

INDIA'S DEVELOPMENT STRATEGY:  
CRISIS AND CONFLICT<sup>+</sup>

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1. INTRODUCTION

India is a country with a remarkable endowment of natural and human resources. It has substantial deposits of iron ore, manganese, limonite, and other minerals. It is equally rich in energy potential: it has coal, lignite, a modest amount of petroleum, and an immense reserve of hydroelectric power. India's resources as a whole would give her a leading position in world industry, in particular the steel and engineering industries and the chemical industries based on coal. It has a fair supply of skilled manpower. At the time of attaining political independence in 1947, India had a well-established capitalist class, and a trained bureaucracy. The country since then has had a relatively long period of political stability. Soon after independence the political leadership chalked out a programme of rapid economic development, with a balanced growth of agriculture and industry, providing full employment and equitable income distribution. In many respects it has been a unique phenomenon in world history: the world has never seen anything like this before. Soon after coming out of the colonial yoke of two centuries, a vast country with an extremely low level of per capita income, but immense potentialities in terms of human and natural resources, set out on the course of massive industrialization and equally impressive agricultural transformation, all within the system of parliamentary democracy and bourgeois property relations. Its basic objective was to achieve a self-reliant, growing economy that would provide all possible opportunities for the advancement of every individual, big or small. At least so it was in the professed policy of the country from the very beginning. But soon interests of the ruling class asserted themselves; and the actual course of history came to be much different from the original blue-print.

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## 2. AGRARIAN RELATIONS

In 1951, the population of India was 362 million; in the next two decades it went up by 52 per cent, or by 186 million. On a per capita basis the net area sown was initially 0.82 acre; it declined by 22 per cent, to 0.64 acre in 1971. The index of cropping intensity was 1.11 in 1951, and 1.18 in 1971. So the gross cropped area was 0.91 acre and 0.74 acre per capita in these two years, respectively. In relation to countries like USA and the USSR, of course, India is a land-poor country; but in comparison with China and Japan, India's land endowment is much better.

About three-fourths of India's population are dependent on agriculture for livelihood. Some 45 per cent of the national income originates from this source. Food-grains are the major crops that account for nearly three-fourths of the cultivated land. Between 1949-50 and 1964-65, agricultural output as a whole increased at the annual rate of 3.2 per cent; thereafter, between 1964-65 and 1976-77 the growth rate was lower, namely 2.1 per cent. All through these years the yield per unit of land improved at the rate of 1.7 per cent annually, while the rate of expansion of area declined from 1.5 per cent per year during 1949-50/1964-65 to 0.4 per cent during 1964-65/1976-77, and so the rate of growth of output fell.

Self-sufficiency in food has been one of the most dearly held objectives in India. Growth in food-grains output was at the annual rate of 3.0 per cent during 1949-50/1964-65, but only 2.6 per cent during 1964-65/1976-77. As much as two-fifths of the growth of output during the first period came from the expansion of area under cultivation. And this was a matter of concern, for the area could not be expanded indefinitely, specially because India had already brought under cultivation a dangerously high proportion of the total territory. There was an even more serious matter of concern. The balance between population and the output of food-grains was precarious; worse was the fact that the marketed surplus of food-grains, which is the source of subsistence for the urban region and the major determinant of industrial wages, stagnated in absolute volume and dwindled fast as a proportion of the food-grains production. A major change in agricultural policy therefore took place in the mid-1960s.

In the 1950s and up to the mid-60s, the official strategy of agricultural transformation was largely informed by the Gandhian concept of a peasant economy consisting of small and middle peasants. The strategy had three components: (a) land reform, (b) co-operative farming, (c) community development. It was intended to reconcile the measures for stepping up agricultural production with those for reducing poverty and unemployment of vast rural masses. Among the targets of land reform, the first was to abolish intermediary tenures and it was rather easy to accomplish. The most dismal failure was



in respect of implementing the legal ceiling on land ownership and redistributing the land held in excess thereof. Up to 31 July 1977, not even one half of one per cent of the total agricultural land in India had actually been redistributed. As for cooperative farming, it was visualized that entire cultivation in the country would be brought under this form of organization so that small and middle peasants could get full advantages of large scale production, marketing and other facilities. The community development programme, the third component of the agricultural strategy, started in 1952 and spread over the whole country by 1963. It was based upon the premise that rural masses would come forward to supply voluntary labour for the creation of productive assets without expecting any share in the fruits thereof. Neither cooperative farming, nor community development, made such headway; and soon they were forgotten.

The New Agricultural Strategy was launched in 1964-65. Its two main features are: all-out official support for capitalist farming, and the technology of cultivation that used high-yielding varieties (HYV) seeds, and high doses of fertilizer. By its very nature, the technology is applicable only in limited areas of assured irrigation. The technology spread very fast: from merely 200 acres of HYV cereals in 1964-65 to as much as 24 million acres by 1968-69, and 62.6 million acres by 1973-74, out of the total cultivated area of some 360 million acres. Wheat is the only major crop to have gained from it. But on the whole the growth rate of food-grains remained below the past trend. A large part of the cost of cultivation under the new technology goes out of the rural sector in the form of payments for fertilizer and implements, and a share of it even leaks out of the country. This creates deficiency of demand for the product. Added to it is the problem of rising costs of fertilizers in the world market; the government however is trying to keep down fertilizer prices at home.

It may be recalled that due to technical progress in Western countries, costs of fertilizer plants were sharply reduced by the early 1960s, when petroleum also was available in the world market at a low and falling price. A fertilizer-intensive agricultural technology was pressed into India with the help of foreign credits. This was a crucial technological choice for India, which was however out of line with the resource endowments of the country at that time, and more so it is now as prices of oil and fertilizers have soared in the world market.

At any rate, over the years a strong group of rich farmers has arisen in rural India, in the wake of official policy of promoting capitalist farmers and the threat of land redistribution from large landowners. This group is now under economic pressure as there is a deficiency of demand for the food-grains, and a rising trend of cost of production. Side by side, the ranks of agricultural labourers have been swelling as the stagnant non-agricultural sector of the rural economy fails to absorb the growing rural work force.

### 3. BIG BOURGEOISIE

With the launching of the programme of rapid industrialization in the mid-1950s, the public sector took up responsibility for constructing the infrastructure of transport, communication and power, and for building up the basic and key industries such as steel, cement, machine tools, and chemicals. The public sector was to make over 50 % of the investment in the organized sector. The industrial bourgeoisie readily acquiesced to it, for it suited their private accumulation. The record of industrial growth in quantity and quality is certainly remarkable. Initially the emphasis was upon import-substitution, but later the stress shifted to export promotion. The private industrial sector grew rapidly in a protected market. The restrictions such as licensing, quota and all that, were taken advantage of by big industrial houses. Meanwhile, industrial growth in the last 10 years had slowed down; net capital formation of the private corporate sector had drastically fallen.

There are several hypotheses to explain this stagnation. One of the important factors which have contributed to this crisis is that the big bourgeoisie appears to be more inclined to swallow up smaller capitals and thus increase profits than to expand production. Various official restrictions and controlling devices have failed to check the growth of big bourgeoisie and its absorption of smaller capitals. This process is known as the centralization of capital, into which India entered some time in the 1960s.

Although the profit rate in industry has improved in the 1970s, there is hardly any sign of revival of the economy. On the contrary, a large number of industrial units have fallen sick, and the government has been obliged to nurse them back to health. The market for industrial goods, particularly those meant for consumption of the less affluent, has not expanded much. Rather there are indications of its relative shrinkage. There were attempts in the early 1970s to use the export market as an outlet for industrial goods; but the results have not been durable.

Foreign capital occupies a key position in the private corporate sector. Branches of foreign companies and foreign-controlled rupee companies are increasing their hold in manufacturing industries. They account for some 25 % of total assets and of net sales, but claim as much as 40 % of gross profits of the entire private corporate sector. Most of the inflow of private foreign capital is in the form of retained earnings; the outflow of dividends, royalties and all that far exceed the net inflow of foreign capital from abroad. In terms of cash also, foreign capital is instrumental to a severe drainage from India. Yet the Indian economy is witnessing an everincreasing sphere of foreign capital.



#### 4. PUBLIC SECTOR

Defined in a broader sense so as to include administration and departmental and non-departmental enterprises of the government, the public sector in India is the largest employer, and the largest consumer. The public sector also undertakes the major part of investment in the organized economic activities. Yet its contribution to the gross domestic product is not even 20 %.

The public sector has a critical problem of resource mobilization. Its own savings cover hardly one-fourth of its investment; the rest is financed through borrowing from the public, banks and from other countries. Companies of the public sector yield very little by way of profit. Its vast investments in irrigation works are a source of continuous loss. Efforts to raise tax revenue, mainly through indirect taxes, add disproportionately heavier burden on the poorer section of the community.

Yet, the public sector, including nationalized banks, is a major source of financing the investment-savings gap of the private corporate sector. Furthermore, whatever little increase in employment has taken place in recent years it has been only in the public sector. It is also to be noted that the wage and salary bill of government administration alone exceeds the wage bill of all the factories in India. A large part of the urban workforce in India is thus not directly under a capitalist employer, although they suffer in other ways under the capitalist system. If the process of economic planning has helped the growth of capitalist farmers and the big bourgeoisie, it has also fostered a powerful group of the petty-bourgeoisie like civil servants, office workers and high-paid professionals, who are the members of the rising middle class.

#### 5. CRISIS AND OPTIONS

The present crisis of the Indian economy has the following dimensions. In agriculture, a basically inappropriate technological choice had been made in the mid-1960s. The new agricultural technology is very much fertilizer-intensive and it relies upon inputs which are becoming increasingly expensive. It is prone to realization crisis, which is the other name for demand deficiency; and what is more, the recent rise in oil and fertilizer prices in the world market has reduced its viability. It was partly thrust upon India by the vested interests of foreign capital. So far the government has shielded the agricultural sector from the impacts of these factors through support price, procurement, subsidy, etc., but it would be increasingly difficult to maintain this policy. On the other hand, it is too late to ask thousands of rich farmers to try alternative technology. It is not so much a Ricardian crisis, as it is a case of a wrong technological choice. Unlike in the Ricardian schema

profit has not declined and rent improved as a result of bringing marginal land under cultivation.

Industrial production has stagnated, and private capital accumulation has fallen in recent years, not because of a fall in profit rate; if anything, the rate of profit has gone up and big industrial houses in particular have increased their assets, sales and profits. While agricultural stagnation, reduction in public investment and such other factors might have played their role, there are indications that the big bourgeoisie is engaged in the process of what is called centralization of capital.

On the whole, India's economy is a capitalist economy, and the laws of capitalism are fiercely at work. But it is a case of under-developed capitalism: the country never had the benefits of competitive capitalism, from the very inception the industrial bourgeoisie having been characterized by monopolistic features. So also in agriculture - the capitalist farmers after receiving a major stimulus in the mid-1960s have emerged as a powerful lobby in the political scene. Third, technology, which is one of the prime movers of production in the world today, is largely determined by vested interests of foreign capital - in industry as much as in agriculture. The internal dynamics of such an under-developed capitalism is incapable of generating sustained economic growth.

The present complex situation of the Indian economy can move in different ways. One of the more likely scenarios is that the 'green revolution' type of technology would continue; as a result capitalist farmers would demand more and more financial support from the government. The bourgeoisie would like to see agricultural expansion, but should the diversion of resources to agriculture cut too much into the public funds, which would have been otherwise available to industry, a conflict of interests comes into being. The government would certainly try to strike a balance, but it is likely to become an increasingly difficult task. In terms of classical economics, such a problem could be resolved in two ways, namely, reduction of real wages and proper technological progress. The latter being out of the question now, only the first option appears to be the only feasible one. In the policies of neo-classical economics, emphasis is placed on 'correct pricing'. But India's problem is far too complicated to be corrected by tinkering with the price mechanism alone. The Keynesian economics under such circumstances recommends increased public investment to bolster up demand. But that is also not going to be of much help.

The ruling classes can afford to be eclectic in their policy options. It appears that three courses are open to them: (i) to reduce real wages, (ii) to remould the public sector such that it mobilizes resources from the people at large and spends them subsidizing agriculture and the private

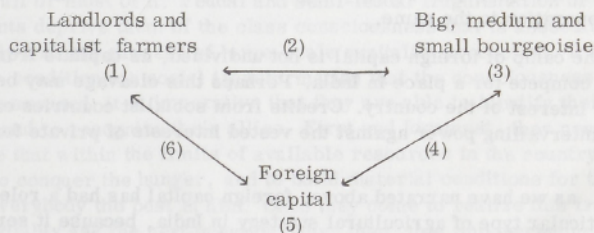


sector in industry, and (iii) to invite foreign capital as a means of supplementing the available domestic investment.

This would be then a mixture of classical, neoclassical and Keynesian policies. But it cannot take the Indian economy very far. Real wages are already very low and are falling in the last two decades. The burden of financing capitalist farmers and industrial bourgeoisie through the public sector would evidently fall more and more on the poorer section of the community. And foreign capital is never a source of net positive inflow in the long run; it may provide temporary palliative, but sooner or later it drains away much more than what it brings in from abroad.

## 6. ANOTHER DEVELOPMENT ?

At any rate, in such an economy it is somewhat idle to visualize need-oriented, endogenous, self-reliant, ecologically sound another development unless it is based on structural transformations in social relations, in economic activities and in their spatial distribution as well as in the power structure, so as to realize the conditions of self-management and participation in decision-making by all those affected by it, from the rural or urban community to the world as a whole. This then calls for a mass movement to effect a structural transformation. The mass movement has to combine economic and political agitations. In India the political set-up now appears to be more congenial to accelerate the process. In the economic sphere the policy for transition to another development has to be formulated keeping in view the contradictions which prevail among the ruling classes. As the diagram illustrates, there are six sets of such contradictions.



First, although capitalist farmers have emerged in a big way there are still many villages of India which are dominated by feudal and semi-feudal landlords; and there are conflicts of interests among these two classes. In this tussle, the former deserve support, for feudalism is the worse obstacle to agricultural growth. More positively, land should be distributed to the

tiller; tenants are to be protected from feudal oppressions; and poor peasants and agricultural labourers should be given an opportunity to improve their living conditions.

Second, landlords and capitalist farmers do not use their land most effectively; in India as well as in many other parts of the world, intensity of cropping invariably declines with farm size. The unutilized land should be given to poor peasants and agricultural labourers - at least for the time of the year when it is left idle - for cultivation by them, supported by adequate official measures for input supply. A section of the bourgeoisie may extend cooperation in this programme as it enhances the rural market for industry.

Third, the domination of the big bourgeoisie is to be eliminated. Monopoly is a big barrier to industrial expansion. The public sector should take the leading role in large-scale industry. Again, a section of the bourgeoisie may welcome such a move.

Fourth, evidently foreign capital has captured a large segment of the industrial market in India. Profits earned by branches of foreign companies and subsidiaries are equivalent to some two-fifths of the profits of the entire private corporate sector. In addition, foreign capital comes to India by way of 'other investments' which include minority participation, technical collaboration, credits, etc.; and through this process an enormous amount of surplus is drained away from the country. The big bourgeoisie collaborates with foreign capital; and also a section of the small and medium bourgeoisie seeks help from foreign capital as a means of protection from the onslaught of big bourgeoisie. While the tentacles of foreign capital are thus spread out over a large part of the Indian economy, there are areas of conflict between domestic capital and foreign capital. If a policy is designed to restrict the scale of operation of foreign capital, it is likely that the domestic bourgeoisie may extend cooperation to the same.

Fifth, the camp of foreign capital is not undivided, as capitals from different countries compete for a place in India. Perhaps this cleavage may be used in the better interest of the country. Credits from socialist countries can provide a countervailing power against the vested interests of private foreign capital.

Finally, as we have narrated above, foreign capital has had a role in promoting a particular type of agricultural strategy in India, because it served its interests. Capitalist farmers are now in a great difficulty as a result of that alien technological choice. Indian agriculture is in urgent need of continuous technological progress - a progress that is consistent with the resource endowments of the country. There is plenty of scope for truly revolutionary work in this area which would promote agricultural growth and at the same time strengthen the working class.



It must not be forgotten that the major contradiction is between the ruling classes on the one hand and the exploited masses on the other. Any tactical alliance - united front - with the relatively oppressed sections of ruling classes must be subordinated to the struggle to resolve the major contradiction. It is also to be kept in view that the strength of the ruling classes, their ability to unite among themselves, and their capacity to create divisive tendencies in progressive movements should not be underestimated.

The basic point we are trying to make is as follows. Although the Indian economy has entered a phase of crisis, the 'potentialities' of the prevailing social and economic order are not yet exhausted; however, it is possible to work on the internal conflicts among the ruling classes to pave the way for another development. Another development is a goal which has to be reached through stages; there is a political aspect of transition to that development. And in this process of transition political and economic movements are to be judiciously combined. We have indicated above some guidelines only.

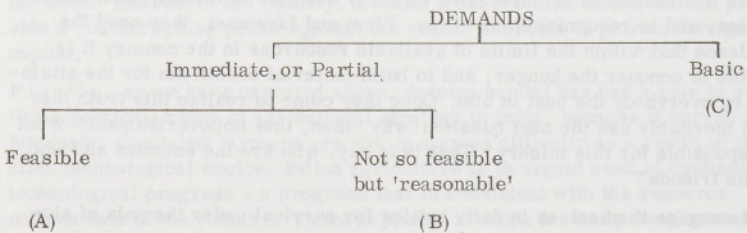
In this country of abysmal poverty co-existing with disproportionate affluence, millions live on a thin edge - an edge on which questions of food, land and water are constantly answered by cycles of revolt and suppression. Every day in this subcontinent men die over these issues trying to determine who will command whom. These everyday struggles for bread-and-water are largely spontaneous, sporadic and isolated. The long shadow of poverty, squalor and disease has cast a spell of gloom over the minds of the exploited masses. Many of them take it for granted that their place in society is pre-ordained; that nothing much can be done to alleviate the misery; that this is a land of too many people with too little resources. Indeed, with an empty stomach for days on end, one can do very little else. In the vast agrarian sector of India, capitalism - though unevenly developed in some areas - is yet to take hold over all or most of it. Feudal and semi-feudal fragmentation of workers and peasants deprive them of the class consciousness that is associated historically with the process of large-scale capitalist production. It is a necessary condition for social transformation that the consciousness of the masses be aroused; it is imperative that they are able to identify their main enemies, and to recognize their allies. First and foremost, they need the confidence that within the limits of available resources in the country it is possible to conquer the hunger, and to build material conditions for the attainment by everybody the best in him. Once they come to realize this truth they would inevitably ask the next question: why, then, this impoverishment? What is responsible for this misery? That is to say, who are the enemies and who are the friends?

People engage themselves in daily battles for survival under the pain of slow liquidation. The movement for another development has to take its

roots in the day-to-day struggles of exploited masses; and at the same time it has to constitute an integral part of the long march for social transformation. Let it be emphasized that the movement relates itself to the mundane bread-and-water issues, and from there it elevates itself to the question of political power. This dualism of the movement for another development is a complex thing to achieve in correct proportion; and it is all the more difficult to comprehend. People participate in a political-economic agitation as it voices, to begin with, their grievances and articulates their own immediate aspirations. In the course of the struggle they ascend to higher levels of consciousness; and they come to grasp the more basic issues of society. From the particular to the general; from the immediate to the ultimate; from food-and-shelter for you-and-me to the welfare of the whole mankind; such is the sequence of revolutionary consciousness. Masses learn it through practice.

Immediate, or so-called 'partial', demands are to be strictly distinguished from the fundamental aims and tasks of social transformation. Demands for bonus, for higher wages, and the like, belong to the first category while the abolition of landlordism, of all exploitation, fall in the second. By their very nature the basic demands cannot be achieved in the prevailing matrix of class relations, for they strike at the foundation of the current social order. Only some of the partial demands may be feasible for realization. Yet these two components are always there, and it would be a grave error to mix them up. The political leadership has to determine the contents of these two categories, to synthesize them, and to educate the masses as to how their daily struggle for food-and-shelter merges into the strategy of historic transformation of the society.

Immediate, partial, demands are again of two types, namely, (a) the maximum possible concessions from ruling classes, that is, the concessions which the ruling classes would willy-nilly concede in their own long-term interest, and (b) the demands which appear 'reasonable' to the masses but cannot be achieved under the existing correlation of class forces. This classification is illustrated below:





It is a politically tested practice that while fighting for immediate demands a genuine mass movement must also popularize basic slogans among the people, educate them and organize them to fight for their realization. It is necessary that practical mass movements should be developed on immediate issues so that the masses get organized and become conscious through them, and thus prepare themselves to fight for basic changes. Hence there is no question of belittling or neglecting such struggles. But it is equally true that without a constant campaign among the people to fight for basic demands, mass movements on partial demands alone tend to lose their perspective and direction, and soon fall into the trap of economism. It is naive to expect that another development would be offered by the ruling classes on a silver platter; rather it has to be accomplished through genuine mass movement, step by step, without deviations into adventurism or revisionism.

Interestingly enough, official policies in India have always spoken of a pattern of development which is very much akin to the core of another development as enunciated above. For instance, the First Five Year Plan, ch. 1, para 1, opens as follows: "The central objective of planning in India at the present stage is to initiate a process of development which will raise living standards and open out to the people new opportunities for a richer and more varied life. The economic condition of a country at any given time is a product of the broader social environment, and economic planning has to be viewed as an integral part of a wider process aiming at not merely the development of resources in a narrow technical sense, but at the development of human faculties and the building up of an institutional framework adequate to the needs and aspirations of the people." Similar sentiments have been expressed in all subsequent plans with ever-increasing vigour and precision.

Removal of poverty, eradication of unemployment, better distribution of income, reduction of concentration of economic power, and similar objectives have been repeated again and again all through the plan documents. Yet, what actually happened is far apart from what was reiterated as the basic objectives of planning for economic growth. The Indian economy could not simply get away from the compulsions and consequences of capitalist expansion in an under-developed economy. All the indications are there that the similar line of evolution would continue in the foreseeable future unless the progressive mass movement, which has a long history in India, gathers momentum and forges ahead against the stream of capitalist advancement. What would be the shape of that movement? Who would be the leader?

There is a view that the social classes, or strata, which stand between the proletariat and the bourgeoisie, form the bulk of the population in India; they may be called the middle class that includes small-scale producers, rich farmers, civil servants, professionals, intelligentsia, and the like.

This class came into political limelight during the freedom struggle; and it now dominates the political set-up of bourgeoisie democracy by virtue of its numerical strength as well as organizational ability. It is no doubt an amorphous group, but the common thread which binds its constituents together is their opposition to big bourgeoisie on the one hand, and to the proletariat on the other. Having got the political power in their hands now, these social strata - the middle class - can effect an economic development which is relatively progressive by the standard of current experience. Modern technology is characterized by the fact that it is divisible, that is to say, it can be used by medium and small scale enterprises also. This is borne out by the spread of green revolution technology, and by the availability of machines and equipment of various sizes such as mini-computers, electronic devices for small-scale operations, and the like. Furthermore, economic assistance is nowadays provided not only by the advanced capitalist countries but also the socialist countries. Under these circumstances, this school maintains, the middle class can enjoy a degree of social and political autonomy so as to adopt an anti-monopoly, anti-feudal, and anti-imperialist economic policy. It can curb the monopoly power of big bourgeoisie and of foreign capital; it can set up a growing public sector; and it can implement a moderate degree of land reform to oust the feudal remnants.

Such an intermediate regime faces opposition from above as well as from below; but it would have an overwhelming support of white-collar employees, professionals, intellectuals, and similar groups which are well-organized and articulate. So it is politically viable at the present juncture; and what is more, it is capable of playing a progressive role in this context. In other words, if the intermediate regime cannot bring about another development in its entirety, it can certainly pave the way for the same. Led by the intermediate strata of the society - the progressive farmers, national bourgeoisie, revolutionary intellectuals and the like - the intermediate regime is a transitional formation, and it is the only viable alternative for a country like India now.

There are reasons for disagreement with the above-mentioned school of thought. If anything, the middle class of India is one of the three beneficiaries of the capitalist development so far, the other two being the big bourgeoisie and the capitalist farmers. It belongs to the privileged top ten per cent of the population, and it is hopelessly alienated from the masses. It is an amorphous, vacillating and all too often opportunist conglomeration, hardly known for its anti-monopoly, anti-imperialist and anti-feudal stand. The middle class is incapable of providing leadership for an independent economic development even in the transitional phase...



The leadership has to come from the working class. It is only the working class, in alliance with other progressive classes and strata, which can lay the foundation for another development. Meanwhile, one has to work from within the prevailing socio-political order so as to accentuate the contradictions of the ruling classes. The potentialities of the Indian economic system, in its present shape and form, are not yet exhausted; it is too early to expect a fundamental transformation. But the present crisis can very well lead to radical change to the right or to the left. If the solution to this economic problem is sought through the reduction of real wages - which is one of the possibilities - the tension in the system is bound to rise, with the associated consequences coming in its trail. The crisis that began in the 1960s has been aggravated by the changed circumstances in the world market.

The barriers to another development in India are located in its internal domain, not so much in the external sphere. These barriers can be removed only by the determined efforts of the masses. Neither the intermediate classes nor the ruling classes are capable of accomplishing this task. The struggle for another development in India has to be an integral part of the movement for the New International Economic Order; the two are inseparably linked.