Indian Capitalism and Its Crisis

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The perilous position of India's economy and the downturn it has undergone in 1965-66 and 1966-67, as well as the expectations of a climbout in 1967-68, raise some interesting theoretical problems which Marxist economists might do well to consider. It is all the more appropriate that some effort should be made in this direction in the year of the centenary of the publication of Volume I of *Das Kapital*. The contemporary relevance apart, there is need for some attempt at a tribute, the best one can do despite the hopeless inadequacy.

While it is true that the elements—Marx never seemed to have got the time to work out a systematic comprehensive theory—of the Marxist concept of economic crisis are to be found in Volume III of *Das Kapital*, yet the basis on which rests the whole superstructure of the Marxist economy of capitalism, i.e. the labour theory of value and surplus value, is to be found fully worked out in Volume I, which was the most pondered and polished work of the greatest thinker that ever lived. Without understanding capitalism as the economic social form of the appropriation of surplus value, resting on the wage-labour-capital contradiction, and the nature of capitalist accumulation, any theoretical model of crisis would lack roots. The relatively distinct and quite definitely interrelated disproportionality, falling rate of profit and consumption lag

aspects of a typical capitalist crisis are, after all, the manifestations of a deeper and the most profound contradiction of capitalism, i.e. the increasingly restricted private appropriation of increasingly socialised production. And this latter contradiction has been splendidly and passionately mirrored in the searing and yet scientific pages of Volume I of *Das Kapital*.

It became necessary, therefore, to make this seeming digression in view of a certain current in circles fairly close to Marxism which asserts that everything of basic importance in what is now called Marxism was left unfinished by Marx. The definition of class is the point at which the manuscript of Volume III of *Das Kapital* breaks off and Engels himself admits that manuscripts left behind of Volume II and Volume III were in a dreadfully unfinished state—and in the famous handwriting of Marx, which the author is on record as saying that he himself could not often decipher! All this is true and leaves room for a great deal of controversy—which has, indeed, historically taken place and which continues today—and for various kinds of 'what Marx really meant' writings. But the logic of capitalism as the logic of crisis, the intervention of class struggle on the basis of this logic and producing its impact on this logic, the inevitable result of this interaction ('the expropriators are themselves expropriated')—all this is to be found in Volume I. It would seem, therefore, that there is little basis for overscepticism, for making unnecessary and rash 'new' beginnings when the vantage point has already been secured for human thought a century ago.

It is also, perhaps, necessary to add that the Marxian theory of capitalist crisis is also a theory of growth, i.e. crisis does not exclude growth and the fact of growth itself along capitalist lines is pregnant with crisis. Complete stagnation and automatic collapse as against rising production and technological revolutions are 'false' opposites or, rather, importations of a subjective nature into the really contradictory nature of capitalist development. Fastening upon either of these 'false' opposites at a given moment of time when seemingly they have made their appearance (one must use the old distinction between actuality and reality) often enough leads and has led to wrong conclusions and a certain bewilderment in the face of succeeding developments. Those who have attentively followed or participated in the various efforts at a Marxist analysis of the postindependence economic developments in India would, perhaps, better appreciate the harm wrought by these 'false' opposites. (In contrast to the onesided emphasis so often made in the study of this complex progress one would like to point to a somewhat neglected classical work of Lenin, *The Development of Capitalism in Russia*, published in 1899. The growth-crisis duality and the structurally modifying nature as well as the agonising and inhibiting character of capitalist development are splendidly illustrated in this most painstakingly written work.)

Finally, in any consideration of the nature of India's capitalist crisis one has to take note of certain extremely important elements of a precapitalist, developed capitalist (or senile capitalist) and postcapitalist nature which impinge upon the phenomenon. Indeed, one can legitimately question the extent to which a completed capitalism and, therefore, a self-generated crisis has found a home in India. Every downturn or even a very sharp and pervasive one such as we are witnessing for the past two years, need not be an indication of crisis as it is understood in the Marxian sense. One would find so many specific features as to make it not a very special case of a capitalist crisis but rather a crisis of the capitalist *path*, of a structure of production relations and of policies flowing therefrom which are yet transitional. One would also discover the distortions induced by an industrial-financial oligarchy that has not yet shed its merchant-moneylender ties or propensities.

One would come across what has been called the 'dependence coefficient', the alarming extent to which the attempt to 'end aid through aid' has placed our economy in a position of vulnerability to imperialist pressure and, hence, to 'exported' crises. This is not merely a matter of being tied to the imperialist markets but of being enmeshed in the imperialist division of labour, of occupying what has been called a 'special position' in that division of labour. One would like to point out that this entails also neocolonialism adapted to the specific conditions of India, i.e. of inducing a particular type of capitalist development, a collaborationist, dependent capitalism.

Additionally, there is the extremely important material factor of that branch of state capitalism which takes the form of productive assets in the industrial and, to a lesser extent, in the agricultural sphere. While not ignoring the significance of other types of state capitalist intervention—budgetary, institutional finance and trade—one would like to focus attention upon the industrial public sector. At the end of 1965-66 the number of government companies stood at 214 with a paid-up capital of Rs. 1,241 crores compared to about 27,000 non-government companies with a paid-up capital of Rs. 1,515 crores. In 1955-56 the paid-up capital of government companies was Rs. 66 crores compared to Rs. 958 crores in the nongovernment sector. The deposits of the State Bank of India and its subsidiaries came to Rs. 1,109.2 crores as compared to Rs. 3,493 crores in the private sector. It has been calculated that the formation of assets in this sector proceeds at about twice that of the largest units in the private sector. And the rate of industrial employment in the public sector has been over four times that of the private in the past quinquennium. It is here, too, that the value of the partial and restricted linkage with the socialist system's division of labour manifests itself with special clarity. It is scarcely an exaggeration to state that without socialist aid this type of state capitalism would scarcely have appeared at all with its heavy industrial complexes, its bringing into being in India in substantial measure Department I of the Marxist scheme of reproduction, providing a base for independent development and noncapitalist transition. It should be mentioned here that this sector provides also the means whereby the representatives of what Marx called the 'really revolutionising path' of capitalist development could find the necessary impetus to forge ahead and attenuate their links with both foreign and indigenous monopolies—the small- and medium-scale industries of Department I, in particular. It is this sector again that provides the material basis for the limited state capitalist programming that has been a marked feature of the past decade and which is now threatened with extinction. Not only does this type of state capitalist development advance the country, to an extent, towards economic independence but it also mitigates tendencies towards crisis, less dependent as it is on profit rate and more free of the shackles of impoverished personal consumption.

But the capitalist aspect of Indian state capitalism cannot be ignored either. There are three points which one would like to make in this connection. *First* is the element of disproportionality. There has been, and inevitably so, woeful failure to understand and implement the law of proportionate balanced development, of understanding indivisibilities, linkages and physical balances. Haphazard growth and lack of effort to give plan directives—at least in this sphere—the force of law is precisely a specific form of the anarchy of production, of the supremacy of market demand which is a characteristic feature of capitalist development. This aspect has come very much to the fore in the recent crisis.

Second, the mode of financing public sector industrial projects is typical of the stage of the primitive accumulation of capital with its inordinately iniquitous indirect taxation, its inflation and its continued dependence after a decade of surplus upon alienation. Granting all the problems of gestation period, of the nature of a large proportion of these enterprises, still the internal surplus generation and the plough-back rate has been extremely inadequate due, largely, to bureaucratic delay and inefficient management. Dependence on foreign aid in this sector has been too heavy and too stretched out, very often against the expressed advice of experts from socialist countries—the Cambay off-shore oil exploration is a particularly flagrant example of this lack of an attitude of self-reliance. Pricing

policy sabotage as also of deliberate simultaneous overlicensing in the private sector of the same line of production so as to saddle the public sector units with vast surplus stocks and heavy inventories due to fear of competition, is also a surplus-creation inhibitor—the Madras Surgical Instruments Factory comes at once to mind. The waste also in the 'competition' with well-established private sector units due to the dogmatic aversion towards nationalisation also retards the growth of surplus—the oil industry, for example. And, of course, the steadfast refusal to bring within the public sector such units of Department II that would provide feedbacks as also demand for Department I. The failure to insist upon the buying of indigenously produced machines and intermediates and the completely crazy import policy, now generously 'liberalised' hits, above all, the utilisation of capacity and recouping of costs in the public sector.

Third, attention has to be drawn to a growing but, as yet, insufficiently analysed feature. Corruption is a marked feature of all public sector projects and of state capitalist intervention in general. This corruption is, in the last analysis, a parasite upon the generation and speed-up of the profit-making capacities of the state capitalist units, a kind of built-in element of subserving the private monopolists. It breeds also, both from among the top bureaucrats and the poilticians in power a special type of bourgeoisie—a bureaucratic bourgeoisie. In a paradoxical sense, the leading element of 'modern' or 'pure' capitalism in India is producing the worst type of precapitalist bourgeoisie, a new hybrid monster reverting back to the merchant-moneylender pattern. Obviously, the corrupters are not only to be found within the country. Thus, this bourgeoisie bourgeoning from the bureaucracy becomes the vehicle of neocolonialist capitalism. It is, therefore, far from sufficient merely to pick out the number of persons who flow from the public to the private sector or to point to the 'sons and sons-in-law' racket. One has to go behind appearances and see the essence—the gradual emergence of a new and most reactionary stratum of the bourgeoisie. We have seen the danger such a stratum poses to those countries which have embarked upon the noncapitalist transition to socialism—Ghana, Indonesia and now the saboteurs in the UAR.

A great deal has been written by Marxist and petty bourgeois radical economists about the formation of the Indian industrial-financial oligarchy. The Monopolies Commission Report has provided the information that the 75 oligarchies (comprising 1,536 companies) have assets worth Rs. 2,605.95 crores and paid-up capital worth Rs. 646.32 crores in 1963-64 accounting for 46.9 per cent of all the assets of the private corporate sector and 44.1 per cent of all its paid-up capital (the global figures are Rs. 5,552.14 crores and Rs. 1,465.46 crores respectively). This, of course, underestimates the real degree of the centralisation of capital and concentration of production. The control of these 75 oligarchies lies in far fewer houses, not more than about 15. It is these syndicates which really have the private sector largely at their command and strongly influence governmental policies, especially in the present period. Besides the Big Five Banks with deposits of about Rs. 200 crores and above control about Rs. 1,400 crores of deposits accounting for about 40 per cent of the deposits of scheduled banks. Through the banks and by other means a chain is built with the wholesale traders, millers and landlords in the villages, forming a formidable power as far as the national economy is concerned.

The parasitic nature of this oligarchy is accounted for not only by its historical origin—merchant-moneylender with a partial transformation into factory owner, missing the crucial manufactory stage and the roots of emergence from a differentiation process within the petty commodity producers—but also by its continuing precapitalist traits. The reports of the Vivian Bose Enquiry Committee, the Birla scandals, the Caco use of surplus funds and the enormous amount of black money (estimated to be about Rs. 3,000 crores some three years ago), all testify to the lumpen nature, the commercial character and

essential keenness of profit-upon-alienation complex of the top stratum of the Indian bourgeoisie. A further point to be noted in this connection is that this oligarchy emerged not as a superstructure upon the production base built up by the competitive phase of capitalism but mainly as a conversion of speculative capital and the cornering of an imperialist-restricted market. Its growth in breadth rather than specialisation through development in depth is also a noteworthy feature. Indian monopolists were born senile. Their control of the important consumption industries and the monopolistic price-fixing therein are important aspects of the inflation which accompanies the present crisis. A low surplus yield for purposes of productive investment is a part of the built-in mechanism of this apparatus.

The peculiar nature of capitalist growth in the industrial sphere, with state-capitalist and oligarchic structures becoming increasingly matched and at the same time mutually complementing each other in many ways but also reaching a stage now where the expansion of one will take place at the expense of the other, is based on extreme concentration of production. The Annual Survey of Industries, 1963, published by the central statistical organisation, reveals that the large-scale factory sector (owning fixed capital of Rs. 25 lakhs and above) while being only 2.8 per cent of the factories account for 85 per cent of the fixed capital, 48 per cent of the total employment, 54 per cent of output and 64 per cent of value added by manufacture. If one defines the large-scale sector as consisting of those factories employing 50 or more workers with power or 100 or more workers without power, the concentration of production appears to be even higher. It then accounts for 91 per cent of the total productive capital, 82 per cent of factory employment, 83 per cent of the value of gross output and 89 per cent of the value added by manufacture. Between 1959 and 1963 while factories in the large-scale sector grew by 23 per cent, capital employed went up by 132 per cent, employment 17 per cent, gross value of output 73 per cent, value added by manufacture 68 per cent. It has been calculated that the large-scale sector has a more than 70 per cent share in the petroleum, cement, electric light and power, motor vehicles, industrial chemicals, pulp and paper, breweries, railroad, textiles, iron and steel, rubber, motorcycles, jewellery, aircraft, sugar factories and refineries, cork and wood.

These facts have been assembled not to equate concentration of production with centralisation of capital but to give an idea of the already evolved structure of the industrial portion of Indian capitalism which makes its growth—in the Indian scale of operations—subject to lumpiness and discontinuities on a rather slender production-technical base, making significant new entry into any field more than problematic. One must not, of course, confuse the large-scale sector with the oligarchy, not merely because of the phenomenon of state capitalism, but also because the capital involved is not by any means gigantic. Nevertheless, there is a link between the two. At the same time one has to take note of the comparatively large size of the small and medium sectors as far as the number of factories, employment, gross output and value added factors are concerned. This would represent a broadbased and simultaneously expanding capitalist sector representing, perhaps, the 'revolutionising' capitalist element.

A study of the growth pattern of the 101 industrial giants (according to the survey of 1965-66 made by *The Economic Times* Research Bureau) has a revealing story to tell. These giants account for over 40 per cent of the total public limited sector in India (nonfinancial, nongovernment) and cover an extensive range of industries. The total assets of these companies increased at about nine per cent per year in the period 1961-62 to 1965-66 with net fixed assets showing an annual percentage increase of about 7.5 per cent. In 1965-66 (the last year for which figures are available at the time of writing) of the Rs. 237 crores increase in total assets, depreciation and reserves accounted for about 49 per cent, fresh capital for about 5.3 per cent and borrowings for about 34 per cent (of which by far the largest amount came from banks). As compared to the percentages in the four years 1961-62 to 1964-65 we find that the contribution of borrowings to capital formation has gone up by about six per cent while the contribution of fresh capital has declined by about two per cent. The gross profits made by these companies went up from Rs. 200.99 crores in 1964-65 to Rs. 218.63 crores, profits after tax going up from Rs. 88.02 crores to Rs. 95.02 crores. Gross profits whether as percentage of sales or total capital employed remained well above 11 per cent and profits after tax as a percentage of net worth edged up to almost 11 per cent. These figures not only give an idea of the power of the big industrial units in the private sector but, considering their relationship with the banks, it shows the degree of their ability for self-financing. It reveals an almost complete independence of the stock market and a fair degree of autonomy from immediate fluctuations in consumer demand. While these figures demonstrate the stupidity of the argument that nationalisation would be taking over of 'junk' they also show that the rate of assets formation is rather low, comparing quite unfavourably with similar giants in the public sector.

The very rapid growth (relatively speaking) of these two forms of capitalism in the industrial sphere underlines the fact that in this sphere, at any rate, India has moved quite a distance from the period of colonialism. The industrial sector is evidently the leading sector of our national economy and the capitalist element is very well entrenched therein. Extended reproduction, increasing organic composition of capital and the process of capitalist accumulation have acquired a certain rhythm. Any analysis of downturns, slowdowns, holdups or crisis in our economy can no longer proceed on the assumption that these would be the result of solely extra-capitalist or external forces as was the case previously. Elements of a cyclical crisis are clearly maturing in India, sharply demarcating the country from the other states of the third world or newly-independent countries. At the same time it should be noted that the state capitalist sector has reached a most important stage in its development where it would be in a position to challenge the biggest oligarchies, where its expansion comes up against the resistance of these oligarchies and where its role as well as future become the centre of the intense struggle that develops increasingly in our country.

At the same time, the specifics of the situation of the development of Indian capitalism can best be appreciated if we bear in mind the famous aphorism of Marx (which he made in the context of the stage of development reached by Germany in the 1860s): (it) 'suffers not only from the development of capitalist production, but also from the incompleteness of that development. Alongside of modern evils, a whole series of inherited evils oppress us, arising from the passive survival of antiquated modes of production, with their inevitable train of social and political anachronisms. We suffer not only from the living but the dead.'

The first and most important of the 'dead' forces from which we are constrained to suffer is the continuance of dependence and even its accentuation climaxed as well as deepened by the devaluation coup. One is the continuing steep dependence, technically and products-wise, on imports. (Some of the dependence on imports of raw materials is a matter, of course, of economic geography but much more frequently it is the result of conscious refusal to carry out rapidly extensive surveys and working up of discovered deposits. Oil was a case in point. Now copper, zinc and pyrites are clear instances of this deliberate failure to go rapidly ahead on the road to self-reliance.) To be dependent to the extent of 54.5 per cent in textile machinery, 61.8 per cent in metal working machine-tools, 17 per cent in steel (in the crucial alloy and special steels this is likely to be trebled), 25 per cent in aluminium (the position of other non-ferrous metals, especially copper, is much worse rising to over 80 per cent), 21 per cent in bleaching powder, etc. For the overwhelming position of these imports (which includes spare parts and viatl components) India depends on the imperialist powers

and has to pay out in foreign exchange which she does not possess. The $900 million of maintenance imports which India had to go through all sorts of humiliation to secure in the past financial year indicates the degree of dependence. There is one estimate which claims that out of the Rs. 6,596 crores worth of industrial production in India, imports accounted for over Rs. 1,000 crores or nearly 16 per cent (the proportion has surely risen, probably to 25 per cent). In the fields of designing and other aspects of technical know-how the dependence is still considerable—again due to consciously adopted antinational policies.

This technical and materials dependence is more than matched by the staggering reliance on foreign aid. Excluding PL-480 aid, the total amount of aid secured (procured would, perhaps, be a more appropriate word) up to 31 March 1967 comes to Rs. 7,204.44 crores, the value of orders placed to Rs. 5,934.88 crores and aid disbursed to Rs. 5,041.12 crores. Let it be remembered that our national income (at current prices in 1964-65) came to Rs. 20,000 crores only. The repayment of these debts, especially those which have to be made in free foreign exchange, has become one of the acutest problems facing our official planners, who lack the courage to call for a unilateral moratorium on debt repayments for, say, a decade. The picture is considerably darkened by the trend in the matter of dependence.

> Disbursement and grants and loans as well as PL-480 arrivals increased from Rs. 338 crores ($711 million) in the initial year of the Third Plan to about Rs. 772 crores ($1.6 billion) in 1965-66. Gross inflow of foreign assistance (including food aid) was double that during the preceding five years. Net external aid financed 37 per cent of commodity imports during the Third Plan compared to 27 per cent during the preceding plan period. The proportion of public sector plan outlay covered by net budgetary receipts from foreign aid rose from about 20 per cent in the Second Plan to about 29 per cent in the Third Plan (*Economic Survey*, 1966-67).

The composition of utilised external assistance shows a sharp increase in the proportion of loans repayable in foreign exchange—the percentage going up from 42.5 in the Second Plan to 61.2 in the third and to 63.0 in 1965-66. Besides 'the return flow of interest and amortisation absorbed nearly 19 per cent of gross official assistance during the Third Plan, compared to 8 per cent during the preceding five years' (*Ibid*). The debt service ratio is above 20 per cent now as compared to three per cent during the Second Plan. And 'debt servicing difficulties are accentuated by discontinuities in the inflow of gross external assistance. A sudden drop in the tempo of authorisations for new loans and credits signals a setback in the flow of total external receipts; meanwhile the growing volume of interest and amortisation payments on outstanding debt must be honoured. Such a situation developed during 1965, after hostilities with Pakistan, when there was a partial breakdown in the aid mechanism. The value of authorisations in 1965-66 fell by more than 14.5 per cent, compared to the previous year. The impact of this hiatus was reflected in the immediate tightening of import restrictions and the resulting showdown in industrial production. The inflow of gross aid during April-December 1966 fell by 17 per cent compared to the preceding period of the previous year. After allowing for debt service, net inflow dropped by 24.5 per cent in this period' (*Ibid*).

It is against this background of drop in aid that the devaluation disaster acquires its full dimensions. Even Morarji Desai, oddly enough speaking in London, has admitted that devaluation has made the Indian economy suffer more than it might have otherwise. It has steeply raised the foreign exchange cost of imports, sharply reduced the foreign exchange earnings of exports, simultaneously the foreign aid receipts have fallen (for projects, i.e. adding to the strength of the economy aid from western sources is not coming in at all). Devaluation was entered upon as all future foreign aid was said to have hinged upon it—aid has not come in from the quarters which practically dictated that decision.

Four points used to be underlined in this connection. *First*, the onset of the crisis was clearly the result of the 'aid pause', accentuated a thousandfold by devaluation. *Second*, the 'aid pause' was in no sense the result of any lack of demand for aid or for the commodities of different types that could be bought through that aid. *Third*, the 'pause' and devaluation could have the impact on our economy that they had because of the nature of the path of development followed by the government with its overmuch reliance on external assistance and the industrial structure that followed therefrom. *Fourth*, it was not 'a pause' in aid in general but aid from the imperialist countries—which are themselves going through a definite slow-down if not downturn—that occasioned the blight. The combination of all these points leads to the conclusion that the vulnerability of our economy is not exclusively or mainly due to the maturing to overripeness of capitalism within the country but to the link with the imperialist division of labour, though in a new and somewhat attenuated form. Talk of a typical capitalist crisis is singularly inapposite in this context.

This conclusion is only underlined by certain structural stuntedness of our economy which demarcates it from the developed capitalist countries and 'their' crises. Whether one inclines to the falling profit rate or the underconsumptionist (along the lines of the amplication by Sweezy and Baran) scheme of interpretation of Marx's views on crises, the central problem remains that of 'overaccumulation' of savings relative to the profit expectations based on the market's absorption capacity (or *vice versa*). The situation in India and the onset of 'its' capitalist crisis is of quite another order. It is not a surfeit of savings but its scarcity which plagues our economy and the decline in internal savings, combined with a drop in foreign aid, proved too much for it to bear.

Taking the economy as a whole the ratio of savings to national income has risen from 5.5 per cent in 1950-51 to about 10.5 per cent in 1965-66 while the ratio of investments has risen from 5.5 per cent to 14 per cent in the same period.

Generally speaking, not only should the savings rate be higher than the investment rate but the proportion of savings should be roughly about 25 per cent of the national income if there is to be an independent capitalist cycle.

Moreover, a recent Reserve Bank of India analysis reveals that the average annual increase has come down from 10.7 per cent in the period 1956-57 to 1960-61 to 4.2 per cent in the period 1961-62 to 1965-66. At the same time, available data supplied by the National Council of Applied Economic Research show that there has been a *continuous decline* of savings in India during the Third Plan. Even more significant are the findings of the Research Bureau of *The Economic Times*, (20 June 1967). These reveal that government expenditure's share of the Gross National Product rose from eight per cent in 1950-51 to 16 per cent in 1960-61 and again to 24 per cent in 1965-66 but declined in the subsequent year. 'Speaking tentatively it appears as if the sharp and steady rise in the percentage share of government expenditure of the GNP which dominated the three plan periods has come to a stop... (this) would mark a very important structural shift in the dynamics of the Indian economy.' And of government expenditure itself the share of plan outlay, which had steadily risen during the three plans to a peak of 15 per cent of GNP in 1965-66, has begun to decline. It came down to 13 per cent of GNP in 1966-67 and is still lower in the current year. The 15 per cent record two years ago 'may well mark a watershed; that peak is unlikely to be reached at least in the near future.'

Incidentally, it is interesting to note that *The Economic Times* Research Bureau is exasperated enough by the waste and inefficiency revealed by these figures to come to the following conclusion: 'It is the people at the top who set the pattern for waste and inefficiency. But, while it is easy to attack them verbally, it is wellnigh impossible to dislodge this power elite as a whole without a fundamental transformation of the existing economic and political structure of the society.'

Thus, one could see the present crisis, looming up as the shortage of savings, coupled with misdirection of investment, created terrible vulnerabilities. Not outlets for surplus but the lack of mobilisation of surplus and setting in motion the mechanism for continuous enlargement of surplus, are at the back of the downturn amidst a dreadfully tardy rate of growth. And government control of this surplus appears to have reached a dead-end—the market overcomes partial programming.

This stunted and distorted nature of the growth of savings and growth of investment in India is the direct result of the heavy specific weight of precapitalist production relations in the totality of Indian economy. It should be remembered that in 1964-65 (at current prices) the contribution of factory establishments to the total national income was only 10.3 per cent, with small enterprises contributing another 6.6 per cent and mining 1.1 per cent. Agriculture proper contributed 50 per cent and commerce about eight per cent. Another estimate of the structure of incomes in India shows that wages and salaries accounted for 29 per cent, profits 24 per cent and self-employed 47 per cent (in the profits sector it is not clear what the share of capitalist enterprises proper is, nor the share of semifeudal wages and salaries sector).

The crucial factor becomes, therefore, the social state of agriculture, which accounts for 75 per cent of our commodity production. But before making some analytical exercise about this, one point can safely be made. Those who talk in a sprightly fashion about a 'typical capitalist crisis' might care to ponder over one insurmountable fact. The creeping stagnation in agricultural production over the past five years, as well as the completely disastrous downturn of the past two years, was certainly not caused by lack of demand or even by lowering profit rates. A recent Reserve Bank of India study (*RBI Bulletin*, June 1967) has established that 97 per cent of the decline in the general price index in the First Plan was on account of agricultural and agricultural-based commodities, while these commodities accounted for 91 per cent and 87 per cent of the price rise during the succeeding two plans. The same study has noted what it called the 'ratchet effect' on prices, i.e. the movement in one direction alone (upwards in our case). From about the beginning of the Second Plan prices once having risen do not move down to the extent normally expected. It has further noted that the ratio of the price index of agricultural commodities to other commodities (1952-53=100) has moved from 90.1 in 1955-56 to 115.9 in 1965-66 but this movement of relative prices has not had the expected impact on the movement of production.

Drought explains nothing. The effect that adverse seasonal factors have upon production are explained by the nature of the productive system. The dependence on weather to the extent that we have it in our country is clearly due to the failure to develop the implements and techniques of agricultural production and these, in their turn, are held up because of the outmoded and parasitic production relations. It is this and not Dr. S. R. Sen's 'movement to marginal land' thesis that can explain the tremendous amplitude of the fluctuations of agricultural production in the past two years. And the supposedly 'steep' climb to about 95 million tonnes of foodgrains in 1967-68 will also be climate-produced, in the main. There has been a measure of structural change in the Indian village—the curbing of feudalism and the sprouting of transitional precapitalist forms of production—which is able to support a certain rate of increase but is quite unable to withstand any specially savage blow from nature. As Sweezy had pointed out petty-commodity production experiences its crises through the operation of external causes.

What we have had in Indian agriculture during the two postindependence decades is the fairly rapid spread of commodity production—food itself is becoming the most important commercial crop—but the hold-up of its transformation into capitalism on anything like the corresponding scale. Semifeudal, precapitalist petty commodity production and capitalist relations establish an uneasy equilibrium in the Indian village today. And the sheer vastness of this conglomerate weighs down upon

the economy as a whole, shaping the contours of its movements.

As far as the income generated from agriculture is concerned, the overwhelming bulk will, surely, come from the petty commodity sector. Some idea of this reality can be gauged from the fact that in the year ended June 1962, of the Rs. 1,034 crores borrowed by cultivator households, 47 per cent was reported to be needed for household purposes and 20 per cent for capital expenditure—agriculturalist moneylenders provided 33⅓ per cent of the funds and professional moneylenders, traders and merchants another 23 per cent. Another indication is provided by the fact that, of the total aggregate value of assets of all rural households as much as 84 per cent was in the form of land and house property.

The stratification in the Indian village (following the All-India Rural Debt and Investment Survey, published in the *Reserve Bank of India Bulletin*, September 1965) can be presented as a three-tier one. The first group comprises those cultivators whose assets range from less than Rs. 500 to less than Rs. 2,500: they form 41 per cent of the total number of households and own 18 per cent of the total assets. The second group consists of these whose assets range from Rs. 2,500 to less than Rs. 10,000: they form 42 per cent of the total number of households and own 39 per cent of the total assets. The top stratum is made up of those who form 17 per cent of the households and own 43 per cent of the total assets. It is this last group that accounts for 66 per cent of the net capital formation in the countryside, with the second group accounting for 26 per cent and the first group for seven per cent (*Ibid*., June 1965).

This 'model' of the stratification in the Indian village, while revealing the polarities, also shows the existence of a vast 'middle' both in terms of households as well as assets (the two quantities show a remarkable approximation). If the first group clearly can produce nothing but less than subsistence and the last group can throw up surplus (not in the shape of commodity production in which all three groups may well be participating) in the form and magnitude capable of extended reproduction, the middle group is a transition petty commodity and simple reproduction type. The top stratum is, however, by no means to be confused with the capitalist mode of production in agriculture. Speculation, hoarding, usury and tenancy—precapitalist modes of exploitation—are their favourite money makers, combined now with wasteful, conspicuous consumption (including election campaigns). This is not to deny that fertilisers, improved seeds, better implements, pumps, power tillers and even tractors, are not being absorbed but the existence of enormous structural resistance to the production upswing cannot be overlooked, either.

It is the combination of industrial oligopolies, precapitalist structural predominance in agriculture which is itself preponderant in the total national economy and the continuing vulnerability to imperialist intrusion, that forms the context of the present crisis. Within this framework we have the operation of the capitalist laws of the anarchy of production and of relative overproduction, especially of the products of Marx's Department I.

One sees, thus, a 'mixed' type of crisis. The downturn is not of the type that India witnessed during the colonial days. Nor yet is it a cyclical downturn. After all, the capitalist cycle has its phases (even if these always manifest themselves specifically in each historical situation, especially in the present period). Where was the boom and where will it be when the slow climb is resumed again? It is paying too much of a tribute to Indian capitalism to picture it in terms of the accomplishment and the agony which Marx pictured in Volume I of *Das Kapital*. At the same time not to see the fact of the break with colonial stagnation and the break being made along the lines of pushing the capitalist mode of production and this throwing up its contradictions which brake the break, is to miss the specifics of the present historical period in India. Without noticing the conglomerate character of the present crisis the working class and its allies will not know the precise weapons to wield.

They will also not know the particular gains that their enemies wish to secure from the present crisis. Using the instrument of inflation these elements hope to speed up the primitive accumulation of collaborationist capitalism, hope to achieve a welding of the forces of urban and rural reaction and establish a reasonably durable conjuncture with the specific neocolonialist aims of the US imperialists at this present phase.

What one is witnessing is a crisis of the *capitalist path* of development, not the typical crisis of an already mature capitalism with its self-generated contradictions. It is this basic fact that explains what many commentators have called the 'surprise' or 'abnormality' of price rise accompanying downturn, of inflation going together with recession. Not plenty producing want but want leading to want—such is the 'peculiar melancholy' of the 'modern Hindoo'.

One has to note the fact that while there has been a definite downturn in the economy in 1965-66, there was a small recovery in 1966-67 though not sufficient to accomplish even a return to the level attained in 1964-65. It is in this sense that one can talk of a downturn over two years, though there has been a mild upswing within the downturn. (The relevant figures literally lifted from official sources have been given in the present author's article in the Independence Day, 1967, number of *Mainstream*.) There is an air of official buoyancy as the rain clouds gather and rain joins the sun again in India. There is talk of something close to a 15 per cent rise in the national income because of a 24 per cent increase in agricultural production. This, indeed, may happen and then will those who talk of 'typical' crisis come out with articles about a 'special' boom? What both the official Candides and the 'revolutionary' Cassandras overlook is that certain modifications of structure in a reactionary direction may be pushed through in the present crisis which would be difficult to reverse. State capitalism and such proximate planning as we have had till now are the immediate victims. These would be followed to the demolition site by the partially formed links with the international socialist division of labour. The so-called 'boom' will not relieve the pressure for these changes.

These pressures can neither be reversed nor even resisted without going forward to demand and win counterstructural changes of a noncapitalist character or presocialist nature. There can be no return to the previous conglomerate. The crisis of the capitalist path throws up the two polarities of noncapitalism and collaborationist capitalism. The choice is clear since only the noncapitalist path can make the 'mix' of surplus mobilisation and development investment, of economic independence and democratic transformation, of rapid growth and social justice. Collaborationist capitalism is a possibility, a menacing possibility but no choice. It can be imposed, it cannot be chosen. The knell of collaborationist capitalism can be sounded on this centenary year. Its gravediggers will be not only the workers but all the democratic classes of the nation. Its expropriation can be India's tribute to the greatest book that all of human evolution has produced.