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THE COMMUNIQUE

BASIC agreement on major issues, some areas of agreement, basic points of agreement—these were some of the headlines in the newspapers before the Sino-U.S. communique was issued. The communique will not be accepted as the whole truth by the Soviet bloc, but there is nothing one can do about it because there was no Anderson hanging around in Peking. Besides, both parties have pledged not to say anything beyond the communique.

On the face of it, Peking has scored, though in a limited way, over the Taiwan issue. The principle of One China has been accepted, and since Taiwan is no longer in the UN, Chinese sovereignty is explicit. How this is to be exercised is left for the Chinese to evolve in course of time. The promise to withdraw U.S. forces from Taiwan as tension lessens is a hard pill for the ageing Chiang Kai-shek and his men to swallow. But it is the Americans who are responsible for the unremitting tension in this part of Asia and it is a fond hope that they will be in a hurry to cease their vicious mischief. However, the issue of the Vietnam war, the state of public opinion in the USA, and the growing strength of China will force them to see reason.

About Indochina, the Chinese have supported the stand of the Provisional Revolutionary Government of the Republic of South Vietnam and the joint declaration of the summit conference of the Indochinese people. What do the Americans mean by saying that "the United States stressed that the peoples of Indochina should be allowed to determine their destiny without outside intervention"? It is an amusing exercise in cynicism; but the declaration that "in the absence of a negotiated settlement, the United States envisages the *ultimate withdrawal* of all U.S. forces from the region consistent with the aim of self-determination for each country of Indochina" marks an advance in that it does not refer to residuary forces; however, the concern for 'self-determination' qualifies the prospect.

On Korea and Japan, both sides restated their familiar stands in well-known generalities which do not call for any immediate action. It is over the Indian sub-continent that both Peking and Washington are more precise in their formulation—both want the parties to withdraw their forces to their respective territories and to their own sides of the

cease-fire line in Jammu and Kashmir; China wants this done 'immediately' and also reiterates support to the Kashmiris in their struggle for the right of self-determination.

There is very little in the communique to disturb other powers, big or small, except Taiwan, and India to an extent. Russians can now go

ahead with their plans to receive Mr Nixon, though suspicion will persist over the reference to hegemony.

The meeting in Peking will contribute to the relaxation of tension, but those who claim to know China better than others will not be shaken in their belief that this relaxation will not be at the cost of the people struggling for liberation elsewhere.

Peking And Hanoi

Nothing has happened to confirm North Vietnam's concern regarding the possibility of understanding between Peking and Washington on Vietnam. Ever since Nixon announced his intention to go to Peking for talks, Hanoi, through its news media and spokesmen, has been saying that the Vietnam problem can be resolved only by talking to the Vietnamese and nobody else. Although these declarations were aimed apparently at nobody, they served as a veiled warning to the summiteers in Peking.

That the Chinese leadership was not unaware of such a possibility of misunderstanding on Hanoi's part was evident from its repeated efforts to assuage its undue anxiety. After the announcement of Nixon's intended visit, Chou En-lai said categorically in the first Peking-Hanoi summit in November last year that Washington could make peace in Vietnam only by talking to the Vietnamese themselves. The Chinese and the North Vietnamese leaders also agreed on the terms of ending the war—they insisted on quick and unconditional withdrawal of American troops and the ending of U.S. support to the Thieu regime. Even when Nixon was talking with the Chinese leaders Prince Sihanouk was sent to Hanoi to explain Peking's mind. The Sino-U.S. communique shows that Peking has been true to its word and stuck to the Vietcong's conditions for peace.

The Chinese leadership is deeply involved in the Vietnam war. It has found in Hanoi's success a vindica-

tion of its political line of people's war and has stood against any effort to compromise on it. Immediately after the Indochinese summit, the Chinese Premier said that the Chinese people would draw inspiration from the Vietnamese struggle and that the struggling people of Indo-China could look upon the Chinese mainland as their reliable rear area. At the same time Peking has always been responsive to Hanoi's problems and difficulties in the war. Although it

Once again, there are incidents in jails. As the Naxalites, detained without trial for an indefinite period, tried to hold a commemoration meeting on the death of a large number of their comrades last year in Berhampur Jail, the warders clashed with them. One prisoner was killed and eight others injured, according to officials, usually unreliable.

In Jalpaiguri Jail, one of the four Naxalites rearrested after they had escaped, with 11 others, was found dead in the lock-up. This created a sensation in the town, but not much reaction among the political parties elsewhere. They are all busy electioneering.

One thing about the Naxalites marks them out from others: they never whine about police terror when their comrades are slain or tortured. They accept it as inevitable in what they call a civil war, and call

has not accepted Hanoi's overture for a joint front against imperialism because of its deeprooted suspicion about the Kremlin's brand of communism, it has never meddled with Hanoi's handling of the war and has borne the burden of logistics.

Hanoi has maintained a policy of equidistance between Russia and China, its two big allies, and refused to join the ideological struggle in the international communist movement. This independent political line is rooted in military needs; it depends on Moscow for sophisticated gadgets and on Peking for more essential supplies of small arms and food. These compelling military reasons have induced a delicate balancing act and a policy of leaning on neither. But events show that its leadership has been over-sensitive to Peking's moves, or rather the thought of such moves, while much bigger compromises by the other power have gone unheeded. This to uncomprehending people, amounts to partisanship.

Going Underground ?

for action. In the Alipurduar area on February 26 they attacked a police camp guarding a railway bridge, killing two and escaped with eight guns.

There are differences over the emphasis on action between the Charu Mazumdar and Ashim Chatterjee groups. The older leader is still said to be in a hurry to speed up the revolution, for which guns are being snatched, whereas followers of the young man, after a partial admission of quite a few serious mistakes due to their action-orientation, now prefer the hard, long march to their goal. The CM group, it is reported, continues to be strong in Calcutta and North Bengal.

Whatever the differences, the Naxalites are not crying themselves hoarse against repression. They know that the rulers at bay practise cold-blooded repression, that it is part of the

game. Repression breeds resistance—provided the right politics is in command. That in their case savage repression has not unlocked a mass movement is an indication that their politics has not always been right. They have made bloody mistakes and paid a heavy price.

What about the reaction to the naked repression now going on against the rank and file of the CPM? Even leaders are not being spared. A rifle was aimed at Mr Prasanta Sur, ex-Mayor, a few days ago in the Tollygunje area. One of his supporters died. The CPM and some allied parties have been carrying on a propaganda campaign against the violence of the Congress party and the repressive machinery of the Government. The tempo of the propaganda has been stepped up—it is a part of the election campaign. But so far it has had little effect. The police and the higher officials, both in Calcutta and in New Delhi, are confident that even if the Left Front is returned to power, they do not have to kowtow to it; any Left Front Government can be tackled by the Centre—there are thousands of CRP and troops in this State. The army moved in strength into West Bengal in January 1971 to ensure free and fair elections, moved across the border into East Bengal to set up democracy there, and is not moving out of this State, perhaps because the climate is fine.

It is part of the Congress strategy to create a situation in which the CPM would be forced to go underground. At the same time, whispers of going underground are being used by the CPM leadership to keep up the morale of the rank and file. It is being rumoured that Mr Harekrishna Konar is not contesting the elections because he has other tasks to attend to.

The CPM has had excellent experience of inter-party fighting. But with the police and CRP ranged against it, it does not know what to do in areas like Tollygunge, Jadavpur and many other places. The realisation is said to be dawning on

the sufferers, on those who have been hounded out from their houses and localities at the point of the hooligan's dagger and the CRP bayonet—the bayonet makes all the difference—on those who have lost their comrades, that other tactics are called for, that these tactics will have to be based, as the repression becomes even

more intense, in the sprawling countryside so that the repressive forces are stretched and dispersed.

All this is easier said than done. The leadership after participating in two ministries and fighting to win another election, may dismiss all this as adventurism when the crunch comes.

A Little Minus

The National Council of Applied Economic Research has just published its survey of the economy in 1971 and its outlook for 1972. It says that the task of the budget makers for 1972-73 will not be enviable because the net foreign aid next year might be nil or even a little minus. From the newspaper summary of the report, it appears that the achievement of the country last year under the strong and sane leadership of Mrs Gandhi, is also a little minus. Let us quote a few comments from the report.

On the budgetary position, in spite of massive mobilisation of resources in 1971-72, the Centre and the States put together will have an unprecedented deficit.

The economic policy must aim at achieving a nine to ten per cent increase in industrial output. The rate of its growth has been in 1971 only three per cent or even less, in spite of a considerable increase in imports.

1971 witnessed the strange combination of lower production of coal, a large increase in pit-head stocks and yet scarcity of coal in many parts of the country.

In the most important of all industries, cotton textiles, which accounts for a fifth of total industrial production; production during the first nine months of 1971 was seven per cent less than during the same period of 1970.

Sugar industry faced the same crisis as the cotton textiles industry.

The scope for any substantial step-up of Plan investment is not much.

There is little or no scope for additional taxation, direct or indirect.

A nine to ten per cent increase in industrial production coupled with a five per cent rise in agricultural production could yield a seven per cent increase in national income. In 1971 the growth of national income was less than three per cent.

Mrs Gandhi has of course, to solve the stagnation problem, a way out. She accepted the principle of lifting all constraints on the installed capacity of indigenous monopoly houses. She has extended the liberalisation to foreign houses too. The legislative showpiece, the Monopolies Act, has been buried well and good. Foreign investors are being assiduously wooed. Fertilisers and petroleum have been given over to them and the Government is now trying to induce foreign capitalists to invest in other lucrative industries. The number of foreign collaboration schemes is mounting: there were 221 schemes approved in 1971 against 129 and 158 in 1969 and 1970 respectively. But these facts of life have no bearing on Mrs Gandhi's rhetoric on self-reliance. She goes on proclaiming that India can do it, on her own resources.

Mr C. Subramaniam, Mrs Gandhi's comrades-in-rhetoric, announced in Durgapur recently that the Government would create in two years enough jobs to absorb all unemployed engineers in the country. By 1973-1974 there will be one hundred thousand unemployed engineers, says the Applied Manpower Resources Re-

search Institute of New Delhi. Let us hope our foreign investors would redeem Mr Subramaniam's pledge.

Foodgrains production is becoming the rallying cry of the ruling Government. But the National Council, let us go back to the study,

observed that the heartening increase in food production was due to favourable climate and certainly not to improved cultivation. The consumption of pulses and cereals is lower than what it was two decades ago. The calorie content of Indian diet is

the lowest in the world.

In the face of all these stark facts, if the voters vote for the status quo, it would be a task for the leftists of the country to solve the mystery of how subjective rhetoric subdues the objective reality.

View from Delhi

The Stabilising Game

— FROM A POLITICAL CORRESPONDENT

BACK in 1967, at the height of anti-Congressism in the country, the CPI(M) equated the minor skirmishes between non-Congress States and the Centre with class struggle. The ministries dominated by the CPI(M) in Kerala and West Bengal feigned confrontations with the Centre but gave in tamely. In 1968, the Congress thought that non-Congress ministries were interlopers and declared war on them from the Fateh Maidan in Hyderabad. It went about its toppling operation with the zeal of a demolition squad, sanctified the politics of defection and forced mid-term elections to five State Assemblies. The age of opportunistic non-ideological coalitions, however, did not end. Then came the Congress split and the ruling party went about toppling ministries belonging to the rival Congress. The only ministries to survive the Congress onslaught since 1967 were the ones in Orissa and Tamil Nadu. Both of them opted for a snap poll along with the March 1971 Lok Sabha elections. The Tamil Nadu Ministry, the only one-party non-Congress ministry in the country after the 1957 CPI Ministry in Kerala, emerged stronger for the exercise.

The Congress leadership is now engaged in a new drive. It is for one-party rule. The call for "stability" can only be interpreted to mean Congress rule at the Centre and in all the States, which is negation of all the fundamentals of

federalism. Except in Kerala where the Congress is a junior partner in a CPI-led coalition, the Congress is determined to impose its rule. But then Orissa and Tamil Nadu are not going to the polls in March because they elected new Assemblies only last year.

The Congress operational plan is no longer in doubt. It is bidding for coalition ministries in West Bengal and Bihar where it wants to be the dominant partner and the CPI the junior partner. It hopes to form its own ministries in all the other States (fourteen of them) and the two Union territories. The deal with the CPI seems to have been struck. Sharing power with the CPI, one presumes does not undermine the stability of a Congress ministry but on the contrary, would strengthen it.

Once the Congress dominance in all but two States (Orissa and Tamil Nadu) is restored, Mrs Gandhi is expected to get busy with toppling operations to complete the process. Biju Patnaik has already agreed to return to the Congress fold after the March elections in the country and Orissa will return to stability in time. But Tamil Nadu would remain a problem. The lone Congress member of the State Assembly happens to be a defector from the Congress (O). The DMK has an absolute majority in the legislature and the Congress is not in a position to organise defections to topple it. The only course left is

to attempt to split the DMK. New Delhi and Madras are thick with rumours that a split in the DMK, engineered from New Delhi, is imminent and Mr Karunanidhi would find himself on the defensive. Either he steps down and lets a colleague of Mrs Gandhi's liking head the ministry (by this time, a good number of DMK MLAs are expected to join the Congress) or he seeks dissolution of the State Assembly. Mrs Gandhi hopes to win the Tamil Nadu elections hands down against the DMK.

This is the content of the "stability" slogan which has pushed the Garibi Hatao slogan to the second place in the Congress sales talk. But the talk of stability in a State like Andhra Pradesh which always had Congress ministries and where no party is in a position to oppose the Congress in all the seats sounds absurd. The Congress speeches draw derisive laughter from the audiences.

It is significant that the bill to ban defections by legislators is to be taken up after the March elections. Which means the Congress does not want the legislation now. It wants to organise all the defections it wants before getting the bill through Parliament. An ordinance to stop defections now would make for less unseemly scenes in the States after the Assembly elections. But defection is what the Congress wants in States where it is not too sure of a clear majority for itself and its allies.

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(West Bengal and Bihar, for instance).

Monolith

The kind of one-party dominance and conformism Mrs Gandhi is seeking would mean the imminent erosion of federalism in the name of stability. Stability in the past had been paraphrased to mean a strong Centre. Now it means a monolith. A regional party like the DMK or an unacceptable force like the CPI(M) will not be allowed to run a ministry in a State because that would impart instability to the whole system.

The DMK and the CPI(M) are campaigning for their own brands of autonomy for States. Mr Jyoti Basu has told Radio Australia that the Centre has been exploiting West Bengal and hinted at a "confrontation." What Mr Basu says now was said by his Kerala colleagues long ago and they now find, after the Trichur by-election, that the Congress-CPI combine is growing stronger. Whether the CPI(M) wants a West Bengal-Centre confrontation within the framework of the parliamentary system or outside is far from clear, but having been faithful allies of Mrs Gandhi's party until the other day, they cannot expect their confrontation talk to be taken seriously.

The upshot of all this will be the end to whatever limited autonomy the States have because the Congress Chief Ministers of the post-March era would gladly sign away these rights. The Chief Ministers will not be chosen by the MLAs but the Prime Minister and the lucky winners will find their support automatically. That was how Mr P. C. Sethi was imposed on Madhya Pradesh through a farcical election made to order in New Delhi.

Assuming the CPI(M) is in power in West Bengal and the DMK continues in Tamil Nadu and both of them confront the Centre on the autonomy issue, what would be the outcome? One is virtually a regional party, its stakes limited to two far-removed States and the other is ad-

mittedly a regional party. The stability of the kind the Congress is promoting would have no place for regional parties, if they want to function through the parliamentary system, that is. This is the "revolutionary democratic advance" the CPI wants.

Brezhnev Plan

The Foreign Office is *not* in a flap over Mr Swaran Singh's interview to Tass a few days ago. He gave away something: that India has been favouring Brezhnev's collective security plan for Asia. However, since July 1969, the Government has been pretending in public that it knew nothing about it. At least there was no public welcome of the plan. Here is the vital part of the interview

given on February 16:

Question: How do you view the basic and concrete tasks proposed in the peace plan of the Soviet Government and Comrade Leonid Brezhnev?

Answer: The Government of India has been consistently in favour of all initiatives aimed at promoting peace and security and the reduction of international tensions. The Brezhnev proposal for collective security in Asia enunciated in June 1969 comes in this category...

By implication, the Indo-Soviet Treaty of August 1971 is part of the Brezhnev plan for collective security, though Mr Swaran Singh laboured hard in the course of the interview to establish that it was not aimed against any third country.

February 27, 1972

CPM : Yesterday And Today

HITEN GHOSH

THE results of the 1971 mid-term polls in West Bengal had a significance which only political blindness could ignore or underrate. The two Congress parties taken together polled only 33.78% of the total valid votes against 41.13% and 41.32% of the undivided Congress in 1967 and 1969 respectively. Even if one added the votes for the Bangla Congress, the total "Congress" vote in West Bengal dropped by more than 2%. This erosion of Congress support in the State took on added significance in the parliamentary elections in which the two Congress parties polled between them 35.57% of the total valid votes against 39.8% of the undivided Congress in 1967. In terms of seats, too, the Congress(R) returned only 13 candidates as against the undivided Congress tally of 14 for 1967. In fact, so far as West Bengal was concerned the Congress(R) together with its covert and overt allies won only 19 seats out of 40 and was therefore in a minority in Parliament.

The real significance of the poll results in West Bengal lay in the

achievement of the CPI(M) and the ULF-led by it. The party not only raised its votes to slightly less than 32% but, together with its allies, won more seats and votes than the two Congresses put together. Its tally of 20 seats for Parliament and nearly 35% of the parliamentary vote was impressive.

What brought the CPI(M) such rich dividends? Here there was no charisma derived from a legendary past, no calculated series of deft dramatic moves, no recapitulation of the age-old theme of the little good princess held captive by malevolent demons and no benefit of an exclusive and controlled chorus on the air. The success was of a party which was denounced as the begetter of the politics of violence.

It was the same violence, which set in motion the formidable engine of revenge on behalf of the Establishment. Thus, should we not conclude that the success of the CPI(M) in 1971 was a massive verdict in favour of political violence where mass struggles for economic betterment took militant forms? In was

these new forms of struggle in the trade unions and among the peasantry that earned the CPI(M) its notoriety as a party engaged in a relentless pursuit of violence against its political enemies. Of course, this was an exaggeration. As a partner of the UF Government in West Bengal, the CPI(M) was playing the parliamentary theme with some occasional 'revolutionary' variations on a minor key.

In this context, it is instructive to recall the circumstances that led to the fall of the two successive United Front governments in West Bengal. The first was toppled on the issue of the breakdown of law and order. The key word in those days was 'gherao', which is a form of collective coercion in a sphere where peaceful collective bargaining alone is part of the mores. This was a novel method in trade unionist activities within the framework of parliamentary politics. During the still more permissive days of the second UF regime, struggles for economic relief within the existing class relations assumed a more militant character. There was forcible occupation of vested lands by the land-hungry peasants. True, these struggles were mostly bloodless and made easier by the refusal of the UF government to use the police against the people fighting for their rights. But it should not be forgotten that this refusal to employ the repressive organ of the government to curb popular movements and a deliberate desire to bypass the bureaucratic formalities and legal processes to recover and distribute vested lands and secure various forms of social justice to the have-nots, were in themselves a near revolutionary initiative and a clean break with the norms of parliamentary politics. It is just because these outlandish forms of struggle, encouraged particularly by the CPI(M), were a potent and insidious threat to the infrastructure of exploitative class relations that the two successive UF governments came a cropper.

The two successive leftist coalitions fell apart as much from internal

stresses as under pressure from outside. These strains and stresses within the coalition itself reached a high intensity during the unresolved contradiction, by itself, led to a breakdown without any apparent external compulsion as in the case of the 1967 partnership. The split was so complete that the two groups of erstwhile partners could find no common ground between them. Indeed, the last days of the UF regime showed all the symptoms of a split personality.

There is no doubt that some of the inter-party clashes where the CPI(M) featured prominently were in the nature of genuine class struggle involving violent confrontation between have-nots and haves in the countryside. There might have been provocation by interested circles. But it must be admitted that much of this in-fighting at the level of mutual liquidation of cadres and supporters was the negative aspect of the politics of violence. Large-scale infiltration of the ranks of the militant parties by criminals and enemy agents made the situation worse, enabling the parties representing vested interests and the revisionist leadership of the CPI to wreck the leftist coalition and openly associate with the Congress in the way they did. The negative aspects of the militant mass struggle were in full focus of publicity and the failure of the UF Government was laid at its door. The militancy and radicalism that brought the CPI(M) rich dividends among the people involved in struggle against vested interests, backfired among the urban middle class and people not directly involved.

But while the positive side of the CPI(M)'s militancy increased its support among the people as a whole in spite of a serious loss of ground on account of the backlash, the negative manifestations of its manoeuvres brought few dividends to the Bangla Congress or the constituents of the ULDF. Their denunciation of the politics of violence alienated the leftist votes but failed to enlist the rightist support. The latter ral-

lied, though not to the expected extent, to the Congress (R) as the only refuge against mass militancy.

The CPI(M) did release the dormant sense of power in the masses in a restricted field of operation. But this may have put the party in a quandary. The dilemma had two aspects either of which might unfold depending on whether the party comes again to power or not. If or when the party is returned to power there is no doubt that the negative backlash of mass militancy will be guarded against: the in-fighting will be less frequent and far less intense largely owing to the homogeneity of the composition of the front and a greater identity in ends and means of popular struggle. But the real snag will appear when militant mass movements tend to burst the limits of political expediency which they are intended to subserve. A real challenge to the existing socio-economic structure would rise out of these movements. The movements must be tuned up higher if the new government is to avoid a sudden anti-climax. The energy so proudly released cannot be bottled up again. But can the leadership of the CPI(M) face the music or will it dither? The party seems singularly confused as to the conduct of the struggle in its final stages. If, on the other hand, the CPI(M) remains out of power, will the struggles continue in the teeth of massive repression which is going on? Will the workers, peasants and middle-class employees continue to bear it up when the Army and the CRP are let loose upon them on a more massive scale than witnessed hitherto? Here again on the present showing, the CPI(M) cannot provide any answer that can satisfy its critics further left. And everybody knows the political consequences of any uncertainty or confusion on this score. A disastrous compromise or bloody counter-thrust of reaction can quickly wipe off the gains achieved through long years of struggle if the present leadership does not spell out its aims in clearer terms and broader perspective.

The Indian Bourgeoisie—I

(This paper has been prepared by a group of students and is published for discussion.)

THE semi-colonial, semi-feudal character of the country is generally misinterpreted when it is declared that the independence of India is a myth and the bourgeoisie in India is thoroughly compradorial in nature.

One of the main features of imperialism is that it accelerates the development of capitalism in the most backward countries like the colonies, wrote Lenin in "War Programme Of The Proletarian Revolution". The possibility of the rise of a nationalist bourgeoisie in colonial India cannot be denied; and when a man like G. D. Birla demands that "all British investments in India be repatriated",¹ one wonders whether or not he himself is a representative of the national bourgeoisie.

The development of industries in India reached a considerable rate only in the last part of the last century. The characteristic of the period, in the context of the Indian economy, was the parallel development of two forces:

(a) British finance capital matured for the export of capital only in this period.²

(b) Indian nationalism reached a period of considerable development which would be evident from the petty-bourgeois nationalist upsurges of the period. The rise of the national bourgeoisie, as a part of the rising nationalism, was inevitable.

In this article we shall try to establish that the growth of the present³ Indian bourgeoisie occurred more through the second force than through the first. Consequently, they cannot be termed totally as compradors from the beginning; and it will be a distortion of facts to brand the political independence of India a complete myth.

Considerable evidence exists to bring out the nationalist character of

the Indian bourgeoisie. Here we will mention some (more or less arbitrarily) of the key arguments.

About the working of the British managing agencies in India one finds—"The former servants of the East India Company set up their own business as general merchants.... (They) made effective use of their connections with the British and American firms. The shortage of venture capital was met by the import of surplus capital from abroad. Within the country part of the funds required for financing the projects came from themselves and their friends and associates."⁴

While the British managing agencies were dependent on the export of British finance capital, the Indian enterprises had little connection with them and received practically no facilities from them. We may note here how the capital required for starting the Tata Iron and Steel Works at Jamshedpur was raised.

"From early morning till late at night the Tata offices were besieged by an eager crowd of native investors. Old and young, rich and poor, men and women, they came, offering their mites; and at the end of three weeks, the entire capital required for construction requirements, £1,630,000 was secured, every penny contributed by some 8,000 native Indians. And when, later, an issue of Debentures was decided upon to provide the working capital, the entire issue £400,000, was subscribed by one Indian magnate, the Maharaja Scindia of Gwalior."⁵

This is not an isolated incident. The financial basis of the Indian bourgeoisie lay with the Indian financiers; the foreign sources rather refused to co-operate. Indian businessmen complained about the inaccessibility of foreign banks, the high cost of loans given to Indians, and the privileges granted to foreign borrowers.⁶

In the last years of colonial domination, when the antagonism between

the nationalists and the imperialists reached a climax, the colonial rulers made several attempts to destroy and hinder the growth of the national bourgeoisie. These included ruining the Indian chemical industries in order to favour the ICI company;⁷ discriminating against the local production of textiles, plywood, tobacco, paper, and other products in order to favour imports;⁸ importing consumer goods in the name of fighting inflation in order to deny Indian industry shipping space for much needed capital goods;⁹ using internal control over Indian transport to hinder the distribution of Indian-made goods while allowing their imported equivalents to travel freely;¹⁰ attempting sabotage of Indian paper mills by appointing an adviser for their improvement who, as disclosed later, was a close associate of British monopoly.¹¹

These are some of the typical cases. Many others will be found in other documents, e.g., proceedings of the Federation of Chambers of Commerce and Industries (FICCI), the organisation of the national bourgeoisie.

On the whole, these show the existence of sharp contradictions between the interests of the colonial rulers and the Indian bourgeoisie. This does not justify the totally compradorial characterisation of the latter.

Still more interesting evidence will be found in the earlier period.

Up to World War I, the number of industries in India were too few. When the war broke out and the supply lines of imports were cut down, a large vacuum was created in the Indian markets. The governmental authorities in India, faced with crisis, felt badly the need of industrialising India.

Postwar

The immediate postwar years saw a series of interesting developments. Following the recommendations of the Indian Industrial Commission, 1916-18, and the Fiscal Commission, 1922, in 1924 the young Tata Iron

and Steel industry received a government subsidy at the rate of 33½%. In addition to this, other industries like cotton, matchboxes, sugar etc. were given protection to varying extent. Excise on Indian textiles was dropped, and general import duties were raised in 1921, and again in 1925.

Clearly, the colonial authorities in India, in taking these steps, could not properly understand the contradictions between the imperialists and the Indian bourgeoisie. But very soon the objections of the British monopolists mounted, and an abrupt change occurred in government policy. Purely Indian industries, cement and glass, were denied protection. In 1927, import duties of iron and steel were lowered and the subsidy of Tata Steel abolished. On the other hand, the foreign-dominated match industry was given the protection it asked for. Other companies of imperial interest received the same consideration.

Throughout the thirties special privileges were granted to British imports through such Acts as the Ottawa Agreement, 1932, the Tariff Amendment Act, 1934; the Supplementary Trade Agreement, 1935. The Agreement was met by protests all over India. G. D. Birla resigned from the Second Indian Legislative Assembly.

Further, the Indian Insurance Act, 1938, compelled the insurance companies to invest 55% of their liabilities in the fields of imperial interest and thus restricted the finance opportunities of the Indian bourgeoisie.

Nationalist Movement

Quite early, in 1905-8, the movement to boycott foreign goods gave an impetus to the growth of Indian capitalism and the bourgeoisie learned what the nationalist movements could guarantee them. No wonder, the nationalist bourgeoisie took an active interest in the nationalist movement. Here is an extract from *The Statesman* of September 17, 1942:

"Mr Churchill's charge that manu-

facturing and financial interests were behind the Congress was answered today at a Press Conference by Mr G. L. Mehta, President of the Indian Chamber of Commerce and Industries.

"He said that Indian commercial organizations did not feel apologetic about the fact that they were an integral part of the national movement and that they were fully in accord with the essentials of Congress demand for freedom and transfer of power."

Mehta went on to clarify why the bourgeoisie was interested in having a nationalist government, and as usual, he portrayed, the interests of the national bourgeoisie as the interests of the whole nation.

It is well known that a good many nationalist leaders were associated with the Indian bourgeoisie who managed the nationalist movement and that there was also direct participation of the bourgeoisie, though limited to some degree, in the movement.

Once we agree about the nationalist nature of the present Indian bourgeoisie under colonial rule, the study of the development of Indian capitalism will clear up the confusions concerning political independence.

The pre-war period was the peak of British imperialism. During those days the growth of the Indian bourgeoisie was limited. But by the time of the Second World War the situation changed. There appeared new imperialist powers challenging the supremacy of British imperialism. Internally, because of the long standing parasitic nature, it became so stagnant that the outbreak of war saw the decay of British imperialism.

On the other hand, Indian nationalism as well as the Indian bourgeoisie was a rising force. Hence the period after World War I became a period of intense struggle between British imperialism and Indian capitalism, in which the former lost to the latter. Thus independence was won.

The following data will show how

British imperialism was decaying¹²:

(i) In the forties British investments abroad ran at about 2% of the Gross National Product as against 8% in the earlier periods.

(ii) British investments abroad accounted for about half of British savings in 1914, while merely a tenth in the forties.

(iii) The share of foreign investments in Britain's national income was:

| year | 1880 | 1903 | 1914 | 1940 |
|------------|------|------|------|------|
| p.c. share | 4 | 7 | 10 | 2 |

(iv) Capital export, as p.c. of all new capital issues continued to be 61% before World War I, 30% by 1938, and about 20% in the late forties.

What were the reflections of all these in colonial India?

The British agency houses had little cause to look for other sources of finance as long as British capital exports were available in sufficient quantities. Before World War I one would rarely have found Indian shareholders in British companies. But during the war the supply lines were cut off and export of capital stopped at a time when they were most needed. The British agency houses were left with no other way of survival than to allow the entry of Indian capital. From then Indian capital started infiltrating the British agency houses. Although the flow of export finance resumed after the war it was much reduced and the share of Indian capital continued to grow.¹³

The share of foreign banks in all deposits in India stood as below¹⁴:

| year | 1914 | 1937 | 1947 |
|------------|------|------|------|
| p.c. share | 70 | 57 | 17 |

Between 1936-7 and 1942-3, while Indian companies increased their paid-up capital by 17% the non-Indians did by 1%.¹⁵

Basu and others made a special study of the Calcutta jute mills. They found, "In the earliest stages of development of the industry scarcely an Indian owned a share in any of the

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jute mills. On the eve of the outbreak of World War II more than 60% of the shares were held by Indians".¹⁶

Foreign capital, of course, did not yield easily. The general practise by the agency houses was to retain as many shares as needed to ensure control and sell the rest. But because of their financial difficulties and the growing competition from the Indian bourgeoisie the process became more and more difficult. There was the financial crisis of 1931, the crisis during World War II, and political uncertainties, all of which made the continuation of the British agency houses more and more difficult. The political independence in 1947 gave the final blow. Fear of nationalization and confiscation led the foreign capital to withdraw from Indian markets; and most of them sold their shares at the inflationary prices during the inflation of the immediate post-independence years. Thus by 1948 most of the controls came into Indian hands.

Foreign capital began to leave India after the financial crisis of 1931. A major part of it—about Rs 1350 crores¹²—was repatriated between August, 1942 and July, 1948. The Reserve Bank of India estimated the total foreign capital in India as on 31st December, 1948 at Rs 419 crores.¹⁸ One can claim safely that the major part of foreign capital in India was shipped off following political independence and that thereafter economic control slipped out to Indian hands to ensure the transfer of political power. British capital retained control only in some restricted fields.

So, in 1947 India emerged as an independent bourgeois State. We have already discussed how economic control was obtained. Political control was established by the reorganization of the army and the bureaucracy.

(To be continued)

¹²Towards the end of World War II. Cited in Kidron, *Foreign Investments In India*, pp. 65.

²Lenin in *Imperialism, The Highest Stage Of Capitalism*.

³Of course there were Indian businessmen who ultimately joined the imperialists, e.g. the Sassoons, who ended by establishing marital relations with the Rothschilds. The present-day controversies centre on houses like Tata, or Birlas, and by our use of the term 'present' we mean them.

⁴Basu, *The Managing Agency System*, pp. 2.

⁵Speech by Mr Axel Sahlin, consulting engineer of the Tatas. Quoted in "Capital, Indian Industries, Trade and Transport Supplement", December, 1933, pp. 46.

⁶Indian Industrial Commission, 1916-18, Report, Chapter XX "Industrial Finance", pp. 176-186. Indian Central Banking Enquiry Committee, 1931, Vol. I, Part II—Minority Report, Chapter XIII, "Foreign Banks: Complaints Against Them", pp. 193-216.

⁷"The New Octopus", editorial, *Eastern Economist*, April, 7, 1944.

⁸Vaidya, Proceedings of the 18th Annual Meeting of FICCI, 1945, vol. III, pp. 123.

Also Birla in *Eastern Economist*, April 5, 1946.

⁹Chettiar, *Eastern Economist*, March 10, 1944, pp. 362.

¹⁰Birla, G. D., *Eastern Economist*, April 5, 1946, pp. 569.

¹¹Important Correspondence and Documents, 1942-43", FICCI, November 16, 1942, pp. 231.

¹²All the data have been compiled from original British statistics by Kidron in *Foreign Investments In India*, pp. 30-31. Some of these increased in absolute amounts, but their relative importance decreased.

¹³Guntoo, *Indian's Balance Of Payments, 1920-1960*, Chapter 6.

¹⁴Pardiwalla, *Exchange Banks In India*, *Economic Weekly*, February 10, 1951, pp. 154.

¹⁵Bose, *Indo-British Big Business Deals*, pp. 10.

¹⁶Basu, *Managing Agency System*, pp. 69-70.

¹⁷Kidron, *op. cit.*, pp. 53-54.

¹⁸Reserve Bank of India, Survey of India's Foreign Liabilities and Assets, 1949.

Some Aspects Of American Capitalism

R. S.

THE most important development in the modern world is the breakdown of American capitalism. 1971 was indeed a crisis year for America. Many things happened that year which showed that the American system all over the world was sinking steadily. In the process it has touched off a big crisis in the world capitalist system. The crisis of American capitalism is purely economic. But its offshoots are social, political and military in character.

The breakdown of American capitalism results from two-fold causes: rise of competition within the capitalist camp and the inner breakdown of American capitalism as a whole.

Let us take the first aspect of the problem, namely, competition. To start with, America faced competition from two quarters, Japan and Europe. During the last quarter of

a century Japan has emerged as a colossus. In 1970 Japan practically reached the West German level in industrial output. There are rival opinions about Japan's position. The Western economists hold that in the size of end products she had already advanced to the second position two years ago. The Russian economists believe that Japan holds a third position. They say that the Western economists made this computation on the basis of current prices and prices in Japan had been rising much faster than in West Germany. This has distorted the actual relation between the end products of the two countries (see *New Times*, January 13, 1971). The American economist, Paul A. Samuelson, has recently assessed the position of Japan thus: "Japan is now No. 3 economy of the world. Undoubtedly she will

pass the Soviet Union in this century. By 2000 her per capita GNP may outstrip ours as we outstripped Britain, the 1800 champ" (*Newsweek*, November 15, 1971).

Besides Japan, Europe is a challenge. The gap which existed between output per head in the U.S. and that in Europe throughout the sixties has been narrowing very fast. Between 1963 and 1968 when the growth rate of the American economy was particularly fast, the ratio of GNP per head in America to GNP per head in the EEC fell from 2.21 to 2.15. The picture is the same in the matter of industrial production. Up to the mid-sixties the growth rate of industrial production in the U.S. was rapid while that of Europe faltered. But by the end of the sixties European growth recovered from this early shock. Correspondingly American growth went down. As a result, industrial production at the end of 1969 was 45 per cent higher in the EEC than it had been in 1933 and 38 per cent higher in the U.S. Again, during the period from 1957 to 1963 when the growth of the American economy was very fast, the number of continental European firms was steadily on the rise. Of the top 200 industrial firms in the world the continentals numbered only 30 in 1957. In 1962 the figure rose to 41. In the same period the number of American firms fell from 135 to 123 (For a detailed study see *International Big Business 1957-1967: A study of Comparative growth* by Robert Rowthorn & Stephen Hymer).

The challenge posed by Europe is very much a conscious development. At one time American capitalism massively spread into Europe and took the continent into its grip. The time of this expansion of American capital corresponded to the fifteen years following 1950—a period when a torn Europe was recovering from the shock of war. This age of American capitalism was officially ushered in with the promulgation of the Marshall Plan in 1948. In the following years American capital flowed into Europe unchecked and took the

shape of massive overseas expansion of American firms. Those firms covered mainly the sector of manufacturing and allied industries. They were the main channels for the bulk of direct American investments abroad. This phenomenon of course did not affect Europe alone. American capital invaded other advanced economies where American firms now control a significant share of production. Thus in course of seventeen years (1950-1967) American manufacturing and petroleum investments in Europe increased more than ten-fold, from \$1,358 million to \$14,185 million. In Canada over the same period the rise was more than five-fold, from \$2,315 million to \$11,902 million. By the mid-sixties more than 75 per cent of the computers and other electronic goods sold in Europe were produced by American firms. This fantastic scale of expansion of American capital played havoc on non-American capital. The latter was reduced to a subordinate role in growth industries. The play of advanced economies came to be restricted in slow-going backward sectors. The French journalist and politician, Jean-Jaques Servan-Schreiber, articulated this apprehension in his book *The American Challenge*: "Most striking of all is the strategic character of American industrial penetration. One by one, U.S. corporations capture those sectors of the economy most technologically advanced, most adaptable to change, and with the highest growth rates" and "starting with a rather matter-of-fact examination of American investment in Europe, we find an economic system which is in a state of collapse. It is our own. We see a foreign challenger breaking down the political and psychological framework of our societies. We are witnessing the prelude to our our own historical bankruptcy".

Common Market

The response of Europe to the penetration of American capital springs from this shock. With the passing away of old empires Europe

was weak. Foreign markets provided by underdeveloped countries were being captured by American capital. The developed economies of the West could neither expand nor resist the thrust of American capital by their own individual effort. Hence arose the concept of common market. The composition of the EEC (European Economic Community) will show that it is a union of advanced economies (its members are France, West Germany, Italy, Belgium, the Netherlands, Luxembourg and Britain) Britain's coming marked the culmination of the move registered during the premiership of Harold Macmillan. It has been regarded as being on a par with the signing of the Magna Carta and the defeat of the Spanish Armada or Waterloo. This is because it contained within it a promise to change the shape and character of Europe and Europe's role in the world. Britain's 'traditional insular distrust of things continental' is gone. Thanks to the pressure of advanced economies the old outlook of Britain has changed—a fact embodied in the cry that now "the end of a great Empire be completed in the bastardization of a great empire-building nation."

The cold fact behind Britain's decision to join Europe is that realities have been driving Britain inexorably toward Europe'. What are these realities? To start with the world has become uncomfortable for Britain ever since advanced countries like France, West Germany, Italy, the Netherlands, Belgium and Luxembourg signed the Treaty of Rome in 1957. For her survival Britain had to tag either with America or with Europe; or she had to go alone with the Commonwealth. Britain's one-time prized relationship with America has only exposed her to the influence of American capital. Vis-a-vis the twin forces of America and a highly industrialized continent, the Commonwealth is too weak as a trading partner. Over the past decade the GNP of the EEC has increased by 95% and that of

the U.S. by 61%. Britain was trailing only with 42%. Discounting inflation the real wage of British workers has gone down. In 1958 it was the highest in Europe. Today it is the lowest on the continent barring southern Italy. If Britain decided to remain outside one trading bloc or another she would have been poorer; because in that case she would have lost her bargaining power and her stake in shaping the economic institutions of the future.

How can the Common Market thwart the challenge of American capital? The British decision to join the EEC has opened the possibility of the expansion of the Common Market from the Equator to the North Pole engulfing the former French and British African colonies in the south and Norway, Denmark and Ireland in the north. Should this happen, a new economic superpower will come into existence. A ten-member Common Market will have a population of 258 million which is certainly larger than that of all major powers except China. Its combined GNP in 1971 was expected to be about \$660 billion as against the estimated \$1,058 billion for the U.S. It means that only the U.S. could exceed it in per capita GNP. It would also surpass the U.S. Russia, Communist China and Japan in gold reserves and annual exports. At the moment its position is quite sound because it has already accounted for one-third of the world's trading.

How do entrepreneurs react to the EEC? The rules of membership of the EEC commit the members to lowering tariffs. Britain by April 1973 will lower her tariff by 20%. By 1977 tariffs will be abolished. It means that major industries of Europe will have full play on developed economies. American capital will have to operate vis-a-vis this challenge. Thus Italian refrigerators and woollens, West German heavy electrical equipment and chemicals, French tyres and many of the sort will compete with American

goods in European markets. The British entrepreneurs are exceptionally jubilant over Britain's joining the EEC. According to *Time* (8.11.71) a survey of 1,000 firms found 95% in favour of joining the Common Market. EEC has offered the possibility of Europe-wide marketing. Some of the major British companies like British Leyland Motors and Imperial Chemical Industries Ltd. are doing exceptionally well on the continent even without tariff advantage. Particularly West Germany and France provide them with a wide market. Given a spur of fresh competition they may do even better.

The Common Market is a kind of economic nationalism for Europe who has her own rules of the game. If its internal solidarity is retained and if its current tendency to expand gathers momentum it may well be that a Leviathan will emerge in the global market to challenge the new imperialism of America. Whether America will be able to cope with it will depend on whether the American economy retains its dynamism. But in the existing conditions this is almost impossible. For the American capitalist economy 1970 was a bad year in many respects. Its current crisis is a hangover from that year. In the first place the growth rate in America fell off. *New Times* (No. 2, January 13, 1971) gives the following figures: the American share in the capitalist world output dropped from 43.4 per cent to 41.3 (one reason for this is the challenge of the EEC and Japan as explained above). The manufacturing industries were operating at the end of 1970 at 76 per cent of their capacity. This is the biggest fall in the productivity of these industries in a decade. The steel output dropped from 128 million tons in 1969 to 120 million in 1970. Even a big industry like the automotive showed a fall in output to the tune of 9%. There was a 2% fall from the position of 1969 in overall industrial output. This was the first absolute annual decrease since

1958. Even the U.S. end-product indicated this process of decline in industry. In 1970 the U.S. end-product was \$978 million thousand. But after price adjustments this comes to about 929 thousand million as against 932 in 1969. The result of this general fall in industrial output means a sharp cutback in related fields.

There were clear indications of this crisis in the American economy. *New Times* (ibid) writes: "There were frequent stock exchange slumps, and share price levels now are 30 per cent lower than two years ago. The result has been to bankrupt even big corporations like Penn Central and Ling Temco Vought. In all there were 8,940 business bankruptcies during the year, which is a record figure".

There are two allied problems in which the crisis manifested itself. These are inflation and unemployment. Inflation is rampant in America. "Creeping" inflation which has engulfed almost all the capitalist economies has turned into "galloping" inflation. During the period 1957-67 price levels rose by an average 1.7 per cent a year. In 1968-70 the rate was 6 per cent. The price spiral has negated the benefits of wage increases which the workers secured through long struggles and strike-battles. Inflation enriches the financial oligarchy. The profits arising out of the difference between the growing wholesale and retail prices are appropriated by bigger monopolies. Vis-a-vis this the working class faces destitution because of the price rise. They have to go for fresh battles in order to defend their social living. Thus inflation sharpens class contradictions. The following table gives some idea about the price rise in America.

| | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|------------------|------|------|------|------|------|------|
| Wholesale prices | | | | 102 | | 106 |
| | 106 | 108 | | 113 | | 118 |
| Retail prices | | | | | | |
| (consumer goods) | | | | 103 | | 106 |
| | 109 | 114 | | 120 | | 127 |

Source: *Monthly Bulletin of Statistics*, cyclical character of capitalist production. June 1971. Also reproduced in *International Affairs*, Moscow, Vol. 9, September, 1971.

There are certain points to be noted about this inflation. First, the current inflation is conspicuous by its rapid spread and long persistence. Secondly, in ordinary cases shrinking industrial production is followed by lower prices. But just the opposite of this is happening in the USA now. Thirdly, inflation has undermined the stability of the dollar and disorganised the credit system.

What is the cause of this inflation? The major cause is the enormous military spending indulged by the U.S. for the past few years. The excess of government expenditure over revenue has become a regular phenomenon. It was widely apprehended that in the current fiscal year the deficit would reach the figure of \$15,000 million. All this is due to government bungling. The Democrats abuse the Nixon Administration. The Republicans attribute it to the legacies of the Democrats. But no individual person or party can be blamed for this. If anything is wrong it is the system and the present crisis is the direct offshoot of the

Unemployment

Another problem of the American economy is unemployment. It is a fast growing unemployment. By the end of 1970 the figure reached 4.6 million. This is about 5.8 per cent of the labour force. Particularly affected is the youth. For five months ending with March, 1971 unemployment stood around 5 million. This was about 6.5 per cent of the total labour force. About 9.5 per cent of black workers are going without employment. Vietnam war veterans are also affected by it. A further rise in actual unemployment is likely because millions of youth of working age will leave schools and colleges and enter the labour market. To cope with this problem the Nixon administration has decided to create 750,000 new jobs (*Newsweek*, August 30, 1971). By the spring of 1972 unemployment figures, the Administration hopes, would be reduced from 6 per cent to 4.5 per cent.

How does the U.S. Government look at these enormous problems of inflation and unemployment? It is handicapped by two disadvantages. First, the capitalist State's means and capacity of control and regulation are very limited because of the nature of capitalism itself. Secondly, the combination of falling production and inflation has baffled all serious approaches to the problem. Controlling inflation involves curbing demand, consumers and industrial alike. But to quicken industrial activity, all-round expansion of demand is required. The contradiction is not easy to resolve. At the outset the Nixon Administration went out to curb demand. The bank rate was increased and a 10 per cent income tax surcharge imposed, to hold back new investment and cut back consumer spending. But none of the measures was effective in stopping the price spiral. The second measure actually accelerated the decline of production. Faced with double crises Washington annulled the mea-

asures and reverted to the old system. Then a new method was thought out to stimulate production. A proposal to increase the amount of money in circulation came under the consideration of the Administration. The fight against inflation was given up. The economic plans of the government proved a failure.

The economic policy of Nixon—known in capitalist circles as the policy of growth (and it is essentially a state-monopoly policy of growth)—accentuated evils which it was supposed to cure. It accelerated inflation and increased unemployment. The government's attempt to employ a deflation policy and to 'restrain growth' by means of curtailing consumption by the working people was a measure directed against the working class and their policy of agitation and strikes. It was thought that the weight of an artificially created unemployment on a 'planned' scale would fall upon the workers and they would be deflected from the path of revolution. But this misfired. Unemployment exceeded the planned scale. Inflation was left to itself. The workers' movement instead of being weakened was reinforced. The suffering people resolutely oppose the State's policy of curtailment, which stimulated artificially a slump in production. The policy of 'mini-crisis' so enthusiastically adopted by President Nixon after the counsel of his economic advisers has opened up fresh points of contradiction. The equilibrium of an affluent society is lost. The unseemly show of opulence upheld by the pretensions of the Government has been declared null by an aggrieved people who groan under inflation and unemployment. This is a pathetic picture of capitalist decadence—a decadence which both Marx and Lenin foresaw long before it was a reality.

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Financial Foundation Of The British Raj

ARJUN BANDYOPADHYAY

IN recent years some important studies on 19th century India have been published. No doubt they have thrown new light on different aspects—social, economic and political—of the period, thanks to an intelligent handling of facts as well as new methods and approach. But in spite of their relevance and significance, these studies are not free from biases. According to some (the studies of Anil Seal, Broomfield and others) Indian nationalism and society should be interpreted in terms of caste, elite etc. and “class” concepts must not be used. According to others, the British land revenue system and other policies were the result of political and philosophical ideas and movement in England i.e. Indian reality did not play any large part (the view got circulation specially after the publication of *The English Utilitarians and India* by Eric Stokes). On the other hand a reaction has set in against the arguments and interpretations of economic nationalist historians of India like Naoroji, R. C. Dutt and others. Particularly the theories of drain and economic imperialism are under severe attack. It is time some of the conclusions of these writers be amended in the light of facts recently explored. But the reaction itself is not free from an opposite bias. With meticulous sophistication it is argued that during the 19th century India had prospered and British rule in India was not essentially inimical to her interests (Moris D. Moris’ very naive article has put forward the old British point of view. It is really surprising that this article received serious attention from scholars). It is also directly or indirectly said that there was no “drain” in 19th century India. Many want to deny the phenomenon of economic impe-

rialism. So it is very heartening that Sabyasachi Bhattacharyya’s *Financial Foundations of the British Raj** is free from all these bases. He tries to interpret the period in correct perspective and with a sense of reality. He wants to bring back to the research works on 19th century India the broader perspective and critical attitude to economic imperialism of R. C. Dutt and other economic nationalist writers. The scope of his subject is limited, he intelligently uses the limitation and with this very limitation he clearly shows the real motive and character of British rule; he does not want to confuse the readers by creating a terminological jungle. He simply and categorically uses the term class and class interest; his preference for the term bureaucracy instead of the civil servant is remarkable, in a sense, much more correct. Thanks to his sense of reality and urge for drawing the true picture Sabyasachi Bhattacharyya rejects the legalistic approach and is not interested in the formal structure of authority and policy notion; he wants to find out how a policy on financial matters was determined, in what process, and by whose pressures. Who were the more important elements in the working of the decisions, what were the more dominant factors? What were the relations between different pressure groups and the Government of India? These very questions show the relevance of his research—the questions are correct, fundamental and full of significance. These questions bring to light the real motive, interests and personnel of the financial policy of the British Indian Government. Bhattacharyya’s sense of reality is also revealed in his attitude towards the laissez faire policy of the Government of India in the 19th century: the policy of the In-

* *Financial Foundations of the British Raj: Men and Ideas of the Post-Mutiny Period of Reconstruction of Indian Public Finance 1858-1872.*

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dian Government—a policy essentially pragmatic cannot be simply labelled as ‘laissez faire’ or ‘non-interventionism’. The second half of the 19th century saw the gradual decline in the laissez faire faith. Bhattacharyya quotes a passage from Mill, a champion of non-interventionism, where he recommends a programme for state action in backward countries (like India). And there was no real difference between pro- and anti-interventionists. At the same time, supply of raw cotton for Manchester was ensured by going against the principle of non-intervention, and strict laissez faire principle was maintained regarding the tariff policy. There was no theoretical inconsistency here, as both policies served identical economic interests. So it was a policy of discrimination. According to Bhattacharyya it was discriminatory interventionism. With pragmatic approach he throws the veil off economic growth imposed by the sophisticated recent research on the character of British rule in India.

According to Bhattacharyya it is necessary to study the interest-groups which had access to the government and which influenced the decision making. Several groups may in unison command greater influence. These may be called “interest constellations”. They may be divided into two broad types—highly knit, organised, groups with almost identical interests (for example: the Bengal Chamber of Commerce, the Cotton Supply Association etc.) and heterogeneous groups whose tendency was towards special pleading in the interests of a single economic group (for example: The East India Association, the India Reform Society etc.). They got access to the organs of the Government either through petition or deputation or propaganda in the press or lobbying in Parliament. Of course, the influence of informal contacts on the decision was there. It is obvious that though the outcome of all these was not predictable, the British interest groups were much more successful in obtaining favourable decisions, despite the fact that

questions of financial viability, need for a reputation of good faith etc. restrained the government from conceding all the demands of the British cotton interest groups. On the other hand the bureaucratic machinery also was an obstacle. Some interest groups like those of Dundee or Manchester were more influential than other groups like British grain merchants (for reduction of the grain duty they had to wait six years).

Imperial Interests

One possible objection to this emphasis on the role of British interest groups is that the geographical distribution of British overseas investment does not indicate that Britain's vital economic interests lay in maintaining the Indian empire. So economic interests were not vital in the making of imperial policy. There is some truth in this argument, no doubt—recent researches conclusively prove that a very large portion of overseas investment outside the Empire to independent countries. But most of the authors paid their attention to the period after 1870; the major movement of British capital to India occurred before that period. Bhattacharyya rightly points out the data limitations of studies based on created statistics. It may be the fact that the Empire became less attractive as a field of investment from the closing years of the 19th century, but it is not correct that it was never regarded as such. Moreover, it was not possible for either businessmen or policy-makers to get the exact information and the hindsight of the latter-day historians. Besides all these, influence of the British interest groups active on the Indian scene was not exactly correlated to the ratio of the British interests in India to total British investments in

the world. Here emphasis should be on development of those facilities which increased the capacity of primary producing nations to export marketable surpluses to Europe.

In this general framework Bhattacharyya examines in detail the different aspects of the financial machinery of the British Indian Government, its personnel, its decentralization, different heads of revenue and their importance, different heads of expenditure—Home charge, military expenditure etc. He categorically points out that the tariff policy of the Government of India seems to have been based on the premise of a division of labour between India and England—the former supplying raw material and the latter specialising in industrial manufacture. He tells simple truths in a simple way, without introducing the jargon of modern economics.

As a reaction against the British policy the Indians were also expressing their dissenting views in the period, but no coherent set of ideas yet emerged which may be called nationalist. Practically informed public opinion was in a rudimentary stage. Yet, the question of taxation—slogans like "Taxation with Representation"—was raised. Repeatedly Indian opinion was expressed on the standard of living, economic condition of the masses, fiscal burdens etc. The British Government, as usual said that the country was in the midst of economic development and the State's share of the national income would be automatically growing, but those who got most benefits out of this development were not bearing their share of burden. The English Press, more or less, accepted the official view that it was necessary to have a fiscal system which would "throw the burden of the State more equally over the whole society". They saw that the tax fell exclusively on the workers. Despite gross increase of wealth, all classes were not benefited—rise in the price of agricultural products benefited only the landowners. The condition of the landless became more miserable

land tax, salt duty, abgaree (tax on the luxury of the very poor) were all paid by the poor, that Indian trading and capitalist classes enjoyed unfair immunity from taxation. The Indian press made objection against "insupportable taxation". The native as well as the Anglo-Indian newspapers opposed direct taxation in all forms. On the other hand they recommended addition to salt duties which affected the poorest class; by direct tax the middle and high income groups were affected. Low income groups wanted progressive taxation. The professional and entrepreneurial class was happy with the inequity of tax which could not differentiate between the incomes which represented the fruits of their industry and the incomes of rentiers, landlords etc. Sometimes economics and ethics mixed, for example in the case of the opium tariff. But the point to be noted is, definite class interest and bias played a large part here and there were clashes of interest not only between the British and the Indians, but also between Indians and Indians. The Indian press tried to make public opinion by stressing the questions of tax burden, income tax and direct taxes, military and Home charges, import of British capital, tariff policy etc. and despite the fact that the interests of all the classes and strata of the subject race were not the same, the elements of economic nationalism were germinating—sectional interests were being transcended by larger issues like the appointment of Indians in the upper layers of the bureaucracy, the military and Home charges etc. Some of the ideas which were expressed during this period had strong affinities with those of the Congress resolutions of early years, though many radical opinions of Naoroji and others were not accepted. But emergence and development of this process is beyond the scope of Sabyasachi Bhattacharyya's study: the very limited time-span of *The Financial Foundations of the British Raj* is really a weakness of the otherwise brilliant research.

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Insipid Rendering

BY A FILM CRITIC

ART director Sudhendu Roy's debut as film-maker in *Uphaar* hardly adds a new name to reckon with as a director of consequence. The story based on *Samapti* by Tagore which Satyajit Ray made into such a sensitive piece is stretched beyond legitimate limits and the padding resorted to take away the compressed lyrical beauty of the original. It is not clear what the director intends to do because the period and locale are not properly delineated leaving a gap in the audience's understanding of the milieu. Even the picturesque palm-fringed backwaters of Kerala photographed in lush colour do not lend authenticity to the theme.

The overblown story has Jaya Bhaduri as its overgrown adolescent heroine whose coy antics however hardly pass for innocence the village belle is supposed to embody. Some scenes involving the vapid hero tend to be mawkishly reminiscent of Ray's patches too long. The film leans on inessential visual pomposity and somewhat short on the exploration of the transformation that takes place in the bride which awakens her to womanhood.

Clippings

Pakistan And The Big Powers

AIJAZ AHMAD

Since March, 1971, each of the present editors of *Pakistan Forum* has affirmed repeatedly the Bengalis' right of self-determination, and we have done so in the pages of this journal as well as through a variety of other means. Each of us has nonetheless warned also that the class origins of the Awami League leadership are likely to make the government of that party a blatant ally of the worldwide counter-revolution.

Separately and together, we have insisted that a guerrilla movement launched from external sanctuaries, with borrowed guns and on foreign advice, would surely turn Bangladesh into a plaything of the Indian ruling class and an agricultural backyard of the West Bengali capitalists. Further, a sovereign Bangladesh that comes into being as a result of the exercise of India's military might would become a rather slavish member of the Soviet-sponsored anti-Chinese alliance in Asia.

The Soviet Union has been trying to extend her influence all along the rims of Asia. She has improved her relations with Turkey and Iran so as to expand her naval thrust in the region. She has gained servicing facilities at the island of Socotra and is negotiating for similar facilities at Ceylon, Singapore, Mauritius and the Maldives. She is normalising relations with the Philippines, has offered military supplies to Burma, and is now giving economic aid to Suharto's regime in Indonesia. Reports suggest that she has made some conciliatory advances toward the "Nationalists" of Taiwan as well. After the massive military aid which made India's invasion of East Bengal possible, it is only reasonable to expect that the Soviet Union shall now get naval facilities in India. The possibility that the Soviets may instal SAM bases in West Bengal—purportedly for the defence of Bangladesh, in fact to tighten the circle around China—cannot be ruled out.

For some years now, Secretary General Brezhnev has been proposing an Asian Security Pact with the intent of isolating China and making the Soviet power in Asia quite unmistakable. The Indo-Soviet pact of August last marked the first major breakthrough for this policy. The invasion of East Bengal is the second, more blatant and cold-blooded step in the same direction. Naturally, the People's Republic of China has been quick to grasp and denounce the whole move.

China has suffered a great deal from the isolation the American and

Soviet policies had imposed on her during the last two decades. Moreover, India in Tibet province and the Soviet Union in Sinkiang province have aided and sustained separatist movements within the Chinese territories. The American sponsorship of the "Nationalist" faction in Taiwan province is, of course, well-known. On the other hand, Pakistan has been instrumental in helping China break out of this isolation during the latter '60s. The Chinese are grateful to Pakistan for providing the air and other tangible links with countries of Africa and the Middle East, both areas where the U.S. and the Soviet Union have tried their utmost to subvert China's role.

Now, with only slightly improved relations with the U.S., with the direct military threat from the Soviet Union still portentous, with the Soviet influence on the increase throughout Asia, China faces the possible dissolution of Pakistan, the possible loss of direct links with Africa and the Middle East, and the creation of a new state, only sixty or so miles away from her south-eastern borders, which is from the start a potential staging area for Indo-Soviet acts hostile to herself.

Nevertheless, in stressing the principle of non-interference in the internal affairs of another state, which is cardinal among the Five Principles of Co-existence, China was conscious of more than her own interests as a leading socialist country in the world. She was also keeping in view the fact that the struggle had to be waged by the Bengali people themselves and that foreign intervention would be necessarily a reactionary one, with the direct purpose of arresting and annihilating the radical forces in Bangladesh. In other words, the Chinese leadership anticipated the Soviet-backed Indian aggression and formulated their policy on the basis of this anticipation.

It should be instructive to compare this foresight on the part of the Chinese government with the opportunism displayed by the government of the U.S.

The widely accepted myth that the U.S. supported Pakistan during the war has little basis in fact. Here, the Anderson papers are quite revealing, and what they reveal is actually sharply different from what Anderson quoted as saying on December 5th that the total military aid to Pakistan in 1971 amounted to about 5 million dollars—equivalent to perhaps a couple of aircraft. In view, particularly of the massive Russian aid to India, these miniscule deliveries to Pakistan had no practical value whatever. Then, as early as December 6th, Kissinger is quoted as saying that the outcome of the war is of course predictable in the sense that the fall of East Bengal was a foregone conclusion; all he wishes Bush to do at the U.N. is simply state a position for the record. On the question of third-party transfers, particularly from Jordan, his instructions are clearly to wait and see. Even the much-talked-about Enterprise did not begin to move toward the Indian Ocean till after the fall of Dacca was already imminent.

Is this support? *Before* the fall of a single major city in East Bengal, ten days before the surrender in a two-week war, the highest official of the U.S. foreign policy establishment had already decided to let the war reach the end that the Soviet Union and the Indian government wished. In the U.N. (the only guarantees Bush asked for were about West Pakistan; none about East Bengal). India's right to dictate a military solution was tacitly conceded.

We have to be quite clear on this issue. China has amicable relations with the government of Pakistan on the basis of reciprocity and mutual respect for each other's sovereignty; nothing in this relationship requires China to intervene militarily on behalf of Pakistan. Contrary to the impression Yahya and others tried to create domestically, China has never given any guarantee. With the U.S., on the other hand, Pakistan has a bilateral Defence Pact and a special rela-

tionship owing to membership in both CENTO and SEATO. The treaty obligation for the U.S. was clear enough; to do for Pakistan at least as much as the Soviet Union was doing for India—militarily. The U.S. did nothing of the sort.

Parenthetically, we should emphasize that we are not arguing in favour of a U.S. intervention. We are merely pointing out that the myth of Nixon's support for Pakistan is false.

Why should the U.S. have cared to make the few empty, formal gestures she did make? Well, for several reasons. First, the U.S. is concerned about the continuing expansion of the Soviet Navy. Now that India has drawn closer to the Soviet Union and an independent Bangladesh may well become a key factor in the Soviet geopolitics of the Indian Ocean region, the U.S. is getting tough. But it is posturing, for most part. For example, it is incorrect to say that the economic aid to India has been cut; only a fraction of it has been suspended. Similarly, it is wrong to assume that Bangladesh has come into being against the wishes of the U.S. government. The severe posture of the U.S. officials means simply that aid to and recognition of Bangladesh shall now be conditional upon a much reduced Soviet role in the region. Otherwise, there is nothing inimical to the U.S. interests in the present leadership structure of Bangladesh or in the Indian intervention as such.

It would be foolish to think that the U.S. is so tied to her relationship with the West Pakistan rulers that she would sacrifice the larger clientele in India. Nevertheless, West Pakistan does play a considerable role in the U.S. military control over the Mediterranean and Indian Ocean regions. The chain of interlocking military installations which begin with Spain and Portugal, and which runs all the way through Greece, Jordan, Israel and Iran, finds Pakistan at the other end of it. To protect the chain, the U.S. gives a modicum of support to each regime.

In West Pakistan, she has a ready-made clientele. The formal gestures of the U.S. government were designed not in support of Pakistan—whose dismemberment Kissinger had clearly conceded—but in recognition of the clientele in West Pakistan. The domestic economic situation is now grave enough, and Bhutto is pliant enough, so that the U.S. need not now worry in this area.

In Bangladesh, Mujib now controls the apparatus. His unconditional release was surely not unconnected with some quiet but forceful American diplomacy. He has already repudiated Abdus Samad's earlier belligerent statement that the U.S. aid would be "tainted" and therefore not acceptable to Bangladesh. Instead, Mujib wants aid from "everywhere". In Washington plans are under way for massive financial backing for the regime—initially in the form of "humanitarian aid" for the refugees. Meanwhile, a U.S. consulate continued to function in Dacca although, according to the State Department, the question of recognition for Bangladesh "is not under consideration at this time" (Emphasis added) None of it is very surprising. In fact, the character of the new Bangladesh government is so patently bourgeois that even the Soviet correspondents are beginning to joke about Mujib's "socialism".

A recent issue of *Observer* reports Mujib as saying that "the British system is the best for the Bengali people" and describing himself as a friend of Harold Wilson and Roy Jenkins. This again is typical, rather reminiscent of Zulfikar Ali Bhutto who once described Wilson and Willy Brandt as his models of socialist leadership. All in all, the civilian leaders of East and West Pakistan are not very dissimilar. The Awami League and the People's Party are cut from the same cloth. And, Mujib and Bhutto are different only in the brand of nationalism to which each subscribes. Otherwise, both are victims of a self-centred superfluity of a very dangerous kind. (From *Pakistan Forum*, Canada).

In The Mirror Of Bangladesh

The CPI(M) leaders have been pointing out that the Congress is digging the grave of democracy in India. But while doing so, they in the same breath appreciated the Government's actions over Bangladesh. According to their analysis, the Government of India has been simultaneously a destroyer of democracy at home, and founder of the same abroad; nationally they are 'semi-fascist' and internationally anti-fascist-cum-anti-imperialist. A rare example of 'unity of opposites' indeed.

Here is *Peoples Democracy*, the organ of the CPM, dated December 26, 1971 in front of me. It carries a nearly two-page story of police-Congress-goonda attacks on CPI(M) cadres at the very moment when "Congress rulers talked of unity as the need of the hour" along with a list of CPI(M) martyrs, totalling 132. Furthermore, in modest words and meek tone there is a call to the Government urging it to "ensure democracy at home" accompanied by an article under the caption "Some questions on Bangladesh" by Mr Basavpunniah, the topmost theoretician of the party.

The leader defends his party's supporting a 'bourgeois-landlord' Government against another when the former has a war "precipitated" on it by the latter. Who precipitated the war upon whom yet remains to be decided, but Mr Basavpunniah avoids this controversy and accepts unquestioningly the version propagated by the Indian Government. The manner in which the Government of India handled the contradiction (of course assuming its right to do so) between the two wings of Pakistan is in clear violation of the norms of State-to-State relationship. It was an interference in the internal affairs of another country. Mr Basavpunniah does not raise this point even once. He cites the case of the German working class supporting the German

Government in the "defensive" war against French aggression and says "We can cite any number of such examples". But that the case does not fit in, is evident enough from his own honest admission that the German working class was "opposed to the crossing of the frontiers and entering into France". What about the CPI(M)? Did they support a 'defensive' war?

In reply to another question Mr Basavpunniah says "Nobody believes the bourgeois-landlord Government of India plays the role of a liberator". After a while he speaks in another voice—"it is the bourgeois-landlord Government supporting the issues of democracy and national liberation in this particular case". If this is not a self-contradictory statement what else is?

Mr Basavpunniah unmasks his and his party's face when he expresses his readiness to welcome support, *irrespective of the reasons and motives behind it*. He finds nothing to object even if the support is "in its own interest and of stability and peace in the subcontinent as well as in the country". 'Stability', 'Peace' etc. here mean the same thing to a Marxist and an anti-Marxist, leading to a strange coincidence, an unholy merger of ideas of the two professedly opposite camps. The CPI(M) leaders should know that they can guarantee and safeguard 'peace', 'stability' of Mrs Gandhi's variety only by abandoning the path of class struggle.

Mr Basavpunniah rules out the possibility of turning the Indo-Pak war into a civil war. In his view, "to think that the present war is a war between two imperialist powers for redivision of territories or conquest of markets would be grievously wrong" and no analogy of imperialism should be brought in. True, India and Pakistan being two underdeveloped countries are not imperialist powers. But both being semi-feudal and semi-colonial in character can be set against one another by their imperialist bosses in their own interest, leading to the exploitation of

the mutual contradiction in the form of war.

Mr Basavpunniah discovered two-tier reasons behind New Delhi's support to Bangladesh: the democratic parties, people and forces inside the country and their pressure; and second, the heavy burden of ten million refugees and the concomitant law and order problem. That's all. Don't you expect to hear something more than this from a Marxist who can at least imagine what vested interests are eyeing Bangladesh? You may wonder—but really there is no third! Is it not hard to believe that a Government, which in clear defiance of the spirit of democracy and pressure of democratic forces, has made a record of toppling down so many non-Congress ministries by hook or by crook, has killed so many people on mere suspicion, and has set up a sordid tradition of jail-killing, will support a cause because of the internal pressure of democratic forces? Did not democratic forces in this country try to exert similar pressure in the past over other burning international issues and didn't the Government keep mum?

Mr Basavpunniah's second reason is equally untenable. Because it voluntarily allowed the refugees to pour into India in their thousands, the Government cannot claim the right to unleash war on a neighbour. Mr Basavpunniah's attempt to rationalise every action of the Indian Government is unashamed.

Replying to another question he cunningly admits that some forces in India might have had a 'covetous eye' on Bangladesh to utilise it as a market and if possible to exploit it. His admission is in such a cryptic fashion as to screen the collusion between the Government of India and these forces.

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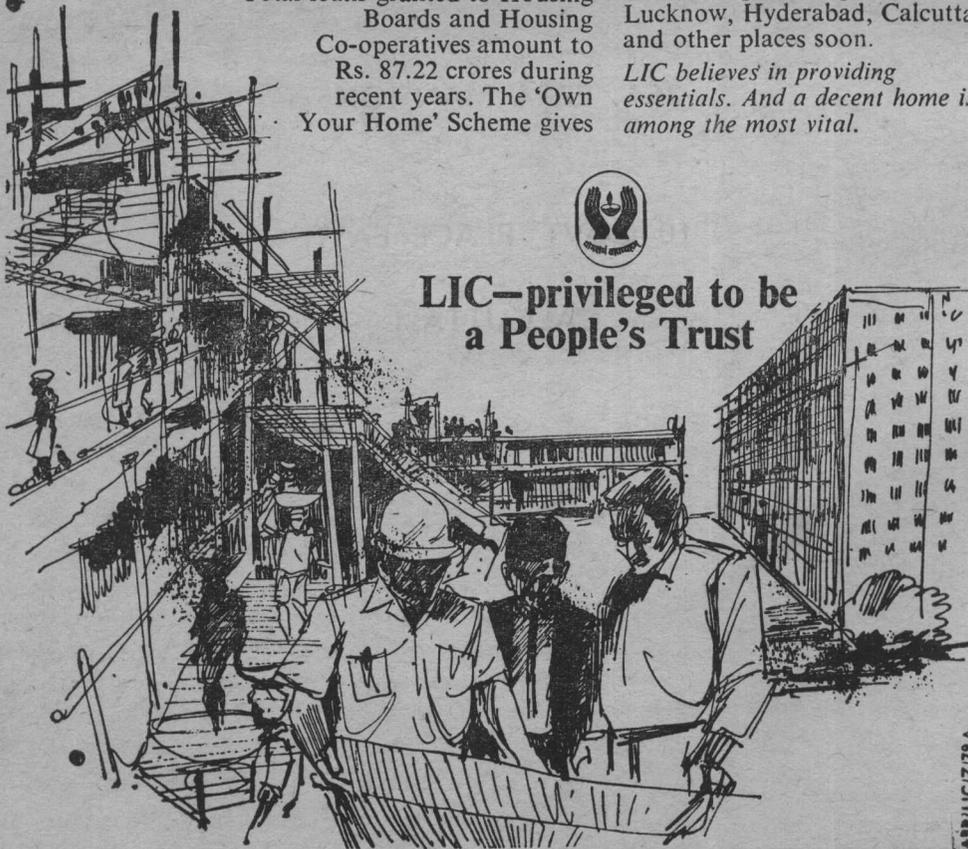
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