

PRESENT ECONOMIC SITUATION IN INDIA

A well-documented analysis of the deepening economic crisis, highlighting its impact on the toiling people of India.

A CITU PUBLICATION

Re : One

The Present Economic Situation in India

Indian economy has been experiencing a creeping paralysis for the last so many years. The situation tends to be temporarily relieved by a sudden favourable monsoon which increases agricultural and food production. But in recent years the capacity of agrarian production to offer resilience to the economy, to offer a temporary increased market to industry is going down and a permanent crisis of recession, over-production, euphemistically called under-utilisation of production capacity, has set in.

All the weaknesses of the capitalist path—the contradictions of building capitalism in an under-developed country—in the period of decay of capitalism—in alliance with landlord interests, in co-operation with imperialism and in collaboration with foreign monopolists—have burst forth in the sharpest form. These were hastened and accentuated by the pillaging process of public finance—deficit financing and high taxation—a process which gathered an uncontrolled momentum in the last three or four years. This combined with the strong dependence on the Western capitalist countries, shaken by wild inflation and economic crises, led in India to wild inflationary price spiral combined with widespread recession all over the economy. Notwithstanding the kudos from the World Bank and the self-advertisement of Indira Gandhi and her sycophants, the economy is still deep in the rut of recession, unable to solve the problems of the market, organise its expansion and utilise the full capacity in consumer goods as well as in means of production.

This has led to an immense dependence both on foreign aid and more on Western markets. The limits of the home market having been reached the viability of the economy can only be maintained by reliance on exports to Western markets

supplemented by help offered by Soviet Union and other Socialist countries for increased exports. This has enhanced the role of the World Bank, of agreement with the Western world and reliance on them. In fact, the World Bank has long been pressing India to orientate her economy to exports and slow down and give up the programme of 'garibi hatao' and industrialisation.

Logically this has further led to growing relaxation of the control on foreign capital, delicensing, freedom to increase capacity, and increased promises to foreign capital. Above all, a race is on for partnership with Western foreign capital, for joint ventures abroad, for securing sub-contracts and export of capital to Asian and African countries strongly linked with the capitalist markets or under the direct influence of some Western countries. It has also led to opening of the Indian market to foreign imports in competition with home products or imports not urgently required.

The official measures to counter-act recession consisted of direct attacks on the earnings of the working class and the salaried employees ; mass loss of jobs, mass unemployment, lay-offs and retrenchment ; freezing of wages and impounding of the earnings accrued ; abrogation of wage and bonus agreements. They include forcible reduction of consumption of necessities of life—sugar, oil, food-grains, cloth through restricted supplies or high prices, also of milk, vegetables, fruits, etc.

For the rural masses the situation beggars description. Prices of all necessities of life are beyond their means. In spite of recession, cloth prices—even of controlled cloth—continues to be beyond the means of the rural masses. The much advertised bumper crop, has ruined many—the cotton and jute growers, the growers of jawar, Bajra ; the small grower of all agricultural produce in one way or other have to face the burden of the crisis.

For the capitalists there have been one concession after another. Tax rates have been reduced, export subsidies have been lavishly given. Strikes have been banned. Lowering of dearness

allowance by fraudulent manipulation of cost of living indices, and even outright wage reductions in certain cases and lay-offs have been permitted. Excise relief, rebates, every type of conceivable concessions have been given to the industrial capitalist class. The monopolists are not excluded from these concessions. Besides liberty to issue bonus shares, freedom to declare dividends and authorisation of unlimited capacity have been assured.

The landed interests have been allowed to escape with hardly any taxation on their huge incomes amassed, through high prices of foodgrains, and cornering. They have been the main beneficiaries of the thousand of crores spent on irrigation, rural electrification, credit loans ; so far as the affluent sections are concerned, they are securing all these services at subsidised rates—the tax and cess they pay are far below the needs of maintenance.

In its efforts to control diversion of capital, government has directed attack against trading and speculative capital—smugglers, blackmarketeers, and has also sued for a compromise with them. This parallel economy had become a threat to the bourgeois-landlord economy stifling the sources of capital and diverting them to non-industrial speculative channels.

At the same time, in order to mobilise resources, control inflation and restrict consumption the Government has launched a drive against middle class incomes—professional doctors, lawyers, small traders and businessmen—large number of whom are harassed, their houses raided, for alleged tax evasion. Earnings of some are compulsorily impounded. Others are openly robbed to finance family planning, youth activists. The other counter-thrust is Government's effort to put some life in the rural market through the 20-point programme—distribution of finance, loans and consumer loans and grants to sections of the rural masses. This programme was pressed for and partly financed by the World Bank,—which is concerned with the growing discontent of the rural masses

in all under-developed countries, and out of its fear of Communism has been pressing for some kind of land reforms and easing of the situation for the rural masses. This also meets the needs of the Indian bourgeoisie to enliven the rural market. However, the pitiful results from all these manoeuvres are there for all to see.

RECESSION

The inflationary spiral of 1973, 1974, 1975 was accompanied by a growing slow-down of economy. Inflation—which was a systematic robbery of the people and a forcible transfer of purchasing power from the dispossessed to the possessing classes. This led to shrinkage of the internal market and could not but lead to the downward process of the economy. Further, under conditions of a protected market, and with the exaggerated role of trading capital in India, it led to cornering, blackmarketeering, speculation and smuggling threatening the avenues of growth of industrial capital. Even industrialists, with their greed of quick money participated in this.

Counteracting measures were called for if the economy was not to be wrecked. They consisted first of all of attack on the working masses. Secondly, they consisted of an attack on tax evaders, speculative capital ; *and thirdly of large-scale credit restriction measures which fell heavily on the lower sections of industrial capitalists*, though they were paraded as curbs on the growth of speculation and blackmarketing activities. *The credit restrictions, and the high rate of interest affected building of inventories, the supply of working capital to smaller concerns ; affected the flow of trading activity, among retailers and accentuated the recessionary tendencies.* The market which was already shrunk because of high prices now shrank still further with loss of jobs and with hardly any relief from the peak of high prices. The anti-inflationary measures of the Government, as elsewhere led to a further depletion of the economy without offering much respite from high prices.

The Government brazen-facedly denied that there was recession. But facts were obvious. The following sums up

the situation as it existed by the end of 1975. "Official statements notwithstanding it is now obvious that it is suffering not from 'recessionary trends in some pockets' but from a depression of unprecedented severity, one hundred and five out of 132 mini steel plants in the country are closed, but even so the integrated steel plants are saddled with nearly a million tonnes of steel. This is more than two months production. The stockpile of unsold aluminium is now in the neighbourhood of 24,000 tonnes—again almost two months' production. The automobile industry is working at hardly half its capacity, and partly as a result of this, there is glut of tyres in the market. The paper industry, which was operating in a sellers market till the other day, is now saddled with unprecedented stocks. The wagon-builders, the machine tools plants, public enterprises like the Integral Coach Factory and the diesel locomotive works are receiving few new orders and many units have been found to halve their rates of production. There is an emerging glut of cement, and the various coal mines authorities have been found to cut down their production to clear their mounting stocks."

By April 1976, the situation had further deteriorated. According to Dr. Hazari, Deputy Governor of the Reserve Bank of India, recession was telling upon the public sector undertakings. For example, Bharat Heavy Electricals had no orders in hand for the Sixth Plan period. In fact it had nothing in hand for 1978.

One million tonnes of steel and 10 million tonnes of coal had piled up with no internal demand. There was also accumulation of 15 million tonnes of foodgrains in Government godowns, but it could not be said that the mass of agricultural workers and poor peasants were having two square meals a day. In fact, the overall rate of consumption has been falling. The jute and the cotton textile industries, the handloom employing lakhs, and a number of other industries like mini steel plants, engineering factories were in doldrums. The number of sick cotton mills exceed 100 and were supplemented

by sick jute mills, sick tea gardens and sick engineering concerns.

“The accumulation of stocks of saleable steel in the country has gone up considerably following substantial increase in production. According to official sources stocks which stood at only 4.75 lakhs on April 1, 1975, crossed the million mark by the end of the year and touched 11.75 lakh tonnes by the end of August last year. In the first five months of the current financial year production of saleable steel increased by 26 per cent, but the off-take increased from 1.1 million tonnes during April-August 1975 to 1.5 million tonnes only during the same period this year. In fact, the monthly average despatch from the steel plants under the Steel Authority of India which was over 2.56 lakh tonnes during 1975-76 has come down to 2.43 lakhs tonnes during April-July this year. According to official circles the demand for saleable steel is likely to taper off.”

The slow march of saleable steel is of course due to stagnation in industries—especially engineering industries. The engineering industry is far from being able to come anywhere near using its full production capacity, though it is claimed that the situation has somewhat improved as compared with last year.

A survey conducted by the Association of Indian Engineering Industry shows that (the survey covered 157 companies involving a total capital of Rs. 1,002 crores and employing 2.26 lakh people) that only 54 per cent of the firms had a utilisation higher than 60 per cent in April 1976 while the rest had even lower utilisation. In October 1975 the percentage was 43 per cent. It further showed that in the six months (October-April) only 39 per cent of the firms benefitted from rising orders while 26 suffered a decline. The convulsions of the jute industry are known—the workers and jute growers being the worst sufferers.

“This year Dusserah and Diwali festival season is yet to bring cheer to the cloth trade. The present situation is quite in contrast with the previous year when inquiries used to be steady and substantial business had been put through.

According to reliable trade estimates Bombay market nurses stocks of 80,000 bales, while the Ahmedabad wholesale market one lakh bales, the total running to Rs. 60 crores."

How is it that inspite of the bumper harvest and Government godowns bursting with foodgrains, the recession is not lifting?—the demand for consumer goods—essential goods like cloth is also not increasing? The bumper has not added to the purchasing power of the vast rural masses. The astute trading and industrial circles are now realising it, though they are shy of pointing out that the main grabber is the land monopolist-cum-trader and rich farmer. "Trade and industry circles attribute the current malady to two main factors; in the first place they contend that the 15 per cent increase in foodgrain production has been completely wiped out by a fall of almost the same order in the prices of wheat, rice and cereals. What used to being the support prices has now become selling price in most cases, while in others the open market prices of some of these items are less than the statutory prices. This shows how successful official procurement is.

"Secondly, while the labour force has increased from 170 million in 1971 to 183.1 million in 1974, the index of real income of labour remained stationary at 103 between 1962 and 1972.....Experts opine that in spite of improvements in almost all sectors of the economy, disposable income has not increased; in fact, it may well have decreased. It is obvious from 1973 onwards real incomes went down.

In face of this reality, what importance can one attach to Govt. claims about the non-existence of a recession or the Reserve Bank's statement "the year 1975-76 would be characterised as a year in which it has been possible to put the economy back on its normal growth path." It is known that the favourable monsoon and 8 percent growth in agricultural production are the main constituents of the 5.5 percent growth rate of 1975-76 and the growth in industrial production has been accompanied by stock accumulation.

The Economic Survey 1975-76 points out that the rate of

growth of national income during the Fourth Plan averaged only 3.3 per cent. According to the quick Estimates of National Income the rate of growth was only 0.2 per cent for 1974-75. The 1975-76 estimate is 5.5 per cent. The position over the years can be seen from the following :

National Income at Constant (1960-61) Prices

P.C. change over previous year

1969-70	6.5
1970-71	5.2
1971-72	1.8
1972-73	-1.5
1973-74	5.0
1974-75	0.2
1975-76	5.5

Foodgrains production, notwithstanding a sudden rise in a year, has shown a declining growth rate over a period. "It was also evident at the time that, even if the output realised in 1973-74 was as high as the original estimate of 114 million tonnes, the compound rate of growth of foodgrains output in the period 1964-65 to 1973-74 would be only 2.5 per cent per annum compared to the rate of 2.9 per cent per annum achieved in the period of 1952-53 to 1964-65. In other words, despite the impressive growth of output of some foodgrains after the middle sixties, particularly of wheat, the rate of output of foodgrains as a whole was clearly lower in the period associated with the Green Revolution in India than in the period preceding it. It is now estimated that the bumper harvests of 1975-76 are likely to yield an output of 118 million tonnes of foodgrains. However if it turns out to be correct, the rate of growth of foodgrains output recorded over the period of 1964-65 to 1975-76 would still be no more than 2.6 per cent per annum, i.e.. lower than the earlier period.

The existing semi-feudal land relations exercise a veto over a rapid development of foodgrains production and dictate a slow-down of the rate. The alliance with landlords demands a

heavy price in the shape of perpetual agrarian crisis and impoverishment of the vast majority of peasants and agricultural labourers.

Imports of foodgrains also have started rising again. They reached a peak of 10.36 million tonnes in 1966, gradually diminished to 0.45 million tonnes in 1972 and again started rising, they were 3.6 million tonnes in 1973 ; 4.87 million tonnes in 1974 and 7.41 million tonnes in 1975.

Per capita availability of foodgrains—cereals and pulses shows a downward trend and has been generally below the level reached in 1961. That level was exceeded only once—in the year 1971. For the rest during the last 15 years availability has gone down.

Per capita availability per day
of cereals and pulses

	Ounces	
1961	16.53	
1969	15.71	
1970	16.05	
1971	16.55	
1972	16.48	It may be noted that in 1956 per capita availability was 15.20 ounces.
1973	14.97	
1974	15.97	
1975	14.65	

Source : Economic Survey 1975-76

The same story is told about other essentials of life :

Per capita availability

	Edible Oils Kgs.	Vanaspati	Sugar Nov-Oct. Kgs.	Cotton cloth metres
1961-62	3.2	0.7	5.8	14.8
1970-71	3.5	1.0	7.3	13.6
1971-72	3.0	1.1	6.7	12.4
1972-73	2.4	1.0	6.1	13.2
1973-74	3.4	0.8	6.0	12.0
1974-75	3.2	0.6	5.8	12.9

Ibid.

In some of these years the Government was boasting of huge exports of some of these commodities—like cloth, sugar etc.

The manufacturing industry and industrial development have come up against the barrier of the limitation of the home market. Import substitution was the polite synonym for capturing the home market and keeping out foreign competition by the use of state power—a legitimate measure to satisfy the aspiration of many rising bourgeoisie and for the development of an under-developed country. The talk of self-reliance, economic freedom was primarily addressed to this need. But rate of industrial growth could show a rising trend only for some time. For, in an under-developed country, the limits of the home market are easily reached when antiquated land relations and increasing collaboration with imperialism supplement the process of capitalist devastation. The rate of industrial growth must start going down. “In the period before 1964-65, the output of manufacturing industries as a whole could grow at a much faster rate than would have been possible on the basis of the rate of growth of agricultural output alone. This was mainly because many metallurgical and chemical industries were being rapidly expanded to reduce imports. But the process of import substitution was to a large extent completed by the middle sixties and consequently the rate of growth of output of manufacturing industries has been significantly lower since then. According to the available data on indices of industrial production, it grew at a compound rate of nearly 7 per cent per annum in the period of 1950-61 and about 9 per cent in the period of 1961-65, but declined to about 3.25 per cent per annum in the period 1965-70 and less than 3 per cent per annum in the period 1970-74.”

The semi-feudal agrarian relations and the capitalist path having denied the minimum purchasing power to the rural masses and minimised the need for re-organisation of agrarian technique, the development of the market has to be sought in the needs of higher classes—what the bourgeois economists call “catering to the needs of elitist consumption.” That

means the market is reduced to a thin narrow strata of 5 per cent or so of the population. "The only way of getting out of the contradictions imposed by the pace of agricultural growth on industrial expansion is to concentrate on manufacturing industries which neither depend very much on growth of demand from the mass of population nor require agricultural raw material to any extent. The conversions are satisfied by many metallurgical and chemical industries catering to the requirements of the higher income groups in our society."

But even this market is too limited and it was found that the limited production capacity built to cater to the needs of this section could not be fully utilised. Factories were closed ; production was cut down ; industries languished and rate of growth slowed down. To divert attention the problem was presented as if it was only a question of will to use the capacity and everything will be alright.

THE EXPORT—A NEW TALISMAN

This is having a tremendous impact on official policies, on the policies of the capitalist class. The new watchword, the new talisman is exports—which means link yourself more firmly to the world market especially the capitalist market. Of late the Government of India and its spokesmen have been parading their exploits in exports as great triumphs of the economy. This orientation of Indian economy towards exports, to keep the existing industrial units viable is a new menacing feature as it increases the dependence of our economy on Western countries.

In the past also there was a certain emphasis on exports. But then exports were primarily meant for paying off the imports bill. Today apart from paying for imports, exports have become a necessity for many industries to maintain their viability. Unless the unutilised capacity is used in a large measure to export their products many units have to close down.

The great strides made in exports are seen from the following :

Value of exports

(in crores of Rupees)

1971-72	1608.2
1972-73	1970.8
1973-74	2523.4
1974-75	3304.1
1975-76 (Apr-Sept.)	1728.3

This progress in exports was not however a one-sided beneficial affair. India had to pay a high price, though she tried to take advantage of the inflationary conditions in the Western countries. These mounting exports were accompanied by an enormous imports bill—the prices of imports outstripping the price of Indian exports.

Value of imports

(in Crores of Rs.)

1971-72	1824.5
1972-73	1867.4
1973-74	2955.4
1974-75	4468.1
1975-76 (June Dec.)	3803.3

The exports were a kind of compulsion to meet the rising imports bill. The adverse terms can be seen from the following. In 1974-75, the quantum of exports went up by 6.4 per cent, while its value went up by 31 per cent. The quantum of imports in the period declined by 12.3 per cent, but its value went up by 51.2 per cent.

The crisis of capitalist economy abroad, and the restrictive measures taken by the Governments of the advanced capitalist countries led to a certain fall in export prices, forcing India to export more goods even at lower prices or exporting goods not previously exported in large quantities (sugar etc.) with the aid of huge export subsidies, cutting the Indian costs of production at the expense of the workers and

financing underselling of Indian goods through the State Trading Corporation.

The cost to the people of this compulsory exports has to be realised. They were made compulsory because of the rising import bill. To meet the imports cost, any article which could fetch a price abroad was exported. An essential commodity like sugar was denied to the Indian people, they were kept on short rations and huge quantities were exported. "The largest contribution to the increase in India's exports was made by sugar. Exports of sugar in this year were Rs. 339 crores, i.e. about eight times the 1973-74 level of Rs. 42.7 crores. This increase was the combined result of a rise of 189 per cent in unit value as well as 175 per cent in quantum of exports." In 1974-75 695,000 tonnes of sugar were exported— which means 14 to 15 per cent of total production was sold abroad. During April-September 1975-76 431.3 thousand tonnes were exported and total for the year is confidently expected to reach a Million tonnes.

Another article of consumption which is earning more than Rs. 100 crores is sea food, export of fish. Indian diet is notoriously lacking in animal protein and yet a huge quantity is being exported. The poor Indians under Congress rule cannot afford to taste fish. These exports besides are subsidised at the expense of the common man which lowers his purchasing power still more and thus accentuating the crisis of the domestic market. According to the revised estimates of 1975-76 budget grants and exports promotion schemes including cash subsidies etc. amounted to Rs. 274 crores. Under the 1976-77 budget proposals the amount is likely to reach Rs. 290 crores. The announcements and concessions made since then have gifted away many more crores to the exporting capitalists. A subsidy of more than Rs. 300 crores to the exporters accompanied by the impounding of Rs. 1,000 crores belonging to the toiling workers sums up the policy. "The value of these direct incentives has gone up from 4 per cent of total exports in 1969-70 to 7.1 per cent in 1975-76. In

fact if these incentives are related to export earnings from the specific commodities to which they apply, their proportion would turn out to much higher in most cases.....in innumerable cases the effective rate of subsidy is ridiculously high—exceeding say, 50 to 70 per cent of the net foreign exchange earning—resulting in sheer waste of resources.” This under-selling and exports at throw-away prices is leading to colossal losses and is evoking strong criticism from bourgeois papers. “In most industries therefore exports can only be increased if the manufacturers are prepared to accept throw-away prices. This is highlighted by the fact that in a recent export order the Government was able to obtain just over Rs. 900 per tonne for mild steel—the Government will do well to realise that exporting the very commodity during a worldwide recession that it has been importing at the height of inflation is the essence of bad economic management. Only two years ago the country was paying Rs. 2,800 per tonne of imported steel. Today it is exporting it for a third of the price. In 1973–74, it imported aluminium for Rs. 10,000/- a tonne, but today it will be lucky to secure export contracts at two fifth of the price. In the same way the country will be forced to sell more than two tonnes of paper abroad to pay for every one tonne it imported two years ago. Not even rich countries can afford such a colossal drain of wealth.”

This is the story behind India's rising exports. They express unequal terms of trade, they express exploitation and deprivation of the Indian people and the dependence of India's economy on the world market. They are necessary to maintain the required imports and above all necessary to keep the economy running. Notwithstanding the fact that the Government boasts of increased exports in non-traditional goods—exports running into 500 to 600 crores of rupees and exports of steel and other goods—the story behind them is not one of a prosperous economy selling its goods abroad, but a poor country compelled to deliver its products at throw-away prices. Exports have now become the basis of survival for the big capitalists.

This necessity is leading to certain important changes in the economic policies of the Government. It is in the first place leading to further dependence on the West, a greater integration with the capitalist world market with relations with Socialist countries abating rigour and pace.

Thirdly, it is leading to releasing of controls over Indian big capital, further concessions to the private sector, the collapse of the formal anti-monopoly acts, opening of new avenues to the monopolists and big business and export subsidies to them. Above all the desperate need to enter foreign markets is leading to efforts to build joint ventures abroad, export of capital, sub-contracting with foreign monopoly firms in third countries. This is creating few economic interests, new economic allies. The content of the entire process, of exports and imports, of offering concessions at home and seeking them abroad, is the striving for collaboration and partnership with foreign monopoly capital, though it is also accompanied by similar measures and concessions to Socialist countries. New relations with some of the Third World countries where Indian capital seeks to establish some industries with the rising native capitalists are also emerging. A new phenomenon of joint ventures with Socialist countries in Third World countries is arising. Sub-contracting in joint projects in Third World countries is also being offered to India by Socialist countries. However, the pull of the Western capitalist market is stronger since the rich West Asian oil markets including South East Asian are largely controlled by them.

In the first place, exports of non-traditional items like coal, textile and sugar, machinery, other engineering goods, railway wagons, locos, are being pushed. They are sent to West Asian, African and South East Asian countries—a large number of them are under the influence of the Western powers. Iran and some other oil countries, Indonesia, South Korea, Malaysia, Phillipines, Bangla Desh, etc. are strongly linked with the West. Besides some non-traditional goods are exported to Western countries also. All this requires a quid pro quo—

corresponding concessions to Western capitalists—either, for their products or their investment in India. A couple of instances may be cited. The efforts to promote exports of leather goods has led to proposals for tie-ups with foreign capital, joint ventures with Italy in the field of leather goods and ready-made garments may become a reality. For Italians the allurements is cheap Indian labour. "Thus Italian shoe manufacturers find Indian conditions ideal as labour is cheap and the level of craftsmanship is fairly high". Foreign collaboration is encouraged in fishing also.

Tomato paste, apple concentrates, gramophone records, leather shoes and particular gift articles are among the fields in which foreign collaboration proposals involving foreign equity were approved last year. Export obligation in most cases is limited to a period of five to 15 years and forms a percentage of total production.

The retreat on the application of Foreign Exchange Regulation Act under the pressure of multinationals and the various other concessions given to them all betoken to the necessity for wooing them for without their goodwill and protective umbrella, at least the umbrella of their governments, India's export drive cannot be successful. ✓

In this drive for markets joint ventures occupy an important place. This was spelt by the Commerce Minister Shri D. P. Chattopadhyaya in the Lok Sabha on 3rd of May 1975. There are joint ventures with local bourgeoisie ; joint ventures with Western capitalists in Third World countries, and joint ventures with Soviet Union and other Socialist countries in the Third World. ✎

India's big capitalists also realise that mere export of commodities, traditional or otherwise, is not enough. They are out for sub-contracting to secure market for their products. 66 Apart from export of goods, considerable scope also exists for exports of consultancy services, turn-key projects and undertaking other large value contracts and for sub-contracting arrangements between Indian and developed country firms,

especially in West Asia in the fields of construction and engineering" (Draft Resolution on Role of Exports—Annual session of the Federation of Chambers of Commerce.)

On April 7, Mr. Maurya, Minister of State for Industry, told the Lok Sabha that advanced countries like the USA, Canada and France have made proposals for joint ventures. He said that up to the end of March 1976, 12 proposals had been received for setting up joint ventures in Canada, Indonesia, Muscat, Dubai, the U.S., Kenya, France, Malaysia and Abu Dhabi.

In March, the Union Commerce Minister specifically pointed out the joint areas of collaboration. They include Africa, Asia and Latin America, especially the West Asian countries, with substantial oil resources. In May he said that 268 joint ventures abroad had been cleared involving an investment of Rs. 40 crores in the form of capital goods exports. The Annual Report of the Ministry of Commerce for 1975-76 looks upon these ventures as instruments for keeping a permanent hold over the export market. "Besides the usual advantages of providing a ready market for the capital goods, recurring exports of raw materials, semi-processed manufactures, spare parts and components——investment on the joint ventures abroad effectively serves to retain the export market and open new areas for exports." (Emphasis added.) ✓

Joint ventures with Western capitalists, joint ventures with local capitalists of Third World countries, sub contracting in these countries, and direct securing of huge orders for construction of factories, building of railways, air terminus, civic construction—for jobs which do not require sophisticated skills or equipment—these are the new instruments of products exports to utilise industrial capacity built up.

But a number of these countries are firmly tied to the West and India's progress in securing contracts and joint ventures depends on how far she succeeds in placating the Western

powers. Besides some of these governments are notoriously anti-people. They have dictatorial regimes. Iran, the oil sheikhdoms, Malaysia, Indonesia, Taiwan, South Korea and a number of other countries belong to this category.

India's recent advances in securing big orders from some of these countries are to be viewed from this angle. They are drawing her into the questionable company of countries who seek firm integration with the capitalist markets and are under the influence of imperialist powers.

How these orders and contracts some times directly impose American firms on India is seen from the conditions of Kudremukh (Horse's face in Kannada) Joint Project. Iran has committed a huge loan of \$ 630 million to this project and India has guaranteed to supply 120 million tonnes of iron ore to Iran over twenty years. This is the first big investment of petro-dollars in India. It was extolled as a shining example of Indo-Iranian co-operation. But now it seems that the Americans are all over the place. A wholly owned subsidiary of U.S. Steel, the biggest steel company in the U.S., Met-chem consultants of Montreal, has been appointed "mining associates and engineering consultants" of the project. It is to be responsible for planning, design, engineering, procurement services, project management and supervision. Not merely that, it will also be responsible for operating the plant during the first three years of production———It is clear that Met-chem or rather U.S. Steel has been awarded a turnkey contract. This is sub-contracting in your own country.

It is significant to note in this background that India and Iran have a number of joint ventures in action or on the anvil. There is a proposal for processing alumina in Gujarat with the help of Iranian firms for export to that country. Other schemes include the establishment of captive sugar plants in India for Iran ; for supply of automobile ancillaries and the setting up of a textile machinery plant. A joint shipping venture is already in operation. On May 14 India and Iran signed a protocol in Bombay envisaging further co-operation

in setting up plants in Iran for processing alumina, joint ventures for the production of refinery and paper manufacturing facilities.

Utilising her bargaining position between the two camps India is able to secure big orders and contracts from a few Third World countries friendly to the USSR. She has secured a contract worth Rs. 900 crores in Iraq. She is also entering a bid for another contract worth Rs. 1400 crores for the construction of a railway line.

India's economic collaboration with Libya is already worth Rs. 100 crores. In March this year the Deputy Minister for External Affairs, Mr. Bipin Pal Das, stated that already some 1600 Indian experts were working in Libya on a number of projects from the building of a Rs 40 crores Airport Project to the setting up of a modern textile mill.

The Soviet Union, Czechoslovakia and others have entered into contracts for lifting the products of India's steel industry, engineering and electronic industries and offer sub-contracting to India in the Third World countries. India is avidly seizing every opportunity since her domestic market is clogged and she is unable to use her productive capacity. This is how the ruling classes try to find a way out of their inability to utilise their installed capacity for the consumption of the Indian people. It will make the Indian economy an appendage of outside forces ; its complete dependence on the West being somewhat delayed and reduced by its ties with the Socialist world. In any case the present export orientation is at the cost of the Indian masses. And it opens the danger of growing domination of the economy by Western countries and its greater integration with the capitalist world market.

CONTROL OF PRICES

If export drive is a major component of official attempts to get out of the crisis and stabilise the economy, other steps include inflation control attacks against the people and attempts to ease the situation for sections of the masses by giving them relief at the expense of other employees.

Unable to control deficit financing, the Congress Government landed the economy into the worst kind of inflationary spiral with prices rising in one year by more than 30%. By 1973-74, the rate of inflation had reached 27%. The situation was further accentuated by the mounting inflation in the capitalist countries with whose economy Indian economy is linked and the hike in oil prices, demanded by the oil producing countries. The rise in the price of oil contributed to the strengthening of the spiral. But this also meant further robbery of the people, lowering the wages, salaries and earnings of the mass of people and transferring them to the capitalists, landlords, traders, speculators and the Government. It meant again a shrinkage in the market demand.

The inflationary spiral reached a point beyond which it could not be allowed to go. The Government with great demagoguery went in for its so-called anti-inflationary measures which once more meant an attack on the earnings of the toilers. They involved a huge withdrawal of purchasing power from the working class and employees by way of compulsory deposits of additional D. A. and wages, delay of D. A. payments, attack on bonus, *huge taxation against all sections of the people including the rural masses, inflation of transport rates, electricity rates, petrol prices, bus charges and so on all in the name of bringing down the price level.* The price level did not come down—only the rate of rise was brought down—but the purchasing power of the people was drastically reduced. People had to purchase at virtually the same prices with reduced incomes—an invitation to demand slump and recession.

In 1974-75 alone, the Governments—Central and State together raised taxes by more than Rs. 1,000 crores. The Central taxation measures including increased railway fares, freight rates and postal rates amounted to additional taxation of Rs. 690 crores in 1974-75 and Rs. 935 crores in a full year. The additional burdens imposed by the State Governments

amounted to Rs. 358 crores. (RBI Annual Report and Trend and Progress of Banking, p. 10, 12).

“These resource mobilisation efforts were further reinforced by another set of measures designed to mop up additional purchasing power ; impounding a one-half additional dearness allowance and almost of all of any other wage or salary increases, ceiling on the amount of distributable profit and compulsory savings for tax payers in the higher income brackets.” (P. 2)

The compulsory deposit of additional D. A, and wage alone involved withdrawal of more than Rs.200 crores of purchasing power. The latest bonus ordinance deprives the workers of another Rs.200 crores of purchasing power. The denial of bonus to bank employees, and others adds to the sum. The high prices and taxation measures denuded the rural masses. The wages of the agricultural workers were not raised for years with the prices rising in an inflationary spiral. The implementation of the Minimum Wages Act was farcical in relation to the agricultural workers as well as to other categories. The cost of living index was manipulated to lower D. A. Is it any wonder that this huge denudation of the purchasing power of the common mass should cause a slump in the demand especially for consumer goods and the recession should spread all over the country. If today, recessionary tendencies are in evidence with lay-offs, closures, inability to utilise full capacity of industries it is the Government that is directly responsible for it.

At the same time the question is, how far has the Government succeeded in bringing down prices and giving relief to the people ? It is notorious that the officially announced reduction in wholesale prices not reflected in the retail prices. But even the course of wholesale prices shows that the Government by and large has failed to bring down prices to a level that common people can afford in spite of the successive bumper harvests and they continue to be at a high

level putting the necessities of life beyond the reach of the people. Government claims success for its policies by comparing prices with only the prices prevailing at the peak of inflation but does not refer to the earlier period when inflation started mounting. At best the Government can claim that they moderated the rate of inflation and nothing more.

The real situation can be grasped if we compare the present price level with the pre-inflation year, and the first year of inflation.

Index number of wholesale prices on base 1961-62=100 was 207.1 in 1972-73 before inflation started in right earnest, In 1973-74 after one year of inflation it rose to 254.3; and in 1974-75 the peak year it reached 313.7. How have the prices behaved in 1975 when the full force of official measures was seen? Though helped by good harvests the fall has been just a small percentage below the peak but they are nowhere near the pre-inflation year or the first year of inflation. Between January 1975 and October 1975 Index of wholesale prices oscillated between 315.8 and 308.0, i.e. the lowest level reached was only five points lower than the peak of 1974-75 (313.7) and 64 points higher than 1973-74. At the end of March 1976 the index number of wholesale prices fell to 282.9 or still 64.4 points or 30% above the level at the end of March 1973 when the current spell of inflation started. But again prices started rising.

The September 25 index at 314.4 was higher compared to the index for the corresponding week of last year when it stood at 306.0 and was higher than the average of 313.4 for the peak year of 1974-75.

Price control for Government means maintaining prices at nearly the high peak of 1974 and that is what it has so far succeeded in. And now prices have started rising.

The same story is told of the Consumers' Price Index Number (Industrial workers—base 1960—100) the General

Index was 207 for the year 1972-73, 250 for 1973-74 and 317 for 1974-75. For the year 1975 between April and September the index was higher than in 1974-75 and ranged between 323 and 319. Only towards the end of the year it was lower than the peak year. By December it was 306. In April 1976, it was 289 ; in May it was 290 ; in June 291 and in July 297. At 297 it was 47 points higher than in 1973-74 and only 20 points lower than the peak of 1974-75. Besides it should be realised the working class cost of living Index was manipulated in recent months much beyond the usual manipulations to suit the needs of the Government and the employers.

In 1975-76, upto February 1976 the expansion of money supply has been of the order of 6.7 percent as compared to an increase of 4.1 percent in the corresponding period of 1974-75.

Notwithstanding strict credit rationing and high interest rates the current year is witnessing further expansion. "The increase in money supply during the current financial year upto the end of August 1976 at Rs. 846 crores or 6.7 percent has been double the increase of Rs. 402 crores or 3.5 percent in the corresponding period of 1975-76. It is important to note that during 1975-76 financial year money supply had increased by 9.7 percent. On present reckoning during the current financial year money supply may increase by 14 or 15 percent. ✓

The necessity of artificially pushing up the economy demands credit and monetary expansion making nonsense of price control. *At the same time the expansion had to be selective which meant ruin for the smaller firms and clogging of trade channels at the lower level.* The new expansion at the same time raised fears of a further inflationary spiral and official policy sought to make the credit still more selective. Once more the capitalist class in India is facing the same problem. Increased industrial activity means fear of inflation ; continuing inflation means more unemployment and unused productive capacity. ✓

THE 20-POINT PROGRAMME AND THE CRISIS

Apart from an attempt to reforge Congress links with the vast rural electorate, the twenty-points programme in part is a manoeuvre against the crisis. Politically it keeps up Congress pretensions of working for the downtrodden while it openly attacks the earnings and incomes of the working class and the middle class employees saying they are privileged people in comparison to the agricultural labourers. At the same time, it is intended to serve a certain essential purpose, that of bolstering the market, the purchasing power of the rurals. Experience of 1966 was that the gains of a bumper harvest were dissipated in paying back the debts of rural money-lenders and the demand for cloth and other commodities did not pick up.

Besides it has to be remembered that the 20-point programme or a substantial part of it has its genesis in the demand of the World Bank. The World Bank financiers are afraid of the rising discontent of the rural masses and have been demanding of their clients that they take certain steps for land reforms, and certain other measures to combat communism. Hence there has been insistence on more attention to agriculture—India was also repeatedly told to pay more attention to rural areas and pay less attention to grandiose industrial projects. Mr. MacNamara's passionate plea for the poor was part of this policy of insuring against the revolt of the rural poor. He asked developing nations to make a strong commitment to internal policy reforms to secure wider distribution of growth benefit. They should increase food production, moderate population growth and direct social services more equitably towards the poor."

Some bourgeois paper have not been slow in estimating the significance of this new type of aid. "The Government of India has put up for World Bank Aid for 21 major and minor irrigation projects estimated to cost as much as Rs,

2,200 crores————The role of foreign aid in this context is vastly different———Project and programmes in the field of agriculture do not require large imports—a good part of the foreign aid for these purposes is thus a cover for their rupee costs———The implication of a heavy reliance on the latest form of foreign aid for agriculture, irrigation and rural credit can be far-reaching and ominous———Foreign exchange thus secured will tend to obscure the real extent of foreign trade and payments gaps.

“There is another aspect of the form of aid which has been examined in some detail in Yojana Bhavan. A note on the subject prepared in Yojana Bhavan pointed out some time ago that foreign experts have to be associated with aid-financed projects and programmes. The experts come with pre-conceived notions. The aid for such projects is always subject to matching contributions from the budgetary resources or financing institutions in India. This results in a significant portion of available resources being tied to aided projects, in preference to others which might have otherwise enjoyed priority. This has its own implication for the pattern of development. There is also a tendency for over-mechanisation and excessive use of trained manpower and sophisticated equipment. The impact on the attitudes of high officials and their engagement in frequent conferences with visiting World Bank officials and experts is an imponderable which requires separate attention in this context.” (Embarrassment of Riches by B.M. in Economic & Political Weekly, dated September 18, 1976.)

However, the 20-point programme also serves the immediate needs of the ruling party and the bourgeoisie against the crisis. It gets complete support of the capitalist class since it does not contain any demand addressed to them. On the other hand, the declaration on the Radio on June 27, 1975, two days before the announcement of the 20-point programme and some items of the programme like liberalising the licensing procedures are directly in their interest. Secondly, in so far as it is implemented it will serve to ease the market situation for the capitalists. Within the framework of

bourgeois-landlord alliance it seeks to give relief to the lower sections of the rural masses at the expense of the big landlords by enforcing laws on land ceiling and minimum agricultural wages. This betokens to a certain strain between the two ruling partners, with the one trying to improve its position at the expense of the other.

Of late the strain has been developing in a somewhat accentuated form. The Central Government and its spokesmen are repeatedly pointing out that the cesses and taxes paid by this gentry for irrigation and electricity do not cover even maintenance expenses ; that they can easily contribute Rs. 500 to Rs. 600 crores a year in taxation. The Planning Commission and the centre have been repeatedly asking the States to tax agricultural incomes of the affluent but none is prepared to bell the cat. ✓

It seems, however, that the attempt to redistribute purchasing power through a land redistribution has more or less failed. How far it was seriously meant is not known. In any case the landlord ally is too powerful to be easily curbed, His hold over the State bureaucracy and State machinery is too strong to allow the ruling party or the bourgeoisie to have their way. He is able to delay, postpone and sabotage the efforts to implement the reforms.

There is no dearth of statements from the Chief Ministers of various States about the progress of land reforms ; lakhs of acres distributed and pattas given to lakhs of harijans and tribals all beaming with happiness. Bihar, West Bengal, U.P., the Punjab, Madhya Pradesh made fantastic claims about the surplus land distributed. These claims turn out to be bogus. Some times the figures are inflated by adding figures of distribution of Government waste land or land distributed from the surplus available under earlier Acts. Besides, all the Governments have grossly under-estimated the surplus available under the new Acts. They will soon announce that no surplus land remains to be distributed.

The official note of the AICC on the implementation of the 20-point programme throws light on the achievements in relation to the advertised land distribution programme. It says, "So far a total of 13.16 lakh returns have been filed of which 6.95 lakh have been disposed of, resulting in the declaration of 16.67 lakh acres as surplus land. The land ditribution to the landless so far is 4.24 lakh acres, the number of beneficiaries being over 1.79 lakhs." This is all after all the padayatras, self-advertisement, international praise from the Soviet Union, and sychophantic support from the renegade Right Communists. The landlords must be having a hearty laugh at the end of one year of completion of land reforms.

The Government seems to have already set a ceiling on the surplus available. According to Dwivedi, the Land Commissioner, the surplus available will be only 35 lakh acres, and this is the maximum that is likely to be distributed and the Congress will then shout hurrah to the land reforms.

However, it should be remembered that the landlord lobbies, the bureaucrats and Ministers in various States, while sabotaging the Ceiling legislation are distributing waste land, Government forest land—a substantial part of which is barren—to the rural poor, to lay claims to the implementation of the 20-point programme. The Orissa Government claims to have distributed 1,680 thousand hectares of Government waste land to 264,780 tribals, harijans, etc. Maharashtra, U.P., Madhya Pradesh and Andhra Governments have made similar claims.

A radical revision of the wages of the agricultural workers and its implementation would have partially bolstered the market for some consumer goods at the expense of the landlord gentry. But once again the way has been barred by rural vested interests, bureaucratic callousness and official indifference.

The farcical implementation of the agricultural workers' minimum wage is now widely known. The State Governments,

out to pay lip sympathy to the demands of the agricultural workers, have announced increases, some also provide for dearness allowance—almost a revolutionary provision in Indian conditions. But of course these have hardly affected the wage or conditions of the agricultural workers. For instance, the West Bengal Government has announced a daily wage of Rs. 8.10 (including Rs. 2.50 as dearness allowance). What possibility is there for any section of the agricultural workers of West Bengal to realise this wage? Hardly any!! For, vast masses of these workers do not even know that there is any such legislation. The State Government's "Labour in West Bengal—1975" says, despite minimum wage rates fixed at Rs. 6.63 for adult workers per day, 90 per cent of the total number interviewed are not aware of the minimum rates of wages fixed by the Government. And the Chief Minister of the Government passes himself as a great democrat, wanting to bring democracy near to the people. Besides the Government by declaring Emergency, by choking off the right of the Opposition parties and the Kissan Sabha to hold meetings and carry on propaganda, have seen to it that the masses neither learn about the legislation nor agitate for it. What chance is there for implementation then?

In fact, these Acts are mostly violated and the agricultural worker gets a wage below the prescribed minimum. The Right Communists, loyal supporters of 20-point programme, themselves had to protest against the breach. Bihar Right Communist Party Secretary, Jagannath Sarkar, on his return from Padayatra, said in Patna in May that except in one village the wages given to the farm workers were not more than half the rate prescribed under the Minimum Wages Act. He also said that there were quite a few bonded labourers in several villages. The Government knows that there is hardly any implementation. The State and the Central Governments are now talking of an implementation machinery, appointment of labour inspectorate—the usual claptrap. The vested interests are too strong and they cannot be controlled by strengthening

the bureaucratic apparatus. But afraid of the people, afraid of the democratic movement, the Congress Governments have no other way. And the AICC note referred to above, while admitting that implementation is lacking, relies on the same bankrupt proposals. "The main problem in the implementation of minimum wages is at the field level. States have already taken steps to gear up administrative machinery—in some States separate directorates of agricultural labour have been set up and inspectors have been appointed in areas where the wages are specially depressed."

It is quite possible that even these formal attempts to implement may be called off. For, because of the drop in foodgrains prices and prices of other agricultural produce, the middle peasant has been hard hit and is being wooed by the landlords and rich peasants to oppose any rise in agricultural wages. Faced with this prospect, implementation efforts are likely to die a natural death. ✓

DEBT MORATORIUM

Here was another attempt to give relief to the lower sections of the rural masses—at the expense of the usurer—the professional moneylender and (also the new landed moneylender)—but mostly the professional moneylender. Abolition of the debt of the landless section and moratorium on the debt of the marginal section would, it was thought, not only give immediate relief to the marginal section, put them under obligation to the Congress Government but also release substantial money to add to the purchasing capacity of the rural masses. The bigger exploiters, try to pacify the people and bolster the market at the expense of the smaller sharks—this is the practice of the capitalist society. The British Government tried to play the same trick, posing as the defender of the peasant's interests against the moneylender.

According to Samachar, in Karnataka, one crore of people have been discharged of a debt of Rs. 116 crores ; in West

Bengal, 75 lakhs have been discharged of Rs. 67 crores ; in Gujarat 2.46 lakhs of Rs. 10.75 crores ; in Madhya Pradesh 10,000 of Rs. 1.5 crores ; in U.P three crores of people, in Punjab 11 lakhs, in Haryana one lakh ; in Maharashtra 28,481 have been benefitted. The monetary extent of their benefit is being determined. To what extent these claims bear any relation to reality, no one can say. But it is quite possible that one section of the rural landed interests might have encouraged a drive against the money-lending fraternity and a large number of peasants might have secured respite in a number of places and districts.

In any case, the drive seems to have frightened none else than the Congress leadership itself. They are now afraid that the money-lender might retaliate and refuse to give further credit, without which large sections of the peasantry can neither start their agricultural operations, nor manage their daily expenses. It is known that a large number of peasants had refused to take advantage of debt cancellation and moratorium, precisely for this reason. These fears are expressed in the AICC Note on the 20-point Programme.

"States have to guard against the tendency to overdo things with regard to moratorium on debts." This Note says : "The establishment of alternative sources of credit will obviously take some time. Liquidation schemes should be practical and should not be such as to completely dry up the existing credit channels." In short, enough is enough. Let the money lender be. Let not the moratorium manoeuvre be taken so seriously. Some push and pull, a little bit of rough handling, some relief at his expense to glorify the Government, the Congress Party and to stabilise the market, is enough but let there not be too much pressure, or elimination. The poor fellow has to finance agriculture next season. This is the sum and substance of this convention.

A Committee was appointed under the chairmanship of Shri S. Shivarman to examine the question of consumption credit to the vulnerable sections. The Committee submitted its report at the end of April. It estimated the consumption requirements of the lowest section, those with holdings between nil and 0.01 to 0.50 acres and upto 5 acres at Rs. 125 crores. It recorded that these should be met by giving loans through institutions like co-operative credit societies and other societies and other agencies.

This is, however, a direct injection of State money into the rural area for relief as well as economic manoeuvring. However, it appears that the Congress and the Government may adopt a lukewarm attitude towards the proposal. For the AICC Note asking the State Governments to go slow with debt liquidation, comes a month later after the Committee's proposals.

The question for the Committee and the ruling party is how to recover the loans from the lowest sections. The Committee says, 'the fact that there are agricultural labourers and marginal farmers who live mainly on wages for whom pure consumption credit is required, a system of controlled employment scheme would be of great advantage. To solve the twin problem of provision of employment and collection of consumption loans, the Committee had recommended that on the model of the scheme enumerated by the Maharashtra Government, the borrowers be put on the employment scheme worked out by Government departments. The Committee has recommended that each State should indentify such production schemes so that the loans can be recovered promptly.'

Here again we see the extremely limited character of the recommendation. The Committee starts with assessing the consumption requirements of the entire lowest section and ends by suggesting loans only to those who can be employed on Government departmental works, i.e. a very small percentage of the total mass. This is the dilemma of the bourgeois-land-

lord classes and their government. The relief can be only minimal, miserable. And what the Committee suggests—tying of loan to work under Government department—may just become a variant of bonded labour.

It may be concluded that because of the powerful landed interests the attempt of the Government and the bourgeoisie to bolster the market have failed. Neither redistribution through Ceiling Act, nor the announcement of new rates of agricultural wages have resulted in any redistribution of the purchasing power at the expense of the vested interests. Similarly, the efforts to temporarily expand the market at the expense of the moneylenders have failed whatever relief they might have given to individuals and localities. The measures to expand the market—direct consumption loans—are also not being pursued with vigour—the more so because the cost will have to be borne by the Central Government and the bourgeoisie.

THE VICTIMISATION OF THE AGRARIAN MASSES

The various measures—moratorium of debts, minimum wages, ceiling on land—were part of the programme to prevent a collapse of the market. The bourgeois-landlord Government wanted to reimburse the purchasing power to these masses because they were made to bear the main burdens of the crisis of the Indian economy and were defenceless against the rapid attacks engineered by the pursuit of the capitalist path. With the growing monetisation of the economy and the subjugation of the agricultural production to the market forces, the small producer and the agricultural worker were reduced to penury as never before. All measures of governmental intervention—price support, procurement, monopoly procurement, credit loans, etc. went against these sections and bolstering the inequality, in the rural areas.

The two years of inflation left them completely defenceless against the forces of market and price rise. There was no

provision for automatic adjustment of the wages to the cost of living index ; nor was there a provision to compensate the small producer against the rise in prices once he had parted with his produce to Government agencies and appeared in the market as buyer for other necessities of life. No section of the Indian people was left so defenceless as this section. Again he was the worst victim of the government's counter-recession and deflationary measures. He was also robbed by the taxation measures of the Government.

Along with this, the old enemies of the small peasant and the agricultural workers were active in robbing him. The earlier drought years, the inflation and speculation and the various measures of the government with the adverse effects on the rural masses, forced it to seek more accommodation with the money-lender—both the professional and agricultural moneylender. The burden of debt and exploitation through it increased. The crisis with its increasing pressure for land kept the rents high ; the sharecroppers were parting with more than the legal produce ; there was increased loot through rent and interest. The vast rural unemployment kept the wages low, led to a fall in real wages of the agricultural workers and often led to bonded relations.

The inflation and recession added two more sections as its victims. The middle peasant now caught in the inflationary spiral began to lose more than he gained as the prices rose to giddy heights. Both the rich peasant and sections of middle peasants lost heavily on the prices of input—especially fertilisers—and consumption of fertilisers went down. Both besides were hurt with the increased taxation of the Government on many things affecting agriculture—irrigation, electricity, fertilisers, etc. with surcharges, cesses and so on. Official taxation measures which were not graded between the big ones and the other producers, fall heavily on these sections. Taxation, usury, rent, prices and their manipulations—these were the instruments of passing the burdens of the crisis on to the masses.

The process of this transfer of burdens of the crisis was further intensified by the expropriatory process of the capitalist path under which millions were ousted from their land. Landless households increased from 6.6 million in 1954 to 18.6 million in 1961-62 and to 21.9 million in 1971-72 (NSS Data). Of these, according to Dr. Raj, not less than 9 millions came from the ranks of displaced tenants. Thus before the present crisis burst out the situation among the landless had already become desperate.

In the same period during the ten years 1960-61 to 1970-71 real wages of agricultural labourers went down in many states. There was some rise in others on their earlier miserable level.

Indices of real wages base 1956-57=100

	1961-62	1971-72
Andhra Pradesh	124	119
Assam	95	78
Gujarat	117	125
Karnataka	114	92
Kerala	103	151
M. P.	119	102
Maharashtra	114	99
Punjab & Haryana	121	140
Tamilnadu	94	113
U. P.	143	172
W. Bengal	96	96
Orissa	119	96

(Ref : Deepak Lal, Economic & Political Weekly, June 26, 1976)

The succeeding years have deeply eroded this wage because of inflation and high prices and the minimum wages fixed by the Government announced the precipitous fall in real wages during the intervening period. The agricultural worker has been one of the worst victims of the recession and inflation, so much so that even the government has now to take into consideration that he is completely dependent on the moneylender

for his consumption needs, and that the loot of the moneylender limits the capitalist market. ✓

The moratorium measures of the Government are again an indication of the firm grip which the feudal money lender has secured on the small producer. The process has accentuated in the years of crisis, recession and inflation and the total indebtedness of the peasant has increased from Rs.4,000 crores to nearly Rs. 7,000 crores. The semi-feudal tribute levied on this debt can only be gauged from the enormous rate of interest charged. If the co-operatives are charging not less than 12 per cent, the moneylenders' rates can be imagined. Justifying the co-operatives' rate of interest Mr. Baby John, the Kerala Revenue Minister (in the sinful Right C.P.—Congress coalition) said that moneylenders charged 60 to 3,000 per cent and an interest of 500 per cent is very common. (Economic Times, 5/8/76). Even if the rate of interest is taken at the low level of 25 per cent—double the co-operative rate—the tribute by way of this feudal exploitation will not be less than Rs. 1,000 crores.

This is what the small cultivator has to pay. With the rise in banks' credit rate, and loans to co-operatives, etc., the moneylenders must have tightened the screw and made the peasant shoulder the burden of the crisis. The same is the case with rent. The burden of procurement in conditions of a bumper crop fell on the small producer. In the name of controlling disposable incomes in 1974-75 when inflation was raging high the procurement price was not allowed to rise, loading the dice against the small producer. The workers' DA and wage were impounded but they were at least promised that they would be paid back. No such promise was given to the small producer. Secondly, in the execution of the procurement the small producer was cheated in the main. He could not sell his grain at the minimum procurement or support price. There being a bumper crop and the big landlords finding that the market might crash rushed to fill in the Government godowns leaving the small peasant to the mercy of the traders. The Government, the Food Corporation and

the bureaucracy tried various mean devices to reject the peasants' produce and force him to sell it at reduced prices to the trader. ✓

The National Herald Special Correspondent reported in 9th May 1976 issue, "Haryana farmers have also started distress sales of barley since the Food Corporation of India is not extending a blanket price support to all the barley stocks offered to it for sale on the plea of discolouration of these stocks."

The West Bengal Agriculture Minister admitted distress sales of wheat far below the procurement price in the districts. In many areas of Maldah and Murshidabad districts growers were not receiving even the support price of Rs. 105 per quintal. They were forced to sell wheat at Rs. 80 per quintal (Patriot 30th March 1975)

The Union Government is reported to have asked the surplus states to procure only quality wheat during this year's procurement season. (National Herald, 10th April). If today open market prices of foodgrains are lower than those charged by the public distribution system, it is mainly due to distress sale of the peasants, the beating down of the peasant by the trader helped by the Government.

In December 1975 itself, this policy was systematically pursued with the Government claiming that it has been able to bring down the prices of cereals and foodgrains, claiming success for its anti-inflationary measures.

In U. P., it was reported in December 1975 that while the fair price shops sold wheat at Rs. 135 per quintal, in open market it was available at Rs. 100 to Rs. 120. While rice was sold at Rs. 154 per quintal by the fair price shops, its price was quoted between Rs. 135 and Rs. 150 quintal in bigger towns. In smaller towns it was selling at Rs. 120 only.

Behind this fall was the story of beating down of the small producer, his ruination. The good kharif harvest brought ruin to him. His produce flooded the market. He could not

hold out, for the moneylender and others were waiting at the door. He was forced to sell below the floor price announced by the Government but the Government and its agents deliberately held themselves from purchasing and allow his price to crash and advertise that their anti-inflationary measures have succeeded. This is how the anti-inflation drive defrauded the small grower in December 1975. Set on this policy, the Government and its agents refused to intervene for ensuring the support price to the peasant.

In spite of the "bumper crop" the Government lowered its procurement target so that it should not be necessary to intervene in the market in a big way and obstruct the fall in prices below the support level. Secondly, the method of procuring rice through the millers ruined the small peasants. The millers paid the peasant less than the support price and charged the Government at the official rate. In West Bengal and U. P., the main reliance for procuring rice was placed on the millers.

The Indian Express, Nov. 15, 1975, reported : "The coarse grain market owing to the large harvest has been rendered a buyer's market. The grain purchasers in mandis are taking full advantage of the situation. Traders and in many instances even the government purchasing agencies have been reported to offer lower rates for the producers on the plea that the grains contained higher moisture content. Knowledgeable circles maintain that this is just an excuse to buy the grains at cheaper prices."

The result was that by October last year in many markets in surplus States coarse cereal prices dipped below the officially announced floor level of Rs. 74 a quintal. Those directly affected were mostly small peasants—who grow coarse grains as rain-fed crops. To quote but one concrete instance, in Punjab, in the last week of October, 1975 maize prices dipped as low as Rs. 62 a quintal—the range being Rs. 62 to Rs. 85 a quintal. In the previous year the prices fluctuated between Rs. 100 to Rs. 140 a quintal. ✓

The present plight of the jute grower again reveals the same callous policy of ruining him in collusion with the jute mill bosses. The installation of Jute Corporation of India has proved to be farcical leaving the peasant unprotected against the market forces. Government's total unwillingness to protect the peasant is seen through the inaction of the Corporation. It seeks to sell jute goods abroad in a competitive market, both the Government and the mill owners are competing to beat down the peasant. The peasant is once more the victim of abundance—the large crops of 7.8 million bales he has produced. Raw jute prices have been consistently below the statutory minimum prices fixed by the Government. The mill-owners refuse to buy the jute and the Jute Corporation buys only 10,000 bales out of the daily arrivals of 25,000 bales. Prices will fall further as the daily arrival rate will reach 30,000 bales.

The agrarian crisis is the crisis of the land relations, of the capitalist path and it manifests itself in ruination of the small producer, stagnant agricultural production—progressing by leaps and bounds, unable to meet the needs of the people. Impoverishment under it has gone to this extent that the peasant and the agricultural labourer, famished though he remains is unable to consume the food produced by himself. As Deputy Chairman of the Planning Commission Shri P. N. Haksar said recently, "The large domestic market of India suffered considerable shrinkage on account of the skewed income generation and income distribution patterns. Consequently, when food production goes up in the economy food stocks are increased not because everybody's demand for food is fulfilled, but because almost 40 per cent of our population have inadequate purchasing power."

To the monstrous exploitation through rent and interest is added exploitation through monetisation of the economy, play of market forces and official policies accentuating the crisis at every step. They are followed by a tremendous concentration of land, means of production and wealth in the hands

of a few people in the villages. According to All India Debt and Investment Survey 1971-72 those with assets of Rs. 20,000 and above represented 14.97 per cent of the households and their share in the total assets was 61.04 per cent, while the remaining 85 per cent of the households has assets of less than Rs. 20,000 and their share was only 39 per cent of the total assets of the rural population. For the country as a whole, 1.28 per cent of the cultivator households had assets of Rs. 1 lakh and above and they possessed 14.32 per cent of total assets. In Punjab as many as 17.94 per cent of "cultivator" households had assets of Rs. 1 lakh and above per household and they appropriated more than 51 per cent of the total assets.

All these social malformations are due to the antiquated land relations. These cannot be eliminated without an agrarian revolution and embarking upon a People's Democratic Path. The agrarian crisis is the basis of the crisis of the Indian economy and all attempts to alleviate it by-passing the agrarian relations are bound to boomerang. ✕

THE PLAN AND THE ECONOMY

Notwithstanding tall talk about spectacular increased production in industries even official supporters are unable to claim that the economy will fare better this year. The RBI Report sedulously and loyally breathing optimism says that the picture of industrial growth prospects is that it may not be possible to repeat the unusually high rates of increase in production achieved in 1975-76 by some core sector industries while declining trend in production witnessed by some industries might be reversed.

The fear of inflation haunts the RBI. It is fear of investment, deimpounding on the deposits and the banking system. The Fifth Plan Targets, their financing, the control of the Plan all irresistibly point to the perilous condition of the economy, its dependence on foreign finance, its inability

to reach the minimum targets the colossal burdens it puts through taxation and deficit financing on the people, and its reliance on the exports or external market. In the first place it has to be realised that India's reliance on foreign debt has been increasing and not decreasing—and the new loans are almost exclusively secured from the Western countries. According to the Economic Survey 1975-76, the USSR had contributed Rs. 494.6 crores upto the end of the Third Plan ; Rs. 212.5 crores in 1966-67 ; Rs. 80 lakhs in 1967-68 ; and Rs. 70 lakhs in 1968-69 and after that till 1974-75 there is blank. External assistance from all sources increased from Rs. 447.8 crores in 1969-70 to Rs. 810.5 crores in 1971-72, Rs. 1170.6 crores in 1973-74 and Rs. 1671.2 crores in 1974-75 and Rs. 2,000 crores 1975-76. It had never reached this high level before. The World Bank and its affiliates further obliged India by lending \$ 894 million for the fiscal year 1975, \$ 54 million more than in 1974.

India's Fifth Plan has also to increase its reliance on foreign aid. Foreign aid would account for Rs. 5834 crores or 14.9 per cent of the plan outlay. This is an increase of Rs. 3,000 crores in the earlier estimated figure of Rs. 2,400 crores. At the same time in view of the sharp rise in import prices of investment and intermediate goods, the effective contribution of external assistance in sustaining investment in real terms has been lower than would appear from these exercises.

It should be noted that India has started getting increased aid during the critical years since 1973-74. A serious attempt was being made to bail India out of her difficulties and India as will be seen had to pay the price by accepting the policy dictates of the World Bank. It should also be noted that these were years of Indo-American tension, unfriendliness, and anti-American demagoguery. While the US Government officially cut down its "aid" its allies and its instrument the World Bank went on increasing it, praising India for its economic policies.

The final estimates for the Fifth Plan on the basis of 1975-76 prices envisage a total investment of Rs. 63,751 crores out of which Rs. 36,703 crores will be in the public sector and Rs. 27,048 crores in the private sector as against a total investment of Rs. 47,561 crores (Rs. 31,400 crores in the public sector and Rs. 16,161 crores in the private sector) provided in the Draft Plan. The Final Plan, it will be seen, is very generous to the private sector. In the Draft Plan, private sector expenditure was a little above 50 per cent of the public sector. In the final plan it has amounted to 75 per cent. Quite a touching faith in the private sector for those who are valiantly changing the preamble of the Constitution to make it a Socialist Constitution.

The increase in expenditure of the Plan is however a monetary increase and does not lead to increased growth rate. On the other hand the Fifth Plan envisages that the average annual growth of gross domestic production (GDP) in the Plan period will be 4.37 per cent as against a 5.5 per cent annual growth rate estimated in the draft Fifth Plan. Notwithstanding the paraded growth of industrial production in 1975-76 the planners have to reduce the average growth rate.

The people will have to pay heavily for implementing the plan. The Final Plan demands an additional mobilisation of domestic resources from Rs. 6850 crores in the Draft Plan to Rs. 14,693 crores in the Final Plan. And deficit financing goes from Rs. 1,000 crores in the draft stage to Rs. 1,354 crores in the Final Plan. This heavy dose of "mobilisation" will further drain away the purchasing power. With increased dependence on foreign aid the planners still talk of promoting self-reliance and lay stress on the growth of the three leading sectors—agriculture including irrigation, energy and critical intermediates—industry to be confined to critical intermediates. This has importance in view of World Bank's insistence on avoiding "grandiose" industrial plans.

How will the finances be spent? While the Congress rulers are loudly talking about meeting the minimum needs of the

masses they have decided to lower down targets of food production, production of coal, steel and fertilisers and cut down allocations for education, social community services and Hill and Tribal Areas Schemes.

The allocation for education has been cut down from Rs. 1726.6 crores in the Draft Plan to Rs. 1284.29 crores—a cut of 25 per cent and with it is deflated one of the Directive Principles of the Constitution which are declared sacrosanct by the Congress in its attack on fundamental rights.

The allocation on social and community services is reduced from Rs. 5074.00 crores to Rs. 4766.77 crores. And while in Congress propaganda one hears nothing except its concern for the welfare of the tribals the allocation for Hill and tribal areas has been reduced from Rs. 500 crores in the Draft to Rs. 450 crores in the final plan. It should be noted that while the draft Plan figures were based on 1971-72 prices, the final plan figures are based on 1975-76 prices.

According to the Final Plan the revised physical outputs in 1978-79 for some important products will be as follows as compared with the figures of the draft Plan.

	Final Plan	Draft
Foodgrains	125 million tonnes	140 million tonnes
Coal	124 million tonnes	135 million tonnes
Iron Ore	56 " "	58 " "
Crude Petroleum	14.18 " "	12 " "
Cotton Cloth	9500 " metres	10,000 " metres
Nitrogen Fertilisers	2.9 " tonnes	4 million tonnes
Phosphate Fertilisers	770,000 "	1,250,000 "
Cement	20.8 million "	25 million "
Mild Steel	8.8 " "	9.4 " "
Electricity		
Generation	116.117 GWH	120.0 GWH

The scaling down of the minimum targets once more underlines the ramshackle condition of the economy. It is realised that sufficient financial resources cannot be raised to reach the

target within the present framework and that even if the target is realised, the domestic market cannot absorb the increased production.

In the name of promoting growth with stability the planners demand further restrictions on consumption of the people. Of course they say the restraint should be especially on the consumption of the affluent section, but people know where the real blow falls. This is achieved by such tricks as huge exports of sugar, leaving a small quantity for levy sugar, and allowing the rich to make merry with the free market sugar.

The final plan calls for further improvement in the performance of the public sector to promote growth with stability. With all the propaganda for the great success of the public undertakings that we have been witnessing, one thought that the problem was already over. But the reality is that the public sector functioning is as bad as ever and it is one of the main defaulter and the Planners have no hope that it will improve. Financial resources expected from the profits of public enterprises are now only Rs. 849 crores compared to Rs. 5988 crores expected in the Draft Plan. The main defaulter in providing resources is the railways whose contribution of Rs. 649 crores in the Draft Plan has become a burden of minus Rs. 1818 crores in the Final Plan. The contribution expected from other public enterprises also has gone down from Rs. 4497 crores to Rs. 2287 crores.

Notwithstanding claims of increased production and efficiency, recession combined with incompetence and corruption has taken its toll.

UNEMPLOYMENT

Fantastic claims are made for the potentiality of the Plan to provide huge employment opportunities and attack the unemployment problem.

The Plan aims at absorbing the addition to the labour force estimated at about 27 million in the agricultural and non-

agricultural sector during the Plan period. It hopes that the increase in the labour force in the Fifth Plan will be absorbed fully and a substantial effort made to solve the problem of backlog in the Sixth Plan.

This is nothing but adding insult to injury when every successful plan has added millions to the number of unemployed. Today the registered unemployed alone number 10 million—more than 10 lakhs having been added in the course of the last year—a successful year of Fifth Plan. They include 4 million educated unemployed.

People have not forgotten how the boastful claims made on behalf of special programme to tackle unemployment have ended in smoke.

During the first three years of the present plan unemployment has grown apace. Recession prevailed over the vaunted claims of the Plan. According to the Economic Survey between March 1973 and March 1975 employment in the private sector decreased from 68.5 lakhs to 68.0 lakhs. During the same period employment in the public sector increased only by 9 lakhs—and in one year alone registered unemployment grew by one million.

The planners it seems are basing their claims on statistical manipulation. Ashamed to own the mass unemployment figures, the Government started challenging them; started new inquiries, one of which put the unemployment figure at only 2.47 million in urban areas and 6.97 million in rural areas. The Planning Commission readily accepted the estimates. These estimates opine that the rural unemployment situation may not have deteriorated in a marked manner through the past decade. One cannot utter a bigger untruth. A significant dent in the rural unemployment situation in the remaining period of the Fifth Plan and the early years of the Sixth Plan is expected on the assumption that the land reforms programme and the 20-point programme would be vigorously implemented.

The Government itself is doing its best to promote unemployment to make its export drive successful. The competition in international market requires production of goods at competitive basis, lower costs which can be secured by lowering of wage levels and reduction in number of employed by modernisation of industries. This means less employment in industries and less capacity to absorb the the surplus from rural areas. It must contribute further to unemployment in urban and rural areas alike.

On November 2, 1976, Government had finalised and announced its scheme of financing by soft loans, the modernisation of the textile, jute, sugar, cement and engineering industries. These are the industries which employ the largest labour force. Mechanisation of coal mines is already on. All this would lead to hundreds of thousands of workers now employed in these industries being retrenched. All the tall talk that labour intensive industries have no place has no meaning when the industries have to produce not for satisfying the consumption needs of the common people but is forced to produce for the international market. Incidentally, the modernisation of the jute industry entails import of machinery, which is currently valued at Rs. 108 crores—one more excuse to allow the Western capitalists to loot the Indian people.

The investment and direction of the Fifth Plan, its heavy taxation and deficit financing, the restriction it imposes on consumption must intensify the crisis of the market, making it more dependent on the external market. Its increased need for foreign aid drives it in the same direction. The crisis of the market can be overcome only to the extent there is successful drive for exports with the help of the Western countries—but that means tying the economy firmly to the apron-strings of the West, while imposing further impoverishment on the people.

THE WORLD BANK & WESTERN CONSORTIUM

The increased role of the World Bank and the Aid India Con-

sortium, their pressure to direct India's economic policies should be clear when we compare the World Bank's "suggestions", with the practice of the Indian Government.

It has already been pointed out that the Bank and its affiliates have been increasing their "aid" to India. The Bank wishes to continue increased aid till 1985-86. A World Bank Study Team suggested towards the end of 1975 that gross aid to India should rise from an estimated level of 2332 million dollars (Rs. 2098 crores) in 1975-76 to 5327 million dollars (Rs. 4720 crores) in 1985-86. While offering this aid, the team urges that Indian economic activity should be more export oriented and rely for finances on export earnings and foreign aid.

Its recommendations, in brief, are : India should restructure its industrial development programme, lean away from heavy and capital goods industry and go in for massive export production during the coming decade ; exports and massive aid should form the major part of saving, investment and growth for boosting India's flagging industrial growth rate.

The Report says, "a strong revival could be expected to follow from a successful strategic emphasis on the development of India's considerable agricultural export and energy capabilities." The expression "critical industrial intermediates" in the final Plan conveys what the Bank seeks.

According to the report, the heavy emphasis on basic and capital goods industries and on virtually complete substitution of domestic for imported manufactures has lost much of its significance. The scope for home market has shrunk in relation to the size of domestic industrial activity.

It counsels India to abandon its home market or at least attach less importance to it. It says that for poverty reasons the linkage of mass consumption market with industrial structures is limited and weak and are largely confined to textiles, kerosene and to a lesser extent processed goods. The report

demand an alternative strategy of adequate outlets for existing industrial capacities.

In May 1976, the Aid India Consortium again gave the same prescription while expanding its aid. Its communique of 28th May said "At the same time the meeting stressed the need for the Government of India to take advantage of the present favourable situation and gave proposals for the economy to pursue policies leading to sustained long-term growth ; of particular importance in this respect, in its view, are containing inflationary policies and appropriate adjustments in imports policy." The Consortium expressed the hope that "the Government of India would continue to strengthen its efforts in priority areas of exports, agriculture and energy and lay stress on the importance of effective family planning."

This describes the policy which the Government and its planners are following. It also reveals the origin and tainted source of the mass sterilisation drive of the Central Government.

Only one point needs to be explained with regard to the World Bank's and Consortium's insistence of a change in the imports policy. After all the foreign financiers do expect and demand a free market for their products and are opposed to India's having a complete sway over her home market. They have often succeeded in thrusting unwanted goods on India as a price of their "aid", goods which compete with Indian industries. Recently a large number of tractors highly priced were forced on India though the Indian tractor industry was working below capacity.

Now the pressure has increased and yielding to it the Government has liberalised imports on several occasions under the hypocritical plea that there was sufficient foreign exchange and imports were required to meet the needs of Indian industry. The Planners had already started yielding to the Bank pressure and began to have reservations about import substitution. In the past the cost of domestic manufactures has some times been inordinately high compared to the landed

costs of similar items. In such cases import substitution loses much of its significance said the Draft Fifth Plan.

The liberalisation of imports policy announced on October 1, goes further to meet the wishes of the Bank financiers and permits import of goods competing with Indian industries in certain cases. This is done in the name of using the foreign exchange resources, productivity and meeting the raw material needs of industry and also to keep down prices !

Commenting on the new imports policy a well-known daily wrote in its editorial "Indeed, except for vegetable oil, cotton polyester fibre, resin and some non-ferrous metals like antimony there is hardly a raw material of importance that is in short supply. The known shortages can be overcome by earmarking a quarter or at the most half of the sum proposed for additional imports.....If, on the other hand, the international price of any item is lower than at home, it cannot be freely imported without hitting the home producers who in many cases are still suffering from demand recession, particularly in the chemical and engineering industries..... The basic problem of the Indian industry today is not so much shortage of raw materials, spare parts, or other inputs as the lack of demand at remunerative prices." This is enough to expose official claims about import liberalisation. It should be clear that the capitalist path enmeshed in recession is putting Indian economy more and more under the constant pressure of World Bank and Western economy, that export orientation is leading to economic integration and creating a dangerous situation for India.

Notwithstanding all the brave demagogic declarations that India will not allow herself to be dictated to, economic compulsions of the capitalist path of development are overriding and Government has conceded, one by one, all the demands of the World Bank and the Aid India consortium. Only these are not termed 'dictates'. The more sophisticated term "counsel" is used ; failure to heed the 'counsel' will entail dire consequences in terms of foreign aid, collaboration, etc.

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