or intensify the capitalist trends.

In Third World countries capitalism as a structure constituting a system of structures does not have the range of opportunities available to Western Europe in the initial stages of capitalism. The prolonged period of colonial rule in what are now Third World countries, coupled with their present-day disadvantageous position within the world capitalist economy, has produced a situation in which the incipient national capitalism has tried to shift the entire burden of imperialist exploitation on to its "logistical area", that is, pre-capitalist structures. In these circumstances the tendency inherent in capitalism towards the erosion of natural-type relationships is offset by another tendency, one towards slowing down this erosion (herein lies one of the reasons for the stability of traditional economic structures in Third World countries). This tends substantially to restrict the potential for expanding the domestic market for national capitalism on the adequate basis—increased commodity production, the highest manifestation of which is capital itself.

In a situation where the capitalist sector as a system-moulding structure is relatively weak, the state had to take over the system-moulding function even in those Third World countries which have experienced no revolutionary upheavals involving radical change in property relations. This trend is exemplified in the abolition of certain elements of private property followed by nationalisation and often by a radical transformation of the property of direct producers, and it operates with varying force in a number of Third World countries. Hence the duality of the overall process that has resulted in the formation of a system of structures which is now aggravating the entire spectrum of the Third World socio-economic contradictions. Also, this indicates the new potential for the build-up of social changes in the course of class struggle which on reaching a "dialectical change"* can interrupt the formative impact of capitalism on the

* V. I. Lenin, *Collected Works*, Vol. 16, pp. 117-18.

national economy, thereby preparing the ground for society's evolution beyond the framework of capitalism.

The continued consolidation of the world system of socialism is an essential precondition for the emergence in Third World countries of a long-term trend towards such pattern of development.

In Indian agriculture just as in the agricultures of many other developing countries of Asia capitalism has long been the system-moulding structure. That is why problems bearing upon the formation of the capitalist structure have been the focus of studies of agrarian evolution in these countries.

As a major prerequisite for the study of a multistructural agrarian system Marxist methodology calls above all for the precise definition of the stage of development of the capitalist structure. An in-depth examination of agrarian capitalist development within a multistructural economy calls for a detailed analysis of the types of capitalist transformation experienced by the preceding, pre-capitalist forms of production. This approach was adopted by Marx and was later elaborated by Lenin in the theory of "the struggle between the *two* paths or methods of *capitalist* agrarian development".*

In view of the extreme weakness of the more or less established capitalist structure within the Asian agriculture (in India the capitalist sector is estimated to have accounted for 10 or 15 per cent of the gross agricultural product in the early 1960s), particular importance is attached to the study of the initial socio-economic forms preparing the ground for the growth of capitalism in the countryside. Two major aspects merit attention in this context.

First, the development of commodity production, notably the establishment of a small-scale commodity structure. A wide variety of processes attend the evolution of small-commodity production into a structure in its own right. These include the withering away of the forms of extra-economic compulsion widespread in traditional society later enslaved by colonialists** and also processes contributing to

* Ibid., p. 119.

** Here, we may recall Marx's observation to the effect that in a society dominated by extra-economic forms of compulsion "the

the establishment of private small-scale landownership which furnishes the economic basis for the small-scale commodity structure in the Asian countryside. Here also belong processes involved in the disintegration of the natural-type basis of reproduction, which was dominant under the earlier communal organisation of labour, and processes attending the formation of a reproduction system based on commodity exchange. Only the study of the whole range of processes can enable the investigator to trace the successive stages of the formation of the small-scale commodity structure as an independent category.

Second, it is the formation and impact on the national economy as a whole and agriculture in particular of the so-called intermediate, transitional economic structures arising from the disintegration or decay of the preceding mode of production. The methods of studying such structures, originally worked out by Marx and later developed by Lenin, presuppose the identification of several key factors. In particular, they require an evaluation of the degree in which the various intermediate forms of production relations essentially constitute a form of transition to capitalism. In his analysis of one such intermediate form (the merchant's direct sway over production) Marx emphasised: "However much this serves historically as a stepping stone ... it cannot by itself contribute to the overthrow of the old mode of production, but tends rather to preserve and retain it as its precondition." And he added that "this system presents everywhere an obstacle to the real capitalist mode of production and goes under with its development". Marx made special mention of the fact that during the transformation of such forms the conversion of direct producers into "mere wage-workers and proletarians" proceeds "under conditions worse than those under the immediate control of capital" and that the workers' surplus-labour was appropriated "on the basis of the old mode of production".*

At the same time Marx defined the notion of a form actually transitional to capitalism, on the basis of his study of

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conversion of products into commodities, and therefore the conversion of men into producers of commodities, holds a subordinate place" (K. Marx, *Capital*, Vol. I, p. 83).

* K. Marx, *Capital*, Vol. III, pp. 334, 335.

the metayer system in France which was set up once the goals of the anti-feudal revolution in that country had been accomplished.*

Marxist methodology, then, calls for a study of overall socio-economic conditions surrounding the formation and development of transitional forms. In other words, an analysis of the intermediate structures, closely connected with the study of a particular historical stage of social evolution, makes it possible to assess the real role such structures play in this evolution.

In the agrarian economy of present-day India just as in many other developing countries of Asia the proliferation of intermediary economic forms which tend "rather to preserve" the old mode of production constitutes the most graphic symptom of an agrarian crisis of the structural type. The old relations of ownership have become an obstacle in the way of normal development of commodity production. Lenin formulated the substance of the basic contradiction of such an economy when he wrote that "the old, semi-feudal, natural, economy had been eroded, while the *conditions for the new*, bourgeois economy had not yet been created".**

This transitional state of the agrarian economy manifests itself in the disintegration of the old economic set-up without replacing it with an adequate new order, in the drawn-out expropriation of direct producers, and in the formation and resultant growth of intermediary economic structures that tend to stagnate. It is a salient feature of the socio-economic evolution of a society which upon being drawn into the world capitalist system holds a subordinate place in it.

It was precisely the glaring disproportion between the rate of disintegration and decline of the traditional mode of production and the scale of the nascent capitalist socio-economic structure that best demonstrated the special features of an agrarian economy imparting to it a distinctive quality of stagnant or semi-stagnant "peripheral areas". These areas were dominated by pre-industrial forms of social labour

* Ibid., pp. 782-89, 802-05.

** V. I. Lenin, *Collected Works*, Vol. 19, p. 488.

(the natural factors of labour dominated the historically acquired ones, while live labour prevailed over materialised labour in all spheres of human endeavour). The dominant feature of the organisation of social labour consisted in the fact that the direct producer alienated from his property was opposed (and is still opposed) not by the ownership of materialised labour but rather by the monopoly of the natural factors of labour. Such "peripheral areas" were distinctive in that they became "periphery" not only in relation to the "centre" of the capitalist system (developed capitalist countries), but also in relation to the national town which was becoming the "centre" of capitalist influence within the nation. The transitional (intermediary) socio-economic form within such a society constituted a continually reproduced functional element of the capitalist system itself the development of which is determined by that of its epicentre — the industrial capitalism of the West. That is the reason why it assumed the character of a stable social entity. In this sense the transitional form in India just as in other developing countries in Asia can be properly understood provided it is analysed not from within but from without, from positions of the Marxist doctrine on the type of social evolution of countries sucked into the orbit of the world capitalist system as "peripheral" dependent elements.

An essential task facing students of the genesis of agricultural capitalism, therefore, is not only to establish how intensively the disintegration of the preceding natural-type basis of the village society proceeded in its principal directions (the emergence of small-scale commodity production and its evolution into an independent small-commodity structure, on the one hand, and the formation of intermediary structures, on the other), but abso to find out to what extent the old property relations forming the basis of one thrust of agrarian evolution distort the development of another thrust, one governed by the laws of commodity production; to what extent developing capitalism borrows elements from the old mode of production, and to what extent and in what form the world capitalist system permits the development of agrarian capitalism, based on commodity relations, in its "peripheral" zone.

An approach to the study of Indian society in the light of the Marxist doctrine concerning systems of economic structures makes it possible to ascertain some new aspects of the problem of *class formation* in the countryside.

A situation has developed in India in which the processes of capitalist class formation are affected by class formation processes occurring within the framework of disintegrating traditional structures. Both, however, are passing through significant transformations as a result of overall state influence exerted upon village life.

The investigator inevitably comes up against the question of the ratio of modern classes (the classes of capitalist society and the social strata brought into being by the development of state property) and traditional classes and groups. Further, how rapidly is this ratio changing? To what extent have the socio-economic features determining the make-up of present-day classes taken shape and to what extent and in which directions are the features of the traditional classes changing? For instance, in what degree has the petty-bourgeois peasantry formed in the Indian countryside out of the traditional peasantry? To what degree has the class of wage workers of capitalist society developed as a specific group distinct from the huge army of man-power sellers in the Indian countryside? What is the socio-economic role of the masses of pauperised producers? What is the social make-up of the exploiters who represent the intermediary structures? What stage of development is attained by the stratification of the exploitative groups in the countryside into class strata of a capitalist society, on the one hand, and of a pre-capitalist society, on the other? What are the special features of the village classes, influenced as they are by their involvement in the system of the broader contacts on a national and international level?

Natural-Type and Commodity Relations in India's Agrarian Economy

In the beginning of Chapter I of his work *The Development of Capitalism in Russia* Lenin sets forth the major principles underlying the study of commodity and capitalist production. He writes: "The market is a category of commodity economy, which in the course of its development is transformed into capitalist economy and only under the latter gains complete sway and universal prevalence. Therefore, in order to examine basic theoretical propositions concerning the home market we must proceed from simple commodity economy and trace its gradual transformation into capitalist economy."* And he adds: "...the social division of labour is the basis of the entire process of the development of commodity economy and of capitalism."**

India's multistructural economy is dominated (in terms of the national income volume) by low-productive structures concentrated above all in the countryside, and so an examination of the degree of maturity of the social division of labour mediated by commodity exchange is essential for the following two reasons. First, it makes it possible to ascertain the basic prerequisites for and the initial stages in the formation of the new social structures as a mass process and, in the further elaboration of this analysis, to avoid errors in determining the actual position occupied by a particular structure within the larger context of the national economy (or within individual areas thereof). Second, it furnishes a solid basis for an analysis of the character and dynamics of economic growth, particularly so if the potential of the natural-type economy and the product put out by it are ascertained as fully as possible.

In the economically developed countries the level of the output of marketable produce in agriculture more or less corresponds to the level of the social division of labour, though non-equivalent exchange between agriculture and industry where it occurs may distort this correspondence. In Third World countries, India in particular, the situation is completely different. In these countries the production of exchange values in agriculture, as a rule, considerably exceeds the scale of the real social division of labour. This disproportion, initially caused by the forcible inclusion of India in the system of the world capitalist economy on the basis of colonial exploitation, has been retained to this day as a result of the influence exerted by the pre-capitalist

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* V. I. Lenin, *Collected Works*, Vol. 3, p. 37.
** Ibid., p. 39.

forms of ownership on the agricultural producer. Therefore, in the context of India's agrarian economy just as in the other Third World countries primary significance should go to an analysis of the product by natural and market indices not only in the phase of its outflow from the process of production but, most importantly, in the phase of its inflow and consumption in agricultural reproduction.

The social division of labour existed in the Third World long before the emergence in it of a commodity economy as a mass phenomenon, and was based on natural exchange. Marx, for one, noted that the social division of labour "is a necessary condition for the production of commodities, but it does not follow, conversely, that the production of commodities is a necessary condition for the division of labour. In the primitive Indian community there is social division of labour, without production of commodities."* The question arises as to what extent commodity relations were able to displace natural-type relations from the sphere of the social division of labour as it existed by the time a frontal offensive was mounted by the market economy. The study of this problem is of exceptional importance in assessing the level of development of commodity production.

Unlike changes in the present-day industrial sector of India which has from the very beginning emerged and functioned as commodity production, changes in the social division of labour as it exists in the traditional economic sectors occurred very slowly and reproduction separated from its own natural-type basis by stages during decades and even centuries. But it is precisely the maturity of the social division of labour mediated by commodity exchange in these dominant sectors of India's economy (just as they were dominant in many other Third World countries) that largely determined the extent of the social division of labour on a national scale and the character of the formation and subsequent development of the national internal market.

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* K. Marx, *Capital*, Vol. I, p. 42.

Labour Productivity in Indian Agriculture

In Indian agriculture the proportions characterising the division of the agricultural produce consumed in the course of reproduction into the personal consumption and productive consumption funds differ significantly from those typical of the agriculture of economically developed countries. The productive consumption fund in the agriculture of Third World countries is characterised by its relative insignificance. For instance, in 1964-1965 the ratio of current expenditures on the productive consumption fund in India's agriculture to the volume of the gross product was only 27.8 per cent.* By comparison, the personal consumption fund in agriculture absorbed a far larger proportion of the product reproduced.

Evidently, the distinguishing characteristic of India's agricultural productive forces (as in many other Third World countries) is the clear preponderance of live over materialised labour. Live labour continues to be the principal constituting factor of the production process in agriculture, which in the final analysis determines the parameters of the social labour productivity in this branch of the national economy.

Over the past two decades India's multistructural economy has exhibited a tendency towards widening the gap between different branches in terms of labour productivity. The principal qualitative feature of this process has been the growth of labour productivity in the "secondary" sphere of the country's economy (manufacturing industry) against the background of the semi-stagnation of labour productivity in agriculture.

The polarisation of economic structures caused by this process is a natural stage of socio-economic development typical of the early phases in the formation of the capitalist mode of production. Every economically developed capitalist country has gone through this stage. A distinctive feature of this stage today is the greatly increased tempo of polarisation. It is a consequence, on the one hand, of the greater stagnation of the traditional sector (as compared,

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* See *Draft Fourth Plan. Material and Financial Balances 1964/65, 1970/71 and 1975/76*, Planning Commission, Delhi, 1966, pp. 9-13.

for instance, with the West European agriculture at the dawn of its capitalist transformation) and, on the other, a result of the impact of the current scientific and technological revolution the fruits of which, if they reach developing countries at all, are channelled into the public sector or grabbed by the upper, most developed echelons of the capitalist structure, while leaving the traditional sector almost untouched.

As for the absolute level of the labour productivity in India's agriculture, it is characterised by the enormous expenditures of live labour per unit of output. For instance, in the mid-50s the production of one ton of hulled rice in West Bengal took 950 man-hours, which is 20-30 times more than was spent in the United States in the early 60s on the eve of the technical modernisation of rice cultivation there. The amount of live labour spent to produce one ton of wheat in the Punjab (in the late 60s the most developed area of India's "green revolution") stood at some 500 man-hours, which was a hundred times the amount for the US in the early 60s. By and large, the level of labour productivity in India's agriculture in the middle of this century equalled the labour productivity of European agriculture in the 18th century, the period before the French revolution (in some relatively developed areas of India the level was comparable to the West European level in the mid-19th century).

Thus, India's agriculture, on the one hand, and the agriculture of the developed capitalist countries, on the other, are two totally different worlds in terms of stages of economic development. Although coexisting in time they are historically separated by a whole epoch of one and a half or two centuries long. Even in the 60s of this century the structure of the intersectoral distribution of the population and the GDP in India and some other major developing countries of Asia was little different from that typical of France during the decline of feudalism (see Table 2).

Within the dominant farm system based on traditional practices and technologies the small-scale and large-scale agricultural sectors claimed much the same average labour productivity. This meant that the capital which formed in India's agriculture and functioned in the production sphere was not used as a rule to improve the technological basis of

Table 2

The Relative Weights of Agricultural Population and Agricultural Produce

Country	Agricultural population		Agricultural produce	
	Year	% of total population	Year	% of GDP
France	1789	70	1788	59*
India	1961	70	1964	54.3*
Pakistan	1961	74	1964	49.1
Indonesia	1965	66	1965	48

* Per cent of national income.

agriculture. What is more, small farms usually exceeded big ones in product yield per unit of the cultivated area, as Table 3 shows.

Table 3

Labour Productivity and Crop Yields in Different Groups of Farms in the Punjab in 1954/55-1956/57*

Farms by size of cultivated area (acres)	Productivity in rupee/man-hour	Yield per acre	
		rupee	index
Under 5	1.05	209	131
5-10	1.01	185	116
10-20	0.98	171	107
20-50	0.98	150	94
50 and over	1.07	128	80
Average	0.99	160	100

* *Studies in the Economics of Farm Management in the Punjab*. Combined Report 1954/55-1956/57, Delhi, 1963, pp. 46, 55.

Taking into account the entire range of factors that determine the level of labour productivity, a fairly complete picture of the role of the market in agricultural reproduction can be obtained through a detailed analysis of the movement of agricultural produce both in its natural and commodity forms.

The Market and Productive Consumption in Agriculture

The reproduction of the means of production in India's agrarian economy is characterised by the limited extent of its participation in the national reproduction. Indeed, large-scale manufacturing industries have not yet moved into a significant place within agricultural reproduction. Even in the mid-60s 82 per cent of total material expenditures in India's agriculture was covered by the agricultural produce, 10.9 per cent by the product of village artisans (and partly of urban handicraft industries), and 1.2 per cent by state-owned irrigation works. The proportion of large-scale manufacturing and power industry was a mere 5.9 per cent.* Perhaps, the only exception was the State of Punjab, currently the principal area of India's "green revolution". In 1950/51 its extra-village economic sectors supplied through commodity exchange 7.7 per cent of the total product required for productive consumption, while in 1964/65 the percentage went up to 24 per cent. This growth was achieved chiefly by supplying agriculture with up-to-date means of production, notably mineral fertilisers, fuel, electricity and agricultural machinery.**

Despite the fact that the role of industry in the supply of capital goods to India's agriculture has grown markedly in recent years it is still an essentially "self-generated" sector of the national economy, the reproduction within which is based mainly on the material resources created locally (including those supplied by village artisans). In other words, the clear preponderance of the intrasectoral links over the intersectoral ones is the salient feature of the reproduction process in India's agriculture, as indeed of that of many other developing countries of Asia. For all practical purposes, it was not until the 70s of this century that modern industry began to invade the agricultural producer goods market largely by serving the limited

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* Calculated from *Draft Fourth Plan...*, p. 13.

** See B. Sen, "Capital Inputs in Punjab Agriculture 1950-51 to 1964-65", *Economic and Political Weekly*, Vol. 5, No. 52, Bombay, 1970, p. A-165.

group of well-to-do cultivators in the more developed regions.

Nonetheless, the traditional pattern of reproduction of the capital goods for India's agriculture is undergoing discernible changes. The natural-type product exchange between the agriculturist and the village artisan who produces implements for the former is slowly giving way to relations of commodity exchange. This process proceeds at a varying pace whether in individual areas of India or within the functionally different sectors engaged in the reproduction of the instruments of labour. The artisans experienced a far more significant shift towards commodity production in their function of producers of implements, while in their function of repairers they have largely preserved barter relations with the peasants. The disintegration of peasant-artisan barter relations is delayed largely by the fact that the bulk of cultivators' households are unable to change their technical base of production because of acute capital shortages.

As for cattle, which is the most capital-intensive means of production in agriculture, calculations based on the cattle censuses and on surveys conducted by the Reserve Bank of India in the early 60s show that commodity relations mediated only 33.6 per cent of the new, yearly reproduced cattle population at a useful age. The rest of the cattle was raised in the producers' households on the natural-type basis.

On the whole, the cattle market has been developing very slowly. Its capacity, according to data relating to the 50s and early 60s, was increasing, not at priority rates as compared to the growth of the cattle-consuming agricultural sectors, but was growing only to keep pace with the numerical increase in the latter (this was partly explained by a certain expansion of the market of machinery replacing cattle as draught power). Within this semi-stagnating pattern of development a gradually increasing role of the upper groups of households in the consumption of marketable cattle was discernible. The dominant factor in the development of the internal cattle market is still the small cultivator's demand, accounting for three-fourths of the cattle sold on the market. Altogether, 20-30 per cent of the expenditures related to cattle reproduction (depreciation and upkeep) were mediated by commodity relations.

The reproduction of the bulk of other basic means of production, notably seeds (particularly in grain-growing areas) and manures, was also maintained on the intra-farm natural-type basis. In recent years, however, the "green revolution" has provided an impetus to the development of seed-growing as a specialised branch of agriculture. In recent years, the decreasing share of manures reproduced on the natural-type basis is explained by the growing influence of the fertiliser industry which is affecting unevenly different areas and different groups of producers.

A highly important aspect of the evolution of India's multistructural economy is that the intra-village disintegration of the natural-type basis of productive consumption proceeds very slowly and affects different territories and different sectors of reproduction to an unequal degree. Moreover, it practically does not contribute or does so minimally to changing the material productive forces of the country's agriculture because the commodity exchange is fed by products and services of the traditional type. In this situation the labour productivity can rise to a level characteristic of "simple co-operation" (Marx) at best on the larger farms and even within them by no means always. Therefore, the evolution of the traditional forms of reproduction into commodity forms could not result in the break-up of the traditional agricultural patterns based on the unity of natural factors, material productive forces, historical production experience, and peasants' skills and know-how. But the historical significance of this evolution lies in the fact that it prepares the ground for the replacement of these low-productive crisis-ridden patterns with up-to-date ones. When in the late 60s some groups of big cultivators in the more developed areas (in terms of the relative level of development of commodity production and exchange) began to use industrial means of production and new methods of agronomy on a comparatively large scale, this process had been prepared by the entire course of preceding disintegration of natural-type relations in agricultural reproduction.

In the late 60s and early 70s when India was in the full stride of her "green revolution" a new type of commodity production began to develop. It was characterised by a fundamentally new (as distinct from the traditional) structure of the reproduction process, i.e., by the growing role of materialised labour stemming from the increasing development of the intersectoral commodity exchange. However, the adverse impact of persisting pre-capitalist structures, the limited rural market for manufactured goods, and the continued existence of natural-type relations in the countryside have combined to limit the revolutionising influence of contemporary technological progress on the material elements of the productive forces in agriculture. In this situation the formation of the new type of commodity production involves acute socio-economic contradictions.

The Market and Personal Consumption in Agriculture

The structure of personal consumption in the indian countryside, because of the low social productivity of labour, is based on essentials such as food, clothing, fuel, etc.; 80 or 90 per cent of the whole of personal consumption fund is spent on these. There is a large body of evidence showing that within both large groups of the agricultural population, the agricultural producers and the agricultural labourers, commodity-money relations dominate the reproduction of all other means of livelihood, excluding staple foods and fuel. However, the market for these means of livelihood is extremely limited in absolute terms and accounts for an insignificant part of the intra-village market for the means of subsistence whose determining element is the food market.

For the agricultural producers' sector the extent of erosion of the natural-type basis of food reproduction varies a good deal from area to area. Generally speaking, it is more intensive in the industrial crop-growing areas than in the foodgrain areas. But in many industrial crop areas (let alone the grain regions), the peasants' food resources are very often produced in their own households rather than purchased on the market.

The tendency of a large group of peasants to make a choice in favour of subsistence crops to guarantee a marginal supply of food accounts for the relative stability of natural-type relations in the reproduction of the food fund in the Indian countryside. Moreover, the growth of relative rural overpopulation accompanied by the diminution of the size of land operated by peasants and by a reduction of the average size of holdings in the traditional agricultural sector, far from facilitating, actually slows down the erosion of those elements of peasant social psychology which could be described as the traditional instinct of self-preservation exemplified in the desire to create "economic autarchy", i.e., to produce a sufficient amount of food for the family relying on one's own forces. On the whole, this process inhibits the market mobility of production, i.e., the change in its branch structure depending on long-term trends in the market situation, at any rate in the majority of peasant households.

Apart from the relative overpopulation factor, an enormous inhibiting influence on the erosion of the natural-type basis of food reproduction has been exerted by the unfavourable (to the peasant producer) system of price-formation on the agricultural produce market. In the course of a long historical development which shaped the market specialisation of the traditional sector the market has often been unmerciful to the tiller of the soil. The instability of the market and sharp price fluctuations for agricultural produce made worse by the disadvantageous position of colonial and dependent countries within the international division of labour have compelled not only small but even large cultivators to set up safeguards against economic ruin by reproducing the basic means of subsistence relying on their own forces. In this respect, too, traditionally large and small farms have had some features in common.

The Indian rural population spent great amounts of money on what might be called the "demonstration effect" of the traditional type (the observance of the various religious and wedding ceremonies, etc.) and other needs, such as litigation, which did not contribute to the development of the internal market. And this constituted a distinctive feature characteristic of the traditional pattern of consumption.

Even in the mid-50s in Western Uttar Pradesh the celebration of traditional rites and ceremonies absorbed about one-fifth of the total cash spent by the cultivating families on their personal consumption. Among the families who operated more than 25 acres of land this proportion was over 23 per cent.*

The studies conducted by India's agro-economic research centres and by the Indian Statistical Institute indicate that in the late 50s and early 60s roughly a half of the total personal consumption fund available to the cultivating families (with slight deviations from this magnitude in some states and regions) was reproduced in kind in their own households, while the other half was renewed in the course of commodity exchange.

The natural-type pattern of personal consumption (notably of the food component) was particularly pronounced in the case of small and very small cultivators, who represent a predominantly subsistence-type economy. The principal aim of economic activity as maintained by these cultivators was the reproduction of the basic means of subsistence for their own families.

The aim of production without a doubt is a key criterion for identifying the socio-economic character of the producer. This criterion is given particular significance by many foreign students of the agricultural economy of the Third World. Thus, Clifton Wharton notes, "the most common starting point for a definition of a 'subsistence farmer' or 'peasant' is that the farm family's goal of production is for family food rather than for commercial sale. There is a direct and close interrelationship between production and consumption. The goal of productive activity in cultivation is family survival."** However, it would be hardly justifiable to distinguish between the different types of farms, namely between those engaged in the reproduction of means of livelihood alone and those operating on a commercial or semi-commercial basis (which are, according to Western terminology, the types already making accumulations or

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* See *Studies in the Economics of Farm Management in Uttar Pradesh. Report for the Year 1954/55*, Delhi, 1957, p. 113.

** *Subsistence Agriculture and Economic Development*, Chicago, 1969, pp. 14, 15.

developing into accumulation-type farms), relying solely on the quantitative index of the products marketed. But this is exactly what Wharton does when he determines the commercialisation of 50 per cent of the total output of households as the great divide between the two types of farm.* The surveys conducted by India's agro-economic research centres, notably those conducted in Vidarbha and West Godavari in the late 50s and early 60s, point to situations where with the continued existence of traditional methods of farming the mere "survival of the family" of the producer (small and very small producer) was only possible with the commercialisation of much more than a half of his total product (i.e., when the bulk of the household's wage fund was reproduced in commodity form). By contrast the reproduction of the product in excess of requirements essential for the survival of the family (the creation of accumulation) can be observed as a mass phenomenon on farms which have not yet attained the level of 50 per cent commercialisation, but which are specialising on a sufficiently large scale in producing for the market (this is characteristic of the upper strata cultivators recorded by the Reserve Bank of India in 1961/62 [see Table 5 on p. 120]).

But to get back to the subsistence-type traditional farms. The extent to which commodity-money relations penetrate these originally closed economic units depends on the extent of their involvement in the social division of labour and, in particular, on the overall economic development determining the emergence of new sources of cash income for the small producers, mostly as the possibility of selling labour. Again, one should refer to the inhibiting impact of the relative overpopulation typical for the Indian countryside. It causes undue pressure on the sources of livelihood, including the sources of cash income, prevents the income ceiling growth and thus perpetuates the importance of land and farming thereof as the preferred source of livelihood for the rank-and-file cultivators. Thus, relative overpopulation, far from contributing to the erosion of the natural-type basis of reproduction among the small producers, actually preserves it.

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* Ibid., p. 13.

As mentioned above, the reproduction process maintained by the Indian agriculturists depends to a certain extent on commodity exchange which implies that in order to renew the reproduction process on a regular basis the small cultivator has to sell a part of his produce on the market and buy the producer and consumer goods he needs. Alternatively, he may have to use other sources of income, e.g., by selling his labour power to other producers during lulls in his field work. However, the small cultivator's social environment compels him to sell far more than is dictated by economic necessity. The money obtained from the "excess" sales of his produce is spent to cover all sorts of obligations which have nothing to do with the normal course of reproduction (exorbitant cash rent and money-lender interest, tribute to merchant capital as well as personal consumption determined by the traditional social duties, taxes, etc.).

Landed property, money-lending and other similar institutions can deprive even some well-off producers of part of their surplus product, but they absorb part of the small cultivator's prime necessities, substantially reducing his level of consumption. Indian economists, notably V. K. R. V. Rao, have aptly described the "excess" part of the product sold on the market as "distress surplus". Thus, the subsistence fund available to the small cultivator often becomes a dependent variable whose changing value is determined, not by the exigencies of reproduction on the farm, but rather by circumstances external to it. In other words, the market mechanism often forms only one of the links mediating the appropriation of part of the income, created by the agricultural producers, by the social groups exploiting them, and mediating the tribute expenditure the direct producers have to make to fulfil their traditional social obligations.

The aggregate indicator of the extent of monetisation of the means of livelihood available to the cultivating community is determined within such an economic structure at a given period by two groups of factors. First, the constant erosion of the natural economy (through production specialisation, etc.) and second, specific developments in the market situation engendering periodic fluctuations in the volume of consumption in kind around some centre. For instance, with rising commodity prices for agricultural produce the natural part of the personal consumption fund grows both absolutely and relatively since the agriculturist has to sell a progressively smaller proportion of his produce to pay for certain unrecompensed obligations.

An analysis of the income structure of Indian agricultural labourers indicates that for all the multiplicity of its sources roughly half of this income takes a cash form. At the same time considerable regional fluctuations exist in the ratios of shares of income in cash and in kind, which is ultimately determined by the actual development of commodity-money relations in different areas. A part of the product received by the labourers in kind (wages in kind and income derived from individual plots) is subsequently exchanged on the market. The market mechanism in this case, just as in respect of small cultivators, mediates the appropriation of part of the agricultural labourers' real wages by the social groups which dominate the market.

The general trend in the evolution of wage forms consists in the replacement of remuneration in kind by cash payments. The natural-type relations widespread within the small-scale production which engages a significant proportion of the agricultural labourers, tend to inhibit the establishment of cash payments. Even in a district as advanced as West Godavari, between 1957/58 and 1959/60 small cultivators with up to 10 acres of land per farm paid from a third to two-fifths of the agricultural labourers' wages in kind, while big cultivators holding over 20 acres of land each paid only one-fifth of the wages in kind.* In the Punjab where payment in kind for agricultural workers was a long-standing practice cash wages are rapidly replacing payment in kind only on much larger farms. This process coincided with the "green revolution" which made spectacular progress precisely in the Punjab. A survey of a large group of big farms in the Punjab conducted by Ashoka Rudra in

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* See *Studies in the Economics of Farm Management in West Godavari District (Andhra Pradesh). Combined Report for the Period 1957/58 to 1959/60*, Waltair (mimeo), p. 227.

the late 60s revealed the following ratio of payment in kind to cash wages for "permanent servants".*

Holding, acres	Payment in kind, % to total	Holding, acres	Payment in kind, % to total
20-25	61.9	50-75	51.6
25-30	54.9	75-100	28.2
30-40	53.3	100-150	37.6
40-50	61.4	150 and over	34.9

The share of payment in kind per household was 50.8 per cent on the average.

The fact that only farms with 75 acres and more of operated land actively replaced payment in kind by cash wages indicates that in the Punjab it was the biggest producers (by Indian standards) who provided the lead in modernising social relations between the labourers and their employers and who extensively used the services of permanent labourers. Whereas farms possessing 20-75 acres of land employed an average of 1.1-2 permanent labourers, farms with 75 acres of land and more employed 3.6-5.7 labourers. This indicates the higher degree of capitalist maturity on such farms.

The replacement of payment in kind by cash wages has been a fluctuating process. In some periods it was reversed. The uneven evolution of wage forms suggests that superficially uniform payments in kind conceal fundamentally dissimilar wage forms. One of them is the result of simple natural exchange between the labourer and his employer, while the other is characterised by the exchange value features.

The economic springs determining the magnitude of the "pulsating variable" in a given period (even within a year) reflect above all the changing market situation for the sale of agricultural products accompanied by the employer's trend to secure optimum conditions for appropriating the results of surplus labour. Cash payments are the most pervasive when commodity prices go up, while payments in kind prevail when prices decline.

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* *Economic and Political Weekly*, Vol. 6, No. 26, 1971, Bombay, p. A-90.

If we take into account the stable indicators of the actual degree in which the subsistence fund is commercialised, on the one hand, and the reverse trend under the impact of changing commodity prices within the two principal groups of agricultural population, on the other, we may conclude that in the late 50s and early 60s roughly a half of the food consumed in the Indian countryside was reproduced in commodity form.

The Role of Commodity Relations in the Reproduction Process As a Whole

The distinguishing characteristic of commodity production in India's agriculture prior to the "green revolution" was the markedly uneven erosion of natural-type relations in both spheres of the reproduction process; the reproduction of labour power was freed from the fetters of the natural economy to a far greater extent than was the reproduction of the means of production. This determined the structure of the commodity produce consumed in agriculture. This produce was dominated by the subsistence fund both in advanced and in backward areas.

Even in such relatively advanced areas as Vidarbha and West Godavari the means of subsistence available to the cultivating families and hired labourers accounted for 69.1 and 55.8 per cent, respectively, of the total produce consumed by the agricultural producers' sector in cash. In Orissa this figure was 72.9 per cent.* The rest of the commodity product consumed went to cover such necessities as cattle fodder, upkeep and depreciation of livestock, seeds, and manures.

The subsistence fund accounted for the lion's share of the commodity product consumed, even among upper strata cultivators in developed districts. For instance, in Vidarbha in 1956/57 the upper 9.4 per cent of cultivators operating an

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* See *Studies in the Economics of Farm Management in Madhya Pradesh. Combined Report for the Years 1955/56 and 1956/57*, Delhi, 1963, pp. 38, 39; *Studies in the Economics of Farm Management in West Godavari District. Report for the Year 1957/58*, Delhi, 1966, pp. 87, 104, 105; *Studies in the Economics of Farm Management in Sambalpur (Orissa). Report for the Year 1958/59*, Delhi, 1965, pp. 31, 119.

average of 93.4 acres of land per farm spent 53.7 per cent of the commodity product they consumed on the reproduction of labour (their own families and hired labourers) and only 14.3 per cent on such inputs as implements, cattle and manures. Thus, by the early 60s (1) the personal consumption market by and large formed far more rapidly than did the market of productive consumption; (2) the latter largely absorbed the product reproduced in the agricultural sector; (3) the industrial sector—both large-scale industry and small-scale commodity production—played an insignificant role in the productive consumption in agriculture. The narrow market for the up-to-date capital goods was probably explained by the limited number of areas and households to be served. For example, approximately 80 per cent of mineral fertilisers consumed in 1968 was concentrated in 25 per cent of the districts.*

The recent upsurge in the Indian countryside in terms of the expanding demand for up-to-date means of production has changed the market structure shaped by the upper strata cultivators. However, it would be premature to assume that the ratio of personal to productive consumption has markedly changed in favour of the latter even on larger farms. The only exception is the relatively limited and highly developed subsectors of the capitalist structure, e.g., in the Punjab.

What, then, is the distribution pattern of the commodity agricultural produce in India? On the basis of the available data relating to the first half of the 60s we can first of all determine the gap existing between the volume of produce sold on the market by the agricultural producers' sector and the overall volume of the agricultural produce marketed.

The agricultural producers' sector commercialised 33.9 per cent of their total crop production independently or through trade intermediaries.** A proportion of that was subsequently extracted in cash without compensation, in the form of cash rent, cash money-lender interest, taxes, etc. Therefore, to

* See W. P. Falcon, "The Green Revolution: Generations of Problems", *American Journal of Agricultural Economics*, Lexington, No. 5, Vol. 52, 1970, p. 699.

** See *All-India Rural Debt and Investment Survey, 1961/62. Current Resources of Rural Household* (reprinted from *Reserve Bank of India Bulletin*, December 1965), p. 4.

buy goods from their own sector as well as from other sectors the cultivators had less money than they received from the sale of their own produce on the market. According to the Reports of the Ministry of Food and Agriculture on agricultural marketing, 45 or 47 per cent of crop production, the key branch of agriculture, was actually marketed. Now, we may well ask what accounted for such a glaring disparity? The answer to that lies, first, in the depletion through ground rent in kind and money-lender interest in kind, etc. The exploiters converted these uncompensated extractions into exchange value and realised them on the market. Thus, the difference between the value of the entire product that reached the market and the amount of cash, remaining in the agricultural farms' sector, was a kind of tribute paid to the pre-capitalist exploiting sections of Indian society and to the state. The difference was as high as 15-20 per cent of value of all crop production and from 33 to 40 per cent of marketed produce.

An overall structure of crop product distribution in India can be pieced together on the basis of official data provided by the Ministry of Food and Agriculture, the Planning Commission, the Reserve Bank of India, and the National Council of Applied Economic Research (see Table 4).

Table 4

Distribution Pattern of Crop Production in India, 1964/65

Distribution of product	Gross product		Commodity product	
	'000 million rupees	%	'000 million rupees	%
Consumption by agricultural farms' sector in:				
reproduction	61.8	77.8	18.5	51.1
non-productive sphere	3.5	4.4	3.5	9.7
Total	65.3	82.2	22.0	60.8
Uncompensated for removals from agricultural farms' sector	14.2	17.8	14.2	39.2
Grand Total	79.5	100.0	36.2	100.0

As the table indicates in the mid-60s the farms' sector consumed in reproduction a volume of commodity produce equal to only a half of the value of the total marketed produce they put out (51.1 per cent). Altogether, 30 per cent of the product used in reproduction was consumed in commodity form with the remainder being consumed in natural form.

The proportion of crop produce appropriated by the various exploiting, mainly pre-capitalist strata and by the state in the form of rent, money-lender interest, taxes, etc., was quite considerable, amounting to 17.8 per cent of the gross and 39.2 per cent of the marketed produce of crop farming.*

Admittedly depending on regional variations in the actual socio-economic situation in different regions, the magnitude of the tribute paid by the cultivators and subsequently assuming commodity form can deviate rather widely from the figures indicated. As a rule, however, this tribute amounts to the highest proportion of the marketed produce in grain- and especially rice-growing areas. According to the reports on rural credit follow-up surveys conducted by the Reserve Bank of India in 1957/58 and 1959/60, rent in kind alone accounted for 41 per cent of marketed crop produce in Tanjavur (the State of Tamilnadu), for 33.9 per cent in Krishna (the State of Andhra Pradesh) and for 31.9 per cent in Burdwan (the State of West Bengal).

These data indicate that (1) India's economy is characterised by that type of an agricultural evolution towards the production of exchange values which is only partially based on the social division of labour in agriculture; (2) the actual level of commodity production and commodity exchange is inversely proportional to the level of the tribute pumped out of the production sphere and not compensated for by any reverse product flow. In a situation marked by an extremely low labour productivity the extraction from the agricultural

* The available basic data provide no clue as to the amount (and share) of rent in kind consumed by the landowners in natural form i.e., not commercialised. Otherwise the indices summarised in the table would feature a somewhat different ratio: the amount (and share) of produce removed without compensation would be slightly greater while the consumption index for the farms' sector would be lower.

sphere of great quantities of produce in the form of tribute has severely inhibited the evolution of the social division of labour in India's agrarian economy and stunted the growth of commodity production; (3) the types of agrarian relationships, mediated by the commercialisation of agricultural produce, present an extremely varied picture in social terms. One type of relationships is conventionally designated as "horizontal" (actual commodity exchange between producers), while the other is known as the "vertical" system of links (the one-way unrecompensed product outflow from the sphere of production and its subsequent commercialisation prior to or subsequent upon its alienation). The latter type of relationships essentially represents relationships typical of the pre-capitalist exploitative type of ownership (or state coercion). These two types of relationships involve fundamentally different types of producer—commodity producer, on the one hand, and the simple producer of exchange values (usually a pauperised peasant representing traditional structures) who reproduces his product on a natural-type basis, on the other. Between the two lies a wide range of transitional types of producers.

The existence in Indian agrarian economy of these two essentially opposite types of social relationships, exemplified in the universal appearance of commodity and exchange value, prompts the investigator to pay special attention to the identification of relationships typical of "commodity production" category (as distinct from the broader category of "commodity-money relations"). A high level of commercialisation, i.e., "marketability" of agriculture, by no means indicates the corresponding level of commodity production within it. Hence, it does not indicate the level of development of the social division of labour that underlies commodity production. Actually, the most reliable criterion for evaluating the level of commodity production is the extent to which marketed products are consumed in the reproduction process. The precise delimitation of commodity production in an agrarian economy is all the more important because the latter represents the focal point of the decay of the traditional mode of production in India and other developing countries of the East, and highlights the glarin disparity between the level of commercialisation of agricu tural output and that of the monetisation of agricultural input. It was precisely this type of economy that Marx had in mind when he wrote: "The disadvantages of the capitalist mode of production, with its dependence of the producer upon the money-price of his product, coincide here therefore with the disadvantages occasioned by the imperfect development of the capitalist mode of production. The peasant turns merchant and industrialist without the conditions enabling him to produce his products as commodities."*

The proportion of the marketed produce and the concentration of gross agricultural product in different categories of families within the agricultural producers' sector claims a special attention in this context. Perhaps the most complete data on this subject have been supplied by the Reserve Bank of India in its rural economy survey of 1961/62 (see Table 5).

Table 5

Gross and Marketed Agricultural Produce in Different Groups of Cultivators' Households in India, 1961/62*

Asset group, rupees per household	Share of households, %	Concentration of gross product, %	Concentration of marketable product, %	Proportion of marketed product in gross product, %	Proportion of households marketing crop produce, %
Less than 1,000	16.2	4.5	2.8	19.8	43.5
1,000-2,500	24.8	11.2	7.9	22.1	56.8
2,500-5,000	23.3	16.7	13.4	25.3	70.7
5,000-10,000	18.6	21.1	19.6	29.2	81.5
10,000-20,000	10.7	20.1	21.6	33.7	89.7
20,000 and above	6.4	26.4	34.7	41.4	94.2
Total	100.0	100.0	100.0	31.4	68.4

* Compiled and calculated from: *All-India Rural Debt and Investment Survey, 1961/62. Tables Relating to Gross Farm and Non-Farm Receipts*, Bombay, pp. 2, 3, 22, 36, 56 (mimeo); *All-India Rural Debt..., Current Resources of Rural Households*, pp. 2, 4.

As the table indicates the households accumulating more or less considerable sums on a regular basis (cultivators holding 20,000 rupees' worth of property and above) cornered

* K. Marx, *Capital*, Vol. III, p. 812.

26.4 per cent of the gross and over 34 per cent of the marketed farm produce. At the same time 44 per cent of the marketed and over half of the gross produce was accounted for by the small cultivators (owning less than 10,000 rupees' worth of property), most of whom were unable to maintain even simple reproduction. What is more, about a third of the cultivators, mainly those in the lower groups, never reached the market with their produce. These were either purely subsistence cultivators or those whose produce, though potentially destined for commodity exchange, was funnelled away through pre-capitalist channels. By contrast the proportion of marketed produce amounted to 41.4 per cent of the total product in the case of the upper group of cultivators.

The heavy dependence of the national economy on the supplies of commodity produce by small producers who were straitjacketed by pre-capitalist relations acted as a catalyst accelerating the crisis trends in its reproduction. The adverse impact of these trends was not eased until the late 60s and early 70s, when the "green revolution" began.

On the whole, prior to the "green revolution" India's agrarian economy was characterised by that variety of development under which the gradual slow increase in the role played by top strata cultivators in the output of marketable produce served only to offset the declining role of small cultivators as independent commodity producers. As a result the overall proportion of the produce that was supplied to the market by cultivating families remained more or less stable. According to data provided by the Reserve Bank of India this sector marketed 35 per cent of the total crop produce in 1951/52 and 33.9 per cent in 1961/62.

A comparison of the basic indices of the commercialisation of the agricultural reproduction process in India and that of Russia at the end of the last century reveals that in terms of the social division of labour and commodity production mediating it India's agriculture as a whole had not yet reached by the start of the "green revolution" a stage comparable to Russia's backward central Black Earth (chernozem) regions in the period indicated. This level was approximated (or even surpassed) only by a few farming areas (some districts in the Punjab, Western Uttar Pradesh, coastal Andhra, Vidarbha and the district of Tanjavur). According to evidence cited by Lenin in his *The Development of Capitalism in Russia*, the proportion of monetary inputs in the total expenditures made by Russian peasants in the central Black Earth regions amounted to 49.14 per cent in 1889.* In India, by contrast, of all the agricultural regions covered by the Farm Management Studies a corresponding percentage was only found in the late 1950s in Vidarbha (the districts of Akola and Ameravati)—62.5 per cent, and in West Godavari—56.2 per cent. Elsewhere the proportion of cash expenditures amounted to 19-37 per cent.**

The development of commodity production in Indian agriculture proceeded at a sluggish pace (available data relating to the 1950s and early 1960s reveal semi-stagnation in the formation of commodity production). Moreover, this process developed extremely unevenly in different regions. That was the reason why the formation of India's petty bourgeoisie as a social stratum based economically on small-scale commodity production displayed wide regional variations.

In sum, the traditional peasants who were being expropriated made up the majority of India's agricultural population. Having failed to develop into a petty-bourgeois stratum these peasants were degenerating into paupers as the preceding mode of production declined and disintegrated.

The System-Moulding Structure in India's Agrarian Economy

The paralysis of the social division of labour at a primitive stage, the domination of semi-stagnating socio-economic structures with their complement of various inhibiting factors have combined to determine the extremely low dynamism of India's agrarian system. This is the reason for the pronouncedly uneven development of many different economic structures within the national economy in the 50s and particularly in the 60s. Nor could it have been otherwise. The socio-economic dynamism of extra-rural systems proved to be far more intensive than that of the

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* See V. I. Lenin, *Collected Works*, Vol. 3, p. 154.

** Calculated from *Farm Management Studies, 1954/55-1958/59*.

agrarian system as a whole. Even one of the most dynamic elements of the country's agrarian economy, the nascent capitalist structure, under the impact of old socio-economic structures developed far too slowly, both in breadth and especially in depth, to keep pace with urban capitalism, let alone with big capital (recent years have seen certain changes in this respect, which will be discussed later).

With the attainment of national independence India, just as many other Third World countries, was confronted with a fundamentally new situation marked by the emergence of objective preconditions for active state intervention in the formation of a system of structures, within the national economy in general and the agrarian sector in particular.

The problem of the formation of a system of structures is so broad that we must confine ourselves to an examination of only a few of its aspects. It would be logical to begin with a characterisation of both models of the formation of the capitalist structure which, as mentioned above, was a leading structure in Indian agriculture.

The Capitalist Structure

The two basic types of capitalism, irrespective of the initial socio-economic level of the preceding formation, differ in their genesis. The first type is capitalism emerging and growing on the basis of the expropriation of direct producers by methods lying outside the scope of economic laws of production *per se* (direct coercion exercised by the dominant class against the producers, their impoverishment and ruin through exploitation by money-lenders and traders, etc.). The other type of capitalism is subject to the laws of commodity production, primarily to the law of value, operating among direct producers.

Lenin wrote: "There are various kinds of capitalism—the semi-feudal capitalism of the landowners with its host of residual privileges, which is the most reactionary and causes the masses the greatest suffering; there is also the capitalism of free farmers, which is the most democratic, causes the masses less suffering and has fewer residual privileges."*

* V. I. Lenin, *Collected Works*, Vol. 19, p. 377.

The concept of "Prussian" ("landlord") capitalism formulated by Lenin covers that type of capitalism which develops on the basis of the expropriation of the direct producer by the class dominating the preceding mode of production. This is a conservative and "elitarian" type of capitalism. According to Lenin, the landlord path of capitalist development in agriculture is characterised by the fact that "medieval relations in landowning are not liquidated at one stroke, but are gradually adapted to capitalism, which because of this for a long time retains semi-feudal features".* This definition of Lenin's is noteworthy in that it pinpoints the direct link and feedback established between the old property relations and capitalism in the formative period of the latter. The slow, gradual adjustment of the pre-capitalist forms of ownership (landownership and capital) to capitalism, that is to say, the separation of the direct producer from the objective conditions of his labour by extra-economic methods (constituting the content of primitive accumulation of capital) and the formation on this basis of capitalist relations—this is what determines the essence of the conservative type of capitalism, regardless of which classes or individual strata thereof embody this process of adjustment under specific conditions prevailing in the agriculture of a given country during the transition from a pre-capitalist formation to a capitalist one. This type of capitalist evolution distorts the natural course of the disintegration of the peasantry compelling it to develop towards its worst forms, which results in the ruin and impoverishment at one pole and the emergence of a handful of "kulaks" (*Grossbauern*) at the other. On the whole, this model of capitalist development "is creating more paupers than proletarians".**

The conservative model of capitalist development, if it dominates the country's economy in which capitalism replaces feudalism, results in a retardation of economic progress and the emergence of reactionary tendencies in the life of society.

The "American" ("peasant") path of capitalist development by contrast represented that type of capitalism which

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* V. I. Lenin, *Collected Works*, Vol. 15, p. 140.

** Ibid., Vol. 13, p. 389.

developed on the basis of relations between direct producers on a footing free (or freed through revolution) of pre-capitalist forms of property.

The outcome of the class struggle in different countries during their transition from a pre-capitalist to a capitalist formation ultimately determined which type of capitalism developed at the expense of the other type, which became dominant and to what extent.

The conservative model of capitalist evolution has become the dominant form in India's agriculture because her economy, like that of other Third World countries, was drawn into the world capitalist system as a subordinate component and because the old forms of property germinating the intermediate economic structures like cancer tumour were not removed.

A distinguishing characteristic of India's agrarian capitalism of the conservative type is that its class mainstay is formed not by the landlord class as a whole (as was the case in the Prusso-Russian variant of the conservative evolution) but rather by socially different upper exploitative sections of the rural community (which were often isolated from each other to some degree). These included groups of rich landowners who formed the lower stratum of the two-tier structure of the former feudal class, and merchants and money-lenders who in the period of colonial rule often formed a special social group and performed the expropriating mission on a scale not experienced by any of the European countries.

The prolonged period of British colonial rule imparted to the primitive accumulation in India's agrarian economy a number of highly specific features, notably the internal incompleteness of this process. It is safe to say that primitive accumulation proceeded "in breadth", drawing into its orbit new segments of the agrarian economy and new sections of rural community, and in so doing it eroded the traditional structures. But it hardly evolved "in depth", i.e., was not accompanied by a corresponding degree of development of the capitalist mode of production or of the corresponding class formations. In other words, the results of the intensive expropriating mission performed by the village exploiters throughout the period of British colonial rule and later when India gained political independence were not adequately "subtracted" by the subsequent capitalist form of the socio-economic process. The widespread proliferation of the intermediate socio-economic structures that were increasingly sinking into stagnation was a product of this type of development. The upshot was the mass of pauperised peasants who formed a stable social clustering in the Indian society.

Thus during British colonial rule even the prerequisites for the conservative type of capitalism generated by the overall socio-economic development of India and, in particular, by the all-out expropriation of village producers, could not be realised fully.

The formation of small-scale commodity production and its evolution into a small-scale commodity structure were much delayed. Changes in the social division of labour occurred (and are occurring) very slowly. The economic structures based on natural and semi-natural relations accounted for the bulk of agricultural production. The emergence of private peasant landownership, forming the natural basis of the small-commodity structure, on the basis of the traditional forms of land tenure was a process subject to considerable deformations. It will be remembered that even a historically progressive system of landownership such as ryotvari, a product of the "agrarian revolutions" effected by the British colonialists, was described by Marx as a "caricature of the French system of peasant property".* The introduction of specific barriers by the British colonialists exemplified in a growth of relative overpopulation and curbs on capital goods industries also stunted the development of the small-scale commodity structure. In this situation the capitalism that was born of the latter was contaminated with leftovers of the preceding economic forms.

Indeed, the capitalist evolution of India's peasant farming was dominated by a conservative developmental trend. At one pole the primitive capital accumulation relied heavily on the old property relations among the peasantry (expropriation of the producer through debt bondage; the producer's oppression by middlemen and traders;

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* Marx/Engels, *Werke*, Bd. 9, Berlin, 1960, S. 217.

the alienation of part of the subsistence fund of exploited labourers through traditional forms of domination and submission, etc.). At the other pole because of all this there developed pauperisation, "non-proletarian impoverishment", which is the "lowest and worst form of the differentiation of the peasantry".* Part of the pauperised population was turned into hired agricultural labourers the bulk of whom were exploited by both economic and extra-economic methods. In other words, instead of the three-stage evolution of the peasantry inherent in the normal form of its differentiation: small-scale natural-type farming—small-scale commodity economy—disintegration of the latter on the basis of the law of value (with the separation of free agricultural workers and capitalist bourgeoisie), in the case of the bulk of India's peasantry there was a two-stage evolution, viz., the small-scale subsistence producer—the pauper, in other words, a transition by-passing the commercialisation of the reproduction process within small farming. Pauperisation implies the ruination of the small-scale producer on the traditional natural-type basis.

Of course certain deviations within the conservative pattern of rural differentiation could be observed in the Indian countryside, either towards the worst forms (exemplified in the mass pauperisation of the peasantry and the emergence of a handful of money-lending peasants) or towards a pure model of differentiation governed by the economic laws of the commodity production (of which more will be said below).

By and large, the agrarian reform carried out in India since independence has accelerated changes in favour of the capitalist structure, with capitalism being introduced "from above" rather than emerging "from below".

First, the reform introduced a unified system of private landownership rights throughout the country (exclusive of individual territories where state property was established with the landholders becoming government tenants) and freed land relations from typical feudal accretions in the form of the hierarchical structure of landownership rights (the abolition of the zamindari system).

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* V. I. Lenin, *Collected Works*, Vol. 4, p. 68.

Second, the reform accelerated the disintegration of the traditional mode of production and the growth of intermediate structures. It also prepared the ground for that type of capitalism which emerges on the basis of direct violence employed by the exploitative classes of the old society over the producers (the eviction of tenants from the land).

Third, in individual areas the reform resulted in a partial redistribution of landownership (usually through payment of compensation) in favour of the peasants, which enhanced the potentialities for the development of the small-scale commodity structure. However, because the property foundations of those social strata who effected primitive accumulation were left intact the reform could not prevent the expropriation of land from the direct producers.

As a result the post-reform development of land relations in India has exacerbated the basic agrarian conflict between the predominant classes of the rural community over the issue of land.

The problem of the two models of capitalist agrarian evolution in a multistructural country is essentially a problem of two variants of the establishment of one and the same system of structures (the same in the sense that capitalism is the system-moulding structure within it). In India today there are no signs indicating the clear victory of one or the other variant and the country is still passing through a period, to use Lenin's phrase, "*preceding* the final consolidation of the national path of capitalism".*

This circumstance facilitated the emergence in India of a new process, the conditions for which arose at the attainment of national statehood. We have in mind the emergence of the requisite conditions for the formation of a fundamentally new system of structures within which state ownership plays the role of the system-constituting factor and in which the public interests prevail over but do not remove the private ones.

This process is in evidence in a number of Third World countries where it displays a varying degree of maturity. It would therefore be in order to examine its impact on the progress of agrarian evolution in a broader territorial context than that of India alone.

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* V. I. Lenin, *Collected Works*, Vol. 16, p. 122.

A Special Form of State Ownership

Agricultural capitalism has been known to develop the more intensively the more intensive is the growth of commodity production and the development of the small-scale commodity structure, the most massive base for the formation of capitalist relations. However, regardless of the extent to which land reform, now implemented in many Third World countries, prepares the ground for the strengthening of the small-scale commodity structure in agriculture, these countries increasingly show a tendency towards restricting the expansion of this particular structure, which is tantamount to the abolition of its basis.

The socio-economic transformation of small-scale commodity production leading as it does to a fundamentally new type of production relations is one of the principal directions in the overall change of the Third World system of structures. It is the state that represents the political, administrative and economic power that effects this type of transformation.

Although the Third World governments usually establish control over key elements of the agricultural infrastructure or those elements extrinsic but essential to it (major irrigation works, the electric power industry, etc.), state ownership has not so far taken shape in the farming sphere. The only exception to this are some North African countries. State intervention in agricultural production proper, where it has occurred in any significant way, follows a different pattern, mostly through a state monopoly on farm produce marketing. In practical terms this process means the complete removal (or subordination to the public sector) of the key elements of private capital, whether pre-capitalist merchant or capitalist trading capital.

This extra-economic action by the state, if taken on a national scale, radically changes relations of production in many sectors of the national economy. The introduction of state monopoly over commodity circulation offers the possibility of setting up a special system of commodity exchange through monopoly prices on the domestic market for the marketed agricultural produce, on the one hand, and for industrial goods involved in agricultural reproduction, on the other. Under that system the small producer owning his means of production is only able to replace his subsistence fund but is normally unable to appropriate the whole of the surplus product he creates. In other words the small producer is deprived of the possibility of realising his property in the surplus product. This property has been alienated by the state through its monopoly of commodity circulation although nominally being retained by the producer. In this way the small producer turns into a worker who differs from a proletarian in two basic respects: a) by the individual character of production that retains a semblance of independence and b) by the presence of means of production that appear as factors of labour objectively subordinated to the producer.

Under these relations "horizontal" commodity exchange, if maintained between individual producers, in the case of the small agriculturist is solely aimed at reproducing his means of livelihood. The predominance of "vertical" links precludes what would otherwise be perhaps the main result of this exchange, namely, saving formation in small-scale production. In other words, it prevents its disintegration under the impact of the laws of commodity production.

In this situation it is the government that must act as the principal organiser of agricultural reproduction in the first instance within the small-scale producer sector, by redistributing part of the product accumulated by it to favour this very sector of the economy. In this way the public form of accumulation is gradually replacing its private form.

State monopoly of the market field in some cases tends to erect barriers in the way of extended reproduction within a nascent capitalist structure through the normal channels of commodity exchange relations. At the same time the government can effectively inhibit primitive accumulation of capital by developing new social institutions in the countryside (co-operation, etc.) and by exercising effective control over them.

Thus the salient feature marking the agrarian evolution of some Third World countries today lies in the fact that in the case of agricultural producers a potential commodity exchange based on value, the objective conditions for which have improved as a result of land reform, is replaced by the development of extra-value relations and extra-value exchange between the state and the producer, irrespective of the costs of production. The establishment of state monopolies in the sphere of commodity exchange, a process that gains momentum as developing countries carry out social change, suggests that the potential for the development of small-scale commodity production into a small-scale commodity structure in its own right, a potential generated by the abolition of the pre-capitalist exploiter type of property, is today severely limited if not nullified in the agrarian economy of many Third World countries. The tendency towards the transition of small-scale commodity production from its normal evolution to integration with state property (resulting in the emergence of a fundamentally new type of production relations) signifies a transformation of agricultural structures which takes the agrarian evolution beyond the framework of the capitalist mode of production.

The capitalist structure will inevitably lose its importance as a system-moulding structure in agriculture as small-scale commodity production is increasingly being placed under state control following the elimination of the pre-capitalist exploitative type of property and as the government increasingly seals off the "entry" and "exit" of the established capitalist production by means of state monopoly prices, controlled commodity flows, etc. This is also because the agrarian capitalist structure loses its mass support in the shape of small-scale commodity production maintained by the independent producer, and with it the free market, that essential prerequisite for the untrammeled self-generation of capital.

The foregoing leads us to the conclusion that today the problem of two models of capitalist agrarian evolution in multistructural countries which have not experienced radical change is subordinated to the overriding socio-economic problem facing these countries, viz., how to convert the state sector into a system-moulding structure within which the public interest will prevail over the private interest (without, however, eliminating the latter for the time being).

Needless to say, the development in such countries of a state sector is following a tortuous course passing through a series of stages at which the transforming role of the state affects the several branches of the country's economy differently.

Some South Asian countries are now passing through a peculiar stage in the development of state property. For instance, in India the proliferation of state property in agriculture is not only a matter of the government placing under its control the agricultural infrastructure. It also manifests itself in the establishment of state monopolies in the marketing of some staple agricultural products and in the supply of some industrial goods to agriculture, notably of mineral fertilisers. These monopolies are at the moment coexisting with private capital of the "tertiary sphere" and their realisation is often possible provided they rely on private capital the functioning of which is expected to be regulated by the government.

Now, what is the social substance of the extra-value relations that arose in India following the introduction of state monopolies in the "tertiary" sphere of her agrarian economy?

In recent years the country's ruling circles prompted by the urgent need to overcome the food crisis have opted for a policy of maintaining national prices of some grains at a very high level (grain is so far the only crop farmed intensively in the country). In India just as in Pakistan within its present borders, state wheat-purchasing prices in the late 60s were almost double those on the world market. The high prices made it possible to reduce the share of spending on industrial inputs in agriculture, the prices for which were state-subsidised.

State-introduced changes in the terms of commodity exchange have produced the greatest effect in those areas where the productive force of social labour is on the upgrade while the individual (average regional) costs of production are declining vis-à-vis the national average, i.e., in the areas of the "green revolution". In these areas it is the relatively limited number of marketed grain producers, all of them big farmers intensively modernising their facilities, who benefits most from the altered terms of commodity exchange. Big semi-feudal landowners who collect rent in kind also gain considerably from the state support of grain prices. According to current estimates in India and Pakistan only about one rupee out of every ten spent by the government to support grain prices reaches the small cultivator.*

The salient social feature of state intervention in the "tertiary" sphere of India's and Pakistan's agricultures lies in the fact that with the help of protectionism carried out within the framework of present-day agrarian relations part of the national income is redistributed without subsequent compensation (primarily the income of the main buying sector—the urban and rural working people) into the pockets of the two groups of the landowning elite who are waxing fat (that managing its own farms and that leading parasitical lives). Thus, India is passing through a stage in the development of state property when its considerable strengthening in the "tertiary" sphere of her national economy (notably, through partial nationalisation of the property of big capitalists) is accompanied by accelerated development of agricultural capitalism. In other words, the extra-value method of stimulating agricultural production employed by the government has so far been working for rather than against capital. In this situation the further transformation of the social nature of India's state sector is all the more pressing.

Intermediate Socio-Economic Structures in India's Agrarian Economy

The intermediate socio-economic structures resulting from the disintegration of the preceding mode of production have taken a variety of forms in India's agrarian economy. One of the most widespread processes contributing to the emergence of these structures is the proliferation of the share-cropping system which is better suited (compared to other lease forms) to the landowner's ultimate aim of deriving the maximum exchange value in the form of rent.

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* See W. P. Falcon, op. cit., pp. 702, 707.

The Social Nature of Share-Cropping

An analysis of the data relating to the last fifty years of British colonial rule in India reveals a direct connection between the increasing expropriation of small holders by big landowners and money-lenders, and the proliferation of share-cropping. Within the share-cropping system various forms of "partnership" between the landowner and the producer developed. However, all these forms rested exclusively on the old technical base. The emergence of these forms reflected the disintegration of traditional farming, marking a further stage in primitive accumulation.

The glaring disparity between the enormous demand for land stemming from relative overpopulation and actual land supply, and the consequent possibility of obtaining rack rents, coupled with the absence of the national reproduction of modern fixed assets, exorbitant prices for them and the operation of private-owner monopoly in the "tertiary" sphere—all this combined to produce a situation in which the transformation of farming based on share-cropping into capitalist-type production was unduly drawn out; its evolution in the period of colonial rule was held back by the stagnatory intermediate forms of economy. In sum the country's agrarian economy was governed by the law of extensive increase in surplus labour which was totally appropriated by the landowner rather than by the law of intensive increase in the surplus product (by investing in the production of additional capital either by the landowner or by the sharecropper, or by both). Only the producer's labour power, live labour *per se*, was intensively exploited, whereas the use of materialised labour was confined to a few absolutely essential elements such as seeds, ploughs and draught cattle. Whatever the changes in the redistribution of the means of production between the producer and the landowner that occurred in share-cropping, the personal factor of production, live labour and its consumption, remained the basis of whatever variant of the system that arose within the framework of share-cropping. The primitive productive force of social labour, which stagnated due to the immobility of the technical facilities, coupled with the inhuman exploitation of the direct producer presupposing systematic expropriation in favour of the landowner of part of the producer's means of livelihood, the reproduction of labour power in a "crippled state" (Marx)—all these phenomena incident to any variant of share-cropping nevertheless provided internal unity of the economic forms that developed on its basis. The share-croppers, no matter what stage of expropriation they reached, generated one of the most numerous strata of pauperised population in the Indian countryside.

Needless to say, the Indian version of share-cropping imposed a severe limit on technical progress (true, the past decade has seen some additional capital investments in the sphere of share-cropping in some parts of India mainly in the form of mineral fertilisers).

On the basis of the foregoing, the Eastern version of share-cropping, as distinct from the Western model, belongs to that class of intermediate structures which perform the mission of "depeasantising", clearing the ground for capitalism in the most painful form for the producer, but have a negligible capability of generating capitalist production relations. It is precisely in this sense that this structure serves as the bulwark for the worst version of capitalist evolution, the conservative version.

Let us now examine the impact of land reform in India on the development of her intermediate structures through the mediacy of tenancy.

In the first place, the land reform provided a powerful impetus to the mass decentralisation of large-scale landownership, causing big landlords to make large-scale *malafide* transfers of their land among their kith and kin and other dummies and to sell part of their land on the free market in response to the aggravated situation in the countryside.

In the second place, with the abolition of the hierarchical forms of land tenure (the zamindari system) and the introduction throughout the country of a unified system of landowning rights, free market tenancy is being shaped intensively as an overall type. Under this form of tenancy the rent payment rates are practically free of any regulation (in contravention of the law, naturally).

In the third place, measures brought about by the agrarian reform such as curbing the land lease for permanent tenancy or subtenancy with the simultaneous permission of share-cropping and the threatened introduction of a landholding ceiling have, on the one hand, intensified the development of share-cropping and, on the other, produced a significant shift towards the replacement of "open", officially recorded, type of tenancy by a "concealed" type under which the leasing-in producer is not regarded as a tenant.

In the fourth place, all these factors have combined to worsen the terms of tenancy and, coupled with other contributing factors, caused the rent to climb.

As a result, in the early 60s the "unprotected" types of tenancy (including intermediate forms of share-cropping), if the evidence of numerous surveys conducted on a district level is any guide, spread to about a third of India's farming area with share-cropping being the predominant form of tenancy and the small share-cropper the principal type of tenant.

It is to be noted that land reform could not check the expropriation of the small landowners. This process went on unabated throughout the post-reform period. Naturally its immediate consequence is the continued proliferation of the share-cropping system in some states. As one of the official documents aptly put it, "tenancy poses an ever recurring problem; as soon as it is dealt with in one form, it re-emerges in another".*

The Evolution of the Worst and Lowest Forms of Capital

Money-lending and merchant capital has contributed greatly to the erosion of the traditional socio-economic structure in the Indian countryside. The mass enthralment of the direct agricultural producer through debt bondage marks the formation of the type of production relations of which Marx notes that they are marked by "the basest exploitation without the relation between capital and labour bearing the basis for the development of new productive forces or being the embryo of new historical forms.... There

* *Implementation of Land Reforms. A Review by the Land Reform, Implementation Committee of the National Development Council,* Delhi, 1967, p. 129.

is an exploitation on the part of capital which does not represent the capitalist mode of production."*

With this type of relationships the intermediate structure is exposed in that "capital fails to gain control of production and consequently represents only formal capital",** it alienates the property of the small producer *de facto* while allowing him to retain it *de jure* either wholly or partially.

The worst and lowest forms of capital—the money-lending and merchant varieties—have undergone perceptible changes in the post-reform period. One of the basic trends of these changes is the further consolidation of primitive accumulation in the countryside. In the first place, there has been a considerable increase in the intersectoral centralisation of trade and money-lending capital. On the one hand, big urban money-lending, merchant and trade-cum-industrial capitals are absorbing through their institutions in the "tertiary" sphere the accumulations made by their smaller brethren in rural areas. On the other hand, they allow a segment of capital to "branch off" and go into the countryside where it contributes to primitive accumulation. According to the Reserve Bank of India, in the early 50s, from 50 to 66 per cent of all credit resources advanced to rural dwellers came from the urban areas.*** Thus we are witnessing a tendency towards the formation of a unified system of trade and money-lending capital, unified in the sense that a greater measure of interconnection and interdependence is emerging among the exploiters in town and country who set in motion the entire huge mass of available capital.

In the second place, following the qualified emancipation of India's agriculture from the oppressive influence of money-lending capital in the 40s, the exploitation of the Indian countryside by money-lenders again began to increase more rapidly, especially in the 50s and to a lesser degree in the 60s, than did the rate of agricultural net produce. For instance, according to the Reserve Bank of India in

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* K. Marx and F. Engels, *Works*, Second Russ. ed., Vol. 46, Part II, p. 367.

** Ibid.

*** *All-India Rural Credit Survey*, Vol. I, Part I, Bombay, 1956, p. 1051.

1951/52 the total indebtedness of the rural households to private money-lenders amounted to Rs 12,900 million. By mid-1962 it had risen to Rs 23,800 million, an increase of 83 per cent. At the same time, according to the Central Statistical Organisation the net agricultural produce (including the output of fisheries and forestry) grew between 1950/51 and 1961/62 from Rs 47,800 million to Rs 67,700 million, an increase of 41 per cent (in current prices). Apparently the proportion and total volume of products alienated from village producers by private lenders grew by a corresponding amount. In the 50s the money-lenders gradually restored the normal balance of their overall operations following a disturbance resulting from wartime inflation and the economic difficulties and social movements in the immediate postwar years. Land in many states again became a major object of the money-lender's offensive.

In the third place, the social composition of rural lenders has changed significantly. The "professional" money-lenders are being ousted from the sphere of rural credit by the money-lenders from the agriculturists' castes (primarily rich landowners). According to the Reserve Bank of India in the early 60s the money-lending "cultivators" accounted for some 80 per cent of private debt assets in the form of cash dues receivable. In this way primitive accumulation in Indian agriculture is being placed on a new footing. The main operatives of this process are now the propertied strata who are evolving into capitalist entrepreneurs. This is parallelled by the buying up of land by professional money-lenders and traders. All over India the three-faced exploiter emerged: money-lender—merchant—rich landowner.

There is also a certain tendency towards declining interest rates on capital involved in certain links of rural credit. This tendency is brought into being by the steadily expanding co-operative credit system and by the resultant competition between co-operative and private money-lending capital, on the one hand, and by the competition between the owners of liquidities seeking to invest them in a profitable way, on the other. In other branches of rural credit there is a clear tendency towards a higher interest rate on private credit. Opposing tendencies in the movement of interest rates, which largely result from the growing divergencies in the conditions under which different economic structures and substructures function, provide an additional impetus to the deepening of these divergencies.

The main qualitative feature of private rural credit and circulation capital is still the fact that in adapting to the post-reform capitalism this capital is largely opposed to small-scale commodity production and the capitalist elements that the latter generates.

The Pauper in the Guise of the Hired Labourer

One of the more characteristic features of India's agrarian economy was that by the time the rural working people (small landholders, artisans and other categories of independent producers) began to be expropriated *en masse* in the course of intensified colonial oppression, the Indian countryside had contained a stratum of people deprived of any property whatever ("community servants", landless agricultural labourers, etc.). In some parts of India this stratum was numerically quite substantial. These destitute people, the product of an earlier social division of labour, were involved in agricultural production on various terms of dependence. Therefore the "expropriating mission" of the British colonialists was revealed in two ways. On the one hand, the traditional system of social relations was crumbling and, as a result, the propertyless members of the rural community were separated from their sources of livelihood. On the other, the ranks of these unfortunates were joined by new groups of people, small cultivators who were being divested of their property.

As a result, by the time India gained independence the army of rural population deprived of property whatsoever had swollen to enormous proportions. But as the Indian experience has shown, the basic prerequisite of the capitalist mode of production, emerging by virtue of the complete separation of the mass of producers from the conditions and means of production, is not realised in an adequate growth of capitalist production. Apart from the direct attachment of the expropriated producer to the land on the worst possible terms (share-cropping), other forms developed on a wide scale, notably relations of the purchase and sale of labour power of the expropriated producer disconnected from the workings of the capitalist mode of production on the one hand, and, on the other, relations of domination and bondage characterising the exploitation of the producer.

According to the Reserve Bank of India and the National Council of Applied Economic Research, in the first third of the 60s wages provided either the main or the supplementary source of income for more than a half of the rural families. On the basis of evidence provided by the agro-economic research centres and complemented by Farm Management Studies and of surveys conducted by the Reserve Bank of India and the National Council of Applied Economic Research figures may be extrapolated demonstrating that the bulk of hired labour involved in agricultural production (possibly from two-thirds to three-quarters in terms of working time put in) was used in the natural, semi-natural and small-scale commodity sectors of agriculture which reproduced only the subsistence fund without creating any surplus value (or product), or was employed in such subsistence-type households which ate up their surplus product created through the exploitation of outside labour. Accordingly, a smaller proportion of available outside labour was employed in agricultural households accumulating surplus product.

Cultivators employ outside labour for a variety of reasons. On the labour market the demand for hired labour is extremely high as a result of the impact of traditional social institutions (the ban on members of the upper castes to engage in manual labour and the inverse proportion between social prestige in the rural community and physical work). But the major single factor contributing to the mass attraction of outside labour to agricultural production, not prompted by normal economic requirements, is still the struggle for means of livelihood in small production.

The problem consists in the fact that agrarian overpopulation manifests itself in the underemployment not only of fully expropriated rural population but also of the numerous cultivating families (according to the agro-economic research centres, in different parts of India they used in their own farming from one- to two-fifths of the annual working time put in by the able-bodied members of the family). Small cultivators, who are at a particular disadvantage economically, seek employment elsewhere, outside of their farms. On the other hand, they have to increasingly employ outside labour for short-term urgent seasonal operations, when the normally surplus family labour proves insufficient; thus, the small producer makes his economic choice in favour of labour exchange through the market in an attempt to supplement his income by virtue of the differential between wages received during an extended period of hiring-out and total outlays on outside labour for brief intervals. In this way agrarian overpopulation creates its own mechanism which tends to level out the incomes of the expropriated and pauperised population, including the "professional" agricultural labourers.

The outside labour involved in the agricultural structures functioning on the basis of simple reproduction cannot evidently be looked upon as wage-labour in the strict economic sense of the term, as labour producing surplus value for its subsequent increase. Hired labourers employed in these structures make up a category of agrarian proto-proletariat. Under the multistructural agrarian economy this category of labourers represents the single largest contingent of sellers of labour power. The extent of its dissemination in different areas is inversely proportional to development of the capitalist structure and directly proportional to the level of relative overpopulation. A hired labourer of this type is a pauper in the full sense of the term, since he does not create surplus value and, in many sectors of the agrarian economy, even exchange value, and is unable to derive the necessary minimum of means of livelihood from his work. The extent of pauperism in an agrarian society in a given area can be determined fairly accurately on the basis of the proportion of the agrarian proto-proletariat and the size of its personal consumption.

So far as the qualitative distribution of the labour power sellers is concerned, the type of production dominant in a particular area determines the economic nature of the outside labour involved in production.

The Farm Management Studies demonstrate that hired labour employed in agriculture exhibits an extremely uneven pattern of distribution between areas with different types of farm. In Vidarbha, West Godavari and the districts of the Punjab from 57 to 79 per cent of the outside labourers were employed on farms accumulating surplus product. In the first two areas from 42 to 68 per cent of the labourers were employed on farms with the accumulation exceeding Rs 1,000 a year (see Table 6). By contrast in the districts of Madras and West Bengal, and in Ahmadnagar and Sambalpur the bulk of outside labourers were concentrated in subsistence households with over half (and sometimes up to 86-100 per cent) of the total of outside labourers employed by cultivators who are even unable to make both ends meet.

Several tendencies exist in the employment of outside labour in Indian agriculture. First, we observe the trend towards reducing outside labour subsequent upon the disappearance of the system of "feudal" hire and under the impact of the emerging small-commodity structure, whose representatives endeavour to rely on the labour of their own families.

At the same time the continued growth of entrepreneurial farming, evolving into capitalist farming, stimulates the demand for outside labour by virtue of the exigencies of production. This process has been facilitated by the "green revolution" which at the present stage stimulates a higher demand for labour due to substantial increments in per acre output. However, this tendency is gradually being offset by another, exemplified by the mechanisation of the major farming operations.

This interstructural movement of outside labour is countered by a tendency stemming from agrarian overpopulation, a tendency towards the retention of the bulk of outside labour within the small and very small production. The realities of the present-day Indian countryside do not indicate any lessening in the oppressive burden of the agrarian overpopulation. Therefore, the measure of "mutual assistance" which only paupers can provide through exchanging their labour via the market will continue to form the underpinning for the existence of huge number of producers occupied in small-scale production.

Special attention should be devoted to the existing relationships between the exploited labourer and the consumer

Table 6

Concentration of Outside Labour on Farms Accumulating Surplus Product and on Subsistence Farms in Different Regions of India, 1954/55-1959/60,* per cent

State and district	Farms accumulating surplus product: total	of which farms which have accumulated value: Rs500-1,000 a year	of which farms which have accumulated value: Over Rs1,000 a year	Subsistence farms: total	of which farms: which cover their expenses	of which farms: which do not cover their expenses
Districts in which hired labour is predominant on farms accumulating surplus product						
Maharashtra:						
Vidarbha	78.9	11.2	67.7	21.2	12.4	8.7
Andhra Pradesh: West Godavari . .	68.3	10.7	41.9	31.7	9.9	21.8
Punjab: Amritsar and Ferozpur . . .	57.0	42.0	15.0	43.0	—	43.0
Districts in which hired labour is predominant on subsistence farms						
Uttar Pradesh: Meerut and Muzaffarnagar	45.9	—	30.7	54.1	20.8	33.3
Madras: Salem and Coimbatore						
Area I	19.1	—	—	80.9	24.6	56.3
Area II . . .	—	—	—	100.0	—	100.0
Maharashtra: Ahmadnagar						
Area I	—	—	—	100.0	16.4	85.6
Area II . . .	—	—	—	100.0	—	100.0
Orissa: Sambalpur .	—	—	—	100.0	49.1	50.9
West Bengal: Hooghly and 24 Parganas	—	—	—	100.0	—	100.0

* Compiled and calculated from *Studies in the Economics of Farm Management* for corresponding districts.

of his labour in surplus product households, since only in such households can one find elements of a production aimed at capitalist accumulation. In contrast to "the free relations of exchange ... between both sides" "based on exchange values and not on relations of domination and slavery"* (according to Marx this type of exchange is one of the earmarks of the "wage-labour" category), in the Indian countryside and notably on the larger farms, different forms marking the dependence of the labourer on his employer have developed widely. These forms, in the final analysis, result in a reduction of the labourer's subsistence fund to a bare minimum.

There are two forms marking the personal dependence of the labourer on his employer that have received the most extensive development in the Indian countryside. First, we note dependence based on the traditional institutions. This form stems from the persisting system of caste stratification in Indian society. The very fact that large numbers of agricultural labourers belong to the socially lowest stratum of the rural population, the "untouchables", makes it possible for the employers to pay them at inferior wage rates. In some Indian states the "untouchables" form a large proportion, or even the bulk of the army of agricultural labourers. In 1950/51 they accounted for 34 per cent of the families of agricultural labourers in Madras, for 38.5 per cent in Bihar, for 55 per cent in Uttar Pradesh, for 60.9 per cent in Orissa, and for as much as 82 per cent in the Punjab.**

Second, this is an individual dependence since it ties the given labourer to his employer. This form of dependence is usually maintained by the labourer's enthralment through debt bondage (debt is very often handed down from generation to generation as a result of which the individual dependence of the labourer and his family is stretched over many decades). In 1956/57 an estimated 63.9 per cent of the families of agricultural labourers were thus indebted, compared to 44.5 per cent in 1950/51, while the average debt per family

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* K. Marx and F. Engels, *Works*, Second Russ. ed., Vol. 46, Part I, p. 452.

** See *Agricultural Labour Enquiry. Rural Man-Power and Occupational Structure*, Delhi, 1954, pp. 55-57, 110, 129, 130, 142, 157-58.

amounted to Rs 88, or 14.3 per cent of the total family budget expenses.

The transition of the agrarian economy to the production of exchange values is not accompanied by the disappearance of bondage and extra-economic coercion in the exploitation of outside farm labour. This feature corresponds to a particular stage in the evolution of the complex of production relations. This stage is characterised by the fact that the new (the formation of production, the accumulation of which is mediated by commodity relations) is superimposed, as it were, on the old, without however displacing it (the exploitation of dependent and not free labour). The bondage of the exploited labourer today performs the function of primitive capital accumulation for the rural employer in its stagnant form and represents one of the types of mass relationships typical for intermediate socio-economic structures.

The formation of wage labour with its inherent features is by and large at the initial stage in present-day Indian agriculture. At the same time, it exhibits an extremely uneven pattern of development in different areas, with its starting points dating back to various intervals in the last century. In the latter half of the 1960s the "green revolution" accelerated the formation of wage labour in some areas, while the continued modernisation of the technical basis of farms producing surplus product facilitated the formation of a modern class of agricultural workers.

Thus, the large mass of labourers involved in production on the basis of bondage terms or the free market exchange of their labour power for means of livelihood, represents not a single class but a conglomerate of social strata, whose economic make-up is determined by the character of the existing economic structures.

The fact that this clustering is dominated by groups of the pre-capitalist and intermediate structures exercises great influence over the labourers' social psychology and socio-economic demands. The most important of the latter is the allotment of land, i.e., the self-assertion of the labourer as an independent producer; social equality through the abolition of extra-economic coercion, the abolition of "untouchable" status; wage increases chiefly through the eradication of different forms of bondage relations in the hire of labour power; the reduction and stabilisation of prices of foodstuffs through the abolition of trade and intermediaries' monopoly and the introduction of a state system of control and market regulations. In their totality these demands reflect the urgent need for abolishing the monopoly of private exploitative property both in its pre-bourgeois and "modernised" forms.

The Rural Elite

The Socio-Economic Aspects of Rural Elite Formation

One of the main results of the development of the Indian countryside in the post-reform period was the formation of a relatively homogeneous class of big landowners. This homogeneity is attributable to the establishment of a system of uniform landowning rights on a national scale.

The principal change occurring in that class was that it was precisely the lower groups of big landowners, i.e., those living in the villages, who have become the most influential section of that class, the rural elite, as a result of both relative and absolute weakening of the privileged feudal sections. According to the 17th round of the National Sample Survey, in the early 60s the big landowners (with holdings of more than 30 acres) had about a fourth of all arable land. They also concentrated in their hands the bulk of land leased to tenants. By the beginning of the 70s under the land ceiling laws a mere 1.5 per cent of big landownership area (holdings of over 50 acres) was taken away for subsequent redistribution.

At the same time the land reform—an integral component of which in many former zamindari areas was the ban on leasing out land on the basis of "permanent tenancy" and "subtenancy" with the simultaneous granting of permission for share-cropping (which with the exception of a few States was not legally recognised as tenancy)—facilitated the formation of intermediate structures on the basis of big landownership. But the leasing of land to share-croppers (including different forms of co-partnership between the landowner and the producer) was not characteristic of the biggest landowners, zamindars and jagirdars, but rather of the lower sections of big landowners (including those who came from highly privileged landholders) who lived in the villages and supervised the process of production and distribution of the sharecropper's harvest. It is evident that the incentives for the transition to share-cropping were largely applied to the upper group of landlords. The lower strata of big landowners were far less affected by this provision of agrarian laws, while in some States, not at all. The trend to create a unified class of big landowners in socio-economic terms (on the basis of the *de facto* legalisation of share-cropping as a universal form embodying the stagnant type of the intermediate structure) can be clearly traced in the operation of agrarian legislation in all States. This tendency largely facilitated the consolidation of elite capitalism in the post-reform Indian countryside.

So far as changes in the economic system on lands owned by big landowners are concerned, the latter sought to amass greater amounts of rent, just as in the colonial period, through intensified exploitation of the tenants without changing the agrotechnical basis of farming. This produced a higher rent rate trend in many regions in the post-reform period.

The radical clearance of the land was yet another pattern of change based on direct and mass violence over the peasantry. The eviction of tenants from their land became not a means of the subsequent transfer of land to the producers on even more shackling terms of tenancy, but the basic precondition for the establishment of the big landowner's entrepreneurial farming. This trend has developed particularly intensively in recent years in response to the progress of the "green revolution", which offered big landowners extensive opportunities for deriving high income not only through the rent exploitation of the direct producer but also through the application of capital within their own economies. One characteristic feature of this process is that the landowners' farms that have emerged through the radical expropriation of tenants are based on new technical facilities.

The expropriation of small landownership, the development of share-cropping as the worst form of attaching the producer to the means of production, the clearance of land

and the emergence of entrepreneurial owners-farmers—this drawn-out process (complete in terms of stages, i.e., in its internal development) characterises the conservative path of capitalist evolution in the Indian countryside. A salient feature of this process is the uneven pattern of development of its stages in different regions. In some regions the primary stages are widespread as, for instance, in West Bengal where the proportion of share-cropping leases of all the cultivated lands grew from 22.5 per cent in the late 30s to 30.3 per cent in the early 60s.* In other regions the final stages of the process are developing more intensively, for instance in the Punjab where despite the continuing expropriation of the peasants' land the proportion of share-cropping is tending to shrink. In that State the number of registered tenants declined from 583,400 to 80,500 between 1955 and 1964.** This dramatic decline is partly explained by the failure to register all share-croppers exploited by the landowners within the "concealed" tenancy.

At the same time big landowners are intensively concentrating money-lending capital in their own hands and winning key positions in private rural credit. According to the Reserve Bank of India between 1952 and 1962 the share of rural private debt assets in the form of cash dues receivable concentrated in the hands of "cultivators"—big rural money-lenders, increased from 31 to 56 per cent of assets owned by all "cultivators", while this group of money-lenders accounted for less than 2 per cent of the total number of village households.

Big landowners spent a considerable proportion of their accumulated resources on the intermediary trade, particularly since the latter half of the 50s and, on a mass scale, in the mid-60s, in this way monopolising, together with the major "professional" merchants, the rural market.

An analysis of the data supplied by the Reserve Bank of India shows that the mighty group of big landowners, at least in the mid-60s, allocated the bulk of their accumu-

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* See *Report of the Land Revenue Commission. Bengal*, Vol. I, Calcutta, 1940, p. 67; *All-India Rural Debt and Investment Survey, 1961/62. Tables Relating to Inventory of Assets and Liabilities*, Bombay, p. 54 (mimeo).

** See *Implementation of Land Reforms...*, p. 116.

lations, billions of rupees' worth, to the non-productive but highly lucrative sphere of trade and money-lending capital.

The last 15-20 years have seen a tendency towards the integration of the trade-speculator-money-lender interests of the upper rural exploitative strata, on the one hand, and certain groups of the urban bourgeoisie, on the other. This tendency has determined the character of the social repercussions on a country-wide scale. The fact that in the present extra-rural society the big landowners represent a powerful force centralising a huge mass of "their own" and "alien", i.e., urban, money wealth, obtained on an increasing scale through the pre-capitalist methods of exploitation, was bound to intensify reactionary tendencies within the national bourgeoisie and provide an impetus to the further socio-political consolidation of the conservative-type capitalistic strata.

The Socio-Political Aspects of Rural Elite Formation

Big landowners actively use for their own ends the persisting traditional social institutions, the caste system above all. The latter is performing a twofold function for them. First, the class and caste disconnectedness of the rural population under the increasing tensions of the overall village situation, makes it possible for limited propertied groups and primarily for the landowning elite to represent the opposition of their own and peasants' interests as a conflict of interests between different castes and, using this tactic, to safeguard, and rather successfully, their own privileges and property. Second, the caste structure "legalises" the big landowners' continued enrichment by methods of extra-economic coercion (these methods are particularly ferocious in the exploitation of the agricultural labourers from among the "untouchables"). This explains the rural elite's fierce resistance to any weakening of the "untouchability" institution.

The Indian sociologist Baljit Singh aptly described the importance of caste stratification of the rural community for the big landowners when he wrote:

"Inter-factional alliances sustaining a feudal structure, after its statutory abolition, present another strong front against any progressive land movement. In each village a couple of factions dominate the rest, and these are always the factions of the landed. Leadership also goes with land. Private interests of the leaders and the elite factions are in opposition to the common interests of all others. But since they dominate the village society as a whole, they would bring in and involve all groups in a struggle against co-operative farming, ceiling on holdings and land redistribution. It is an irony of the faction society that the few at the top are able to oppose any curtailment of their vested rights with the support of those very people who suffer by their existence."*

The mass penetration of the "second stratum" big landowners into the political superstructure and above all into its basic element—the system of state power—represents a qualitatively new process, the conditions for which arose during independence as colonial political structures were ousted.

The first 10 or 15 years of India's independence saw the formation of a new bureaucratic stratum composed of representatives of the rural elite, mostly at a district and State level. Using the ramified system of relations, held together by a variety of links including the common caste origin, representatives of rich landowning families have obtained important posts in the army, the judicial hierarchy and other governmental bodies. They made their way into the State legislative assemblies to bring their influence to bear on governmental policies in the countryside. Measures aimed at setting up "panchayati Raj" organs in rural areas initiated since the late 50s have opened up a new broad front of struggle for influence on the state power. It was precisely the larger landowners, the wealthy elite of the dominant caste groups that succeeded in seizing the key positions in the bulk of these organs.

A highly significant result of post-reform development has been the transformation of big landowners resident in the countryside into a political force in its own right supporting those groups and parties in Indian politics which advocate their interests.

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* Baljit Singh, *Next Step in Village India*, Bombay, 1961, p. 66.

The Rural Elite As a Distinctive Type of Social Community

The formation of the rural elite is a complex and many-sided process affecting both economic and socio-political aspects of the life of society. The Indian rural elite in its present form is an entity of a relatively recent origin. Its rise and subsequent consolidation is attributable to the structural transformations of a society once under the colonialists' heel (this involved above all the removal of the top feudal stratum as a result of the abolition of the political domination by British colonialists).

Investigators usually demarcate rural elite from the other types of village exploiters by reference to a number of its peculiar features, first of all its socio-economic characteristics. Thus, the Reserve Bank of India singles out a top layer of big landowners who organise their own farms on a modern basis and at the same time intensively use the methods of primitive accumulation to exploit the village poor. It calls them "key cultivators" explaining that "the key cultivators were a newly emerging class who acted as assembling agents for the traders in the villages and advanced credit to small cultivators and tenants."*

The substance of the elite's economic formation consists in that a given group of rural exploiters begins to exercise a growing number of socio-economic functions manifested in the appropriation of the labour and property of others.

This process is parallelled by the erosion of the old "division of labour" between different groups of exploiters, under which each exploitative function was carried out by a particular social stratum. Clearly, the multiform activities aimed at the appropriation of the labour and property of others had been in evidence among the rural elite in a number of areas long before the British colonialists were driven away. But in the years of independence these processes assumed a general scope and accelerated momentum.

By and large the changes in the exploitative rural strata are typical of the epoch of primitive accumulation with its inherent production relations. The nature of these changes

* *Rural Credit Follow-up Survey 1957/58*, Bombay, 1961, p. 205.

determines the general socio-economic make-up of the rural elite as a representative of intermediate agrarian structures and as the bourgeoisie of the primitive accumulation type. This bourgeoisie largely relies on the extra-value methods of exploitation and embodies the conservative type of capitalist evolution in agriculture.

The elite as a transitional-type class formation contains elements of its own disintegration which will be the more obvious the more intensive the process of capitalist development. This process will continue to erode the rural elite, leading in turn to the formation of new socio-economic groups, including industrial capitalists operating in agriculture, and money capitalists, etc. These groups will be formed on the basis of specific types of activity brought about by the capitalist social division of labour.

During the long evolution affecting the socio-economic system of India as a whole, the rural elite in its present form represents "the negation" of the preceding exploiter classes much as the nascent capitalist class with all its echelons, arising on a fundamentally new basis, is the negation of contemporary rural elite.

An analysis of the interaction of the rural elite with the superstructure and other social institutions reveals it as a social force to be reckoned with. The basic manifestation of this interaction is the merging of wealth and power, a process gaining momentum with the rise along the pyramidal power structure: the higher the echelon, the more intensive and vivid is the concentration of wealth and power. The tendency that has developed apace in the period of independence towards the unification of power functions and socio-economic functions, a tendency aimed at multiplying private wealth in the hands of a specific group, serves to promote the development of that group into a special social stratum opposed to the rest of the rural population.

But in so doing the power structure assumes an oligarchal character (the term "village oligarchy" which is widely used by Indian economists is a very apt characterisation of the rural elite). This power structure is made possible precisely by virtue of the clear preponderance within the rural economy of social structures dominated by the natural-type relationships and the "vertical" system of social ties.

The division of society into mutually repellent but at the same time interdependent social estates (castes) enhances the oligarchy nature of power in the countryside and offers an increasing freedom of action to the rural oligarchy. It was the resistance of the rural oligarchy as a social force rather than the resistance of individual large landowners that blocked a moderate land reform in India in the 60s.

The strengthening of the rural oligarchy endangers the radical social transformations in the countryside which the government is expected to carry out. As a result of the growing activity on the part of the rural elite which is currently developing into perhaps the most influential force in the state power system, down to the State level, these social transformations may eventually assume a conservative form, running counter to the vital interests of social progress.

The oligarchal structure of rural society based on the integration of wealth and power, cannot be altered merely by establishing new democratic institutions as a counterweight. This structure must be done away with. To do so it is necessary to eradicate large-scale landownership which forms the basis for the continued existence of the most powerful contingent of the rural elite.

The Conditions Dominating the Evolution of Small-Scale Commodity Production into Entrepreneurial and Capitalist Production

An exceedingly important aspect of the two trends of capitalist development is the complex of overall socio-economic conditions dominating the evolution of small-commodity production into entrepreneurial and capitalist production.

In the post-reform time the redistribution of part of the big feudal holdings in favour of the peasants served to consolidate individual sectors of small-scale production. According to the Planning Commission of India, some 3 million tenants (including share-croppers in States where the share-cropping tenancy is a legal form of farming) acquired over 7 million acres of land, slightly over 2 per cent of the total cultivated land in India. As a result of the abolition of the hierarchy of feudal intermediaries about 20 million landholders-"protected" tenants, the bulk of whom are working peasants, entered into direct relations with the state.* The redistribution of land served to compensate to some extent for the losses of small holders owing to their continued expropriation.

A certain expansion of small-scale production having its own factors of labour (above all land) proceeds in a situation when the class strata representing the intermediate agrarian structures and the conservative-type capitalism based on them retain the key sectors of rural economy. These strata's property acts as a brake on the social division of labour and commodity economy, and, in the final analysis, distorts the overall process of social and economic evolution in the countryside, reducing it to the worst social forms in varying degree in different parts of the country.

The Influence of Landed Property

This process manifests itself in the methods of land mobilisation used by rural entrepreneurs. The mobilisation is conducted on terms especially crippling to production and the labour involved in it. To be sure there are areas in India where proportional dependence is arising between the growth of commodity production and commercial farming, on the one hand, and the concentration of leased lands in the hands of the upper strata cultivators, on the other (these areas include, for instance, certain districts of the Punjab, areas of commercial rice production in Andhra Pradesh, and cotton-growing areas in Maharashtra and Gujarat). Part of this land is leased for entrepreneurial purposes.

The massive development of commercial leases, however, is countered by a high level of rent payment resulting from the pressure of huge masses of ruined peasants on the available sources of livelihood, notably land. This gives rise to a situation which is diametrically opposite to that once typical of the leased land markets in many advanced countries: it is not rich peasants but rather small subsistence cultivators who take the lion's share of leased lands because, in competing with commercial-type farmers, they agree to

* See *Implementation of Land Reforms...*, p. 16.

pay exorbitant rentals.* Comparative data show that in the mid-50s the share of commercial leases in the total of leased-in area was only a fraction of that obtaining in Russia in the late 19th century where, according to Lenin, it accounted for some 50 per cent of the total of leased-in land.**

Over the past few decades the conditions have deteriorated for land mobilisation by the traditional-type capital which has a very low organic structure. Practically speaking, with labour inputs remaining on the same level the price of rent rose much faster than that of the gross product (the latter grew almost exclusively under the impact of inflationary factors). Therefore the proportion of ground rent to the gross product obtained by the tenant displayed an upward tendency. Available data showing the rent trends as applied to the potentialities of capitalist farms over a period of several decades in the Punjab confirm this general conclusion (Table 7).

That is why within the framework of the existing structure the problem of legislative regulation of rental terms is acquiring added urgency for the tenant commodity producer. However, the struggle for the introduction of the system of land rental contracts in accord with the interests of extended reproduction has so far failed to score any significant success.

For reasons mentioned above agricultural capital in India, as in many other developing countries of Asia, has been unable to establish itself firmly on rented land. With the prevailing organic structure of capital the capitalist mechanism of surplus-value production can only function efficiently on the capital-owner's lands, where there are no hindrances to the application of capital.

Here we observe a case of capitalist agrarian development which has as its prerequisite not the disunity but rather the unity of landownership and farming itself.

This developmental trend reflects a historical stage in the evolution of relationships between capital and landownership, whereby developing capitalism has not yet trans-

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* In the "green revolution" areas, the situation is different (see p. 176 of this book).

** See V. I. Lenin, *Collected Works*, Vol. 15, p. 102.

Table 7

The Potentialities of Capitalist Farms with a Low Organic Structure of Capital on Rented Land in the Punjab*

Period	Gross product per acre of irrigated land		Rent per acre of irrigated land			Ratio of surplus product to capital invested, %	Division of surplus product into rent and profit, %		Rate of profit, %
	Rupees	Index	Rupees	Index	Share in gross product, %		Rent	Profit	
1938/39-1940/41	60.7	100	14.8	100	24.3	35.8	92.5	7.5	2.7
1942/43	158.7	262	45.0	320	28.3	97.8	57.3	42.7	41.7
1949/50-1952/53	338.2	555	107.4	726	31.8	29.0	138.8	(–38.8)	(–11.5)
1954/55-1956/57	273.4	450	99.3	672	36.4	23.2	192.8	(–92.8)	(–21.6)
1961/62	397.1	653	165.5	1,118	41.7	43.3	137.8	(–37.8)	(–16.8)
1963/64	431.6	712	151.1	1,021	35.0	47.2	109.1	(—9.1)	(—4.3)

* Compiled and calculated from *Board of Economic Enquiry, Punjab*, Lahore, Publications Nos. 75, 78, 85, 93; *Board of Economic Enquiry, Punjab (India)*, Ludhiana, Chandigarh, Publications Nos. 16, 19, 22, 28, 42, 45, 56, 92, 107.

formed along its own lines the existing relations of private landownership.

The Indian ruling circles are fully aware of the validity of private landownership with respect to capital and the economic activity on the land in general. Several Indian States legislatively banned all tenancy (except sharecropping which is not recognised as such) largely because the existing rental relations hinder the development of production.

The fact that private landownership in India's agrarian economy is not yet subordinated to capital determines the conditions of labour exploitation involved in capitalist production. A substantial proportion of the surplus value created by this production is derived from the overall wage fund of hired labourers. This proportion is either converted into entrepreneurial profit, part of which is absorbed by the ground rent (if the landowner and entrepreneur are different persons) or accrue to the landowner (if the latter is the entrepreneur as well). Butw hatever the specific mechanism of appropriation, the part of the hired labourers' wages taken away from them is eventually pocketed by the landowner.

In his all-round analysis of the formation of the capitalist mode of production Marx pointed to a variant of capitalist development of agriculture whereby the appropriation by the landowner of part of the hired labourers' wage fund becomes a prevailing practice. Writing on the situation in England and Scotland in the last century, Marx noted: "A much more general and important fact, however, is the depression of the actual farm-labourer's wage below its normal average, so that part of it is deducted to become part of the lease money and thus, in the guise of ground-rent, it flows into the pocket of the landlord rather than the labourer."*

Marx remarked that the reduction in wages was so dramatic as to bring them "even below the physical minimum requirement".**

That part of the rent payment formed as a result of a deduction from the wage or profit was not, according to Marx, a category of ground rent in the strict economic sense.

* K. Marx, *Capital*, Vol. III, p. 627.

** Ibid.

However, he emphasised that the appropriation of that part is predicated on the landlord's monopoly, and that "in practice, it constitutes the landlord's revenue, an economic realisation of his monopoly, much as actual ground-rent...".*

In this instance Marx drew his conclusion from the law of the average rate of profit in agriculture, by which it was not rent but rather profit that became the normal form of surplus value. All the more reason then for this proposition of Marx's to be applicable to developing countries and notably to India, where as a rule we observe an undivided form of the landowner's income.

On the basis of the foregoing we can draw the following conclusion. In India large-scale landownership and other pre-capitalist forms of property (money-lending, etc.), which are realised in the appropriation of the surplus product created by the unpaid hired labour, regulate both entrepreneurial profit and the agricultural labourers' total wages, while, as a rule, keeping these wages to or even below the bare subsistence minimum. Agrarian overpopulation which is concentrated primarily in small-scale production creates the objective prerequisites for the exploitation of the rural proletariat in the most brutal forms, but it is the big landowners along with the rest of the pre-capitalist exploiters who utilise these potentialities, while determining and regulating the social rate of exploitation. Herein lies the historical role which large-scale private landownership has been playing in the establishment of relations between labour and capital in that part of the capitalist structure which has arisen and is developing on the basis of the erosion of traditional relationships.

The Conditions of the "Tertiary Sphere"

The development of commodity production and of commercial farming, and consequently the growing requirements of commodity producers for loan capital, have combined to increase the role of credits on the commodity producers' farms. In the early 60s the upper groups of producers who have much larger resources than the lower groups covered

* K. Marx, *Capital*, Vol. III, p. 625.

25-30 per cent of their annual capital investments through loan capital.

The major part of loan capital is spent in the Indian countryside in an unproductive way, upon subsistence needs. According to the Reserve Bank of India in 1961/62 only 42.7 per cent of the loan resources were used for production purposes within the cultivating families' sector. Among the top strata cultivators the figure was 54 per cent (these latter constitute 6.4 per cent of the total number of cultivators).*

The interest rate on credit continues to be exceedingly high. For most commodity producers the bulk of the credit they use comes in a typically money-lender guise. For instance, in 1961/62 even the top strata cultivators (6.4 per cent) received over half of their loan capital on a 9.4 per cent annual interest rate and more, while in the lower groups of farms the share of loan capital on the same interest rate reached 75-85 per cent. In other words, the prevailing terms of credit are such that interest usually eats up part of the small cultivator's wages. As for the entrepreneurial rural sector, the lender does not take away the whole of the profit derived by only a rather limited group of borrowing farmers, above all rich farmers. This guarantees the economic interest of the entrepreneur in obtaining loan capital. In some areas, the number of such borrowers is steadily growing because the entrepreneurial groups of farmers are numerous there and the tendency towards a falling interest rate is more pronounced than elsewhere.

The Achilles' heel of the credit system in agriculture is the acute shortage of cheap medium-term and especially long-term credits for production purposes. The landowning elite have concentrated in their hands the sums received as cheap long-term and medium-term credits to a greater extent than the short-term credit. Indian agriculture is still characterised today by a wide gap between a growing need for cheap credit and its actual availability. The acute shortage of cheap credit tends to maintain an environment favourable for the operations of money-lenders in the countryside.

Capital in its worst and lowest forms within commodity

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* See *All-India Rural Debt and Investment Survey, 1961/62. Tables Relating to Loan Transactions*, Bombay, pp. 25, 37, 38 (mimeo).

circulation in the countryside exerts a no less adverse impact on the peasants. The active intervention by the landowning elite in agricultural products trade has considerably strengthened the position held in the village by "professional" extra-rural merchant capital. The latter has obtained a new socio-economic base from which to launch its offensive on the agricultural producer. To be sure it is the small semi-subsistence producer who is the hardest hit by the monopoly of merchant capital but the sections of peasants producing for the market suffer too.

Over the past two decades a new mechanism enabling merchants to derive huge profits from agriculture is being set up in India through the medium of the so-called agricultural trade credit. The "trade credit" as it is known in India consists in a process by which the merchant takes away the marketable farm products while deferring payment for them and making final settlements only after the products have been sold on the market. The trade credit disturbs the normal cycle of reproduction as maintained by commodity producers. At the same time it enables merchant capital to derive maximum profits at minimal cost. Hence, trade credit accelerates the primitive accumulation in the Indian countryside. The social paradox is that the developing commodity production expands the base for trade credit, the most crude form of realising monopoly as such.

Merchant capital operating on the village market is passing through a highly specific stage of development characterised by the relatively long-term tying down of vast resources—both those of the merchant himself (buying up the standing harvest at reduced prices, buying up of farm products on the market, their storage and delaying of sales), and those belonging to other product sellers sucked into the orbit of this capital's movement ("trade credit"). The tendency observed in many divisions of merchant capital towards appropriation of the maximum possible income not by accelerating but rather by slowing down capital circulation through the creation of artificial shortages of marketable produce and consequently by hiking prices reveals their openly parasitical and speculative nature.

The wide gap between the growth rates of new forms of agricultural marketing (which are very low) and the growth rates of commodity production requirements for these forms of marketing (which are far higher by comparison) constitutes one of the most acute contradictions in present-day India's agrarian system. This contradiction is made worse and contributes to tensions giving rise to conflict situations in areas where commercial agriculture is more advanced and the commodity producer has emerged on a mass scale.

The social contradiction arising from the looting of the peasants by traders and speculators had by the late 60s reached a point where the government was compelled to initiate more energetical efforts to resolve this contradiction. The government is gradually gaining control of the "tertiary" sphere of the national economy in general and in the countryside in particular.

One of the more significant results of the nationalisation of the big private banks has been the fact that trade and speculative capital operating in agriculture has been deprived of a major source of credit. The setting up of state monopolies within rural commodity circulation (this process has especially intensified in the late 60s) also inhibits the spread of trade and speculative capital.

By the 1970s government organisations, above all the Food Corporation of India, as well as co-operative societies, were purchasing some 20 per cent of the marketable grain. All told, some 25 to 30 per cent of the marketable grain (including imports) was available for distribution by government agencies. The ruling National Congress Party stated in this connection: "...to avoid the exploitation of the producer and consumer by middlemen wholesale trade procurement of major agricultural commodities should be done in the public sector."*

The establishment of state monopolies may create obstacles for trade and speculative capital and eventually block its expansion altogether, provided legislation covering the establishment of these monopolies is backed up by the broad-based development of suitable organisational forms to oust private capital from the "tertiary" sphere of the country's economy.

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* *Patriot*, Delhi, December 29, 1969.

State-cum-Co-operative Institutions in the Countryside

In an attempt to avert social upheavals in the countryside and create conditions stimulating increased production and meeting the exigencies of commodity farming, the Indian ruling circles, in addition to land reform, are working out and introducing a wide range of measures within the framework of the state's social and economic policy. New village public institutions such as co-operatives, community development organisations, etc., are being set up one after another throughout the country. These are playing a growing role in the country's agriculture.

The crux of the matter is that the new institutions, emerging on the foundations of the old social structure, are inevitably affected by its production relations. Therefore, in a multistructural economy such as India's, inter- and intra-structural relations, contradictions and alterations are very much in evidence in the activities of the new rural institutions.

The urgent task of ousting traders and money-lenders from their monopoly position in the countryside is being approached through the development of a system of credit and marketing co-operation. In the past two decades credit co-operation, the predominant form, has made notable gains and retarded the growth of money-lending capital. Marketing co-operation, by contrast, has made only modest gains. In the late 60s institutional credit, credit co-operatives above all, met about one-fifth of the total credit requirements of agriculture.* Through the marketing co-operative system, by comparison, only 8 to 10 per cent of marketable farm produce was sold.**

Rural co-operation in India is characterised by the following basic features: the co-operative form of capital develops parallel with and independently of the organised financial sector of private capitalism (banks and other institutions), and must contend with its resistance in the mobilisation

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* See *Yojana*, No. 15, Vol. 15, 1971, p. 3.

** See data in Table 4 in *Government of India. Department of Cooperation. Report 1967/68*, p. 63.

of free money resources. Co-operation is often unable to mobilise substantial savings even in the villages. Therefore it was the government credit agencies that had to pave the way for the expansion of co-operative capital in the countryside. Thus, in the fiscal year 1950/51 the share of government-advanced loans amounted to 47 per cent (Rs 190 million) of the working capital of primary credit co-operatives, but in 1963/64 the percentage reached 67.3 (Rs 2,970 million).

Rural co-operation is functioning on a rather contracted social and economic basis. According to the Reserve Bank of India, in 1961/62 three-quarters of the total of loans advanced by credit co-operatives went to 28 per cent of the rural households, while a third of the credit went to a mere 5 per cent of the households in the asset group Rs 20,000 and above.* The more well-to-do groups of the rural population benefit from the marketing co-operatives even more noticeably.

The alignment of opposing class forces in the Indian countryside (both within and outside co-operation) and their social profile determines the social nature of co-operation and the predominance of particular trends in its activities in each particular area. First, co-operation serves to expand production both in the entrepreneurial farming and, to a less extent, within the small producer's economy. Second, part of the co-operative capital is converted into capital of the worst and lowest forms. This happens when co-operative resources are seized by big landowners, moneylenders and merchants. As a result co-operation becomes an instrument of primitive accumulation for the benefit of the exploitative sections in the countryside. In fact co-operation acts as a catalyst accelerating this process. Finally, a portion of the co-operative funds once involved in the subsistence households or when seized by parasitical elements in the village (such as big landowners who are rent receivers) ends up in the personal consumption fund where it is eaten up (the latter tendency has become particularly strong since the 60s and has been a feature accompanying the growth of the co-operative credit system).

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* See *All-India Rural Debt and Investment Survey, 1961/62. Outstanding Loans, Borrowings and Repayments of Rural Households* (reprinted from *Reserve Bank of India Bulletin*, September 1965), Bombay, pp. 16-17.

The numerous co-operative surveys conducted by the Reserve Bank of India make it possible to identify the principal stages in the evolution of rural co-operation in India. In the early stages subsistence or semi-subsistence peasant economies with the totality of relationships typical of them are the main agent of co-operation. The available potential for the further growth of co-operation on such a basis is severely limited. The use of co-operative resources for purposes not related to production is deeply engrained in this very sector of the village community.

Not until the formation of the sector of small-commodity producers which prepares the ground for the growth of the capitalist sector a truly massive base was formed for the spread and development of the co-operative form of capital. The irony of the Indian reality lies in the fact that the more intensive the growth of commodity production and co-operation, the stronger the pressure on co-operative resources exerted by the top stratum of the exploiters who represent the primitive accumulation of capital. In other words, the development of co-operation at a more mature stage of economic evolution is accompanied by the continued emergence and deepening of social contradictions. In the present-day Indian countryside the growth of class antagonisms, exacerbated as they are by the progress of co-operation, is a manifestation of the struggle waged by the small (including small-commodity) producer against private exploitative property which opposes him as a naked monopoly.

The new institutions in the Indian countryside, arising as a result of the government's socio-economic policy, are assuming increasingly greater significance as an instrument of modernising agricultural technology. First, community development and later, in the 60s, co-operation concentrated and distributed in the countryside a substantial part of the modern means of production. In 1965/66 about 6 per cent of all material inputs in Indian agriculture were channelled through co-operatives (mineral fertilisers, seeds, etc.). By the early 70s this percentage had grown markedly.

The character of the prevailing economic system determines the social nature of technological modernisation in agriculture. At the present time technical progress is affecting a relatively narrow group of agricultural producers, primarily rich landowners. Many cultivators are unable to benefit from this progress because of the lack of facilities necessary for the transition to capital-intensive farming. Besides, the rather modest accumulations at the disposal of most peasants are to a great extent diverted by the sections of the village community representing the old agrarian structures.

The seizure by the rural elite of key positions in the new rural institutions has enabled it to gain control of a disproportionately large share of up-to-date means of production reaching the countryside. In conditions where demand for up-to-date means of production, insignificant as it may be in absolute terms, outstrips the supply (a situation typical of the period up to the early 70s), the gap is growing between the levels of technical progress achieved by the rural elite, on the one hand, and the rest of the producers, on the other. At the same time it is the top group of farmers—consumers of the modern means of production—who chiefly benefit from the government policy of subsidising prices for these means of production.

The contradiction arising from the character of distribution of the up-to-date means of production becomes still more acute because of the adverse impact made on this distribution by parasitical and speculative capital, particularly since the 60s. The artificial maintenance of production costs of agricultural capital goods at an abnormally high level inhibits accumulation and creates difficulties for extended reproduction on a new technical basis, especially in the groups of "rank-and-file" producers.

As the late professor D. R. Gadgil and experts working for the Reserve Bank of India noted, the new village institutions are being eroded by caste antagonisms. Moreover, their efficient operation is hindered by sprawling bureaucratisation.

The overall postwar evolution of India's agrarian economy has resulted in that the numerically large labour force engaged in small-scale production has been denied access to government investments, and agricultural reproduction has been frozen by and large on the traditional technical basis. The new socio-economic institutions are still operating within a narrow framework and are unable to meet the requirements of agriculture as a whole. This situation has brought to the fore the need for urgent measures to change the government's socio-economic policy in the countryside. In the late 60s and early 70s a number of specialised organisations, notably the Small Farmers' Development Agency, were set up for the purpose of providing support to small-scale producers.

The nationalisation of the country's major banks is expected to play a special role in improving the reproduction environment in agriculture, including the sector of small producers. According to a resolution adopted by the Bombay Congress of the National Congress Party held in December 1969 the countryside as a whole, and "small owners of land" in particular, are to receive a considerable share of the credit advanced by the nationalised banks. Indeed, in 1970 the share of direct credits supplied by the nationalised banks to agricultural producers increased to 4.07 per cent as against 1.26 per cent in 1969.

The socio-economic meaning of the coming change is clear. It is designed to provide a further impetus to the expansion of primary producers and at the same time to enhance the role of state property in their social transformation. How far this goal will be achieved largely depends on how far will it be possible to counter the distortion of the new policy by the rural elite which still exercises great influence over the entire local state apparatus.

The Paradoxes of Regional Development

The erosion of old and the establishment of new agricultural structures is characterised by considerable diversity from region to region in India. Regional variations in the socio-economic environment, which are largely the product of the preceding historical development, affect agrarian evolution in that some areas forge ahead, while other, more backward areas continue to develop very slowly, and still others lag far behind and stagnate.

The Ministry of Food and Agriculture has gathered revealing data showing the growth rates in crop production in different States between 1952/53 and 1964/65. The following picture emerged (per cent)*:

Punjab	4.56	Andhra Pradesh	2.71
Gujarat	4.55	Madhya Pradesh	2.49
Madras	4.17	Orissa	2.48
Mysore	3.54	Kerala	2.27
Bihar	2.97	West Bengal	1.94
Maharashtra	2.93	Uttar Pradesh	1.66
Rajasthan	2.74	Assam	1.17
All India	3.01		

These data and the Rural Debt and Investment Survey conducted by the Reserve Bank of India in 1961/62 indicate the uneven pattern of agricultural development throughout India. The States covered by the survey can be divided into three groups: those with a high, medium and low levels of agricultural development. Within the second and third groups we can identify two subgroups characterised by a number of specific features. The first group includes the Punjab and Gujarat, the second—Madras, Mysore, Rajasthan (Subgroup A), and Andhra Pradesh, Maharashtra, Uttar Pradesh (Subgroup B), the third group comprises West Bengal, Assam, Kerala (Subgroup A), Madhya Pradesh, Bihar, Jammu and Kashmir, Orissa (Subgroup B).

These groups of States differ above all in the degree of the peasants' differentiation and in the amount of welfare available to the basic groups of cultivating households. In the first place, despite the dominant trend of conservative-type capitalist development which retarded the differentiation of the peasantry, there were still areas in the 60s with a substantial section of middle cultivators whose gross income from crop farming ranged between Rs 1,000 and Rs 3,000 a year. In the first group of States these cultivators account for one-third (Gujarat) to two-fifths (Punjab) of the total

* *Growth Rates in Agriculture 1949/50 to 1964/65*, New Delhi, 1966, p. 37 (mimeo).

number of agricultural producers (compared to India's average of 22 per cent). In these areas there is also an extensive stratum of rich producers with a crop-farming income in excess of Rs 3,000. These producers account for 12 per cent of the total in Gujarat and for 23 per cent in the Punjab (compared to less than 5 per cent of the national average). Therefore a relatively greater number of farms in these States are in a position to maintain extended reproduction. In the second place, areas with aggravated social polarisation stand out. They have a comparatively substantial stratum of wealthy producers (6 to 7 per cent of the total), who largely develop from among the larger landowners, and a relatively small group of middle peasants (its proportion is roughly equal to the national average). At the same time these States have a considerable proportion of paupers among the lower groups of producers (second group of States, including Madras, Andhra Pradesh and Mysore). Finally, in some areas the worst forms of the differentiation of the peasantry are almost totally predominant. The socio-economic rural mechanism prevailing in these areas generates masses of agricultural producers-paupers (this process is particularly intensive in Subgroup B of the third group of States). In States with a low level of agricultural development the proportion of agrarian proto-proletarians is very high.

In this context the available data on the share of wages in the total income per rural household are of interest. The following picture emerges (1961/62, per cent)*:

Kerala	36.8	Bihar	23.2	Mysore	17.7
West Bengal	35.2	Madras	22.6	Gujarat	17.7
Orissa	33.6	Jammu and Kashmir	21.1	Uttar Pradesh	14.0
Assam	26.4	Andhra Pradesh	20.6	Rajasthan	12.1
Maharashtra	24.9	Madhya Pradesh	20.5	Punjab	10.8
		All India	20.7		

* Calculated from *All-India Rural Debt and Investment Survey, 1961/62. Tables Relating to Gross Farm and Non-Farm Receipts and Important Items of Non-Farm Expenditure*, Bombay, p. 130 (mimeo).

The data above testify to an important feature of a multistructural agrarian economy, namely, that the less developed an area and the weaker its peasant economy, the stronger will be the element of pauperism in the form of massive agrarian proto-proletariat which produces neither any surplus product nor even the adequate means of sustenance for itself. By contrast the first group of States, and also partly Rajasthan, where the differentiation of the peasantry is by and large approximating the normal model to a greater extent than in other areas and where the cultivating peasantry is better off on the average, there is a better correlation between the farms' actual requirements for wage labour and the amount of outside labour involved.

There is a strong connection between the level of welfare enjoyed by the economic core in the countryside and the growth rates of agricultural production. At the same time variations in the rates of growth are not immediately related to the developmental stage achieved by the commodity producers in a particular State. In other words, the economic growth of agriculture in a particular area is the faster the greater number of households are managed on a level above that of simple reproduction. Characteristically, the growth rates of agricultural production are as a rule inversely proportional to the extent to which outside labourers are employed in a particular area, which again indicates the clear preponderance of agrarian proto-proletarians-paupers among those who sell their labour power in less developed States.

Regional variations in rates of growth of agricultural production are by and large attributable to differences in the scale of capital investments in fixed productive assets. In those areas where there is a numerous sector of producers deriving incomes in excess of the requirements for the reproduction of the labour power of family members, there is usually a larger share of farms capable of maintaining extended reproduction.

Also to be observed are regional variations in the proportion of the rural rich stratum. If we take only the rural top crust which maintains farming operations on its own, it would appear that the biggest stratum of rich producers occurs in ryotvari areas where the British colonialists granted private property rights to the taxed households of the village community (ryots). Conversely, that stratum of producers is generally economically weaker in the former zamindari areas, where the extra-community feudal (and later money-lending) top strata of pre-colonial society became the principal landowners and where the establishment of private landowning rights (which were expropriated in the colonial period) in the case of direct producers has been long drawn out and in some cases is still incomplete to this day. Witness for instance the Uttar Pradesh sirdars who own approximately two-thirds of the total of farmland. In India as a whole well-to-do producers with a gross income from crop farming in excess of Rs 3,000 a year form a mere 3.6 per cent of the total of rural households; alternatively, in the ryotvari areas, excluding Maharashtra, their proportion reaches 4-8 per cent, going up to 14 per cent in the Punjab, while in the zamindari areas it is only 1-3 per cent.

Thus, we observe a fairly discernible connection between the relative size of the stratum of rich producers and the level of development of private landownership within the village community. The socio-economic basis for this connection is the fact that the earlier formation of primary producers' landownership on a wide scale (albeit in "caricature" form) opened up opportunities for expropriating this ownership and mobilising the peasants' land by the propertied elite much earlier in the ryotvari areas than in the zamindari ones. The landowning and money-lending expropriators in the ryotvari areas were thus able to start developing large farms much earlier than were their counterparts in the zamindari areas.

Finally, mention should be made of regional variations in the character of the rural elite's economic activities. These variations taken as a whole reflect the stages of the elite's capitalist maturation. Within a fairly diversified spectrum of activities in some developed areas, notably in the Punjab and in parts of Gujarat, a tendency has developed towards the economic differentiation of the rural elite with the resultant formation of groups of producers who are completing the phase of primitive accumulation and passing to accumulation on the basis of capitalist production.

Agrarian and Urban Capitalism. Prevailing Conditions for Contemporary Stage of Economic Integration

The Movement of Capital

In the context of a multistructural economy the problem of capital movement comprises several aspects. First, we note the interbranch movement of capital brought about and regulated by the law of the average rate of profit. Second, there is a flow of capital between different structures, as exemplified in particular in the redistribution of accumulations between production and the various non-productive spheres of activity.

The economic condition of the Indian countryside in the 60s indicates that the present-day credit and financial system of private capitalism, a potent instrument for the mobilisation of national accumulation, has so far failed to make any important gains within India's agriculture. For example, the credit and financial system of the private and public sectors in the early 70s absorbed a mere 4-7 per cent of the surplus product (inclusive of rent, money-lender interest and capitalist profit), appropriated by the wealthier rural strata. At the same time the volume of monetary accumulations redistributed through the private sector credit institutions to the benefit of agriculture is infinitesimally small. Thus, the proportion of credit made available to agriculturists by private commercial banks amounted to only 2.2 per cent of these banks' total credit volume in 1968 (on the eve of the nationalisation of the major banks), as compared to 2.1 per cent in 1951.* It was not the institutional private capital existing in other spheres, but rather the government that undertook the financing and supplying of credit for agricultural production through long-term investments, advancing credits to co-operative institutions and more recently, after the nationalisation of major banks, by advancing credits to individual producers.

To be sure, a certain flow of surplus product between different branches of production occurs on the level of

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* See *Reserve Bank of India Bulletin*, No. 5, 1970.

individual industries, by-passing the stage of the preliminary mobilisation of capital through appropriate institutions. Until the mid-60s, this process proceeded, with few exceptions, in a single direction—accumulations derived from agriculture were funnelled into the non-agricultural branches of the economy, such as industry and transport.

This type of interbranch capital flow, even though it occurs on an individual basis, can be regarded as characteristic of the transitional stage of integration, the more so in cases involving the setting up of production units in a particular branch, the capitalist development of which is already subject to the regulating influence of the law of the average rate of profit, and where each individual capital forms an integral part of the overall social capital.

A substantial proportion of private accumulations built up within agriculture, including accumulations derived from the extraction of a portion of the means of sustenance available to direct producers, is mobilised by-passing the capitalist banking institutions. This mass is usually concentrated in the channels of the old capital which still dominates the "tertiary" sphere of the rural economy (intermediary trade and money-lending). From there accumulations are redistributed between the different economic structures existing in town and country and between the various subdivisions of these structures, as well as between the sphere of production and the various non-productive spheres. Naturally, in an economy not subject to the radical break-up of the old social structures the independent movement of free capital in directions opposing the interests of production assumes massive proportions: for instance, the mass crediting of rural money-lenders by urban financial agencies on the basis of the resources previously accumulated as a result of trader and money-lender exploitation of the village producers; the transfer of accumulations built up in the countryside to the urban areas, for speculative purposes and for investment in the non-productive sphere, etc.

The rate of income derived from capital invested in the sphere of pre-capitalist relations exercises a telling influence on the flow of accumulated capital. At the same time this rate is to a great extent regulated by developments extrinsic to the capitalist mode of production as such.

These developments include rivalry between different capitals operating in the sphere of pre-capitalist relations, the direct threat of expropriation which can cause the flight of "free" capital from this sphere, changes in the bank rate of discount which can either inhibit or stimulate the transfer of money resources from the town to the countryside and, finally, the inflationary growth of commodity prices which diverts free capital from productive application.

The mismatch of the regulating circumstances determines the relative independence of the rate of income in the pre-capitalist sphere from the rate of profit created in the capitalist sectors where it is levelled off. What is more, this rate of income can have an active influence on the capitalist sphere itself, which is governed by the law of the average rate of profit. For this reason the rate of income represents a potent regulatory factor affecting the movements of capital between different economic structures on a national basis.

The existence of this bi-polar mechanism regulating the movement of free accumulation is characteristic of precisely the transitional stage in the development of India's national economy generally, and of its agrarian sector in particular. At this stage developing capitalism has not yet transformed and subordinated the vast masses of old capital which has found shelter in money-lending and trade.

The Formation of the Contemporary Sector of Agrarian Capitalism

Historically, capital in India, relying on the operation of the law of the average rate of profit, succeeded in gaining control of production only in highly specific branches of the agriculture where it had developed into a comparatively large-scale production. However, these branches, based for the most part on plantation farming, were usually integrated not with the overall national economy, but rather with the economies of advanced capitalist countries.

As for the rest of Indian agriculture, as present-day economic realities indicate, it is only when extraordinary circumstances arise within the context of the country's overall economic development that significant impulses develop which stimulate the integration of the agrarian capitalist structure with extra-rural capitalism. Some of the distinctive developments contributing to this process include:

1) A crisis in agricultural production which in the mid-60s caused profound disproportions in the national economy, as exemplified in acute shortages of food supplies and of raw materials for industry even within the low level of effective demand. As a result spasmodic fluctuations developed in the correlation of branch commodity prices, tipping the balance in favour of prices of agricultural produce. This phenomenon reflected the regressive shift in the overall branch value of agricultural products, in other words, the socially recognised costs of production became those on farms with a lower level of labour productivity than formerly.

2) A definite industrial complex formed in India capable of supplying the country's agriculture with fairly adequate quantities of modern means of production, and the requisite infrastructure was developed. All this prepared the techno-economic basis for the appearance and subsequent development of relatively large production units with their high level of labour productivity and, accordingly, lower costs of production.

Thus, there has been a significant widening of the gap between the social (overall branch) value and the individual values produced by individual capitals. As a result, capitals with an organic structure far superior to that of the "rank-and-file" agricultural capital have been capable of appropriating a sufficiently high volume of profit within agriculture. The agricultural rate of this profit is in any case not lower than that prevailing in large-scale industry; in fact, it even tends to exceed the latter. At the same time, and this is especially important, these "select" capitals in some cases, albeit with great difficulty, overcome obstacles erected by the landownership monopoly. Land for economic uses is obtained on the free market terms of lease, as, for instance, in the Punjab. Indian agriculture does not know, for all intents and purposes, the progressive income-tax system, while the modern means of production, made available to the budding capitalists by the government organisations, are subsidised from the state budget. This has considerably facilitated the appropriation of high profits by capitals with a high organic structure.

In this way the foundations have been laid in India's agriculture for the emergence of an up-to-date sector in the capitalist structure through the development of capital-intensive farming (the "green revolution").

As the intensive agriculture develops the integration of the upper echelon of agrarian capital with extra-rural capital enters a new phase: the process of reproduction within the first is increasingly reliant upon commodity exchange relations, transcending the narrow confines of the village community to become an organic element of the reproduction of national capital as a whole.

The progress made in capital-intensive farming against the background of the prevailing multistructural character of India's national economy is attended by the emergence of a whole range of new and old social contradictions in complex.

The "green revolution" as a process based on the production of exchange values (and those alone) is evident primarily in the removal of traditional natural-type relations from the country's agrarian economy, giving rise to progressive disintegration of the various forms of barter between village producers and the elimination of natural-type shells from relations of exploitation in the village community (for instance, the collapse of the jajmani system). Labour in consequence is freed from the system of traditional relations but this liberation deprives the great majority of propertyless people of the last residual "guarantees of existence afforded by the old feudal arrangements".* We might mention in passing that the first conflict situations subsequent upon the "green revolution" stem from the break-up of traditional institutions. The point is that the village poor cling to these institutions, seeing them as "social safeguards" and trying to preserve them from destruction by the leaders of the "green revolution", by wealthy groups in the village community who dominate the traditional hierarchy in the Indian countryside.

The social manifestation of this change is the intensive polarisation of the rural population along class lines. The

* K. Marx, *Capital*, Vol. I, p. 715.

traditional views on the interdependence of the exploiters and the exploited "are increasingly being replaced by new notions on opposing economic or class interests".* Indeed, the "green revolution" does not benefit the village poor. Rather it intensifies the inequality in income distribution. The growing level of personal consumption enjoyed by the rural elite serves to intensify "demonstration effect" reflected in the social mentality of the exploited as an imperative for the initiation of radical changes in their own consumption patterns. Hence new features have developed in the social behaviour of the propertyless. The traditional personal consumption pattern is regimented by historically constituted, fossilised life aspirations and is limited both in volume and range. It often takes the form of collective consumption and serves to conceal the gap between wealth and poverty in the Indian countryside. The "green revolution" reveals this gap by forming new life aspirations and widens it by intensifying the relative disparity in the incomes obtained by these or those groups. In this sense it manifests itself as a "revolution of growing expectations".

As a process resulting in a rapid growth of incomes on the basis of the capitalisation of the surplus product, the "green revolution" acts as a catalyst accelerating the separation of traditional peasants from their land. This displacement process is proceeding simultaneously along several directions. Differences are steadily growing in levels of land productivity between small cultivators who continue to farm with traditional methods, and those farmers who are able to use up-to-date technology (in the final analysis this is reflected in the rapid growth of incomes on large-scale modernised farms). As a result the ground-rent rates are being increasingly determined by the level of productivity on the best land cultivated by modern methods. In the Punjab, for instance, the rent rate for share-cropping leases has now risen to 70 per cent of the gross harvest compared to 50 per cent as formerly. In other words, in the "green revolution" areas the rich producers take the upper hand over the rural poor in the lease race. The ubiquitous spiral-

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* F. Frankel, "Agricultural Modernisation and Social Change", *Mainstream*, Delhi, Vol. 8, No. 13, 1969, p. 12.

ling of ground rent (and, as a consequence, of land prices) blocks the access of propertyless and poor peasants to the land. At the same time, the small-scale peasant property is being expropriated (to this date primarily through the mechanism of bondage relations) while the larger landowners are evicting small tenants from their lands on an increasingly mass scale. Thus, nascent rational capitalist farming is steadily gaining ground through land clearance, prompted not by the operation of the laws of commodity production, but rather by the pre-value relations. In other words, the sluggish evolution of capital into a mature developmental phase whereby social production undergoes radical change from top to bottom, relies on methods characteristic of the conservative trend in the development of capitalism.

The acute problem posed by the disintegration of the traditional structure as a whole, and by land clearance in particular, may be located in the fact that the "liberation" of the rural population from the conditions of labour is by no means accompanied by their adequate conversion into hired labourers ready for employment by capitalists. The "green revolution" at its present stage stimulates the demand for outside labour in consequence of a substantial increase in productivity per unit of cultivated land. But already this process is accompanied by a growing tendency towards the displacement of live labour from production as labour-saving devices and machinery are introduced into agriculture. And although the combined impact of these two conflicting influences is often manifested in a net increase in the employment of outside labour, the magnitude of this increase, taken as an equivalent of labour time, amounts to an insignificant part of the free labour time at the disposal of the "surplus" population in the countryside today. The introduction of agricultural machinery into intensive farming which is entering the phase of "self-sustained growth" portends in the near future the displacement of a considerable portion of live labour from agricultural production.

The "green revolution" in its capitalist form marks the extended reproduction of paupers rather than free wage-labourers. It drives masses of the rural dwellers, who drop out of the disintegrating traditional relationships, into the ghetto of small and very small production in the countryside, as a result of which the oversaturation of the village community with "surplus" labour power is intensified. At the same time, this prepares the ground for a massive exodus to the town of uprooted people joining the army of the urban lumpen-proletariat.

Within the social context of the present-day Indian countryside, the "green revolution" can follow only an "enclave" pattern of development; not so much because its mainstay—farming creating surplus product—is here maintained on a limited scale, but because the progressive development of the commodity form of reproduction is inhibited owing to the vast spread of the vertical system of relations within India's agrarian economy, which is particularly true of the vast small-scale producer sector. The enclave pattern of development is also attributable to the fact that in many areas of India the type of commodity relations and commodity exchange essential for getting the "green revolution" off the ground have not yet been created and the rural working population has not developed the requisite agronomical know-how and production skills and ability.

For this reason the "green revolution" has a chance to develop in those parts of India and in those social sectors of her agricultural economy which are more fortunate in having the minimum of economic requisites necessary to initiate the "green revolution". But even within the long-term historical perspective (unless profound agrarian changes are made) the socio-economic front of the "green revolution" will continue to be rather narrow. Under the impact of the "green revolution" the basic structural elements of the future agrarian order in India are emerging in more or less clear focus. These elements include comparatively limited enclaves of capitalist production in a position to modernise their technical inventories and boost labour productivity, enclaves supplying the bulk of marketable agricultural produce. They constitute the dynamic "centre" of agricultural development. At the other end of the scale there is the agricultural "periphery" exploited by the worst methods, expropriated and bled white, a "periphery" composed of small and smallest producers. These constitute a vast reservoir of pauperism and despair, and at the same time inexhaustible source of cheap hired labour for the capitalists.

The development of a highly productive sector of agrarian capitalism carries a charge of immense destructive power. This means that by degrees the law of the predominance of large-scale over small-scale production is emerging in India. The impoverishment of small producers under the impact of the law of value may assume significant proportions in the near future—when the supply of agricultural products to the domestic market reaches the level of the slowly growing effective demand, when capital of a high organic structure gains control of the key positions in agriculture and, last but not least, when the high government support prices, which have so far prevented competition between large-scale and small-scale producers, are reduced.

This threat facing small producers is increasingly looming on the horizon. The commodity hunger, the changing relationships of commodity prices to favour agriculture coupled with the growing output of up-to-date farm machinery and materials have combined to prepare the ground for a mass offensive on the countryside by urban capitalists, who can only entrench themselves in rural areas by expropriating the land owned by individual peasants and village communities. Ever since the latter half of the 60s monopoly capital in India has been trying to make inroads in agriculture. As this offensive gains momentum, small producers who are still groaning under the yoke of pre-capitalist relations will be increasingly encountering this new and omnipotent force.

The dialectic of the present situation lies in the fact that the more successful the progress of the "green revolution" in its present socio-economic pattern of development and the sooner will it resolve the urgent problems of boosting agricultural production, the more acute will be the resultant problem of the future of small producers in the countryside.

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Marx specified two different historical periods in the process of "capital becoming capital". The formative process of capital "is the *dissolution process*, the *parting product* of the social mode of production preceding it". During that period capital "is the sediment resulting from the process of dissolution of a different social formation ... not the product of its own reproduction, as is the case later". Conversely, during the last stage labour "becomes *free* labour" and "its conditions" are "converted into *capital* and confront it as such". Here "capital *is taken for granted*, and its existence and automatic functioning is presupposed". This prerequisite, "like wage-labour, is its continuous presupposition and its continuous product".*

This proposition of Marx's is of great importance for understanding the historical stage reached by agrarian capitalism in India. The preliminaries of capital as a dominant force are to this day emerging not under the aegis of capital itself, but through the operation of property relations which have historically preceded the birth of capital, namely, through money wealth in the form of money-lending and merchant capital, reinforced by landownership, which has not yet assumed the "purely economic form", is still clothed in "all its former political and social embellishments and associations, ... all those traditional accessories",** and which manifests itself as an "antiquated superstructure".*** It is from this source that capital obtains the bulk of the labour it exploits. Furthermore, the volume of the surplus product subject to appropriation by capital is limited (since the productive power of labour, determined by live labour, is limited), and so the extended reproduction of capital can and is being maintained predominantly by reliance on extra-economic coercion, the employment of which makes it possible to transfer part of the means of sustenance available to the working population to the surplus product fund. It is precisely this dual manifestation of the inability of capital to reproduce itself (in the sense Marx indicated) which demonstrates that to this time its development within India's agrarian economy is at the primary stage. The corresponding social form of capitalism was defined by Lenin as "semi-feudal capitalism",**** characterised by the broad adaptation of the "old", preceding mode of production to the "new", capitalist set-up. It is that

* K. Marx, *Theories of Surplus-Value*, Part III, Moscow, 1971, pp. 491, 492.

** K. Marx, *Capital*, Vol. III, p. 618.

*** V. I. Lenin, *Collected Works*, Vol. 16, p. 121.

**** Ibid., Vol. 19, p. 377.

kind of capitalism where the old extra-economic relations of domination and subjection are being adapted to the new environment.

In recent years agrarian capital in India has been attempting to use the "green revolution" with a view to breaking away from the "vicious circle" of circumstances which prevent the extended reproduction of capital, through normal economic relations. But even if it succeeds in individual areas, it can do so with the strong support on the part of the state whose property thus becomes the regulator and, potentially, the limiting factor of the pattern of capitalist agrarian development.

Two basic trends emerged in the course of the struggle for resolving the complex of acute agrarian contradictions. The first is to replace the functions of the private sector in a number of economic spheres by the functions of government institutions and, to a lesser extent, to substitute private exploiter property for state property. The second is to dissolve private property under the impact of democratic movements. In this respect the changes that have occurred in the socio-economic life of India in the late 60s and early 70s are highly significant.

These changes have primarily affected the "tertiary" sphere of the national economy. In nationalising the country's major banks, that vital nerve of the economy, the government and its economic sector have thus acquired a new and powerful lever for directly influencing the country's economy, including agriculture. Potentially this action promises well for the creation of more favourable conditions for subsequent social transformations which will affect the entire fabric of Indian society.

There is also a growing trend to establish state monopoly in the system of rural commodity circulation. State monopoly is thus expected to represent a "negation" of the private monopoly of speculative and merchant capital.

At the same time the government is going to intervene into the "primary" sphere of the national economy (this process partly began in the 50s when the feudal hierarchal structure was done away with in the zamindari areas). The agrarian legislation passed in the State of Kerala in 1969 indicates that the government can become a direct agent of agrarian relations, thereby substantially transforming the landownership system, primarily by undermining the socio-economic power of the big landowners.

At the present stage of India's economic development, the nationalisation of several links of her private exploitative property is necessitated by the requirements of the country's social progress. The trend towards nationalisation has been brought about above all by the class struggle waged by the exploited millions of the Indian people.

CHAPTER THREE

INDUSTRIALISATION AND THE CHANGING PATTERN OF INDIA'S SOCIAL AND ECONOMIC SYSTEM

By now most political leaders in countries that have shaken off the colonial rule, and scholars belonging to different schools have recognised that industrialisation is one of the principal ways of resolving the basic long-term economic problems facing developing countries. They believe that modern industry will help switch the economy on to a new technological basis which, they expect, will boost labour productivity, reduce and wherever possible eliminate unemployment, increase national income and expand the internal savings. At the same time, different authors have widely varying concepts of industrialisation.

In Marxist economic literature, particularly in the articles and speeches made by Lenin between 1920 and 1923, industrialisation is treated as the basis for boosting labour productivity. Lenin wrote: "The raising of the productivity of labour first of all requires that the material basis of large-scale industry shall be assured, namely, the development of the production of fuel, iron, the engineering and chemical industries."*

At the same time Lenin believed it to be impossible to boost productivity in the economy as a whole through the development of heavy industry alone. He repeatedly emphasised the need for "reorganising and restoring both agriculture and industry on modern technical lines",** for developing

* V. I. Lenin, *Collected Works*, Vol. 27, p. 257.
** Ibid., Vol. 31, p. 289.

"large-scale machine industry and its extension to agriculture".*

Another aspect of the Marxist approach to the problems of industrialisation should be borne in mind, namely, the sequence of priorities in the development of individual branches of the national economy. Lenin attached paramount importance to the priority development of heavy and the electric power industries which form the basis for the industrial transformation of agriculture, a process that can take several decades to complete.**

So the Marxist concept of industrialisation can be summed up as follows: in the narrow meaning it is the establishment and development of the production of the means of production, while in the broad meaning it signifies the industrial revolution and the placing of the national economy on an industrial footing. At the same time the development of the production of the means of production and the task of completing the industrial revolution are regarded as the initial and final stages, respectively, of the overall process of industrialisation.

This approach to industrialisation was largely determined by the specific socio-economic conditions prevailing in the Soviet Republic. When the Soviet Union started to industrialise, it had a certain industrial potential including several heavy and light industries, transport and communications, technical know-how and a network of institutions training skilled personnel. In other words, there were certain prerequisites for building up and developing the heavy industries. Moreover, the country's vast territory and large population promised well for the expansion of the home market and at the same time called for the establishment of a diversified range of heavy industries to meet the market needs. Finally, industrialisation in the USSR took place at the time when the country was surrounded by the capitalist states threatening military intervention. These factors combined to determine the aims, trends and the order of priorities for the country's industrialisation.

A completely different situation obtains in most develop-

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* V. I. Lenin, *Collected Works*, Vol. 33, p. 49.

** Ibid., Vol. 32, pp. 187, 217.

ing countries today. Because of the backward socio-economic structure and relatively small population, many of these countries have rather limited home markets. What is more, under the scientific and technological revolution which has triggered a sharp increase in optimal production unit size these countries are unable to maintain economically efficient production of a wide range of producer goods. The international situation prevailing in the modern world enables most developing countries to avoid spending huge funds on the establishment of defence industries. This circumstance determines the character and trends of the model of industrialisation in these countries which differs importantly from the Soviet model.

Soviet economists have written many works which offer a theoretical analysis of the highly specific patterns of industrialisation in the developing countries. Two of these works have provided perhaps the most lucid exposition of the essential differences between the patterns of industrialisation in different developing countries (see S. I. Tyulpanov, *Ocherki politicheskoi ekonomii. Razvivayushchiesya strany* [Essays on Political Economy. Developing Countries], Moscow, 1969, and *Problemy industrializatsii razvivayushchikhsya stran* [Industrialisation of Developing Countries], Moscow, 1971). Soviet economists point out the many differences in the economic systems of developing countries and, as a consequence, the possibility of widely differing patterns of industrialisation in them, but believe that the general trend is towards industrialisation in the broad meaning. They also note that the initial stages in this process should be marked by changes of proportions in the structure of economy and acceleration of economic development rather than by the development of production of the means of production.

The distinctive features of the socio-economic conditions prevailing in developing countries and the ensuing methods of industrialisation have also been covered by Soviet official documents. As early as 1963 a memorandum submitted by the Soviet delegation to the UN Economic and Social Council emphasised that the top priority goal for industrialisation in developing countries is the creation of a diversified industrial base capable of substantially modifying their economic structures. The document treated industrial development as a major instrument for stepping up economic growth rate and for transforming the backward social systems.* There is no reason to challenge this premise if it is applied to the developing countries as a whole.

The majority of Soviet and foreign economists believe that only a few of the major developing countries could possibly introduce industrialisation approximating the Soviet pattern. They refer to the large territories and populations of these countries and to their relatively developed economic base capable of guaranteeing a sufficient demand for the modern means of production. The primary task in those countries is the establishment of heavy industries.

India, which was by the end of the colonial period among the ten biggest countries of the world in terms of population, mineral resources, the volume of industrial production, the length of railways, etc., stands out in the indicated group of countries. She had a relatively diversified network of institutions for the training of skilled industrial personnel and had qualified engineers, technicians and skilled workers. All this created the material prerequisites for industrialisation, while the needs of the country's national economy urged the priority development of heavy industries.

The special features of India's industrialisation may be seen in the fact that it is taking place in the context of a backward and multistructural economy, characterised by the predominance of pre-capitalist structures both in the numbers of employed and in the net product. Industrialisation and the general economic development exercise an impact on pre-capitalist economic structures, transforming and adapting them to the needs of capitalist development. At the same time the multistructural character and essential backwardness of the economy affect adversely the country's nascent industry. This is particularly evident if

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* See *UN Economic and Social Committee for Industrial Development. 3rd Session. Industrialisation As a Means of Development and Transforming the Economies of Less-Developed Countries*, EC, 5/L, 17, New York, 16.IV.1963.

we take their impact on the formation of the domestic market, the sequence in which the new industries are being established, the level and rate of their development, equipment and technology of production and its efficiency. The interplay of modern and conservative economic structures and tendencies has thus been a characteristic feature of the industrialisation of India.

Therefore, the study of India's industrialisation should encompass two sets of interdependent and interlocking problems—(1) the creation and development of modern heavy industry on the basis of large-scale state-capitalist measures and long-term economic planning, and (2) the impact on this process of numerous internal and external factors, notably the multistructural character of the economy and the proliferation of the lower structures. This chapter sets out to examine the special features of industrialisation within a backward and multistructural economy, and to identify the laws governing industrial development. We will attempt as far as possible to outline the developmental prospects facing Indian industry as a whole, and to identify the basis parameters of its growth.

It is of great theoretical and practical value to trace the laws governing industrialisation in a country as big as India. Besides, many of these laws, as well as factors inhibiting industrial development, spring from India's highly specific socio-economic structure and are not uncommon to other major developing countries now passing through a similar stage of social and economic transformation.

The present study draws extensively on official statistics. It should be noted, however, that Indian industrial statistics are incomplete and often make useful comparisons impossible, while the publication of statistical data is usually delayed. In some cases these statistics fail to reflect accurately the processes in question. For instance, the overall index of industrial production tends to overstate the growth rates of the country's mining industry and understate those of the manufacturing industries. In this situation we have been forced to resort to our own estimates or use the data provided by the periodical press which are sometimes inaccurate. This circumstance has reduced the reliability of the resultant calculations. Nonetheless we hope that on the whole we have succeeded in providing a fairly accurate picture of the basic trends.

A detailed study of industrialisation calls for a full consideration of the basic processes occurring in a country's economic, social and political life. An individual researcher can cope with this task provided he limits the range of problems to be examined. Needless to say, the skipping of some of the feedback should not be allowed to affect the depth of analysis. Therefore we have confined ourselves to examining only the economic aspects of processes occurring in Indian industry, with due account being taken of the influence exercised on industry by other economic sectors.

Indian Industry on the Eve of Independence

By the time India gained political independence the country's industry was dominated by the lower forms of production, both in terms of the number of employed and the volume of net product. These lower forms comprised subsidiary cottage industries, formally independent artisan production, and manual establishments, which accounted for some 60 per cent of the industry-generated net income and about 75 per cent of the total number of persons employed in industry.

Historically two groups of pre-factory, small-scale industrial production have developed in India. The first group of producers, located in the towns and cities, served the needs of the feudal lords, their entourage and armies, and in addition supplied the external market. This group of industries, engaged in producing top-quality goods, was largely ruined during the British colonial rule, as a result of the removal of the country's feudal authorities from their positions of power, monopolisation of foreign trade, prohibitive customs duties on the import of certain Indian goods to the metropolitan country, etc.

The second group was represented by artisan production maintaining close ties with agriculture within the framework of the village community. Chapter One presented a detailed examination of the reasons for the preservation of links between artisan production and agriculture in the colonial period, so here it suffices to mention that these links were disrupted unevenly. The links between craftsmen, engaged in the production of consumer goods, and agriculturists began to be disrupted during the pre-colonial period, and this laid artisan industries open to the onslaught of factory competition. At the same time the continued existence of backward relations of production within agriculture, the key branch of the Indian economy, bolstered the traditional character of the reproduction of the means of production. Naturally, goods of the traditional type could only be supplied by village artisans. In other words, there was a direct connection between the continued existence of backward relations of production within agriculture and the persistence of the lower forms of industry. Besides, village artisans worked within the traditional structure, and were closely connected with agriculture through extensive traditional, and often extra-economic, bonds. Finally, with the growing pressure on land in the colonial period there was a steady expansion of natural-type cottage industries. These factors, taken together, reinforced the immunity of the lower forms of production to competition on the part of factory industry.

Nonetheless, a series of significant changes developed within small-scale production under the impact of competition offered by the imported goods, the growing burden of taxes, exploitation by traders and money-lenders, and the development of capitalism. First, those industries characterised by particularly low levels of productivity or by an extremely low product quality, were ruined. Second, artisan industries were disintegrating and the craftsmen concerned were forced to operate as cottage labourers in the service of local capitalists or to go to manual establishments as workers. Third, the development of factory industry and of railways, together with changing tastes, preferences and needs, created a demand for the new types of goods and services offered by the small-scale industries. The lower forms of industry meeting the new demand were set up on the capitalist basis.

The Indian population censuses (though they lack sufficient comparability and have repeatedly changed the system of classifying the gainfully-employed population) show that in the last three decades of the 19th and in the first decade of the 20th century, the number of people employed in the lower forms of industry progressively declined. Between 1911 and 1921 employment within this sphere remained static. Between 1921 and 1951 there was an absolute expansion in employment levels within these forms of industry. This meant that the first stage was marked by a ruination of medieval artisans and particularly of urban craftsmen, a process not compensated by the growth of modern types of production.

In the subsequent period, with the continued development of capitalism and the extensive expansion of village artisan industries (due to population growth, the numerical increase in the number of peasant households, etc.), these processes began to taper off. After the First World War the expansion of the lower forms of industry on a new capitalist basis apparently fully compensated for production decrease within traditional forms.

Towards the end of the colonial period the industrial revolution in India was not approaching its closing stages even in industry (the sphere of small-scale production even expanded in absolute terms), but within the lower forms of industry the share of capitalist forms grew steadily. Capitalist reorganisation particularly affected small-scale industry in the urban areas.

The continued and widespread existence of the lower forms of production exerted a telling impact on the growth rate and structure of factory industry in India. Since the lower forms served primarily the reproductive needs of the peasant households the marketing of heavy industry products experienced great difficulties. The increasingly irregular pattern of peasant demand for consumer goods entailed the progressive ruin of certain types of artisans specialising in the production of such goods; this, in turn, promoted the penetration into the rural areas of competitive factory-made goods, notably cotton textiles. Thus, the differences in the position of individual groups of village artisans were a major factor determining the establishment and development rates of the factory industries. In these circumstances the best opportunities for expansion were available to the light industries, while the development of heavy industry was retarded by the absence of market outlets (this trend was reinforced by a number of other factors to be discussed later).

Within large-scale organised industry, mining was the least developed, accounting for a mere 5 per cent of the gross value of industrial production. In addition, the manufacturing and mining industries had extremely tenuous links since the bulk of mining output was exported, was consumed in transport, or went into personal consumption. This situation was largely created by the structure of the manufacturing industry itself.

The light industries predominated within the manufacturing industry. They accounted for about 80 per cent of the gross value of industrial production, the cotton textile industry contributing 40 per cent of the total. This shows the glaring disproportion that existed between heavy and light industry in India. Although during the general crisis of capitalism, particularly during the Second World War, the development of the Indian heavy industries accelerated somewhat they failed to meet internal demand either in quantity or range of product. On the whole the imports met roughly a quarter of the total demand for modern industrial goods. Its share was incomparably greater within the producer goods sector.

Towards the end of the colonial period, Indian industry had reached a stage of development where the use of machines was primarily dependent on the price of labour. The overall economic backwardness of India coupled with sluggish development and the existence of a huge army of fully or partially unemployed combined to determine the extremely low price of labour. Industrial equipment was costly both relatively (due to the cheapness of labour) and in absolute terms (by virtue of the monopoly exercised by foreign suppliers, weak infrastructure, etc.). For this reason, manual labour was widely used within Indian industry both on auxiliary and basic operations. As a result industrial productivity was only a fraction of that in advanced capitalist countries. It should also be noted that plant and equipment in most modern light industries were worn out because the unfavourable market situation on the eve of the last war and the difficulties involved in the import of goods during the war prevented these industries even from maintaining normal renewal of the fixed capital. As a result in 1947 the gross output per worker in Indian manufacturing industry was only a fifth of what it was in Britain, while the net product was even less.*

Foreign and primarily British capital was able to gain strong positions in the relatively backward Indian industry. Calculations show that in 1947 foreign firms owned 8.4 per cent of the enterprises in the organised manufacturing industry, which employed 24.3 per cent of the total manpower. The colonial administration owned 4.7 per cent of enterprises and employed 10.6 per cent of manpower, respectively.** If we exclude the colonial administration's enterprises whose output did not reach the free market, private foreign enterprises accounted for about 25 per cent of the total output of Indian industry. Over half of that was exported.

India's organised industry was characterised by a high level of production concentration, which was not less than in most West European countries in the proportion of workers concentrated at enterprises with more than 1,000 employees. Indeed, between 1910 and 1940 this group of enterprises accounted for about 5 per cent of all enterprises and for 53-56 per cent of those employed in India's organised industries. However, in the opening decades of this century relatively small-scale organised industries (production units employing 20-30 workers) began to develop at a brisk pace under the impact of the rapid development of capitalism (see Table 8).

Thus, in the space of thirty years the number of industrial enterprises increased by 150 per cent while their combined manpower doubled. The number of small industrial units

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* Calculated from *the Second Census of Manufactures in India, 1947*, Calcutta, 1948; *Annual Abstract of Statistics 1938-1948*, London, 1952.

** Calculated from *Large Industrial Establishments in India, 1947*, Delhi, 1952; *Thackers' Directory of the Chief Industries in India, 1948*, Calcutta, 1950; *Calcutta Stock Exchange Year Book*, Calcutta; *Kothari's Investors' Encyclopedia*, Madras; *London's Stock Exchange Official Year Book*, London; *India Investors' Year Book*, Calcutta; *Madras Stock Exchange Year Book*, Madras; *Bombay Investors' Guide*, Bombay.

Table 8

The Number of Small-Scale Industrial Units in India*

Year	Small units		All industry		Proportion of small units	
	Number	Employed, '000	Number	Employed, '000	Number	Employed, '000
1917	538	12.9	4,827	1,293.1	11.1	1.0
1929	1,354	34.2	8,012	1,799.3	16.9	1.9
1939	1,579	50.8	8,973	2,086.9	17.6	2.1
1947	2,990	83.4	11,961	2,690.6	25.0	3.1

* "Large Industrial Establishments in India", 1917, 1929, 1939, Calcutta, 1947, Delhi.

Note: In 1917 data on tea and rubber factories were left out of account. In 1947 no data were provided on the number of workers at 1,734 small enterprises. The data above cover only reporting factories.

and their manpower increased more than sixfold. Apparently this trend reflects the steady growth of capitalism from below.

The development of the Indian factory industry was not preceded by the establishment of early capitalist forms of production, and this left a deep imprint on the formation of different classes in India's bourgeois society. The industrial bourgeoisie developed predominantly from the traders and money-lenders, who for a long time regarded industry as an adjunct of their basic activities within the sphere of circulation. This determined both the Indian bourgeoisie's social mentality and specific methods of running industrial enterprises. These methods were reflected in the proliferation of such specifically Indian organisations as managing agencies or the sole selling agents, etc. All this reflected a process whereby industrial capital was subordinated to trade capital.

India's factory proletariat was made up of people who had not even gone through the initial stages of capitalist labour. This brought into being such worst forms of exploitation as extra-economic attachment of the workers to their particular industrial unit, indirect forms of employment (through the contractor), advance payments, etc. On the one hand, this worsened the labour sale conditions and tended to increase the level of exploitation, while on the other, it slowed down the formation of a stable labour force. Moreover, the predominance of pre-capitalist relations of production in the Indian economy as a whole developed a situation in which the production of absolute surplus value was the basic type of exploitation of factory workers.

The picture of Indian industry would be incomplete without taking full account of the impact of the country's partition on the industrial situation. After India had been partitioned into Pakistan and India proper, the country's industry lost a considerable proportion of its market outlets and together with it, the sources of some basic raw materials. It also lost part of the skilled labour because of the emigration of Moslem workers. A number of industries, accounting for 66 per cent of total industrial production, suffered in one way or another as a result of the partition.

In evaluating the impact of partition on Indian industry one should distinguish between short-term and long-term repercussions. The loss of markets and of part of the skilled labour should be classed as a short-term consequence if only because rapid population increase and the existing network of institutions training industrial personnel were able to overcome the negative impact of this consequence in a relatively short time. The long-term repercussions include the loss of sources of raw materials. As is known, the lower economic structures take a rather long time to respond to changes in the market situation. Besides, natural and climatic conditions and, in some instances, traditions hindered the increase in the output of requisite types of raw materials. What is more, the chronic food shortage coupled with rising food prices spurred a rise in prices of agricultural products. As a result, India was heavily dependent on the imports of cotton, jute, oil-bearing crops, etc., while the potential for expanding exports reduced. Of no less importance in this context was the fact that the similar sectoral structure of India's and Pakistan's economies compelled the two countries to develop parallel, rival branches of production. Therefore, as early as the late 50s India and Pakistan competed at markets of many traditional commodities, which decreased the effectiveness of their exports.

Within India's multistructural and backward economy modern industry held a peculiar position in the social division of labour and capital reproduction. Colonial and semi-feudal types of exploitation contributed to the perpetuation of the lower structures and reinforced the traditional character of reproduction within the pre-capitalist structures. The latter was largely based on the output of the artisan and handicraft industries, which meant that an independent reproduction cycle was maintained within an extensive sphere of India's national economy.

The involvement of India in the international division of labour, coupled with the progressive development of commodity-money and capitalist relations contributed to the erosion of the above cycle of reproduction. But the lower structures were unable to use modern means of production because of the antiquated production relations, low rates of accumulation and a lack of technological know-how. Therefore, in the colonial period the erosion of pre-capitalist types of reproduction and the penetration of modern industrial goods into the lower structures was based primarily on the developments in the consumer goods sector. In other words, the lower structures were involved in the capitalist reproduction cycle primarily through the reproduction of variable capital. It was precisely this sphere of the country's economy that became the scene of cutthroat competition between mechanised industry and the artisan production.

Despite its undisputed advantages, the factory made a rather small contribution to the supply of consumer goods to the lower structures at the time India gained her political independence. The 1952 survey shows that 45 per cent of the total consumption in the rural sector was not covered by cash relations;* in other words, this proportion was met by the supply of goods produced in the peasant's household, or else through the medium of direct barter with the artisan.

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* See *Report of the Taxation Enquiry Commission 1953-54*, Vol. I, Delhi, 1955, pp. 63, 65-66.

Obviously consumption not regulated by money relations cannot include modern industrial products. The surveys of consumption patterns also reveal that a considerable proportion of the peasants' cash expenditure went to the purchase of goods produced in the small-scale industries.

In these conditions mechanised industry did not exercise any appreciable impact on the reproduction of constant capital in the lower structures, and failed to play a decisive role in the reproduction of variable capital. Thus, at the time India gained independence, modern industry was unable to exercise a significant influence on the traditional cycle of reproduction in the country's lower structures. As a result two parallel cycles of reproduction remained: pre-capitalist (within the lower structures) and capitalist (within the capitalist structures).

It would seem that with the insignificant proportion of the capitalist economic structures, modern industry should be able to fully ensure the maintenance of the reproduction process within them. The reproduction of variable capital was maintained more or less normally because about 80 per cent of the total value of gross industrial production was accounted for by consumer good. But, then, a considerable proportion of the output in the light and food industries was exported and a certain amount was consumed within the lower structures. This explains why India's light and food industries failed to meet the requirements of the capitalist structure in the range and quantity of goods. A manifestation of this deficiency was the import of many types of consumer goods and the consumption of small-scale industries' goods by workers employed in the capitalist structure. Nonetheless, local industry participated in the reproduction of variable capital in the capitalist structure to a far greater extent than in the lower economic structures.

A somewhat more complex situation prevailed in the reproduction of constant capital. With the total of capital investment in the capitalist structure estimated at Rs 37,000 million in 1951, the gross value of heavy industry output amounted to a mere Rs 3,700-3,800 million a year.* In other

* Excluding repairs, consumer durables and electricity.

words, in terms of value the heavy industry output was roughly equal to the extent of annual depreciation allowed by Indian legislation. This meant that given the existing output level for all types of producer goods, the capitalist structure could only maintain simple and not extended reproduction (in terms of value). When we examine the physical structure of the resultant output we will see that heavy industry was even unable to maintain simple reproduction because its output largely consisted of the objects of labour.

In consequence the reproduction of social capital (constant and variable) in the Indian industry and in the capitalist structure was not maintained on an internal basis, but had to be mediated by the country's foreign trade, by its links with the world—and primarily with the British—market. Herein lies one of the basic reasons for the Indian industry's backwardness in the colonial period.

Thus, under British colonial rule the plurality of economic structures was retained and modern industry had tenuous connections with the other structures. In turn, this retarded industrial growth, making it sluggish and lopsided. A vicious circle was thus created: capitalist integration of India's economy could only be achieved through a further development of the social division of labour and the completion of the industrial revolution, but the plurality of structures impeded the development of the heavy industries which could alone ensure the eradication of these structures. No individual shifts and developments on the industrial scene (e.g., setting-up of certain large-scale enterprises in key industries or the growing influence of Indian entrepreneurs) could do much to overcome the essential backwardness of the Indian industry during the period of colonial bondage.

Finally, the correlation of forces within the country's economy determined to a considerable extent the methods of resolving conflicts between the foreign and national bourgeoisie. It was precisely the control of the government apparatus that enabled the British bourgeoisie to push Indian capitalists into the background although the latter were far stronger directly in the sphere of industrial production and on the domestic market. Therefore, the economic contradictions between the Indian and foreign bourgeoisie inevitably developed into political confrontations. These conflicts could only be successfully resolved by toppling British colonial domination, since foreign financial capital, as long as it maintained its political domination, posed a serious obstacle to the further development of national capitalist entrepreneurship in India.

General Strategy of Industrialisation

Of all the developing countries, India has probably the most powerful national bourgeoisie. Since so many landlords, rajahs and other representatives of the old feudal classes still remained and since the position of foreign capital was strong, the only way for the national bourgeoisie to consolidate its power as the ruling class was by accelerating the development of modern capitalism. This fact brought industrialisation to the fore.

The policy of the British colonial administration heavily influenced the attitude of many classes and strata of the Indian society to industrialisation. As is known, up to the early 1920s the colonial administration opposed any measures designed to protect local industry from foreign competition. In the subsequent period, however, colonial authorities' policy became more flexible and allowed protectionist measures for individual branches of local industry. This was accompanied by direct extra-economic measures to prevent the setting up of enterprises in some heavy industries.*

The Second World War forcefully demonstrated India's unpreparedness for meeting domestic demand or supplying the army with the requisite industrial goods. The British colonial administration was therefore compelled to encourage the development of, and actually to start building, industrial enterprises in heavy industries. This policy promoted

* See D. R. Gadgil, *Industrial Evolution of India in Recent Times*, Calcutta, 1948; M. Visvesvaraya, *Memoirs of My Working Life*, Delhi, 1960; *Report of the Fiscal Commission 1949-50*, Vol. I, Delhi, 1956.

the belief that the country's economic progress was only feasible on the basis of industrial development, with strong emphasis on the heavy industries.

These factors contributed to the entrenchment of ideas of industrialisation. Interestingly, already in the early stages of her industrialisation, India placed emphasis on the priority development of heavy industries, primarily the manufacture of producer goods. Since the achievement of self-sustained economy was the basic goal of the country's industrialisation, the principal thrust of industrial development was the development of import-substitution industries. This approach made industrialisation easier as it protected the country from the pressure of foreign competition and stimulated the organisation of the marketing system. However, the emphasis on the development of import-substitution industries inevitably led to an underestimation of the exports sector—this in a situation where the need for foreign exchange grew sharply.

The concept of industrialisation also took account of the predominance of the lower structures in the country's economy. The rapid industrial transformation could quite conceivably aggravate all the country's socio-economic problems. In view of all this the country's industrialisation presupposed not the completion of the industrial revolution in the economy as a whole, but only the organisation of the system of reproduction on a national basis in the capitalist sectors.

What is more, it was intended to achieve an expansion both in absolute and relative terms within the sphere of small-scale non-mechanised production. In other words, for a long time the coexistence and simultaneous development of both sectors of the economy—based on mechanised and manual labour respectively—was regarded as inevitable. Such was the dual specifically Indian model of industrialisation which characterised both the concept and the practice of industrialisation. This was also the factor that determined the slow effect of industrialisation both on the increments in the social labour productivity and on the transformation of the social structure.

One other component of the Indian concept of industrialisation was the idea of a mixed economy, i.e., coexistence and interaction between the public and private sectors. Since the industrialisation of India's backward and multi-structural economy ran into a series of problems—shortages in financial and material resources, dependence on the world market and foreign technological know-how, the narrow domestic market, etc.—its further progress depended heavily on the government's active participation in industrial construction. It was considered to be the government's task to establish and develop many heavy industries. The private sector was also to play an important part in setting up new industries, equally relying on the national and foreign private capital. It was thought that the broad participation of private foreign capital would make it possible easily to obtain financial and material resources and the desperately needed technical know-how.

In the new situation the government's economic functions had to be considerably extended to include: direct entrepreneurial activities within the more backward sectors of the economy; assistance to the private sector in industrial construction, and protection of that sector from foreign competition; co-ordination and regulation of development among the various branches of the private sector and the proper organisation of interaction between the private and public sectors. In other words the idea of industrialisation was closely bound up with the concept of sweeping state-capitalist measures. In a sense industrialisation was conceived as the direct result of government intervention and participation.

It followed from the contemplated strengthening of the government's role that planning would have to be introduced. Incidentally, the need for planning for purposes of industrialisation was recognised by Indian political leaders as early as the late 1930s. Many other factors contributed to the close link between industrialisation and planning, notably the recognition by society (or at least by the ruling class) of the need to step up the development of the national economy and change its sectoral structure, the understanding of the nature of economic processes and of the tasks that arose during the transformation of the country's backward economy, and the degree of India's involvement in worldwide economic processes.

Characteristically, many Indian political leaders and economists saw industrialisation as a comprehensive process affecting other sectors of the economy. It was believed that industrialisation would call for the redistribution of material and financial resources, for the development of sectors producing and consuming producer goods, for changes in the relationships with the world market, etc. Hence the universal character of Indian planning, which covers all the key economic sectors. This is what distinguishes Indian planning from that in many other developing countries where development programmes were worked out only for an individual industry or sector.

A detailed and comprehensive economic policy was worked out to carry the above concept into effect. It envisaged, among other things, the reservation of certain industries for small-scale production and for private (organised) and public sectors, the establishment of special government organisations to support private entrepreneurship, and measures to mobilise financial resources. Naturally, this policy was repeatedly re-examined and specified as economic development as a whole, and industrial development in particular, gained momentum. The changes and adjustments are best reflected in the country's five-year plans.

Thus Indian concept of industrialisation was characterised by the following specific features: a) industrialisation as a process transforming only the modern sectors of the economy; b) outstripping rates of development for heavy industry; c) the government's leading role and the retention of the strong positions for the private, including foreign, capital; d) planning of industrialisation; e) the retention and even expansion of small-scale capitalist and small-commodity industrial production.

Thus, the Indian concept of industrialisation substantially differed both from the Western model and from the Soviet concept of industrialisation. It differed from the former by the sweeping state-capitalist measures and by the strict sequence of priorities in the development of Group I and Group II industries, while it differed from the latter by its socio-economic character (including the nature of ownership of the means of production) and goals, as well as by the limited extent of the tasks involved in the technical re-equipment of several industries with up-to-date means of production.

The question arises as to what extent the Indian concept of industrialisation corresponded to Indian realities. If one proceeds from the fact that industrialisation is the principal link in the chain of economic problems facing the country, one should find out what the minimal prerequisites are for the realisation of the Indian concept of industrialisation. The experience of other countries indicates that there are at least three prerequisites: a) large accumulations required in the period preceding the creation of the backbone of modern industry; b) priority development of industries supplying the material elements of working capital, including consumer goods (notably food) and raw materials needed for the newly-established industries; c) a growing demand for producer goods. These basic sources of industrial growth proved to be insufficiently elastic in India, which determined the comparatively slow and halting tempo of industrialisation and which resulted in enormous expenditure.

Further, since the development of heavy industry did not rely on progress in other sectors of the economy industrialisation itself (contrary to expectations) failed to exercise a significant modernising impact on the basic low-productive structures, nor did it boost labour productivity, etc. The creation of a complex of heavy industries was to lay the foundations for the overall economic development, but under the coexisting mechanised and manual sectors this complex largely served and stimulated the modern structure and the more advanced economic sectors, such as industry, transport, communications and large-scale construction. The disintegration of the Indian economy explains the Indian theoreticians' differentiated approach to the various sectors and structures of the national economy, which to a certain extent obscured the understanding of the essential unity of the economy and the interlocking of its components. So, India's economic development was unbalanced and the gap between the higher and lower structures widened owing to the combined impact of the internal laws of growth of a multistructural economy and the obvious shortcomings in the elaboration of the theory.

The Role of the Government in Industrialisation

Although India has apparently developed the most influential national bourgeoisie among the developing Asian countries, it is much weaker than the bourgeoisie in advanced capitalist countries in numerical strength, financial power and structure. According to the estimates made by the Soviet economist S. Nadel, the proportion of bourgeoisie in the gainfully employed population reaches 3 per cent in the US, while in India it was barely 0.3 per cent at the end of the colonial period.

The Indian bourgeoisie was also characterised by relative financial weakness. The average income of all juridical and physical persons exceeded the national per capita income almost fifty-fold, but it amounted to a mere Rs 10,800 in the fiscal year 1946/47 ($ 3,300). In addition, capital concentration was relatively low. Joint-stock companies accounted for about 30 per cent of the total income of the bourgeoisie, while the bulk of profits, 70 per cent, came from the traditional forms of individual entrepreneurs, undivided families, registered and unregistered business firms.

But even such capital as existed was largely used within the non-productive branches of the economy. The primary sources of income included trade, finance, real estate, interest on bonds and securities, etc. During the Second World War incomes derived from the non-productive sphere grew markedly owing to an acute shortage of many types of goods and the operations of black-marketeers. In particular, the proportion of profits made by the bourgeoisie from trade grew from 26.1 per cent in 1940/41 to 35.3 per cent in 1946/47.* In other words, the capital resources of the national bourgeoisie were inadequate to meet the needs of industrialisation either in quantity or in quality.

The weakness of the national bourgeoisie compelled the Indian government to carry out a number of measures as the country industrialised, notably to stimulate private entre-

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* Calculations have been made on the basis of the income statistics which do not cover incomes derived from agriculture.

preneurship, regulate its activity, co-ordinate the development of the public and private sectors, and carry on government entrepreneurship.

There is a close connection between these sets of measures. For more detailed exposition we propose to analyse them individually.

Control can be defined as the implementation of an economic policy to ensure the normal process of reproduction through the medium of legislative and administrative measures. The control of economic development is a normal function of any modern state. The distinctive features of government control in India include its highly specific character under the country's multistructural economy, and the specific nature of industrial planning. It is precisely these specific conditions that determine the strength and weakness of government control in India.

In so far as control is based on the use of the laws of commodity-money and capitalist relations, it is only possible within those economic structures where these laws are already in operation, in other words, within capitalist structures. But even here the effectiveness of government control was limited due to the dissimilarity of the structures concerned, which involved such differing elements as the small capitalistic entrepreneur and the branch of a major multinational monopoly. Another limiting factor was the inability to maintain a large army of government officials to control the implementation of government regulations.

The situation was even more unfortunate in the lower, semi-natural and small-commodity structures where the operation of market laws was either limited or distorted by various remnants of the past. In these structures, government control was conspicuous for its ineffectiveness. Since in India the boundaries separating different structures largely coincide with those between different branches of the national economy, such key branches as agriculture, small-scale industry and retail trade were virtually outside the sphere of government control.

Finally, government control in India was marked by the predominance of a strong bureaucratic element. Repeated delays in the adoption of major decisions hindered and deferred the development of productive forces. Very often decisions were taken too late for them to fit the rapidly changing market situation. Not surprisingly government control was regarded in certain Indian quarters as the main reason for failures on the economic front.

In the context of these state-capitalist measures the capitalist structures proceeded to consolidate their economic positions. This did not fail to exercise a telling influence on the economy as a whole. First, capitalist development in India has not yet affected all spheres of the country's economy. The priority development of the capitalist structures accelerated the polarisation of the country's economic system with the result that to this day we observe the coexistence of most advanced and most backward productive forces and relations of production of capitalist society. Second, government control lagged behind the rapid changes affecting the country's economy. Nor could it have been otherwise, since government control in industry alone affects many different elements, ranging from cottage industry to monopolies.

Of no less importance was the fact that the forms of control were adequate only to "normal" capitalist development. Any deviations from the established mode of capitalist development invariably posed obstacles in the path of the system of government control, thereby reducing its effectiveness. In this context the influence of accelerated industrialisation on the stability of the national economy was indicative. The transition to accelerated industrialisation in the mid-50s, which implied the departure from traditional capitalist methods of development, imposed special demands on control arrangements over existing material and financial resources, the distribution and utilisation of private incomes, the export and import structure, etc. But the transition to accelerated industrialisation was not accompanied by radical changes in the nature and methods of government control. For this reason, it could not prevent or even seriously restrict the emergence of spontaneous phenomena in the country's economy. Already in the late 50s there were signs of a foreign exchange crisis. In the early 60s inflationary tendencies were increasingly in evidence, accompanied by a steady build-up of surplus capacity in industry. Government control far from being able to cushion the impact of the economic depression in 1966-67, actually contributed to it. In other words government control, as it was exercised, was poorly adapted to the highly specific conditions of industrialisation.

As a result, ever since the mid-60s attempts to curb government control have been in evidence in India. On repeated occasions the level of new investments subject to licensing was raised, control over the issue of shares and debentures was lifted as was price control over certain types of goods. It was thought that economic development on the basis of market laws would be a more balanced process than in the case of all-out government control. In reality, however, the restriction of government control made an unfavourable impact on the functioning of the lower forms of entrepreneurship and at the same time improved the environment for large-scale capitalist undertakings. One consequence of this was a steadily widening gap between modern forms of industry and the slow-evolving spheres of the national economy. In turn, this widening gap exacerbated socio-political contradictions in the country which were subsequently partially resolved in the course of a series of democratic reforms implemented between the late 60s and early 70s.

Stimulation is a set of government measures aimed at expanding the scale and boosting the profitability of the private sector. These measures include customs protectionism, taxation and investment concessions, development rebate, the setting up of public credit-investment and sales organisations serving the private sector, purchases of goods at higher prices from the private sector and the supply of producer goods at reduced prices. A salient feature of the above measures was the fact that they were carried out through a direct reimbursement of funds from the state budget into the private sector, or through shifting the burden of the resultant expenditure on to the ultimate consumer. Thus, although all segments of Indian society are vitally interested in accelerating economic development and industrialisation, the class bias of government stimulation is increasingly in evidence.

A distinctive feature of government stimulation in India was that unlike government control it was from the very first designed to affect all of the country's industrial structures. What is more, within the lower structures government stimulation was more comprehensive and was conducted on more favourable terms, its primary goal being the capitalist and technical transformation of the lower forms of industry with a view to involving them in the single cycle of reproduction along with large-scale industry.

Among the many different measures aimed at stimulating private entrepreneurship a prominent role was played by the credit and investment system. Between 1956 and 1966 the private sector received from public organisations some Rs 8,700 million in medium- and long-term credits, subscriptions to the shares and other capital issues and guarantees on deferred payments. Besides, the increase in the short-term credits made available by the State Bank of India and its subsidiaries to finance the working capital of the private sector amounted to Rs 3,700 million.* This means that government resources provided for over 40 per cent of the total increase in private investments in fixed capital and some 20 per cent of the increase in working capital within the private sector. Consequently, government stimulation was one of the major factors contributing to the redistribution of accumulations among different sectors and industries and to the steady growth of private investments in industry. So it led to the overall expansion of industrial production.

However, while it facilitated industrial growth as a whole, government stimulation was able to influence the course of industrialisation only indirectly. Under capitalism most government finance and credit institutions can largely operate on a strictly commercial basis. That is the reason why financial institutions in India considered applications for the provision of credit and other types of financial support not only from the standpoint of correspondence to the goals of industrialisation, but also from the standpoint of the solvency of the applicants. As a result, the bulk of credits were made available to either comparatively well-established industries or those new industries which were

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* See *Report of Industrial Licensing Policy Enquiry Committee*, Appendices, Vol. IV, Delhi, 1969.

of secondary importance for the further progress of industrialisation. In other words, government stimulation was a catalyst accelerating the filling of the vacuum in the light industries by private interests and as a consequence it only stepped up the transition of the private sector to industrialisation *per se*.

The socio-economic consequences of government stimulation presented an equally contradictory picture. The principal role of stimulation consisted in the creation of a potential for further development. In this situation it was entirely up to the owners of the means of production to utilise this potential. Equally it was up to them to decide in what way and for what purposes this potential was to be used. Therefore government stimulation was most effective in the capitalist structures which possessed requisite accumulations and sufficient technological know-how and experience to ensure the profitable utilisation of the potential.

The situation in small-scale production was more complex. On the whole it has expanded markedly in the years since independence. However, government stimulation gave an impetus to the growth of capitalist relations in this sphere and aggravated the bipolarity of small-scale manufacture. On the one hand, semi-natural and small-commodity production stabilised and showed a slight increase chiefly through increments in the manpower rather than by boosts in labour productivity. On the other hand, favourable conditions emerged for the establishment of small capitalist production units on a mass scale and for the gradual evolution of the upper strata units into medium ones.

Even within capitalist industry government stimulation gave rise to qualitatively heterogeneous processes. It especially benefited Indian monopolies and the big bourgeoisie who possessed up-to-date technological facilities, collaborated with foreign business firms, and had a high credit potential and firm ties with the administrative apparatus. In particular, 73 groups of big and monopoly capital controlled over 50 per cent of the financial resources slated for disbursement from the public into the private sector between 1956 and 1966. As a result stimulation promoted the growth of the monopolies, effectively augmenting their economic and political influence. During the economic depression of 1966-67 the further strengthening of the monopolies affected the interests of the lower strata of the Indian bourgeoisie, exacerbated existing contradictions and intensified the in-fighting among the various strata and groups of the bourgeoisie.

Once industrialisation got under way the Indian Government could not afford to confine itself to stimulating the private sector alone. At the time of winning independence the Indian bourgeoisie was relatively weak both financially and technically and was unable to initiate effective measures to build up the country's heavy industries. Moreover, the need for additional resources and technical know-how, both of which had to be imported from abroad, threatened to perpetuate the dependence of Indian reproduction on the external market and foreign monopolies whose influence could then spread to industries that were emerging as a result of the industrialisation drive. These and other factors called for the establishment of public enterprises in several sectors of the national economy.

Faced with a pronounced imbalance between different sectors of the economy that the country had inherited from the colonial period, the government had to develop not only the infrastructure but also a number of areas traditionally dominated by private entrepreneurship (industry, construction, shipping and the sphere of circulation). In the early stages of industrialisation heavy industries suffered from energy and raw material shortages and from the absence of an established market. In this situation industrialisation could only proceed with the simultaneous development of a series of enterprises contributing to the building up of a fuel and power base, supplying raw materials, processing them into instruments and objects of labour, ensuring transportation, distribution, etc.

The expansion of government entrepreneurship exercised a telling impact on the entire course of India's economic development. For one thing, the vast scale (by Indian standards) of government investments in industry provided a powerful impetus to industrial development. Besides, large government orders served to substantially expand demand for both producer and consumer goods and this, in turn, served to accelerate the expansion of the private sector in industry. Second, the establishment of a diversified heavy industry within the public sector greatly improved the conditions for the conversion of cash accumulations into productive assets in the country. Indeed, in the late 60s the share held by public enterprises in the gross industrial output (excluding the electric power industry) exceeded 25 per cent, with the bulk of this total being accounted for by producer goods. Under chronic foreign exchange crisis public enterprises are beginning to have a decisive effect on the progress of industrial construction throughout the country. In other words, public enterprises have become a major factor in internal reproduction.

Apart from purely economic functions, government entrepreneurship aimed at identifiable socio-political objectives. In evaluating the policies of the Indian Government from the vantage point of these objectives one should take account of the special features of India's socio-economic structure, including the proliferation of pre-capitalist and transitional relationships. In the conditions of enormous agrarian overpopulation, the persistence of artisan and handicraft industries, etc., the early stages of the primitive accumulation of capital and capitalist accumulation as such, if allowed to take their own course, could give rise to serious social crises and conflicts. So government entrepreneurship had a certain beneficial impact on relationships within some social strata and contributed to political stability for a sufficiently long period.

Despite the great role of the public sector in the country's industrialisation, government policy of expanding it has been criticised because of the public sector's low efficiency which is usually understood as low profitability compared to the private sector. We believe that it would be altogether wrong to regard efficiency as a matter of profitability alone. Since the functions of the public sector are varied there should be several criteria for evaluating its efficiency. The major ones include mutually complementary criteria of macro- and micro-economic efficiency. The former manifests itself in a changing pattern of the branch structure of economy, the re-equipment of other sectors with up-to-date plant and machinery, in rising labour productivity on a national scale, etc. But at the same time a considerable proportion of the net value produced in public sector industry is realised outside the public sector. As a result, it is extremely difficult if not impossible to evaluate in precise monetary terms the actual share of public sector industries in the increase of the national gross or net product. The high profitability of the private sector is to a certain extent due to the redistribution of net value from the public sector into the private sector.

The other criterion is what is known as micro-economic efficiency (profitability). Although a high level of profitability can be achieved through reducing macro-economic efficiency it should still reach a certain level, otherwise intersectoral proportions will be distorted and the replacement of obsolete plant and equipment made more difficult. For a variety of reasons the profitability levels of public enterprises in India were very low. First, in the early stages of the formation of the public sector macro-economic efficiency was the overriding goal and it was held that public enterprises were not to bring either profits or losses. Price fixation policy was tailored accordingly. It was only when the public sector expanded to gain a dominant position in several branches of the economy that the emphasis was placed on making profits on a regular basis. Second, miscalculations and errors in planning usually have an adverse impact on profitability levels of industrial enterprises. Other inhibiting factors include a shortage of skilled personnel, still unresolved problems of enterprise autonomy and price fixation, red tape, etc.* Third, the low level of profitability is due to the fact that the value added by manufacture is realised at public enterprises not so much in their profits as in interest payments and excise duty on their products. The calculations carried out by one and the same method both for the public and private sectors show that the profits of public enterprises in the late 60s reached a mere 6 per cent of capital inputs.

By and large, the impact of state-capitalist measures on India's economic development and industrialisation was contradictory indeed. Admittedly these measures gave a rather strong impetus to the growth of accumulations in the national income and contributed to the redistribution of

* This problem is dealt with in more detail in relevant publications put out by The Public Enterprises Committee under the People's Chamber of Indian Parliament.

investments among different sectors. As a result, the volume of financial resources funnelled into modern industries grew both in absolute and relative terms, with Group I industries developing at accelerated rates. This signalled a transition to industrialisation proper and, in the final analysis, prepared the ground for boosting labour productivity throughout India's economy.

Another major consequence was a marked acceleration of capitalist development and the transformation of the small commodity structure. As a result there was a spectacular expansion of the small capitalist structure, particularly in industry, where there were even cases of merger of production functions of small and big entrepreneurs. In other words, capitalist reproduction began to play an increasingly greater role in the country's economy, in general, and industry, in particular.

However, by increasing the inflow of capital into industry the government could not effectively neutralise the spontaneous effect of the laws governing capitalist reproduction. In consequence, some of the industries were oversaturated with investments and some of the emerging enterprises ran excessively high costs of production. Co-ordination among the various structures in industry proved to be much too inadequate.

Under these prevailing socio-economic conditions industrialisation proceeded in the shadow of the continued heavy dependence of Indian economy on the world capitalist market and foreign monopolies. This explained the preservation of the non-too-favourable pattern of the division of labour between local and foreign producers, and the growing need for maintenance of import, for acquiring technical know-how, etc. Finally, extensive connections with foreign monopolies caused a steadily mounting outflow abroad of profits, interest on loans, royalties, etc.

These factors combined to make Indian industrialisation a costly proposition, indeed. To make matters worse, it entailed an enormous unproductive expenditure of social capital. Since industrialisation was largely financed through redistribution of the necessary product, by deficit financing, indirect taxation, etc., its heavy financial burden was increasingly shifted onto the shoulders of the Indian population. This, in turn, inhibited the expansion of the domestic market and slowed down the growth of industry.

The implementation of capitalist industrialisation within India's multistructural economy gave rise to a number of unfavourable socio-economic processes, notably the rapid growth of monopoly power. It was the monopolies that were in a position to use the entire range of government measures to build up their economic might and increase their influence over the country's economy and politics. The expansion of monopolies within a multistructural economy has inhibited capitalist development "from below". In the final analysis, this situation slowed down the industrial transformation of the economic basis and exacerbated social conflicts among the various classes and strata of Indian society. It seems reasonable to assume that the growth of monopolistic trends was one of the deep-seated causes of the political crisis that broke out in India in the late 60s.

The Changing Pattern of Industry

Up to the late 50s the scale of new industrial construction was largely dependent on the operations of private entrepreneurs. The sectoral capital investments were largely determined by the situation prevailing in light industry. When India gained independence the situation was none too favourable for the development of the established large-scale light industries. The domestic market had been all but cornered, the external market was the scene of cutthroat competition, while consumer demand grew very slowly. Besides, these established industries did not practically have the benefit of government support and the progress of many of them was deliberately restricted to stimulate small-scale production. As a result the growth rates within these industries merely kept pace with the natural population increase during the 1950s and 1960s.*

Far greater opportunities for expansion were available to those light industries which were either embryonic or nonexistent. These included the milk products, canning, bread-

* The only exceptions were the sugar and woollen textile industries whose rapid development was promoted by the consumers' changed tastes, growing export orders, etc.

baking, garments, paper and artificial and synthetic fibre industries. Their establishment was facilitated by the growing unevenness of national income distribution, the import substitution, the expansion of urban population, and by the changing pattern of consumer tastes and preferences. But the absolute size of the domestic market for the products of these industries was small and so they could not absorb a singificant proportion of the accumulations built up by the national bourgeoisie.

As the vacuum that existed in the new light industries was gradually filled, private capital began to be transferred to heavy industry (including consumer durables). In the late 50s this process quickened markedly with the substantial government investments in heavy industry and the changing pattern in the influx of foreign investments. The latter, because of increased protectionism and import restrictions, were also funnelled into heavy industry which markedly quickened its pace of advance.

In his analysis of the extended reproduction of social capital Marx demonstrated that in a capitalist economy the production of producer goods supersedes the output of consumer goods. This forms a basis for the priority development of heavy industry. The experience of the industrialised capitalist countries has shown that in the early stages of industrialisation the growth rates in Group I industries have been invariably higher than those in Group II industries, the maximum gap being 100-120 per cent. In India this gap was much wider. The ratio of heavy and light industries' average annual rates of growth was 1.9:1 in the first five-year plan, 3.3:1 in the second and 3.6:1 in the third five-year plan period.* The impression is created that the growth in the output of producer goods in India was but tenuously connected with the overall growth of industry and the demand for consumer goods. What was behind this enormous differential in growth rate?

First, industrialisation in India got under way about a century after the establishment in the country of mechanised industry, transport and communications. Therefore, substantial quantities of producer goods had to be supplied to

* Calculated from *Monthly Statistics of the Production of Selected Industries of India*, Delhi, 1952-1966.

meet depreciation requirements of the modern branches of the national economy. In the absence of locally produced goods of this type their demand had to be met by imports. Consequently it was precisely the wide gap between the demand for producer goods and the limited scale of their domestic production that created favourable conditions for the priority development of heavy industries. In other words, in the initial stages the growth of heavy industry could continue regardless of the growing demand on the domestic market, by displacing imported goods.

Second, the growing accumulations also contributed to the priority development of heavy industry. As is known the priority growth rate of heavy industry is dependent not on the level of accumulation in the national income but rather on an increase in the share of accumulations since this calls for a corresponding increase in the supply of producer goods to maintain the normal process of conversion of cash accumulations into productive assets. Between 1951 and 1965 the share of accumulations in the country's national income nearly doubled (and showed an increase of 170 per cent if we include foreign aid). Such a considerable growth in the rate of accumulations had as a consequence the priority development of heavy industry.

Third, the development of defence industries and the military build-up following the military conflicts with Pakistan and China also demanded priority growth rates in heavy industry.

Fourth, certain changes within the country's economy also proved conducive to stepping up the heavy industry's growth. In particular, state-capitalist measures in agriculture and small-scale industry increased the consumption of producer goods in these branches of the country's economy. Light industry also made greater demands on the products of heavy industry owing to the increasing replacement of natural raw materials by synthetic and man-made ones.

Finally, even the modern sectors of the Indian economy were characterised by obvious obsolescence of the fixed capital and an extensive use of manual labour. Since the re-equipment of these industries was based on relatively up-to-date technology and equipment it naturally boosted demand for the products of heavy industry.

However, the widening gap between the growth rates of heavy and light industries had to stop somewhere since productive consumption is always closely associated with personal consumption. As the vacuum created by import restrictions was being filled and the increase in the share of accumulations in the country's national income slowed down between 1961 and 1965, the high growth rates in heavy industry were increasingly constricted by the sluggish expansion of demand. The economic crisis of 1966-67 came as the culminating point of this development and led to a drastic depression in the country's heavy industries. It is reasonable to suppose that in the future the development of heavy industry will be dependent, to a far greater extent than ever before, on the following two factors: (1) expansion of consumer demand and (2) the growth in the marketing of producer goods in the lower structures, i.e., on the capitalist transformation of the latter. At the present time neither of these factors are conducive to the disproportionately high growth rates in heavy industry. The outlook for a significant expansion in the external market for the Indian heavy industry is also bleak.

For all the high growth rates in India's heavy industry its separate branches develop extremely unevenly, which has resulted in certain disproportions within heavy industry as a whole. First of all, the mining industry is trailing behind both the manufacturing industry and the electricity generation, and this at a time when it must keep pace with the growing demands of transport and construction, in addition to meeting the personal consumer needs.

Within manufacture, the iron and steel industry lagged behind its chief customer—the engineering industry. Besides, the iron and steel industry had to meet the needs of other sectors of the national economy. Finally, the building and ancillary materials industries lagged behind the Group I industries as a whole. Hydro-engineering and civil engineering also increased their demand for building materials, the shortage of which often held back the construction of many projects.

The electric power industry has maintained the highest growth rate of all of Indian industries. However, within the manufacturing industry itself a number of power-intensive industries were established and began to develop at a brisk pace. Moreover, many established enterprises went over from steam-operated engines to electric motors, the railways began to be converted to electric locomotion, and irrigation facilities in agriculture were increasingly equipped with electrically driven pumps. As a result of all this electricity scarcities developed in many areas and the availability of electricity for industry was reduced.

All these imbalances and disproportions have retarded the pace of industrialisation. First, they increased the capital intensity of production because a chronic shortage of certain types of producer goods made it difficult to use installed capacities fully and efficiently. Second, the uneven development of related and interlocking industries inevitably slowed down the freeing of industry from its dependence on the world market. Indeed, the disproportions between supply and demand had to be eliminated by imports. Imported goods were cheaper and this held back the increase in their domestic production.

At the same time, industrialisation and the uneven development of certain industries contributed to a fairly rapid change in the branch structure of Indian industry. Because of the sluggish growth rates in the mining industry its share in the gross output of organised industries declined from 4.4 per cent in 1951 to 4.0 per cent in 1971.* Since India gained independence her mining has been characterised by three basic processes: a lag in fuel-extracting industries compared to the primary raw material industries; the increased output of minerals for subsequent industrial processing, and a decline in the share of export-oriented industries. Thus the mining industry underwent changes as a result of which it was increasingly drawn into the internal reproduction mechanism. However, the specificities marking the growth of the manufacturing industry and its links with the world market were such as to slow down the output of those types of minerals that required thorough pre-processing before subsequent use. As a result India's mining industry is perhaps the weakest link in the reproduction system of Indian industry.

* Calculated from *Progress of Mineral Industries of India 1906-1955*, Calcutta; *Statistical Abstract of the Indian Union 1971*, Delhi, 1973.

Far more drastic changes have occurred within the structure of India's manufacturing. First of all there has been a sharp contraction in the share held by the light industries in the net industrial output between 1951 and 1971 (from 65 to 31 per cent). Certain changes have also occurred within Group II itself: the share of the textile industry has declined, as has that of industries engaged in the primary processing of agricultural produce, while that of the food and many new industries (garments, furniture, paper, pencil, fountain-pen and umbrella-making), has grown substantially. This has reflected the diversification of the light industries in the new conditions.

During the last three five-year plans industrialisation has recorded a sharp growth in the overall share held by heavy industry; from one-third to two-thirds of the country's industrial output (in terms of value). At the same time the share of engineering, including metal-working, advanced from 5.4 per cent to 23.5 per cent, chemicals from 4.1 per cent to 10.7 per cent, construction materials from 3.5 per cent to 4.6 per cent and electric power generation from 3.5 per cent to 11.2 per cent.*

It should be noted, however, that the changes that have occurred within each of the above-mentioned groups of industries did not necessarily correspond to their absolute and relative expansion. First, the production expansion in many industries began with the output of consumer goods to meet the growing domestic demand. Therefore, the latter's share in total output is still very high. For instance, in the chemical industry and in the transport engineering consumer products account for over 40 per cent of the net output. Second, the new types of products are put out on the basis of extensive use of imported raw materials and intermediate products. On the one hand, this stands to increase the share of the heavy industries in the gross value of output, and, on the other, their impact on the internal reproduction mechanism proves to be far less than the above figures suggest. Finally, despite the relatively high proportion of the heavy industries India's reproduction is still dependent on the world market.

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* Calculated from *National Sample Survey No. 15. Report on Sample Survey of Manufacturing Industries 1951*, Delhi, 1958; *Monthly Statistics of Production of Selected Industries of India*, March 1973.

On the whole, during industrialisation great shifts have occurred in the branch structure of the Indian industry, bringing it closer to the industry of the advanced capitalist countries. However, most of these shifts have taken place within large-scale organised industry. If one takes Indian industry as a whole, including its lower forms, many of these changes do not look so impressive. Within the basic industrial groups the proportion of the consumer goods is still very high, as is that of repair and ancillary operations. Therefore, in terms of internal structure the basic groups of heavy industries such as iron and steel, engineering and chemicals, differ considerably from their counterparts in the industrialised countries.

In most of the advanced capitalist countries industrialisation began in a comparatively more developed and integrated economy. Therefore, practically all branches of material production had a substantial demand for up-to-date producer goods. In turn, industrialisation spurred the development of capitalism and facilitated the further capitalist integration of the economy, which ultimately resulted in industrial revolutions in all branches of the economy.

A distinctly different situation prevailed in India, where industrialisation got under way within a multistructural economy, where semi-natural, small commodity, small and large capitalist and state-capitalist structures coexisted and were closely interrelated. Moreover, the bulk of the population was employed in the lower economic structures which produced over half of the national income. Since the basic law governing the development of the lower structures is simple rather than extended reproduction, their demand for up-to-date plant and equipment and other heavy industry products remained relatively low. In addition their requirements did not go beyond the simple types of products since the enormous agrarian overpopulation and the extensive use of methods of primitive accumulation impeded the employment of up-to-date machinery and technology, even in the case of entrepreneurs who adopted capitalist methods of production. This explains why the lower structures in India stagnated at the preindustrial stage of development.

On the other end of the scale the large capitalist and state-capitalist structures, oriented towards world technological and technical standards in establishing new industrial enterprises, were the chief consumers of up-to-date means of production. In this situation the principal trend was the placing of the modern base under the reproduction within the more developed sectors and branches of the Indian economy, including large-scale industry, mechanised transport, communications, and, to a certain extent, trade and finance. This trend in Indian industrialisation brought about a major improvement in the quality of equipment and produced a steep rise in the levels of energy consumption within the more advanced branches of the Indian economy. As a result some industries and transport facilities approached world standards in terms of labour productivity.

Because of a variety of contradictory phenomena in different structures, the overall impact of industrialisation on the modernisation of India's reproduction mechanism varies from that in advanced capitalist states. Although industrialisation facilitates the capitalist transformation and integration of India's economy it has not amounted to an industrial revolution on a national scale. What is more, at the present stage industrialisation has given rise to sharp differences in the levels of labour productivity (under the existing socio-economic system) both in the upper and in the lower economic structures. This has impeded the balanced economic growth because the sphere of manual labour in India, far from shrinking, has in fact expanded. Productivity grew in modern mechanised production but it either stagnated or declined in manual production. As a result industrialisation has failed to appreciably augment labour productivity in the country's economy as a whole.

Special Features of India's Industrial Production Mechanism

When industrialisation got under way production facilities were weak in most Indian industries and so large-scale capital construction and the setting up of new enterprises on a mass scale became inevitable. In the manufacturing industry alone the number of registered enterprises grew from 20,100 to 66,100 between 1949 and 1968. Against this background two processes, somewhat atypical of the early stages of industrialisation, were in evidence.

First, the number of small enterprises—mechanised units employing from 10 to 50 workers and manual establishments with 20 to 100 workers—began to grow rapidly. Their proportion of the total of industrial establishments grew from 65.6 to 81.1 per cent between 1949 and 1966 while their proportion in the total industrial labour increased from 10.2 to 14.4 per cent, respectively.* As a result the average number of employed per enterprise declined from 145 to 72 over the period. This process occurred in all Indian industries, although in heavy industry it was less marked. On the one hand, this testified to the accelerating development of capitalism throughout the country and the quickened pace of the industrial revolution under the impact of the industrialisation drive. On the other hand, the increase in the share and the reduction of the average size of small units exercised a telling impact on the structure of productive assets, costs of production, prices of finished products and the character of competition.

Second, the vast scale of new industrial construction usually results in the increased share of passive elements (such as land, buildings and roads) in the productive assets. However, in India industrialisation was accompanied by the priority growth of the heavy industries with a high capital intensity. Other factors included the modernisation of light industries, resulting in a larger proportion of active elements in their assets, and a growing proportion of small enterprises marked by a high share of fixed assets within the capital employed. For all these reasons there was a gradual increase in the share of the active elements of fixed capital within the productive assets. The structure of fixed capital at mechanised enterprises and manual establishments, employing over 50 and 100 workers respectively, showed the following picture (per cent):**

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* See *Large Industrial Establishments in India 1949*, Delhi, 1954; *Statistical Abstract of the Indian Union 1967*, Delhi, 1968; *Indian Labour Journal*, April 1970.

** Calculated from *Census of Indian Manufactures, 1947-1958*; *Calcutta Annual Survey of Industries, 1959-1965*, Calcutta.

	1947	1951	1956	1961	1965
Land and buildings	37.2	36.1	31.5	29.2	24.3
Machinery and equipment	57.2	57.8	61.9	63.6	64.3
Other assets*	5.6	6.1	6.6	7.2	11.4
Total	100.0	100.0	100.0	100.0	100.0

* Since 1962 the "other assets" item has been taken to include the value of tools which until then had been classified under the heading of machinery and equipment.

The growing share of machinery and equipment within the fixed capital demonstrates the progressive shifts both in the branch structure of industry and in the productive assets themselves. Characteristically, in terms of the share of machinery and equipment in productive assets Indian industry is ahead of such countries as Britain, Japan and the USA.

It is precisely this circumstance that leads one to think that the value of machinery and equipment in Indian industry has been artificially overstated. The fictitiously inflated value is attributable to inflationary processes as well as to the import of equipment at exorbitant prices (according to tied credits) and also to limitations on the revaluation of land and buildings introduced by the Indian tax legislation. The artificially inflated value of machinery and equipment in excess of the true expansion of production facilities must naturally produce a steep growth of depreciation on deductions and worsen the financial situation throughout Indian industry.

India's extremely weak industrial base at the time she gained her independence made the very possibility of industrialisation dependent on the import of equipment, projects, and technical know-how from abroad. In this situation industrialisation proceeded through the extensive use of foreign technical expertise. At present over 20 per cent of India's industrial output is produced by facilities built according to foreign patents and licences.* This method of industrial development has made it possible to accelerate the construction

* See *Foreign Collaboration in Indian Industry. Survey Report*, Bombay, 1968; *Annual Survey of Industries 1965*, Vol. I, Calcutta, 1969; *National Sample Survey No. 161. Tables with Notes on Annual Survey of Industries 1965. Sample Sector: Summary Results*, Delhi, 1970.

of modern production facilities and reduce initial expenditure on research and development and on personnel training. At the same time, however, the foreign firms were not interested in the export of goods produced according to their own patents and licences, which acted as a brake on the export of new types of goods. Furthermore, foreign firms banned the transmission of technical expertise to other Indian enterprises. As a result there has been a good deal of wasteful duplication. With the production volume relatively low one and the same product in India was often produced according to patents and licences borrowed from several countries, resulting in unnecessary fragmentation of the demand for industrial products. To produce each type of goods Indian industrialists had to use widely differing types and standards of machinery and equipment, raw materials, components, semi-finished products, etc. In this situation it was extremely difficult to organise the domestic servicing and supply of industrial enterprises putting out these goods, because it is more profitable to import small batches of products than to initiate their manufacture locally. That was the reason why production links and co-operation have had such poor record of achievement in Indian industry.

Foreign technical know-how has a great impact on internal research and development. It stimulates work on the adaptation of products and manufacturing techniques to the local industrial environment, but acts as a brake on the national research into new products and basic technology. For one thing, local firms using foreign expertise are not interested in maintaining research programmes of their own. Moreover, many agreements specifically prohibit the introduction of any significant design modifications. These factors explain the paucity of funds allocated by the private sector to research and development. At the same time basic research conducted by government centres cannot find industrial application.

Extensive collaboration between Indian and foreign firms has posed yet another serious problem, namely, the establishment of enterprises specialising in the final stages of production such as assembly, packing, etc. From a purely technological standpoint the creation of such enterprises was due to the extremely weak development of related branches of production and the lack of many types of primary raw materials and semi-finished products. In this situation the setting up of enterprises with an incomplete production cycle was based on the utilisation of the industrial resources of advanced countries. Economically, the creation of such enterprises was explained by the narrow domestic market, a diversified demand for industrial products, and permanent import restrictions. Finally, the setting up of these enterprises played into the hands of both local and foreign monopolies. The former were able to keep their initial capital investments down and corner the domestic market, while the latter—to retain their positions on the Indian market.

Since the rapid growth of enterprises with an incomplete production cycle impeded the country's overall industrial development and increased imports, the Indian Government since the mid-50s has been restricting the establishment of such enterprises and insisting on programmes for the progressive manufacture of all or the bulk of parts and components. However, as the locally-available intermediate products were used more extensively at these enterprises the absolute volume of output grew also. Therefore, more and more foreign exchange had to be spent on maintenance imports. The shortage of foreign exchange often compelled the government to restrict such imports. In consequence, the volume of output in many industries depended not so much on the size of installed capacities as on the amount of raw materials and semi-finished products which they were allowed to import. One result of the import restrictions was a considerable idle capacity in industries heavily dependent on imports. It is reasonable to expect that enterprises with an incomplete production cycle will continue to be a feature of the Indian industry as long as it continues to depend on imports of industrial equipment and know-how and as long as the domestic market continues to be narrow, thus preventing the organisation of mass large-batch production.

Another feature of Indian industry is the insufficient division of labour both between individual industries and between production units within each industry, in other words, the low level of production specialisation and co-operation. The proliferation of non-specialised establishments is attributable above all to the fairly diversified pattern of demand on the domestic market in a situation where demand for any single type of product continues to be low. In these circumstances only non-specialised enterprises could effectively launch the production of many types of new goods. In addition this method keeps initial investments down, accelerates the expansion of new industries and enables the manufacturers to corner the domestic market more quickly. However, in this case the production of new items usually began on a limited scale and only small-batch production and even manufacture of a single product was possible using conventional plant and equipment. These production methods inevitably result in high costs of finished products. Therefore, to ensure the viability of non-specialised enterprises it is necessary to introduce protectionism and permanent restrictions on the import of competing products.

New industries in India have often come into being quite independent of the related industries. In these circumstances there were few enterprises which could undertake to supply intermediate products, while those enterprises in existence were ill-prepared to meet the new technical challenges. Thus a tendency developed towards the creation of so-called "self-sufficient" enterprises that manufactured all or most of the necessary components. Although in the course of industrialisation ancillary enterprises began to develop on some scale the process has been rather slow. Once a business firm has invested capital and set up the requisite production capacities for the manufacture of the components and ancillary materials it needs, it is no longer interested in purchasing the latter so long as it cannot obtain significantly higher profits from the pertinent transactions with specialised suppliers. It would be safe to say that India still has a long way to go before it reaches this point. What is more, the constant emergence of new industries retards co-operation.

In a sense this system is self-generating. A wide product range inhibits the emergence of specialised enterprises. But even where such enterprises are set up, as, for instance, in the public sector (or elsewhere with government support) it is not always profitable for a non-specialised enterprise to keep its product range narrow and place orders with manufacturers elsewhere, because the depreciation deductions from idle equipment and production premises may exceed expected savings from production specialisation. Alive to this none-too-promising prospect, the non-specialised enterprise continues to manufacture all types of products, parts and ancillary materials. This contributes to the perpetuation of small-batch manufacture and high costs, which hinders the centralisation of demand on the domestic market.

No less serious problems may crop up before such enterprises in the future. Clearly, any significant production expansion will impel them to simultaneously increase production capacities all along the line. As the experience of industrialised countries shows this operation is extremely difficult to bring off in big manufacturing centres with limited factory areas. Besides, the simultaneous boosting of output of a wide range of products makes production co-ordination and management very difficult and results in low efficiency.

One other method involves a drastic reduction in the product range in preparation for narrow specialisation. This method is not without its drawbacks as it requires substantial changes in the production premises of existing enterprises and in their production organisation with a view to organising mass output of specialised products. To be sure, such a radical overhaul and restructuring will demand considerable capital investments and a sharp increase in market capacity. It seems that these methods will not be introduced in India until a much later date.

The difficulties involved in mobilising capital, the narrow domestic market, diversified demand, the low level of skill and cheapness of labour, and finally, the economic backwardness have combined to create a situation where even modern products manufactured according to foreign patents and licences are produced using relatively outdated machinery and technology (by world standards). A salient feature of Indian industry is the predominant use of conventional equipment, small-batch production, and the extensive employment of manual labour.

These technological peculiarities have enabled Indian industrialists to cut expenditure on fixed capital by introducing more labour-intensive processes at the cost of lower labour productivity. In a sense these methods meet the current requirements of Indian industries. India has a huge army of fully or partially unemployed and manpower is extremely cheap. On the one hand, the labour-intensive methods lead to the ever widening discrepancies in the levels of social labour productivity even in the modern industries as compared to the advanced capitalist countries and, on the other, they make special demands on the skills and qualifications of the Indian manpower. The use of fully-automated equipment calls for a comparatively limited number of highly skilled setters and adjusters who supervise the normal operation of the machines. In this situation a machine-tool operator may not have top qualifications. By contrast, the employment of conventional equipment for the production of sufficiently sophisticated items requiring a high machine precision calls for large numbers of highly skilled and technically competent machine-tool operators. In a country that has only recently embarked on industrialisation the training of sufficient numbers of skilled industrial workers is an extremely difficult problem.

There is also a close tie-up between labour-intensive technologies, the use of conventional equipment and production diversification. It is precisely the use of conventional equipment that enables Indian industrial enterprises simultaneously to turn out unrelated types of products. In a situation marked by limited imports and the failure of national industry to manufacture many types of products the employment of conventional equipment makes it easier to go over to the production of new types of goods, thereby making up some of the losses in the circulation sphere stemming from the low labour productivity and high production costs.

However, there is a limit beyond which the use of labour-intensive technology makes poor business sense. An increase in production in response to an expansion of the domestic market will inevitably call for additional spending on the passive elements of fixed capital, will make management more difficult and thus necessitate the transition to capital-intensive production. This transition will be spurred by legitimate fears of being ousted from the market by more flexible rivals. In India, however, a variety of factors are at work which defer the start of such a transition. The cost of labour is only a fraction of that in the advanced capitalist countries and, in a situation dominated by mass unemployment, it is extremely unlikely that in the next ten years this cost will grow by a sufficient margin to make the use of labour-intensive technologies in industry unprofitable.

One other inhibiting factor is the presence within each industry of a great number of enterprises closely connected with multinational monopolies. In their drive for control of the Indian market these monopolies are prepared to tolerate financial losses for a long time, provided they eventually oust their competitors from the Indian market, which accounts for the retardation of concentration and centralisation of production. So it would be safe to assume that low-efficient (by world standards) industrial units will coexist with "oases" of relatively sophisticated modern technologies for some time to come. In all probability, labour-intensive production patterns will long continue to be a feature of the Indian industrial scene.

The past ten years have seen a number of unfavourable trends affecting the capital structure of Indian industry. In particular, the share of equipment in the fixed capital is on the upgrade in small, low-efficient industrial units. The increased investment in machinery and equipment has been largely due to artificially inflated prices fixed by foreign monopolies. The expansion of new types of production races ahead of the numbers of skilled industrial workers trained. These factors have prevented the efficient utilisation of the installed equipment. Within working capital the share of inventories has grown steadily, as has the share of credits in trade by virtue of the specificities marking the sales of new products. These and other factors have stimulated the steady growth of capital intensity (see Table 9).

Capital intensity has been calculated in current prices. When calculated in constant prices it should be significantly higher since the devaluation of the rupee reduced depreciation allowances, along with the value of the raw and other materials used in industries with a protracted production cycle. As a whole, the capital intensity of Indian industry (as indeed of the whole of India's social production) is still far below that of the advanced capitalist countries because of the heavy proportion of light industries, the relative weakness of primary raw materials and intermediate product industries and the massive employment of manual labour.

Table 9

Capital Intensity in Indian Manufactures*

Year	Capital intensity per one rupee		Index of capital intensity 1946=100		Year	Capital intensity per one rupee		Index of capital intensity 1946=100	
	gross	net	gross	net		gross	net	gross	net
1946	0.61	1.73	100.0	100.0	1957	0.68	2.38	111.4	137.5
1947	0.59	1.81	96.7	104.6	1958	0.73	2.41	119.6	139.3
1948	0.50	1.51	81.9	87.2	1959	0.64	2.28	104.9	131.7
1949	0.52	1.86	85.2	107.5	1960	0.63	2.30	103.2	132.9
1950	0.59	2.16	96.7	124.8	1961	0.69	2.40	113.1	138.7
1951	0.54	2.05	88.5	118.4	1962	0.84	3.12	137.7	182.6
1952	0.49	2.31	80.3	133.5	1963	0.89	3.31	145.9	191.3
1953	0.64	2.18	104.9	126.0	1964	0.93	3.50	152.4	202.3
1954	0.61	2.31	100.0	133.5	1965	0.99	3.77	162.2	217.9
1955	0.61	2.05	100.0	118.4	1966	1.04	4.17	170.4	241.0
1956	0.64	2.10	104.9	121.3	1967	1.16	4.77	190.1	275.7

* Calculated from *Census of Indian Manufactures*, *1946-1958*, Calcutta; *Annual Survey of Industries*, *1959-1965*, Calcutta; *Statistical Abstract. India*, *1969*, Delhi, 1971; *Economic Times*, September 12, 1972.

Note: capital intensity has been calculated on the basis of data relating to mechanised and manual establishments and manufactures employing over 50 and 100 workers, respectively.

However, capital intensity in Indian industry is growing faster than it did in the developed countries when they passed through the early stages of industrialisation.

The rapid growth of capital intensity in India is attributable to the fact that the industrial revolution there in the broad sense of the term, i.e., the transition from manual to mechanised production is taking place in the age of the scientific and technological revolution. Therefore, India must close the wide gap in the levels of technical equipment that separates her from the developed countries. This process is occurring much faster than was the case in the preceding stages of development. All this calls for increasing capital investments in fixed industrial assets. The rapid build-up of fixed assets along with the inability of the bulk of the country's industrial manpower to rationally use them is compounded by the inability of many branches of the economy to make full use of new types of products. As a result, the share of fixed capital per worker is growing faster than labour productivity, which logically impels a rapid growth in the capital intensity of industrial production.

There are also subjective factors for boosting capital intensity. First, the specific pattern of new industrial construction has kept the value of fixed assets at an unduly high level compared to the rest of the world. Second, close collaboration between local and foreign monopolies has caused an artificial fragmentation of the domestic market and brought into being large numbers of small and low-efficient industrial units. The combined impact of both factors has contributed to the maintenance of capital intensity in India well above the "objective limit". Unquestionably the high level of capital intensity will for quite some time exercise an adverse impact on the course of social reproduction.

The growth of capital intensity has a telling impact on the whole of the Indian economy. For one thing, the diminishing returns on new capital investments along with a comparatively rapid population growth call for significant increases in investments to maintain at least minimal growth rates. However, a low national income coupled with a rapid population growth impedes any significant increase in the accumulation fund. Therefore, any meaningful increase in industrial investments can only be achieved by slowing down the pace of advance in other areas of the country's economy. On the other hand, an increase in capital intensity entails a higher demand for producer goods and additional investments in heavy industries, which at the present time results in a further increase in the capital intensity of social production. Thus, unjustified increments in capital intensity have become a major problem of the Indian economy. India will have to pass through a long period of economic development before she can achieve a favourable change in this area, even given the satisfactory progress in the elimination of undesirable subjective factors. She will have to improve significantly both the productive and technical arsenal of her economy and the intra-industrial and intra-economic relationships.

Industrialisation and Small-Scale Production

Small-scale industrial production in India is characterised by a number of highly specific features. First, in the early 60s it was dominated by cottage industries which accounted for 71.2 per cent of the total labour occupied in small-scale production. Most workers engaged in non-cottage industry were formally independent artisans since only 38.7 of the total was hired labour. As a whole, hired workers formed 17.2 per cent of the total occupied in small-scale production. It should also be noted that as much as 95 per cent of the total were employed at small units with five workers or less.* It is precisely these enterprises that make extensive use of family labour with the owner contributing actively to production. So, whereas in the developed countries small-scale production is usually run on capitalist lines, in India small-scale industry is still in its pre-capitalist and early capitalist stages of development. This means that in advanced countries small-scale production had been transformed into capitalist-type production and new small units emerge in the course of the further development of the social division of labour. By contrast small-scale production in India is for the most part a survival of the preceding economic formation.

Second, in the 60s India's small-scale production was dominated by the food, cotton textile, tanning and woodworking industries which employed almost 75 per cent of total labour. In Britain small-scale chemical, engineering, metalworking and printing industries accounted for 60 per cent of all employed in small-scale production; in Japan the proportion was 25 per cent, but in India it was only 11 per cent.** Inasmuch as India's small-scale production has inherited its socio-economic organisation and sectoral struc-

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* Calculated from *Census of India 1961*, Vol. I, Part IIB (i), "General Economic Tables", Delhi, 1965; *Census of India 1961*, Vol. I, Part IYA (ii), "Report of Industrial Establishments", Delhi, 1966; *Census of India 1961*, Vol. I, Part IV (b), "Housing and Establishments Tables", Delhi, 1964.

** See *National Sample Survey No. 94, Tables with Notes on Small-Scale Manufacture: Rural and Urban*, Delhi, 1965; *Annual Abstract of Statistics 1964*, London; *Japan Statistical Year Book*, 1966, Tokyo.

ture from the past, small units manufacture much the same type of products as does large-scale industry, thereby competing with the latter.

The predominantly pre-capitalist character of small-scale production and its coexistence with large-scale industry have been responsible for the absence of unified reproduction of industrial capital in India. Since small-scale units drew on natural raw materials and employed traditional instruments of labour they were little dependent on the products of large-scale industries. In turn the latter used but small quantities of semi-finished products supplied by small-scale industry. As a result, two tenuously connected processes of social capital reproduction were at work: large-scale industry mainly supplied the needs of reproduction within the capitalist structures while small-scale industry catered to the needs of pre-capitalist structures.

Thirdly, because of the low capital-worker ratio and inferior labour organisation labour productivity within small-scale production is low. The net product per worker in the mid-60s was a mere one-eighth of that in Japan. Labour productivity in modern large-scale industry and in small-scale production in India defies any comparison. The net product per worker in small-scale production is one-fifteenth of that at large enterprises (employing over 1000 workers), while the figure for Japan is only one-fifth.

Summing up the foregoing we may identify the following salient features of small-scale industrial production in India: the clear preponderance of pre-capitalist and early capitalist forms; a traditional sectoral structure and the existence of a practically independent reproduction cycle; extremely low labour productivity.

The following three groups stand out within India's small-scale production in terms of their participation in the circulation and reproduction of industrial capital. The first group comprises industries drawing on natural raw materials and manufacturing traditional goods with the aid of traditional tools. The second group includes industries using traditional means of production to manufacture modern types of goods from factory-made raw materials and semi-finished products. The third group comprises small modern establishments using industrial types of energy, raw materials and up-to-date (although not necessarily the latest) plant and equipment.

In the years of independence the Indian Government, bowing to the pressure of socio-economic and political circumstances, has given special attention to stabilising and expanding the first group of industries. Between 1951/52 and 1968/69 these received 42 per cent of total government allocations for small-scale production. As a result, this group of industries was able to substantially expand its manpower and increase output, including that of export items. In this way the first group of small-scale industries, which is practically disconnected from the large-scale industry, has grown both absolutely and relatively.

Far more complex processes have taken place within the second group of industries, where factory competition compelled them to make increasing use of the factory-made semi-finished products with a higher degree of preliminary preparation. At the same time the cheapness of labour coupled with the pressure of the huge army of unemployed and the operations of traders and money-lenders made the transition to the utilisation of up-to-date means of production more difficult.

Government stimulation had a contradictory effect on the process of reproduction within this group of industries. On the one hand, it facilitated the drawing of these industries into the unified national reproduction cycle while, on the other, it upset the internal structure of large-scale industry, since it gave priority precisely to those industries which manufacture raw materials and semi-finished products to be subsequently processed and refined by small-scale industries.

We have estimated that investments in the third group of small-scale capitalist industries totalled Rs 10,000 to Rs 11,000 million in the mid-60s, a figure representing almost one-sixth of the total of investments in large-scale manufactures.*

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* Our estimate is based on average investments per small establishment in Maharashtra, Madras, Mysore and Haryana calculated from *Directory of Small-Scale Industry* in Haryana, Chandigarh, 1969; *Directory of Small-Scale Industrial Units in Madras State*, Madras, 1966; *Directory of Registered Small-Scale Industries in Mysore State*, Bangalore, 1964; *Small-Scale Industries in India*, Delhi, 1968.

This group of small-scale industries recorded impressive growth rates. Between 1964 and 1970 the number of registered non-organised small-scale units grew from 60,000 to 209,000* These industries were rapidly undergoing technical re-equipment. Suffice it to say that between 1964 and 1968 the share of imported equipment installed by small units rose from 37.5 per cent to 55.5 per cent, resulting in a marked rise in labour productivity. The combined impact of the growing number and productivity of small mechanised units engendered a situation in the mid-60s where they restricted the phasing out of the lower forms in small-scale production. As a result, the mid-60s saw a marked increase in the share of the total net output held by small-scale production both within industry and within the whole of the Indian economy.

The rapid growth of small capitalist industry exercised a contradictory influence on the formation of a united reproduction cycle in Indian industry. On the one hand, its growing dependence on producer goods supplied by large-scale manufactures facilitated the formation of a single cycle. On the other, the chief users of consumer and producer goods put out by small mechanised units included both the lowest and the small capitalist structures. This signalled the emergence of yet another component within the overall system of reproduction. Thus, the emergence of small-scale capitalist industry is a step forward in the direction of a single reproduction cycle. But this is not a direct process, it rather goes through the formation of an intermediate link.

For the sake of convenience we made the assumption that small-scale industry has a single, general reproduction cycle. In reality, however, a far more complex mechanism obtains. The nature of the output of small-scale industry, its production methods and the system of sales and application vary widely between the different types of small-scale industry, so much so that it is safe to assume the existence of internal reproduction cycles within the industry of each socio-economic

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* See *Development Commissioner for Small-Scale Industries. Small-Scale Industries in India*, Delhi, 1968, p. 111; *The Fourth Plan Mid-Term Appraisal*, Vol. II, Delhi, 1967, p. 147.

structure. This is especially true of the means of production in general and of the instruments of labour in particular. For instance, the means of production supplied by cottage and artisan industries and by manual establishments are normally used in semi-natural and small commodity structures. By contrast, those supplied by small-scale mechanised industry are largely used in the small capitalist structure.

Consequently a multistructural economy is characterised by an intrastructural pattern of reproduction. This being so, industrialisation was aimed at eliminating that pattern. At the same time the uninterrupted progress of industrialisation in India depended on the involvement of different types of industry in the general cycle of reproduction, that is to say, on the conversion of the intrastructural reproduction into an interstructural one.

In India the formation of a single cycle of industrial reproduction followed a contradictory and tortuous course. On the one hand, the expansion of the sphere of capitalist relations enhanced the importance of the single reproduction cycle if only because capitalist industry accounted for a steadily increasing proportion of gross industrial product. On the other hand, the stagnation of the lower economic structures, the vast scale of full and partial unemployment, and the social and economic policies of the Indian Government inhibited the transformation of the lower forms of industry, which in turn impeded the drawing of the latter into the general cycle of reproduction.

Industrialisation inevitably gave rise to integrational processes within industry but because of the multistructural character of India's economy integration was held back by a variety of deviations. In the early stages of industrialisation integration and the formation of an interstructural cycle of reproduction could not be wholly based on the supplies of up-to-date instruments of labour, if only because the latter could not be used efficiently in the lower forms of industry. A different situation prevailed in the matter of the consumption of factory-made objects of labour. First, many types of primary materials and semi-finished products could be processed by traditional methods. Second, it was precisely in the production of objects of labour that large-scale mechanised industry offers obvious advantages over its small-case counterpart. Therefore the transition to the use of factory-made objects of labour in the lower forms of industry served to make them more competitive.

As a result of the change-over to the use of factory-made objects of labour effected by the pre-capitalist forms of Indian industry the reproduction cycles maintained by all types of industry begin to intersect, with the pre-capitalist forms of industry being gradually drawn into the overall circulation of capital. This constitutes the principal achievement of Indian industrialisation since the increase in the national productivity of labour is so far largely generated by the change-over to the use of factory-made objects of labour and not of the instruments of labour.

This highly characteristic pattern of development has been largely left out of account by those who shaped the strategy of Indian industrialisation. Within the country's large-scale industry top growth rates have been recorded in the years of independence by those industries that manufactured finished products. The output of raw materials and semi-finished products has lagged behind and the deficit was made up by imports. Duplication in development coupled with the lack of proper co-ordination between the growth of small- and large-scale production caused installed industrial capacities to lie idle for long periods and froze much of the social capital.

The continued existence of isolated cycles of production of the fixed assets is attributable, above all, to the socio-economic peculiarities of Indian society. That is why industrialisation in India has so far failed to exercise a decisive impact on the re-equipment of the country's economy with up-to-date means of production. At the moment industrialisation is making possible a leap-like transition to modern technologies and production methods within the modern structures, and within the lower ones—the switch-over from medieval instruments of labour to the types used by the now advanced capitalist countries in the early stages of their industrial revolutions. The widely varying levels of the technical equipment of individual economic structures make for the perpetuation of several reproduction cycles in industry.

Inasmuch as the socio-economic conditions in India are conducive to the preservation of a variety of small-scale production forms it can safely be assumed that the fragmented nature of production cycles and the intrastructural reproduction will persist in Indian industry for quite some time to come. It appears that the rapid development of capitalist entrepreneurship "from below" is unable in its early phases to alter the situation radically. Because the economic ruin and gradual disappearance of artisan and handicraft production of all types creates a potential for the further growth of small capitalist entrepreneurship there is a solid basis for the preservation of several reproduction cycles within Indian industry.

The Class Formation Within Bourgeois Society

The experience of the advanced capitalist countries indicates that industrialisation enhances the importance of modern industry as it becomes the principal area of the application of labour and capital. As a result, the social structure of society undergoes a comparatively rapid change. Industrial workers increasingly become the principal contingent of the army of wage labourers, while the industrial bourgeoisie—the principal exploitative class.

The impact of industrialisation on the social structure of Indian society has been more contradictory and far slower than in the West. First, government policy has been aimed at encouraging both modern factory production and the lower forms of industry. That is why, as distinct from industrialised countries, in India there has been no decline in the output of the lower forms of industry. Though the share of their net product has decreased relative to other sectors of industry the absolute volume of their output has more than doubled. Second, the priority growth rates recorded by the public sector have reduced the contribution of the private sector to the gross and the net industrial product. On the other hand, the expansion of industrial and agricultural production has brought about increased activity by the private sector in the sphere of circulation since government positions in this area have until recently been weak. As a consequence, both the industrial proletariat and the bourgeoisie have evolved in a highly characteristic way.

The Industrial Proletariat

As we have indicated elsewhere the prime contribution to the growth of industrial production in India since winning independence has come from new industrial establishments. Inasmuch as new industrial construction complemented the existing structure of industry it brought about a singnificant increase in the number of employed.

Government policy in discouraging the introduction of capital-intensive technologies in a number of traditional light industries has also been a contributing factor. In other words, industrialisation was designed to stimulate the rapid growth of the country's industrial proletariat. However actual developments were not so simple.

To begin with, those industries that existed in India prior to independence had hopelessly inferior technical equipment and made extensive use of manual labour, even in some of the key operations. Besides, the available industrial equipment was worn out. The unfavourable economic situation brought on by the world economic crisis and depression of the 30s, and the difficulties plaguing the import of up-to-date industrial equipment during the Second World War and in the early postwar years combined to slow down the normal renewal of fixed capital in industry. That is why efforts were deployed in the 50s to step up the renewal of fixed capital on a broad front. Since at the time India produced no industrial equipment of her own while advance countries had made impressive technological strides in the 30s and 40s the renewal of the fixed capital was accompanied by a relative contraction in the demand for live labour. Suffice it to say that in the 50s India's textile and mining industries increased output with a practically static labour force.

At the same time new industries born of industrialisation were characterised by superior technology. The basic reason for the introduction of the machine, in Marx' phrase, is the inability of manual labourers to carry out certain technological operations. In other words, the new industries made extensive use of capital-intensive technologies and had a relatively low demand for live labour. But it was precisely these industries that recorded the outstripping growth rates as industrialisation gathered momentum. Besides, the upgrading of the organic structure of capital in organised industry was facilitated by other factors, such as the relative increase in the cost of labour brought about by rising food prices and the workers' higher skills and qualifications, a narrowing gap between the price and cost of labour as a result of the organised labour movement, and the fact that Indian industry was approaching the world technological standards due to the country's increased reliance on foreign technical and financial aid.

As a result India's industrial proletariat grew only moderately. In the 50s, when the modernisation of light industry set the pace, the industrial labour expanded by an average of 2.75 per cent annually. In the early 60s modernisation was virtually a *fait accompli*, new industries advanced at a brisk pace, and the industrial labour grew at an average of 3.25 per cent a year. Owing to the economic depression that followed the boom, between 1966 and 1968 the labour force in large-scale mining and manufacturing industries was static, with only a marginal expansion in 1969 and 1970. All in all, between 1951 and 1970 the combined labour in India's modern mining and manufacturing industries grew by 60 per cent—from 3.5 to 5.6 million.

Parallel with numerical expansion there were qualitative changes in the composition of India's industrial proletariat. For one thing, in the newly-established industries, particularly in the heavy industries, the very character of novel technological processes calls for a significant rise in the personnel skills. The rapid progress of the new industries led to a steady expansion in the proportion of skilled workers in the total industrial labour. Second, the heavy industries usually feature a higher degree of production concentration. Therefore, their advancement stimulated a higher concentration of workers (in spite of declining numbers in the traditional industries).

A different situation prevailed within the lower forms of industry which were subject to both intensive and extensive growth. The former was manifest in greater opportunities for accumulations thanks to government protection from competition of local and foreign large-scale industries, direct government financial and technical support, and the conversion of some small-scale industrial units into ancillary establishments serving the needs of large-scale industry. The latter was comprised of steadily mounting pressure of unemployement leading to a reduction in the price of the labour power of unskilled workers who are compelled to take odd jobs. The continued demand for traditional types of goods and the narrow internal market that determined the economic expediency of small-scale production of certain goods represent additional contributing factors. Apparently in the lower sectors of Indian industry extensive factors of development still predominate. That is why small-scale production maintained a higher growth rate than was the case in large-scale industry. Indian economists estimate that the number of those employed in the country's small-scale industry grew by 90 per cent, from 10 to 18.9 million.*

However, this general picture concealed two diametrically opposed processes. On the one hand, thanks to government support the labour engaged in the most backward semi-natural cottage industries recorded the highest growth rate. Between 1953/54 and1970/71 the number of workers engaged in khadi** and rural industries swelled from 389,000 to 2,088,000, a 5.3-fold increase. It is a fact, however, that khadi and rural industries meet the requirements of the producers themselves or, alternatively, represent a supplementary source of income for the lower segments of the urban and rural populations. In other words, they constitute predominantly subsidiary spheres of employment. This explains the extremely small number of actual workdays in a year and the low per capita earnings.

On the other hand, the number of small mechanised units grew rapidly as small-scale production expanded (units employing under ten workers). We have estimated that the total labour force at these enterprises rose from 400,000-500,000 to 1.6-1.8 million between 1954 and 1970. Since these units use relatively sophisticated equipment, the operation of which calls for a comparatively high level of skill, they usually employ hired and not family labour. Therefore,

* No official data on the changed pattern of labour force in the lower forms of industry are available because the 1971 population census changed the classification of labour.

** Fabric produced of hand-made fibre.

in the manpower composition they differ but little from modern large-scale industry.

Thus, within India's small-scale production the rapid expansion of the labour force was accompanied by a growing predominance of two groups of workers, namely, hired workers and those for whom work in small-scale industry was subsidiary to their traditional occupations. At the same time the proportion of independent or formally independent commodity producers shrank even though in absolute terms it continued to predominate.

Within India's multistructural economy, industry itself has a plural structure, with each of its constituent elements having its own type of worker, its own specific nature, laws and rate of reproduction. In this situation changes in the structure of employment have reflected the various trends in the evolution of individual structures. Reproduction as maintained within pre-capitalist structures was largely determined by extensive factors, including the expansion of employment on the basis of traditional technology, while within the capitalist structures it was shaped by intensive factors as exemplified by the gradual upgrading of the organic structure of capital. This was the chief reason for the relatively sluggish growth in the numbers of the modern industrial proletariat. Indeed, between 1951 and 1971 its relative weight in the total industrial labour declined to 23 per cent from 25.9 per cent. In this sense, as we pointed out in Chapter One, Indian capitalism failed to involve the bulk of the country's population in the sphere of modern industry.

Thus, with the existing socio-economic pattern of Indian industrialisation, the labour employed in the pre-capitalist and early-capitalist sectors of the country's industry has expanded both relatively and absolutely: this despite the fact that these sectors feature the worst forms of exploitation typified by the survivals of the personal dependence of the worker on his employer, the extensive use of family labour without pay and an excessively long working day. Besides, the use of traditional technology and equipment keeps labour productivity down. Therefore, even with an equitable distribution of value added by manufacture, it is impossible within these primitive sectors of industry to achieve a meaningful improvement in the living standards of the direct producers. Since the whole of the surplus product and sometimes even part of the necessary product is appropriated by the employer, by the trade intermediary, money-lender or by the monopolist, the actual income of the direct producer is barely enough to maintain a beggarly existence. In other words, the existing social structure is least favourable for the emergence of a modern industrial proletariat, since the numbers of impoverished small-commodity producers and semi-proletarians are growing far more rapidly than the numbers of industrial workers.

The Indian Industrial Bourgeoisie

The sphere of application of capital and the sources of income constitute a major index of the developmental level of the bourgeoisie in a capitalist country. These underlie the interest of the leading sections of the bourgeoisie in developing particular branches of the economy, and also account for the resultant pattern of relationships with other classes and with foreign capitalists. In turn, the structure of the country's economy and the character of the existing pattern of production relations, as well as the positions held by the foreign bourgeoisie, determine the sphere of capital application and the structure of the income sources.

These factors shaped the extremely constricted sphere of capital application in colonial India. As a result of the preservation of strong pre-capitalist survivals in the country's agriculture, a keen competition on the part of foreign capital and the dominant role of foreign capitalists in the capitalistically organised branches of the economy, the possibilities for national capitalist entrepreneurship were restricted. In this situation trade and finance offered the best prospects and the widest scope for local entrepreneurs. At the same time, with the relatively limited scope of the capitalist structure, such subsidiary types of activity (in terms of developed capitalist countries) as real estate operations and the practice of law and medicine, were of much importance. As a result the sphere of capital application open to the Indian bourgeoisie in the period of British colonial rule had a predominantly non-productive character.

In the years of independence capitalism has been developing at a far more rapid pace than at any time prior to 1947. The ranks of the bourgeoisie have swelled by over 300 per cent, primarily through the influx of new members from the lower strata of Indian society. The incomes of the national bourgeoisie grew from Rs 5,700 to Rs 26,100 million (in current prices) between 1948/49 and 1966/67.* However, the rapid expansion of the capitalist economic structures was not accompanied by equally rapid changes for the better either in the sphere of capital application or in the income structure. We find the explanation for this in the widely varying growth rates demonstrated by state-capitalist entrepreneurship in different sectors of the national economy.

Within organised industry government investments between 1951/52 and 1965/66 grew by over 80 times in terms of current prices. By comparison the private sector registered a mere 3.5-fold increase. The assets expanded faster than production in the private sector because its capital was increasingly invested in the capital-intensive heavy industries. Moreover, the shortage of skilled personnel and of raw materials, as well as organisational difficulties, produced a situation in which profits grew at a slower rate than gross output.

Mechanised transport presented a highly complex pattern of change. In many transport industries the public sector entrepreneurship was based on nationalisation. The further growth of private entrepreneurship in Indian transport can only be achieved through expansion in shipping and in transport operations by commercial vehicles.

Until recently government measures in the sphere of circulation were of a limited nature, most of them carried out in the sphere of finance. With independence, the Indian government acquired control over the Reserve Bank of India, which is the main bank of issue. The Imperial Bank of India, a major commercial bank, was converted into the State Bank of India. In addition, life insurance companies were nation-

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* Hereafter, incomes subject to income tax will be referred to. The income tax, as is known, does not apply to the agricultural and petty-bourgeoisie's incomes in India.

alised and over 30 public organisations providing medium- and long-term credits were set up. In the sphere of trade, by the mid-60s only one government organisation had been established (the State Trade Corporation) which has been maintaining limited operations in the field of foreign trade. Meanwhile the country's commodity turnover registered a significant increase in response to the increasing production and to an expansion in commodity-money relations. One consequence of this pattern of state-capitalist development and of the retarding impact of objective difficulties accompanying the disintegration of the country's colonial economy, was the absence of radical changes in the income structure of the Indian national bourgeoisie (see Table 10).

Table 10

Sources of the Indian Bourgeoisie's Incomes*, per cent

Source	1948/49	1966/67
Interest on securities	3.1	1.7
Real estate	4.8	2.6
Entrepreneurship	75.8	68.9
of which:		
industry (including construction)	21.5	28.7
trade and transport	36.3	32.4
finance	6.9	5.6
professions	7.0	2.2
non-classified and miscellaneous incomes**	16.3	26.8
Total	100.0	100.0

* Calculated from *Statistical Abstract, India, 1952-53*, Delhi; *Statistical Abstract, India, 1969*.

** This group comprises incomes whose origin is impossible to trace (profits made by registered and unregistered business firms, lump-sum incomes and profits derived from operations abroad).

The data above show that in the years of independence the relative share of incomes from interest on securities and real estate has been declining. Although formally the share of incomes from entrepreneurship has declined, if one takes into account the profits made by registered and unregistered firms, it in fact expanded from 78.9 to 84.1 per cent between 1948/49 and 1966/67. Within the group of incomes derived from entrepreneurship the incomes of professions showed a sharp reduction. Now these incomes can be regarded as capitalist only with the goodly measure of reserve. In other words, in the years of independence the incomes of the Indian bourgeoisie have assumed an increasingly modern profile and become consistently capitalistic, as it were.

The ratio of incomes derived from the different sectors of the national economy has changed too. Throughout the period of independence there has been a steady increase in the proportion of incomes from industry. However, the data summarised in Table 10 overstate the dimension of the changes that have actually occurred. Although over the past two decades Indian industry has been gaining in importance within the sphere of operations maintained by registered and unregistered business firms, nonetheless these firms have been primarily involved in the sphere of circulation, both in absolute and in relative terms. This explains why the actual preponderance of incomes derived from trade, finance, etc. is far greater than the data in Table 10 may suggest. In other words, in the period under review industry has failed to develop into the main source of income for the bourgeoisie. The reason here is not so much the slow industrial expansion as the highly specific pattern of Indian industrialisation that is taking place in a situation dominated by state capitalism.

Finally, within the various industries changes have occurred reflecting the gathering pace of industrialisation. Thanks to the priority growth of heavy industry the relative share of the cotton textiles, the country's leading industry, declined from 32.3 per cent to 19 per cent between 1948/49 and 1966/67. By contrast, the share of the iron and steel and engineering industries went up from 12.9 to 25.2 per cent of aggregate industrial profits. As a result, these industries have become a major source of income for the industrial bourgeoisie. In trade, industrialisation was reflected in a rapid expansion of transactions involving industrial products. In consequence, trade in foodstuffs in the fiscal year 1966/67 accounted for a mere 10 per cent of the total incomes of the trading bourgeoisie. By contrast, trade in non-food products accounted for some 90 per cent of total profits.*

The growth of the capitalist structure was especially spectacular in the sphere of finance. Indeed, whereas in the fiscal year 1948/49 the incomes of money-lenders and local bankers (shroffs) exceeded the combined profits of both Indian and foreign banks and insurance companies operating in India, in the fiscal year 1966/67 the combined profits of the latter exceeded fourfold those of the money-lenders and local bankers.

The accelerated development of capitalism in the period of independence has brought about changes in the sectoral distribution of capital and consequently altered the income structure of the bourgeoisie. However, these changes have been very slow, not radical, which was explained by the impossibility of a rapid transformation of the economic structure and by the specific features marking the development of state capitalism. At the same time the growing concentration of capital and the priority growth rates of big capital have helped modernise the capitalist structure itself and expand the modern types of entrepreneurship. To a certain extent this was the evidence of the steadily widening gap between the capitalist and the lower structures in the economy.

It is now quite clear that the Indian bourgeoisie cannot continue to develop along the path of gradual evolution, since the reforms of 1969-1971 will not leave its composition unaffected. For the moment we shall concentrate on some of the most important, in our opinion, changes brought about by the reforms.

The nationalisation of the major commercial banks and general insurance companies, the imposition of government control over imports of industrial raw materials, as well as restrictions on the role of big capital in many light industries are measures which restrain the growth of incomes of the big bourgeoisie and limit its impact on the lower ranks of that class. At the same time the redistribution of the state

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* This situation was explained by a low marketability of agriculture (see Chapter Two), and by the fact that the income tax did not apply to the incomes of retail traders, particularly those engaged in the foodstuffs trade.

credits in favour of the lower strata of the industrial and rural bourgeoisie, an upswing in the volume of government buying from small-scale industries and improved supplies of raw materials to these industries—all provide favourable conditions for the growth of small-scale entrepreneurship, encouraging its eventual transition to medium-scale entrepreneurship. Therefore, it is to be expected that within the next few years there will be a measure of income redistribution in favour of the lower strata of the bourgeoisie.

The redistribution of the country's capital accumulation fund in favour of the public sector and the restrictions on the operations of big capitalists, on the one hand, and the expansion of small-scale entrepreneurship, on the other, may have a restraining effect on the modernisation of the forms and methods of bourgeois activities. As is known the expansion of small-scale production is usually based on the capitalisation of the entrepreneur's private income and that of the narrow circle of people associated with him. Therefore, the growth of public and small-scale entrepreneurship may contribute to the stabilisation and even a reduction of the incomes of joint-stock companies in the private sector.

The above-mentioned reforms are exercising an appreciable impact on the distribution of the various sources of income available to the bourgeoisie. The nationalisation measures carried out between 1969 and 1971 resulted in a reduction of the bourgeoisie's incomes largely derived from circulation. By contrast the encouragement of small-scale capitalist entrepreneurship in urban and rural areas entails an increase in incomes from the production sphere. However, with the prevailing situation in India the growth of the incomes of the bourgeoisie within material production is likely to be sustained not so much by industrial operations as by agricultural activities. At the same time the very nature of small-scale capitalist entrepreneurship is conducive to the preservation of the role of trade as an important source of the bourgeoisie's income.

By and large the period of independence has not seen any radical changes affecting the social structure of Indian society. On the one hand, there has been a measure of "modernisation" of the class structure of industrial society. There has been an accelerated growth of the permanent skilled industrial proletariat, accompanied by its increasing concentration in newly-established industries. The bourgeoisie has developed into the chief exploiting class of Indian society. Parallel with the above various forms of entrepreneurial activity have gradually come under the control of industrial capital. On the other hand, the numbers of people involved in the disintegrating lower structures have been steadily growing both in absolute and sometimes in relative terms. In turn, this development has prepared the ground for relatively independent operations of the lower forms of capital. In other words, as industrialisation gathered momentum the social structure of Indian society has increasingly assumed a motley and transitional character.

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It would be premature to attempt any final judgements regarding industrialisation in India, because it is a complex and prolonged process. Nonetheless, it is possible to make certain tentative conclusions.

Apparently the most significant single result of Indian industrialisation has been the reduced dependence of the reproduction of fixed capital on the world market (in physical terms). Indeed, the appearance and subsequent development of many heavy industries in India has made it possible to reduce and in some cases dispense with the imports of various producer goods. According to Indian economists, throughout the period of independence the share of foreign component (in terms of value) in the gross capital investments in the country's economy has declined from 21-22 per cent to 9-10 per cent. This means that the reproduction of fixed capital is being increasingly maintained on an internal basis. In a situation dominated by a chronic balance-of-payment deficit this supports a more balanced and stable pattern of the conversion of cash savings into productive capital.

The outstripping industrial growth rate has brought about some changes in the country's economic structure. Between 1950/51 and 1970/71 the contribution of the mining and manufacturing industries (including electricity generation and construction) to the national income increased from 16.1 to 19.9 per cent. By the late 50s large-scale industry had exceeded small-scale industry in the absolute volume of the net product. The share of agriculture and of circulation declined somewhat.*

Although most of the shifts that have occurred are of a limited nature the development of large-scale industry is beginning to exercise an appreciable impact on many micro-economic processes. First of all, modern industry is characterised by far higher labour productivity than other sectors of the economy. Therefore, its increased share in the economy has stimulated an upward trend in average national labour productivity. Second, India's large-scale industry, apart from having a relatively higher level of labour productivity, is also characterised by a far larger rate of surplus value, a circumstance which accounts for the substantial magnitude of the surplus product and, consequently, of potential accumulation. In addition, the smooth functioning of modern industries with their relatively high organic structure of capital results in the formation of a substantial depreciation fund. The cheapness of labour and the rather slow obsolescence of the fixed assets in India make it possible to use the depreciation fund not only for the replacement but also for the expansion of productive assets. Finally, the growth of heavy industry has increased the supply of capital goods to other branches of the country's economy, thereby promoting a high labour productivity. In other words, industrialisation has served to raise labour productivity nation-wide and has expanded the capital accumulation fund, even though these processes have been rather slow.

Industrial development has slightly increased economic growth rate. According to Indian economists, the average annual increase in the national income (in per capita terms at constant prices) between 1900 and 1949 was a mere 0.4 per cent. Even though the country's population growth rate has nearly doubled since gaining independence, the average annual growth of per capita national income increased to 1.4 per cent between 1948/49 and 1970/71.

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* In India national income is calculated as the sum of primary and redistributed incomes and part of the industrial incomes is therefore attributed to other sectors. This naturally tends to reduce the contribution made by industry and other sectors of material production to the national income.

Industrialisation has accelerated economic integration on a capitalist basis. Heavy industry has gradually increased its supplies of plant and equipment to light and small-scale industries, transport, communications, and agriculture. According to our estimate, between 1960/61 and 1970/71 the proportion of industrial goods (exclusive of agricultural implements and machines) in the current reproduction expenditure of India's agriculture rose from 3.5 to 12.8 per cent. The production of technical crops for subsequent industrial processing advanced at a particularly rapid pace, which offers evidence of the gradual formation of a unified reproduction cycle on a national basis. As a result, the impact of industry on the reproduction processes within the country's economy has grown, thereby stimulating the expansion and strengthening of the technological innovations in the country.

Thus, in the course of industrialisation the following features could be observed: a tendency towards the structural change in the economy and its integration, increase in labour productivity and capital accumulation, an acceleration in the rate of economic growth and the tendency towards the establishment of reproduction of fixed capital (in physical terms) on the national basis. By and large the economic changes that have occurred roughly correspond to those which took place in the now advanced capitalist countries when they were passing through the early stages of their industrial evolution. But in India these processes are far slower and attended by more complex internal contradictions.

In India measures aimed at expanding the financial basis of industrialisation have been limited, most of them being designed to increase the return on industrial investment, to re-allocate the available accumulations in favour of industry, and to encourage the influx of foreign capital and foreign aid. As a result, industrialisation has caused massive domestic and external debts. Foreign aid and internal loans have become the important sources of finance for the public sector, while in the private sector internal funds are supplemented by the credits of the public sector institutions and the influx of private foreign investments.

The emphasis on loans in financing industrialisation has had a contradictory impact on industry and other sectors of the country's economy. In the absence of relevant socio-economic transformations the loans were the only significant factor behind the present-day scale of the industrialisation. At the same time the resort to loans, in combination with other factors, has made industrialisation an extremely costly proposition and kept the prices of up-to-date capital equipment on a high level. This, in turn, has militated against its use both within industry and elsewhere in the national economy. Apart from that, the high level of depreciation allowances arising from the fictitious expansion in fixed assets, coupled with the repayment of loans, has limited the contribution of industry to the national income and the capital accumulation.

The nation-wide impact of industrialisation on labour productivity has been of a highly specific character. In India the scale of industrialisation has been held back by the fact that the reproduction mechanism was placed on a modern technological basis only within the more modern sectors of the private capitalist and state-capitalist structures. That is why industrialisation has widened the gap between the advanced and developing structures, on the one hand, and the more backward structures which engage the bulk of the working population, on the other. This ill-balanced pattern of development has aggravated economic disproportions.

The formation of the reproduction cycle on a national basis has been characterised by specifically Indian features. The primary direction in the development of new industries has been the production of both finished goods and of parts and components, while many types of raw materials and semi-manufactured goods have to be imported.

Although the production of finished goods, parts and components has helped reduce the share of imports in the gross capital investments somewhat, the need to import raw materials and semi-finished goods accounts for a very slow decrease in this share and for an increase in the volume of imports. India's new industries are most heavily dependent on the world market. Since industrial development proceeded faster than exports expanded, the requirements of the new industries had to be met from imports, part of which was paid for out of foreign credits. In this sense the share of imports in the gross capital investments diminished more rapidly than the dependence of Indian reproduction on the world market.

The difficulties and imbalances that arose in the course of industrialisation were the chief factors behind the economic depression and sharpening of the political struggle in India in the late 60s. Under the popular pressure the ruling National Congress Party announced in 1969-1970 a programme of bourgeois-democratic reforms. These reforms are characterised by the following three basic elements: a) strengthening of the public sector through nationalisation and redistribution of the country's capital accumulations in its favour; b) increased government support for small capitalist entrepreneurship with simultaneous curbs on the operations of monopolies and the big capital; c) new round of agrarian reforms and support for the "green revolution" in the countryside.

In industry the new strategy has contributed to the shift of emphasis to the promotion of industries supplying agriculture with machinery, fertilisers, and other producer goods. The question arises as to the nature of the cumulative impact of these measures, provided they are implemented in a more or less consistent way, on the further development of industry and the progress of industrialisation as a whole.

Obviously the consolidation of the public sector coupled with the concentration of financial and material resources in the hands of the government strengthens the trend towards greater centralisation in economic management. First of all, the expansion of government entrepreneurship and the government's tightened control over circulation makes it possible to expand the accumulation fund, preparing the ground for higher economic growth rates. Of no less importance is the fact that the steadily growing accumulation fund can be utilised more efficiently since the government is now able to concentrate national resources and efforts in the key areas of the country's economic development in accordance with the national economic development plan. This, in turn, will help overcome the more glaring imbalances arising from the uncontrolled activity of the lower structures, the spontaneous nature of the capitalist market, and the shortages and diffusion of capital investments.

However, the public sector is far from free of bureaucratic methods of management and is relatively inefficient. So, as the share of the public sector grows (in terms of aggregate capital investments, gross and net national product, etc.), there is a real danger that the efficiency of social production will decrease and capital intensity increase. The consequence will be a slow-down in the country's economic development as a whole. The democratisation of management in the public sector and a significant improvement in the performance of public enterprises can alone reverse the trend since such measures offer the chance of getting the most out of the progressive potential inherent in the current reforms.

Government support for small capitalist entrepreneurship in industry and agriculture is aimed at accelerating the proliferation of capitalist relationships in the country's economy. However, the ultimate impact of this policy may prove to be contradictory. At the moment the small capitalist entrepreneur in Indian industry is quickly going over to the use of relatively up-to-date technology. A similar process, if somewhat slower, is typical for the capitalist farmer as the "green revolution" gathers momentum. In these circumstances increased government support for small capitalist entrepreneurship should result in higher nation-wide labour productivity, stimulate increased demand for producer goods on the internal market and spur overall industrial development. As a result, the capitalist integration of the economy will be accelerated. This, in turn, will help the now backward sectors to catch up with the country's large-scale industry which has forged ahead. Unquestionably, in due course this will create favourable conditions for stepping up the country's economic development across the board.

The rapid formation of an extensive stratum of small capitalist entrepreneurs will require massive government expenditures in view of the keen competition from modern big bourgeoisie and monopolies and the big scale of relatively independent operations maintained by the lower forms of Indian trade capital and money-lending capital, which appropriate a substantial proportion of the surplus product supplied by small-scale production. The government can mobilise the requisite funds only by redistributing the incomes of the millions upon millions of direct producers in town and country. In this situation the formation of the second echelon of India's ruling class is placing a heavy burden on the Indian working people and is holding back the modernisation of the direct producer's economy. In this sense attempts to encourage the growth of small capitalist entrepreneurs, as well as other factors, will result in the perpetuation of the traditional methods of production within the lower structures.

Finally, the redistribution of material and financial resources in favour of the small entrepreneur and the curbing of the competition offered by large-scale industry may for a time slow down the techno-economic progress in modern large-scale industry, both public and private. One possible consequence of this development may be the continued lagging of India's large-scale industry behind the world technical standards. This, in turn, will inevitably decrease the country's exports, which can sharply increase the balance of payments deficit. That is the reason why the redistribution of material and financial resources in favour of the small entrepreneur can only be successful provided the influx of finance from abroad is stepped up.

So far, it has been extremely difficult to identify the eventual impact of the state-capitalist measures now being carried out in India, since the new economic policy has not yet been stabilised socially, politically and economically. It can only be assumed that the measures both projected and implemented will not introduce radical changes in the pattern of industrialisation typical of the preceding period.

AFTERWORD

The foregoing chapters are fairly rigidly limited to their authors' fields of research. Therefore, such essential problems as the overall socio-economic consequences of the colonial rule, the ideological transformation of Indian society during the socio-economic changes described have been left out of discussion. Below we shall try to fill this gap.

I

In this concluding section of the monograph, the authors intend to set forth some of their views on the problems of India's economic evolution, which have a bearing on her present-day economic development. We shall attempt to present them in brief. India has never been merely a passive prey to foreign invaders—the British imperialists—unresisted by her internal forces. In fact, the laws and trends of development of the Indian economy were an objective factor of opposition to foreign oppression. As the Indian economy embarked on the capitalist path of development, the present-day class contradictions came on the scene. Moreover, during the struggle against colonialism, particularly between the first and the second world wars, the internal class contradictions were veiled, as it were, by an atmosphere of nationwide self-awareness. Individual class forces, which reconciled themselves in varying degree to British domination, gradually moved away from the united anti-imperialist front in the early stages of the political class struggle, in direct proportion to its scale, character and the extent of involvement of the masses.

After British capital had come to India, the colonial monopoly of British capitalism became the pivotal factor of her economic and political development. British capital was undermining India's rural community, on which the feudal system was based, and introducing relatively developed commodity-money relations into her economy. In some areas, it expropriated the feudal elite, in others, it made a compromise deal with it for political reasons, preserving the landlord's rule over the peasants almost everywhere or, as the supreme landowner, exacting the rent-tax directly from the peasants (ryotvari regions).

In the latter half of the 19th century, however, after a series of uprisings and peasant unrest, the British regime made certain concessions to the peasants, instituting various types of hereditary, temporary and life-long peasant tenancy. It brought under its influence the old machinery of Indian trade capital, selecting a loyal group of the comprador bourgeoisie, which would in time take the helm of Indian capitalist industry. British capital was building railways as strategic routes important militarily, as well as for export and import trade, ruining the handicraft industries and flooding the market with cheap foreign goods. It forced millions of artisans to roam the countryside begging their bread or doomed them to death from starvation. It was buying up land and selling it at a profit, and expropriating the peasants on a vast scale. It bore down on them with the heavy tax burden, specialising agricultural areas in commercial crops, developing the production of industrial raw materials and, partly, semi-finished goods. It encouraged the growth of big landed estates, while its agrarian policy simultaneously allowed for an appalling fragmentation of landholdings, a tremendous congestion on the land of the pauperised peasant masses hired as farm hands on the most barbarous terms of sharecropping and repayment by work. The British regime left in the hands of the sovereign princes—its loyal vassals—one-third of India's territory and one-fourth of her population, permitting the feudal social relations to reign supreme. Finally, at the end of the last century, it began to export capital. This capital, functioning mostly in banking, insurance, trade and transport companies and especially in "governing agencies", as well as in the form of government loans which constituted India's government debt of many thousand million, partly transplanted capitalist factory production onto Indian soil, speeding up capitalist development and the emergence of the proletariat. For all that, it left agriculture at the lowest level of agronomy, exploiting it cruelly without advancing it technologically, plunging the country into unprecedented famines and epidemics taking a toll of tens of millions of lives.

In the early period of their rule in India, the British, for all their cruelty and brutality, played as an "unconscious tool of history" a progressive role, if only in a limited sense, awakening India from her slumber as long as they undermined her old society: the rural community, the Asiatic feudal autocracy embracing the whole country, or individual principalities ruled by feudal despots. This historical role, progressive if only to a limited extent, may be granted to Britain despite the disastrous, vastly destructive consequences of her policy in India.

After the economic laws of India's own development led to the emergence of large local industries, the national bourgeoisie and the proletariat—in short, after definite conditions had emerged for her independent capitalist development, the British rule, despite the construction of railways, ports, mines, etc., became unquestionably retrogressive and reactionary, because the key objective of Britain's economic policy was to retard India's free industrial development and preserve the British colonial empire. This policy became particularly intolerable after the appearance on the political scene of a new class, the proletariat, the only one to have taken a correct and consistent stand against the economic policy and obsolescent social relations fettering the productive forces.

The main contradictions in India's economy on the eve of independence may be summed up as follows:

—forceful objective trends towards economic growth in the face of continued imperialist colonial domination of India's economy and politics, and hence the need to abolish the imperialist rule politically;

—capitalist transformation of the economic relations despite the prevalence of pre-capitalist technology, particularly in the rural areas, in the handicraft and small industries;

—an enormous inflow of finance capital from the metropolitan country in the nearly complete absence of progressive social changes brought about by capitalism;

—mass-scale expropriation of the peasants and artisans along with an extremely slow process of their proletarianisation, and hence pauperisation, this terrible scourge of Indian society;

—diffierentiation of the peasants on the basis of commodity-money relations existing alongside underdeveloped capitalist agriculture, and hence the consolidation of money-lending and merchant capital and the growth of pre-capitalist sharecropping practices;

—prevalence of vast landed estates along with tiny peasant landholdings;

—domination of the rural market by money-lenders and buyers-up, huge accumulation of trade and money-lending capital in the absence of broad opportunities for its investment in industry.

With the landlords, merchants and money-lenders holding sway over the Indian village and the impoverished peasants tenaciously clinging to their dwarfish landholdings, it was possible to exploit the latter on a pre-capitalist technological basis, by purchasing their produce rather than manpower. Indeed, with the usual run of things, as soon as the peasants' destitution had grown to a point where a large proportion of them would have been forced to part with their landholdings and sell their manpower rather than their produce, i.e., to join the proletariat, trade and money-lending capital and the landlords would have to embark on organising agriculture along capitalist lines, now operating and accumulating capital not in the commodity or money market sphere but in the sphere of agricultural production itself based on the industrial capitalist principles. This failed to happen in the Indian countryside on a scale at least partly comparable to Europe's. The Indian peasants, who were driven to ruin by the pressure of three forces—British imperialism, national industrial, trade and money-lending capital, and the landlords—found no market for their manpower. There was not at least a relative balance between the scale of the peasants' and handicraftsmen's impoverishment, on the one hand, and the extent of conversion of trade and money-lending capital into industrial capital, and the landlords into agricultural capitalists, on the other. The root cause of this phenomenon lay, above all, in the imperialist colonial domination. Thus, the conversion of money into capital in Indian agriculture took place without money-owners organising, on whatever scale, capitalist machine farming based on wage labour. This was the main distinction of the colonial period.

In this way, the metropolitan country's capital harnessed India's agriculture by a network of strings and robbed the peasants of surplus produce primarily by exploiting them through the agency of trade and money-lending capital, the landlords and taxation, without remaking agriculture on a modern technological basis, while bolstering up the metropolitan country's economy and leaving the colony to writhe in the agony of economic stagnation.

In fact, the metropolitan country's capital was pushing the oppressed country onto the capitalist path of development, but, what with the world wars, the liberation and revolutionary movements, it was permitting her to take just a few steps as long as this suited the oppressor country in view of the changed conditions of her supremacy. At the same time the oppressor country was straining every nerve to preserve the parasitic, exploitative essence of her relations with the colonial country, holding back her development for decades at an early stage of capitalism.

This makes it clear why the latter's industry was allowed to develop as long as it offered the oppressor nation's bourgeoisie a real advantage in pumping surplus product out of the oppressed country quickly, cheaply and efficiently, for which railways, ports and industries, mostly light industry and mining, were built. The second factor which determined India's industrial development level was the capitalist trends in her home economy, and the third, the character and forms of Britain's struggle against other imperialists challenging her colonial supremacy.

It should be stressed specifically that whereas India's colonial economy as a whole can on no account be described as exclusively feudal—this approach may cause grave harm—one should also strongly oppose any attempt to portray colonial India as a full-fledged capitalist country, because this viewpoint is equally wrong.

Therefore, the way the industrial capitalist class formed in colonial India largely differed from what had taken place in Europe's independent capitalist countries, where the main ways by which the industrial capitalist class came into being may be described as follows: "...the merchant directly subordinates production to himself" or "the producer becomes merchant and capitalist...".[1]

[1] K. Marx, *Capital*, Vol. III, p. 334.

In India, the process by which the national industrial capitalist class formed under the influence of economic and political domination by foreign capitalism underwent serious modifications. This class formed in the following ways:

1. The trade comprador capitalist became an industrial capitalist, often continuing his comprador functions.

2. The trader, property speculator or money-lender purchased company shares, becoming share-holder of both British and local industrial companies.

3. The landlord became involved in capitalist industrial production, while continuing his semi-feudal exploitation of peasants.

The conclusions one can derive from this comparison are self-evident. First, in the conditions of colonial India the direct producer did not become, as a rule, an industrial or agricultural capitalist; second, the industrial capitalist class, which had emerged mostly from the midst of compradors, traders, and landlords, did not abandon the ownership of land, which remained a large source of income. Indian merchants, compradors, money-lenders, officials and bourgeois intellectuals became landowners, and conversely, a part of the landlords became share-holders of industrial and banking companies. This, of course, did not rule out subsequent "territorialisation" of the industrial bourgeoisie. But it was a phenomenon of secondary importance compared with the perpetual and intimate involvement of traders and money-lenders in landownership.

Thus, whereas in the West the industrial bourgeoisie, which had formed for the most part from the midst of direct producers, owners, masters and apprentices of capitalist workshops, artisan and merchant guilds, later became "territorialised", i.e., settled on the land, in India the bulk of it always continued to be involved in a much more backward landownership which preserved almost intact its feudal and semi-feudal features. Therefore, when some authors refer to the "territorialisation" of the Indian bourgeoisie as its later settlement on the land, this, strictly speaking, is inaccurate, glossing over the specific distinctions of the Indian colonial bourgeoisie from its European counterpart as a class which largely remained permanently involved in feudal landownership and parasitic extraction of rent.

Hence the major political conclusion to the effect that the Indian bourgeoisie, unlike the French bourgeoisie of the Great French Revolution, has never held nor could it hold a positive stand on the issue of radical solution of the agrarian problem in the country in favour of the people. This explains its fear of a peasant revolution and its desire to take control of the peasant movement in order to lead it to a path of "non-violence".

Thus, this aspect of the Indian bourgeoisie's historical origin explains its stand in relation to solving the agrarian problem—the pivotal issue of the anti-imperialist national liberation revolution. But its attitude to the British imperialist rule in India also needs to be explained, for which both the genesis of the Indian bourgeoisie and its collaboration with British finance capital should be considered. Indian traders, money-lenders, landlords, and compradors became share-holders of British companies: industrial, commercial, banking, insurance, and other. This accounted for their intimate links with British finance capital, their efforts to preserve their bourgeois well-being.

Large strata of the industrial and trade bourgeoisie and the intellectual elite had close ties with the colonial regime and its administration, getting lucrative cushy jobs, taking part in government loans, etc. These connections of the Indian bourgeoisie with British finance capital did not mean, of course, that there were no contradictions and conflicts between them, that their interests were identical. Such conflicts, however, usually expressed the Indian bourgeoisie's claims to a greater share in the exploitation of the domestic market and seldom went beyond the limits of bourgeois opposition. What with the critical political situation and the alignment of the class forces in India in 1947 when British imperialism was facing a crisis, the threat of a national colonial revolution and forcible overthrow of the British rule by the masses forced the British colonialists to hand over power to a bloc of the bourgeoisie and small proprietors.

The new national leadership, in which Jawaharlal Nehru played the key role from the very outset, was confronted by a range of problems to be solved in succession and yet as inter-dependent issues, such as to make sovereignty a political reality, to reorganise and consolidate the government machinery, to set up a new administrative system, and to form a system of economic regulation and planning. On a broader plane, it was a question of setting up a general national mechanism for co-ordinating and directing the radical transformation and modernisation of India's entire socio-economic structure.

II

In the past few years, India's progressive theoretical thought gave a clear-cut definition of the range of urgent problems facing her society, and now it is more and more a question of the practical mechanism and methods for implementing pressing reforms, whereas but recently there were debates over their objectives. This lends still greater urgency to a scientifically objective, summing-up research into India's socio-economic structures at the different historical stages of their development over the past two centuries. Such research will throw into salient relief both the conservative, stagnant, and the progressive, developing areas of the country's modern socio-economic system and hence give a more realistic idea of the ways and means required to remake the various spheres of the Indian people's social life and consciousness.

Sometimes the creation of a mechanism for implementing truly historic reforms is visualised as summation of the specific problems facing society and establishment of the order of priorities in handling them. Historical experience, however, is a constant reminder that this summation and order of priorities have their own determining factors, the main of which, of course, is the alignment of the class, political forces. It is on this alignment that the viability of a newly-formed socio-economic system is dependent, and it is precisely the outcome of the class struggle that determines society's transition to socialism or its backslide to social reaction.

Even in India's traditional, pre-British society there had existed for centuries a relatively stable mechanism of reproduction of conservative social forces, ranging from the upper stratum of the rural community, the feudal landlords, to the centralised military-administrative machinery of the eastern Great Mogul empire or other states of the same type. This mechanism was dealt a severe blow, which deformed but failed to destroy it.

The mechanism of reproduction of conservative elements in Indian society is one of the key problems discussed in the book. An understanding of its structure will make clear both the causes of the viability of the social basis for Right-wing extremism in India and the futility of the Leftist tactics which is incapable of offering a constructive alternative to this structure and, what is more, makes some use of its déclassé elements. Soviet scholars, who formerly took it for granted that the conditions of sovereignty contributed to the rapid disintegration of the Djajmani mechanism and other patronage systems tending to conserve the relatively high degree of stagnation of social life, particularly in the countryside, have been compelled by experience to make a more cautious and comprehensive assessment of the social changes really occurring in India.

Only an objective analysis of the actual life of India's working masses, especially her protoproletarian masses, will help find ways and means of awakening their minds to the need for radical social change. Let us recall what Lenin said about the avenues of approach to the backward sections of the Russian proletariat, which was relatively free from the bonds of traditional mutual relations: "We must learn to approach the most backward, the most undeveloped members of this class, those who are least influenced by our science and the science of life, so as to be able to speak to them, to draw closer to them, to raise them steadily and patiently to the level of Social-Democratic consciousness, without making a dry dogma out of our doctrine—to teach them not only from books, but through participation in the daily struggle for existence of these backward and undeveloped strata of the proletariat."[1]

In the conditions of Afro-Asian societies, an extremely dangerous illusion the Maoists zealously try to create is that the mind of a simple worker is like a blank sheet of paper on which revolutionary theoreticians can inscribe

[1] V. I. Lenin, *Collected Works*, Vol. 8, p. 454.

their will. In reality the mind of a simple worker of traditional society is fettered by an extremely strong system of very viable even if primitive views on the meaning and norms of his life. To avoid what Lenin described as "making a dry dogma out of our doctrine", this worker should be placed in a situation of daily struggle for the objectives and ideals he has *already* come to understand. Incidentally, there is much to learn here from Mahatma Gandhi, who was keenly aware of and sensitive to the ideals comprehensible to India's plain people.

Of course, demagogues of the Right and Left extremists may stir up and unite *for a time* a definite part of the most oppressed strata under loud but vain slogans of universal justice, brotherhood and happiness. In fact, however, in its real class and political essence, this will be a flop, an emotional fit based on a fideistic platform alien to truly revolutionary awareness but suitable for those revolutionary movements which Lenin listed with reference to Asia in the category of "ancient Chinese riots". Unfortunately, this kind of spontaneous rebellion has proved to be a fairly viable form of popular protest, which is usually joined in by a section of politically disoriented petty-bourgeois youth educated according to Western standards.

Comparative analysis of the way of life and the "demonstration effect" involved is often reduced to juxtaposition of standards of living, social and individual patterns of behaviour, achievements in culture, the arts and education and other results of a long-continued historical process. Such juxtaposition is obviously useful, but it may become fruitless contemplation if one gives no thought to the ways and means by which a given society has attained its present level of progress, to how effective the costs of this progress have been. An understanding of this range of problems will not lead, of course, to the automatic formation in the historically underdeveloped countries of a mechanism which would help them to catch up with the advanced countries. In the final analysis, the new socio-economic mechanism, particularly in its institutional part, is called into being only by the victory of the forces of social progress over the conservative forces, i.e., in the course and outcome of the class struggle.

However, the study of the experience of societies which have attained a higher level of historical development helps shorten the period of reforms and the social costs involved. As far back as 1867, Karl Marx, referring to the need for the ruling classes of continental Europe and the United States to study British factory legislation, expressed this fundamental idea: "One nation can and should learn from others. And even when a society has got upon the right track for the discovery of the natural laws of its movement—and it is the ultimate aim of this work, to lay bare the economic law of motion of modern society—it can neither clear by bold leaps, nor remove by legal enactments, the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth-pangs."[1]

In the light of this idea one can better understand such an unusual phenomenon now in evidence in India as the mass-scale emergence of small business in industry, agriculture and the services. In the developed countries of Western Europe and North America, a similar type of economy—the small workshop (manufactory) or a non-mechanised family farm—was a stage historically passed as far back as the middle or, at any rate, the end of the 19th century. In sovereign India small business has sprung up from industrialisation and the "green revolution". The underdeveloped co-operative forms of entrepreneurship and exchange, and the obviously weak positions of the public sector in this sphere have made it possible for large-scale trade and industrial capital to place it under its rigid control.

In the political aspect, small businessmen of the Indian town and village, who are intimately involved in the traditional industries, are unable for the time being to put forward, like their distant historical ancestors of Europe's "third estate", a consistent programme of revolutionary reforms, although it should be admitted that they are being increasingly involved in the political struggle and in recent years have been siding with the Right-wing radicals. What is more, they often fall under the influence of religious-communalist, separatist and other reactionary movements, which are called upon, as political leaders of

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[1] K. Marx, *Capital*, Vol. I, pp. 9-10.

the petty bourgeoisie believe, to protect it against government regulation, price control, labour legislation, the trade unions, the so-called equality of all citizens before the law, against hateful secularism and other attributes of bourgeois democracy of the current, rather belated period of capitalism.

The narrow-mindedness of these strata of the Indian bourgeoisie, influenced predominantly by Indian reaction, in the field of constructive historical work (even within the framework of bourgeois society) is manifested by actions which ultimately hold back its own class development: incitement of communalist and separatist strife and riots instead of consolidation of the state based on "law and order"; speculation, particularly in consumer goods, gold and foreign exchange instead of productive investment of capital; corruption and nepotism, which have grown to socially dangerous proportions; and last but not least, orientation on Hindu fanaticism, mysticism and profound ignorance instead of rationalistic bourgeois personality development. Repeating spontaneously the phases of capitalist development long passed in the West, definite strata of the Indian bourgeoisie display no strong desire to "shorten and lessen the birth-pangs" of bourgeois India.

The constant difficulties on the way to a union between Swatantra and Jan Sangh are significant. While laying claim to ideological leadership of this bloc, the frankly bourgeois Swatantra could not, however, offer its communalist ally a more or less independent electorate and solicited whatever support it could get from the princes and other feudal survivors in the most conservative States—Orissa, Rajasthan, and others. The purely political union of these parties in 1970-1972 proved short-lived and ended in divorce. Now they are seeking to knock together another alliance to oppose a united front of the Right, a front of reaction, to all democratic forces, in order to topple the government of the Indian National Congress Party and to revise India's home and foreign policies in the selfish interests of the monopolies, semi-feudal and corrupt elements seeking political power. A more substantial bourgeois alternative in the early 70s was the Syndicate which laid claim to positions of influence in India's best-developed capitalist States but achieved a very moderate support there. Hence the question: why are frankly bourgeois programmes opposed even by India's petty-bourgeois strata?

Let us approach this question from afar. None of India's great religions, above all, Hinduism, has undergone a bourgeois reformation. Therefore, in a new historical situation, where the most acute social conflicts are generated by deep intrusion of industrial and monopoly capital, the traditional pre-capitalist communalist consciousness is a sort of natural reaction of the petty-bourgeois strata to new developments. It should also be borne in mind that in some Afro-Asian countries purely secular ideology, anti-imperialist nationalism in particular, cannot force out, as a rule, the traditional communalist, clan, caste, class, tribal, semi-feudal ideology as the conventional mental outlook of millions upon millions of small proprietors aspiring to grow rich, to become masters, entrepreneurs. Hence their tenacious adherence to standards of a religious-ethical order. What is more, a small owner, especially in rural areas, develops anti-capitalistic sentiments as a reaction of profound resentment against the swindling property speculator, the parasitic money-lender, as well as against the capitalists in general and the big foreign and local magnates in particular. Such anti-bourgeois sentiments of small owners were in evidence in Russia before the October Revolution, where the "raving" small owner now and then went to the length of anarchistic defiance of all, including bourgeois, law and order.

Significantly, in colonial India the advent of capitalism did not generate such bitter ideological conflicts between her internal reactionary and progressive forces as had been the case in Europe. Viewed from the angle of formal logic, the positions of such moderate reformists as Dadabhai Naoroji or Motilal Nehru may seem at first glance much more progressive than, say, the preachings of Bal Gangadhar Tilak or even Mahatma Gandhi. The ideas of the former two, however, were embraced by the educated, national-bourgeois elite of India, whereas Tilak's eclectic teachings, and Gandhi's utopian views in particular, have become implanted in the minds of the millions. The evolution of the common class ideology and, at the same time, common national ideology of the Indian bourgeoisie, viewed in a cross-section of its strata and groups, was impeded by the inability even of its best-educated and remarkable representatives to develop a complex of scientific knowledge and abstract views required for understanding the social life of their peoples in a new situation.

It is already ten years since Jawaharlal Nehru's death. And to this day, when reading his writings, we can sense again how heavy was the burden he placed on his shoulders: to reconcile incompatibles—India's age-old fideism with Europe's scientific-rationalistic thinking, and with Karl Marx's and Vladimir Lenin's theory and practice he himself had described as having world-wide historic importance. Our Indian readers may well feel the inner coincidence of Marx's and Nehru's reflections when reading the following excerpts from works of Marx, which very clearly formulate the requirement for the optimum member of a transitional society, who "rather than seeking to remain something finally established is in the absolute motion of formation". The appearance of such an individual during the formation of a new society is quite indispensable if only because "...the ancient world was really loftier than today's wherever a perfect image, a perfect form and a pre-set limit are sought. It gives satisfaction from a limited point of view, whereas the present state of the world gives no satisfaction; where it is self-satisfied it is vulgar."[1] The question here is one of a society during transition from feudalism to capitalism.

The founders of Marxism pointed out repeatedly that great thinkers, revolutionaries, scientists and artists who had created the ideological superstructure and culture of bourgeois society had absolutely nothing in common with the worship of wealth, and what is more, were profoundly hostile to the philistinism, self-complacency and narrow-mindedness of the bourgeois. Nevertheless, for European capitalism to have become spontaneous and irreversible and to have subordinated to itself the vast feudal peripheral areas, cardinal changes had been required in society's spiritual life, in moral and ethical standards; not only had a deep-going transformation had to be made in the mode of production and exchange, but values had had to be created anew in all fields of spiritual life extending far beyond

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[1] K. Marx, *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf), 1857-1858*, Moskau, 1939, S. 387-88.

the limits of the narrow bourgeois world order and assimilated later in the consciousness and spiritual world of socialism.

Of these changes, at least some deserve mention: the rise of a new type of mental perception, which was best exemplified by the brilliant artistic vision of the great masters of the Renaissance; the Reformation of religious ideology, which raised to the position of dominance a dogma that best suited the society of commodity-producers—"Christianity with its *cultus* of abstract man, more especially in its bourgeois developments, Protestantism, Deism, etc."[1]; the emergence of a complex of anti-dogmatic abstract notions suggested by the great cosmological, geographical and anatomical discoveries and by the achievements of natural sciences, including precise sciences; the affirmation of rationalism and the emergence of the materialist school in philosophy of the Enlightenment; the evolution of bourgeois classical political economy; the acknowledgement of class antagonisms and conflicts by the science of history; the establishment of applied sciences and their further specialisation to meet the specific needs of production, exchange, transport, the army, the navy, as well as the consumer and ceremonial demand of the propertied classes and the church; the development of an ability for complex and purposive invention, designing and perfection of machines and machine systems, manufacturing processes and energy sources for the purpose of production and extended reproduction of relative surplus value; the formation of the world capitalist class, the international working class and the stratum of engineers and technicians having proficiency in handling industrial technology and producing relative surplus value.

We present these comprehensive changes in roughly the same historical genetic succession in which they took place throughout Europe. In fact in Britain, too, this succession more than once wavered off course or lacked clearness of form. As for the Afro-Asian world, even in Japan, China and India, where imported factory equipment and mechanised transport had been in use with a good deal of success since the mid-19th century, the changes that had preceded this had been postponed, particularly in the field of ideology, and if they

[1] K. Marx, *Capital*, Vol. I, p. 79.

did occur, they followed a different course of succession and were not comprehensive, as a rule. Hence the failure of bourgeois ideology as a body of notions and ethical standards to take full shape in any Afro-Asian country, even Japan.

The highly intricate process of interaction of scientific progress with society's economic, cultural and ideological activities that was in evidence in Europe in the 16th-19th centuries, was for a long time little known even to the best-educated members of the Afro-Asian intellectual elite. They viewed the achievements of European science and technology primarily in the context of the military and competitive superiority of foreigners. In the intellectual sphere this European superiority could be only opposed by the cultural and ethical values of a great but now creatively feeble and irretrievable past.

Significantly, India's greatest mind of the late 18th and early 19th century, Rammohun Roy, was, as Jawaharlal Nehru described him, primarily a religious reformer. "...Influenced in his early days by Islam and later, to some extent, by Christianity, he stuck nevertheless to the foundations of his own faith. But he tried to reform that faith and rid it of its abuses and the evil practices that had become associated with it."[1] Roy's preoccupation with religious reform was matched by his knowledgeableness: he knew Sanskrit, Persian, Arabic, Greek, Latin and Hebrew in addition to English. However, his immense intellectual powers were concentrated on one goal, to find out the origins of the religion and culture of the West.[2] This religious reformist trend later came out in the intellectual quests of Bal Tilak and Mahatma Gandhi—leaders who searched with singular persistence for avenues of approach to the mass consciousness of their countrymen in the period of their political awakening to the struggle against the British colonial rule.

Hence the question: is a movement for religious reform revolutionary in modern let alone recent times? Marxism-Leninism has never given a peremptorily negative answer to this question. Indeed, the Reformation in Western Europe

[1] Jawaharlal Nehru, *The Discovery of India*, The Signet Press, Calcutta, 1946, p. 373.

[2] Ibid.

in modern history called forth the "heretic", revolutionary religious views of Thomas Münzer and other leaders of the plebeian-peasant masses. The ideas of religion could become revolutionary for two reasons: first, they were a weapon of truly revolutionary forces in society; second, these forces could not adopt a secular class doctrine capable of winning the minds of millions, if only because it was still non-existent.

If Gandhiism were viewed in this light, one might admit that in addition to sincere anti-imperialist, anti-colonialist and anti-racialist sentiments, many other traits of social radicalism so prominent in the plebeian masses and the third estate of Europe in the modern period are well nigh absent in this most popular reformist movement of India of the latest time.

It is interesting in this context to read the description of Gandhi's personality and views given by Nehru:

"...Gandhiji has been compared to the medieval christian saints, and much what he says seems to fit in with this."[1]

"...He is passionately desirous of going in a certain direction, but this is wholly at variance with modern ideas and conditions, and he has so far been unable to fit the two, or to chalk out all the intermediate steps leading to his goal. Hence, the appearance of vagueness and avoidance of clarity."[2]

"...He is not out to change society or the social structure, he devotes himself to the eradication of sin from individuals."[3]

"...He is more or less of a philosophical anarchist."[4]

"...He suspects also socialism, and more particularly Marxism, because of their association with violence. The very words 'class war' breathe conflict and violence and are thus repugnant to him."[5]

"...That outlook is as far removed from the socialistic, or for the matter of that the capitalistic, as anything can be."[6]

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[1] Jawaharlal Nehru, *An Autobiography*, The Bodley Head, London, 1953, p. 509.
[2] Ibid., p. 510.
[3] Ibid., p. 511.
[4] Ibid., p. 515.
[5] Ibid., p. 516.
[6] Ibid., p. 517.

"...And yet many of Gandhiji's activities might lead one to think that he wants to go back to the narrowest autarchy, not only a self-sufficient nation, but almost a self-sufficient village."[1]

On recalling Gandhi's misgivings about modern industry, technology, science and the arts, one will have to agree that his outlook contributed to moulding the integral bourgeois personality in a very indirect way. Nevertheless, the historical importance of Gandhiism for India is tremendous, because it was what may be called a philosophical-ethical and political cauldron, in which several generations of thinking Indians were boiled in the course of the genesis of the individual who, according to Marx, rather than seeking to remain something finally established, is in the absolute motion of formation.

It seems that in his unquestionably sincere reverence for the personality of Mahatma Gandhi and his repeated references to the latter's dynamic approach to India's realities, Jawaharlal Nehru has brought into focus, in effect, precisely this aspect of Gandhiism. But the Indian awakened, as he was, in the absolute motion of formation and having overcome the intermediate stage of this dynamic process, found himself in a labyrinth of complex historically concrete class-conscious and political assessments and decisions, and at this junction the magic fabric of Gandhi's ethics was broken, and his social and class indifference equally acceptable for the rich and the poor, for the Brahmans and the harijans, in the conditions of newly-attained sovereignty eventually amounted to fruitless moralising.

Mahatma Gandhi, as none of his followers, was thoroughly aware of the futility of the socio-economic aspects of his world outlook in the sovereign society which had laid bare its social sores. His death at the hands of a Hindu fanatic of a frankly fascist orientation characteristic of such an "orthodox" counter-revolutionary organisation as Rastriya Swayam Sevak Sangh was a fatal retribution for his great even if uncompleted attempt to propose an ideological transition from the former state of uncertainty, the unfinished assertion of a new bourgeois individual, to the

[1] Jawaharlal Nehru, op. cit., p. 522.

absolute motion of formation of bourgeois life proper. The present communalist chieftains—these ideological and political heirs to the assassins of Gandhi—are a despicable lot if only because the true drama of his life-long exploit means nothing to these self-conceited fanatics. Indeed, Gandhi's fate could well be described in the dismal words of Hamlet facing his doom:

"...The time is out of joint;—O cursed spite,
That ever I was born, to set it right!"

(Shakespeare, *Hamlet*, Act I, Scene V.)

Marxist-Leninist morals are alien to the cult of martyrdom. It has so happened, however, that the Communists, who are blazing the trail for the plain people—not an elite!—of the 20th century to the absolute motion of formation of the new man of socialist society, have evoked the hatred of all the forces of the bourgeois conservative "establishment". The curt "Communists, charge!" called out before an attack has raised to a mortal combat and immortality thousands of men, whose conscious self-sacrifice in behalf of their class and their Party has made them superior to the canonised martyrs of all religious communities of all time. We Soviet Communists are not always prone to refer to the great martyrology of our Party, and this holds true of the Communists of other lands, too. Indeed, what can the communalists, fanatics of every description and of all countries oppose to the martyrdom of hundreds of thousands and millions of Communists who have died in the past few decades alone at the hands of reactionaries of religious communities and castes who had joined forces with reactionary foreign monopoly interests in Indonesia and the Sudan, at the hands of the so-called "middle classes" in Vietnam and Chile, at the hands of the Maoist nationalist Thermidorians in China? Small wonder, therefore, that Catholic authors seek inspiration in the image of the Communist Che Guevara, this Knight without Fear and without Reproach. In truth, whatever sins the Communists have been accused of by their enemies, as far as one can remember nobody has ever called in question their courage and their ability for self-sacrifice.

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Loyalty to a doctrine, however, is not tantamount to an ability to carry it into life. This is evidenced, if only indirectly, by the losses and setbacks suffered by the progressive forces in India and other countries. Nevertheless, a steady accumulation of the immense experience in revolutionary activities within the masses and in guidance of their struggle is now in evidence. In India, for example, massive forces oriented on assimilation of the theory and practices of non-capitalist and subsequent socialist development are already taking shape.

This experience shows, among other things, that the priority development of formerly backward countries and regions to bring them in line with the advanced ones is a law under socialism. Its operation has been witnessed in the Soviet Central Asian and Trans-Caucasian republics, in the regions beyond the Arctic Circle and in the Far East, and in Mongolia. The same process, if only in a specific form, has taken place in the Korean People's Democratic Republic and the Democratic Republic of Vietnam in Asia, in Bulgaria, Rumania and partly in Yugoslavia in Europe, and is now in evidence in Cuba in Latin America. What is more, the new alignment of forces in the world, the mutually advantageous co-operation among the socialist countries, planning along scientific lines, with a view to both the earlier errors and the time-tested optimum variants, tend to shorten and ease the birth-pangs of the new, socialist society.

Soviet scientists have never given specific recommendations for restructuring the socio-economic systems of other nations. This would have been against the principles and views of Soviet people, as well as against the methods universally accepted in socialist society. Nor does it imply the other extreme—indifference to quests of other nations' progressive forces for optimal solutions to the complicated problems facing the Third World. This is what motivates Soviet scientists' invariable readiness to share with others what they know of the difficult but all the more useful experience of Soviet development, highlighting its successes and failures, general and specific aspects. And then, the way a member of one society views the problems facing another society invariably has something distinctive, unlike a conventional self-appraisal. As far back as the early years of Soviet power, on Lenin's initiative books by Western observers, such as John Reed, Albert Williams, Herbert Wells, and others, were published regularly. The pictures they gave of the initial and later developments of the October Socialist Revolution varied with the extent of their knowledge and objectivity, but their interpretation of it contained at places useful, if not equally valuable, rational kernels.

Soviet Indology (whose historical and socio-economic departments are half-a-century old), guided by Lenin's methodological instructions, has invariably sought to attain a maximum of scientific clarity in understanding phenomena and processes taking place in India. This task, of course, has so far been tackled with a varying degree of success, depending on the amount of information available, its authenticity and the extent of its distortion in its sources (its British interpretation prevailed for a long time), as well as on our own interpretation of the world revolutionary process at a given stage.

As far back as the eve of the Second Congress of the Communist International in 1920, some Asian revolutionaries attempted to identify completely the national liberation movement with the international working-class movement. Had this been so, what could be simpler? What is more, none other than Rammohun Roy, who could on no account be denied credit for knowing the situation in India, maintained that her 100-odd million landless population resident in the countryside constituted the rural proletariat ready for a socialist revolution. He believed, therefore, that "...the fate of the revolutionary movement in Europe entirely depended on the course of the revolution in the East. Without triumph of the revolution in the eastern countries, the communist movement in the West could be reduced to naught.... In view of this it was necessary to shift energy to the development and advancement of the revolutionary movement in the East and to accept as the main thesis the proposition that the fate of world communism depended on the triumph of communism in the East."[1] In this simple way,

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[1] *Documents of the History of the Communist Party of India*, Vol. 1, New Delhi, People's Publishing House, 1972, p. 162.

the 28-year-old revolutionary with a rudimentary knowledge of Marxism, the international and Russian revolutionary movement, set the guidelines for world communism in the face of the great Lenin and the communist forum assembled in Moscow.

Lenin gave him this tactful and meaningful reply: "The Indian Communists are obliged to support the bourgeois-democratic movement without joining it. Comrade Roy goes too far, alleging that the destinies of the West are dependent exclusively on the development and strength of the revolutionary movement in the Eastern countries. In spite of the fact that there are 5 million proletarians and 37 million landless peasants in India, the Indian Communists have not yet succeeded in setting up a Communist party in their country, and for this reason alone Comrade Roy's views are largely unsubstantiated."[1] Of course, Lenin had in mind the social and political realities of his time (such as the numerical strength of the working class or the absence of a Communist party), but today his statement is as valid as ever.

In the historical perspective, Lenin's idea contains three postulates: first, the need for a firm and flexible union with the broadest-based democratic movement in being; second, the untenability of Asiaticocentric conceptions; third, which is especially important in the present context, the erroneousness of deliberate inclusion of India's landless and, we may add, generally poor, poorest and simply indigent population in the proletarian class.

As we see, Lenin categorically opposed the indiscriminate inclusion of landless population in the proletariat proposed by Roy and restricted the latter to the industrial working class proper. To those familiar with Lenin's research into Russia's social and class structure this approach is perfectly clear, because he invariably demarcated the non-proletarian or, at any rate, proto-proletarian masses, from the Russian working class. These criteria are also applied by the present writers to their analysis of the class composition of India's present-day society, in the rural areas in particular.

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[1] *Bulletin of the Second Congress of the Communist International*, No. 1, July 27, 1920 (in Russian).

However, it is more than half-a-century since Lenin's argument with Roy. Over the period, immense changes have taken place and are in evidence now in the social structure of Indian society, especially since independence. This refers not only to the new balance of class forces but also to the novel quality of the social groups denoted by the traditional sociological terms. This crucial aspect of the problem has been largely left outside the present research, which does not delve into the problems of culture, education and ideology. We hope our Indian readers will easily extrapolate from our socio-economic analysis.

The experience of the Afro-Asian countries has corroborated Lenin's profound idea of the need for the proletarians and all working people to go through the hard school of struggle for democracy as an indispensable precondition of success in the struggle for a socialist remaking of society. Needless to say, the struggle for political sovereignty also contained important elements of such a school of democracy, but they were often eclipsed by the common national goals of the movement, the stern requirements of underground let alone armed resistance to the colonialists. National sovereignty alone makes it possible to reveal in full and with a maximum of clarity the true interests of different classes and social strata, especially those of the working people, and, what is most important, to make the latter aware of them. This process is not unintricate nor does it follow a straight line, if only because the awakening class awareness at first goes through a stage of agonising re-evaluation of the traditional world outlook with all its prejudices, narrow parochial demands, superstitions, and subordination to communalist leaders. To overcome this survival of a thousand-year slumber in the early stages of class awakening is an indispensable prerequisite for making it an organic element of democratic consciousness and a corresponding progressive organisation.

The developments on the Indian subcontinent during the past few years have again demonstrated the great complexity of ideological and political interaction between the three main forces: conservative communalism, bourgeois or petty-bourgeois nationalism, various socialist-oriented political movements, many of them pseudo-socialist. Naturally, the one represented by the Indian Communists is, in our view, the only socialist movement based on consistently scientific principles. Conflicts, compromise deals and alliances between and inside these forces take place at national, State and district levels. Viewed in the large, the differences here are in the scale rather than in the essence of social phenomena, since representatives of the very same three main forces were involved, in the final analysis, both in the military confrontation over the establishment of the Republic of Bangladesh and in the local conflicts in individual States and towns (although distinctive combinations of participants, specific slogans and problems, specific methods and tactics, etc., were observed in every particular event).

Analysis of the socio-economic structure and its mechanism in different elements, beginning from the united family and Djajmani and ending with the nation-wide system, enables one to isolate from what is at times a motley assemblage of slogans, demands and pretensions the long-range targets which reflect the vital interests of the main classes and social strata. Only with this approach is it possible to draw up a scientifically-grounded programme of reform for the immediate historical perspective and oppose the demagogic, voluntaristic platforms of communalist reactionaries and Leftist quasi-revolutionaries. Here we again return to the demarcation of genuine revolutionaries from both reactionary rebels and rioters of the "ancient Chinese type".

Socio-economic analysis exposes the essence of the phenomena which are now agitating public opinion and are the key issues of political struggle. Take, for example, the grain prices. Today their control demands primarily suppression of profiteering and establishment of fixed procurement and retail prices. This is an absolutely justified demand which has received nation-wide approval. Its implementation is bound to produce a quick and useful effect, easing the situation of tens of millions of working people. Even the most stringent price control, however, will not by itself resolve the food problem, because it will not secure an expansion in production (some landowners will even reduce it) or a reduction in the cost of grain production. The answer hinges on a radical reform of agriculture, a change in the relations of property, and advancement of the productive forces, of agronomy.

By relieving the pressure of profiteering on the processes of price formation the democratic forces can make more effective, in the eyes of the masses, further measures for an all-round remaking of agriculture in such fields as landownership, land use, co-operation, agronomy, the "green revolution", connections with industry, public education, and establishment of new institutions in place of the traditional ones. This perspective makes what appears to be a second, long-range objective of the current struggle for price control.

The long-range progressive objectives of the most sweeping economic reforms, however, may remain unattained, and worse still, compromised, if implemented bureaucratically, without active involvement of and control by democratic organisations in the provinces and in the centre. Therefore, whenever a democratic state makes a deep intrusion into the midst of the private sector, it ought to do this honestly and by clean hands lest expansion of the sphere of radical reforms involve a corresponding expansion of the sphere of corruption, i.e., lest the "conventional" entrepreneurial capitalism be displaced by an even more parasitic bureaucratic capitalism. A danger of this sort arose in the Soviet state at the dawn of its history and compelled the Party and government to take emergency measures to deal with it.

III

The main distinctive sign of the present historical epoch is mankind's transition from capitalism to socialism. This transition is in evidence not only in the countries where the power is held by the working class. The movement against capitalism is on a wider scale, and its front is broadened as the anti-imperialist struggle of the newly-independent nations assumes directly anti-capitalist goals and traits. The countries where the people have established a revolutionary democratic government serving, above all, the interests of the working people are also actively involved in this movement. Hence the conclusion that in the present epoch all the countries where the working people are in power are in the vanguard of the struggle against capitalism.

Lenin, to whom great credit is due for his comprehensive development and enrichment of the scientific doctrine of socialism and who has evolved a truly all-embracing theory of world revolutionary development, showed that the world-wide transition from capitalism to socialism would be an extremely complicated, long-lasting, multiform and, of course, difficult process. Lenin's prevision has been fully corroborated by history. Contrary to what had been often predicted by revolutionaries before Lenin, there has been no world-wide outbreak of a revolution that would have toppled the world capitalist system overnight. Therefore, the transition from capitalism to socialism is referred to as a whole historical epoch.

This epoch was ushered in by the Great October Socialist Revolution, which was inspired, organised and led by Lenin and the revolutionary Bolshevik party—the Communist Party of the Soviet Union—which he had founded and united. The socialist revolution was successful at first in one country, which became the focus of gravitation of all revolutionary forces, particularly the national liberation movements in the colonies and among the oppressed peoples. Therefore, the modern history of any Afro-Asian country cannot be studied in isolation from the main developments of the epoch which was opened by the Great October Socialist Revolution and has since witnessed radical changes in the world.

It was with good reason that Jawaharlal Nehru believed that realisation of his great ideals was intimately bound up with the peoples' struggle for social and political freedom, the national liberation movement. "...A nation which is politically and economically subject to another and hedged and circumscribed and exploited can never achieve inner growth,"[1] he said. Nehru himself greatly contributed to setting up an alliance between the national liberation movement and the socialist forces as a factor of crucial importance in the struggle against imperialism, for peace, democracy, and social progress.

Nehru was not a Marxist but he acknowledged the immense importance of scientific socialism for shaping mankind's

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[1] Jawaharlal Nehru, *An Autobiography*, p. 379.

destinies. He declared more than once that his study of Marxist-Leninist ideology had made a deep imprint on his world outlook. "...A study of Marx and Lenin," he said, "produced a powerful effect on my mind and helped me to see history and current affairs in a new light. The long chain of history and of social development appeared to have some meaning, some sequence, and the future lost some of its obscurity."[1] Significantly, the first socialist revolution was a success in what was far from being an economically advanced country. Lenin wrote in 1922: " 'The key feature of the moment' (the link in the chain) = the gap between the grandeur of the tasks imposed and our *poverty*, not only material but also *cultural*."[2] Addressing the reformists in one of his latest works, he said: "You say that civilisation is necessary for the building of socialism. Very good. But why could we not first create such prerequisites of civilisation in our country as the expulsion of the landowners and the Russian capitalists, and then start moving towards socialism?" With his characteristic farsightedness, Lenin said, almost prophetically: "Our European philistines never even dream that the subsequent revolutions in Oriental countries, which possess much vaster populations and a much vaster diversity of social conditions, will undoubtedly display even greater distinctions than the Russian revolution."[3] This prediction has fully come true. The revolutions in the East unquestionably "display even greater distinctions than the Russian revolution".

In 1920, explaining the need for adopting a new economic policy allowing for private enterprise on a limited scale and under the control of the revolutionary state, Lenin wrote: "...it would be a fatal mistake to declare that since there is a discrepancy between our economic 'forces' and our political strength, it 'follows' that we should not have seized power. Such an argument can be advanced only by a 'man in a muffler', who forgets that there will always be such a 'discrepancy', that it always exists in the development of nature as well as in the development of society", that socialism will be built only "by a series of attempts—

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[1] Jawaharlal Nehru, *The Discovery of India*, p. 17.
[2] V. I. Lenin, *Collected Works*, Vol. 36, p. 574.
[3] Ibid., Vol. 33, p. 480.

each of which, taken by itself, will be one-sided and will suffer from certain inconsistencies".[1] This exceptionally important remark suggests as a matter of course the categorical necessity of a mutual, equal, comradely exchange of experience of victories and defeats, successes and failures in implementing the revolution, in building a new society. Referring to what is implied by this "new society", Lenin is unambiguous about the fact that the "establishment of a socialist state" is a first priority task in building a new society. Furthermore, Lenin pointed out that "...this new society is again an abstraction which can come into being only by passing through a series of varied, imperfect and concrete attempts to create this or that socialist state".[2]

The victory of the socialist cause is dependent, in the final analysis, on the establishment of a strong socialist state. The Soviet state withstood all trials and grew stronger during the period before the Second World War, a period of the peoples' intensive struggle for their social and national liberation; it proved its stability during the war against the coalition of nazi Germany, fascist Italy and militarist Japan, which under cover of anti-communist slogans sought to enslave the Soviet state, as well as the other nations of the world; it has gained new strength in the post-war period of a powerful upsurge of the international working-class and national liberation movement, the crisis and then the collapse of the colonial system. The socialist state is now as strong as ever, and will continue to be such in the future.

In our epoch, the peoples' anti-imperialist struggle is characterised by the fact that it more and more often assumes a directly anti-capitalist orientation. It should be strongly emphasised that Lenin did not regard the struggle against imperialism and capitalism as primarily a "Western" o an "Eastern" struggle. He viewed this struggle as a single world revolutionary process. Lenin was the first revolutionary leader to indicate the importance of the political awakening of the oppressed and exploited masses of the East and the new breath-taking prospects opening up before the revolution in the East. "But the morrow of world history will be a day when the awakening peoples oppressed by

[1] Ibid., Vol 32. p. 339.
[2] V. I. Lenin, *Collected Works*, Vol. 32, p. 335.

imperialism are finally aroused and the decisive long and hard struggle for their liberation begins," he wrote at the end of one of his last works, "Question of Nationalities or 'Autonomisation'". Equally important, he was also the first to realise the danger of empty-worded declarations about the "Eastern path" of world revolutionary development as the only, isolated, exclusive path opposed to the revolutionary movement in the West.

About Lenin's role in history Nehru said that "...millions have considered him as a saviour and the greatest man of the age".[1] He called him "a mastermind and a genius in revolution".[2] The influence of Marxism-Leninism on Nehru was most strikingly manifest in his acknowledgement of the objective laws of historical development. He consistently adhered to the progressive scientific conception that the people were the true makers of history, while the activities of political leaders should serve the interests and aspirations of the masses. Nehru emphasised this idea: "...the people were the principal actors, and behind them, pushing them on, were great historical urges. But for that historical setting and political and social urges, no leaders or agitators could have inspired them to action."[3]

The victory of the October Revolution blazed new trails for the transition of economically underdeveloped countries to socialism. It was a fact of profound significance that the idea of non-capitalist development of such countries, i.e., their transition to socialism by leaping over the stage of capitalism, was advanced by Lenin soon after the victory of the socialist revolution in Russia, which lagged economically far behind the advanced capitalist countries of Europe. Under the guidance of the Leninist Party, the theoretical possibility of non-capitalist development was practically realised in the former tsarist Russia's Asiatic provinces.

Nehru followed with keen interest the social transformations in Soviet Russia. He made his first visit to our country with his father, Motilal Nehru, a prominent leader

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[1] Jawaharlal Nehru, *The Discovery of India*, p. 341.

[2] Jawaharlal Nehru, *Glimpses of World History*, London, 1949, p. 638.

[3] Jawaharlal Nehru, *An Autobiography*, p. 282.

of the Indian liberation movement, as far back as 1927, in the days of the 10th anniversary of Soviet power. His first-hand impressions led him to draw this conclusion: "...the Soviet Revolution had advanced human society by a great leap and had lit a bright flame which could not be smothered, and ... it had laid the foundations for that 'new civilisation' towards which the world would advance."[1] Nehru saw clearly the bleeding sores and evils of capitalist society and was deeply aware of the historical doom of capitalism. This led him to the idea that India should build her future and solve her social problems without repeating the capitalist experience of suffering and poverty of the masses.

As far back as the period of the national liberation struggle Nehru persistently emphasised the need for implementing radical socio-economic reforms in India. He was increasingly attracted to socialism as an ideal social system. Speaking at a meeting of the Indian National Congress in Lakhnau in 1936, Nehru said: "...I am convinced that the only key to the solution of the world's problems and of India's problems lies in Socialism, and when I use this word I do so not in a vague humanitarian way but in the scientific, economic sense.... I see no way of ending the poverty, the vast unemployment, the degradation, and the subjection of the Indian people except through Socialism. That involves vast and revolutionary changes in our political and social structure, the ending of vested interests in land and industry.... That means the ending of private property, except in a restricted sense, and the replacement of the present profit system by a higher ideal of co-operative service.... In short, it means a new civilisation, radically different from the present capitalist order."[2] Nehru recognised in the socialist transformation of society the logical result of mankind's historical development, and in the movement towards socialism, the objectively inevitable way of progress for India liberated from the imperialist domination. This ideological and political platform of Nehru reflected the great and important change in India's democratic opinion under the impact of the Great October Socialist Revo-

[1] Jawaharlal Nehru, *The Discovery of India*, pp. 17-18.
[2] Jawaharlal Nehru, *India's Freedom*, London, 1962, p. 35.

lution and the socialist achievements in the Soviet Union.

In his statements about the socio-economic programme of the ruling INC party after independence, Nehru attached first priority to industrialisation and planning to secure independent national development, economic advance and the people's welfare. He said: "...Broadly our objective is to establish a Welfare State with a socialist pattern of society, with no great disparities of income and offering an equal opportunity to all."[1]

Nehru acknowledged the objective need for a radical restructuring of Indian society along socialist lines, although, in our opinion, he held specific, mainly subjectively idealistic views of the process, forms and methods of this restructuring. These views were a reflection of the extremely complex pattern of modern India's class antagonisms, the plurality of her social structures, and a definite underestimation of the crucial historic role of the working class. The alignment of class forces during the national liberation movement directed against the British colonial rule and also after independence limited his possibilities to implement his ideals in practice.

While admitting the existence of classes and the class struggle Nehru advanced as his main thesis the possibility of reconciling the class antagonisms through compromise deals and reforms based on collaboration between classes. He believed that the growth of the economic and political influence of the propertied and exploiting classes in India could be checked by persuasion alone. This precisely was the result of the impact of reformist, utopian ideas on Nehru's world outlook. Herein lies the root cause of his subjective critical attitude to some aspects of Marxist-Leninist theory, of political life in the Soviet Union and the communist movement in India.

However, in order that the economic and cultural backwardness of the vast country might be abolished, it was necessary to pursue a sound economic policy, which would secure support for the ruling revolutionary party from the overall majority of the people, the working people first and foremost. Said Lenin: "In the sea of people we are

[1] *Jawaharlal Nehru's Speeches, 1957-1963*, Vol. 4, Delhi, 1964, p. 151.

after all but a drop in the ocean, and we can administer only when we express correctly what the people are conscious of."[1] After the end of the Civil War and the defeat of the interventionists, the Russian revolutionaries adopted what is known as NEP, a new economic policy outlined by Lenin personally.

This policy was based on the alliance of the working class and the peasantry, an idea advanced to the foreground and substantiated in detail by Lenin as far back as the end of the last century, and on the long-term co-operative programme designed, as Lenin put it, to remould the small farmer, and recast his mentality and habits during several generations. The new economic policy was planned with a view to the plurality of the country's economic structures, admission on a limited scale of national and foreign capital, with the key economic positions held by the revolutionary state, with the continued consolidation of its power and extension of its firm control to all socio-economic, ideological and political spheres. The decision of the Leninist Party on the new economic policy was motivated, above all, by its constant and sincere concern for strengthening its ties with the masses. It was taken in a situation where, as Lenin said, "there was serious unrest among the peasantry, and discontent was also rife among the workers. They were weary and exhausted. After all, there is a limit to human endurance. They had starved for three years, but you cannot go on starving for four or five years."[2] While permitting, if only within narrow limits, private enterprise in a socialist country with a view to making it serve the socialist goals, the Party declared in the words of its leader addressed to the petty bourgeoisie that it would make "every possible concession within the limits of retaining power...".[3]

In such a situation, all-round consolidation of the genuine, effective power of the workers and all working people is the alpha and omega of a progressive policy. Indeed, the Soviet people would not have achieved a great deal had they not followed this behest of Lenin's with steadfastness and determination. It is indisputable, therefore, that the political

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[1] V. I. Lenin, *Collected Works*, Vol. 33, p. 304.
[2] Ibid., Vol. 32, p. 494.
[3] Ibid., p. 496.

institutions, i.e., the socialist state or the national democratic state of social progress, play a crucial, historic role in building a new society in an economically backward country.

Indeed, the experience of India's independent economic and political development' has furnished irrefutable evidence of the aggravation of class antagonisms and conflicts, the use of violent means by the propertied classes to suppress massive actions of working people. Nehru himself admitted the existence in India of "privileged groups and classes" opposed to radical reforms. He said that to safeguard their selfish interests, these social strata (to which he attributed not only semi-feudal landlords but, above all, the monopoly elite of the national bourgeoisie) tended towards a collusion with imperialism and neo-colonialism and might betray the interests of the country's national and social progress. In the autumn of 1963, shortly before his death, Nehru stated that the monopolies, which had formed and reinforced themselves in India, were the main obstacle to the attainment of the progressive socio-economic objectives proclaimed by the INC. "...Monopoly is the enemy of socialism. To the extent it has grown during the last few years, we have drifted away from the goal of Socialism,"[1] he said. The developments since then have fully confirmed his apprehensions of the reactionary role of Indian monopoly capital, of semi-feudal landlords. India's Left, democratic forces, all supporters of the "Nehru line" are making a determined effort to thwart the anti-popular plans of monopoly capital and its allies.

The building of a new society is complicated by the fact that economic backwardness is often the cause of inefficiency of the government machinery, on which the implementation of national policy is dependent. Bureaucracy, red tape, corruption, incompetence of officials, are inherited, as a rule, from the former reactionary system and are also attributable to the generally low standards of culture, education, a shortage of skilled personnel and, above all, to the economic ruin and impoverishment consequent on war destruction, as was the case in the Soviet Union, or on colonial plunder, as is the case in the Third World.

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[1] *Congress Bulletin*, New Delhi. Issued by the Indian National Congress, No. 9-11, 1963, p. 55.

In the West, they often speak derisively of the stil inefficient government machinery in the newly-independent states, particularly those which have only recently started social reforms. The obvious fact that the blame for this state of affairs rests largely with the colonialists, who are responsible for this grim survival of the past, is deliberately ignored. A similar situation existed at one time in Soviet Russia as well. "At the top, we have, I don't know how many, but at all events, I think, no more than a few thousand, at the outside several tens of thousands of our own people. Down below, however, there are hundreds of thousands of old officials whom we got from the tsar and from bourgeois society and who, partly deliberately and partly unwittingly, work against us. It is clear that nothing can be done in that respect overnight,"[1] Lenin said in 1922.

Lenin demanded of the machinery of revolutionary government close links with the masses and also determination, regarding firmness and flexibility of government as a dialectical unity: "*Firmness* of the 'apparatus' to be preserved.

"But an apparatus *for* policy (=reviewing and correcting relations between classes), and not a policy for the apparatus!"

"(A good) bureaucracy in the service of policy, and not a policy in the service of (a good) bureaucracy.

"The maximum elasticity is now needed, and *for this purpose*, for flexible manoeuvring, the greatest firmness of the apparatus,"[2] Lenin pointed out in his notes for the 10th Communist Party Congress in 1921.

Such flexibility, manoeuvrability in the best sense of the word, an ability to guide people in their best interests were, in Lenin's view, the chief merits of a revolutionary leader. This holds true in our day, when the struggle against imperialism and reaction throughout the world requires a sober, realistic and flexible approach and a very elastic policy by which a still strong enemy can be placed at a disadvantage and firm and reliable support of the masses for anti-imperialist, anti-colonialist government can be secured.

Many a time Lenin and his party had to oppose leaders who for one reason or other called the Party and the Soviet

[1] V. I. Lenin, *Collected Works*, Vol. 33, pp. 428-29.

[2] Ibid., Vol. 36, p. 537.

people to what was definitely an unrealistic goal. Infected with Leftist extremism, sparked by ultra-revolutionary phraseology, and acting on the spur of the moment, they proposed projects of an immediate defeat of imperialism, of a world-wide revolution, etc. Lenin, a great visionary and an equally great realist, told the Party: "...there were a good many such dreamers among us. Nor is there anything particularly bad in this. How could one start a socialist revolution in a country like ours without dreamers?"[1] But revolution makes one reckon with the actual situation, the position of classes and the masses, because, as Lenin said, "relying on firmness of convictions, loyalty, and other splendid moral qualities is anything but a serious attitude in politics. A few people may be endowed with splendid moral qualities, but historical issues are decided by vast masses, which, if the few do not suit them, may at times treat them none too politely".[2]

In the 20s, Lenin gave the Russian revolutionaries, builders of a new society, four remarkable precepts, whose importance for the countries of the Third World should be specially emphasised. With his characteristic curtness and forcefulness of expression, Lenin formulated the tasks of a front-ranking revolutionary fighter in the period of building a new society as follows:

"(1) ...don't use great words to cover up your slackness, idleness, apathy, backwardness; (2) wipe out illiteracy; (3) fight graft; (4) check all your work, so that words should not remain words, by *practical* successes in economic construction."[3]

Among the factors impeding the development of the Soviet Republic, Lenin pointed out the lack of foreign assistance. It is easy to see that with regard to many countries of the Third World the situation has changed radically. The peoples of the East, which have awakened to freedom and nationhood, in addition to relying on their own enthusiasm and determination, take advantage of the socialist shield safeguarding them against imperialist wars, and of effective military aid from the socialist countries

[1] Ibid., Vol. 32, pp. 216-17.
[2] Ibid., Vol. 33, p. 287.
[3] Ibid., Vol., 36, p. 550.

in the event of local wars unleashed by the imperialists. Experience has shown that without this shield it would have been even more difficult to build a new social system.

Jawaharlal Nehru was a consistent champion of peace and international security. Upholding the principles of peaceful coexistence he worked actively for detente, against the arms race and for universal disarmament. He was one of the masterminds of the policy of non-alignment, which is the basis for India's peaceful foreign policy line. In Nehru's interpretation "non-alignment" by no means implied passive neutrality. He said in this context that neutrality is out of the question when freedom and justice are endangered and when aggression is unleashed.[1]

Nehru was among the initiators of the five principles of peaceful coexistence (Pancha Shila), which have been broadly acknowledged as the basis for relations between the Asian countries. He was also one of the sponsors of the historic Bandung Conference, which was a milestone event in the process of consolidation of the newly-independent Afro-Asian states in the struggle against imperialism, neocolonialism, and racialism, for peace, freedom, social and economic progress.

The establishment and fruitful development of Indo-Soviet co-operation have been inseparably connected with Nehru's political line. The friendly relations between our two countries, the basis for which was laid by his policy, have long become, to quote Leonid Brezhnev, one of the "most striking examples of the alliance between the socialist world and the world created by the national liberation movement".[2] These relations are a model of peaceful coexistence and fruitful co-operation of states with different socio-economic systems united by their common interests in the struggle for peace and international security.

The favourable development of relations between the Soviet Union and India ever since she became independent was strikingly exemplified by the Indo-Soviet treaty of peace, friendship and co-operation signed in August 1971. The official friendship visit to India by the CC CPSU General

[1] See *Jawaharlal Nehru: His Life and Work*, Moscow, 1965, p. 12 (in Russian).

[2] *Pravda*, November 28, 1973.

Secretary Leonid Brezhnev in November 1973 served to reinforce the progress achieved in the relations between the two countries over earlier years and was a new major contribution to friendship between them, as well as to detente, peace and security in Asia and the rest of the world. The joint Indo-Soviet declaration signed at the end of the visit and other documents developing the main principles of relations between the Soviet Union and India and setting the guidelines for co-operation between them were widely approved of in the Soviet Union and India and by world democratic opinion.

Over the past 10-15 years, the progressive regimes established in Asia, Africa and Latin America have nationalised foreign property, the property of the local big and at places of the middle bourgeoisie and set up a fairly strong public sector in the economy. Theoretically this sector offers these two opportunities:

—gradual advancement along a non-capitalist path to the foundations of a socialist economy;

—degeneration to a peculiar form of Asiatic state capitalism, which is essentially bureaucratic state capitalism.

It differs, of course, from the European forms of state monopoly capitalism in that in Asia and Africa the state is a co-owner and not infrequently the sole owner of large capital. In the West, state capitalism has consolidated on the basis of large private capital in a situation of universal domination of the capitalist mode of production. In the developing countries, however, large private capital has not yet had enough time for wide expansion, and then state capitalism is by no means always based on large private capital. The development of bureaucratic state capitalism in the developing countries results in a situation where the ruling bureaucracy receives huge emoluments in the form of excessively high salaries, various material benefits and real estate, and corruption assumes gigantic proportions.

The positions of the ruling bureaucracy in the economy serve only its selfish interests and are opposed to the interests of the people. On a social plane, the bureaucracy turns into a privileged stratum seeking to perpetuate its power and the advantages accruing from it. In its reasoning, power is money, and more money means accumulation of capital.

Of course, the danger of domination of bureaucratic capitalism is not fatal, but it is potentially advantageous to definite influential classes.

In the final analysis, the question hinges on the class character of power, on what class holds this power. Socialist orientation wins only when the power really belongs to the working people. Symptoms of bureaucratic degeneration of the public sector, its infiltration by self-seeking monopoly bourgeois or pro-Western elements are in evidence in many developing countries, including those with a socialist orientation. This is why the question of statehood, the building of a new revolutionary democratic state, i.e., a working people's state, remains as crucial as ever.

And it is precisely for this reason that the "Nehru line", during his lifetime and particularly since his death, has invariably been an object of fierce attacks from the reactionary forces seeking to hamper India's social and economic rejuvenation, to revise her foreign policy of peace and undermine Indo-Soviet friendship. The Right forces often attempt to distort the true essence of Nehru's socio-philosophic and political views, to exploit his name for their selfish goals alien to the Indian people. These attempts, however, are doomed to failure.

Jawaharlal Nehru's humanistic, democratic, socialist ideals have not been buried in oblivion after his death. They are a subject of acute controversy. The Right forces are seeking to make them into a screen for pursuing their policy suiting the propertied elite. In the meantime, the champions of the "Nehru line" are seeking to advance the cause of India's economic and social progress, to achieve a practical realisation of the finest ideals of this remarkable leader of the Indian people. Led by the Prime Minister Indira Gandhi and the progressive forces in the Indian National Congress Party, they are giving a rebuff to the Rightists both inside and outside the INC, entering for this purpose into individual agreements with Left-wing democratic forces for a joint struggle against reaction.

The last few years are known to have been difficult for India. They have seen major developments on her political and economic scene, an exacerbation of the struggle between classes, between the progressive and the reactionary forces.

After the split of the INC in 1969 and the expulsion from it of the conservative grouping known as the Syndicate, this party came forward with a broad and realistic programme of socio-economic reforms in the interests of the masses. This programme met with nation-wide approval. India's Left-wing and democratic forces gave vigorous support to the INC and rallied behind it. The progressive character of the INC programme secured for it an impressive victory in the elections to the lower chamber of the Indian Parliament in 1971 and in the elections to the legislative assemblies of the majority of States in 1972. This was a grave setback for the reactionary forces.

In the period 1971-1974, the government of Indira Gandhi succeeded in implementing some measures by way of fulfilling the electoral commitments of the ruling party. Among them was the nationalisation of the country's biggest private banks, insurance companies, coal mines, copper and gold mines, more than 100 textile factories; the reinforcement of the public sector and the government's positions in foreign commerce. The pensions and privileges of the former feudal landlords were abolished, and parliament adopted laws which empowered it to make amendments in any article of the Constitution and to appropriate private property to public use. The majority of States approved new legislation on the ceiling to landholdings. To keep down rising prices government control was instituted over wholesale trade in grain. In the economic development programmes strong emphasis was laid on reinforcement of the public sector.

These measures, however, have failed to bring about a radical change in society's economic structure, and in the past few years the standards of life of the bulk of India's population have even worsened as a result of soaring prices, inflation and profiteering. The fact is that the Indian economy was handicapped by grave difficulties, both objective and subjective in character. The drought which hit the greater part of India's territory in 1972 and 1973 resulted in a reduction of agricultural production and electricity generation. This entailed a decline in industrial output. The country's general economic situation is still affected by the large spending involved in the military conflict with Pakistan. India is experiencing the grave consequences of the energy crisis, the rise in the oil prices. According to press reports, in 1973 India spent about $ 350 million on crude-oil imports. In 1974 the same level of crude-oil imports cost her about $ 1.2 billion. That figure equals about half India's total export earnings.[1]

These difficulties are aggravated by the sabotage of the government's progressive reforms on the part of the elite of the propertied classes. Local reactionary elements have so far succeeded in thwarting consistent implementation of land reforms and such an important measure as government control of wholesale trade in wheat instituted early in 1973.

In spite of the appreciable improvement in the operation of enterprises in the public sector (in 1973 it became profitable for the first time, bringing in an income of Rs 181 million, and the situation in 1974 was even more favourable), their economic effectiveness is still inadequate, while monopoly and Big Business deliberately hold back an expansion of output by their own enterprises, alleging hypocritically that the government licence policy fails to give them effective stimuli to development.

An even graver situation has developed in the field of food supply to the population. The sabotage of government grain procurement by big landlords, farmers and private grain dealers and the stowing away by profiteers of large stocks of foodstuffs and other staple goods have caused their artificial shortages on the market, a food crisis, speculation, depreciation of the rupee, inflation, economic dislocation.

In this situation, there has naturally been, on the one hand, an upsurge in the massive actions of working people in support of their demand for a consistent implementation of the social and economic reforms proclaimed by the ruling party in the interests of the people and, on the other hand, the reactionary elements defeated in the elections of 1971 and 1972 have again reared their heads. The Rightist parties, such as Jan Sangh, Swatantra, the Syndicate, etc., all those who had from the very outset opposed the progressive reforms of Indira Gandhi's government, raising a hue and cry about the country's economic difficulties, are now posing

[1] The *Wall Street Journal*, April 16, 1974, p. 19.

as critics of the government "from the Left" and the sole "guardians" of the working people's interests.

Defeated in the elections, the reactionary Rightist parties, as they openly declared, decided to continue the fight against the government on the streets. The events in the States of Gujarat and Bihar showed the intention of the reactionary forces to incite the mass of the Indian population angered by the impairment of their living conditions to violent action—seizure and looting of food shops and food stores, wilful burning of administrative buildings, clashes with police. The Rightist parties portray such actions as an expression of the population's resentment with the government policy. Their aim is to create in the country a situation of chaos and anarchy, to discredit the existing democratic institutions, to topple the government and eventually to establish in India a reactionary dictatorship Chilean-style.

As reported by the Indian press, in their anti-government activities the Rightist parties and organisations Jan Sangh, Rastriya Swayam Sevak Sangh, the semi-fascist storm troopers Shiv Sena and Anand Marg, as well as "independent" reactionaries are supported not only by the local exploiting elite—the monopolies, landlords, rich farmers, "black market" profiteers, but also by definite foreign circles, imperialist subversive services and organisations.

The reactionary forces are demanding in a stubborn and bellicose way a radical revision of the key principles of India's home and foreign policies. They are clamouring for lifting all restrictions on the activities of private capital in the country, for the renunciation of land reforms and abolition of the public sector, for broad attraction of foreign multinational monopolies. They are insisting on the abandonment by India of her policy of non-alignment and are seeking to undermine her friendship with the Soviet Union and reorient her foreign policy.

India's progressive circles have declared that the key precondition for defeating the Rightist forces is the achieving of firm unity of all truly Left-wing and democratic forces both inside and outside the ruling Indian National Congress Party. Consistent implementation of the programme of sweeping social and economic reforms in the interests of the masses proclaimed by the ruling party in the elections of 1971 and 1972 could be an important factor in hurling back the Rightist forces. Success in fulfilling this programme, stabilisation of the economy, an improvement in the conditions of life of the masses on its basis would knock the ground from under the feet of the reactionaries and leave them without any support of the population.

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The experience of world development shows that the entry of a state on the path of social progress makes it indispensable for it to pursue a consistent anti-imperialist policy, to be in close alliance with the socialist world, the Soviet Union, the international working-class movement. This close alliance is the guarantee of their joint victory over imperialism.

Leninism and Soviet experience give the answer to the most formidable problems of establishing an independent national economy, industrialisation, social and technological reconstruction of agriculture, raising the national technical intelligentsia, implementing a genuine cultural revolution with a simultaneous improvement in the people's material and cultural standards. And conversely, the imperialist policy is one of implanting private capitalist enterprise and neocolonialism in the newly-independent countries with a view to their enslavement by international finance capital.

Soviet people regard the modern progressive regimes as revolutionary democratic government. To be sure, it needs a broad social basis, without which it cannot be a genuine dictatorship of the working people. Its political mainstays are an anti-imperialist government apparatus loyal to the cause of social progress, a progressive army, and, what is most important, a progressive political party. Patriotic, anti-imperialist officers are often the first to raise the banner of revolutionary democratic government of the people. Their devotion to the cause of the revolution is an important guarantee of its victory. It should be remembered, however, that the achievements of progressive government of the people will be constantly in danger if a party guided by scientific socialism is not made its core. This was demonstrated conclusively by Soviet experience.

This book offers a historical survey of certain basic problems and aspects relating to the socio-economic development of India in the 18th-20th centuries, and attempts to provide a general framework for research on India conducted by Soviet economists and historians. The authors have tried to assess thoroughly and disclose the underlying processes inherent in India's socio-economic development both in the colonial period and after the winning of independence. Great attention is paid to the key problems of India's economic history and her modern economic growth.