

ASPECTS OF THE TRANSFORMATION PERIOD IN THE MODERN AND CONTEMPORARY WORLD

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This paper deals with aspects of transformation during the transition from colonial to post-colonial societies. Most post-colonial societies set out to achieve an independent industrial economy. The question that has been raised, both theoretically and empirically, has been: can an ex-colony whose economy and society were integrated into the world capitalist economy in a subordinate position develop an independent economy, especially on the basis of capitalism? This paper tries to deal with this question with special reference to India.

I

Among the Marxists, the most widely held assumption since the 6th Congress of the Comintern in 1928—and more recently since the works of Paul Baran and Andre Gunder Frank—has been that no independent economic development in an ex-colony is possible unless it makes a complete break with the world capitalist system and goes over to socialism. On the contrary, so long as it remains capitalist its economic, social and political subordination or dependence would not only be reproduced but would become stronger and more thorough after national (political) liberation. In fact, the more capitalism develops and penetrates society, the more its underdevelopment. In particular, the bourgeoisie of an ex-colony following the capitalist path is incapable of undertaking the task of independent development. Such is the logic of the accumulation of capital on a world scale.

At the very outset, one must acknowledge with gratitude the pioneering role of the Comintern and Paul Baran and Andre Gunder Frank and later of Samir Amin in opening up and analyzing the phenomena of colonialism and underdevelopment in colonial and semi-colonial countries. They have dealt brilliantly with what happened in the past and what is still true of a large part of the underdeveloped world, especially as a result of direct political control over colonies or indirect political control or influence over weak states. The problem is with their prognostications about the future.

Paul Baran does not absolutely rule out independent economic development and even lays down conditions under which it can take place.¹ But these conditions are not likely

¹ Paul A. Baran, *The Political Economy of Growth*, Indian edition, 1958, p. 263. See Section III below for these conditions.

to be fulfilled and, driven by the fear of social revolution from below, the ruling classes tend to abandon the goal of independent development and join forces with foreign capital. Thus, the social and economic structure of post-colonial societies tends to block development. Consequently, "the establishment of a socialist planned economy is an essential, indeed indispensable, condition for the attainment of economic and social progress in underdeveloped countries."²

A. Gunder Frank has been the most brilliant exponent of the historical process of the underdevelopment of the underdeveloped world and of the basic features of the metropolitan-satellite colonial structure. But he has also been the 'absolutiser' of the view that post-colonial societies are incapable of independent capitalist development, and that they have only the choice between underdevelopment and revolution. Once a society becomes a satellite, its satellitism becomes perpetual and incapable of being shattered or overcome.³

Samir Amin, too, basically agrees with Frank on the impossibility of independent capitalist development in 'the periphery.' Accumulation in the periphery, he says, cannot be 'autocentric,' i.e., independent, but would remain 'extraverted' as during the period of the structuring of colonialism or dependence or peripheralization.⁴

Immanuel Wallerstein's position, as I understand it, is ambiguous. While his centre-periphery model describes the mechanism of underdevelopment of the periphery quite well, the concept of semi-periphery seems to provide for the possibility of a route of transition from periphery to the centre or from a dependent or rather colonial economy to an independent capitalist economy.⁵

Hamza Alavi, A.K. Bagchi, Prabhat Patnaik, and B. Sutcliffe also seem to agree with the basic hypotheses of Paul Baran and A. Gunder Frank that post-colonial societies have been, since their political liberation, further integrated into the world capitalist system in a dependent position, that this is the inevitable fate of these societies, that their bourgeoisies were incapable of independent capitalist development, and that independent development requires that these societies opt out of the world capitalist system and move towards socialism.⁶

The Communist International at its 6th Congress in 1928 put forward the above thesis in a slightly different form. In the present epoch of imperialism and the general crisis of

² *Ibid.*, pp. 309-10.

³ A. Gunder Frank, *Capitalism and Underdevelopment in Latin America*, New York, 1967; *Latin America: Underdevelopment or Revolution*, New York, 1969; *Lumpenbourgeoisie: Lumpendevelopment*, New York, 1972.

⁴ Samir Amin, *Accumulation on a World Scale*, New York, 1974; *Unequal Development*, New York, 1976.

⁵ I agree with A. Brewer when he writes: "Standing somewhat to the side of the core-periphery links (not intermediate links in a chain, as in Frank), the semi-periphery constitutes, so to speak, a site for change. New core states can emerge from the semi-periphery, and it is a destination for declining core states." *Marxist Theories of Imperialism*, London, 1980.

⁶ Hamza Alavi, "Indian Capitalism and Foreign Imperialism," *New Left Review*, No. 37, May-June 1966; "India and the Colonial Mode of Production," *Economic and Political Weekly*, Vol. 10, Nos. 33-5, August 1975; with others *Capitalism and Colonial Production*, London, 1982; A.K. Bagchi, "Foreign Capital and Economic Development in India," in K. Gough and H. Sharma, editors, *Imperialism and Revolution in South Asia*, New York, 1973; *The Political Economy of Underdevelopment*, Cambridge, 1982; Prabhat Patnaik, "Imperialism and the Growth of Indian Capitalism," in Roger Owen and B. Sutcliffe., editors, *Studies in the Theory of Imperialism*, London, 1972; B. Sutcliffe, "Imperialism and Industrialization in the Third World," *ibid.*

imperialism the bourgeoisie of colonial and semi-colonial countries was incapable of completing the bourgeois democratic revolution. This vacillating bourgeoisie was bound to compromise with, capitulate before and go over to imperialism before independence was achieved—it was bound to betray the anti-imperialist struggle. This was because of its fear of the masses. As the anti-imperialist struggle sharpens, the bourgeoisie finds the exploited classes looking over its shoulder and the mass anti-imperialist movement breaking through the bounds set by its bourgeois leadership. The anti-imperialist movement, led by the bourgeoisie, could not achieve real independence; it could at the most lead to semi-colonial status. The new post-colonial state, which was semi-colonial, could not develop independent capitalism; it could only develop stunted capitalism controlled by imperialism in its own interests.⁷ This analysis was applied to the post-1945 world by the Cominform (Communist Information Bureau) when it declared that the newly-independent countries, which had won their independence under the national bourgeoisie, were not really independent. Economically they were under the grip of the imperialists and politically they were satellites of imperialism. Their governments were therefore put by the Cominform in the imperialist anti-democratic camp.⁸

The Communist Party of India's 1951 programme was based on this analysis. It declared that the Indian state was semi-colonial and dependent on imperialism, that India was "a dependent and semi-colonial country," was like "all colonial countries," and was "essentially a colonial country," and that British capital controlled India's economy, that the Congress-led government was set up by the imperialists. It was a bourgeois-landlord government in the grip of imperialists. It was unable to carry out land reforms or to industrialize the country. It was incapable of building an independent capitalist economy.⁹ That is why the Indian revolution was at the stage of "anti-feudal and anti-imperialist revolution." As late as 1955–56, Ajoy Ghosh, General Secretary of the CPI and perhaps the most profound Marxist thinker the Indian Communist movement has produced, even while accepting that India was politically independent, maintained that "a fundamental idea accepted inside the party is that the bourgeoisie cannot complete the democratic revolution" and "the independent capitalist development that has taken place in England and France, etc., is not possible in a colonial country." The bourgeois policy of developing capitalism by "attacking the people" did not strengthen democracy, did not expand the home market, and did not therefore help "liquidate the colonial order." Some limited industrialization could take place but "industrialization on such a big scale as will make the country economically and therefore really independent" could not. He denied the possibility of a new path, a path "different from the path followed by the Chinese people," for "achievement of economic freedom, a new path to industrialization." In other words, a colonial economy could not be destructured nor capitalism developed by a non-socialist

⁷ Sixth Congress of the Communist International, "Thesis on the Revolutionary Movement in the Colonies and Semi-Colonies," 1928, in Communist Party of India, *Comintern and National and Colonial Questions*, New Delhi, 1973. For the impact of the Thesis on the Indian left, see G. Adhikari, *Communist Party and India's Path to National Regeneration and Socialism*, New Delhi, 1964; and Aditya Mukherjee, "The Workers' and Peasants' Parties 1926–30: An Aspect of Communism in India," in Bipan Chandra, editor, *The Indian Left: Critical Appraisals*, New Delhi, 1983.

⁸ G. Adhikari, *op. cit.*, pp. 15–6.

⁹ The Nehru Government was therefore to be opposed because of this inability to develop a capitalist society and not because it was developing a capitalist society which a socialist was bound to oppose.

or a non-people's democratic regime which was led by the bourgeoisie. Ajoy Ghosh accepted that the Nehru Government was making an attempt to develop India "along capitalist lines in industry as well as in agriculture" and to eliminate "the colonial features of our economy." But this attempt was bound to fail: "real strengthening of economy, appreciable advance towards industrialization cannot take place along the path of the present Government"; industrialization on a scale large enough to "make the country economically and therefore really independent" was not possible.¹⁰

In 1963, E.M.S. Namboodiripad, while acknowledging that "the age-old backwardness and stagnation of Indian economy, culture and social life are thus being overcome," stuck to the position that capitalism could not be built in India. But this, he said, was because of the Indian effort to do so being made in a period of the general crisis of world capitalism.¹¹ Since then one trend in the Indian Communist movement, represented by the CPI, has accepted the possibility of independent capitalist development¹² while the other trend, represented by the CP(M) and various Naxalite groups, still refuses to do so.

II

In my view, the Comintern-Baran-Frank (CBF) model fails to provide a framework in which changes within and development of post-colonial societies can be analyzed. While rightly analyzing the colonial features of these societies, warning against the inherent dangers of renewed imperialist penetration and domination, and keeping a constant vigil for elements of neo-colonialism, the proponents of this model fail to take due note of the elements or trend of independent capitalist development; and just as some in the West constantly look for signs of inevitable economic breakdown, they go on predicting the inevitable betrayal of independence by the bourgeoisie and the political ruling classes of the post-colonial societies, ignoring and refusing to analyze the significance of elements that take these societies towards greater economic and political independence. The determinism inherent in the belief or notion that in the present era independent capitalism could not be built prevents any concrete study or examination of the actual course of developments and the concrete features of capitalism that might be being built.

The CBF model fails to make any meaningful distinction between colonial and post-colonial societies and tends to treat their economies as continuous structures. It does not distinguish between the peripheral and underdeveloped character of a society under political domination and that under an independent polity.¹³ It also fails to see the difference between

¹⁰ Bipan Chandra, "A Strategy in Crisis—the CPI Debate 1955–1956," in Bipan Chandra, editor, *The Indian Left*.

¹¹ *Ibid.*

¹² G. Adhikari, *op. cit.*, pp. 20–2.

¹³ Bill Warren accepts that independent capitalism is developing in many of the underdeveloped countries, but he ignores the difference between colonial and post-colonial societies in an opposite manner. He sees imperialism playing a positive role in the development of capitalism both during and after colonial rule. He sees himself as a continuer of Marx's approach towards colonialism. But Marx was writing at a time when the real shape and impact of free-trade imperialism had not surfaced and the finance imperialist stage of colonialism was hidden in the womb of time. For a critique of Marx's position on colonialism, see Bipan Chandra, "Karl Marx, His Theories of Asian Societies, and Colonial Rule," in *Sociological Theories: Race and Colonialism*, UNESCO, 1980; and *Review*, Vol. I, Summer 1981.

the linkage of a backward economy with world capitalism in a dependent position and this linkage in an independent position. It tends to see all integration of a weak economy with world capitalism as semi-colonial. The logic of this position is to regard even socialist countries, once they have a full reciprocal economic relationship with the capitalist world, as semi-colonial and peripheral.

The CBF model does not take note of the actual ongoing changes that occur over time in the socio-economic structure of a post-colonial society and in its political and economic relations with the imperialist part of the world. In particular, it fails to take note of the nature and role of the post-colonial state, changes in the character and roles of the indigenous social classes, and the specific features of the anti-imperialist movement which overthrew the colonial state. Lastly, it puts its entire emphasis on external and internal economic constraints on development, ignoring important countervailing forces. To quote from an earlier article: "In our view a correct lesson of the Chinese revolution or Lenin's understanding of the national liberation movements or of the experience of Indian development after 1947 was *not* that capitalism could not be built in an ex-colony and that the ex-colonial bourgeoisie was incapable of doing so, but that, unlike the nineteenth century situation, it was *no longer inevitable* since the perspective of a socialist revolution had also opened up, and that a national movement under radical or working class hegemony or a socialist revolution could accomplish the bourgeois democratic tasks in a much more thorough or 'complete' and pro-people manner."¹⁴

III

To answer the question whether independent capitalism was being built or not in a specific country and to analyse the possibilities of this happening, we would have to examine for each particular country: (i) the nature of its colonial experience; (ii) the political strength and ideological framework of the anti-imperialist movement and its leadership; (iii) the crucial role of the state in structuring colonialism as well as in its possible destructuring in post-colonial societies, the role of the state organs and the political parties, the extent of mass participation in political processes, the class composition of the ruling bloc, and the role of the state in economic development; (iv) the evolution of class structure and the roles of different social classes, in particular, the process of the rise and growth of an indigenous bourgeoisie and its dependent or independent character, the nature of changes in agrarian relations and class structure, the role of the middle classes, the working class and the intelligentsia; (v) major changes in the economy, especially in relation to foreign capital and other linkages with the world economy; (vi) the process of nation-making; (vii) and changes in the social, cultural and ideological realms.

Another way of investigating the problem would be to find out the extent to which present conditions which according to the proponents of the CBF model make inevitable the continuation of economic domination of post-colonial societies by imperialism or whose adoption would enable a dependent country to develop an independent capitalist economy.

¹⁴ Bipan Chandra, "A Strategy in Crisis," pp. 389-90.

The following factors, which produce and are the products of a dependent social and economic structure, make it difficult or rather impossible for a post-colonial society to develop independent capitalism:

(i) Inequitable income distribution and the consequent lack of effective demand lead to neglect of heavy industry and concentration on the production of luxury consumer goods. Without a major change in the class structure, the internal market remains constricted even for import-substituting consumer goods.

(ii) To keep even this economic process going, producers' goods and other inputs have to be imported. Because of the weakness of internal capital, balance of payment difficulties and the absence of adequate foreign exchange, there is dependence on metropolitan countries and foreign investment for supply of these imports. Multinational corporations now move in directly or in partnership with local capitalists as junior partners. The result is the further satellization of the underdeveloped country's economy and bourgeoisie and "neo-imperialism" and "neo-dependence." The metropolis has moreover monopoly of technology. It acquires increasing control by exporting equipment and technology as well as finance. Consequently, even when the process of independent capitalism is initiated, it is soon taken over by the metropolis.

(iii) Basic to development is the use to which social surplus is put. In the case of an underdeveloped country, a large part of the surplus is transferred to the metropolis. Surplus transfer is further intensified by the metropolitan takeover of indigenous banking and other financial and metropolitan supply of producers' goods and technology.

(iv) Because of a skewed income distribution and the propensity of the ruling classes to consume and the export of surplus, the size of internal savings is very small. And often what is saved is also not invested because of the low incentive to invest as a result of internal class structure, production relations, and narrowness of the home market. Consequently, dependence leads to creation of vested economic and political interests, particularly a local bourgeoisie which owes its position to its place in the satellite-metropolis chain, which are committed to continuing policies of underdevelopment.

(v) Internal capitalist development soon takes on a monopolistic form and becomes a barrier to growth.

(vi) The dependent state is incapable of giving the type of support needed to overcome these obstacles. A weak state, in turn, leads to a weak indigenous bourgeoisie which is soon "swallowed" by foreign capital.

(vii) The semi-feudal structure of agrarian relations is a major barrier to growth. The landlords, who control most of the surplus, use most of it on conspicuous consumption, purchase of land for leasing out, and moneylending. The dependent state, in which semi-feudal landlords are a part of the ruling class coalition, the bourgeoisie, with its class links with the landlords, and foreign capital, interested in social stasis, do nothing to restructure agrarian relations on the basis of a thoroughgoing land reform. This results in stagnant agricultural output, shortage of supply of raw materials, narrowness of the home market, and dependence on imperialist countries for food and raw materials.

(viii) The indigenous bourgeoisie, making an effort at industrialization, is compelled to collaborate with international corporations for access to advanced technology, modern management, and growing markets.

On the other hand, the success of attempts to develop independent capitalism by an underdeveloped country depends upon the following conditions:

(i) Surplus should get into the hands of those who will invest it. This also means that the indigenous bourgeoisie should be economically strong and be supported by the state.

(ii) The state should be strong, capable of defending the bourgeoisie and national interests and political independence. It should be independent of foreign interests as well as those local interests which are opposed to industrialization. It should be opposed to the penetration of imperialist capital and should avoid entanglements in imperialist blocs.

(iii) The leadership of the state and of the bourgeoisie should be of high quality. The leadership should be determined to dislodge the feudal and comprador elements from the position of dominance. The latter should be in a position or be willing to resist this process with intensity.

(iv) The state should not be dictatorial and should grant people democratic rights and civil liberties.

(v) The international situation should be favourable to the elimination or at least the considerable weakening of the support given to feudal and comprador elements by the imperialist powers.

Several writers have in recent years begun to question the CBF paradigm. In a major paper, Aditya Mukherjee and Mridula Mukherjee of Jawaharlal Nehru University have put forward a counterview so far as India is concerned.¹⁵ I too believe that the existing writing on the subject is schematic and rigid and based on a static view of reality. In many countries, the linkages of dependency and subordination with world capitalism are being increasingly transformed in the direction of independent development. Since I too am more familiar with India's case, I discuss in this paper the specificities of the Indian situation which are responsible for this phenomenon there. In doing so, I accept the Mukherjee's analysis as correct.¹⁶ While reiterating some of their themes, I have tried to fill in some of their empty spaces. Such an approach based on a concrete study of a single country is also necessary because the question posed in the beginning of the paper cannot be answered only on the basis of general theory and requires an examination of the reality in its specific historical context.¹⁷ And, after all, both Paul Baran and A. Gunder Frank made their massive contribution on the basis of a concrete study of actual situations.

¹⁵ Aditya Mukherjee and Mridula Mukherjee, "Imperialism and Growth of Indian Capitalism in Twentieth Century," *Economic and Political Weekly*, 12 March 1988. Also see Aditya Mukherjee, "The Indian Capitalist Class: Aspects of its Economic, Political and Ideological Development in the Colonial Period, 1927-47," in S. Bhattacharya and Romila Thapar, editors, *Situating Indian History*, Delhi, 1986. Among others to question the CBF paradigm have been Mohit Sen, *The Indian Revolution—Review and Perspectives*, New Delhi, 1970; and Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America*, Berkeley, 1979.

¹⁶ The broad conclusion of the Mukherjees' study is that "the crucial feature of the Indian economy since independence has been its movement in the direction of structural reorientation—the slow and steady dismantling of a typically disarticulated colonial or peripheral economic structure in an attempt to generate an inward oriented, self-centered development" and that "Indian development so far has led to the reversing of most of the elements of a colonial or peripheral structure rather than leading to her getting sucked into a process of further peripheralization, or being turned into a neo-colony. Further, India has managed to achieve this while remaining within the capitalist system."

¹⁷ In a paper published in 1983, I made a plea for such a concrete study: "But the determinism inherent in the belief or notion that in the present era independent capitalism could not be built prevented any con-

IV (a)

First of all we will take up the nature of the colonial experience. India was fully integrated into the world capitalist economy in a subordinate, colonial position during the 19th century. Nearly all the features of the 'development of underdevelopment' noted and analyzed by Paul Baran, Frank, Amin and Hamza Alavi were to be found in colonial India. There was, however, one feature which pointed in an opposite direction. For various reasons, India had a far more developed and independent (Indian owned and controlled) industrial base than other colonial or semi-colonial countries and a far more substantial capitalist or entrepreneurial class.¹⁸

This was, however, not because of but in spite of and in opposition to colonialism. Moreover, the Indian economy remained basically structurally colonial, and the colonial economy could absorb and had absorbed a degree of independent development of the capitalist class and capitalist economy. Hence, for the potential of the positive industrial development to be realized, a break with and destructuring of colonialism were crucial.¹⁹ At the same time, enough independent development had occurred for the possibility of independent capitalism to become real in post-colonial India.

IV (b)²⁰

Another very important aspect of the colonial situation in India from the point of view of the possibility of independent development in the post-colonial situation was the political strength and ideological framework of the anti-imperialist movement and its leadership. The post-independence Indian economy and political system were to develop in the context of the social, economic and political urges and traditions of the people which were the products of a historically specific and significant national liberation movement which based itself from its beginnings in the 1880s on an economic critique of colonialism and colonialization of the Indian economy, a pro-poor orientation and a basic commitment to political and economic independence, modern economic development, secularism, democracy and

crete study or examination of the actual course of development in India and the asking of the question whether capitalism was being built or not. It was axiomatic that such an effort either would not be made or, if made, was bound to fail. On the other hand, once it was seen that capitalism was developing in India, the focus would be on studying its concrete features and organizing opposition to it on that basis." "A Strategy in Crisis," p. 390. Also see my two papers written in 1972 and 1973, "The Indian Capitalist Class and Imperialism before 1947," and "Modern India and Imperialism," in my *Nationalism and Colonialism in Modern India*, New Delhi, 1979.

¹⁸ For details and an enumeration of the basic features of industrial development in colonial India, see the Mukherjee's article.

¹⁹ Bill Warren fails to make this distinction.

²⁰ This section is based on Bipan Chandra, *The Rise and Growth of Economic Nationalism in India*, New Delhi, 1966, "British and Indian Ideas on Indian Economic Development, 1885-1905," and "Modern India and Imperialism" in Bipan Chandra, *Nationalism and Colonialism in Modern India*; Bipan Chandra, *Indian National Movement, The Long-Term Dynamics*, New Delhi, 1988; and Aditya Mukherjee, "Indian Capitalist Class and Congress on National Planning and Public Sector 1930-47," *Economic and Political Weekly*, 2 September 1978.

civil liberties and an independent foreign policy.

On the basis of the experience of the Indian people as a colonized people, the national movement gradually generated, formed and crystallized a clear-cut anti-colonial ideology. It evolved a comprehensive, scientific and firm understanding and analysis of the economic structure of colonialism which has hardly been improved upon by later writings, except in terms of a better conceptual and theoretical formulation. This understanding moreover pervaded the Indian national movement over a long period. Already during the last quarter of the 19th century, the founding fathers of the national liberation movement had worked out an understanding of the three modes of colonial exploitation: (a) direct thorough taxation, plunder and large scale employment of Englishmen; (b) unequal exchange; and (c) investment of British-owned capital. Through the use of drain theory, they had highlighted the basic feature of surplus export and opposed all the three forms of surplus appropriation by the metropolis. In particular, they had opposed the entry of foreign capital and its appropriation and domination of Indian economic space, pointing to the dangers of economic and political domination. A corollary of this approach was their belief that genuine economic development was possible only if Indian capitalists initiated and developed the process of industrialization. Moreover, they made a clear distinction between direct private investment by the British capitalists and portfolio investment by them. In case of need, India, they said, should rely on loan capital and not on entrepreneurial capital. They had further grasped that not only foreign political domination but also the subordination of the Indian economy as a whole to the needs of the British economy constituted colonialism. They also clearly saw that colonialism was not developing but underdeveloping the Indian economy. They pointed out that India's underdevelopment was of recent origin and not a carry over of the pre-colonial past. This understanding of the complex economic mechanism of modern imperialism was further advanced after 1918 under the impact of the anti-imperialist mass movements, the spread of Marxism and the growth of a powerful left-wing. The Indian national movement thus acquired firm roots in anti-colonial ideology. What is equally important, this anti-colonial analysis and world view, especially in the form of the theories of drain and unequal trade, were fully internalised by the lower-most cadre of the movement and taken to large segments of the Indian people. The result has been heightened sensitivity and vigilance in the country against the dangers of foreign economic penetration, especially through large-scale investment of foreign capital and the pattern of trade between India and the developed capitalist countries. The Government and different political parties have found it expedient not to get branded as supporters of foreign capital or as standing for the opening up of the country to foreign economic penetration.

As opposed to a colonial economy, the national movement based itself on the vision of rapid economic development to be based on all-out industrialization, independence from foreign capital, the creation of an independent capital goods sector, and the foundation of independent science and technology. This vision was in no way dimmed by Gandhi's dominant position in the national movement. Rather, it was Gandhi who gradually inched nearer to the dominant nationalist vision. From the 1880s, the nationalists also agitated for active state support and protection to Indian capital's efforts at economic development. In particular, the state was to be used to keep out foreign capitalists in two ways. First, the state sector was to build industries which were too large for private Indian capital and which would otherwise have to be built by foreign capitalists. Second, the state would

act as an intermediary and a protective wall between foreign capital and Indian enterprise. It would borrow foreign capital and either use it on its own account or lend it to the Indian capitalists through its own financial institutions. In the 1930s, the movement also accepted that the self-reliant economy would be developed on the basis of the public sector and planning. At the same time, despite the growing influence of the left, the nationalist movement remained confined within a capitalist development perspective or under bourgeois ideological hegemony. Inevitably, this nationalist economic ideology was to have a powerful influence over the policy-makers of the independent Indian state.

Another basic feature of the national liberation movement was its mass character. After 1918, it involved large-scale politicization of the people and their active participation and mobilization in the movement. Starting out as the activity of the radical nationalist intelligentsia, the national movement later succeeded in mobilizing the youth, the women, the urban petty bourgeoisie, the urban and rural poor, the urban and rural artisans, and large sections of the peasantry and small landlords. In its active phases, it took the form of extra-legal mass movements unsurpassed in world history. The national movement also based itself on the vision of a democratic, civil libertarian political order and, by its political practice and ideological work, rooted this vision among the mass of Indian people. Consequently, the ruling classes in India not only had to bring into being and maintain a parliamentary and civil libertarian political structure based on adult franchise but also to pay constant heed to popular opinion and to carry it behind its policies, which are, consequently, less open to imperialist political and economic pressure.

The national movement adopted from the beginning a pro-poor orientation and a reformist programme. Moreover, it constantly went on defining itself in a more and more radical direction. Increasingly, freedom was defined in radical socio-economic terms based on greater social and economic equality. Even when belying much of this promise, the post-liberation regime could not go too far in basing its developmental programme on increasing economic inequality or political suppression of the people. Instead, some of the fruits of development had to be shared with the mass of people. In recent years, a substantial part of the limited public resources has had to be devoted to rural poverty alleviation programmes.²¹

The national movement also evolved over the years a foreign policy of opposition to imperialism and solidarity with the anti-imperialist movements in other parts of the world. This was to strengthen its policy of opposition to foreign capital.

IV (c)

The state plays a crucial role in structuring colonialism as well as in its destructuring in post-colonial societies. This role is both different and far more active and critical in both cases than in the development of capitalism in the metropolitan or developed countries. The colonial state is a far more basic part of colonial structure. At the same time, the economic subordination of the colony to the metropolis and other features of the colonial structure

²¹ R.L. Varshney, "Political Economy of Slow Industrial Growth in India," *Economic and Political Weekly*, 1 September 1984.

are evolved and enforced through the colonial state. (The imperialist state plays a key role in the case of semi-colonies. For example, foreign capital was able to penetrate even the semi-colonies because of active intervention by the imperialist state). The parameters of the colonial structure are constructed through, and determined and maintained by, the colonial state.

The colonial state differs from the capitalist state in two important aspects. First, it does not 'reflect' economic power acquired through control over the means of production but creates and enforces colonial economic power. It is not a superstructure erected on the economic base; it helps create the economic base and is a part of the economic base of colonialism. Under capitalism, the ruling class is that which, to quote Ralph Miliband, "owns and controls the means of production and which is able, by virtue of the economic power thus conferred upon it, to use the state as its instrument for the domination of society." The reverse is the case under colonialism. It is because of its control over the colonial state that the metropolitan ruling class is able to control, subordinate and exploit the colonial society. In other words, the metropolitan ruling class does not necessarily control state power in the colony and its social surplus mainly because of its ownership of the means of production in the colony. It controls the surplus of the colony and is able to subordinate its producers because it controls the state power there.²²

Second, the colonial state does not represent any of the indigenous social classes of the colony. It subordinates and dominates all of them. None of the indigenous upper classes share state power in the colony; none of them are a part of the ruling class. They are not even the subordinated or junior partners of the metropolitan ruling class which may share the social surplus in the colony with the indigenous upper classes, but does not share state power with them. A crucial difference between colonial and semi-colonial societies lies in this very aspect. For one, a large section of the ruling classes in semi-colonial societies bear a determinate relation to the means of production; they appropriate social surplus because of the position they occupy in the modes of production. Moreover, the indigenous upper classes or some of them—landlords, compradors and even sections of the national bourgeoisie—are part of the class coalition that constitutes the ruling class. That is, they share in state power, sometimes even as senior partners.

Because of the first feature of the colonial state, its political overthrow is a far more significant feature than provided for by the CBF model with its economic reductionist bias. The end of political domination did not, and could not, of course, mean the automatic or immediate decolonization of the colonial economy which would in the very nature of things be a prolonged process. But the ending of political domination removed the overarch of the colonial structure. Foreign interests in the erstwhile colony were deprived of a decisive prop. The transfer of state power to the colonial people, especially to the leaders of a militant national liberation movement, was not just political liberation as contraposed to economic liberation. It was a decisive event. At the same time, the independent state started with the tradition of a strong state role in the control and shaping of the economy.

²² The metropolitan capitalist class may not own the means of production in the colony to a significant extent as it did not, for example, in India till the 1920s and not even then predominantly. Most of the colonial surplus appropriated by it did not arise out of its ownership or control of the production processes in India.

In fact, as is the case with the colonial state, the post-colonial state is an important part of the economic base itself. Consequently, state policy becomes a critical element in patterns of economic development. This policy is moreover the result of a complex interplay of the political and ideological practices of, and struggle among, social classes, strata and groups and by political trends and forces. This policy has, therefore, to be concretely studied in each specific case and cannot be theoretically determined or derived in abstract and in general.

The second feature of the colonial state meant that the post-colonial state started with a far greater autonomy vis-a-vis indigenous classes than is normally the case in capitalist societies. Unlike in a semi-colony, there is to start with no continuity in the classes represented in the state structure. The upper classes of the colonial society would have to start afresh on the process of hegemonising the state and acquiring domination over its structures. This is even truer when colonialism is overthrown as a result of a popular mass movement whose leadership, even when operating within bourgeois ideological confines, is itself autonomous of dominant economic classes, both foreign and indigenous.²³ At the same time, the elimination of foreign political control enables the indigenous bourgeoisie to initiate the process of its hegemonization of the state.

The post-independence Indian state has been playing a large and leading role in reshaping the economy in a self-reliant direction, especially on the basis of planning, public sector and large-scale expenditure. A study of the role of the Indian state is crucial in discussing the question of the possibility of an independent capitalist economy. Unlike the colonial state which kept its activity confined to infrastructural development, the Indian state has contributed massively to economic development in both the agricultural and the industrial sectors. It has countered imperialist penetration through economic and administrative measures and the assignment of a very active and large role to the public or state sector in modern industry. There has been a concentration of economic power in the hands of the state to face the giant imperialist monopoly corporations and international finance on less unequal terms. The state sector has been used to build capital goods' industries and elements of infrastructure which would not or could not have been built by domestic capital and would have invariably necessitated the use of foreign capital. The state industrial and financial institutions have been used to absorb foreign loan capital into the economy without permitting the latter to acquire direct power. The giant foreign corporations' immense advantage of greater financial power, technological capacity, and monopoly have been largely neutralized by the use of state power to shut out their products through exchange controls, high tariffs, and absolute prohibitions, thus enabling the weaker domestic capital to burgeon forth under hothouse conditions. The resources of the state have been used to train a large cadre of engineers, scientists and technical workers.

Since 1971, the state has acquired virtual monopoly control over banking and credit through the nationalization of banks and insurance companies and the creation of other state-controlled financial institutions. The state has also a monopoly over the power and fuel sector, a predominant share in transport, and a very large share in the internal distribution of

²³ As is the case with other independent states, the degree of state autonomy in a post-colonial state also depends on the nature of the political system, i.e., democratic or authoritarian. Similarly, its capacity to resist foreign pressure also depends on its size, resources, etc.

food-grains and other commodities and in foreign trade. The growth of the public sector in industry has been phenomenal. It manufactures most of the basic and capital goods. It owned 61.9 percent of all productive capital in the industrial sector in 1981–82, while the private corporate sector owned 23.4 percent. It runs 8 of the top 10 industrial units. It employed 27.2 percent of all industrial workers in 1981–82, the figure for private corporate sector being 36.2. The state also regulates patterns of private investment through controls and licences. In 1981–82, nearly 50 percent of gross capital formation occurred in the public sector. This was about five times the amount in the private corporate sector, including that which was foreign owned or controlled. In 1984–85, public sector units contributed 42.5 percent of the value added in the factory sector (including mining); foreign controlled units contributed 10.8 percent; the Indian monopoly houses accounted for 20.5 percent and other private units 26.2 percent. Gross savings in the public sector were 4.4 percent of the gross domestic product; the figure for the private corporate sector (including that which was foreign controlled) was 1.9 percent. In 1981–82, the public sector's share of gross domestic product was 22.1 percent. What is more important, during 1961/62–1981/82 the public sector's share of the *increase* of gross domestic product was 37.5 percent of the total and 43.4 percent in the industrial sector.²⁴

The state has also played a very large role in making Indian agriculture self-reliant. It is the major source of agricultural credits. It is the major investor in irrigation, drainage, flood control, and prevention of soil erosion and salinity. It is the sole source of rural electrification. It subsidizes the supply of diesel to the rural sector as well as the supply of fertilizers. It also develops and supplies better seeds, conducts agricultural research, and organizes extension activities. We are not discussing here the significance of the state sector and the economic role of the state in terms of internal class forces or social structure. It certainly did not mark the beginning of socialism. But there is no doubt that it has reduced dependence on metropolitan capital and economy and has strengthened the drive towards independent capitalist development.

IV (d)

The capacity of a post-colonial society to develop independent capitalism also depends on the nature of the state structure and the polity and the role and position of the state organs. In India's case, it is now clear that the post-colonial state has been politically independent and not under the direct or indirect influence of the metropolis. This is above all borne out by its foreign policy. The capacity of the Indian state to resist foreign pressure has also been enhanced by the large size of its territorial extent, population and resources.

India has had a stable political system, enabling the local entrepreneurs to take long-

²⁴ See P.R. Brahmananda and V.R. Panchamukhi, *The Development Process of the Indian Economy*, Bombay, 1987, pp. 290, 292, 319, 321; Pranab Bardhan, *The Political Economy of Development in India*, Delhi, 1984, pp. 37–8, 97–102; R.M. Sundrum, *Growth and Income Distribution In India*, New Delhi, 1986, pp. 98, 115; *Basic Statistics Relating to the Indian Economy*, New Delhi, 1985, p. 25; Aditya and Mridula Mukherjee, *op. cit.*, pp. 33, 50–52. In 1982–83 the public sector's share in mining and quarrying was 92.9 percent; electricity, gas and water, 93.9 percent; railways, 100 percent; other transport, 27.6 percent; communication, 100 percent; banking, etc., 86.1 percent. R.M. Sundrum, *op. cit.*, p. 98.

term investment decisions. Its polity is much closer to that of the developed countries. It is legitimate and hegemonic in character with a wide base among the people. Its democratic traditions, if the period of the national liberation struggle is included, have had a far longer time span than those of Japan, Italy, Spain, Portugal or even Germany. Since 1947, the Indian polity has been based on parliamentary democracy, adult franchise, a full range of civil liberties, an independent judicial system, and competing political parties and groups including factions within the ruling party. The process has been free and vocal and had been constantly increasing its reach. The Government has had to pay constant heed to popular opinion and to carry it behind its policies. Undoubtedly, the Government has had a great capacity to manipulate this opinion. But in conditions of comparatively open competition from the left-wing parties and the pressure of its own nationalist wing, this manipulation has occurred within certain limits. Certainly, it has not been possible for the Government and the ruling classes to ignore the anti-imperialist consciousness even if they had the desire to do so. Time and again, pressure from international agencies such as the World Bank and the International Monetary Fund to 'liberalise' the economy or cut down living standards has been frustrated by popular opposition. Political democracy and civil liberties have also added to the stability of the political system. The fact that parliamentary elections are held on the principle of plurality in a single member constituency and not on that of proportional representation has also contributed to this stability. Even the most radical as well as conservative critics of the system have had to function within the rules of the game. Nor have the weaknesses of self-sustained growth, gross economic inequality, and the failure of living standards to rise markedly generated the type of internal political crises which would enable imperialist forces to intervene in internal politics and policy-making on a decisive scale. Political stability and legitimacy, parliamentary democracy and mass support have also enhanced the Indian state's political and bargaining power vis-a-vis the metropolitan states and international capital. In general, political democracy has helped keep foreign capital within manageable limits and strengthened national pride and independence.

Though a federation, India has developed a strong centre. In particular all economic decisions in which foreign capital or other foreign interests might be involved are made by the centre. This too has enhanced India's capacity to withstand foreign pressure. Disaggregated state power would have made it easier for foreign interests to establish toeholds in one part of the country or the other.

India's foreign policy has played a major role in cementing the diverse social forces around the dominant political leadership. Foreign policy and its cementing role have been consciously used to follow the path of independent capitalist development, to counter overt or covert imperialist blackmail, and to weaken the élan of the left-wing opposition.

Political democracy has also meant that the regime function within a reformist socio-economic framework. Though not radically restructuring the internal socio-economic order, the Indian state has undertaken many measures of reform which have affected almost every section of society. The extent of reforms in different periods has, of course, depended on the type and degree of popular mobilization behind them. There has even been an effort at 'redistributive concessions' within the limits of a developing capitalism. The reformist measures have, in turn, enhanced the political legitimacy and stability of the regime.

Political democracy and dependence on voters also, of course, impose certain 'costs'

so far as development is concerned. India cannot do what was done in Western Europe and Japan (as also now South Korea, Taiwan, etc.) where initial industrialization occurred under authoritarian conditions, and with the complete absence of voting and trade union rights. With strong trade unions it cannot push down wages in the organized sector (in most cases wages are pegged to the price index) and has in fact to develop in the context of rising real wages. It cannot draw surplus from agriculture for the phase of primitive accumulation. On the contrary, there has been a net outflow from the non-agricultural sector to the agricultural sector. It is not even able to tax agriculture to a 'normal' extent. While agriculture contributes about 40–45 percent of the gross domestic product, in 1980–81, the share of land tax and agricultural income tax of the total tax revenue of the Central and State Governments was only about 1 percent.²⁵ Similarly, the lower middle classes have succeeded in evading the direct tax net. The compulsion to adopt reformist and redistributive measures affects investible resources at the command of the state and leads to the lowering of its industrial targets. To satisfy the increasingly assertive social groups and meet their political pressure from below, a regime of state subsidies has had to be constituted over the years. As the politicization and organization of the masses proceeds apace and as the state is unable to satisfy the pent-up demands of the people, and as popular pressures tend to take on violent forms and as regime instability grows, the state expenditure on security organs increases, creating another hole in the financial resources of the state. Popular trade union pressure and the inability to discipline the labour force including the technical and managerial cadre, combined with mismanagement and political interference at the top, are largely responsible for the public sector's failure to become an active source of state capital formation. In sum, democracy has entailed the squandering of resources and made it difficult to widen the tax base. We do not, of course, agree with the view that democracy was a major hindrance to independent economic development. It is paradoxical that while one group of writers hold that dictatorship is often sponsored by foreign capital and, in any case, leads to surrender before foreign capital and therefore to underdevelopment, another 'group' holds democratic processes responsible for inadequate economic development. In our view democracy does perhaps contribute to a certain slowness of economic growth in terms of the potential, but it strengthens the independent character of economic development. This does not of course mean that dictatorship leads to growth. Dictatorship often leads both to underdevelopment and foreign economic domination.

A source of strength for independent India was its inheritance of an efficient and viable administrative structure. Moreover Indian state organs—army, bureaucracy, police—are highly professional and have a long tradition of non-interference in political processes, functioning within the parameters of control by political party leadership and not having a direct relationship with the owners of the means of production. This gives them a degree of administrative autonomy vis-a-vis dominant class forces and foreign capital. They are of course subject to pressures arising out of class origin, class affiliation, etc. Consequently, their actual role depends on the nature of the state and the ruling class bloc. And since foreign interests are not a part of the ruling bloc, they (the state organs) are, as a whole, free of foreign influence. If any foreign influence is exercised, it is done in the same manner

²⁵ P. Bardhan, *op. cit.*, p. 56n.

as in metropolitan countries, i.e., through personal corruption. There also arises, then, the possibility of a Gramscian or Euro-Communist type of hegemonization of state apparatuses by radical forces as the experience of left-wing Governments in Kerala and West Bengal indicates. Or, at least, state organs do not stand in the way of left state policies. What is more important, the non-political traditions of the bureaucracy and the armed forces have made it difficult for imperialist interests and governments to penetrate and subvert them and thus to destabilise the independent Government as is the case in many other post-colonial societies. (In recent years, however, political interference in and therefore the politicization of the police and bureaucracy has been increasing, with perhaps ominous possibilities so far as foreign penetration is concerned).

IV (e)

The character and inner coherence and ethos of the Congress Party which has ruled India for 38 out of 41 years has been important in enabling India to follow the path of independent capitalist development. In the Nehru era (1947–1964) when decisive policy steps towards independent development were taken, the party retained its coherence, mass base, and much of the ideological character of the pre-independence period with a firm commitment to economic nationalism. Since 1964, the party has been undergoing deterioration in all the three aspects. Except for a short period in the 1950s when the right-wing Swatantra Party openly espoused large-scale foreign investment, no other political party has propagated this view.

India has had a vigorous left movement since the days of the national liberation struggle. After independence, this movement found expression in organized left opposition parties as well as in a left current within the ruling party. The left has played an important role in keeping the Indian state on an independent capitalist road in two paradoxical ways. Organizationally weak and politically and ideologically confused and given to economic and class reductionisms, it has been unable to offer a serious challenge to the dominant leadership. But it has always had a vast potential for growth and it has been strong enough to burgeon forth, especially as its ideological influence has been far more widespread than its political electoral or reorganizational base. The opportunity of harnessing nationalist, anti-imperialist appeals to its socio-economic radicalism. Undoubtedly, the fear of the left has been a powerful factor in keeping the Government from aligning with imperialist powers, or giving free entry to foreign capital, or weakening the role of the state in the economy.

Simultaneously, the left's failure to seriously challenge the existing social order has enabled capitalism to develop.²⁶ A ready postulate of the CBF model has been that because of the fear of revolutionary forces, the bourgeoisie and its political leadership would rapidly become reactionary, abandon internal reforms and democracy, give up independent development, open the country to foreign capital, and in general join up with imperialist forces

²⁶ This is not the place to analyze the reasons for the left's failure. Reference may be made to the articles in Bipan Chandra, editor, *The Indian Left*, and to Bipan Chandra, "Marxism in India, A Total Rectification," *Seminar*, No. 178, June 1974.

politically and economically. It has not happened that way. The reformist political regime has increasingly succeeded in virtually ending semi-feudalism from above, weakening the hold of foreign capital over the economy, and building independent capitalism in both industry and agriculture. One reason it has been able to do so is precisely because the left has been strong enough to keep it on its toes but not strong enough to endanger it and its hegemony over the people to such an extent that it was compelled to look to foreign help for survival and take shelter in the lap of imperialism. In other words, there has been a dialectical, mutually reinforcing development here. Bourgeois liberalism and reforms, independent capitalist development, and the policy of keeping out of the imperialist alliances and political system have enabled the bourgeois leadership to maintain its political influence over the people and to keep the left weak. At the same time, the weakness of the left has enabled the ruling bloc, including the bourgeoisie, to remain liberal and outside the imperialistic camp and to develop independent capitalism.

IV (f)

The process of class formation, the evolution of class structure and the roles of different social classes and strata have an important bearing on the question of independent capitalist development. The basic question is: Are the underlying class structure and productive structures compatible with independent capitalist development and autonomous (or autocratic) indigenous accumulation of capital? Do social classes, strata and groups exist or get formed which are capable of undertaking the task?

It is our view that such has been the case in India both at the moment of political freedom and since then. First of all arises the question of the rise and growth of an indigenous bourgeoisie and its dependent or independent character. The Communist movement in India for a long time—at least until the late 1950s and its large segments even thereafter—believed that the inherent ‘essence’ of the colonial and ex-colonial bourgeoisie was to seek or desire dependence on or collaboration with foreign capital. It has constantly looked for ‘collaboration’ with and ‘surrender’ to foreign capital or imperialism in each and every dealing with the world commodity or capital markets. Samir Amin too sees the bourgeoisie of an underdeveloped country as basically dependent and an adjunct of the metropolitan bourgeoisie. According to A. Gunder Frank, the interests of the bourgeoisie of an underdeveloped country are tied up with the interests of the metropolitan bourgeoisie in a subservient position. Its existence depends on its acting as an intermediary of foreign capital in the exploitation of the country. This ‘lumpen bourgeoisie’ cannot initiate or further develop the process of development, for it has a vested interest in the perpetuation of the dependent character of the economy. Independent capitalist development would be a threat to its class existence. It, therefore, follows “a policy of underdevelopment.”

These formulations do not apply to the Indian bourgeoisie as it has developed in the 20th century.²⁷ The considerable industrial development in colonial India had been led by an indigenous bourgeoisie that was quite strong and basically independent (national

²⁷ This section is based on Aditya and Mridula Mukherjee, *op. cit.*; Aditya Mukherjee, “Indian Capitalist Class and the Public Sector,” *Economic and Political Weekly*, 17 January 1976; “Indian Capitalist Class and
(Continued next page)

in terms of Mao Zedong's writings) and not comprador, i.e., an intermediary between British capital and the Indian market or a junior partner of foreign capital. Over time it had developed a long-term contradiction with imperialism even while retaining a relationship of short-term dependence on and accommodation with the colonial state. In the main, it did not develop an organic link with British capitalism; it was not, as a class, integrated with foreign capital in a subordinate position even when the Indian economy as a whole was. Its dominant sections had no noticeable alliances or partnerships with British or international finance capital or the emerging giant international corporations. Indian capital was highly concentrated, but its monopoly structure developed on the basis of its own financial and industrial resources. It did not depend for finance on British finance capital. Its dependence was limited to the purchase of producers' goods and technology from the metropolis. Instead of allying with British capital in India or abroad through cartels and trusts or partnerships, Indian monopoly capital developed on the basis of a multi-sided conglomerate character spread over vast regions and a variety of industrial, trading and financial activities. Consequently, during the 20th century, especially after 1918, the Indian capitalist class entered into competition with either British home capital or British capital in India in nearly every industrial or financial field. While fully committed to development, it was also very chary of being dominated by the larger foreign capital.

This 'national' character of the Indian bourgeoisie was further strengthened by its political and ideological practice. It also developed class consciousness and a class organization before any other Indian class did, and evolved a far-sighted class leadership which was able to understand and project its long-term class interests vis-a-vis both the rest of Indian society and foreign capital. It gave broad support to the national movement, and it evolved a clear vision of the larger process of independent development. It was able both to identify with national interests and to define its own interests in terms of national interests. Consequently, after 1918 it led a strong and consistent attack on foreign capital, especially on the latter's efforts to take advantage of the newly granted tariff protection through the formation of Indian subsidiaries. In particular, it constantly agitated against the entry of foreign capital into key or heavy industries such as machinery and machine tools, automobiles, aircraft, shipping, heavy chemicals, fertilizers, and the entire field of minerals and petroleum. They wanted complete reservation of these industries for Indian private or state capital and "statutory prohibition against the foreign or non-Indian ownership, management and control" of any of them. It was helped in its independence by its monopoly and concentrated character, because of which it was able to compete with the much stronger foreign capital.

The Indian capitalist class boldly favoured state planning and the development of a strong state or public sector as a protective wall against the much stronger international capital. It tried, against the opposition of the colonial state, to initiate the production

Congress on National Planning and Public Sector 1930-47," *Economic and Political Weekly*, 2 September 1978; "Indian Capitalist Class and Foreign Capital," *Studies in History*, Vol. 1, No. 1, 1979; "Business and Politics in Bombay," *Indian Historical Review*, Vol. 9, Nos. 1-2, 1981; "The Indian Capitalist Class: Aspects of Its Economic, Political and Ideological Development in the Colonial Period, 1927-47," *op. cit.*; "Indian Capitalists and the National Movement," in Bipan Chandra, Mridula Mukherjee and others, *India's Struggle for Independence*, New Delhi, 1988; Bipan Chandra, "The Indian Capitalist Class and Imperialism before 1947," and "Modern India and Imperialism," in his *Nationalism and Colonialism in Modern India*.

of capital goods and agitated for the state to undertake the task. It gave full support to—in fact demanded—reformist measures, extending even to the labour field. Moreover, it not only retained within the country the surplus value it appropriated in the production process and invested it in industry but it also used various financial devices to draw into industry some of the social surplus appropriated by usurers, traders, landlords and rulers of princely states. In all this, it was already the very opposite of the lumpen bourgeoisie in Latin America as described by A. Gunder Frank.

The result was that Indian capital was gradually able to significantly increase its hold over the Indian economy vis-a-vis foreign capital. By 1944, it controlled over 60 percent of the large industrial units employing 1,000 or more workers. In the smaller units, it was more or less in absolute command. It has been estimated that in 1947 the share of foreign enterprise, whether in India or abroad, was not more than 28 percent of the Indian market. Indian capital thus controlled nearly 72 percent of the domestic market. Indian capital had also made massive headway in banking. While in 1914 foreign banks held 70 percent of the bank deposits in India, by 1937 this figure had come down to 57 percent and by 1947 to 17 percent.

The developemnt of the Indian bourgeoisie after 1947 has further strengthened all the trends discussed above. The position of imperialism in the national economy has been further weakened as we will see in Section VII below. The Indian bourgeoisie has been immensely strengthened with the full backing of the independent Indian state. Its concentration has also grown apace. In 1981 the sales of the top 20 industrial houses accounted for 87 percent of the net domestic product in the private organized sector.²⁸ But this concentration has not occurred at the cost of other capitalists by their extinction or absorption. It has been the result of the growth of capital as a whole. Thus, simultaneously with concentration, the class has spread out, increasing its social and political weight. There has been remarkable expansion of small-scale and middle-level industries because of the government policy of encouraging them through various means including reserving certain products for the small-scale sector, tax concessions, etc. Consequently, of all factories that started production between 1966 and 1978 nearly half were in the small-scale sector, accounting for 30 percent of productive capital and 25 percent of value added.²⁹ Similarly, many

²⁸ P. Bardhan, *op. cit.*, Table 15, p. 105. But the share of the big houses in total assets of the private corporate sector has not grown. For figures from 1951 to 1975, see Brahmananda and Panhamukhi, *op. cit.*, pp. 132–33.

²⁹ *Ibid.*, p. 43. In 1951, the number of factories was 34,785 with the average number of workers per factory being 84; in 1985 these figures were 180, 572 and 42. In 1981–82, the size structure of the industrial sector was as follows (percentage distribution):

Employment size	No. of factories	Employment	Productive Capital	Value of output
0–49	79.9	15.2	5.4	13.3
50–99	9.9	9.1	2.9	7.3
100–199	5.0	9.2	3.8	8.0
200–499	3.0	12.1	6.7	14.3
500–999	1.0	9.8	10.0	12.2
1000–1999	0.7	12.8	12.0	15.6
2000–4999	0.4	15.6	12.5	14.9
5000 and above	0.1	16.2	46.7	14.4

Brahmananda and Panhamukhi, *op. cit.*, p. 313.

industrial houses which were two decades earlier counted among middle-level houses have now joined the ranks of the 'monopolists.' Thus, whatever other negative features of the growth of monopoly capital, it has not hindered development or made it easier for foreign capital to penetrate the economy.

It may also be pointed out that because of its immense enhanced strength, the Indian bourgeoisie is far less afraid of foreign capital domination and is therefore capable of 'absorbing' larger amounts of foreign capital without feeling endangered. A major change, the product of the class's rapid growth and expansion, has been a certain loss of class cohesion signified by the absence of a dominant leadership of the class. It is not clear whether the class would be able to define its long-term political and economic objectives and class interests as clearly as it did before 1947 and in the Nehru era. The licence quota and control structure by the Government has also tended to fracture the class into fractions and groups. Acquisition of the latest technology can enable any business house to spurt forward. To what extent these factors might lead to penetration by international capital is a subject for further research and analysis.

IV (g)

The Congress Government after 1947 accepted the policy of replacing the semi-feudal landlordism by capitalist farmers and rich and middle peasants while keeping the small subsistence farmer-cum-commodity producer intact so that there was no large-scale proletarianization and disintegration of the peasantry. The different State Governments framed laws in the early 1950s abolishing the zamindars (landlords) and other intermediaries and making the existing tenants the owners of land. The zamindars were paid compensation amounting to nearly Rs. 600 crores. This legislation marked a basic transformation of agrarian relations, though from above, and without the active involvement of the peasantry. In this respect, the path followed in India has been similar to that followed in Britain, Germany, Italy and Meiji Japan. In fact, India has been in the mainstream of the capitalist mode of transforming agriculture, France providing a partial exception. The erstwhile zamindars were permitted to resume large chunks of land for self-cultivation. This led to large-scale evictions of the small tenants. In some parts of the country, landlordism, semi-feudal tenancy and sharecropping continued for a long period and were only gradually eroded.

However, while the post-independence agrarian legislation hardly benefited the mass of poor peasants and agricultural labourers, it did not amount to preserving semi-feudalism; it marked, over time, a structural change in agriculture. Zamindari abolition put large chunks of land in the hands of the old occupancy tenants, many of whom became substantial owners of land who gradually took to capitalist agriculture as rich peasants or large-scale capitalist farmers. Their ranks were also strengthened when many of the erstwhile zamindars and landlords took to capitalist agriculture on the lands they had resumed for self-cultivation. Tenancy legislation also augmented the ranks of small and middle-landowner cultivators who already constituted over one-third of the Indian peasantry during the colonial period. India always has had a large class of non-landowning agricultural workers. Their number increased sharply due to the colonialization of the Indian economy. Large-scale evictions as a result of tenancy legislation and the rapid rise in population have now made it the largest social class in the country.

TABLE 1. LANDHOLDING PATTERNS³⁰

Holding Size (in acres)	Percentage of population	Percentage of area
0- 2.5	48.23	6.71
2.5- 5.0	17.43	12.17
5.0-10.0	16.59	19.95
10.0-15.0	7.29	13.85
15.0-20.0	3.46	9.42
20.0-25.0	2.09	7.20
25.0-30.0	1.37	5.53
30.0-50.0	2.35	12.99
50.0 and above	1.18	12.19

TABLE 2. VIABLE LANDHOLDING PATTERNS³¹

Holding size (in acres)	Percentage of land- owning population, which is 51.77 per- cent of total rural population	Percentage of area controlled by the land- owning population (which controls 93.29 percent of total operated area)
2.5- 5.0	33.67	13.05
5.0-10.0	32.04	21.38
10.0-15.0	14.08	14.85
15.0-20.0	6.68	10.10
20.0-25.0	4.04	7.72
25.0-30.0	2.65	5.93
30.0-50.0	4.54	13.92
50.0 and above	2.30	13.07

Thus, while semi-feudal landlordism has survived, though on a diminishing scale, in some parts of the country, agrarian structure is today basically constituted by a class of capitalist farmers and rich peasants at the top, a large number of middle peasants in the middle and the mass of small peasants and agricultural labourers at the bottom. Table 1 above gives the percentage of population in different sizes of operational holdings and the area commanded by each size of holding.

Land control is thus highly unequal if the entire rural population is taken to constitute the peasantry. But if we remove the bottom 48.23 percent who really constitute not small peasants but in Lenin's terminology proletarians and semi-proletarians, we get, as Table 2 above shows, a picture of viable landowning classes which resembles in terms of inequality and differentiation and therefore class cohesion, though not in the extent of land owned, the European peasantry, including that of Italy, France, Britain and Germany in modern times.³²

³⁰ Utsa Patnaik, "Contribution to the Output and Marketable Surplus of Agricultural Products by Cultivating Groups in India," *Economic and Political Weekly*, 27 December 1975. For slightly different figures for 1960-61 as well as 1970-71, and 1975, see Lloyd I. Rudolph and Susanne Hoeber Rudolph, *In Pursuit of Lakshmi: The Political Economy of the Indian State*, Chicago, 1987, p. 410; and P. Bardhan, *op. cit.*, p. 107.

³¹ Derived from Table 1.

³² For comparative figures, see Bipan Chandra, "Peasantry and National Integration," in his *Nationalism and Colonialism in Modern India*, p. 361, fn. 27.

Consequently, polarisation within the landowning peasantry has not really proceeded far enough to divide it into hostile social strata. The caste structure of Indian villages also tends to unite the rich and middle peasants and poor strata of the peasantry and enables the former to hegemonize the latter. The rich peasantry has also succeeded in mobilizing the poor peasants into popular agitations and movements which primarily serve rich peasant interests. There is growing antagonism between the capitalist farmers and rich peasants, who employ labour on a large scale and also practice usury, and the proletarian and semi-proletarian strata. But in the absence of, or rather weakness in, the latter's organization, this antagonism finds an outlet primarily in electoral processes or sporadic incidents of violence.

Increasingly, political and social power has veered round to these new strata of rural bourgeoisie and petty bourgeoisie (capitalist farmers, rich peasants and middle peasants). They have been the initial beneficiaries of the democratic electoral processes, devolution of administrative power to the village and district levels, community development, growth of cooperatives, extension of cheaper credit to the rural sector, subsidized inputs such as power, diesel, irrigation, fertilizers and new seeds, and other efforts of the government to develop agriculture. The basic thrust of government policies has been towards the bolstering of these strata and not the preservation of the old fashioned semi-feudal landlords who have been gradually extinguished as a social class even when they have economically survived as capitalist farmers or in the urban sector.

Capitalist farmers and rich peasants, as well as middle peasants, wield a great deal of political clout today at the national and state level politics and governments. This clout finds reflection in large scale agricultural developmental programmes, regular hikes in minimum agricultural prices, large subsidies to various agricultural inputs, and a virtual absence of taxation of agriculture. Their political influence is also largely responsible for the ineffective character of land ceilings legislation and other efforts at an equitable redistribution of land. In 1983–84, budgetary subsidies on fertilizers amounted to Rs. 10,480 million.³³ In 1982–83, the budgetary loss to the Government on account of operation of government irrigation systems was Rs. 5,228.4 million (at 1970–71 prices).³⁴ Land revenue and agricultural income tax contributed seven percent of central and state government finances in 1951–53, five percent in 1964–65 and one percent in 1980–81.³⁵ Subsidies and the inability to raise taxes from agriculture are a serious drain on the national exchequer and weaken the efforts at independent development. On the other hand, capitalist farmers, rich peasants and middle peasants have contributed to more or less satisfactory agricultural growth (2.54 percent from 1950–51 to 1984–85)³⁶ and made India self-sufficient in foodgrains and agricultural raw materials, thus lessening dependence on the metropolis.

A part of the capital of the capitalist farmers and rich peasants has been going into transport, trading, agro-industries, and other business. This provides both a point of contact with the urban capitalist class as well as a point of conflict with it.

The rich and middle peasantry was very active in the freedom struggle as well as in the peasant movements and left parties and groups during the colonial period. Consequently,

³³ Sukhamoy Chakravarty, *Development Planning: The Indian Experience*, Oxford, 1987, p. 126.

³⁴ *Ibid.*, p. 127.

³⁵ P. Bardhan, *op. cit.*, p. 56n.

³⁶ Brahmananda and Panchamukhi, *op. cit.*, p. 221.

it deeply imbibed nationalist ideology, including its critique of colonialism. There has been up to now no indication that it has abandoned its nationalist, anti-foreign capital outlook. At the same time, there can be a genuine apprehension that the growing role of this class in national politics, because of its narrow, economistic and circumscribed outlook, may at some stage lead to the opening of the door to foreign economic penetration.

Their very numbers and the compulsion of electoral politics have increased the political weight of the agricultural labourers and poor peasants; and the Government has had to undertake several poverty alleviation programmes including subsidies on consumption goods and agricultural inputs, cheap credit for productive purposes, rural housing, various rural employment generation programmes and old age pensions. The Green Revolution has also made many small peasant holdings economically viable. Moreover, the state has not permitted the rural rich to expropriate and 'depeasantise' or proletarianize the small peasant. While land ceiling legislation has not taken away surplus land from the rural bourgeoisie, it has hindered it from acquiring poor peasants' land and compelled it to go in for intensive capital investment in land or to invest in trade, transport and industry. Social classes and strata have hitherto not posed a serious challenge to the hegemony of the ruling classes. Their urges have so far been accommodated within the existing political and party structure.

IV (h)

The middle classes have constituted a major 'class' or ensemble of strata in modern India. This is signified by the fact that in 1983 the service sector contributed 38 percent of the gross domestic product.³⁷ The middle classes may be said to consist of civil servants, doctors and lawyers, teachers and journalists, commercial and bank and insurance employees, office workers and managerial cadre in private and public sector firms, entertainment workers, small traders and shopkeepers, and organizers of household and craft industries. In recent years the ranks of the middle classes have been swelled by the educated from peasant and working class families. Their political role and position in the power structure have unfortunately not been adequately researched. They were the most active social force in the anti-imperialist struggle and the earliest imbibers of nationalist ideology. They have played a major role in influencing the policies of the Government and the major political parties. Large segments of the middle classes have been gradually organized in trade unions and trade union-type associations. This is not only true of government employees and banks and other public sector middle class personnel, but also school, college and university teachers, doctors, and lawyers and shopkeepers. The middle classes also form the main recruiting ground for left-wing as well as right-wing parties, and they are the main consumers of the burgeoning newspapers. They constitute the most important segment of Indian political public opinion. Their role in electoral politics is much larger than their numbers would warrant. The middle classes also control the state organs and apparatuses at different levels. Armed forces officers are mainly recruited from the middle classes as are the middle and higher rungs of the bureaucracy and the higher rungs of the police.

³⁷ P.M. Sundrum, *op. cit.*, p. 31.

The Indian middle classes are intensely patriotic and open to nationalist appeals. While this makes them open to communal and jingoist propaganda, they have also been very allergic to any step, economic or political, which smacks of surrender before imperialism or imperialist penetration. It is largely because of this that no major political party in India advocates development on the basis of foreign capital or large scale foreign aid.

It would be equally wrong to collapse the social and political role of the middle classes with that of the bourgeoisie. They have clearly played an independent political role so far both in the national movement and in post-independence politics. Quite often their political positions have clashed with those of the capitalists. Those working in economic ministries at the Centre or in the States or in public sector enterprises have also differed, sometimes to the extent of sharp hostility, with the capitalists on economic policy issues even when sharing a common bourgeois economic outlook.

While being strong supporters of independent economic development, middle class interests have sometimes stood in its way. Their salary demands have often had to be met at the cost of public investment. Small traders have also been successful in protecting their material interests. Economic pressure from the middle classes has led to some of the resources being diverted to the production of luxury goods, though this has not played a significant role in India's development strategy. Moreover, these goods have been produced largely through domestic capital and therefore on a small scale. There has been no pressure or clamour to produce these goods through multinational corporations. On the other hand, the middle classes have given full backing to the government policy of restricting the import of luxury goods, though recalcitrant middle class persons have not hesitated to patronize smugglers of these goods.

IV (i)

India has a large working class in absolute numbers. But its chief characteristic is that it has not yet constituted itself as a 'class for itself.' Only a small part of it is organized in trade unions which are further divided into a large number of contending central organizations. Politically, the workers extend their support to the entire spectrum from the extreme right to the extreme left. Their militancy has remained confined to their economic demands and interests. And the organized workers have been quite successful in promoting these. While their weight has not been thrown behind internal radical or developmental policies, they have been quite radical vis-a-vis foreign capital. This is particularly so in the case of workers under the influence of the left.

IV (j)

In underdeveloped countries, the intelligentsia has to be treated as a separate and distinct ideological and political force. In India, intellectuals founded and led the national movement. They were the fountainhead of economic nationalist ideology before independence and the chief champions of independent economic development after independence. Because of their role in the freedom struggle, they enjoyed tremendous political influence for

over two decades after independence. This influence was a major factor in India keeping out foreign capital and following a developmental strategy of economic self-reliance. The reformist thrust of the Indian state also owes a great deal to their influence. During the 1930s and 1940s and in the three decades after independence, the intellectuals tended to veer towards some kind of leftist outlook and ideology. Most Indian economists, for example, were attracted by left Keynesianism and Marxism, and few would argue for foreign capital-based development. In the last decade or two there has, however, been an erosion in the political and ideological influence of the intellectuals in the government as well as among the people in general. Simultaneously, there has been some erosion of leftist influence among them, though radical influence is still strong. In any case, there still are few takers among Indian intellectuals—including economists—for dependent development. The reigning ideology among the intellectuals, most of the political parties and government leaders is still that of economic nationalism and independent development. Consequently, any effort that is seen to be a deviation from the parameters of this ideology has led to a huge hue and cry in the country, leading to the abandonment, or at least large dilution, of the effort.

V

The nature of the class bloc that constitutes the ruling classes is perhaps the most important determinant of the fate of the effort to develop independent capitalism. Yet this is also the most difficult question to answer and this is perhaps not the place to do so. For our purpose, it would be enough to decide whether classes and strata aligned with imperialism or tending to give way to it are parts of the ruling class bloc.

Clearly India is too vast, heterogenous and 'unstructured' a country for a single class to rule. But if there was to be a single class-rule characterization of the Indian state, the ruling class would have to be the bourgeoisie with all its heterogeneity. Clearly, in view of our discussion of the Indian bourgeoisie, the ruling class would be committed to independent and not dependent capitalist development.

In the case of a bloc of classes, three views have been put forward so far. In 1951, the CPI characterised the Indian Government (state) as "the government of landlords and princes and the reactionary big bourgeoisie, collaborating with the British imperialists." Moreover, "to this subservience to British capital" was being added "slavery to American capital." During the early 1950s, the left-wing of the CPI was even more categorical: "The collaborating Indian big bourgeoisie, the feudal landlords and the British imperialists are the classes in whose hands the power is concentrated."³⁸ According to the CPM, "the present Indian state is the organ of the class rule of the bourgeoisie and landlords, led by the big bourgeoisie, who are increasingly collaborating with foreign finance capital in pursuit of the capitalist path of development."³⁹

³⁸ Bipan Chandra, "A Strategy in Crisis," *op. cit.*, pp. 205-6, 304-5.

³⁹ *Programme of the Communist Party of India*, adopted by the Seventh Congress of the Communist Party of India (CPM), Calcutta, October 31-November 7, 1964. Several Indian Marxists have tended to accept
(Continued next page)

I contend that this view is wrong for two reasons. Semi-feudal landlords were not a part of the anti-imperialist camp before 1947 and, despite their initial political influence after 1947, because of the exigencies of electoral politics, they were gradually marginalised and eliminated as an economic and political force in post-colonial India. Nor did imperialism or international capital or pro-British social forces form a part of the ruling bloc. Pro-British social forces hardly existed after 1947. Imperialism and international capital exerted and still exert a great deal of political, economic and ideological pressure on the Indian state, and the danger of the Indian state succumbing to it to a lesser or greater extent has been ever present, but this pressure is basically exerted from outside the ruling bloc. And there is no evidence that the Indian state has yielded to this pressure at any stage on any basic developmental or political issue. As Aditya and Mridula Mukherjee have put it: "The bargaining with international capital was not occurring within the state or the ruling class coalition of which international capital was a part, as in Latin America and East Asia, but between an independent state reflecting an entirely indigenous ruling class coalition and international capital—an important difference in terms of autonomy."⁴⁰

Another view was put forward in 1973 by K.N. Raj. Following Kalecki, he suggested that India's was an intermediate regime in which the intermediate strata—rich peasants and the middle classes—formed the dominant political force. I, however, do not see how the capitalist class can be excluded from the ruling bloc.⁴¹ What is true in Raj's formulation is that the intermediate classes or strata exert very strong influence over state policy, and that the bourgeoisie has not yet been able to hegemonise them as the electoral results of 1967 and 1977 show. It has to accommodate them all along the line, as in resource allocation. But the bourgeoisie exercises enough power in the coalition for the Governments of India and the States to follow a long-term policy of independent capitalist development. This has also been suggested by Aditya and Mridula Mukherjee, Mohit Sen, Pranab Bardhan, Atul Kohli,⁴² Lloyd and Susanne Rudolph, and others in recent years. To determine the exact nature and character of this ruling bloc's domination over, or leadership of, the Indian state would require a far more detailed and complex empirical and theoretical effort, including a discussion of the question of state autonomy, than is possible here or at this stage of research. Tentatively, it may be suggested that the Indian capitalist class as a whole—and not merely the big bourgeoisie—the agrarian bourgeoisie and the

a version of this formulation. For example, Prabhat Patnaik, *op. cit.*, p. 229; A.K. Bagchi, *The Political Economy of Underdevelopment*, Cambridge, 1982, p. 94; Mathew Kurien, "Class Character of the Indian State," in Mathew Kurien, editor, *India-State and Society*, Bombay, 1975; Biplob Dasgupta, "Class Character of the Ruling Class in India," in *ibid.*; Hamza Alavi, "Indian Capitalism and Foreign Imperialism," *op. cit.*, and "India and the Colonial Mode of Production," *op. cit.* The Communist Party of India, in its Programme, seems to have made a major break with this formulation. According to it, "The State in India is the organ of the class rule of the national bourgeoisie as a whole, in which the big bourgeoisie holds powerful influence. This class rule has strong links with the landlords. . . . The influence of foreign monopoly interests is also felt in these developments, in which they generally support those monopoly groups and princely feudal circles who demand measures that facilitate the entry of foreign capital in the country," *Programme of the Communist Party of India*, as amended by the Eighth Congress of the Communist Party of India, Patna, 7-15 February 1968.

⁴⁰ *Op. cit.*, p. 540.

⁴¹ K.N. Raj, "The Politics and Economics of 'Intermediate Regimes,'" *Economic and Political Weekly*, 7 July 1973.

⁴² Atul Kohli, *The State and Poverty in India*, Bombay, 1987. Other authors have been cited earlier.

middle classes are the politically dominant elements in India and perhaps constitute the ruling bloc.⁴³ Clearly, as our analysis so far shows, none of the three can be characterised as agents of imperialism or pro-imperialist or 'part of the chain that runs from the countryside to the imperialist metropolis,' or have an interest in perpetuating or advocating dependent development. All three, in their own ways, have been struggling for independent agrarian and industrial capitalism, with sections of the middle classes even owing commitment to the socialist path of development.

VI

Two other elements in the Indian situation have also favoured non-dependent development. One was the formation during the national struggle of a coherent and politically strong leadership committed to economic development and independence. After independence political power was exercised by this leadership which was moreover led by Jawaharlal Nehru, a brilliant, popular and charismatic leader who had acquired a Marxist understanding of the workings of modern imperialism and international capital. While he was unable to implement his socialist ideas, he certainly succeeded in keeping India out of the imperialist sphere of influence and shaping the direction of the economy and polity. Nehru was succeeded by Indira Gandhi who, despite her many other faults, successfully checkmated imperialist political and economic moves and strengthened the economic and political base of independent development. In a developing, basically agrarian, country with a teeming population the personality and social vision of the political leaders and their capacity to manage the political system and maintain political stability do matter a lot. What impact the absence of this element in recent years will have on the pattern of economic and political development is not yet clear.

The second positive factor has been a favourable international environment. The emergence of two rival camps on the international scene has enhanced a developing country's capacity for autonomous development by strengthening their bargaining position vis-a-vis the metropolitan countries. In India's case, economic aid and technical assistance from the socialist countries and the development of trade with them has played a very important role in the development of independent capitalism. They have not only been used as bargaining counters to prevent the metropolitan countries from presenting a monopolistic front towards India, but have also helped strengthen the public sector, to lay the foundations of a heavy, capital goods sector, to build strategic defense industries and to break the stranglehold of foreign oil monopolies on India's industry and transport system by assisting India in oil exploration and the setting up of refineries. Of course, whether the opportunity for an economic relationship with the socialist countries is utilised or not or the nature and extent of this utilization, or the impact that this has on the domestic economy depends largely on the direction of the developmental effort, the character of the regime, and the balance

⁴³ A discussion of the conflicts within the ruling coalition, the role of the democratic and federal structure in enabling the coalition to hold together and mediating its conflict with the exploited and dominated sections of society, and the possibilities of a breakdown of the consensus within the coalition is beyond the framework of this paper.

of class forces in the developing country. It is interesting that the Indian capitalist class has actively supported the development of economic relations with the socialist countries.

VII

We may, briefly, present a profile of the Indian economy as it has developed since 1951. This profile may be presented in the form of some of the factors which according to the CBF paradigm make it impossible to have independent capitalist development or which result from dependent development or, in contrast, which signify independent development.

1. *Some Indices of India's Economic Development*

Even though India's domestic product is low, it has consistently grown despite some years of severe drought. Its average rate of growth has been 3.73 percent per year from 1952-53 to 1959-60, 3.75 percent from 1960-61 to 1967-68, 3.76 percent from 1968-69

TABLE 3. INDEX OF GROWTH WITH 1950-51 AS BASE=100 EXCEPT WHERE INDICATED⁴⁴

	1950-51	1965-66	1983-84
Joint Stock Companies:			
Number	100.0	90.3	318.3
	(1954-55)		
Paid-up capital	100.0	321.4	2262.2
	(1954-55)		
	(In 1983-84, the paid-up capital of joint stock companies was Rs. 273,313 million)		
Electricity Generated	100.0	560.1	2291.2
Railways			
Route kilometers	100.0	109.0	114.7
Net tonne kilometers	100.0	265.1	404.5
Roads			
Surfaced kilometrage	100.0	178.1	330.4
			(1977-78)
Motor vehicles on road	100.0	358.8	1179.7
			(1977-78)
Shipping			
Gross registered tonnage	100.0	458.7	1370.4
Radio Receivers	100.0	989.0	3680.6
			(1977-78)
Daily Newspapers	100.0	178.0	469.3
	(1956)		
Bank Deposits of Scheduled and Non-Scheduled Banks	100.0	354.5	7224.2
	(1951-52)		
Life Insurance Business in Force	—	100.0	912.8
Per Capita Income	73.6	88.3	118.3
	(at 1970-71 prices)		

⁴⁴ *Basic Statistics*, pp. 1-5.

to 1975-76 and 4.01 percent from 1976-77 to 1983-84.⁴⁵ India's industrial production index has gone up (with base: 1970=100) from 32.6 in 1951 to 220.6 in 1986. The annual rate of increase between 1951 and 1985 has been 5.6 percent.⁴⁶ With base at triennium ending

TABLE 4. PRODUCTION OF SELECTED INDUSTRIES⁴⁷

	Unit	1950-51	1965-66	1984-85
<u>Machinery and Equipment</u>				
Machine Tools and Portable Tools (value)	Rupees million	3	294	3,028
Power Driven Pumps	000	35	244	492
Diesel Engine Pumps	000	5.5	93.1	171.9
Electrical Motors	000 HP	99	1,753	4,919
Power Transformers	000 KVA	179	4,458	25,320
Storage Batteries	000	194	709	2,147
<u>Transport Equipment</u>				
Locomotives	Nos.	7	233	200
Wagons	000	—	23.5	12.4
Automobiles (excluding two-wheelers)	000	16.5	70.7	196
Bicycles	000	99	2,575	5,944
<u>Mining Industries</u>				
Coal	million tons	32.8	70.3	155.2
Iron Ore	million tons	11	18.1	42.7
<u>Metal</u>				
Finished Steel	000 tons	(1960-61) 1,041	4,512	6,871
Aluminum	000 tons	4.0	62.1	276.5
Copper	000 tons	7.1	9.4	41.2
Cement	million tons	2.7	10.8	29.9
<u>Chemical and Chemical Products</u>				
Sulphuric Acid	000 tons	101	662	2,388
<u>Food Manufacturing Industries</u>				
Sugar	000 tons	1,061	3,388	6,152
Coffee	000 tons	21.0	62.1	140.8
Tea	million kg.	277	373	641
Veg. Oil	000 tons	170	401	938
Rubber Tyres, Automobile	million	—	2.31	9.58
<u>Electrical Goods etc.</u>				
Electrical Lamps	million	14.0	72.1	317.8
Radio Receivers	000	54.0	606.0	1240.0
Electric Fans	000	199	1,358	4697
Domestic Refrigerators	000	—	30.6	557.6
Air Conditioners	000	—	12.6	29.0
<u>Others</u>				
Sewing Machines	000	33	430	338
Typewriters	000	—	39.6	115.5
Razor Blades	million	15	914	1,916
Paper & Paper Products	000 tons	116	558	1,362

⁴⁵ K.N. Raj, "Some Observations on Economic Growth in India over the Period 1952-53 to 1982-83," *Economic and Political Weekly*, 14 October 1984.

⁴⁶ Brahmananda and Panchamukhi, *op. cit.*, pp. 303-04.

⁴⁷ *Ibid.*, pp. 56-9.

1969-70=100, India's agricultural production index has gone up from 58.5 in 1950-51 to 155.8 in 1983-94. The annual growth rate has been 2.5 percent.⁴⁸ (Gross irrigated area has increased from 22.6 million hectares in 1950-51 to 51.6 million hectares in 1981-82 and fertiliser use from about 1 kilogram per hectare in the mid-fifties to about 32 kilograms at the beginning of the 1980s.⁴⁹

Tables 3 and 4 give growth in certain specific sectors and commodities and brings out the sea-change in India's industrial landscape.

The share of agriculture in the gross domestic product has fallen from 48 percent in 1960-61 to about 41½ percent in 1970-71 (at 1960-61 prices) and from about 47½ percent in 1970-71 to less than 40 percent in 1981-82 (at 1970-71 prices). In all it has fallen by 13 to 14 percent.⁵⁰ In 1983, the percentage of GDP originating in agriculture was 36, industry 26, and services 38.⁵¹

2. A major factor in dependent development, it is said, is the poor effort at mobilization of local sources of economic surplus, which are wasted in luxuries, speculation, etc. Clearly, the size and use of the local social surplus is a key factor in the degree of independent development. But this factor does not work in the case of India, for as Table 5 below brings out, the rates of domestic savings of capital formation have been growing over the years and have reached respectable proportions. Moreover, nearly 50 percent of capital formation has occurred in the public (state) sector.

K.N. Raj has made two additional points. If the increase in GDP is kept in view, the index of fixed capital formation has gone up from 100 in 1975-75 to 186.1 in 1981-82. Second, if capital depreciation and destruction and losses are accounted for, the net rate of fixed capital formation would be about 12 to 12½ percent of GDP (at 1970-71 prices) since the middle 1960s.⁵²

TABLE 5. RATES OF DOMESTIC SAVINGS⁵³

Year	Gross domestic savings as percentage of gross domestic product at current market prices	Gross fixed capital formation as percentage of gross domestic product at 1970-71 market prices	Gross fixed capital formation in the public sector as percentage of gross domestic product at 1970-71 market prices
1951-52	9.5	12.2	3.3
1961-62	13.8	14.5	7.0
1971-72	16.8	16.3	6.8
1981-82	22.7	17.4	8.5

3. Role of International Capital and Finance

Foreign capital does not have a stranglehold on the Indian economy. Nor is the Indian

⁴⁸ Basic Statistics, *op. cit.*, p. 36.

⁴⁹ *Ibid.*, p. 40; P. Bardhan, *op. cit.*, p. 11.

⁵⁰ K.N. Raj, "Some Observations," *op. cit.*

⁵¹ R.M. Sundrum, *op. cit.*, p. 31.

⁵² K.N. Raj, "Some Observations," *op. cit.*

⁵³ P. Bardhan, *op. cit.*, pp. 97-98.

state dominated through foreign aid or through finance capital in general. Neither foreign capital nor finance capital plays a dominating or even an increasing role in the Indian economy. Multinational corporations have not acquired a major hold inside India. By and large, the import bans and restrictions, high tariff walls and import substitution strategy have been used to promote Indian capital-owned and controlled industries and not to facilitate the setting up of the subsidiaries of the international corporations or foreign controlled Indian corporations. In spite of the increase in technical collaboration agreements and the growth in foreign investment, it cannot be said that the Indian bourgeoisie, big or small, is entering into partnership with the giant foreign corporations. While private foreign investment has gone up in absolute terms, its relative position vis-a-vis Indian private capital as well as public sector capital has declined. In fact, the investment of foreign capital in the Indian economy has been, so far, carefully controlled through licensing and regulations on foreign shareholding in Indian firms, though given encouragement within prescribed limits. The result is that foreign capital has hitherto remained quite 'shy' or hesitant in entering India. Moreover, there is not a single major economically strategic sector of the economy which is under the domination of foreign capital. Lastly, foreign finance capital hardly occupies an important, not to speak of dominating, position in the Indian economy.⁵⁴

(i) *Amount and Role of Foreign Capital*: Foreign-controlled firms contributed only 10.8 percent of the total value added in the factory sector of mining and manufacturing in 1983-84. If non-factory manufacturing is also taken into consideration, this figure would be 7.7 percent.⁵⁵ In terms of total volume, the total accumulated foreign private investment in India until 1974 was Rs. 19,430 million. This was less than 20 percent of the net domestic capital formation of only 1974.⁵⁶ Foreign private capital inflow was expected to constitute only about 4 percent of total corporate private investment in the Seventh Plan.⁵⁷ Of the top 25 industrial units of India in terms of sales around 1982 (including public sector units) only 4 are foreign and they occupy 13th, 14th, 21st and 24th positions.⁵⁸ In 1981, of the top 20 industrial houses (conglomerates), only two were foreign, occupying 4th and 14th positions.⁵⁹ Not one of the foreign controlled units would figure in the first 25 in terms of total capital employed.⁶⁰

As pointed out earlier, not a single 'commanding height' of the economy is under the control or domination of foreign capital. This applies to iron and steel, other metals, coal, cement, engineering, heavy machinery and electricals, chemicals, defense industries, petroleum production and refining, textiles, jute, tea, coffee, cycles, fans, sewing machines, radios, scooters, automobiles and refrigerators. Foreign capital has a large presence in drugs and pharmaceuticals, tobacco, rubber goods, typewriters, batteries, bulbs, and explosives. Its dom-

⁵⁴ For our view, see Aditya and Mridula Mukherjee, *op. cit.*, and P. Bardhan, *op. cit.*, p. 44. For a different view, see Nirmal K. Chandra, "Western Imperialism and India Today," *Economic and Political Weekly*, February 1973; A.K. Bagchi, "Foreign Capital and Economic Development in India," *op. cit.*; and Meghnad Desai, "India: Emerging Contradictions of Slow Capitalist Development," in Robin Blackburn, editor, *Explosion in a Subcontinent: India, Pakistan, Bangladesh and Ceylon*, London, 1975.

⁵⁵ Brahmananda and Panchamukhi, *op. cit.*, p. 319.

⁵⁶ Aditya and Mridula Mukherjee, *op. cit.*

⁵⁷ L.I. and S.H. Rudolph, *op. cit.*, pp. 11-12.

⁵⁸ P. Bardhan, *op. cit.*, pp. 103-4.

⁵⁹ *Ibid.*, p. 103.

⁶⁰ L.I. and S.H. Rudolph, *op. cit.*, pp. 403-6.

ination over soap and detergents has been eroded in the last few years. This process is also taking place in the other industries mentioned above.

(ii) *Foreign Finance Capital*: Foreign finance capital plays hardly any role in India. As early as 1970, public sector banks controlled 84.7 percent of total deposits while foreign banks controlled only 8.9 percent.⁶¹ No foreign insurance companies have operated in India since 1973 when the general insurance business was nationalized. Branches of Indian banks have gone up from 4,239 in 1950 to 47,978 in 1984; the branches of foreign banks have increased from 66 to 135 only.⁶² Net capital inflow from abroad, including external commercial borrowing, was on the average 1.2 percent of GDP in 1971-76, 1.1 percent in 1976-80, and 1.2 percent in 1980-85.⁶³

(iii) *Foreign Aid*: The size of foreign aid, including grants and concessional loans, has also been quite low and has declined since the mid-sixties, as Table 6 shows.⁶⁴

TABLE 6. GROSS AND NET AID UTILISED UNTIL 1984-85 AS A PERCENTAGE OF PUBLIC SECTOR OUTLAY

Sr. No.	Period	Public sector outlay	Gross aid utilised	Amortisation and interest payment	Net aid (4-5)	Net aid as percentage of public sector outlay
1	2	3	4	5	6	7
1.	First Plan	1,960.0	201.7	23.8	117.9	9.10
2.	Second Plan	4,672.0	1,430.4	119.4	1,311.0	28.09
3.	Third Plan	8,576.5	2,867.7	542.6	2,325.1	27.11
4.	Annual Plans	6,625.4	3,229.6	982.5	2,247.1	33.92
5.	Fourth Plan	15,778.8	4,183.7	2,445.0	1,738.7	11.02
6.	Fifth Plan	39,426.2	7,259.3	3,684.3	3,575.0	9.07
7.	Annual Plan (1979-80)	12,176.5	1,353.1	800.8	552.3	4.54
8.	Sixth Plan	109,645.8	10,902.7	4,809.2	6,093.5	5.56
GRAND TOTAL:		198,861.2	31,428.2	13,407.6	18,020.6	9.06

The role of external assistance (net) in the five year plans is shown in Table 7 in terms of percentage of the plan (including aid from socialist countries).⁶⁵

TABLE 7. ROLE OF EXTERNAL ASSISTANCE IN FIVE-YEAR PLANS

1st Plan (1951-56)	2nd Plan (1956-61)	3rd Plan (1961-66)	4th Plan (1969-79)	5th Plan (1974-74)	6th Plan (1980-85)
9.69	22.48	28.23	12.93	12.79	7.70

(iv) *Outflows*: India's external debt and debt service charges have been quite manageable, not requiring knuckling under to international capital (see Table 8).⁶⁶

⁶¹ Sudipto Mundle, "State Character and Economic Policy," *Social Scientist*, May 1974, p. 12.

⁶² Basic Statistics, *op. cit.*, p. 125.

⁶³ Brahmananda and Panchamukhi, *op. cit.*, p. 861.

⁶⁴ Rama Shankar Singh, "Impact of External Assistance on Indian Economy," *Mainstream*, 27 August 1988.

⁶⁵ Brahmananda and Panchamukhi, *op. cit.*, pp. 823-26. For absolute figures, see Basic Statistics, *op. cit.*, pp. 117-19. For per capita external assistance, see R.M. Sundrum, *op. cit.*, p. 306.

⁶⁶ Brahmananda and Panchamukhi, *op. cit.*, p. 1215.

TABLE 8. EXTERNAL DEBT AND DEBT SERVICING

	1970-71	1975-76	1981-82	1984-85
External debt as percentage of GNP at 1970-71 prices	17.79	11.28	9.04	9.80
Debt servicing payments as percentage of GNP at 1970-71 prices	1.23	1.04	0.65	0.59

Debt service repayments as a percentage of total exports have also been quite low: First Plan, 0.8; Second Plan, 3.9; Third Plan, 14.5; Fourth Plan, 27.0; Fifth Plan (1974-79), 15.6; and Sixth Plan (1980-85), 10.7.⁶⁷

The outflow of funds from Indian companies on account of profit, dividend, interest, royalty and purchase of technology has also been paltry. In the 10 years from 1972-73 to 1981-82, it has amounted to Rs. 15,806 million. This constituted only about 2.3 percent of the exports during these years. As a percentage of gross capital formation and of the GDP the figure would be even less.⁶⁸

(v) *Foreign Collaboration*: There has been a significant increase in foreign collaboration agreements but the overwhelming majority of them have not involved foreign participation in equity capital (see Table 9). Others have involved only minor equity participation. Most of the agreements are for the import of technology which is either purchased outright or through royalty payments. It is only in the years since 1982-83 that the opposite trend has set in, primarily under the pressure of updating technology, especially in the export sector and in advanced technology areas.⁶⁹

TABLE 9. FOREIGN COLLABORATIONS APPROVED 1970-85

Year	Total No. of collaborations approved	Collaboration with foreign equity	Proportion of financial collaboration	Foreign investment approved in Rs. million
1970-71	183	32	17.5	24.52
1972-73	257	37	14.4	62.27
1974-75	359	55	14.9	67.13
1977-78	267	27	10.1	40.03
1981-82	389	57	14.7	108.71
1982-83	591	113	19.1	628.01
1984-85	752	161	21.41	1,130.00
1985-86	1,024	238	23.24	1,219.00

(vi) *Machinery or Capital Goods Dependence*: The absence of the production of the means of production plays a major role in the CBF model. The link between the production of the means of production and consumer goods (between Departments I and II of Marx) occurs at the world level and not within the dependent economy. This is a major aspect of the disarticulated or extraverted character of the dependent economy. The ideologues of the Indian national movement and the founders of the independent Indian state accepted this formulation and saw the reversal of the existing situation, when India was utterly dependent

⁶⁷ Rama Shankar Singh, *op. cit.*

⁶⁸ Brahmananda and Pancharukhi, *op. cit.*, p. 469.

⁶⁹ *Ibid.*, p. 467.

on the metropolis for producers' goods, as the heart of the effort at self-reliant or independent economic development. The Second and Third Five Year Plans were particularly geared to achieve this result. The achievement or lack of it can be viewed through several indices (see Table 10).

TABLE 10.

(a) Rates of Growth of Basic and Capital Goods⁷⁰

	1950-51 to 1964-65	1967-68 to 1981-82	1950-51 to 1981-82
Basic Goods	9.35	6.03	6.60
Capital goods	14.38	5.30	8.45
Intermediate goods	7.11	3.56	4.93
Consumer goods	4.57	3.94	3.92

(b) Rates of Growth of Machinery and Metals⁷¹

	1951-52 to 1959-60	1960-61 to 1969-70	1970-71 to 1982-83
Basic metals and alloys	6.52	7.01	5.46
Metal products	8.50	0.74	3.25
Non-electrical machinery	21.02	17.01	6.09
Electrical machinery	17.64	14.01	6.17

(c) Changes in the Shares of Major Industry Groups in the Industrial Sector (percent)⁷²

	1956	1960-61	1970-71	1979-80
Basic goods	22.13	27.49	30.73	30.76
Intermediate goods	24.59	21.04	19.01	16.25
Capital goods	4.71	10.72	15.19	17.72
Consumer goods	48.37	40.75	35.07	35.27
Non-durables	—	38.25	31.36	30.37
Durables	—	2.50	3.71	4.90

(d) Capital goods' share in imports has come down from 30.1 percent in 1956-61 and 38.5 percent in 1965-66 to 18.9 percent in 1975-76 and 16.8 percent in 1979-80.⁷³

(e) Between 1960-61 and 1973-74, the share of imported equipment in total fixed investment in the form of equipment declined from 43 percent to only 9 percent.⁷⁴

(vii) *Technological Dependence*: So far as India is concerned, this is the major area of dependence on the metropolis, especially where advanced technology is concerned. Among Indian economists, A.K. Bagchi has been stressing this aspect for several years now.⁷⁵ The

⁷⁰ R.M. Sundrum, *op. cit.*, p. 127.

⁷¹ S. Chakravarty, *op. cit.*, p. 111.

⁷² Brahmananda and Pancharukhi, *op. cit.*, p. 412.

⁷³ R.M. Sundrum, *op. cit.*, p. 135.

⁷⁴ Vijay Kelkar, "India and the World Economy: A Search for Self-Reliance," mimeographed, 1980.

⁷⁵ A.K. Bagchi, "Foreign Capital and Economic Development in India," *op. cit.*, pp. 65-67.

struggle for independent technology is today the most important part of the struggle for independent development. But even in this respect, several strides have been taken. For one, the effort to develop independent technology has not been negligible, at least in financial terms. National expenditure on research and development has been rising year after year. It has been, moreover, several times more than the expenditure on the purchase of imported technology through royalty and technical fees as shown in Table 11.⁷⁶

TABLE 11. TOTAL R&D EXPENDITURE AT 1970-71 PRICES

Year	Rs. million	As percent of GNP at 1970-71 prices	Direct outgo on import of technology (Rs. million at current prices)
1965-66	1,125.6	0.36	99.3
1971-72	2,032.1	0.50	189.6
1975-76	2,505.8	0.54	361.5
1979-80	3,244.9	0.63	396.4

A major achievement in this respect has been the rearing of a very large cadre of scientific and technical manpower. In 1977-78, for example, 2.3 million students graduated from high school, while 541,000 passed degree, research and higher examinations from colleges and universities. What is more important, in 1983-84 over 113,000 students were studying in engineering and technology colleges and over 405,000 in engineering and technology schools.⁷⁷ In 1971, the total number of engineering graduates was 166,000, and of graduates in agriculture, veterinary and dairy farming 14,000.⁷⁸

Given the import of technology, the nature of technological dependence also depends on the terms on which it is imported. As pointed out earlier, in India most of the imported technology is bought outright without any equity participation. Moreover, technology import agreements many times allow co-production. The royalty is paid only for a fixed number of years, and the amounts of payment are usually severely restricted to pretty low levels. All this does limit the severity or extent of dependency.

(viii) *Foreign Trade Dependence*: The Indian economy is not export dependent. Foreign trade as a proportion of national income is very low. Consequently, as the 1970s and early 1980s showed, the Indian economy is not dependent on or greatly affected by vicissitudes in the world economy. In 1970-71, foreign trade accounted for 8.6 percent of the GDP and 16 percent in 1982-83. During the same years, exports constituted only 4.2 percent and 6.1 percent of the GDP.⁷⁹

As shown in Table 12, India has also diversified its trade among different countries, regions and blocs so that it is no longer over-dependent on a single metropolitan country or even the metropolitan countries as a whole. This is also because of the large size of the Indian market.

⁷⁶ Brahmananda and Panchamukhi, *op. cit.*, p. 427.

⁷⁷ Basic Statistics, *op. cit.*, pp. 84, 85, 87.

⁷⁸ R.M. Sundrum, *op. cit.*, p. 67.

⁷⁹ Basic Statistics, *op. cit.*, pp. 16 and 94 ff.

TABLE 12. PERCENTAGE DISTRIBUTION OF INDIA'S TRADE WITH COUNTRIES⁸⁰

	1971-72		1979-80	
	Imports	Exports	Imports	Exports
U.S.A.	22.9	16.4	10.3	12.6
European common market (U.K.)	26.0 (12.1)	18.2 (10.5)	24.1 (7.9)	27.1 (7.9)
East European countries (USSR)	11.5 (4.8)	21.4 (13.0)	12.2 (9.2)	13.2 (10.0)
ESCAP countries, i.e., countries of Asia and Pacific region (JAPAN)	20.0 (8.9)	26.4 (11.3)	27.2 (6.8)	25.4 (10.0)
Other countries (mostly West Asia and Africa)	19.7	17.6	31.0	21.7

India is no longer dependent on primary products in its exports, and its imports of consumer goods and capital goods are being replaced by raw materials and intermediate goods (see Tables 13 and 14).

TABLE 13. CHANGING COMPOSITION OF IMPORTS
(percentages of total)⁸¹

Year	Consumer goods	Raw materials and intermediate goods	Capital goods
1951-56	32.4	50.3	17.3
1956-61	23.1	46.8	30.1
1960-61	17.6	47.8	34.6
1970-71	15.8	57.9	26.3
1979-80	3.2	80.0	16.8

TABLE 14. CHANGING COMPOSITION OF EXPORTS
(percentages of total)⁸²

Period	Primary products		Manufactures		Others
	Agricultural	Minerals	Traditional	New	
1951-52—1955-56	34.2	5.0	40.0	—	20.8
1961-62—1965-66	33.0	6.7	36.8	3.9	19.6
1971-72—1975-76	24.7	8.4	32.0	19.6	15.3
1976-77—1979-80	23.2	6.4	24.4	29.6	16.4

An important aspect of India's export sector is that it has been developed preponderantly by Indian and not foreign capital. In the 1970s, multinational corporations did not contribute even 5 percent of Indian exports.⁸³

⁸⁰ L.I. and S.H. Rudolph, *op. cit.*, p. 12.

⁸¹ R.M. Sundrum, p. 135.

⁸² *Ibid.*, p. 136.

⁸³ Vijay Kelkar, *op. cit.*

VII

Two other aspects would be important determinants of the fate of independent capitalist development. One is the capacity of the Indian people to remain united in a single nation (or multi-national) state. The second is the nature of changes in the social, cultural and ideological realms. Unfortunately, I am not in a position to deal with these aspects here.

VIII

We have not discussed here the various weaknesses in India's developmental effort, nor whether development has been adequate in terms of its potential. Certainly, it has to be criticized on grounds of social inequality and inequity and for its failure to affect in a meaningful manner the life and standard of living of the bottom 40 to 50 percent. Their social needs have not been met even at a minimum desired level. Also, the danger of re-imposition of dependency is ever present, especially in view of the weaknesses that the political structure and institutions have developed in recent years. The direction of the developmental effort has also not been clear-cut. There have been periods of slowing down of the effort. Backtracking and twists and turns have been many. The primitive accumulation stage of capitalism is always 'dirty.' Capitalism, in its early stages, has always developed at the cost of the people. It has, however, to be recognized that India has been successfully developing along the path of independent capitalism. Its economy is neither colonial nor neocolonial. The grounds for opposing the Indian politico-economic system *lie not in its dependent character but in its capitalist character*. This is not a question of mere academic interest to the Indian people and socialist intellectuals. What is needed is the study of the concrete features of Indian capitalist development and then organized opposition to it on that basis. A major reason why socialist forces have not grown and political initiative has remained with those working for capitalist development has been the failure to undertake this task.

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