

frontier

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THE RESHUFFLED PACK

NO tears need be shed if several of Mrs Gandhi's senior colleagues now suffer from a sense of humiliation. The Prime Minister wanted to cut them down to size, and she has done it. The operation has been pitiless, but not unskilled. Mr Jagjivan Ram was away in Rome, but the lady went through the motions of consulting him. He is perhaps the one man in her camp still in a position to organise a decisive revolt. Mr Chavan is no longer very sure even about his home base, and Mrs Gandhi has taken advantage of this vulnerability to tell him that he is not indispensable as the master of Home Affairs. That none but a "confirmed socialist" could carry out the Congress-(R) NEP was an ingenious argument; the fact is that none can now conduct Finance without proving a failure or becoming unpopular. These two worthies are not the only people who have been told who's the boss; various other Ministers have been transferred and several Ministries have been relieved of certain responsibilities.

Not unnaturally, Mr Dinesh Singh's fate has received the keenest popular attention. The socialist Prince had bungled things long enough to embarrass any Government; the widely accepted notion that he enjoyed the Prime Minister's special confidence merely added to the embarrassment. He had to be told that personal equations were not immutable and the "glamour" of External Affairs could not be a permanent princely preserve. The lady did not even bother to save his face when he wanted everyone to believe that he had finally yielded to her "special request". He was sharply told where he got off—and when, which may be soon. Dr V. K. R. V. Rao has been asked not to bother about science while looking after education; Mrs Nandini Satpathy can be trusted to restore the radical image of Indian research.

This certainly has been the most thorough reshuffle in New Delhi. But to what purpose? The Kamaraj Plan had at least pretended to have a policy objective; Mrs Gandhi has not even tried to pretend that she has any other intention except strengthening her position. She will now control all the levers of effective power either directly or through a small group of officials and junior Ministers closely attached to her. Her opponents will again be haunted by the spectre of a personal dictatorship, but the public at large will care little whether power resides in a single

FRONTIER

individual or is shared by a few. All it will see will be the same non-implementation of the same non-policies. The changes do not suggest that the Prime Minister wants to get down to business, or that she knows what the business is except keeping herself in power. Her socialist image

is far too frayed to impress the people, and she did nothing to repair it at the AICC (R). But the rival AICC, which met last weekend, is such a disgusting lot that she is in no immediate danger of being rejected. What a choice in the "revolutionary seventies"!

All this is however sheer tomfoolery. The basic consideration, in New Delhi as much as in Trivandrum and Calcutta, is likely to be pretty straightforward: there is perhaps a fifty-fifty chance, or an even better one, that, in a new election in Kerala, the CPI-Muslim League-Kerala Congress-Congress(R) combination would be able to contain the CP(M), whereas in West Bengal, the prospects for worsting the latter are distinctly dimmer. If, on the left, the CP(M) and the Naxalites are listed as the main enemies, Mrs Gandhi may decide to be unabashedly partisan, and decide on an immediate poll in Kerala but not in West Bengal. This quasi-salami strategy has also the incidental advantage of permitting the Prime Minister to gauge the electoral strength of the CP(M) well ahead of the general elections in 1972. For if it is found that despite the combined endeavour of the others Messrs Namboodiripad and Gopalan once more emerge triumphant in Kerala, the ever pragmatic Mrs Gandhi would not be averse to changing horses in mid-stream. On the principle of rendering unto Caesar what belongs to Caesar, the Dravida Munnetra Kazhagam has been implicitly awarded the fief of Tamil Nadu; that same principle would allow Mrs Gandhi to strike a deal with the CP(M) in Kerala—provided they support her with their votes in Parliament. A smarter foreign policy in the interim, featuring a mild thaw with China, might also call for a less than permanent arrangement with the CPI in domestic politics.

But enough of such speculation. Mrs Gandhi has by now proved herself to be a woman of all seasons, and just any kind of electoral arrangements will be her cup of tea. What will be the much more interesting part of the scenario—to those who are interested in such matters—is the manner in which the CPI behaves in the coming, difficult months. For if it is going to be a grand all-embracing anti CP(M) morcha in Kerala, the CPI would have to plunge into the electoral fray in the company of—and presumably on the

Kerala : Election Politics

Perhaps even Mr Achutha Menon himself does not seriously think that he could continue as Chief Minister pro tem of Kerala until the fresh poll despite the dissolution of the Assembly. Between his first statement immediately following the dissolution and the second and subsequent ones, there has been a considerable shift in emphasis: Mr Menon would now be happy to quit once the date of the new elections has been announced by the Election Commissioner. It is not immediately clear why a Chief Minister and his colleagues must remain in the seat of power in order to hustle Shri Sen Varma into announcing a date. The Election Commissioner ought to know what his job is. If a date for a fresh poll has to be announced in Kerala, he has to consult all the political groupings in the State, and not just Mr Menon.

For the constitutional position is hardly as clear cut as Mr Menon has pretended it to be. Mr Ajoy Mukherjee had a comfortable majority in August 1967 when the West Bengal Assembly was prorogued; that did not however prevent Shri Dharma Vira from dismissing Mr Mukherjee in November on the alleged ground that defections meanwhile had eroded that majority. Shri D. P. Mishra's plea for the dissolution of the Madhya Pradesh Assembly was turned down a few years ago. The Governor of Kerala has chosen to be different with respect to Mr Achutha Menon's request but the doubts remain. It is quite clear from the angry reaction of the ISP that, as of today, Mr Menon would have been hard put to show a majority in

the defunct Assembly. To dissolve the Assembly in such a circumstance on the advice of a Chief Minister who, on his own admissions, was finding it difficult to function, and without even consulting the Marxists or any of the other groups has been an extraordinary step to take, a step which can be rationalised only in terms of Mrs Gandhi's political exigencies. To compound this by allowing Mr Achutha Menon to continue as Chief Minister till the date of the elections would need gumption of a particularly daring order. Mrs Gandhi ought to know the limits of discretion.

In fact, it is now entirely up to New Delhi to decide how the parliamentary folly is to be played out in Kerala. If President's Rule is announced a new poll could take place in three months' time—or theoretically at least, it could be postponed for as much as three years. Several anomalies have to be taken care of whatever the decision. The alacrity with which the Kerala Assembly has been put to sleep can but make even more glaring the reluctance to follow a similar course in West Bengal. And if a fresh poll could be ordered for Kerala by October or thereabouts it would be extremely awkward for the Election Commissioner to argue in favour of an infinite time horizon as soon as the case of West Bengal is brought up. For the only ploy that would be left then would be the one jointly authored by Mr Ajoy Mukherjee and General Cariappa, namely, that so long as 'law and order' does not return to West Bengal this State is to be denied the luxury of popular rule.

basis of a common plank of programme agreed to with—the genuine feudal elements in Kerala Congress and the Congress(O). So-called socialist parties are 'cheaper by the dozen' in Kerala, and no doubt some amongst them would provide the cosmetics for the CPI to conceal or blur the reactionary face of its more solid allies. But the real issue would

still be the composition of the "national democratic" front—a communist party coalescing with acknowledged class enemies in order to mow down the party with which—whatever the worth of the leadership—is associated the overwhelming mass of the working class and the peasantry whose hour of disillusionment is still not near.

cue. The offer was not new, but the public declaration by the Congress was. That it fell to Mr Tarun Kanti Ghosh to make the announcement is somewhat significant; it shows New Delhi's preference in the factional fight in the party in West Bengal.

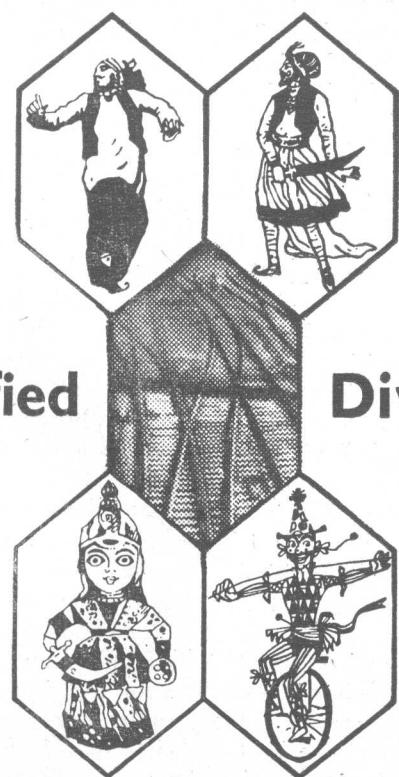
There were several reasons for this renewal. The demand for a mid-term poll was catching on, though many of the left parties were, in the beginning, loath to endorse it simply because the CPI(M) had raised it before others. The Congress(R) is afraid to face the electorate; it is unlikely to be ready for a long time, if ever. The only way to scotch the demand was to have a ministry of sorts; it would also have cleared the jam in which the State party has landed itself by demanding removal of Mr Dhavan to the annoyance of the Prime Minister. The Bangla Congress was its obvious choice as the vehicle of this counter-move, for Mr Mukherjee's revolution remains unfinished till he does not head a non-CPI(M) coalition. The Congress(R) thought he would be an in-

Moves, Counter-Moves

The move for a mini-front ministry in West Bengal has fizzled out. Mr Ajay Mukherjee's perseverance has not paid; nor blackmailing by his mentor, Mr Sushil Dhara. But they are determined men, and as the Assembly is not dissolved, they will continue their efforts in one form or another to resurrect the Congress. For all practical purposes, the Bangla Congress has now become a front organisation of the Congress(R) in West Bengal, and all its moves are being planned in New Delhi. It is not a mere coincidence

that efforts for a mini-front ministry started immediately after the New Delhi session of the Congress(R) in which the West Bengal delegates drew a horrifying picture of the depredations of the CPI(M) and the Naxalites under the protective wings of the Governor, Mr Dhavan. The plan to renew the Congress offer of support to a mini-front ministry was hatched then. It had been known for months that the Congress was waiting in the wings and would appear on the scene with instant support the moment Mr Mukherjee gave the

Unified Diversity



The culture of India is as diverse as the seven colours of the rainbow, yet as unified as the seven stars—thanks to the Railways.

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EASTERN RAILWAY

failable bait for the eight-party combination as these parties count on him as an indispensable ally in their jihad against the Marxist Communists. As a concession to the "anti-Congressism" of the eight parties, the Congress-(R) was prepared to "support" the mini-front from the "opposition" in the manner of some parties in Parliament. But the proposal did not go down with the eight-party combination; maybe, after all these months of campaign against the CPI(M) these parties still find that the touch of the Congress remains as lethal as ever. Nor has the proposal for a minority ministry with an assurance from them that they would not vote against it—a diluted variant of support from opposition—found favour with the eight parties.

In the event, dissolution of the Assembly has become inevitable, though it may not mean that another mid-term poll is imminent. The Centre would like to hold it in its own good time, but much will depend on the public pressure that may be built up in West Bengal. Whenever the election is held, the Congress-(R) will need a prop; it cannot stand on its own. The party's sudden excess of concern for a popular ministry is a spanner in the works. It is aimed at bringing out the differences between the eight-party combination and the Bangla Congress on the eve of their meeting for an electoral alliance. It has also been timed with the reported move of the Bangla Congress for a so-called democratic front presumably of parties which would work for, among others, a ban on gheraos and forcible occupation of land by the landless. Mr Dhara has said that the democratic front should consist of parties believing in democracy and socialism and some of the constituents of the eighty-party combination do not measure up to this standard. The front is obviously meant to include the Congress-(R); for which party in the country is more democratic and more socialist than the Prime Minister's Congress? By its offer of collabora-

tion the Congress-(R) has seen to it that the Bangla Congress does not go to the meeting with the eight parties without an option. With full knowledge of the Congress-(R)'s readiness to form an electoral alliance with it, the Bangla Congress will be able to negotiate from a position of strength. Maybe, it will be able to make the eight parties agree not

only to its land and labour policies but also to a clandestine electoral arrangement with the Congress-(R). For strengthening their battle against the CPI(M) they may have to agree to weaken the front against the Congress-(R). In the meantime, while the game of politics goes on and on, let the people stew in their own juice.

Drama At The Port

The pundits in port seminars this year, next year and the next will no doubt cite the example of the barge-men's strike at Calcutta port to establish the point that it is dock labour which holds up efficient servicing to shipping and therefore mechanisation is the way to solve deadlocks in port traffic. The barge-men's strike will also certainly feature in the next year's report by the Foreign Trade Ministry and the deficiency in jute exports will be partially blamed on these bargemen. There are many who are not particularly unhappy over Nature's malicious design to swallow up the Calcutta port; the bargemen's strike and the like of it will not make them overwhelmingly sad over the fact that jute goods worth Rs 20 crores are now lying in mill jetties, that world buyers are contemplating boycott of the port because of its totally unpredictable workability.

The facts of the more than month-long strike of the bargemen need to be put on record, not because there is any hope that the authorities, at the Centre and in the State, will see the light of reason—for they know better than anybody else what bedevils the Calcutta port—but because people in the country need to know that it is not labour, supposed to be tools in the hands of short-sighted political parties, who are in the wrong in this particular case.

The bargemen and launch crew at all the major ports have already received the benefit of the recommendations of the Wage Board for port and dock workers, but not the barge-

men and launch crew of Calcutta. The excuse given by the river transport industry was the usual one—incapacity to pay increased wages. The All-India Port and Dock Workers' Federation was ready to sit with the employers at bipartite talks to settle the issue, even if it had no reason to believe in the alleged incapacity. For, despite the quantitative decline in exports, their value has been registering sharp rises in the foreign exchange earned; in 1968-69, the amount officially earned was as high as Rs 218 crores.

However, the employers were not interested in settling the matter. They refused bipartite conferences and wanted a settlement by the State Labour Directorate, which had however no jurisdiction over the bargemen's strike. It became a matter of dispute over jurisdiction : who governs the bargemen—the State or the Centre? The strike continued. No one particularly bothered to thrash out the issue. Loading and unloading in the stream or overside stopped and 20 per cent of the port traffic came to a dead end. The situation however took a grave turn when 5,000 shore labourers of the Calcutta Port Commission took to go-slow, demanding the implementation of the tonnage incentive scheme. The remaining 80 per cent of the shed cargo too was left off at the port. Loading and unloading of ships and railway wagons and delivery of tea, iron ore and other merchandise were stopped as well as that of jute which was affected by the bargemen's strike.

Now the Government of India and the two local associations, Calcutta River Transport Association and the Bengal River Transport Association, have gone back to their traditional ground: how to define a barge and a boat? They hold that the bargemen are not dock workers and therefore excluded from the purview of the Wage Board.

The situation is bound to take a graver turn from July 1 when the Calcutta Dock Workers (Regulation of Employment) Scheme 1970 comes into effect. The purpose of this scheme is to declare that the Calcutta Dock Labour Board is running uneconomically with a huge surplus of labour and therefore retrenchment is necessary. Haldia is also declared beyond the port limits of Calcutta and therefore those workers of Calcutta who were allowed to work in Haldia will be struck off the Calcutta port rolls. Everybody is now ready for the battle royal to start.

Meanwhile cargo is piling up at the jetties; the eventual statistics will squarely put Calcutta port in the red.

Italian Polls

The regional elections in Italy have once again put the psephologists on their heads. But the fact that the big changes forecast have not come about brings relief to all and sundry. If the composition of regional parliaments were significantly different from that of the national parliament, then Signor Mariano Rumor, the helmsman of the centre-left coalition comprising the Christian Democrats, Socialists, Social Democrats and the Republicans, would have been forced to call it a day. If the Social Democrats were successful in scoring major electoral gains at the expense of the Socialists, they perhaps would have carried out their threat to anticipate general elections. While it is not known whether any party would like to face the electorate at this moment, there is no doubt that some Communist votes were cast to maintain an equilibrium between the Socialists and the PUS.

Compared with the results of the 1964 general election, the Christian Democrats, Communists and the Socialists suffered a marginal setback. There has been a slight improvement in the position of the PUS. The Republican Party, which based its poll campaign on a wage policy, made significant gains. While the worst reverse was suffered by the extremist left-wing Socialist Party of Proletarian Unity, the neo-Fascists improved their share of votes from 4.3 per cent to 5.2 per cent eroding the strength of the Monarchist Party and the conservative Liberal Party. Although the Communist Party launched its most vigorous election campaign, the seven and a half million votes polled by it marked a decline by a few points, which is a new phenomenon in Italian politics. This, however, does not discredit the notion that somehow, some day the Communists must be taken into the Central Government. At the same time Proletarian Unity should not miss the lesson that fighting elections and conducting politics within the constitutional framework will turn it into an establishment like the

PCI as revolutionary unrest gives place to pragmatism. The city of Bologna is being administered by the Communists as a showpiece of moderation and cooperation with other parties. The compliment paid by a Christian Democrat Councillor to the local PCI leadership that "correct, real and solid links have grown up in a climate of democracy between the majority and opposition" would make the point clear.

In most of the regions there is a centre-left majority so that the model of the central Government can be adopted in the regional administrations. In Emilia-Romagna, the Communists and Proletarian Unity have a majority of one. In Tuscany and Umbria, the Communists and the centre-left are evenly poised, but with socialist support the former can form the Government. Emilia presents the socialists with an excruciating problem. The local Party unit is ready to join hands with the communists, but the centre-left allies are putting pressure to stay out. Any coalition with the communists will expose the socialists to charges of bigamy.

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Mahatma Gandhi Marg

KANPUR-1

Calcutta Diary

GYAN KAPUR

THINGS over here are going to be very much worse before they get any better. This is the only conclusion to which any sane and rational person can come. History, it seems, has caught those at the top unawares and all they can do is go round and round in a circle. This applies irrespective of parties and spheres of action, whether it is in industry, government or politics. Improvement of Calcutta continues to be in the talk-off stage and the Governor and his advisers make futile journeys between the city and New Delhi.

In politics, the endless discussions between different former partners of the dead UF have an air of unreality and false seriousness. All efforts seem bent upon delaying the moment of truth which will ultimately come upon all of them. Even fresh elections may only postpone the evil day.

In industry the position is no different. The stagnation continues while unemployment grows. It is of course now a matter of routine to pass off the blame for this on to the workers for failing to create the proper climate for the moneybags to increase their wealth ad infinitum. What is surprising is that even the accredited representatives of the workers have apparently accepted their role, even if indirectly. Otherwise what the unions have to discuss regarding reopening of closed mills and further development of industry with the industrialists?

NOTICE

View from Delhi will not appear for two or three weeks as our Political Correspondent is away from Delhi.

Frontier
Business Manager

Workers no doubt are not all saints in overalls. With or even without sufficient provocation they may on occasion take to unreasonable stands. But what is insufficiently pointed out, even by workers' representatives, is that for much of the ills of industry the managements themselves are responsible. Too often they are completely out of touch with the workers and their conditions, with the result that ultimately something blows up. Others may be just plain corrupt or inefficient. Still others believe in making hay while the sun shines; when business is good, they rake in the profits; when it is bad, they want to pass on the losses to the workers.

While our politicos fight wordy duels with each other, the unemployed go on trying to find some money somewhere, anywhere. In the process a few of them have even brought the blood bank to a crisis by making a regular habit of selling their blood. Literally they are earning money with blood. But unfortunately this frequent blood letting is not to the liking of the blood bank people.

How far those who run our industries are divorced from reality is typified by the Indian Oil Company, though it is an extreme case. Some time back, this Government of India undertaking announced that they had taken up plans for providing employment to the educated jobless, particularly engineers and other graduates. But the scheme, as it has finally worked itself out, and as announced through numerous advertisements in the daily papers, is nothing short of a fraud on and an insult to these unfortunate graduates who deserved at least something better than to be mocked.

The terms on which the supposed employment is offered have to be seen to be believed. The candidates have to be graduates, belong to a particular locality and come from the

low-income group, be able to obtain a site for a petrol pump. How jobless graduates will obtain the site when their parents may have spent everything they have in getting them through college is not the concern of Indian Oil. But even this is not the end of the story. Indian Oil is nothing if not perfect. They have worked out the whole scheme to the bitter end. None of the dealerships offered are going to be profitable ones immediately or even next year. Some are going to lose even for the next five years. But rather than tell the jobless hopefults that, they have coined a beautiful new phrase. The projects will have 'negative profitability' for the next two, three or five years.

Obviously there is no one to ask these oil moghuls why they cannot run their own petrol stations and appoint the young men for whom they feel such sympathy?

* * *

Mr Jyoti Basu must have had his own valid reasons for joining issues with the Governor regarding transfer of certain officials. Perhaps it was from a sense of loyalty to those who helped him and his party when others were just indifferent or plain hostile. Officials as a class, however, can very well fend for themselves and need no outside support. At least so far we had been led to believe that the bureaucracy was the greatest hindrance in carrying out any real change in government. Now we know there are good bureaucrats and bad, just as the CPI was telling us there are good Congressmen and others not so good.

Leaving the main issue aside, what is surprising is the tacit acceptance by Mr Basu that transfers in themselves are a form of punishment, particularly when to the mofussil. This, of course, is the typical city-bred man's reaction to which apparently Mr Basu has also fallen a prey. If these transferred officials are all so good, we should be happy that they are being sent out. Others can now reap the benefit of their presence.

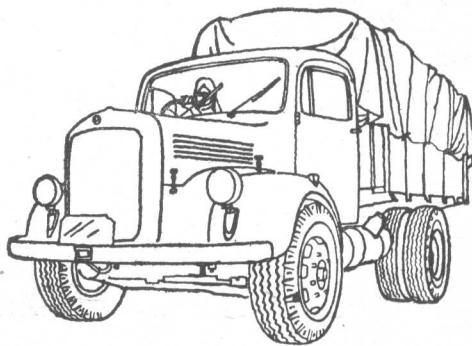
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ADB : A Case Study In Bootlicking

R. K. MADHAVAN

AS with almost everything else affecting the United States of America in recent years, the quagmire of Vietnam was responsible for a certain shift, during the middle 1960's, in that country's mode of economic penetration into Asia. Military intervention, in terms of prevalent Pentagon strategy, had to be accompanied by extensive 'economic pacification', and not just in Vietnam. There was bound to be outcry all over Asia over the barbarities perpetrated in and around the Mekong delta; this outcry needed to be silenced; large-scale bribing of the surviving population in Vietnam—and wherever else American defence personnel had entrenched themselves in as well as of the people in other Asian countries was thought to be the obvious and best way to quieten the simmering discontent. Unfortunately, the inexorable demands of the Vietnam war had led to the phenomenon of steadily mounting taxation and inducing budget deficits—which in turn pushed up prices—in the United States. The end of the war was nowhere in sight; the nation was, with every day, a 'wee' bit more tired of Vietnam and the burden it had caused. An increase in the rate of taxation, so as to have sufficient funds for 'economic pacification' activity in Asia, had to be ruled out. By cutting the defence budget, the U.S. administration could have saved some funds for the development-cum-bribing operations in Asia: but that would have clearly amounted to a *reductio ad absurdum*.

Another way out would have been to use the resources of the World Bank and its subsidiaries for the job. But there were two difficulties. First, the World Bank's funds were running rather low on account of the impact of its past commitments. Second, for using the Bank for this sectarian purpose, the USA needed the acquiescence, and even the active connivance, of its allies in West Eu-

rope. The latter, however, developed cold feet. They had to think of domestic complications that might follow if the American administration was to be assisted to turn the World Bank group of financial institutions into a blatant instrument for carrying out the Pentagon policy in Asia. There was also the factor of West European selfishness: as ballast against advancing communism and as provider of money for postwar reconstruction, they certainly needed American help; but the past being the past, the politicians in Paris and London and Bonn and Rome did not feel any moral compunction to help out the Americans when Lyndon Johnson was making a fool of himself in Asia—the Americans could well stew in their Vietnam juice.

In desperation, the U.S. administration turned to Japan; there ought to be some gratitude left at least in some corner of the world. Ever since 1945, the Americans had pumped billions of dollars into Japan, American forces had taken total charge of Japan's defence, thus releasing huge budgetary funds for deployment in economic projects, the expenditure of American troops—and the Pentagon's off-shore purchases—had contributed significantly to the island of the rising sun's balance of payments; in sum, the Americans could claim that they were co-authors of Japan's economic miracle. The time had come, the Walrus said, for a certain tiny pay-off for all that the Americans had done, over a period of twenty long years, for the Japanese; would not the latter own up its past debt?

Tokyo Agrees

The Japanese Government did respond to the urgings of the American administration. But the response had a quality of its own. Yes, Japan was willing to share with the USA the financial burden of the 'pacification'

programme in Asia. For its willingness, it had however to be offered a price; the Americans must agree to hand over a toy to the Japanese, a toy over which the Japanese are to preside, with the Americans playing a somewhat sedate, secondary role. Japan was out in the political cold for long; this toy would become its vehicle for re-entry into Asia's political sphere; the American cause of bribing parties that needed to be bribed would be furthered, but, alongside, Japan too would now begin to assert its own role and promote its own interests. Beggars cannot be choosers; the Americans were in dire need for a financially lush ally who would be willing to invest actively in Asia in anti-communist and anti-people causes; so much the better if this ally happened to be an Asian nation itself. Japan was for an Asian "co-prosperity" scheme for re-living its past dubious glory; the Americans too were for such an Asian "co-prosperity" racket, since it would provide them with an excellent cover for ensnaring other Asian countries into the net of conspiracy, which ensnaring would not be possible if the Americans set up their own shop in a revealed, unabashed form. It was thus with alacrity that the U.S. administration accepted the Japanese counter-proposal.

II

The toy which Japan had asked for is the Asian Development Bank. The inaugural meeting of the Bank was held in Tokyo in November 1966; next month, it was formally opened in till-that-date safe haven of anti-communism, Manila, where its headquarters continue to be located. To give the Bank a facade of respectability, the Economic Commission for Asia and the Far East was meanwhile also persuaded to pass a resolution approving the general principles behind its establishment. The proclaimed objective of the Bank is to

promote "economic cooperation and development in the Asian region." Its structure—including its mode of lending operations—has been copied nearly verbatim from the World Bank, with the single exception that, in lieu of the USA, Japan is the largest share-holder. To ensure that the Americans and their cronies are

represented in full panoply, the charter of the ADB specifically provides that the membership of the Bank be left open also to non-regional developed countries "who are members of the United Nations or any of its specialised Agencies".

The Bank's authorised capital is U.S. \$1.1 billion. Currently, the capi-

tal subscribed is of the order of \$979 million, \$624 million from 21 regional members, and \$355 million from 13 non-regional members (Table I). The subscription, half of which is payable and the other half left on call, is payable in five equal annual instalments, half in convertible currency and the other half in local currency.

The list of members is most instructive. The non-regional membership is composed entirely of the NATO countries, with Austria, Finland and Switzerland thrown in. Of the aggregate amount of \$355 million put in by the "non-regionals", nearly two-thirds—\$200 million—is contributed by the USA, with West Germany struggling as a distant second. Among the "regional" members, one discovers such solidly Asian nations as Australia (\$85 million) and New Zealand (\$23 million), apart from the usual claque of Americanliners like Taiwan, Thailand, Philippines, South Korea and South Vietnam, and all of them led by Japan (\$200 million, same as the USA's).

India's Share

But the list of regional members also includes that great non-aligned nation, India. In fact, after the USA and Japan, India's is the biggest equity contribution—\$93 million, or Rs 69.75 crores. Of this contribution, we, loyalty personified, have already paid four instalments of \$9.3 million each aggregating to \$37.2 million (Rs 27.92 crores)—half in pound sterling or dollars and the other half in Indian rupees. Getting the enchantingly neutral India into the camp was a great coup for the Americans: fence-sitters like Afghanistan, Cambodia, Ceylon, Nepal and Pakistan could not resist the pressure to join the Asian Development Bank once India was in.

India has not only consented to the membership of the Bank; on paper, it is one of the quartet, who, by virtue of their share-holding, are the main architects of the Bank's policies and operations, the other three being the USA, Japan and Australia. These four countries have

Table I
ASIAN DEVELOPMENT BANK

Members

(a) Regional Members :

			(Amount of subscription Equivalent Million U.S. \$)
1. Afghanistan	..	..	4.78
2. Australia	..	..	85.00
3. Cambodia	..	..	3.50
4. Ceylon	..	..	8.52
5. Taiwan	..	..	16.00
6. Fiji	..	..	1.00
7. Hong Kong	..	..	8.00
8. India	..	..	93.00
9. Indonesia	..	..	25.00
10. Japan	..	..	200.00
11. South Korea	..	..	30.00
12. Laos	..	..	0.42
13. Malaysia	..	..	20.00
14. Nepal	..	..	2.16
15. New Zealand	..	..	22.56
16. Pakistan	..	..	32.00
17. Philippines	..	..	35.00
18. Singapore	..	..	5.00
19. Thailand	..	..	20.00
20. South Viet-Nam	..	..	12.00
21. Western Samoa	..	..	0.06
Total	..	..	624.00

(b) Non-Regional Members :

1. Austria	..	..	5.00
2. Belgium	..	..	5.00
3. Canada	..	..	25.00
4. Denmark	..	..	5.00
5. Finland	..	..	5.00
6. West Germany	..	..	34.00
7. Italy	..	..	20.00
8. Netherlands	..	..	11.00
9. Norway	..	..	5.00
10. Sweden	..	..	5.00
11. Switzerland	..	..	5.00
12. United Kingdom	..	..	30.00
13. United States of America	..	..	200.00
Total	..	..	355.00

Grand Total (a) + (b) .. 979.00

enough individual votes by themselves to "elect" their own Directors on the Board of the Bank—the remaining six places on the Board are shared out by the rest of the countries. It is the Board which has the exclusive responsibility for the general direction of the operations of the Bank, the details of which are left to the management. Predictably, the President of the Bank, who is the chief executive officer, is a Japanese. But India is not left out of its share of pride in the Bank's management: the first Vice-President is an Indian.

III

The four permanent members of the Board of Directors, representing Japan, the USA, Australia and India, are the most important entities in the Asian Development Bank; the direction the Bank has taken—and will take in the future—could not but be a reflection of the preferences and predilections of these four. It will thus be interesting to analyse the pattern of deployment of the Bank's resources during the three-and-a-half years since its inception.

The normal sources of lending for the Bank would be out of the share capital contributions and out of the loans that the Bank might raise in the international capital market. Till now, no bond has been floated by the Bank, so that its only source for regular lending continues to be the share subscriptions. The charter of the Bank specifically provides that 90 per cent of such capital-based lending funds would have to be lent on terms of financing comparable to those of the World Bank; it is only the other 10 per cent which could be advanced on "soft" terms, that is, on concessional rates of interest and over relatively long periods. In addition, the Bank can accept special funds from various countries for particular types of assistance in the region; the resources of these special funds could be used, in accordance with the terms agreed with the donors, to provide loans on "soft" terms; till April, 1970, however, contributions to the Bank's Special Funds added

up to less than \$70 million. Members are also permitted to make technical assistance contributions to the Bank which are then doled out among other, needy members; for example, this year India considered herself important enough to announce a technical assistance of Rs 200,000 to enable the Bank to procure the services of Indian consultants and experts.

Behind the claptrap of terms and conditions, how has the reality of the Bank's lending and technical operations worked out? In the light of the genesis of the Bank, how has the 'pacification' objectives of the Americans been served through its activities? What did "neutral" India intend to achieve by supporting and strengthening this joint Japan-U.S.A. institution, and have her intentions been even marginally satisfied? Ample answers to these questions are available from Table II, which indicates the details of the loans and technical assistance granted by the Asian Development Bank to its member countries till April of this year. The Americans had wanted the Bank to subserve their interests; their interests are being subserved. Of the total of \$163.48 million lent by the Bank so far, as much as \$43.95 million, or 27 per cent, have gone to Chiang Kai-shek's Taiwan. Another \$31.30 million, close to one-fifth of the aggregate, have been claimed by South Korea. Malaysia has got \$18.10 million; Thailand, \$15.00 million; Philippines, \$7.50 million. These nations are not exactly poor by Asian standards; they nonetheless get the money: after all, it is their bank, set up under the aegis of their patrons and masters, the U.S.A. and Japan. At the other end, India and Pakistan, with about the lowest per capita income in the whole world, have got the short shrift. India has not dared to ask for a loan, and has received none. Pakistan has got a paltry \$10 million. Afghanistan, perhaps because politically it is genuinely non-aligned, has had all its applications for loans turned down. Fiji, maybe because it has a large population of Indian extraction, has been treated identically. More

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than half of the paltry technical assistance money too has gone to the politically "right" countries.

The United States has thus reasons to be happy with the performance of

the Asian Development Bank. Japan too has equal reasons for satisfaction. By being awarded the stewardship of the Bank, it has been granted due political recognition for its economic

prowess; it has now a respectable entree into territories from which it was blacklisted for two-and-a-half decades. Besides, a major chunk of the orders for machinery and equipment against the loans offered by the Bank would flow into Japan, boosting its balance of payments. A solid, material base for its feeling of satisfaction is not therefore lacking either.

IV

When the Leftist MPs voted to pass Mrs Indira Gandhi's Appropriations Bill last May, they also voted the appropriations for the Ministry of Finance, and thus for the Asian Development Bank. They have hence abetted in the act of using up Indian taxpayers' money to puff up the economies of American henchmen along the Asian coast, beginning with General Park of South Korea and ending with President Marcos of the Philippines. This is a scandal, but since it is a scandal belonging to so-called high finance, the implications of it get lost in the mind of the general public. The decision-makers in India, when they consented to join the Bank, might have taken into account the following conceivable gains : (a)

Table II

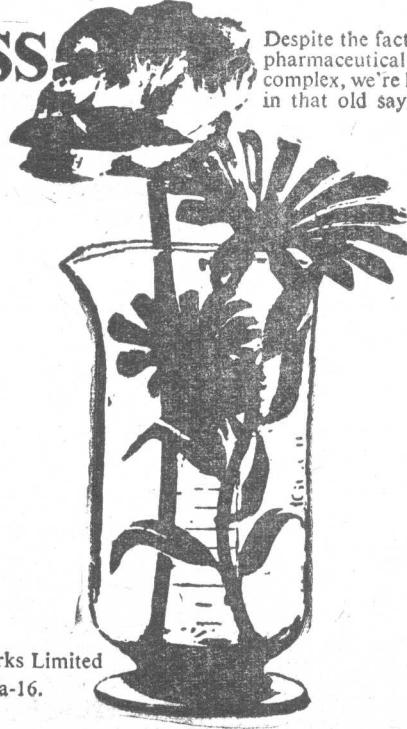
Loans/technical assistance granted by the Asian Development Bank to its member countries

(as on April 2, 1970)

Name of the country	Amount in \$ million	
	Loan	Technical Assistance
1. Ceylon	13.19	0.56
2. Taiwan	43.95	0.10
3. Indonesia	3.39	0.76
4. South Korea	31.30	0.07
5. Malaysia	18.10	0.27
6. Nepal	6.01	0.52
7. Pakistan	10.00	—
8. Philippines	7.50	0.43
9. Singapore	10.00	—
10. Thailand	15.00	0.29
11. Western Samoa	2.40	0.05
12. Laos	0.97	0.50
13. Cambodia	1.67	—
14. South Viet-Nam	—	0.08
15. Afghanistan	—	0.16
Total	163.48	3.79

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Membership of the Asian Development Bank would enable the country to receive more external resources for development; (b) Membership of the Bank would enable India to arrange for more external loans for countries which are favourably disposed toward us, such as Afghanistan; (c) Once India joins the Bank, a significant part of the orders for equipment as against the ADB loans will accrue to her; (d) Such membership would enable India to please the Americans and the Japanese; and (e) Membership of the Bank would enable Indian bureaucrats to grab some cushy jobs on the Bank's staff.

As we have seen, purposes (a) and (b) have not been served, and will not be served, for it was never the intention of the original sponsors of the Bank to promote general economic development in Asia—and particularly in the poorest countries; the purpose of the Bank is to carry out "economic pacification" a la American in the politically sensitive spots. Besides, one could anticipate beforehand that India would not be one of the recipients of the crumbs offered by the ADB the Bank's charter states categorically that 90 per cent of the loanable funds have to be advanced as per the World Bank's terms of lending. We had long ceased to qualify for the World Bank's loans, which is why the institution of "soft" loans had to be evolved. Since the ADB's charter allows only a marginal role to "soft" loans, India's membership is totally pointless from that angle.

We have also not been able to help any of our friendly neighbours to obtain accommodation from the Bank. Afghanistan, perhaps our only genuinely left in international affairs, had applied to the ADB for a loan to finance a road project for connecting Kabul with a number of Iranian border towns, which would have enabled the land-locked country an opening to the coast besides the one through Pakistan. The application has been turned down; recently, the newspapers in Afghanistan carried the story that the Indian Vice-President of the Bank played a leading part in negating the Afghan loan request;

the story has not been contradicted till now.

As regards (c) above, not one penny of the purchases out of the Bank's loans has flowed toward India's direction. Thus the only reasons for India's being in the Asian Development Bank are a near-pathological wish to placate the Americans at all cost and to have a few Indian nationals installed in fat-salaried jobs on the staff of the Bank in Manila. It is no surprise that several amongst these Indian nationals were previously serving the Government of India in New Delhi, and were amongst the most vociferous supporters of the idea that, irrespective of ideology or national interests, India must join the Bank.

V

One may conclude this note by indicating the direct opportunity cost of India's sterile membership of the Asian Development Bank. Because of the membership, \$93 million of our resources will be locked up, half of it in foreign exchange. We will of course be losing the annual interest on this amount, but that is not really the major loss. If we had not sold out our foreign economic policy lock, stock and barrel to the Americans, this quantum of \$93 million could then have been utilised for providing selective bilateral assistance to some of our neighbours. We could have obtained a lot of mileage by disbursing this money between, for example, Nepal, Burma, Afghanistan, Ceylon, Fiji, Mauritius and such other countries. Such is our servility that not only have we stopped trading with North Vietnam because of American injunction, we have handed over precious resources—which we ourselves could have used imaginatively in the international sphere to further vital national interests to the Asian Development Bank so that Pak's South Korea, Thieu's South Vietnam and Chiang Kai-shek's Taiwan might thrive and prosper. It is however still considered *infra dig* if somebody describes us as the bootlickers of America. As a non-aligned nation, we nurture a distaste for honest descriptions.

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Primary Education In India

AMARTYA SEN

THREE has been some rise in the percentage of literacy since independence. In 1951 about 17 per cent of the population was literate, while today the proportion is thought to be 33. This is a rise, but hardly a revolutionary one. The current ratio of literacy is still extraordinarily low, with a clear two-thirds of the Indian population unable to read or write. This is a dismal picture, but it might be argued that the success of public policy should be better judged by the proportion of children attending primary schools rather than by literacy as such. While this is not the whole story, since possibilities of adult education are enormous in a country like India, nevertheless I shall in fact concentrate on primary enrolment among children.

According to the Planning Commission, 80 per cent of the children between six and eleven were enrolled in primary schools in 1968-69 (see *The Draft Fourth Five Year Plan 1969-74*, p. 280). This might appear to be a high ratio, and in some ways it undoubtedly is. But to achieve universal literacy within the foreseeable future, it is necessary to make everyone go through the primary school system, and to leave every fifth child outside the school system altogether is no way of going about achieving universal literacy. However, given our earlier enrolment history, raising it to 80 per cent is not an achievement that should be pooh-poohed, if indeed this 80 per cent figure can be accepted. Unfortunately, there are very serious reasons to doubt this piece of official statistics.

First of all, there are difficulties in deciding which set of official figures to use among the alternatives

offered. The Planning Commission, which takes 80 per cent to be the enrolment ratio in primary education in 1968-69, asserts that the ratio was 62 per cent in 1960-61. On the other hand, the *Report of the Education Commission of India* identifies the ratio to be only 55 per cent for the year. One source of difference is that the Planning Commission gives the enrolment ratio for Classes I to V, whereas the Education Commission figure refers to Classes I to IV. This would have, however, made the Planning Commission ratio lower rather than higher since the enrolment proportion goes down with later classes and the ratio for Class V will almost certainly be lower than that for Classes I to IV. Thus the explanation of the higher Planning Commission ratio must be sought elsewhere.

The main difference lies in the definition of what is called a "pre-primary" class and what is called Class I in primary education. Some classes that the Education Commission treats as pre-primary are lumped into the primary category by the Planning Commission. The source of the trouble is that while in most states the Secondary School Leaving Certificate follows ten years of successful schooling, the process takes eleven years in Andhra Pradesh, Bihar, Gujarat, Madras, Maharashtra, and Orissa, and twelve years in Assam, Nagaland, and NEFA. But these certificates from different regions are taken to be equivalent to each other, and these are obtained at roughly the same age in all the regions. Hence the Education Commission classifies the earliest year or two as pre-primary in the states with 11-year or 12-year schooling, while the Planning Commission does not make use of such a distinction. The matter can be settled only after checking the exact content of education in the school years in the long-schooling states, but there is no definitive study on this.

But this is not all. The Planning Commission figures and those of the Education Commission both have the same parentage, viz., the Educa-

tion Ministry itself, including of course the Ministries of Education of the different states. There is, however, an alternative source of data on school education for the year 1961, viz., the Census of India. The picture there is quite different. For 1961 the total enrolment of students in the age-group 6-14 was 41.7 million according to the Union Ministry of Education, while according to the Census the number of full-time students in that age-group was only 34.6 million. This difference of 7.1 million is more than 20 per cent of the Census figure and can hardly be dismissed as a minor discrepancy.

What is the source of the difference between the Census figures and the Ministry figures? Partly it is undoubtedly due to differences in the definitions used in the two studies. The Census figures refer only to students among non-workers, while the Ministry concentrates on the total enrolment. Part of the difference may be represented by workers who are enrolled in schools as full-time students. Does this explain away the whole difference? This seems extremely unlikely. The Census does not break down the workers according to educational activity, but altogether there are only 14.5 million workers in the age-group 0-14. We do not know how many of them went to school, but we do know that only 30 per cent of workers other than cultivators in this age group in the urban areas were literate. Since anyone going to school is likely to be literate, this gives us an absolute maximum of the number of workers going to school. Assuming the same proportion in the rural areas, the total number of workers in schools cannot exceed 4.4 million, which still leaves 2.7 million enrolment in the Ministry figures unaccounted for. In fact, the actual difference is likely to be very much more since literate workers are not necessarily in school. Much trust cannot be put in the Ministry's enrolment figures as representing the actual number of school students.

Indeed, there are good economic reasons for expecting that the Minis-

¹ This is based on a section of the author's Lal Bahadur Shastri Memorial Lecture delivered in New Delhi on the 10th and 11th March, 1970.

try's enrolment figures are biased in an upward direction. These data are collected by the State Ministries in the same complex of activities which includes giving grants to the schools. The grants depend on the number of students enrolled, which provides a built-in bias in the process of reporting of enrolment. There is no comparable distortion in the Census figures, and much of the difference of the two sets of figures may arise simply from this.

One other difficulty in the enrolment ratios of the Planning Commission and the Education Commission lies in the fact that they represent the proportion of all students in certain classes to the population of the corresponding age-group. But in fact many students in a class are older or younger. For primary education this tends to inflate the ratio a great deal since the number of older boys in primary classes is much more than the number of younger boys in post-primary classes.

Furthermore, the problem of drop-out is a serious one in rural education. People may drop out but may continue to be enrolled. So the enrolment figures may mislead.

If we go by the Census figures and make the appropriate age corrections, the proportion of full-time students in the primary age-group (6-11) will appear to be only 44 per cent. This has to be compared with the Ministry's enrolment ratio of 55 per cent and the Planning Commission's claim of 62 per cent, all relating to 1960-61. If a similar discount is applied to the Planning Commission's figure of 80 per cent for 1968-69, we shall get the ratio of full-time students last year as merely 57 per cent of the primary age group. The story of primary education looks more and more disquieting the deeper we go into the data.

Further, there are major disparities both between sexes and among regions. The schooling ratio for girls is even less than half of that of the boys according to the Census figures. And the regional contrasts are very sharp indeed. While in Kerala there were very few non-school-goers, in

Madhya Pradesh only 36 children in a hundred were full-time primary school students. The figure was slightly lower for Bihar, and for Uttar Pradesh and Rajasthan the number touched the low of 30 and 29 respectively. In these states the battle against illiteracy would seem to have hardly begun.

The picture is disquieting not merely because of the social injustice involved in denying primary education to the illiterate children. There is also a massive waste of economic opportunities involved in this. It is, of course, not easy to estimate precisely the economic impact of primary education, but the studies that exist would seem to indicate a high rate of economic return from social investment in primary education. For example, in a painstaking and thorough study of the problem Mark Blaug, Richard Layard and Maureen Woodhall find the social rate of return from primary education to be about 15.2 per cent as opposed to 10.5 per cent in secondary education and 8.9 per cent for general college education (B.A., B.Sc. and B.Com.). There are important technical difficulties with the methodology involved in the Blaug-Layard-Woodhall estimates, but if we correct these biases, their general conclusions would become even sharper. Conventional economic procedures do indicate a much higher rate of return in primary education than in other branches of education.

The Blaug-Layard-Woodhall estimates of rates of return from primary education are based largely on employment opportunities in the urban areas. The impact of education on the rural economy, in particular on agriculture, has been a matter of debate for some time now. This is a field where the amount of work done is still inadequate and much of public thinking is based on hunches of one kind or another. The traditional view is to regard formal education including literacy to be unimportant from the point of view of agricultural productivity and to argue that all that matters is the traditional "wisdom" of the peasant. This glib view, comforting as it is to educa-

tional authorities, has been successfully challenged by a variety of studies recently, notably in a Ph.D. thesis of Dr D. P. Chaudhuri recently completed at the Delhi School of Economics. Dr Chaudhuri uses inter-state data, inter-district data, inter-village data and inter-family data to see how differences in educational levels relate to differences in productivity and finds in most cases a significant positive association. This association survives even when due account is taken of variations of other economic features involved in the interrelationship. It would appear from this that educational differences do affect agricultural productivity, and schooling is a relevant constituent of a programme of agricultural expansion.

Impact on Agriculture

In this context I should comment on three special aspects of the impact of education on agricultural production that must be understood to appreciate the nature of the problem. First, in traditional studies of economics of education it is often assumed that education is another input like any other, such as fertilizer, seeds, or water. On this assumption one might try to find out how output would increase if the educational level of the cultivators rose given the other factors of production and that would be a way of isolating the contribution of education to productivity. It is, however, natural to expect that having more education would increase the profitability of applying other factors of production. But in the traditional neo-classical approach it is assumed that in each case all factors are applied up to a point that maximises profits so that in each case the marginal costs and marginal benefits from the use of each input are exactly balanced, and it can be shown that under these circumstances the partial impact equals the total impact.

This view, I would argue, is too mechanical to be used for observing the impact of education on agricultural productivity. Education affects a person's horizon of vision; it is

not just like any other input. The main point is not that given other factors of production having more education increases the yield of output, though education may also do this. The real point is that education affects the way the cultivator thinks about everything, including production, and it also affects his attitude towards other inputs. For example the profitability of using fertilizers may become clear to a peasant if he can read a hand-bill on it rather than relying solely on verbal communication. Furthermore, the thoroughness with which the cultivator can investigate the economic opportunities of using modern inputs may vary greatly with the extent of education so that in viewing the impact of education a broader view will have to be taken. The impact of more education given all other factors of production may be small, but we are concerned also with how the other factors change in response to education.

My second observation concerns the use of inter-family data in studying the effect of education on the use of modern inputs. The evidence here is conflicting though certainly the hypothesis that education affects the use of modern inputs gets some support and cannot be easily rejected on the basis of the available Indian data. But what is more important is the necessity to consider this relationship not in the context of inter-family variations but in terms of larger groups and classes. The advantages of schooling, especially of secondary schooling, apply not merely to the person who goes through this but spread also to his neighbours. Treating families as completely isolated is not a very good assumption even for the rural communities in Europe or America, but in India it is fatal. What economists call "externalities" is crucial to the problem. The entire organisation of rural society and economy is such that on a variety of matters, including the use of modern inputs and new varieties of seeds, communication between different members of the same village or community is extensive and the

influence on one another is great. Therefore the right units for study are not families but communities, classes or villages. In fact, sometimes even villages may be too small as units. The picture emerging from inter-family data should not, therefore, be taken too seriously even if they had been conclusive. It is very important to be careful about units of influence and communication in dealing with a factor like education. Neither is education an input in the mechanical sense in which it is sometimes taken, nor is it a factor that influences only its owner.

My third point concerns the impact of school education on economic operations through changes in social and political elements in the system. Administrative factors are becoming increasingly important in the operation of Indian agriculture; this may extend not merely to the channelling of credit but also to the systematic use of irrigation water, the division of scarce fertilizers, the supply of new varieties of seeds, and other group activities. The administrative possibilities are, of course, substantially affected by the educational background of the villages. But more than this even the political organization of the village or of the society at large may depend substantially on educational factors.

There have been observations on the correlation between literacy rates and the pattern of voting. These studies, which seem to give positive results, are however, in their infancy. It is difficult to say how strong these considerations might be, but it is important to recognise that a study of the impact of education must go into these broader considerations in order to be complete. If, for example, having a more literate or educated rural population makes it easier for the government to carry through a vigorous policy of land reform based on an active cooperation of the villagers in exposing evasion of the reform legislations, this is certainly relevant. If educational expansion helps social workers or political activists to mobilise the rural popu-

lation into being more conscious of their rights and less tolerant of social inequities and of administrative abuse and corruption, that is relevant also. We may not know precisely how these factors work but it would be foolish to assume that positive relations of this kind do not exist.

It should be clear from all this that the failure of public policy in primary education has to be judged in terms of a framework wider than that permitted by traditional, neoclassical economics. I should, however restate that even in terms of neo-classical economics the picture that emerges is one of considerable malallocation of educational investment with a significant failure to invest sufficiently in primary education. This is certainly true, but what I am trying to emphasize here is that the magnitude of the economic failure cannot be fully caught by estimates based on traditional neo-classical methods. The fact of economic failure comes out under both the approaches but the traditional approach neglects certain crucial aspects of the problem and therefore does not give us the total picture of primary educational failure.

The failure of economic allocation and of financial planning has not been the only deficiency of primary education. There have also been significant organizational mistakes. One example is the lack of coordination between rural schooling and the requirements of the rural economy. There has been a fair amount of discussion recently on the content of the curriculum in school education in the rural areas, and its remoteness from the life of the peasants has been widely noted. I would, therefore, not go into this here; the importance of these considerations is well known. I would, however, like to go into one particular problem of coordination that we have found to be very important in the context of a study undertaken at the Agricultural Economics Research Centre of the University of Delhi. This study was jointly done by Amit

Bhaduri, D. P. Chaudhuri, H. Laxminarayan and myself.

It is generally known that one reason for the failure of primary education in rural areas is a very high ratio of drop-outs. The ratio of drop-out in India is one of the highest in the world, and in some parts of India the figures are fantastic, especially for girls. It would appear from the Second All-India Education Survey Report that while 70 per cent of the boys and 66 per cent of the girls in Kerala see their way through from Class I to Class IV in primary schools, only 27 per cent of the boys and 15 per cent of the girls do this in Bihar. The position varies greatly from state to state but the overall rate of drop-out is very high. In trying to relate drop-outs to various factors including facilities provided in the schools, it was found that the relationship was not very strong, so that the problem cannot be easily handled by the expansion of such things as playground facilities, nearness to the place of residence, etc., even though these may be desirable for their own sake. An important factor in drop-out is the income level of the child's family; the poorer a peasant is the more likely he is to drop out, given other things. Caste also seems to be a relevant factor and lower-caste people have a greater tendency to drop out, which is probably partly a reflection of the relation between income and caste but may also be partly independent of income. The question thus relates to the general social and economic structure of the village community. In this field possibilities of change rave well-known hindrances.

There is, however, one very simple factor that seems to be crucial to the question of drop-out. There is fairly strong evidence that the tendency to drop out is very much sharper when the seasonal peaks of agricultural activity are reached. In Uttar Pradesh and Punjab, to which our study was confined, the drop-out was significant both at the Kharif season as well as the Rabi season during sowing and harvesting, though in Punjab the

drop-out seemed to be greater in Kharif than in Rabi. Some school teachers even reported 40 to 50 per cent drop-out at the time of sowing and harvesting of Kharif crops. While drop-outs referred to here may be of a short-term nature to start with, nevertheless short-term drop-outs frequently trigger off a long-run stay-away. Thus, the agricultural activity peaks may initiate a departure from the school altogether.

Unfortunately, the timing of the academic year in the rural schools does not seem to be at all integrated with the agricultural activities. In fact, frequently the examinations coincide with peak harvesting activity, as for example in U.P. where examinations are held in April when Rabi harvesting is at its peak. In so far as the children of many families help out at the time of peak activities of agriculture there is a built-in bias in the system towards a high proportion of drop-outs and wastage. It is perhaps one more reflection of our inability to relate educational arrangements to the overall nature of the society and the economy, and the unfortunate results are very serious indeed.

The failure of public policy in primary education has been spectacular. It is a failure that relates not merely to educational budgeting and to allocation of investment but also to the requirements of integrating primary education to the economic life of the country. These failures—towering as they are—have often escaped attention for a variety of reasons some of which we have discussed, e.g., the limited framework of neoclassical economics in terms of which much of economic thinking on education takes place, and traditional habits of thought given to making empty and inexpensive eulogies to the wisdom of the illiterate peasant. But perhaps the most important reason is the systematic bias in the official statistics of primary education yielding a picture that is quite unreal. Failure of policy making has been matched by a blackout of information, and that—glory be to God—has hidden the wound from public view.

Indian Maoism—Two Shades ?

MALLIKARJUNA RAO

THE first recorded debate in the world communist movement on the legitimacy of Mao Tse-tung's theories as part of Marxism-Leninism took place in India in 1948-49 and the first open denunciation of these theories as alien to Marxism-Leninism came from the General Secretary of the Communist Party of India, B. T. Ranadive, in 1949. In the wake of the "left sectarian" deviation at the Calcutta (Second) Congress of the CPI early in 1948, the Andhra communists, who were already leading an armed struggle of the Telengana peasantry, turned to Mao Tse-tung's *New Democracy* (published in 1944) in their search for revolution based on a four-class alliance and the tactic of peasant partisan warfare. Ranadive, who advocated the new-fangled theory of the "intertwining" of the two stages of revolution and wanted the entire bourgeoisie to be fought, had to extend his polemic to reach the very source of the Andhra communist heresy—Mao Tse-tung himself. Ranadive wrote: "...we must state emphatically that the Communist Party of India has accepted Marx, Engels, Lenin and Stalin as the authoritative sources of Marxism. It has not discovered new sources of Marxism beyond these. Nor for that matter is there any communist party which declares adherence to the so-called theory of new democracy alleged to be propounded by Mao and declares it to be a new addition to Marxism." Ranadive was equating Mao Tse-tung with Tito and Earl Browder when he said it was "impossible for communists to talk lightly about new discoveries, enrichment, because such claims have proved to be a thin cloak for revisionism". The Andhra communists were invoking Mao Tse-tung in June 1948 when what now is regarded as Mao's theories or known as Maoism had not been formalised under this nomenclature. The Chinese revolution had not yet triumphed fully and the Peo-

ple's Republic of China had not been founded when the Andhra communists hailed Mao Tse-tung's New Democracy and regarded him as a new source of Marxism.

Twenty years later, the wheel has turned a full circle. The Communist Party of India split into two in 1964. The Communist Party of India (Marxist), formed in 1964, rejected at its Eighth Congress (December 1968) an amendment to its political resolution requiring it to accept Mao Tse-tung's thought as the Marxism-Leninism of the present epoch. Later, in May, 1969, its Politbureau suggested that the analysis of the world situation contained in the main document of the Eighth Congress of the Communist Party of China had nothing to do with Marxism-Leninism.

With this the polarisation in the Indian communist movement was complete. The CPI and the CPI(M) constitute the non-Maoist or anti-Maoist wing. The Communist Party of India (Marxist-Leninist), formed in April 1969, is the only organised Maoist party in India though it cannot claim to represent the majority of Maoists in the country. The Revolutionary Communist Committee of Andhra Pradesh as well as other formations have chosen to keep out of the new party. But just as the CPI is the only legitimate communist party in India in Russian eyes, the CPI(ML) is the only genuine communist party in Chinese eyes. The Communist Party of China conferred "recognition" on the CPI(ML) by reprinting excerpts from its political resolution in the *People's Daily* (July 2, 1969). But there are two principal shades of Maoism in India—one represented by the CPI(ML) and the other by the Andhra Maoists.

Differences

There is broad agreement among the various Indian Maoist groups on the international general line. There is also broad agreement among them on the stage of the Indian revolution, though the CPI(ML) identifies it as the people's democratic stage (semantically this is in agreement with the CP(M)'s) while the Revolutionary

Communist Committee of Andhra Pradesh calls it the new democratic stage.

The first point of difference begins with the very beginning. The manner in which the CPI(ML) was formed has not met with approval of many of the Maoist groups. The first countrywide co-ordination of Maoists took place in the form of the All-India Co-ordination Committee of the Revolutionaries of the CPI(M) in November 1967 and it included Maoists who had left the CPI(M) or had been expelled as well as those still in the party. The co-ordination was not a party or even the nucleus of a party and its sponsors wanted a party and programme through a process of revolutionary struggles. After the Burdwan plenum of the CPI(M) in April 1968, the majority of the party's membership in Andhra Pradesh was in revolt and the Andhra Pradesh Co-ordination Committee of Communist Revolutionaries was formed. It sought affiliation to the All-India Co-ordination Committee a few months later. But in February 1969, following serious differences with the Andhra Pradesh unit, the all-India co-ordination disaffiliated the unit.

Alongside, at the same meeting (February 1969), the AICCCR decided to go ahead with the formation of a new party, contrary to its own views earlier against any hasty step towards the goal. For instance, in May 1968 the AICCCR, reviewing the year since Naxalbari, renewed its call for building a "true communist party" in the course of Naxalbari-type struggles, for "revolution cannot be victorious without a revolutionary party." But Charu Mazumdar, the principal theoretician of the AICCCR, was not sure that the time had come for the formation of a new party. He wrote that "the primary conditions for building up a revolutionary party is to organise armed struggle in the countryside" and that a Maoist party cannot be formed merely by gathering together "the various so-called Marxists who profess the thought of Chairman Mao Tse-tung and revolt against the leadership of the party..."

But in February 1969, the AICCCR leadership decided on the immediate

formation of the party. Its resolution said that an excellent revolutionary situation existed in the country and there was growing unity of revolutionary ranks. The political and organisational needs of a fast developing struggle could no longer be met by a co-ordination committee because "without a revolutionary party, there can be no revolutionary discipline and without revolutionary discipline the struggles cannot be raised to a higher level." Its earlier idea that a party should be formed only "after all the opportunist tendencies, alien trends and undesirable elements have been purged through class struggle is nothing but subjective idealism. To conceive of a party without contradictions, without the struggle between the opposites, i.e. to think of a pure faultless party is to indulge in idealist fantasy." Thus the CPI(ML) was formed from above. Kanu Sanyal said at the Calcutta Maidan rally on May 1, 1969, that those who speak of building a party through struggle are indulging in petty-bourgeois romanticism.

In contrast, the Revolutionary Communist Committee of Andhra Pradesh (formerly the State Co-ordination Committee of Communist Revolutionaries) believes in building a party in the course of revolutionary struggle. It has taken a decision in principle to form a party but thinks, as its journal *Janasakti* made clear, that revolutionary action should precede the formation of a revolutionary party.

But the differences between the CPI(ML) and the Andhra Maoists relate primarily to the tactical line. The first difference is over the principal contradiction in India. The second difference, obviously an offshoot of the first, relates to the form of struggle. Or, more specifically, to three sub-issues: Is guerilla warfare the only form of struggle in the present stage in India? Is there any need for mass organisation to carry on the democratic struggle? Should a Maoist party be a secret organisation?

These are the issues being debated within and among the various Maoist

groups in India, including the Andhra Maoist group.

Main Contradiction

The CPI(ML)'s political resolution identifies the principal contradiction in India as between feudalism and the masses of the peasantry and the immediate task as people's democratic revolution, the main component of which is agrarian revolution to end feudalism. "Comprador-bureaucratic capitalism and United States Soviet imperialism", being the main props of feudalism, have to be fought too. Some of the other groups think imperialism is the main enemy and feudalism and comprador bourgeoisie survive only with the help of imperialism. The *Immediate Programme* of the RCC of Andhra says that India is a "neo-colony" exploited by the U.S., British and Soviet imperialists and along with imperialism, feudalism is also an exploiting force. "The task of the new-democratic revolution is to destroy imperialism, feudalism, comprador bourgeoisie and the bureaucratic capitalism i.e., the big bourgeoisie and then to establish a new-democratic State".

The CP(ML)'s class strategy is one of a "revolutionary front of all revolutionary classes" according to its political resolution; which commends Mao Tse-tung's theory of people's war as the only means of struggle. It says, "If the poor and landless peasants, who constitute the majority of the peasantry, the firm ally of the working class, united with the middle peasants, then the vast section of the people will be united and the democratic revolution will inevitably win victory. It is the responsibility of the working class as the leader of the revolution to unite with the peasantry—the main force of the revolution—and advance towards seizure of power through armed struggle. It is on the basis of worker-peasant alliance that a revolutionary united front of all classes will be built up." But the party does not seem to be clear how to achieve the task of building a "revolutionary front of all revolutionary classes". The CPI(ML)'s documents repeatedly emphasise guerilla warfare waged

by the peasantry against the landlords as the only form of struggle in the present stage of revolution. There is little mention of the need for mass organisations or for an agrarian programme as a concomitant of peasant struggle. To go by published material, an article by Charu Mazumdar in *Ghatana Prabaha* (Vol. II, No. 1) is revealing. Rejecting the ideas of a mass organisation, he advocates the building of a secret organisation through which the poor and landless peasants can establish their leadership of the peasant movement. "Obviously all the peasants do not at first wage guerilla war, it is started by the advanced, class conscious section. So at the beginning it may appear to be the struggle of a handful of people. It is not the Che (Guevara) style guerilla war because this war is started not by relying on weapons but on the co-operation of the unarmed people. So this struggle could be started only by propagating the politics of seizure of power among the peasantry and this task can be achieved by the party unit formed of poor and landless peasants. *The party unit can fulfil this task only by organising guerilla war by poor and landless peasants... Guerilla war is the only tactic of the peasant's revolutionary struggle.* This cannot be achieved by any mass organisation through open struggle." (Italics added).

The main criticism by other Maoist groups is that the CPI(ML)'s line of thinking is opposed to Mao Tse-tung's thought because by considering armed struggle by the peasantry the *only* form of struggle, it is minimising or even ignoring the role of the working class and the tasks in the urban areas and the role of mass organisations.

Andhra Line

As for the Andhra RCC the emphasis is not on armed clashes with the landlords and the State authority through a handful of revolutionaries but on mass armed struggles. A statement on armed struggle (July 1969) notes that "only through mass revolutionary rallies, revolution-

ary organisation and mass armed struggle we can dissolve the present big landlord, big bourgeois imperialist system."

The contours of the revolutionary front the Andhra RCC has in view are: "The working class will lead the united front. Along with workers and peasants, middle classes and (the) national bourgeoisie will also be in this united front", to achieve the new-democratic revolution. The line is based on the inseparable relationship between the party, armed struggle and united front.

A document, devoted to examining the RCC's differences with the Sri-kakulam unit affiliated to the CPI(ML), on the conduct of the Girijan armed struggle in Srikakulam tribal tract, clearly declares that to begin guerilla struggle, participation of the masses is a necessary condition. An agrarian programme is the basis of all peasant struggle. According to the RCC, the starting, development, consolidation and extension of all the struggles of the peasantry would have to be based on an "agrarian revolutionary programme". Liberation for the peasantry means liberation from the landlord-imperialist system. Though complete liberation is possible only after the establishment of base areas, seizure of power throughout India and after the establishment of a new-democratic government, "liberation begins with the starting of class struggles, with the starting of anti-landlord struggles, with the starting of the Agrarian Revolutionary Programme", according to the document.

Elections

On the call for boycott of elections the RCC's *Immediate Programme* urges action to implement the RCC's earlier decision to boycott the panchayat elections in Andhra Pradesh. It is not a mere question of the Revolutionary Communists boycotting the poll but one of persuading the people not to participate in the elections. "To achieve this we must mainly depend on the consciousness and organising capacity of the people. No short-cut methods are to be allowed or treaded", it warns, because "we

must specify that the issue at hand is not mere boycott of elections by the people" but "to convince them that people's war is the path for them and that the village soviets and people's committees which would constitute the foundation of the "new people's democratic revolutionary State" in the villages and provide the leadership for implementing the agrarian programme.

The RCC thinks that its attempt to give a positive content to the slogan of election boycott at the grassroots level gives a new dimension to the concept of organising the peasantry for action. Where the RCC commands the majority following in a panchayat village, boycott of elections leads to an unprecedented situation. The majority will be outside the government-sponsored panchayat committee and form their own parallel "people's committee". The people's committees in the "boycott" villages will function in competition with the government-sponsored committees, the sanction coming from the majority of the people. These committees will undertake law, revenue, village defence (against attacks of landlords or government machinery) tasks and when the peasant struggles move to higher forms, would become the village soviets. These committees would also work as the united front committees, initiate and carry out agrarian reform and will play their role in the armed struggle. Revolutionary communists would dominate these committees and provide the leadership but these would have the participation of agricultural labour and the poor peasants and others. As the movement goes ahead, a few representatives of the rich peasants might be taken in. But these committees are to have a clear class outlook and ideology.

The *Immediate Programme* clearly emphasises the role of mass organisations for the peasantry, working class, students and other sections of the people. In contrast the CPI(ML) seems to have a distrust of mass organisations and urban areas in general.

It would be quite some time before the major Maoist groups out-

side the CPI(ML)'s fold find agreement on a tactical line and form a new party or before there is a full discussion on a tactical line leading to a single, unified Maoist party in India. But at the moment the relationship between the CPI(ML) and other Maoist groups including the RCC is a non-antagonistic one, just as the relationship between the two non-Maoist communist parties is a non-antagonistic one.

But meantime, the application of the two different tactical lines—of the CPI(ML) and of the RCC—and their results would be a fascinating experiment to watch.

The Naxalite Tactical Line

ABHIJNAN SEN

EVER since the beginning of the Naxalbari movement an interminable controversy has been going on over the question of strategy and tactics of the Indian revolution. The amount of polemical literature that has so far been churned out may well fill several volumes. So the present article does not intend to add to these staggering volumes. Its purpose simply is to trace in bare outline the evolution of Naxalite tactics in the countryside. To be more precise, the focus is strictly on the principal Naxalite stream that organised itself as the CPI(ML).

The tactical line of mobilising and rousing the peasantry through "annihilation of class enemies" which was finalised around April 1969 had, however, been taking shape for quite some time. One of the first important attempts in this regard was made by Kanu Sanyal in his "Report on the Peasant Struggle in the Terai" (*Deshabrati*, October 24, 1968). The report dealt not only with the tactics actually employed by the revolutionary peasants of the Naxalbari, Kharibari and Phansidewa areas but made some general observations about the tactics to be employed in the next phase of the struggle.

The broad strategic objective of the communist revolutionaries who launched the Naxalbari struggle is to liberate the countryside by waging a protracted people's war and then encircle the cities. Naturally one of their principal tactical problems relates to the mobilisation of the peasants for armed struggle and creation of liberated areas. Kanu Sanyal described in detail the way the peasants were drawn into the struggle and how they set up an embryonic form of people's power in a limited area.

The process of politicalising the peasants of the area had started quite a few years ago. The local peasants' association under the leadership of the revolutionaries had in the past launched a number of struggles on partial and economic demands. A qualitative change came in March 1967 when the Peasants' Association of the Siliguri sub-division called upon the peasants to launch a struggle for the seizure of political power. Specifically the peasants were urged to establish the control of the peasant committees on all the affairs of the village, to get organised and armed for smashing the resistance of jotedars and other reactionaries, to break the monopolistic hold of jotedars over land and redistribute them through peasant committees. In response to this call thousands of peasants held numerous group discussions and meetings, formed branches of peasant committees and armed themselves. As Sanyal noted, since every small struggle of the peasants had in the past encountered armed repression the slogan 'political power grows out of the barrel of a gun' had a magic effect in organising them. Thus after the peasants had been aroused and organised they went ahead to implement the decisions of the Peasants' Association.

The ten principal activities of the peasants listed by Kanu Sanyal give an idea of the methods by which the decision was implemented. The first achievement of the peasants was to strike at the monopolistic land-holding of the jotedars which is the basis of the latter's political, economic and social dominance. The land of the whole of Terai was "nationalised"

for redistribution among peasants. The second, third and fourth categories consisted in the destruction of all land records and papers concerning debt and seizure of foodgrains, livestock and other properties of the jotedars for redistribution among the people. The fifth was public trial and execution of jotedars known for their oppressive past or of those who resisted peasant struggle. Their other achievements, according to Kanu Sanyal, consisted in the building up of a village self-defence force armed with home-made and captured weapons and replacement of bourgeois-feudal power by people's power.

One thing that comes out clearly from Sanyal's report is that, although initiated by the revolutionaries of the Peasants' Association, the Naxalbari movement was something of a mass upsurge in which spontaneity and mass initiative far outweighed the planning and discipline required of a revolutionary movement. Without proper politicalisation, military experience and discipline the movement suffered setbacks in the face of police repression. The very open and public nature of their declaration and preparation for armed struggle must also have exposed them too much before they could get sufficiently organised. Perhaps that is why Kanu Sanyal suggested that in the next phase of struggle they would set up party units which will not only be armed but will also be "trained to maintain secrecy". Such party units will propagate Mao's thoughts, intensify class struggle and "as guerilla units strike and annihilate class enemies". They were also expected to participate with the people in production whenever possible.

Mazumdar's Suggestions

A conference of the revolutionary peasants of the Naxalbari area held in September 1968 reaffirmed the line suggested by Sanyal—the building of party units to propagate Mao's thoughts, intensify class struggle and launch guerilla attacks on class enemies, police informers and even the army if such opportunity arises. So far the sole concern of the party

unit, it had been thought, was associated with armed struggle for the seizure of political power. However, Charu Mazumdar had by that time just come up with some additional suggestions about the tactical line. In an article entitled "To the Comrades" (*Deshabrat*, August 1, 1968) he said, "the comrades who are working in peasant areas, while engaged in propagating politics should not minimize the necessity of placing a general slogan on economic demands. Because without drawing the large section of peasants into the movement backward peasants cannot be brought in a position to grasp politics or keep up their hatred against class enemies." In another article published in *Deshabrat* (October 17, 1968) Charu Mazumdar further elaborated on the problem of mobilising the backward sections of the peasantry. While insisting on the necessity of secret political propaganda by the party so as not to prematurely expose it to repression, he however, pointed out that backward peasants would be late in grasping politics under this method. "And for this reason", he wrote, "it is and will be necessary to launch economic struggles against the feudal classes. For this reason it is necessary to lead movements for the seizure of crops, the form of the struggle depending on the political consciousness and organization of the area." He further stated that "without widespread mass struggle of the peasants and without the participation of large sections of the masses in the movement the politics of seizure of power would take time in striking roots in the consciousness of the peasants".

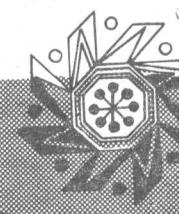
This line of launching mass struggles for economic demands did not, however, quite fit into the tactics of secret politicalisation by underground and armed party units. Implicit in Mazumdar's writing was that both these methods of arousing the peasants would continue simultaneously. But the open nature of the mass struggle for economic gains would expose the party apparatus and defeat the purpose of secret political propaganda by the party units. This dilemma was resolved in mid-1969

when, drawing on the teaching of Lin Piao that "guerilla warfare is the only way to mobilise and apply the whole strength of the people against the enemy", Mazumdar said, "the revolutionary initiative of wider sections of the peasant masses can be released through annihilation of class enemies by guerilla methods and neither mass organization nor mass movement is indispensable before starting guerilla war." (Quoted in *Deshabrat*, April 23, 1970, p. 11). Later he further clarified his stand to mean that mass struggle for economic gains would follow guerilla action, not precede or accompany it. In his "A Few Words on Guerilla Action" (*Deshabrat*, January 15, 1970) he explained in detail how after some preliminary propaganda work for the seizure of power has been done by the party unit, small guerilla bands would be formed in a completely conspiratorial way for striking down the most hated class enemies. After the first action has taken place political cadres would start whispering around innocently about the advantages to be obtained when the oppressors have left the area in fear or have been liquidated. Then the peasants could enjoy undisturbed the land and wealth of the village. Many peasants would now be shaken out of their inertia and encouraged to join the struggle. "When quite a number of offensive 'actions' have taken place and the revolutionary political line of annihilating the class enemies has been firmly established" only then the political cadres would give the general economic slogan 'seize the crop of the class enemy'. This slogan will achieve miracles. Even the most backward peasant would now join the struggle".

Guerilla Action

The long way that has been travelled by the revolutionaries since the Naxalbari struggle can best be guessed by comparing Kanu Sanyal's report with that of the Bengal-Bihar-Orissa border regional committee of the CPI (ML) on the Debra-Gopiballavpur struggle published in *Deshabrat*, April 23, 1970. As the report self-critically admits, initially the re-

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volutionaries of the area had a vague notion about a Naxalbari-type of armed peasant uprising and they hoped that guerilla bands would emerge out of armed clashes for the seizure of crops. But in practice they could not adopt any specific programme other than propagate the politics of seizure of power through armed struggle. Rather by resorting to pure economism and public demonstrations at places they exposed the organization and invited repression. The movement for the time being was in the doldrums. It was only after Charu Mazumdar had given the line of starting guerilla warfare through annihilation of class enemies that they could break out of their inertia, it was stated. On August 21, 1969 the regional committee of the CPI(ML) met at Soormuhi and decided upon launching an annihilation campaign against class enemies. As the report said, the very first armed action which was not even successful released the floodgates of peasant initiative, which could not have been possible by their propaganda work. "With every action mass initiative and class hatred of the peasants started growing and so did rise the level of their political consciousness." Simultaneous political propaganda also helped the process. After two months of guerilla offensive against jotedars in November 1969 thousands of peasants, it was claimed, rose up in arms. Under the leadership of the party armed peasants seized all the crops of oppressive jotedars and those of enemy agents. Many jotedars were disarmed and fled the villages. The peasants set up people's courts to try the oppressors. They secured the return of all their mortgaged property from the moneylenders. The jotedars who stayed on agreed to abide by the dictates of the peasants who fixed the wage for khetmajurs (landless labour-

ers). Shop prices were also fixed by them. In the wake of this came brutal police repression. But, as the report says, "after the taste of liberation they had, any amount of repression would not be able to rob the peasants of their dream of bright days of liberation in future." Faced with the encirclement and suppression campaign by Eastern Frontier Rifles the guerilla squads dispersed over a wider area and carried on their annihilation campaign simultaneously with political propaganda.

The way the struggle in Gopiballavpur, Debra and Baharagora started and developed sets it apart from the Naxalbari struggle. In Naxalbari thousands of peasants responding to the call of the Peasants' Association sprang into action, concentrating mainly on the seizure of land, the basis of feudal domination. In the Gopiballavpur area the struggle was launched by small guerilla squads. By delivering lightning blows at the class enemies they created a sort of power vacuum in the area into which thousands of peasants moved in, seized crops and properties and set up peasants' rule. Kanu Sanyal stressed at the end of his report the necessity of thoroughly carrying out revolutionary land redistribution. But the report on the Gopiballavpur, Debra and Baharagora struggles summarised above does not mention this aspect. Rather than formal redistribution of land the emphasis seems to have been placed on the actual control of the peasant committees on village affairs including appropriation of crops. Compared to Naxalbari this struggle appears to be much more disciplined and planned. It is claimed that the "Red power" which came into existence, even if temporarily, helped to politicalise and enthuse the peasants. Political consciousness of the peasants has in fact been raised to such a level that the police as well the administration, as admitted even by the bourgeois press, find the local people totally un-cooperative and often hostile. All this perhaps explains why the struggle in Gopiballavpur has survived and continues to develop in the face of massive repression.

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The Worker And His Leaders

NIRODE ROY

A top brass of the British Trade Union Congress once viewed Capital and Labour as two sides of industry, working towards a common goal, recognizing the merit of one another, understanding the rules of the game and observing them. "The spectators", he further added, "will enjoy a good match with no stoppages for foul play; the respect of the players for one another and the respect for the quality of the play will also be good for the future."

Our national trade unions—all speaking in favour of one or other kind of socialism and committed to major social change—have been overtly in love with this two-sides-of-industry theory. While a few have consistently advocated a philosophy of class collaboration in the name of national progress, the others, in course of their 'class war', allowed their political struggle to blend with economic struggle in the form of trade union strikes. This has given rise to more or less permanent organisations of a blended type as we see today in the shape of left trade union organisations on the national scale.

The Indian industrial labour, though constituting a small fraction of the total population in 1921, drew considerable attention from British social democracy. A deputation of the British trade unionists waiting upon the Secretary of State for India in March 1921 observed :

"You cannot have industrialisation of a great empire like India without the assistance of organised labour, and therefore just as you have got to use capital and research you have got to try and see that labour is properly and carefully organised."

This observation came just about a year after the formation of the AITUC which held its first session in Bombay under the presidency of Lala Lajpat Rai who was then also

the President of the Indian National Congress. In early days the bourgeois nationalist leaders came forward to 'render assistance' to the single body—the AITUC—in its task of organising workers. Men like C. F. Andrews, C. R. Das, J. M. Sengupta, Nehru and many others remained actively associated with the undivided AITUC in its early period.

By that time a distinct trend had emerged in the Indian labour movement. This has subsequently come to be known as the Gandhian way. Ansuyaben Sarabhai, a member of the well-known Sarabhai family, organised the Ahmedabad textile workers into the Ahmedabad Textile Labour Association and led a strike of the textile labour in 1918 over an issue called Plague Allowance. This strike remains a landmark in the history of Ahmedabad labour. Gandhi gave a philosophy and his conception of Capital and Labour relationship can be best described in his own words :

I have always said that my ideal is that Capital and Labour should supplement each other. They should be a great family living in unity and harmony, Capital not only looking to the material welfare of the labourers but their moral welfare also—capitalists being trustees for the welfare of the labouring classes under them."

Gandhi's philosophy of class collaboration was widely acclaimed by the Indian bourgeoisie for obvious reasons. It was equally well received by a section of trade union leaders who with exemplary dedication and mature professional skill did all they could to curb the rebel in the Indian proletariat, and led the working class through the maze of the Trade Disputes Act and arbitration awards to win concessions from the bourgeoisie. As the size of the cake became bigger and bigger in Ahmedabad, Bombay and other parts of the country, slices, however lean, started arriving at the workers' end through the good offices of these gentlemen leaders who belonged almost all without exception to the petty bourgeoisie, and served cons-

cientiously the cause of the two-sides-of-the-industry concept.

The INTUC is an organisation of such gentlemen under the patronage of the bourgeoisie. Its strongest affiliated body was the Textile Labour Association of Ahmedabad. Its basic philosophy has been "....a change of heart and outlook of all whether he was a worker or an employer." One of its patrons, Sanjiva Reddy, when he was the Chief Minister of Andhra, went a step further by saying, "There should be no occasion for strikes when the Government was constituted of representatives of the people". According to another, Michael John, the INTUC leader at Jamshedpur, the Government should give "legal sanction to the method of voluntary arbitration making it compulsory for the labour and employer to submit their disputes to arbitration."

The Left Trade Unions

Viewed against the foregoing, it would be reasonable to expect something different from the country's Left, particularly when its different sections though differing with each other on 'ideological grounds', were committed to revolution and socialism. The British social democracy's concern for Indian labour on the morrow of the October Revolution was more out of fear of an emerging proletariat taking the path of revolution than its desire to "draw-on-the-plentiful-to-make-up-for-the-scarce". Although the AITUC was born in 1921, the Communist Party did not quite come into existence till 1929 when most of its leaders were thrown into prison on a charge of conspiracy against the Crown.

The economic depression in 1929 and the widespread labour unrest in India had a special significance to the Communist International. In its theses the Comintern Executive mentioned in 1929 :

"The main features of the recent strikes in the colonial and semi-colonial countries.....indicate that even where the movement broke out spontaneously, it was of a profound revolutionary

character.....The major task for all the Communist and revolutionary workers of these countries is (to) secure working class leadership in all economic fights, eliminating from the strike committees the national-bourgeois and social-reformist elements, and elevating the economic actions of the workers to a higher stage of struggle." (emphasis ours)

Like their counterparts in Ahmedabad and Bombay, the communist trade unionists came from petty-bourgeois stock. There is nothing wrong in that because the early communists in almost all countries came from the intelligentsia. In the process of the party's growth, the intelligentsia had either to give up its petty-bourgeois predilections to make room for a genuinely revolutionary proletarian leadership, as it happened in China, or usurp the leadership of the party to hitch it to the reformist bandwagon.

The communist intelligentsia which constituted the leadership of the party in India could neither grow out of its petty-bourgeois past, nor could it successfully lead battles against the social-reformist milieu. As a result, the party never became an instrument of profound change. All it could achieve was to get into its fold a segment of the restless youth and a section of the proletariat, who, under the petty-bourgeois ideology of the party, was obliged to drift away from the path of revolutionary struggle, while remaining partially satisfied with small economic advancements.

"The agrarian revolution", observed the Comintern in 1929, "is the pivot of Indian revolution." This point was totally missed by the Indian communists. Their main emphasis remained more on the city proletariat than on the peasantry, for did not Marxism teach us that it was the proletariat which could bring about a revolutionary transformation of society? It was the same in China with her Li Li-Sans, Wang Mings and 'foreign returned communists', and would have perhaps continued

to be so had not the country been in a different objective situation and the privilege of being led by a person like Mao Tse-tung.

Since the revolution was to be made by the proletariat, the cities became centres of 'revolutionary activities'. The communists did not have to move out to the countryside. The city amenities, however meagre in a colonial country like India, were many times more attractive than those available in the rural areas. The bourgeoisie, however mean, was not ruthless yet. When it was compromising with imperialism, sitting over a volcano, why would it grudge a few concessions to the not-too-recalcitrant proletariat? After all, did not the Father of the Nation give the bourgeoisie the role of trustees for the welfare of the labouring classes?

The bankruptcy of the petty-bourgeois ideology of the Communist Party reached its magnificent height when after being expelled from the Congress in December 1945 it declared in a manifesto for the 1946 elections to the central and provincial legislatures, "Vote Communist—For Congress-League-Communist United Front for the final battle of the Indian liberation." After a brief spell of 'left sectarian adventurism' between 1948-1950, the Communist Party by 1957 had in practice accepted the political system in India. Its policy towards the Five-Year Plan as formulated by Dange was :

"A two-pillar policy—to help in the development of the economy and to defend the interests of the working masses in that economy. Therefore, the party's support to the Plan was in relation to the country and not in relation to the class, who owns the factories or forms the government."

The Communist Party conceded that India was a 'bourgeois democracy'. Therefore, according to Dange, the "trade unions have a role to play in protecting, using and further developing this parliamentary democracy." Class struggle, dictatorship of the proletariat or the people's

democratic dictatorship were remembrances of things past. The meaningful future would be the National Democratic Front which "will draw in its ranks not only the masses following the Congress but also its progressive sections", and the task of the Communist Party was "to make ceaseless efforts to forge unity with the progressive forces within the Congress directly and through common movements".

Therefore, the choice before the proletariat was no longer the dangerous path of class struggle; it was one of protecting and further developing parliamentary democracy. The petty bourgeoisie was ubiquitous, it pervaded the communist movement. It took upon itself the task of defending the rotten system of indirect colonial rule. The total capitulation came in 1962 when in the name of defending parliamentary democracy, the yet undivided AITUC became a participant in a conference convened by the Government which resolved :

"No effort shall be spared to achieve maximum production, and management and workmen will strive in collaboration in all possible ways to promote the defence effort of the country and reaffirm their pledge of unstinted loyalty and devotion to the country."

The Split And After

Such revisionism—double distilled—met opposition from the ranks and caused a split within the Party. The CPM after the split came out solemnly : "We must break with economism". The basic weakness of the trade union movement, according to the CPM, was the "reformist outlook of the leadership, the divorce of the trade unions from the general political struggle and the reformist policy of economism on the trade union front." From this it would be legitimate to expect that the party would elevate—what the Comintern thought in 1929—the economic actions of the workers to a higher stage of struggle. And this higher stage of struggle means forging an alliance with those classes in

the society which are oppressed by feudalism, bureaucratic capital and imperialism. This requires a clear assessment of the motive forces of the revolution, and once the motive forces are defined a united front of all the relevant classes has to be forged through concrete political struggle with the ultimate objective of winning the state power.

Recent events prove that the Marxists have significantly failed in this task. The United Front did not engender unity of the revolutionary classes. It degenerated into a front of several quarrelling petty-bourgeois parties, each contending for its priority in the queue. What the working class gained during this period was gradually lost in the wake of lock-outs, closures and retrenchment. Only a small portion of the peasantry in the countryside has been set into motion; the revolutionary transformation of the countryside is still a cry in the wilderness; revolutionary land reform and a land verification movement are things yet unheard of in the rural areas. The Kisan Sabhas have continued to remain weak, and the weakness of the kisan movement

"arises out of the dual character of the leadership of the organisation. This in turn is the consequence of the operation of parallel interests of the leadership as small land-owners in villages and as salaried employees or their colleagues in urban areas. While they fight for their own democratic rights and economic uplift in towns and cities, they hesitate to raise their voice to secure higher wages for agricultural labour in rural areas in view of their own involvement there as employees."¹

Due to its lack of understanding of the motive forces of the revolution, the CPM though 'abhorrent of economism' has willy nilly practised the cult in a not too disguised form. Movements for higher wages, better living conditions and larger share of profit-sharing bonus have come to be substitutes for proletarian strug-

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gle for the seizure of state power. The party which revolted against its loss of identity and total capitulation to the bourgeoisie has failed to present a viable alternative before the people. Being petty-bourgeois in ideology and character, it has remained a prisoner of its petty-bourgeois past.

When the Communist Party—an agent of historic redemption—remains petty-bourgeois in ideology and character, revisionism pervades life. The worker loses his basic political objective. There is, however no denying the fact that the organised workers have economically 'progressed' in course of the last three decades. And this has been made possible only through continuous struggle of the working people for higher wages, better living conditions and firmer trade union rights. But how much the proletariat has had the transformation into a class in keeping with the growth not only of its unity, but also of its political consciousness? Once the process of blending sets in, one's socialism and theory of class struggle increasingly appear to be respectable, and words like industrial harmony, peace in industry, etc. gain wider currency. A certain amount of rapport becomes essential between the professional manager and the trade union leader for, haven't they got to play the same game to the satisfaction of the spectators? Persons who are drafted for work as professional managers "belong socially to the same group to which the union leaders belong. It is possible for the two to establish rapport. It has been the recent practice for them to discuss on a common platform issues which promote industrial harmony."²

Modern revisionism is Janus like; its one face looks towards the bourgeoisie for sustenance and the other towards the proletariat for its growth. One's desire to make a revolution is not enough; the test lies in how much one is prepared to stick out one's neck for it. Ultimately, it is the party as well as the classes which will

decide the future course of history. This country has to wait, God only knows how many years, till an elite of professional revolutionaries rises to

power by anchoring itself to the dynamics of peasant discontent, and fulfils the messianic call of the October Revolution.

Between The Lines

N. K. SINGH

JUST like our interviewee, the winter night too was getting older. When this correspondent asked the noted 70-year-old Gandhian philosopher, Pandit Sunderlal, to throw some light upon the Sino-Indian boundary dispute, our common host at Allahabad pulled a face and withdrew from the table. (Of course without apologising—but then who apologises to traitors?).

According to Pandit Sunderlal, the late Mr Nehru had wanted to keep good relations with China. Those were the days of goodwill delegations making reciprocal visits, the will of newly independent India and China for mutual friendship on the basis of Panchsheel, etc. But the Indian capitalists disliked these things.

During 1957, the People's Republic of China started building a highway from Tibet to Sinkiang which ran across Aksai Chin. Indicating the Swatantra, the Jana Sangh, the SSP and a section of the Congress, Pandit Sunderlal said that the pro-American bloc started a row in the Indian Parliament about why a military cantonment was being constructed at our peaceful border. Mr Nehru wrote to the Chinese Prime Minister, Mr Chou En-lai regarding the matter, and the latter stated that the real danger to India was from the Americans who were creating a threat to peace in Asia by means of their huge military bases in West Pakistan.

China claimed that Aksai Chin was inside her territory, while on the other hand Indian maps showed the area inside India. It should be noted that Aksai Chin is very important from the military point of view. But since both sides had different sets of

maps it was decided to solve the problem through discussions.

The Sino-Indian boundary runs along 2,600 miles. At some places Indian and Chinese maps show differences, thus creating about 50,000 square miles of disputed area. It should be noted that the Chinese maps were prepared by the Americans during the Chiang Kai-shek regime while those of India were done by the British imperialists at a time when both Americans and British were competing in the power race, taking Asia as their happy hunting ground. It was natural that both prepared their maps in line with the old imperialist expansionist policy. Out of these 50,000 square miles of disputed area, 12,000 was under Chinese occupation, 20,000 miles was no-man's land and the remaining 18,000 square miles was under Indian occupation.

The Chinese Premier Chou En-lai proposed to meet Mr Nehru in India and decide the matter. The meeting took place at Delhi in 1960. Though the talks lasted six days, Mr Chou En-lai declared on the very third day that there was a jungle of claims and counter-claims and the matter could not be decided easily by producing just a vast and varied amount of materials and documents. Since such boundary problems were natural enough between two neighbours, he proposed that the matter should be decided on a 'give and take' basis. China offered that out of the 50,000 square miles of disputed area, India might have 38,000 square miles while China would keep the remaining 12,000 square miles, i.e., Aksai Chin which was under Chinese occupation at the time of the talks.

^{1 & 2}: Report of the National Commission on Labour, 1969.

Pandit Sunderlal said that while Nehru thought the idea was nice the other 'great' members of his Cabinet thought that the proposal only further revealed the expansionist policy of the communist dragon. Owing to the pressure both inside and outside his Cabinet and Parliament (which created a threat to his Ministry too) Nehru declined the Chinese offer : "We have to satisfy our people," he said. "And haven't we got people?" asked the Chinese side.

The two Prime Ministers did not succeed in resolving their differences but it was announced at the conclusion of their talks that the officials of the two governments would meet to examine all relevant documents in support of their respective stands. An Indian White Book was published on the occasion. While reading it, Pandit Sunderlal found himself in a jungle of claims and counter-claims, described by Nehru himself as 'a forest of data.' ("China's Betrayal of India pp. 28—published in November 1962 by the Government of India). In Pandit Sunderlal's view the dispute could have been resolved only on a 'give and take' basis in a spirit of mutual understanding and friendship.

When asked what should be the Gandhian solution of the problem as 'you're a Gandhite yourself and have been a close associate of Gandhiji', he declared in firm words that had Gandhi been alive, he would have done the same thing as stated by him (Sunderlal) earlier. Perhaps he would even have left the entire problem for the Chinese to decide.

In the meantime China gave a new proposal : she would give 12,000 square miles from her own territory instead of the 12,000 miles of Aksai Chin. Thus India was going to get

a total of 50,000 square miles. This offer was conveyed to Nehru through Sunderlal. He liked the idea and asked the latter from where this land would be given to India. The reply was, sit and decide. But when Nehru put the offer before his Home Minister Mr G. V. Pant, he was not ready to accept it. He insisted on Aksai Chin.

It was decided that neither of the two parties would enter into the no-man's-land (20,000 square miles). But on October 12, 1962, Nehru declared that he had issued instructions to the army to clear out the Chinese frontier guards from what he termed invaded areas. On October 14, the then Defence Minister, Mr Krishna Menon, called for a fight to the last man and the last gun against China.

China warned India three times against violating the agreement and intruding into the no-man's-land. But quite a few divisions under the command of Lt. Gen. B. N. Kaul, were deployed. Then China "aggressed", sweeping off all the divisions. Just because the Chinese advanced rapidly when they struck back in self-defence, could you call them aggressors?

China advanced till she had won the whole disputed area. Had the Chinese wished, they could have advanced into Assam. But on November 21, they announced a ceasefire and a unilateral withdrawal on their own initiative.

Pandit Sunderlal said that despite the incessant anti-China clamour of the Indian Government, China has never considered India her enemy. The Chinese behaved very well with the captured Indian jawans—"even Vinoba Bhave praised the Chinese for this".

Historically the Chinese and Indians have always lived in friendship. There is no fundamental conflict of interests. We both shoulder heavy responsibility for safeguarding world peace and opposing imperialism. Whatever was done and is being done by the Indian Government is under the pressure of foreign powers", said Pandit Sunderlal.

Intervention In A People's War

D. G. SATARKAR

EVER since the Americans extended the Vietnam war to Cambodia about two months ago, China's intentions and plans have become a subject of speculation. "What will the Chinese do" is the currently popular question. Mao Tse-tung made an unusual statement on May 20 partly, answering this question. He made three points. (1) the danger of a third world war persists; (2) the Indo-Chinese people have to fight this war together; and (3) even a small country can defeat the mightiest provided it has the determination and the will to do so.

It will be noted that Mao is now talking of an Indo-Chinese war. The United States has never respected the national boundaries in this war. Thai bases are used for bombing Laos and Vietnam. Laos is bombed as a testing ground for bombing Vietnam. Laos has experienced chemical and biological warfare as long as, if not longer than, Vietnam. The domino theory was mooted years ago as a justification and rationalisation for use of Thai or Laotian territory (possible later extension to other territories) to combat communism. The Vietcong, however, were fighting a Vietnamese war, evidently hoping that it would be limited to Vietnam. The French were beaten in an Indo-Chinese war (and not only a Vietnamese one); yet the Vietcong had observed the rules of the game. They kept it limited to Vietnam with Pathet Lao fighting in Laos. The Americans have now played their presumably last trump card. They have transformed these wars into one war for Indo-China. Events are taking the inevitable turn. The Indo-Chinese people have got to fight together. The French went in for an all Indo-China war. Now the Americans want to do the same. Evidently, Nixon wants to emulate the French example. Mao has un-

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derlined that. It was not as if the Vietnamese did not know this but they wanted to avoid it. Mr Nixon has taken a position that it should not be done. Those in this country who are upset about the Vietnamese presence in Cambodia have to thank Mr Nixon's spring adventure for the same.

Mao has underlined, in a way lent his authority to, this extended line of defence. He has also emphasised that it has to be an Indo-Chinese people's war; thus implying the kind of work that needs to be done in Cambodia, a hapless little State drawn into the war by the Cambodian bureaucratic military élite which, evidently, is jealous of Thieu and Kys who have prospered under American patronage for a small price of Vietnamese blood! Whether Gen Lon Nol was installed in Phnom Penh by the CIA or not is an irrelevant debate; for there are potential Lon Nols in every society who want power for themselves and grab it when the time comes. Mao wrote long ago in his "Problems of War and Strategy" that the communists are distinguished from these "patriotic generals" inasmuch as they do not contend for personal military power... but they must contend for military power for the party and the people...

Substitute "liberators" for the communists and "liberation" for the party and the strategy for Cambodia emerges in all its clarity. It would seem that Mao has re-emphasised this in his May 20 statement.

What is the role of the 'Liberation Army'? In any analysis of China's intentions or Mao's statement, this question is central. Lin Piao writing in the *Red Flag* more than a decade ago (October 1, 1959) said:

It participates directly in the seething, stirring mass movements in which, at the same time, it receives the greatest and best training... The reason why the PLA, under extremely difficult conditions, has been able to defeat an enemy far superior both in equipment and numbers is precisely the fact that it is an armed

force that has flesh-and-blood ties with the masses.

It is clear that the question of fighting the Americans in Indo-China (or anywhere in a people's war) is one of creating and building a Liberation Army out of the masses of the country concerned.

Intervention?

This leads us directly to the question whether China would intervene in this war. In September 1965, when Lin Piao wrote his famous article about "the countryside surrounding the cities", the experts drew the conclusion that this article, in fact, indicated that the Chinese would not intervene. It was taken to be a statement of moderation on the part of China.

It was a correct interpretation to the extent it argued that China would not intervene in Vietnam. Today, to interpret Mao's May 20 statement as implying that China would not intervene in Cambodia seems to be correct too, but for wrong reasons.

A war of aggression and counter-revolution is different from a revolutionary war of liberation. The logic of the allies joining hands simply would not apply here; nor would it be necessary. In other words, you cannot fight somebody else's war of liberation. China intervened in Korea not to liberate the Koreans. The nature of the U.N. (U.S. to be more precise) action in North Korea was totally different. An established socialist State was being attacked. Other States can assist a liberation movement. They can help preserve a socialist State but they cannot fight other people's liberation struggles, for there is no such thing as fighting for somebody else's liberation. The process of liberation, Mao wrote in his "Protracted War", is mobilising the masses who when fully mobilised

create a vast sea and drown the enemy in it, remedy our shortage in arms and other things and secure the prerequisites to overcome every difficulty in the war.

It should be obvious that any liberating force in any area has to create these conditions in order to be successful at all. Prince Sihanouk's forces will have to achieve this in Cambodia. Nobody else can do it for him. He has to do it himself. No liberation army would be worth its name unless it achieves this. Lin Piao in his 1959 article cites this Mao quotation and adds

This relationship between the PLA and the masses of the people is determined by the very nature of the PLA and the very purpose for which it was founded.

This point has to be made and so elaborately for it is quite often argued that China avoids a direct confrontation with the United States and therefore is not interested in the liberation movements in the area. It is necessary to point out that foreign intervention in a people's war can take place only if the liberation army of that country itself finds it necessary. So far the experience is that it is not necessary. Americans, in fact, may like the Chinese to intervene so that their role in assisting Thieu and Nol can remotely be justified. It would not be in the interests of a Vietnamese guerilla to be advised and aided by a foreigner, for that might weaken his base. All wars are not the same. Americans have not yet learnt this in Indo-China even at the cost of 50,000 Americans' death later.

But it is not the West alone for which this lesson is relevant. In their polemics against the Russians, the Chinese have nowhere accused the Russians of not fighting in Vietnam or in Cambodia; for they know it cannot and need not be done. They have accused the Soviets of an utterly wrong attitude towards the United States. Because that does make a difference. After the brutal operation in Cambodia, after what we have heard on "Vietnamisation" of the war by the Americans, the *New Times*, the Soviet journal, has come out with a brilliant thesis that it is the Chinese who are making Asians fight Asians! One is stunned

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by this callous hypocrisy. The assistance that a people's war needs is not intervention but rather aid and a total stop to such nonsense as has been churned out by the *New Times* on May 22. Those who point to Mao's or Lin Piao's statements to establish that China does not want to intervene herself in these wars are employing the sophistry of power logic to establish the obvious. Worse still, they miss the essence of a people's war; for they ignore that people's armed force, to quote Lin Piao again, "has flesh-and-blood ties with the masses". Another reason why this happens is that somewhere at the back of their minds still lingers that strange Western notion that the liberation movements grow because of "subversion and infiltration" by a "foreign power". The Indo-Chinese people have demonstrated that they can fight their own war and they do not need intervention, American involvement in Cambodia notwithstanding.

But what these courageous people need is full and unhesitating support by other peoples. It is such preposterous observations of the *New Times* as the one cited above or Mr Dinesh Singh's absurd pronouncements in Parliament that he does not distinguish between Asian and Western aggressors in Cambodia that hurt the cause of small Asian countries trying to fight Western arrogance and brutality. The U.S. must surely have drawn more comfort from these statements than the so-called Chinese assurance that they would not intervene in Indo-China. Americans, if not Messrs Gromyko and Singh, must have by now realised what "vast sea" the small South-East Asian people have created to "drown them". The Chinese need hardly add anything to that sea. But meanwhile the *New Times* and Dinesh Singh and others have given the Americans a little straw to which they may cling and hope for the best.

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Conspiracy Against South Africa

PRIMILA LEWIS

THREE is a bizarre conspiracy at the highest level to sabotage the armed struggle for liberation against the racist minority regimes of Southern Africa. The top leaders of the liberation movements become involved in superpower strategy for continental Africa. Also involved, directly or indirectly, are the 'independent' States of Africa, the OAU, and the governments of Portuguese Africa, Rhodesia, South Africa and South West Africa. Active assistance is given of course to the super-powers by their allies in Europe, East and West.

This conspiracy must be looked at from two angles. The first is strategic, the second tactical. The first has global dimensions, and must be viewed on that basis. What is the global strategy of the super-powers? To carve out mutually acceptable 'spheres of influence' on a world scale. How to protect these spheres? By preserving a nuclear monopoly and the attendant balance of terror. What does this mean in practical terms?

Two thirds of the world are non-white and poor. Imperialism and Race are synonymous today. The poverty line is drawn in colour. The underdeveloped provide the developed world with cheap produce, cheap markets and cheap labour. They form the contemporary world proletariat. To this extent they are necessary. But they forms the vast majority of the people of this earth. In their numbers alone is their strength. If they waken (as they increasingly are) to an awareness of this strength and to the justice of their cause, they become a threat to the survival of the exploiters. Unless the imperialists (that is the whole white world!) change their system, either the underdeveloped or they cannot survive. They know this as well as the former do, and they are preparing for a fight to the finish.

The Purpose is Genocide

Tactically, the plan is carefully linked up from lower to higher levels. At the lowest rung we have the tight economic and military control of Europe and America over the ruling elites of the Third World. These ruling elites were created by the retreating colonial powers, precisely to perform their intermediary functions today, as the creatures of neo-colonialism and imperialism. At this level, the people of Asia, Africa and Latin America remain slaves, or, more correctly, form that cheap labour force which monopoly capital needs. But this happy situation is complicated by internal tensions. The masses get restive, angry. Their anger must be channelled into non-productive tribal, communal, racial directions. This 'raises' the imperialist struggle to a new level: before the whites start killing the blacks directly, let the blacks fall to it amongst themselves as often as possible. This way the whites turn to selling arms instead of coca-cola, and profits leap upwards. But a time comes when the blacks finally see through the hoax. For this too, the whites are well prepared. These countries have offered themselves as the African Headquarters for all the liberation parties, under the auspices of the OAU. This means that the governments of Tanzania and Zambia cannot interfere in the affairs of the liberation parties.

For this (whatever the myriad other rationalisations may be) the build-up of defence arsenals, nuclear stockpiles, test-ban treaties, panic-ridden birth control campaigns and dubiously tested contraceptive measures; for this the unholy experimentation in organ transplants (the hearts of not quite dead black men being used to resuscitate elderly, dying whites, viz, Blaiberg), and the even more unholy experiments on the brain and the reproductive process, using black people as guinea-pigs, which are being carried out, specifically in South

Africa, under the able direction of German scientists. The parallels are clear. If we do not remain slaves, then we will be destroyed. If we wish to survive and be free, we must prepare for war. As long as there is inequality there will be oppression. Those of our leaders, be they communists or bourgeois, who depend for their position on the support of the imperialists are simply deluding themselves and all those who follow them. They are tools of the grand strategy. Pampered by crumbs, they are blind to their role and their fate. The tragedy is that so few of us face up to this truth. Brainwashed by liberalism and colonial inferiority, propped up by philistine pretensions, we have become organically opportunistic: we, the middle-class intelligentsia, who unhappily stand at the head of all our 'liberation' movements.

It is in this context that the African liberation struggle must be viewed. If one accepts the premise that under imperialism there lies a basic genocidal urge, and that imperialism today is synonymous with race—the white race—then the rest follows logically. A people's war of liberation is fundamental to our survival. Anyone, black or white, socialist or bourgeois, who tries to prevent this war is either an imperialist or a tool of imperialism, i.e., wittingly or not, he collaborates with a genocidal strategy. Now what is the position of 'peoples' war' in Africa?

The truth is, that except for one small Portuguese territory, that of Guinea-Bissau, there is not much evidence of a people's war anywhere in 'free' or colonised Africa. Sporadic guerilla excursions into Rhodesia have been abortive, as has become the struggle in Mozambique and Angola. In the former territory, the 'great' Frelimo leader, Edouardo Mondlane, (blown up in the seaside mansion of an American jem millionaire, Betty King, in Dar-es-Salaam) had in fact been unable to move beyond the much vaunted 'one fifth' territory of barren, sparsely populated northern Mozambique, where the fighting was done not by Mondlane himself, nor by anyone except

the uniquely talented Makonde tribesmen who inhabit the area, and who have stolidly refused to extend the battle lines into the south, or indeed anywhere outside their own territory. Moreover, with the surrender of their own chief to the Portuguese authorities, the entire struggle, as conducted by Frelimo, has reached an impasse.

But the key to the liberation struggle throughout Africa lies in South Africa, and here the situation is the most bleak by far. The political movement for black emancipation begun by the African National Congress at the turn of the century is the oldest on the continent. It began as a liberal, constitutional, multi-racial movement, committed to non-violence and brotherly love for all men. It was, and officially remains, a non-ideological party. The palpable insufficiency of such a movement led to the formation of a separate party, the Pan African Congress, which announced itself as a militant, exclusively black organisation, committed to the violent overthrow of the white regime. The PAC immediately threatened the position of the ANC, which was forced, in the early 'sixties, to organise a military wing, known as Umkhonto We Sizwe. The role of Umkhonto, was to recruit soldiers (of all races) for the liberation army, to send them out for military training wherever these facilities could be obtained, and then to slip them back across the frontier so that guerilla operations could begin. At that time, (in the early 'sixties) conditions in South Africa were ripe for a properly organised insurrection. The masses were conscious as never before, united across tribe and region, filled with an upsurge of hope at the new militancy in the movement: ready for action.

A series of blunders arising from organisational weaknesses in both the PAC and ANC, and from the systematic infiltration into these organisations by South African security forces, led to the banning of both parties, and their exile from South Africa. From this point on, the battle was lost. Both parties came (had

come even before) under direct pressure from the cold war forces of East and West. But whereas before, the immediacy of the situation prevented undue diversion from the main aims of the movement, once they were removed from the scene of action, they fell an easy prey to the blandishments of the super-powers, and, over the years, have degenerated into a mere tool of super-power politics and their overall strategy for Africa.

Pro-U.S., Pro-U.S.S.R.

Today, the leaders of the ANC are divided into a pro-American and a pro-Soviet group. The PAC, both because of its unambiguously radical policy and out of necessity, being shunned by all Europeans, turned to China for help. Peking recognises that the PAC is too disorganised to be any different from the ANC, but it is in Peking's interests to support an anti-U.S. and anti-Soviet movement anywhere in the world. Moreover, it has made its position very clear. It will only extend support to an organised party, not to isolated individuals or groups. Until such time as a genuine revolutionary party is formed, it will continue to support the PAC.

In all this the casualties are the South African people. As for the hundreds of young freedom fighters who had been sent out for guerilla training, they are living today in a limbo of fear, loneliness and total insecurity, either in the ANC 'transit' camps in Tanzania and Zambia, where they have been languishing for the last six or eight years in terrible conditions or as stateless refugees who have escaped from these camps into Kenya, Uganda and the Congo (Kinshasa). Here they have become a political liability, and each of these governments is anxious to get rid of its refugees. Indeed, the Congo has already done so, and Kenya and Uganda have been negotiating their 'resettlement' in Tanzania and Zambia, which means handing them back to the ANC or whichever party they are presently in flight from.

On the one hand, you have the leaders of the liberation parties living in comfort and prestige on the charity of the OAU, the Soviet Union, the United States, Britain and the Scandinavian countries, all of which, officially or unofficially, are committed to giving funds, material aid, military equipment, training, asylum etc. to the organisations which these leaders represent. On the other, however, it becomes clear that all this is an expensive and carefully plotted charade, the real purpose of which is to neutralize and sabotage the struggle for liberation by buying off the leadership not only of the former, but also of the independent States of Africa. With the rare exception of countries like Tanzania, Guinea, and possibly Zambia, where the leadership is engaged in a desperate and probably hopeless battle against reaction, neo-colonialism and imperialism, all the rest of black Africa has fallen a prey to these forces through the willing compliance of its increasingly hated and isolated ruling elites who have come to depend for their survival on the armies, the intelligence services, the experts and advisers and, above all, the capital of Europe and America. In return, they have sold the land, the resources, the labour and the rights of all their people. Moreover, they are committed to crushing any liberation movement whatsoever either at home or in other parts of Africa both for self-protection and for the protection of their masters' interests.

Thus peace has become a vested interest, and freedom must go by the board. Indeed, Peace and Freedom are incompatible elements today. Peace merely gives the few the freedom to exploit the many. This is the meaning of "Peaceful Co-existence", "Peaceful Competition", "Peaceful Transition". A hollow irony. Peace is exactly suited to the interests of colonial Africa as well. If the racist regimes can 'normalise' relations with 'free' Africa, they will be able to neutralise one real threat, which is that of a combined attack, co-ordinated from both without and within, using conventional and guer-

illa tactics, and exploiting the one strength that Africa has against the vastly superior military might of the racists, her superiority in numbers. Relentless, if subtle, pressure from the West which has huge financial investments in the South as well as the North, has opened the door for the 'verligte' policy of Vorster, which seeks to aid, trade and even have diplomatic relations with independent Africa. In the North, this pressure has led to either open (Malawi) or clandestine (Kenya, Congo-K, Liberia etc.) relations with South Africa, in the name of economic realism.

Revolution? In these circumstances? How? Where? When? There is one place. A single ray of hope. This is the Portuguese territory of Guinea-Bissau. Here, the guerilla struggle has been raised to the level of a people's war, two-thirds of the country have been liberated, and Portuguese defeat is a near certainty. How has this happened? First, Amílcar Cabral, the leader of the liberation army, has from the start, operated entirely from within the oppressed territory. Of course, when it becomes necessary to escape into neighbouring territory, Cabral and his men have done this temporarily. But basically, the struggle has remained internal, indigenous and totally dedicated to its aims. Cabral seeks neither publicity nor prestige. Whatever money and supplies he gets from outside have been used with scrupulous care for the struggle. Cabral is being helped by both the Cubans and the Chinese.

The example of Guinea-Bissau proves that there is hope for African liberation. But the road to recovery, reorganisation and renewed struggle in the rest of colonised Africa lies in the discovery by the masses about the truth of the movement so far. There are signs that this awareness is growing. But the accompanying demoralisation of both the fighting forces and the people must be overcome, the struggle must begin from scratch, and only with time, patience and absolute dedication can the battle be renewed.

In the meantime, the rest of neo-

colonial Africa must begin its liberation struggles too. The demographic and geo-political realities of Africa are such that independence and economic development depend as much on a horizontal as a vertical spread. Pan-Africanism may have been crushed by imperialism, but in truth it is Africa's only hope. Pan-Africanism, however, is not viable without liberation and socialism.

Conflicts In South Africa

A. K. ESSACK

VORSTER as Prime Minister of South Africa has made party history. It is under him that the hitherto monolithic Nationalist Party suffered its first reverse since 1948 by losing nine seats to the United Party. For the last 22 years the Nationalist Party has been increasing its seats at the expense of the United Party of General Smuts, thereby reducing it to a shadow of its former self. The 1970 election results for the allwhite Parliament were: Nationalist Party 117 (122); United Party 48 (39); Herzig National Party (4); Progressive Party 1 (1). (The figures in parentheses represent the position before the election).

Racial and class politics characterized the general election. The first is familiar and was expected. Since 1910 the "Swaart Gevaar" or the black danger has figured prominently in every election. This year too there were crude utterances, calculated to arouse the worst racial passions of the white voter. Yet a new element appeared—class politics emerged in the white political arena for the first time since the extinction of the all-white South Africa Labour Party. The polarisation of classes which has characterized particularly the white Afrikaaner society and which has become marked since the 'sixties could no longer be hidden. The polarisation expressed itself in a distorted way. It was in the struggle between the Nationalist Party of Vorster and the Herzig National Party of Hertzog that it came out in the sharpest form.

The oppressed non-whites, who number 16 million are racially classified as Africans (13½ million), Coloureds (2 million) and Asiatics (500,000). No racial classification exists for the whites, but it is known that descendants of the Dutch settlers who arrived in South Africa three centuries ago and who now call themselves Afrikaaners constitute 65 per cent of the white population, the remainder being of English stock.

The Afrikaaners twice fought British imperialism, first in 1881 and then in 1899. The wars ruined them as a people and wrecked their peasant pastoral economy. Economically they were being reduced to the same position as the Africans who as a result of the wars of dispossession became landless proletariat. However, Britain gave the Afrikaaners a stake in the emerging capitalist economy in South Africa by granting them political power, with rights of citizenship in order to safeguard British interests in the gold mines. This the new rulers did efficiently. True, broadside attacks have been made at Britain, South Africa even withdrew from the Commonwealth, but they have never defaulted in remitting dividends to the overseas investors. However, the drive of Afrikaaner nationalism lay precisely in the rehabilitation of the Afrikaaner who, either because of the wars or later by the interplay of capitalist relationship of production in agriculture, was rapidly rendered landless. This rehabilitation took the form of using the state machinery to uplift them.

Thus successive governments passed various Acts, such as the Colour Bar laws, Industrial Conciliation Acts and Job Reservation Regulations to keep well-paid jobs in the hands of the whites. The State also pumped in millions of pounds in agriculture in the form of aid and interest-free loans to save the small white farmer from bankruptcy. But this could not change the relationship between the two white groups. The English-speaking section which constitutes a minority holds the economic power, while the Afrikaaners by virtue of their numbers hold the political reins.

South African society can be compared with a pyramid. At the apex are the 3½ million whites, at the base you have the 16 million oppressed, not only oppressed nationally but also exploited as a class. It is the landless peasant labour which produces South Africa's gold. The migrant worker after the termination of his contract is sent to his land which is so barren, bare and overcrowded that he is soon compelled to go back to the recruiting office of the mines. It is the oppressed rural proletariat living under conditions of serfdom which fills the nation's granaries with maize while the slowly growing urbanised working class produces textiles and other manufactured goods. The main contradiction in African society is that those who are responsible for producing food, clothing and housing, together with an abundance of gold are denied an adequate share of the wealth they produce. They are also denied elementary human rights, such as freedom of speech and movement as well as franchise. If the cry of "Swart Gevaar" has loomed large in elections, it is only because those at the apex of the pyramid are determined to keep for themselves a part of the fruits of exploitation while sending a large slice to their overseas masters.

A Split

However, what the election has revealed is that not all Afrikaaners are satisfied with their share of the loot. Class differences have reached a stage where the traditional bogeys, the Black and Red dangers, are not enough to hold them together in a monolithic block. There has been a split in the political wing of Afrikanerdom, namely, the Nationalist party. The breakaway group under Hertzog polled 50,000 votes which was about 3.5 per cent of the total. However, its significance lies not so much in the votes it polled or did not poll or that all its 78 candidates fared disastrously, but that it outlined an economic programme which was aimed at the rising white South African bourgeoisie. It did

so in the name of Afrikanerdom. But in reality what it did represent was the white petite bourgeoisie, the small farmer, slowly being squeezed out by fellow Afrikaaners; the white skilled worker who fears being replaced by non-white workers and the white civil servant. Those who are being ousted from the land find that it is the fellow Afrikaaners who are responsible for their plight. The Afrikaaner capitalist class is extracting surplus labour from the Afrikaaners as well as the non-whites.

The national bourgeoisie in Africa on the whole is very weak. The white bourgeoisie in South Africa is an exception. In fact it is really the only big predator that has come up in Africa for the past 50 years. It is aggressive and thrusting. Hitherto, the English capitalist was presented to the Afrikaaners as the Hoggenheimer responsible for the ills of the Volk in the early phases of nationalism. But the new breed has risen from the ranks of the Afrikaaners themselves. Take Anton Rupert. He founded Rembrandt Tobacco Corporation 21 years ago. Today it is worth 650 million Rand (a rand is worth \$11/8). In this period it has become a multi-national corporation with 50 factories in 23 countries. Last year its sales exceeded \$2 billion. It boasts that one out of ten cigarettes smoked in the West is made by it. Recently, it has started producing liquor. Against stiff American competition, Rembrandt acquired one of Canada's largest breweries, thanks to the help of a friendly European banker.

In the tradition of Nuffield and Carnegie, Rupert gives a portion of his profits for the advancement of the arts and sciences. Thus, Rupert boasts that his "Corporation shared its profits with universities, art foundations and amateur sport and other cultural bodies." He has also agreed to become an honorary industrial adviser to the Government of Lesotho. His philosophy is that "he who covets all, loses all". He claims that in countries where he has established factories, 50 per cent of the shares are given to the local people. Yet

Rupert fully subscribes to the policy of apartheid.

Rupert's English counterpart is Harry Oppenheimer. His Anglo-American is Africa's largest single concern. When one of his subsidiaries was "Zambianised" with the State taking over 51 per cent of the shares, he received a compensation of over £50 million. Another of his subsidiaries De Beers has been ranked by the American Wall Street magazine *Forune* as one of the top 200 firms outside the U.S. Besides being South Africa's leading mining magnate, Oppenheimer has a large share in South Africa's A.E. & C.I., the largest industrial enterprise in the country. So wide and powerful are his interests that his name is found in the lists of directors of big overseas banks like Barclays and Banque du Paris.

The Afrikaaner and English bourgeoisie not only cooperate locally but also have links with the European, American and Japanese counterparts. The Afrikaaners have forged a link with the Japanese big business in the sphere of motor car production and distribution. Recently, the Portuguese Government announced its plan to proceed with the construction of the Caborra Bassa Dam and three international consortia tendered for it. If built the dam would be Africa's largest—its cost is estimated at £125 million. It is significant that all the three consortia had one South Africa interest. Thus ZAMCO which was finally awarded the contract consisted of the following: West Germany: Siemens; Telefunken; Brown Baverie of Mannheim, Hotchief of Essen; Voith of Germany. France: Alsthom of Paris; C.G.I of Paris; Compagnie de Enterprises Electriques of Paris. Sweden; Asia: This has now withdrawn from the consortium because of the political implications and a British firm has taken its place. South Africa: L.T.A. (Oppenheimer's subsidiary) and Vecor of Johannesburg.

The target of virulent attack by the H.N.P. has been Harry Oppenheimer. He has been described by

the verkrampte as "the greatest threat to the white man in South Africa". Their hatred for him is understandable. It was he who opened the doors of the highly profitable gold mining industry which for 50 years was monopolised by the English, to the Afrikaaners, particularly to Tom Muller, who is the brother of South Africa's Minister of Foreign Affairs. This unity of the Afrikaaner and English bourgeoisie received the blessings of Vorster himself.

Against Big Business

To the Hertzogites, Oppenheimer represents that evil incarnate who has been responsible for corrupting Afrikaaners and turning them away from the cherished goal of a pure Calvinist State to "liberalism". But in attacking this mining magnate, the H.N.P. men were also pointing their knives at the big Afrikaaner bourgeoisie operating through institutions like the Volkskaas, SANTAM, Trust Bank and Federale Volks. Rupert has been long regarded as a renegade by this section. The H.N.P. in its unbridled attack on Oppenheimer came out against big business as such. Said Jap Marais, deputy leader of the H.N.P., "We are in favour of the multiplicity of small businesses. The growth of big business can and should be controlled (our emphasis). We would not have a flat rate of company tax and thus would remove the burden on the small businessman. We would also force banks to reduce overdrafts to large firms so that they could give more credit to smaller companies in times of crises. The principle behind this policy is that the economic subjugation of the Afrikaaner by foreigners must end".

Here then is the thinking of the white petite bourgeoisie who is blissfully unaware of the direction of capitalist development which shows greater and greater concentration of capital giving rise to super-monopolies, euphemistically called multi-national corporations. Corporations like General Motors have a GNP greater than medium sized countries like Belgium and Argentina. In this new and ferocious war, smaller companies

have been devoured. Thus Philips swallowed Pye and Chrysler took over Roots of the U.K. Fiat has made a take over bid for Citroen. These, as can be seen, have cut across national boundaries. Thus, the cry of multiplicity of small businesses has the distinction of being impractical.

The same insensitivity to the interplay of economic forces was also revealed on the question of the merit of economic growth. In capitalist countries this has become the Eleventh Commandment and by far the most important. Capitalism believes that its very survival depends on maintaining a high rate of growth. Rais said and it sent the Afrikaaner Thus in the present set-up with all resources strained to achieve this, what would one think of one who says that he is for a lower rate of growth? And this is just what *Mouvement Riche* into hysterics—"we say that the growth rate should be restricted to the availability of white labour. If we improve the efficiency of the white labour pool, we would grow at the rate of 2½% to 3½%".

The rage of the bourgeoisie at this nonsensical talk was understandable, for South Africa has boasted an average growth rate of 5½ per cent over the past few years. Thus in the verkrampte attempt to safeguard what seemed to be the interests of the white workers, they were prepared to allow the economy to run down-hill. It is small wonder that one of Vorster's MPs bluntly told his audience, "If the H.N.P. came into power all of us would be reduced to eating bread and mealie pap" mealie pap is one of the staple diets of the Afrikaners).

The local bourgeoisie for its own expansion needs skilled workers. Such labour is available among the blacks. But job reservation proscribes the use of such. A way out was suggested and tried by inducing the white workers to work overtime. This has had the effect of increasing the incidence of the death rate among such workers. A trade union leader warned that overtime was sending the white workers to their graves. Immigration was also tried

but it could only be stopgap. But the H.N.P. has set its face against immigration and said "Roman Catholics from Southern Europe should not be allowed for they are a danger to the civilisation we know." And on the question of non-whites acquiring skilled jobs, it reiterated, "We would stop any relaxation of job reservation".

Imperialism which has a huge economic stake in the country was alarmed. Such irresponsible talk from the fanatical section of the petite bourgeoisie was a danger to its interests. Elimination of foreign control from the economy could only lead to the nationalisation of gold mines. And there was little doubt that its intelligence had in fact reported that a section of the white mineowners' trade union was advocating that. It sent some of its ablest reporters not only to cover the election, but also to probe the potential of this new breed of Afrikaanders. They heaved a sigh of relief at the election results which crushed the Hertzogites, showing that the Afrikaander bourgeoisie was in complete control. However, the electoral debacle only served to remove the struggle from the parliamentary arena.

Only Bosses

Racialism which poured from the mouths of all the politicians was as dirty as it was disgusting. Here there was no difference between the three parties. All made the most "verkrampte" of speeches. Vorster's Deputy Minister of Education, Dr Koornhoof, himself a Cambridge scholar who once wrote a thesis attacking apartheid, told a rally: "In white South Africa, only the white man was baas (boss) and the Nationalist Party would maintain this position forever with force if necessary". And M. C. Botha, a full-fledged cabinet minister, has this to say: "The most important part of the election and the preoccupation of every South African was apartheid...the Nationalist Party believes in stronger and yet stronger measures to keep black and white races apart". And a United Party MP, not to be outdone, told

his audience, "I would never sit and have tea with a black man whoever he may be and however high his qualifications".

However, it was left to the H.N.P. to take this racialism right into the white camp. Among the Afrikaanders anti-semitism and anti-English feeling have always been present. But this was never made open and certainly it never figured in an election platform. On the contrary what was emphasized was White Unity against the Black Danger. The late Dr Verwoerd did succeed in attracting a certain section of the English speaking whites into the Nationalist Party fold. The H.N.P. openly came out and said that there was only one nation in South Africa—the Afrikaander nation. And through its publication, the Afrikaander, it said, "There is no room for anyone but the Calvinists...even Christian whites are unacceptable. Only the best is good enough, because many forms of Christianity have become watered down and it is not enough to say that you are a good Christian."

And Stoffberg, one of the verkrampte MPs who lost his seat, said, "The only way to attain unity in South Africa is to have one official language—Afrikaans (at present English is also the official language). There is only one indigenous nation in South Africa, the Afrikaander. The other groups can join the Afrikaander if they accept this."

In plain words the English were told that in the new Calvinist utopia, they would be stripped of their citizenship rights. This produced the unexpected result of an English backlash where they voted as a group for the United Party giving it a gain of nine seats.

In the struggle between the bourgeoisie and the petite bourgeoisie the former has emerged the victor. Before the election, in the power struggle the Afrikaander financiers had chalked important victories by weeding out the verkrampte from the network of Afrikaander organisations from the cultural to the educational. Overnight the Hertzogites found that they were without a press of their

own and had to launch one on the eve of the elections. The parliamentary caucus of the Nationalist party had swung over to Vorster. And the South African premier could well say that the election results were a vindication of his "Outward looking policy" which involves greater contact with the African States. This expresses the needs of the white bourgeoisie which in this present stage of development sees the necessity of exporting capital as well as manufactured goods.

The split in the Nationalist party and its aftermath shows that the Afrikaander block is no longer homogeneous. Historically nationalist movements at a certain stage of development split up. Afrikaner nationalism has proved no exception. Class conflict has hurled the Afrikaander into two warring groups. But the process of fragmentation has only begun.

The principal contradiction in South African society is between the 16 million oppressed on the one hand and imperialism with its agents, the white bourgeoisie, on the other. The class struggle thus expresses itself in the form of a national liberation movement uniting all the strata of the oppressed and whose programme is to give land to the tiller, and to achieve full democratic rights as those enjoyed by the whites. In this struggle the petite bourgeoisie will be fragmented further by the pull of the two antagonistic forces in South African society. In such a situation the white working class which has at present been bribed with a few privileges by the imperialists, but which is nevertheless exploited could well detach itself from the white block. The black worker which it had feared hitherto it will now regard as a friend. Or in a particular phase of the conflict the white workers could be neutralised. This could pave the way for the forging of a true alliance between true friends towards the construction of a new social order that will do away not only with colour prejudice, but also its parent which is the exploitation of man by man.

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M. K. Gandhi

(Gandhiji at his prayer meeting
in Delhi, October 6, 1947)



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The Economic Basis Of U.S. Expansion : A Study Of American Banks Abroad

DICK CROOTH

BEFORE the United States became an imperial nation, she broke England's colonial grasp, fought off Britain's neo-colonial subjugation, consolidated her economic might, became a world trader and a creditor nation, developed a mass production system, and—after World War II—became the leading capital exporter in the imperial world. This development of the material conditions of power was beset by a class system, the benefits of which flowed to a few and the burdens of which were imposed on the great majority of the people. However, neither these benefits nor these burdens were equally distributed. On the one hand, the several landed and commercial classes were divided, each wanting to rule America, yet those with land succumbing to the superior financial and marketplace power of the commercial classes.

On the other hand, the super-exploitation of the black slaves (and, later, the "free" black workers), found its complement in the temporary indenture of white workers and the exploitation of a "free" wage-earning class. As the material conditions of production developed in the course of the Civil War, the financial aristocracy gained the upper hand, subjugating the other social classes and taking charge of the political economy. Here lay the power for the initial U.S. expansion beyond her borders, first by the export of commodities and, later—when the U.S. had become a creditor nation—, by the export of investment and loan capital. Moreover, from the First to the Second World War, the concentration and centralisation of both capital and control remained in the hands of a few. The Second World War accelerated this trend and provided the material condition for the postwar export of vast amounts of U.S. capital—an export which

was invested and loaned to exploit the peoples of the world.

What follows is a short history of this political economy of U.S. imperialism.

To acquire the means of existence, the American colonists appropriated lands and treasure from the Indians. To do this, they enslaved and destroyed between 40 and 50-million people inhabiting the area between Mexico and the Arctic, justifying these actions with racist ideology and ignorance. Of the lands and treasures appropriated in this fashion, the Crown demanded tribute while the Crown-protected monopoly companies took the profits. Soon, as land claims were staked out by some colonists, the Crown monopolies were replaced by plantations and British stock companies. Since these plantations produced for an increasing foreign market, the large plantations soon sought more land, thereby forcing the smaller planters to the interior and leaving the large proprietors and stock companies with tidewater lands. On the heels of the enlarging plantations demanding labourers, an increasing division of social labour ensued.

As land was free for the taking, few free men would work for wages, and to obtain a labour-force the plantation owners turned to unfree forms of labour. In sum, while the plantation system brought slavery into being, that system was itself brought into existence by foreign—mainly British—markets. Accordingly, the increase in the slave population paralleled the rise of the plantation system and the proportion of Negroes to the total population was the highest in the plantation states. Besides the black slaves, there were other unfree labourers, the indentured servants constituting half of the immigrants in colonial America. Together, by 1770 the unfree workers in the colonies

constituted more than one-third of the population. Soon, however, indentured labour was replaced by slave labour, as the capital tied up in slaves (as well as the new capital "created" in the bodies of their offsprings) proved a more stable "investment" than that tied up in redemptioners periodically completing their terms of indenture, then marrying and giving birth to a new generation of free men. In this fashion, the large plantation owners acquired the means of production, appropriating Indian lands, dispossessing the small planters and enslaving the black race.

Exactions

The American colonies became a huge plantation providing staples to foreign markets. In addition, the British Government demanded tribute. At first, 1/5th part of the gold and silver discovered was demanded; later, when commerce developed, monopoly trade between England and the colonies was established. Still later, a new form of tribute was exacted in the form of taxation. Other forms of exactions were also imposed, the principal ones entailing the prohibition of internal commerce, and the right of the British Parliament to make all laws—criminal and civil—to bind the colonies.

Moreover, during the reign of King George III, the English Government prohibited the colonies from printing, minting or issuing money. Britain had a monopoly over the money-creating powers and the private British bankers waxed rich through their control of credit in the colonies. This is one of the reasons the American merchants were anxious to gain control over the money-creating powers for themselves. Nonetheless, it was no easy matter for the American merchants to break ties with the British bankers and mer-

chant capitalists in control of vast quantities of goods, capital and thus credit. In the final analysis, British credit was the sale of goods to Americans, the payment for which was temporarily postponed. Since Britain provided much of the staples and manufactured goods to colonial America, the War of Independence interrupted the flow of British trade and with it this supply of credit. The Americans could not immediately produce such manufactures as Britain had provided, and the paper money they issued was worthless to purchase that which was not produced. When the colonists permitted the Continental Congress to issue paper money—"Continental dollars"—they were called—they proved to be nearly worthless. "Not worth a Continental," the people said to indicate the total valueless currency of that day. Moreover, their worthlessness was ensured when the British counterfeited the "Continental" and the States refused to make them good for the payment of debts.

America became an independent nation. Yet, she was still subject to the economic inroads of the British merchant capitalists plying the trade between Europe and America. Economic imperialism was a mighty force, while political independence was still a fragile power. This was frankly recognized by the American merchants, plantation owners and workshop proprietors. Their defence against British imperialism was the increasing ability to produce.

The original plantations in America were called colonies; these colonies grew to the point where men of property indentured and enslaved other men in order to produce commodities for markets both at home and abroad. Moreover, in the larger towns and cities, workshops operated by proprietors employing others began to produce a myriad of commodities for sale. Here lay the basis for the economic defence of the newly independent colonies—the plantation owners, the workshops and the indigenous merchant capitalists who began to produce and distribute commodities for both the domestic and

foreign markets. With the production of products, credit could be extended to purchasers and money with value could be printed. The American merchant capitalists were the principal creditors—purchasers were not required to pay for the goods immediately and they became debtors of the merchant capitalists plying the trade between the plantation owners, the workshop keepers, the yeoman farmers and the Europeans. In a sense, these early merchant capitalists began to *centralize* the control of credit. In this fashion, the American Revolution catapulted the budding class system of the pre-revolutionary period into the post-revolutionary future.

Fight for Control

The framing of the American Constitution, the control of the Government and the regulation of social relations were the result of a struggle between two basic sets of propertied classes. On the one side were those who held land—as well as slaves for those who were plantation owners. On the other side were those who engaged in workshop production, commerce, finance and merchant credit. From the beginning, the forces of commerce held the upper hand. They were able to extend the marketplace and thus extend the money economy from the farthest reaches of the frontier back to England. American merchant capitalists began to exploit producers at both ends of the trade transaction, buying low in America and selling high in Britain (and vice versa); buying low from the plantations and selling high in the Northern cities (and vice versa); regulating production and producers in the cities and selling their production in the hinterlands of America. As far as credit was concerned, then, the merchant capitalists played a key role. To further facilitate trade during the course of the 19th century, the state banks and the national banks all printed money. Nonetheless, the merchant capitalists knew how best to use it for extending credit and making payments, all to their great profit.

Before the American Civil War, the States of the Union followed the so-called "free" banking rule. Under this rule almost any group which wished to do so could open a bank and issue notes. The various States had their own rules permitting such banking operations, and the money (called notes) issued by the banks stood on the reputation of the bank itself. These banks were isolated and did business within limited boundaries; accordingly, their notes were not known outside of the locality where they did business and so their notes were not considered as money for trading goods in other areas. As a result, the small banks could not weld capital or capital power together; that only the merchant capitalists were able to do.

The Civil War brought government stimulation to capital accumulation and centralisation in its train. That war called for finances, which were provided by the Federal Debt. The debt was that of the American people; the creditors were the merchant capitalists and other financiers who could purchase commodities, extend credit and wield capital. The Federal Debt shot upwards from \$4.8 million in 1860 to \$677.8 million in 1865. It remained over \$2,000 million into the early 1880's. The financiers purchasing the debt received the taxpayers' monies as interest—some \$3.2 million in 1860, \$77.4 million in 1865, \$129.2 million in 1870, \$103 million in 1875, and so on. The *centralisation* of capital and profits surged. President Lincoln took fright at the bankers' liberty to create money for profitable lending. He pushed for the National Bank Act of 1863, in order to impose Federal regulations on the private banks. Henceforth, private banks had to receive their charters from the Federal Government. As President Lincoln said at the time: "Money is the creature of law, and the creation of the original issue of money should be maintained as an exclusive monopoly of the National Government." While the Federal Government printed the currency which was used for

trade in the rapidly industrializing American economy, the bankocracy centralised it through the Government Debt. Despite Ame Lincoln's fear of the bankocracy, they ruled the day.

After the Civil War, the Federal Government again stimulated the centralisation of capital by the financial aristocracy. To accommodate the impetus given to industry and commerce during the Civil War and to provide an outlet for capital centralisations resulting from that war, railways were extended. Rail lines rapidly rose from some 30,000 miles of track in 1860 to 32,000 in 1879; they further increased to 166,000 in 1890 and to 242,000 in 1910. To finance these lines, the Government gave lavish grants of land and the financiers floated high-interest paying bonds. Railroads frauds were commonplace. In the infamous Credit Mobilier railroad fraud, one of the three Congressional investigating committees, the Poland Committee, declared in its 1873 report:

This country is fast becoming filled with gigantic corporations, wielding and controlling immense aggregations of money and thereby commanding great influence and power. It is notorious in any state legislatures that these influences are often controlling, so that in effect they become the ruling power of the state. Within a few years Congress has to some extent been brought within similar influences.

Centralised capital knew no bounds and it soon engulfed every operation of government in the name of almighty profit.

After the Civil War and up to 1913, the nation suffered four panics —those of 1873, 1884, 1893 and 1907. These panics were in part brought on by the deliberate manipulations and corrupt practices of large monied interests. The panic of 1873, for example, followed on the heels of huge speculative schemes and the corruption of both members of Congress and individuals with strong in-

fluences in President Grant's administration. By controlling credit, the financial aristocracy was able to control prices, production, and thus the employment and consumption levels of the people. In the panic of 1907, the infighting between the financiers for control over corporations and banks caused the wheels of industry to slow down and widespread unemployment and hardship followed. While the bankers created the crisis, they also recognized its dangers. To stop the crisis from spreading, J. P. Morgan took command in creating a cartel amongst the biggest banks in the nation. This was done through the New York Clearing House Association, which the administration of President Theodore Roosevelt permitted to create out of thin air some \$100 million in paper money. This money was thereafter loaned by the banks at interest charges to the borrowers. The Government had given the big bankers the right to create money for lending at a profit! For his alleged yeoman's work in cooling the panic, President Roosevelt permitted Morgan's steel interests, centred in the United States Steel Corporation, to acquire and merge the southern steel industry located at Birmingham; it mattered little to the President that the anti-trust law prohibited such a merger.

The people were incensed over the panic of 1907. Their indignation forced a series of investigations through both the Senate and the House of Representatives. The famous Pujo Committee revealed the operations of the "money trust"—a network of holding companies and other interlocking relationships which gave a small group of Wall Street financiers control of the big banks in New York City and most of the financial power in the entire nation. These banks and financiers centralised capital, regulated the extension of credit and thus controlled production, employment and consumption by the American people.

The Move Abroad

In 1840 the United States held

some 8 per cent of the world import and export trade; in 1860 she held 9 per cent; in 1880 10 per cent; and in 1900 11 per cent. On the eve of World War I, in 1913, the U.S. held 15 per cent of world trade.

Not only did the U.S. share of world trade increase; after 1880 America exported more than she imported. This meant that foreign nations had to obtain dollars to pay for their imports from the United States. To obtain these dollars foreign countries used their imperial investment and shipping earnings, and permitted U.S. investments to be made abroad. Nonetheless, annual foreign capital investments in the U.S. were greater than U.S. capital investments abroad until about 1900. Since U.S. capital exports did not place enough dollars in the hands of foreign purchasers of American goods, they were forced to use gold to make payment. In this fashion, the United States moved from the status of a debtor colony to a creditor nation, exporting capital and sucking up the gold hoards of other nations. This process was vastly accelerated during the course of the first Great War.

As American capital flowed abroad, U.S. private investments rose from \$100 million in 1869 to \$2,500 million in 1908; they rose again to \$3,500 million in June 1917, and doubled once more to \$7,000 million by 1919. The biggest increase obviously came during World War I. Most of the U.S. investments were placed in Latin America, which became the special stamping grounds for North American exploits.

Without capital accumulation and centralisation, the corporations and banks in the United States would have been unable to finance either trade or capital exports. By 1888 U.S. banks held more deposits than the banks in their major competitor nations, namely Britain and Germany. By 1913, American banks held double the deposits of British banks and well over twice those of German banks. By 1928, U.S. bank deposits were $3\frac{3}{4}$ those of her British counterparts and more than 9

times those of the German banks. With such capital hoards at their disposal, the American bankers were able to shift capital from one use to another—now exporting capital, then using it productively at home.

The centralisation of U.S. banking capital was facilitated by the creation of a central bank. The Federal Reserve Act, passed in 1913, established 12 regional banks, each with autonomy in its own region and designed to aid the privately owned commercial banks to create credit and money. No central bank then existed. When the Act was under consideration, President Wilson attempted to continue the Lincolnian policy of public—not private—control of the banking system. Wilson said: "The control of the system of banking and of issue which our new laws are to set up must be public, not private." And, he continued, "It must be vested in the Government itself so that the banks may be the instruments, not the masters, of business and individual initiative and enterprise." Just as Lincoln lost to the bankocracy, so did Wilson. In the Federal Reserve Act, a majority of six out of nine directors of each regional Federal Reserve bank were to be chosen absolutely by the banking community. This permitted the bankers to dominate and centralise the entire American banking system. The bankers occupying posts in the Federal Reserve banks were in a position to regulate themselves! While the Federal Reserve legislation was meant to give the bankers a monopoly over money-creation in the United States, it was not to be an unbridled monopoly.

By the early 1920s, the bankers took the power to create credit and money as they pleased. In a so-called "palace revolution" in 1922, the big bankers converted the Federal Reserve System into a central banking arrangement in control of all credit in America. Without going into the complex technicalities of the matter, suffice it to say that in 1923 an Open Market Committee was formed to control the supply of

money and credit and thus the cost of borrowing. From 1927-33, several laws gave legal sanction to the complete domination of the money-creating powers by the private banking interests. Behind these laws and take-overs stood the powerful American Bankers Association. Even F. D. Roosevelt lost in his struggle with the bankers in the New Deal period. By 1935, the New York Federal Reserve Bank was placed at the pinnacle of control over money creation. A central bank had been created; it was under the control of the largest private banks in America.

Without regulation, the private banks were linked together in a series of bank chains across the United States. Through the use of the holding company device, a large number of banks were brought under the control of a single organisation, much as if they were all branches of a single bank. Whereas in 1926 only a few insignificant banks were controlled by holding companies, by the end of 1929 some 38 holding companies controlled over 500 banks with combined resources of \$8 billion. With but one exception, these banks were in States not permitting branch banking, and thus these holding companies were used to avoid regulation. By 1933, there were some 660 banks operating 2,911 branches with loans, investments and deposits of over \$15½ billion; by 1939, 1,019 banks operating 3,629 branches held some \$35¾ billion in loans, investments and deposits. A handful of holding companies centralised close to 1/6 of all the branch banks under their aegis. This centralised capital was the super-charge which permitted the bankers to expand their operations at home and abroad.

While banking capital centralised, likewise did industrial capital. By 1923, 5.3 per cent of the total number of manufacturing establishments produced products with a value of \$5,000 or more per year, employed almost 57 per cent of all and produced 66 per cent of all products made. By 1929, the year of the Great Crash, about

5.6 per cent of the total number of manufacturing establishments produced goods of \$5,000 value or more, employed 58 per cent of all workers and turned out some 69 per cent of all goods made. In other words, throughout the inter-war years industrial capital was highly centralised, as were workers manufacturing goods.

The centralisation of banking capital and industrial production led to the export of finance and goods.

World Trader

By 1929 the United States held 14 per cent of the *volume* of international trade. In that year, America controlled 12½ per cent of the *value* of world imports and 17 per cent of the *value* of world exports. The United States had become a major world trader.

World War I demand for American commodities also brought a demand for credit in its train. Manufacturers began to deal directly with foreign buyers, rather than to depend upon merchant capitalists. Merchant capital was replaced by financial capital—i.e., financial credit—for trade transactions. Sometimes the credit was extended by industrial corporations and sometimes by commercial banks. Since the industrial corporations provided the basis for commodity production in America, manufacturers often turned to their bankers for financial information and credits for exporting. The larger banks responded by opening branches in overseas banking centres to provide on-the-spot information and credit. Using one legal manoeuvre or another, the American banks extended their operations abroad.

A change in the composition of U.S. exports required that longer-and-longer-term credit be extended to purchasers. In 1880 almost 85 per cent of American exports were composed of crude materials, crude foodstuffs and manufactured foodstuffs; by 1920, such exports comprised only 48½ per cent of total U.S. exports and by the eve of World War II, only 18 per cent of total exports. More

and more, the United States exported manufactured goods and such goods were financed for lengthy periods of time. U.S. banks and traders had a good deal to do with extending long-term finance for these exports.

The American Empire was both a trading and investment empire. The Open Door policy was used since the turn of the century for both trade and investments. During the inter-war years, U.S. investments abroad increased almost 70 per cent—from \$7 billion in 1919 to \$12.3 billion in 1940. Almost the entire increase was due to private investments, and long-term direct investments by private concerns and banks were more than half of the total. Besides heavy bank loans to vanquished Germany, American bankers lent to industrial corporations at home. U.S. corporations did not have enough surplus capital in the 1920's to embark upon the extensive expansion they contemplated the world over. They turned to the banks to obtain the pecuniary wherewithal for their foreign operations. Since the banks had the power to create credit out of thin air, they fortified industrial expansion abroad—both banker and industrialists were deeply involved in exporting capital in the inter-war years.

More Guns, Less Butter

During the Second World War, a policy of "More Guns and less Butter" was enforced by the Federal Government. Big business interests were called upon to man and direct the domestic war effort, to mobilize the American economy to produce military goods and to channel the labour and taxes of the people into the profit and capital accounts of industry. The State became the political extension of the most powerful monopolist groups in America. Between June 1940 and September 1944, the big corporations in America grew fat on war contracts: some 66 per cent of the prime contracts awarded by the Federal Government went to the top 100 corporations, while 30 per cent went to the top 10 companies!

The small firms received relatively few prime contracts, even though they comprised the vast majority of manufacturing concerns: companies employing less than 500 workers and comprising about 98 per cent of all manufacturing firms in America received some 22 per cent of the value of all prime Government contracts. The profits of war went to the few.

Industry was also centralised during the war. At a conference on Defence, one authority rendered the following verdict:*

As a result of World War II (he said) big business grew bigger, absolutely and in some cases, relatively, and its power over the market was generally enhanced. One illustration will perhaps suffice. The United States Steel Corporation when organised in 1901 produced nearly two-thirds of the total steel ingot tonnage produced in this country. Between 1901 and 1939 it steadily declined in relative importance. By 1939 its percentage of total domestic output had been cut almost in half. World War II with its authoritarian controls reversed this trend. During and since the war United States Steel has grown so fast and at times and in some areas even faster than the domestic market for steel... War calls for more steel, and, to produce more steel, the steel industry must grow... The United States Steel Corporation is about as large as all the British steel companies, plus all the Belgian steel companies, plus all the French steel companies combined, and, in the language of the (US) Supreme Court minority opinion, "It is big enough."

As industry grew wealthy and concentrated during the war, likewise did the banks. The American bankocracy lived on debt and the larger the Government debt grew, the richer

it became. During the war, the total Government debt outstanding rose from \$63,251 million in 1940 to \$218,482 million at the end of the fiscal year 1944. While American patriots laid down their lives in battle and exerted their muscles and brains in producing war goods to stop fascist aggression, the financiers and bankocracy accumulated profits from loans to the Government. Of course, some of the loans to the Government came directly from the working people; nonetheless, the financiers took up a large share of the Government borrowings.

The people paid for the National Debt. The bankocracy slipped into the people's pocketbook by (1) taking a portion of their wages and salaries (2) which they paid to the Government in taxes and (3) which the Government spent on interest charges due on the National Debt. After the war, the Government borrowed even more from the bankers and financial houses. The bankocracy took even more profits than during the war:

During the war, interest payments rose from \$1,686 million in 1940 to \$2,786 million in 1944.

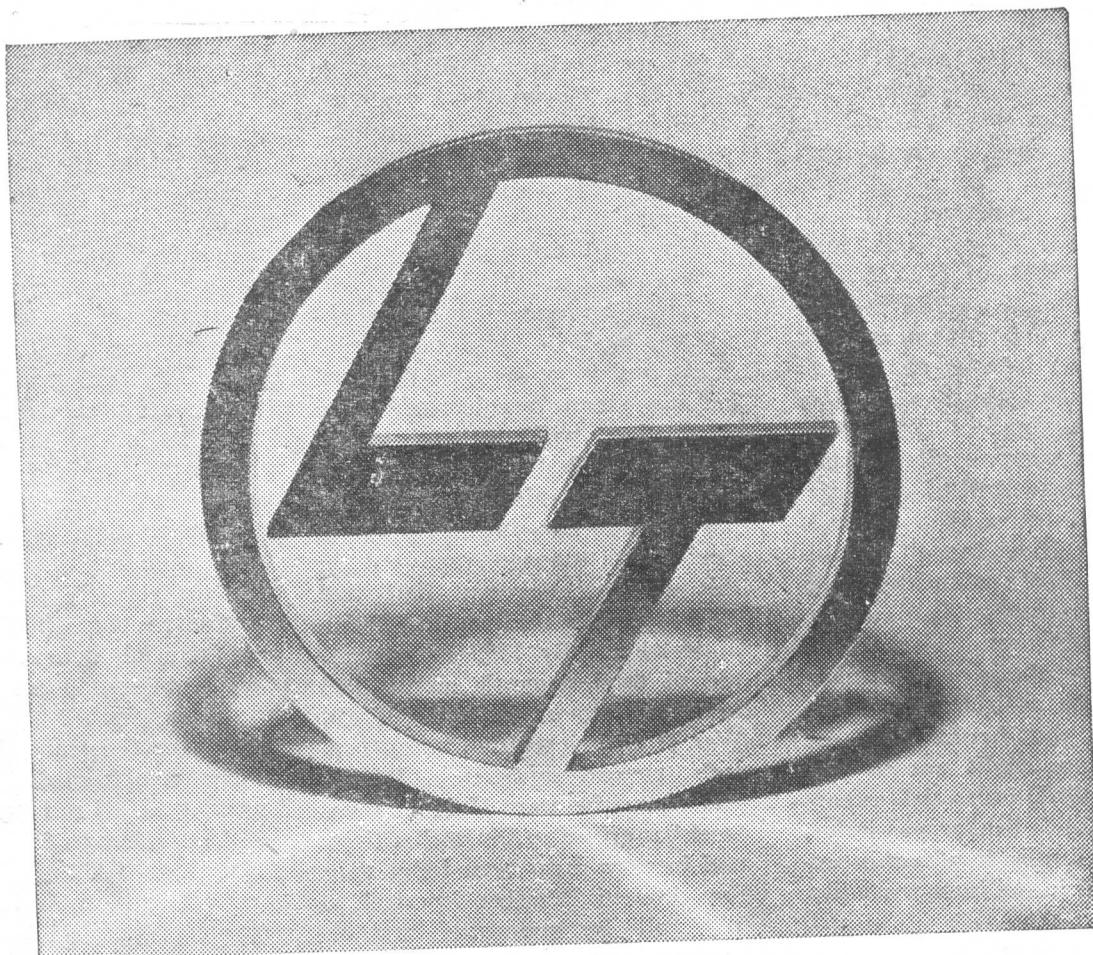
After the war, interest payments rose from \$4,422 million in 1946 to \$12,278 million in 1966.

This near three-fold increase in payments after the war was pure profit to the bankers, since they created money without cost to themselves.

The big banks further centralised bank deposits as well. In 1964, $\frac{1}{2}$ per cent of all banks in America held almost 42 per cent of all deposits! While the number of banks varied only slightly from 1945 to 1965, the number of branches increased almost four times (from 4,168 in 1945 to 16,634 in 1965). One Government report notes that branch banking and holding companies centralize control over banking funds in the hands of a few large banks.

For example (this study notes), the Bank of America, National Trust & Savings Association, a national bank chartered in 1904 to do business in San Francisco, ope-

* A conference sponsored by the University of Chicago Law School, "Defence, Controls and Inflation," Aaron Director (ed.) (Chicago: University of Chicago Press, 1952), pp. 287-88.



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rates more than 800 banking offices throughout the State of California. Bank of America with current deposits in excess of \$15 billion, is still active in expanding its branch office network. It has also acquired additional outlets by mergers, operating offices of the merged banks as branches.

Another example of multi-office banking in California is the Western Bancorporation, a bank holding company. This corporation, at the end of 1965, owned 23 banks in 11 far western States. Its California subsidiary is the United California Bank,...which at the time operated 189 offices with total deposits of nearly \$3 billion. This bank may also expand through additional de novo branches or by mergers, where approved. Western Bancorporation's subsidiary offices totaled 532 with deposits in excess of \$6 billion at the end of 1965.*

With capital centralised in the hands of a relatively few giant banks, the entire American economy came under the sway of banker-control. By 1968, an official U.S. Government report indicated that:

The total impact of commercial bank investments on the American economy is tremendous. It is by far the single most important element among all institutional investors...A total of \$607 billion, or just under 60 per cent, of the \$1 trillion of institutional investment in the American economy is held by the commercial banks. Bank trust assets alone account for nearly 24 per cent of the total. This \$607 billion is nearly four times as large as...the life insurance company (holding), with \$162 billion, or 15.6 percent of the total...The relationship between banks and other institutional

investors, such as life insurance companies, is so close in many cases that the categories (of institutional investors)...are not in all cases self-contained or independent of other categories. Therefore, banks have an undetermined additional influence over assets listed in other categories.*

This survey revealed that institutional investors—the mutual savings banks, the savings and loan associations, the life insurance companies, the open and investment companies and the commercial banks—have some \$1,040 billion to invest in stocks and bonds of private corporations and in government bonds. More than 64 per cent of all investments of more than 2,890 bank trust departments are invested in stocks. The other 36 per cent of these trust funds are available for investment in bonds of both private industry and governments. Some of these investments are placed in corporations with worldwide operations and overseas investments; some are loaned to the U.S. Government for the military establishment at home and abroad; and some are directly exported by the banks for loans and investments abroad. At home and abroad, then, the capital of the bankocracy has permeated social institutions. Under the rule of the bankers, these institutions have set a course for the further accumulation of profits at home and abroad.

Girdling the Earth

By the end of 1964, the United States bankers held 37 per cent of the deposits of the 110 largest banks in the capitalist world. In relation to her closest competitors, U.S. bank capital was more than three times those of the British banks holding \$1 billion or more in deposits, and more than 5 times those of West German or Italian banks with simi-

* U.S., Congress, House, Subcommittee on Domestic Finance of the Committee on Banking and Currency, *Acquisitions, Changes in Control, and Bank Stock Loans of Insured Banks*, 90th Cong., 1st sess., June 29, 1967, p. 5.

* U.S., Congress House, Subcommittee on Banking and Currency, *Commercial Banks and their Trust Activities: Emerging Influence on the American Economy*, Vol. 1, 90th Cong., 2d. Sess., July 8.

lar amounts of deposits. Large banks in America, such as the Morgan Guarantee Trust Company of New York, advertise their services as including :**

- * Branch or representative offices in key business and financial centres abroad;
- * Close ties with leading local financial institutions throughout the world;
- * Skilled technicians experienced in handling complex foreign transactions;
- * A background of more than a century of active participation in international finance; and
- * A creative approach to the total needs of a company doing business overseas.

With both capital and connections, American bankers have moved abroad.

European nationalists are much concerned with this new banking puissance. One well-known European, J.-J. Servan-Schreiber, describes U.S. financial machinations in Western Europe as follows:

The least-known aspect of American investment in Europe is its means of finance. Financing investments is not a serious problem for American corporations. With their scope, capabilities, and techniques they have no trouble finding money on the local market to pay for their factories.

During 1965 the Americans invested \$4 billion in Europe. This is where the money came from:

- (1) Loans from the European capital market (Euro-issues) and direct credit from European countries—55 per cent.
- (2) Subsidies from European governments and internal financing from local earnings—35 per cent.
- (3) Dollar transfers from the United States—10 per cent.

Thus, nine-tenths of American investments in Europe is financed from European countries. In other words, we pay them to buy us.*

* *The American Challenge* (New York: 1968), p. 14. Original emphasis.

Here we see the case of U.S. connections—corporate connections in this instance—obtaining European capital for U.S. expansion in Europe.

Many American banks have seen their loss of lending to their traditional corporate customers as a definite threat to further profits. Some have moved into Europe in an effort to maintain their customers and their profits. At first, these banks had to pay high rates of interest to borrow European funds which, in turn, they could lend to U.S. customers. Since the American bankers were shooting for long-term gains, they devised the following two-fold plan:

- To entice European financiers into co-operative ventures, where the U.S. bankers became the titular sponsors of U.S. companies desiring to borrow European capital;
- To take over European finance houses and banks, which control European finance capital.

In both cases, however, the U.S. bankers went beyond the original drive to finance just U.S. customers; they created a permanent U.S. banking establishment in Western Europe.

Before the Second World War, U.S. banks had extensive European branches. During the course of that war, most of the Continental branches were closed; but the branches in the City of London remained in operation. After the War, the U.S. Treasury invited banks to start operations in West Germany and elsewhere for the purpose of serving the American interests and armed forces. In 1953 there were 105 American branch banks abroad, half of which were in Latin America. By 1960 there were some 124 branches abroad, and by 1967 there were 298. Of these 298 overseas branches, 259 were owned by three banks: First National City Bank, Chase Manhattan Bank and the Bank of America. Since all of these banks were associated with other banking groups, they had many more branches than these figures indicate. For example, the Chase Manhattan Bank was associated with the Standard Bank Limited Group, which operated over 1,100 branches in 18

key African countries. According to Chase Manhattan's advertisement in the December 12, 1966, *U.S. News and World Report*, this "...enables Chase to extend its banking services through Standard's widespread African network." Further, Chase appeals to potential customers, "As a matter of fact, anywhere in the free world you choose to do business there's a Chase Manhattan branch, representative, associate or correspondent bank to serve you." In total, the number of countries in which U.S. banks have branches outside the United States increased from 24 in 1950 to 26 in 1955 to 33 in 1960 and to 55 in 1967.

Why banks have moved abroad is indicated by the following item from *Barron's* November 28, 1966, description of the opportunity to engross foreign deposits for lending:

What started the present trend (of U.S. banks moving abroad) was the rise of the Eurodollar market, consisting of about \$10 billion of deposits held in European banks by non-residents of the U.S. At the same time, the Interest Equalization Tax barred the (U.S. bank) lending of medium term funds abroad, and "voluntary" guidelines pegged the growth of short-term (bank) credit to non-residents. As a result, by the end of 1965, 13 American banks had 211 branches abroad. So far this year, another 18 branches have opened and at least five are about to be launched in the final weeks of 1966.

Deposits in the foreign branches have been sky-rocketing even faster than their number. For the ten members of the New York Clearing House, eight of which run foreign operations, deposits abroad increased by \$1 billion last year to \$6,691 million. In the past 12 months the New York Clearing banks have upped their total (domestic) deposits a bare 5%, but their foreign branch deposits have shot up 40%. The latter now constitute 17% of total New York deposits. Every major U.S. bank

has now a branch in London, and their total deposits last June (1966), when the Bank of England made a count, was \$5,262 million, up 64% from a year before.

The December, 1967 issue of *Fortune Magazine* confirmed this judgment:

In those ten years (prior to 1967, it wrote), deposits in foreign branches of New York banks have risen from \$1.35 billion to \$9.5 billion; lately they have been growing at a rate seven times greater than deposits at home. At manufacturers Hanover, foreign business has increased 10 per cent to 25 per cent of total business.

Three years ago, Chase Manhattan disclosed that 14 per cent of its net profits came from foreign business, and that percentage has certainly risen since. Manufacturers Hanover says that the profits of its international division have more than doubled in the last five years, which probably means that earnings have kept pace with the division's growing business.

With foreign deposits for lending abroad, foreign profits have become a large portion of the earnings of U.S. bankers. Since bankers live on debt, foreign lending means that they have begun to live on foreign debt.

Direct Holding

U.S. banking activities abroad do not stop here. The growing capital needs of U.S. companies operating in Europe were behind Chase Manhattan's bid for its first direct holding in a European bank. Chase negotiated with the Banque de Bruxelles for a participation in the latter's subsidiary, the Banque de Commerce of Antwerp because of the tremendous increase in American investments in Belgium and the growing foreign trade of Belgian companies in the U.S. Chase jealously guarded its customers: When the possibility arose that U.S. companies operating in Belgium would borrow from Belgian-owned banks, the Chase attempted a partial takeover of the Belgian-owned lender. A few facts will explicate

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why U.S. bankers are moving into Belgian-owned banks:*

—During the period 1959-65, planned foreign investments in Belgium reached BF 51.9 billion, creating 40,000 new jobs;

—The amount invested by U.S. enterprises amounted to BF 36.6 billion, or 70 per cent of the total;

—In 1965, projected foreign investments in Belgium reached a total of BF 18 billion (\$380 million);

—More than 50 per cent of these investments (BF 9.9 billion) were to be concentrated in the Antwerp region, where automobile and petrochemical industries predominate;

—U.S. direct investments represented more than 90 per cent of the new projects.

In other words, when U.S. investments in Belgium are increased—especially in the Antwerp area—these companies are likely to borrow from Belgian-owned banks. The U.S. bankers are trying to ensure that they will reap the profits of such borrowing by buying into or taking over such banks. This is why Chase Manhattan rushed to buy into the Antwerp-based Banque de Commerce. Chase's joint venture in Antwerp is the first step in becoming a stock holder of the Banque de Bruxelles itself. The latter is the second largest bank in Belgium with about 700 branches with assets over 75,000 million BF (about \$1.5 billion). This machination is not limited to Chase Manhattan. Other U.S. banks have been doing business in Antwerp:

—The Bank of America of San Francisco and the Morgan Guarantee Trust Company of New York opened branches in the summer of 1965;

—The Crocker-Citizens National Bank of San Francisco disclosed plans to open a branch on December 16, 1965;

—The First National City Bank of New York also planned its first Antwerp branch at the close of 1965.

* See the report of the Belgian Ministry of Economic Affairs, 1866.

By moving to Belgium or buying into Belgian banks, the big U.S. bankers are pursuing profitable lending opportunities to U.S. corporations as well as other corporations expanding there.

U.S. corporations operating in Europe got special benefits from American branch banks. *Barron's* foresees that:

The services an American business abroad wants from its banker—and what it feels it cannot get from a mere correspondent bank—start with simple public relations. Entering a new market, the firm wants recommendations to local banks, lawyers and tax experts. Once in business there, it will use an American bank to manage its excess cash, make its dividend payments and other remittances to the head office and, above all, finance its foreign trade. If it seeks local participation, the American bank usually can find among them the customers of its correspondents.

The American bank, furthermore, sometimes will provide its customers with financing in the local currency. When money is needed in a hurry, for instance, links between its home office and the subsidiary's parent can produce a quicker decision than any local bank could come up with. U.S. banks abroad, however, stick strictly to the short end of the loan business, arranging for local banks to meet the medium-term requirements of their American clients.

Bankers estimate that a well-established European branch can make about the same operating profit as its equivalent in the U.S. The question is how long the branch has to wait before it reaches that stage. Because branches abroad depend so heavily on foreign trade business this period is not too long for the new branches of the big banks. The more branches a bank already has around the world, the quicker it brings a new outlet on to a profit-earning basis, because the network feeds it with exchange business.

In this fashion, then, the U.S. imperial banks will go on and on expanding their tentacles throughout the non-socialist world. U.S. corporate and banking expansion goes hand in hand; one breeds the other.

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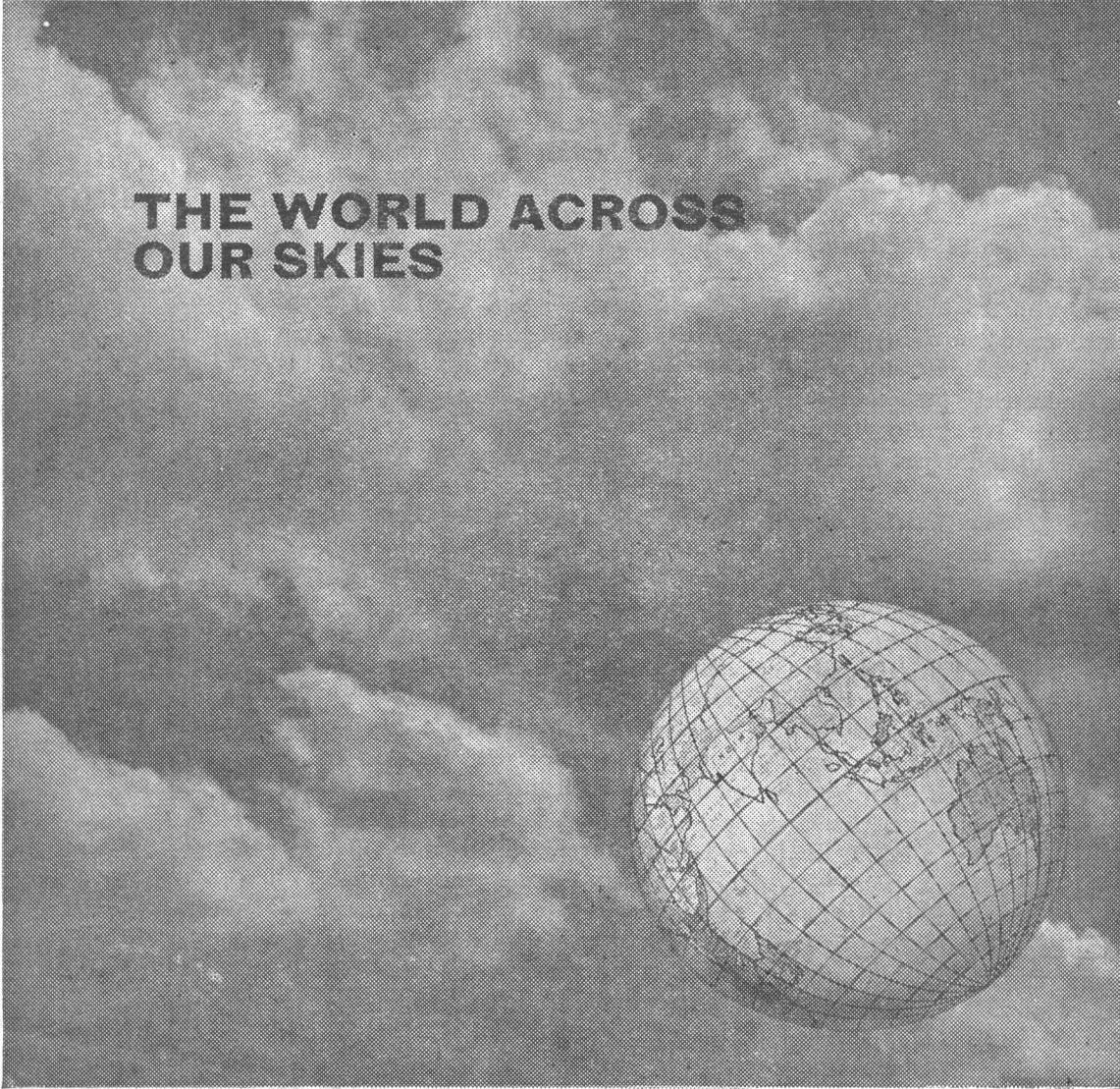
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The Manhattan Goose

P. BHATTACHARYA

ALTHOUGH he named one of his characters Stupendranath Begorrh, Shaw was deeply impressed by the remark of Rabindranath that the members of the League of Nations resembled a gang of robbers who had donned royal robes. And robes don't change character.

The League of Nations came into being as a result of a brain wave of President Wilson. The President entered the war when it was more than half way through. He had earlier declared American neutrality on August 4, 1914, the day Britain entered the war against Germany.

"The noble Wilson walketh in his room
And times he will and other times he won't
Whether to seize the sword and cut the knot
Or to hold the equal poise of statesmanship."

He bided time until both factions were weary and then on April 5, 1917 declared war on Germany. This opportune act gained for America her share in the spoils. To gather the rich harvest machinery was built up in the shape of the League of Nations. But British diplomacy and French astuteness were too much for the American President. America was not represented on the League and much to her chagrin the headquarters was at Geneva. President Wilson had made two mistakes. The war ended in November 1918 but the League of Nations was set up in 1920. The delay helped the war-weary partners to recover their dazed wits. Geneva was not commercially advantageous to the Americans. The lesson of World War I was not lost to them. The United Nations which was to replace, not reinforce, the League of Nations, was conceived of in September 1944 and the venue chosen was New York.

The commercial advantage of such

location is obvious and was clearly expressed by Stephen Leacock. "The conference was summoned by the Government of Liberia and consisted of delegates sent from each of the great governments of Europe and America, each Government paying its own expense, except laundry" (to encourage it to wash its dirty linen, of course). So on and from October 24, 1945, the £23,000,000 Manhattan goose started laying golden eggs for the Americans. All is grist that comes to this mill. No matter how small the size or population of a country, how insignificant its contribution to world thought, almost any government is welcome to join the UN roster as long as it can pay its own way. The smaller nations are preferred to bulky ones and China has been cut to size.

stockpile atomic weapons, produce and store nerve gas, prepare for bacteriological and chemical warfare, her membership notwithstanding. Similarly Russia can attack China and Czechoslovakia; Israel can attack Egypt, Jordan, Lebanon and Syria; South Africa can flout the UN Mandate; Britain can sanction freedom to Rhodesia to pursue its apartheid policy. The UN remains unconcerned, unruffled and unashamed.

Of the six UN bodies, the General Assembly and the Security Council are the most important. The General Assembly sits once a year in September and herein every member has equal voting rights. The parity regardless of size, population and contribution to world thought renders each voice ineffective in the cacophony of the assemblage. The small countries recently made independent are still sustained by the major powers, America, Britain, Russia and France, and thus tow the line of their masters. To be effective one has to

TABLE I

Country	Area	Population	Included in
Luxembourg	999 sq. miles	329,800	1945
Kuwait	5800 „ „	383,600	1953
Trinidad & Tobago	1980 „ „	827,957	1962
China	4300,000 „ „	750,000,000	Excluded

China's claim to entry is sponsored every year but is thwarted by America. Exclusion of Formosa alias the Republic of China would cost America a veto in the Security Council. America puts the blame for exclusion on China, on her "self imposed isolation". Shakespeare's Oswald could get away in an American court by blaming President Kennedy's skull for his assassination.

How active business is conducted under the cloak of specious philosophical abstractions (all are agreed that war is very, very wicked,) is best understood if we look into the working of the UN.

The UN Charter embodies 111 articles which are binding on all members. But the USA is free to attack the Dominican republic, bomb North Vietnam, bring destruction to South Vietnam, wage war on Laos,

muster a two-thirds majority which is seldom attained. Therefore the advantageous status quo carved out in the postwar era is maintained and is unalterable.

The Veto

The parity of members ceases to be operative in the Security Council. The Council sits continuously and consists of 11 members five of whom are permanent and have the power of veto. Thus any one member of the five by his veto can annul any decision of action even if such an action is sanctioned by the other ten. The five permanent members are America, Taiwan, Russia, France and Great Britain. America virtually has two votes, for Formosa is fathered by her. America had not had an occasion to use its veto even once and that is not surprising. The Security Council in

essence sanctions freedom to the "Big Five" to do and get away with whatever they like. And few have wasted the opportunity.

The functions of the General Assembly and the Security Council are complementary. The Assembly is like a huge spider net which catches as many nations as possible in its meshes. It is like zamindars arranging fairs in certain seasons and extorting exorbitant rates for leasing the ground. Tourist bureaus, airlines, hotels and shopkeepers all profit from the September boom. Come September, delegates from all over the world would part with the cash they had extracted through government machinery. Then they are brainwashed in New York and return home as finished sales-representatives of American firms. They would see virtue in incorporating hydraulic brakes in bullock carts and place huge orders with Lockheed, parliament acquiescing in lieu of a share. What better scheme is there to manipulate the VIPs of countries the world over than inviting them to this yearly fete, at their own expense?

The Security Council ensures the security of the permanent members. The five vetos can de-fuse any conflagration that may be directed against them.

In conclusion, it may be said that the UN is an impotent body to the economically independent. Countries which are not viable economically, i.e. which depend on PL-480, pills and condoms, must obey mandates of the UN. Yet it can only be ascribed to the modesty of the UN that it is reticent about the fifth freedom that it has granted to such countries—the freedom to die.

The UN is a private commercial organisation limited to five permanent members. Its object is to draw tourists from different countries at the government level aimed at mopping up their wealth thus rendering them weaker. The tehsildars are recruited mostly from the developing countries. It is not an accident that the staff of UN has a high proportion of men from developing countries. The same technique is practised in khedas to catch wild elephants.

Letters

Why Not A Dialogue ?

In the welter of recent charges and counter-charges between the supporters of the CPI(M) and CPI(ML), one can't help noticing the fact that neither seeks to make a virtue of physical assaults on the other. As a matter of fact, each claims that it is the other party's men who have been on the offensive while its members have been trying to defend themselves. Thus neither regards fights as desirable as such.

Evidently and quite naturally, one party considers the policy of the other to be wrong and is anxious to win over not merely the minds of the hitherto uncommitted sections of the radical masses but also the members and followers of the other party. For after all, both understand it well that as Marxist parties, they can hope to win their aims only by winning over the toiling masses and conscious political elements and this is only possible by convincing the people of the correctness of their policy.

Why do they not then begin a dialogue, a debate on the basic issues involved, while continuing their mass activities? Why not formulate specific issues on which differences exist and carry a discussion? This would educate the mass of the people, no less than mass action does. Let there be a battle for the minds of the masses and let the latter decide whom they would support, after becoming clear about the issues involved and the specific positions of the two parties, their analyses of the situation, strategy and tactics.

It is hard to believe that the CPI(M) is indifferent to the growing number of bright and courageous boys and girls who are responding to the call of the Naxalites and does not wish to win them over to what it naturally considers to be the only correct revolutionary policy.

It is no less difficult to agree that the Naxalites could ignore the undoubted fact that the CPI(M) has a powerful mass following among workers, peasants and the middle

classes, many of whom, with a proud record of sacrifice and suffering in the militant struggles of the past, are still convinced of the correctness of the CPI(M) line. No doubt, they would want to win over all or most of such elements in the CPI(M) today.

The only alternative to such a debate is in intensification of mutual attacks and physical assaults crippling both and weakening the struggle for radical social changes by means of capture of state power.

Meanwhile, along with the Naxalites or alleged Naxalites, ever so many members and supporters of the CPI(M) and even the CPI are being arrested in the countrywide crusade against Naxalites.

Could not these attacks on civil liberties, the attempts of jotedars to recapture land from bargadars and large-scale police invasions of the educational institutions and attacks on trade union rights and workers and middle-class employees' livelihood, also provide an occasion for the two parties, as also the CPI and other genuine left and democratic parties and intellectuals to join hands to counteract these attacks on the democratic movement, while carrying on their activities in their own spheres and debating with each other on basic issues which divide them today?

May one hope that this won't prove to be a voice in the wilderness and would evoke response from the two parties?

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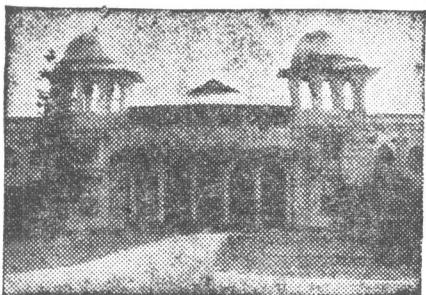
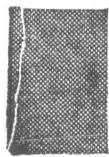
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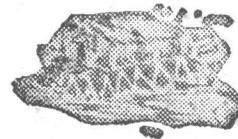


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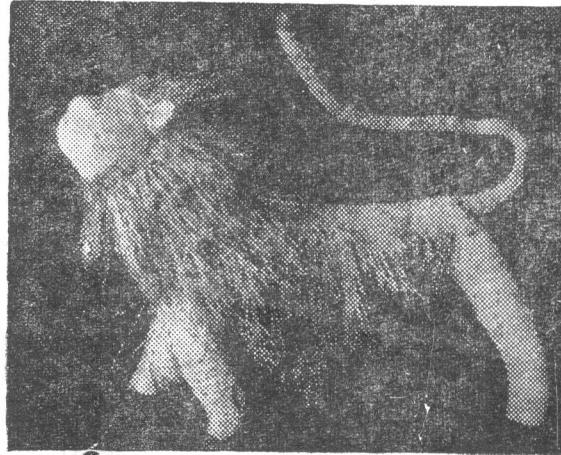
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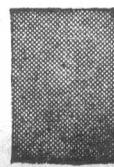
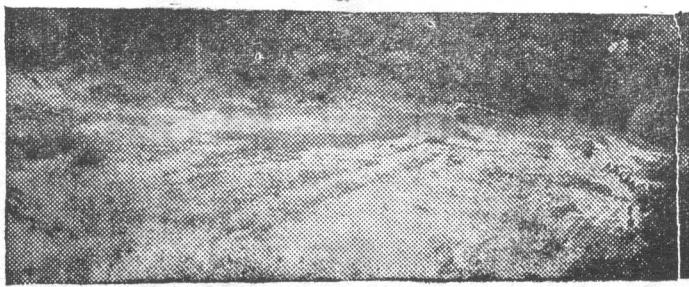
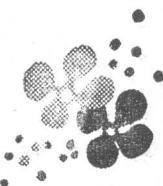
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