Development Planning in India Lumpendevelopment and Imperialism

*

Suniti Kumar Ghosh

RESEARCH UNIT FOR POLITICAL ECONOMY

First published in the present form in August 2002

Note: An earlier version of this book was published in *Aspects of India's Economy* (journal of the Research Unit for Political Economy), nos. 18 and 24, in 1996 and 1997 respectively. A Hindi translation, *Bharat Mein Vikas Yojanayein: Patit Vikas Aur Samrajyavad*, is also available from the same publishers.

Author's address: Suniti Kumar Ghosh, 10, Raja Rajkrishna St., Suite 8, Kolkata 700006.

Price: Rs 35.00

Printed at –
Sai Shakti Press
Veer Savarkar Marg,
Prabhadevi, Mumbai 400025

Published by Rajani X. Desai for Research Unit for Political Economy, Ground floor, Sidhwa House, N.A Sawant Marg, Mumbai 400005.

Tel. 2817547.

Foreword

The following essay was first published in 1997, as the Government, establishment media and parliamentary parties celebrated the fiftieth anniversary of the country's so-called independence. It was an appropriate moment to survey the record of the Indian State. Fifty years ago, the Indian rulers made great claims that their Five-Year Plans were 'socialistic'. Yet these Plans have been a miserable failure at ensuring people's minimum welfare, let alone bring about socialism.

Today, ironically, the Indian State and foreign financial institutions are trying to attribute this failure to 'socialistic planning' and rigid controls. In fact, the development planning of the Indian State has never borne any resemblance to socialistic planning. As S.K.Ghosh points out in the following essay, it was the British rulers themselves who initiated the exercise of 'planning' in India, to further their own interests. They were joined in this exercise by the top sections of Indian big business. In actual operation, the Five-Year Plans have merely served such interests. Despite a seeming array of regulatory mechanisms, the Plans, far from exercising rigid control over the economy, have been a plaything in the hands of business tycoons and the rural elite. The Plans have also been an instrument to raise revenues from the working people and deploy them in the service of the ruling classes.

Now, as the industrialised world turns the screws and wishes to remould the Indian economy further to its requirements, the pretence of 'planning' is being dropped, and the regulatory mechanisms are being scrapped. It is all the more relevant that we look at what planning really ought to mean. The following essay also touches on this latter aspect. Its intention, then, is not merely to expose the now nearly defunct exercise of India's Plans, but to highlight the fundamental changes in the social order required for planning to be meaningful.

-- Rajani X. Desai

for Research Unit for Political Economy

Contents

I. The Genesis

The successful fulfilment of the erstwhile Soviet Union's First Five Year Plan by the end of 1932 made a deep impression everywhere, even among those who were hostile to the land of the Soviets. The Soviet people implemented the Five Year Plan in four years and three months. During those years the capitalist world was hit by a devastating crisis. The crisis of 1929-33 in the capitalist world brought in its train bankruptcy of tens of thousands of joint-stock companies, closure of factories, unemployment and ruin of hundreds of millions of people, including peasants, workers and the petty bourgeoisie in India. The Soviet Union alone was free from this crisis: it made tremendous economic advance at a rate never before attained anywhere in the world.

So the idea of planning was in the air. It had its advocates even in colonial India — among the representatives of the imperialist masters as well as among Indian tycoons like G.D. Birla. While the object of the Plans in the Soviet Union, where private property had been abolished, was to transform and regenerate a backward society for the all-round development of the people, the object of the Indian tycoons and their masters was to organise and use the resources of the country in a systematic manner for the aggrandisement of their classes as well as to hoodwink the people.

In June 1932, Sir George Schuster, then finance member of the viceroy's executive council, proposed that the Government of India should "devise something like a five year economic plan.... even if it led to no practical result it would be good for the country that the attempt should be made."[1] And speaking at the annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI) on 1 April 1934, G.D. Birla stressed the importance of economic planning and urged the adoption of plans in India.[2] In the same year came out *Planned Economy for India* by Sir M. Visvesvarayya, then the *dewan* of the native state of Mysore.

In 1938 the Congress set up a National Planning Committee with Jawaharlal Nehru as Chairman. It enjoyed the cooperation of provincial governments — Congress and non-Congress — and of several big native princes such as those of Hyderabad, Mysore, Baroda, Travancore and Bhopal. The Government of India extended its cooperation and sent representatives to attend its meetings. Indian big capital was strongly represented on it. Among its members were Sir Purshotamdas Thakurdas, A.D. Shroff, Ambalal Sarabhai and Walchand Hirachand. The secretariat to the committee was provided by the Tatas, who also gave a loan that made possible the publication of the reports of its subcommittees.[3]

In 1942, during the 'Quit India' struggle, big compradors[4] undertook to draft an economic plan, the Tatas providing most of the resources. The first part of this plan — *A Brief Memorandum Outlining a Plan of Economic Development for India*, popularly known as the Bombay Plan — appeared in January 1944 and the second part in December of that year. In the meantime one of the authors of the plan, Sir Ardeshir Dalal, managing director of Tata Iron and Steel, was appointed a member of the viceroy's executive council and placed in charge of the new planning and development department of the Government of India. The other authors of this fifteen-year plan were Sir Purshotamdas Thakurdas, Sir J.R.D. Tata, G.D. Birla, Sir Shri Ram, Kasturbhai Lalbhai, A.D. Shroff and John Matthai. For the implementation of the plan the big bourgeoisie depended on two crutches — imperialist capital and the State. It emphasized the need for capital goods, technology and loan capital from imperialist countries. It also relied on "created money" — massive deficit financing by the State — and on a State-owned industrial sector on the foundations of which their fledgling industries would thrive. It recognized the necessity for "a considerable measure of intervention and control" by the State as well as of State ownership and State management of basic industries, public utilities, etc. It conceived of a 'mixed economy' — the existence of both private and public sectors. A strong, centralized State was the heart's desire of the planners. They affirmed that "*practically every aspect of economic life will have to be so rigorously controlled by government that individual liberty and free-*

dom of enterprise will suffer a temporary eclipse."[5]

Criticizing the plan, Professors P. A. Wadia and K. T. Merchant said : "A national government, as our authors contemplate it, will be a government representing the capitalist interests and amenable to their wishes."

They further observed that "the economic structure in India is dominated by a few big trusts, which with the help of the State will eliminate new competitors from the existing industries and leave the field for new industries open to themselves."

Wadia and Merchant also stated:

> "The future for investment which the authors of the Plan envisage is evidently a holy alliance between foreign capitalists and themselves on a profit-making basis, of which we have had such bitter experience in the past and in the present."[6]

On the other hand, immediately on its publication, Nehru, then in prison, was ecstatic in praise of it. He hailed it as "one of the most cheering and promising signs of the times in India recently" and resented Professor K. T. Shah's criticism of it.[7]

The Bombay Plan fitted perfectly into the imperial strategy. Like Nehru, secretary of state L. Amery and Schuster, then member of British parliament, warmly welcomed the Bombay Plan.[8]

On 25 January 1945, secretary of state Amery wrote to Viceroy Wavell: "United Kingdom business interests fully accept that their future in India lies in cooperation with Indians. They are anxious to assist India's industrial expansion which they believe will, if properly organized, carry the hope of considerable profits to themselves as well as to Indians by expanding the market in India for United Kingdom goods.... *United Kingdom businessmen are.... at present extremely disposed towards India's industrial ambitions*.... I believe that there are a number of negotiations going on between United Kingdom and Indian commercial interests for the establishment of joint enterprises in India."

Amery enclosed with this message a memorandum drafted jointly by his office and the Board of Trade and circulated by the Federation of British Industries to some of their members as a confidential statement of the British government's attitude for their guidance in connection with the expected visit of the Indian industrial delegation led by J.R.D. Tata and G.D.

Birla. The memorandum stated:

"The United Kingdom is no longer the predominant supplier of the cheaper consumer goods in demand by the Indian masses. But after the war it will be vitally necessary for us very greatly to expand our exports in order to maintain the economic stability of the country and bring about general prosperity. *Ready adaptation of our economy to the changed, and changing, circumstances in overseas markets is therefore called for if we are to reach our goal. In the case of India it seems clear that our future prospects lie in meeting, and indeed promoting (1) the steady growth in the demand for machinery, equipment, stores, accessories and semi-manufactured materials needed by an expanding and diversified Indian industrial system*, and (2) the rapidly developing sophistication of a growing section of Indian consumers consequent upon a marked rise in the standard of living of the urban population and the adoption of Western comforts and luxuries. The first will increase our opportunities in the field of capital goods and in our industrial specialities. The second will increase the offtake in quality consumer goods.... In both respects, a vast market may be opened up through the economic industrialization of India....

"United Kingdom firms may also find it desirable, in view of the rapidly changing circumstances in India, to manufacture in India those items which can economically be made there and which, otherwise, would be manufactured in any event by Indian concern, probably under American or Continental guidance.... This movement towards local manufacture as a necessary adjunct to the retention of the market for as wide a range as possible of a manufacturer's production has developed rapidly during the past ten years, partly as a profitable investment *per se*, but mainly as the only means of maintaining and expanding a firm's trade in its staple, higher grade items imported from the United Kingdom and of *guiding domestic production* in the interest of both countries....

"The advantages of an alliance with Indian capital, influence and enterprise are self-evident."[9]

Both the British monopolies and the Indian compradors were eager to "come to cooperative arrangements..... for joint cooperative development of Indian industries." A new phase in the international division of labour was beginning. Under the old international division of labour India had been a market for the industrial goods of the metropolitan countries, mainly British, and a supplier of raw materials. In colonial India some British capital was invested in plantations, the products of which were intended mostly for export; in the railways mainly to service British capital in its export and import trade; in coal mines the output of which was meant chiefly for consumption by the railways; and in engineering workshops for doing repairs. Besides some British capitalists, Indian big bourgeois who were in symbiotic relationship with British capital started some consumer industries like textiles both for export and domestic consumption with machinery and know-how and managerial and technical personnel imported from imperialist countries.

Now a new phase in the international division of labour was opening when the metropolitan bourgeoisie and the Indian compradors looked forward to close co-operation in building not only consumer goods industries but also capital goods industries under imperialist guidance and for the profit of both. Guidance and control would be that of the giant transnationals, based in imperialist countries, and sophisticated technology, which is the key to power, would remain their monopoly.

Interestingly, the Reconstruction Committee of the Government of India brought out in 1945 its *Second Report on Reconstruction Planning*. Among the aims of this fifteen-year 'perspective' plan, which according to A.H. Hanson, was "even socialistic in character"[!] were the removal of "the existing glaring anomaly of immense wealth side by side with abject poverty", a fair deal for the poor and for the workers, encouragement to small-scale and cottage industries, State ownership of those "new and necessary" large enterprises "for which private capital may not be forthcoming", popular participation in rural development through cooperative societies and panchayats, etc. "In short", comments Hanson, "one may look in vain for any fundamental objective or method of the five-year plans of the 1950s which is not foreshadowed in this remarkable documentary product of the latter days of British rule."[10]

Then in April 1945 the *Statement of Industrial Policy* was issued by the Government of India's Planning and Development Department. It declared that "in future Government should play an active part in the industrial development of the country", that it should bring under the control of the central government twenty industries of "vital importance to the country's development" and even nationalize them "provided adequate private capital is not forthcoming", that the government "must take power to license industrial undertakings". It expatiated on the need for government controls for, as it said, "In a planned economy it is impossible to do without controls" —various controls including control over capital issues. There were, as usual, platitudes about the "fullest and most effective utilization" of "unused resources of manpower and material", of "socially equitable" distribution of "the additional wealth created by industrial development", the raising of "the standard of living of the masses" and so on.[11]

Earlier, on 16 April, acting Viceroy John Colville informed Amery that the Viceroy's executive council had adopted the following decision: "Apart from ordnance factories, public utilities and railways, basic industries of national importance will be nationalized if adequate private capital is not forthcoming, and if it is regarded as essential in the national interests to promote such industries. For the purpose of Government policy basic industries can be defined as including aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electric machinery, machine tools, electrochemical and non-ferrous metal industries."[12] There was a remarkable similarity between Nehru's "socialist pattern" and the plans drawn up by the colonial masters.

Not surprisingly, there is also a family resemblance between the Bombay Plan and these two government plans. As Sir Ardeshir Dalal, one of the authors of the Bombay Plan and then member-in-charge of the central govenment's planning and development department, which brought out the *Statement of Industrial Policy*, emphatically said, "*the objectives of the Government Plan and the Bombay Plan are the same.*" He also pointed out that while the authors of the Bombay Plan "do not give a detailed blueprint," "the plan which Government is considering must deal with greater details."[13] To quote Hanson, "There is really very little to distinguish this statement of intentions [*Statement of Industrial Policy* of April 1945] from the Industrial Policy Resolutions of 1948 and 1956; and it might equally well have guided the actual practice, in matters of industrial development, of the government of independent India".[14] Michael Kidron has also observed: "Many of the measures adopted after independence were foreshadowed during this period".[15]

Not surprisingly again, all these plans were eloquently silent about the need for restructuring the society —the abolition of feudal relations in the countryside and the confiscation of existing imperialist capital, though some of them dwelt on the need for mass participation in rural development work through village cooperatives and panchayats. The Bombay Plan had two special features: the planners declared that India would remain dependent for years to come on capital goods and technology of the imperialist countries and wanted loan-capital from them to finance it (the *Statement of Industrial Policy* was not so explicit: it modestly said that the government proposed "to set up an organization in the U.K. and in the U.S.A." for "procurement of capital goods required by industrialists"); secondly, the Bombay Plan relied on massive deficit financing — Rs 3,400 crore out of the total plan expenditure of Rs 10,000 crore (at the average of 1931-1939 prices) — besides the sterling balances in India's favour, which it estimated at Rs 1,000 crore and which the starvation and deaths of millions of Indians during the Second World War provided. The purpose of deficit financing would be not to contribute to the welfare of the people but to strengthen the comprador-imperialist combine at the expense of the people. The Plan also depended for resources on increased taxation — obviously indirect taxation, which again would hit the poor.

H.V.R. Iengar (who had been joint secretary, department of planning and development, Government of India in 1944-6, principal private secretary to Nehru from 1946, and afterwards governor of the Reserve Bank of India) was right when he said in the late sixties that the Bombay Plan became the model for India's five year plans. Iengar stated:

> "It is all there in the Bombay Plan— the concept of massive State intervention in the economy, of a mixed private and public sector enterprise, the emphasis on heavy industry, the need for foreign capital and need for deficit financing. Indeed, there seems little difference between the basic approach of the Bombay Plan and the approach of the Planning Commission of the Government of India and it would by no means be far-fetched to say that the Planning Commission actually got its inspiration from the Bombay Plan."

II. Two Kinds of Planning

A plan, which outlines a strategy of development and the measures to carry it through, may be so designed as to contribute to the interests of the exploiting classes or to bring about the all-round development of the vast masses of the people — economic, social, political and cultural. The plan is not natural: it is stamped with the brand of a class.

Engels said:

> "Darwin did not know what a bitter satire he wrote on mankind, and especially on his countrymen, when he showed that free competition, the struggle for existence, which the economists celebrate as the highest historical achievement, is the normal state of the animal kingdom. Only conscious organization of social production, in which production and distribution are carried on in a planned way, can lift mankind above the rest of the animal world as regards the social aspect, in the same way that production in general has done this for mankind in the specifically biological aspect. Historical evolution makes such an organization daily more indispensable, but also every day more possible. From it will date a new epoch of history, in which mankind itself, and with mankind all branches of its activity, and particularly natural science, will experience an advance that will put everything preceding it in the deepest shade."[1]

Since Engels wrote the above, vast scientific and technological revolutions have taken place. The immense achievements of science and technology assure man that he may be the master of his fate, that want and scarcity can be banished from his life, that there can be regeneration of society —economic, moral and cultural — if "conscious organisation of social production, in which production and distribution are carried on in a planned way" takes place, if the present irrational political and economic system, which today squanders away vast human resources as well as gifts of science and technology, is replaced by a more rational system, a system based on genuine economic and political democracy, which puts public good above private greed and provides the soil for the full flowering of culture.

To a former colony or semi-colony there is a choice between two strategies of development. One is a strategy that perpetuates dependence on imperialist capital and hungers for more of it, preserves the domestic social structure — the legacy of colonial or semi-colonial rule — with or without some cosmetic changes and aims at concentrating wealth and power in the hands of a few at the expense of the vast masses. The other is a strategy that ensures independence and self-reliance in a country where a social revolution has swept clean the legacies of colonial or semi-colonial rule and has as its goal the all-round development of the people.

Two strategies of development, two kinds of planning, were being implemented at the same time — one in China (from the beginning of the fifties to about the mid-seventies) and the other in India. In liberated China during the days of Mao Tsetung, a "conscious organization of social production, in which production and distribution are carried on in a planned way" to lift the vast Chinese masses from a chronic state of poverty, backwardness and degradation was being attempted. China adopted five year plans and pursued a strategy of development which ensured freedom, work, food, education, health, democratic rights and dignity for all working people, raised their material and cultural standards and promoted rapid self-reliant advance.

Without destruction there can be no construction. When China was politically liberated after a victorious revolution, she destroyed the economic and social structure that had been responsible for China's backwardness and underdevelopment. Imperialist and comprador capital that constituted about 90 per cent of the capital then invested in China was confiscated and came to be owned by the whole people. A policy of gradual restriction and control and ultimate nationalization was adopted towards the rest of the capital — the capital of the national bourgeoisie. Land reforms were carried out from below — by the peasants themselves. The land owned by the landlords and the excess land of the rich peasants were distributed among the landless and poor peasants. Landlords received an equitable share of the land. Land reforms led to the formation of cooperatives and then of communes. This agrarian revolution formed the basis of a vast industrial regeneration. Industries — big and small — owned by the State, provinces and communes, sprouted up everywhere — in urban areas as well as in the countryside.

The Maoist strategy put man, not things or profits, in the forefront; conceived of development as a mass movement and attached greater importance to the voluntary participation of the entire people than to capital goods and technology; rejected bureaucratic centralization and insisted on a policy of decentralization to unleash the initiative, creativity and enthusiasm of the people at all levels; held that it is the people who are the makers of their destiny — not the leaders or planners; put politics — not material incentives — in command, that is, sought to rouse the people's political and social consciousness and to subordinate self to the spirit of service. Its aim was the all-round development of men and women — the emergence of active, politically conscious, truly free socialist men and women. In respect of technology, the Maoist strategy put stress on self-reliance or "do-it-yourself" programme. Mao Tsetung was sure that the technological backwardness of ages, the legacy of colonial or semi-colonial rule, could be overcome, if scientists, managers and workers put their heads together, if theory were wedded to practice. Mao held that technology must not remain the monopoly of a few but that it must be widely diffused and belong to the masses. The Maoist strategy refused to lean on foreign transnational corporations or Soviet agencies for technology, for dependence on them would mean opening the door wide to imperialist penetration and domination. But it was not averse to learning from foreign countries, while, as Mao Tsetung said, "maintaining independence and keeping the initiative in our own hands and relying on our own efforts." The Maoist strategy insisted on practising self-reliance from the very beginning.

The Maoist model sought not only the independent, self-reliant development of the productive forces and the transformation of the world around man, but the transformation of man himself from a man interested in himself to a man to whom service to society would get precedence over service to self.

Mass enthusiasm was awakened, mass participation in decision-making and in the execution of plans was ensured.

In China where machinery was far from adequate, particularly in the fifties, the manual labour of aroused millions of men and women accomplished miracles of construction. It tamed wild rivers and built vast irrigation systems.

Only in the fifties China accepted some Soviet loan (insignificant compared with India's external debt). However, in 1960, the Soviet revisionists withdrew experts and blue-prints of Soviet-aided projects under construction, with disastrous effects. Nevertheless, all Soviet loans were repaid by the beginning of 1965. China became free also from all internal debts by 1968. Inflation was unknown in China. Prices were not only stable, they were also brought down at times.

The Maoist strategy transformed China within a brief period from a weak, backward country, teeming with starving people, ravaged by civil war and hyperinflation and despised by all, into a strong, self-reliant, sovereign state that was the hope and inspiration of the progressive people all over the world and the fear of all imperialists and reactionaries. We may quote here a few brief extracts from a World Bank study dealing with the development in China until about the end of the seventies. It states:

"China's agricultural sector accounts for less than eight percent of the world's arable land but provides enough food for about 22 percent of the world's population."

It says:

"Industrialization has been very rapid, largely as the result of an unusually high rate of investment, *virtually all of which has been financed by domestic savings.* Its net output of [industry including mining and energy] grew in real terms at around 10 per cent per annum in 1957-79.."

It further states:

"Despite this strong bias towards heavy industry, per capita availability of manufactured consumer goods has also expanded rapidly — at seven per cent per annum in 1952-77."

It goes on to say:

"Much effort has been devoted to attaining new technical capabilities. Almost the entire range of modern industries has been set up, with much emphasis on those making capital equipment.... In practically every significant industry major plants have been built in several parts of the country and special efforts have been made to spread manufacturing into backward regions and rural areas."

Citing some instances, it affirms:

"In a few areas, however, China has developed a technological lead."

It observes:

".... income statistics give an incomplete and potentially misleading picture of poverty. What is more relevant is the distribution of real consumption, especially of fundamentally necessary or desirable goods such as food, clothing, housing, medical care, and schooling."

It notes: The Chinese, even "the very poor",

"all have work; their food supply is guaranteed through a mixture of state rationing and collective self-insurance; most of their children are not only at school, but being comparatively well taught; and the great majority have access to basic health care and family planning services."[2]

Led by Mao Tsetung, the Chinese people, though surrounded by hostile forces, both foreign and domestic, attempted to build a society — the dream of Engels and other visionaries. Great success was achieved in all spheres — economic, social, moral and cultural — but those hostile political forces have proved stronger and set the clock back. Yet this experiment will live to inspire and guide the people all over the world until they reach the cherished goal.

The manner in which the Indian State emerged in 1947 restricted its choice of a strategy of development. Some social scientists such as Partha Chatterjee contend, when speaking of India, that "it was in planning above all that the post-colonial state would claim its legitimacy as a single will and consciousness — the will of the nation — pursuing a task that was both universal and rational — the well-being of the people as a whole." Further: "It was in the universal function of 'development' of national society as a whole that the post-colonial State would find its distinctive content. This was to be concretised by embodying within itself a new mechanism of developmental administration, something which the colonial State, because of its alien and extractive character, never possessed. It was in the administration of development that the bureaucracy of the post-colonial State was to assert itself as the universal class, satisfying in the service of the State its private interests by working for the universal goals of the nation."[3]

First, the above contention that the colonial State did not set up a 'developmental' administration, as noted before, is not correct. During the War itself it established Reconstruction Committees and, towards the end of it, a Department of Planning and Development. Sir Ardeshir Dalal, one of the architects of the Bombay Plan, was member in charge of the department. And, as already noted again, the colonial masters drew up outlines of 'development' plans which, in essential respects, were not dissimilar to the Bombay Plan or the plans drawn up by the post-colonial State during Nehru's regime.

It may be pointed out that, as John Matthai (an author of the Bombay Plan and Nehru's colleague in the 1946-7 'Interim Government' and in the Union cabinet after the transfer of power) wrote in *Times of India*, 16 May 1956, "With the exception perhaps of the Community Projects, *every project included in the First Plan had been designed and partially erected before the National Government came into power", that is, in the days of direct colonial rule.*[4] As in other spheres, so in 'development' planning, there was a continuity between colonial and post-colonial regimes.

Second, the bureauracy of the colonial State continued as the bureaucracy of the post-colonial State. Sir V.T. Krishnamachari, a senior member of the Indian Civil Service, was vice-chairman of the Planning Commission from 1953 to 1960; Sir N.R. Pillai, another senior member of the ICS, was its secretary and Tarlok Singh, also a member of the ICS, additional secretary. It was this bureaucracy, which had been the 'steel frame' of the British Indian empire, that, according to Chatterjee, asserted "itself as the universal class [whatever that may mean]" and worked "for the universal goals of the nation."

Third, is the nation a homogenous entity with "universal goals"? What are those "universal goals"? Is not a nation divided into classes, some of which are exploiting classes and some exploited ones? Do they have the same goals? Is not "the well-being of the people as a whole" (if the people include both the exploiting and exploited classes) something mythical? In a society, riven by classes, a seemingly non-class approach is intended to promote the well-being not of the people as a whole but of the exploiting classes.

Then, the question is: Is India the home of a single nation or of several nations and nationalities? This question has been discussed by me separately in *India's Nationality Problem and Ruling Classes* (Calcutta, 1996).

Which classes became the ruling classes of post-colonial India? During the colonial rule, British imperialism fostered certain classes — the Indian big bourgeoisie and the feudals — for preserving and promoting its own interests. By serving imperialism faithfully these classes became the dominant classes in Indian society. What is called the freedom of India came not on the crest of a political revolution but as the outcome of an agreement between the British colonialists, the Congress and the League leaders, known as the 'Mountbatten settlement'. When, in the changed international and Indian context after World War II, British imperialism found it impossible to continue its direct rule, it handed over the reins of direct administration to the "friendly and reliable hands" of those domestic classes that had prospered by serving it, that had been long tested and found that they could be trusted to preserve imperialism's vital interests. The Mountbatten settlement led to the artificial partition of the sub-continent on religious lines into two new states and attainment of dominion status by both. The comprador big bourgeoisie and the feudals, the classes which were the social props of British colonial rule, became the ruling classes of the post-colonial states — the Indian Union and Pakistan.[5]

So, unlike in China, feudalism was not abolished in India and the dominance of imperialist capital on Indian economy was not liquidated; rather new shackles have been forged over these years since 1947. The causes of India's backwardness and underdevelopment during long colonial rule, the causes that had retarded and distorted India's development, were not eliminated. The Indian planners have constantly indulged in high-flown rhetoric about the objectives of their planning — eliminating poverty, illiteracy, unemployment and inequality, building an advanced, self-reliant, socialist society, and so on. All these they have proposed to achieve without carrying out effective land reforms and without breaking the imperialist stranglehold on Indian economy, that is, without attacking the roots of India's backwardness and underdevelopment. As K.S. Shelvankar put it, "the real cause of India's poverty must be sought not in disease or illiteracy, which are but symptoms, nor yet in Indian customs and beliefs, nor again in the population figures, but *in* the economic organization on which the whole life of the country is based."[6] Instead of breaking up this economic organization which has been breeding backwardness and underdevelopment and building a new one in its place, the Indian planners and policy-makers have sought to industrialize and modernise India with the help of more capital and newer technology. True to their character, the ruling classes of India and their men have been guided by the development theory which serves their interests as well as those of imperialist capital — the theory that sustained inflows of foreign capital are a necessary condition for raising poor, underdeveloped countries from the state of 'stagnant backwardness'.

After the transfer of power, Nehru strongly favoured the adoption of economic plans but Patel was indifferent. It may be noted that Mountbatten, the last governor-general of British India and the first governor-general of 'independent' India, wrote "a long letter to Nehru and Patel urging the need for economic planning."[6a] "At the end of 1949", writes Francine Frankel, "Nehru once again revived the question of establishing a planning commission, this time *fortified by a recommendation from an American adviser*."[7]

It was Dr Solomon Trone, an American engineer, who served as Nehru's personal adviser from the autumn of 1949 to the summer of 1950. Trone had been loaned by the General Electric Corporation to the Czarist Government during World War I. He also acted as an industrial adviser to the governments of Japan and Chiang Kai-Shek's China. "Arriving in India as the Communists swept to power in China", to quote Nehru's biographer, Michael Brecher, "he conducted an investigation into various aspects of the Indian economy and concluded that conditions were alarmingly similar to those of China at the end of the second world war. Drastic action was required without delay, he argued, the first step being the formation of a central agency to evolve a unified national plan.... Trone emphasized the need to create capital-goods industries, in particular, additional steel plants, a machine-tool industry and electric-generating equipment on which to build secondary industries. He also urged strong encouragement to agricultural cooperatives of various kinds. *Economic development would be financed* *partly by foreign loans*, but would require sacrifices by all sections of the Indian people.... Although Trone's proposals were not accepted immediately, they were to reappear in subsequent deliberations over the First and, more particularly, the Second Five-Year Plans."[8]

In the conditions in which the Indian ruling classes found themselves after the transfer of power in 1947 — a stagnant market, absence of an infrastructure for industrial development, absence of capital goods industries — they felt that economic planning was the need of the hour. The Soviet Five Year Plans, which transformed the economy of a backward country into that of a leading industrial nation, had a profound influence on the political and business elite of India. The revolutionary changes in China added urgency to the issue. In 1951 Chester Bowles, then U.S. ambassador to India, suggested to Nehru that "One of the most crucial questions was whether Asian democracy could compete with Asian communism unless it, too, organized its village efforts on a massive scale.... Nehru said that history had selected India as one of the democracy's chief testing grounds. This was a contest which he and India welcomed, a challenge which must be met head on ..... For nearly two hours we talked about the exciting possibilities."[9]

India's ruling classes felt that their minimum infrastructural needs could not be left purely at the mercy of the market forces in this stagnant semicolonial, semi-feudal country. Even the tycoons and British colonialists, who best represented the market forces, demanded State intervention as the Bombay Plan and the post-war plans drafted by the British Indian government had pleaded for. It would be the task of the State to build the infrastructure — transport and communications, mining, the power industry, etc. — besides the long-gestation machine-building industries. They would provide the base on which the Indian big bourgeoisie and the branches, subsidiaries or other companies controlled by transnationals would erect their private empires. Without State intervention, help and patronage neither Indian big capital nor imperialist capital would have the opportunity they were seeking so keenly. Thorough-going land reforms were abhorred, for any such radical measure would rouse the sleeping giant and destroy the *status quo*. Moreover, for the skewed pattern of development envisioned by foreign finance capital and the Indian comprador class, land reforms and the generation of a vast market for cheap wage goods were not necessary. (Indeed, such reforms would have generated social forces that would pose a potential threat to imperialist hold.) They hoped that their kind of planning, "democratic planning" as Nehru called it, would fulfil their aspirations, contribute to their rapid growth and expansion. They hoped that some benefit would trickle down to the masses, contain their discontent, maintain social stability and lay the spectre of communism. The plans, as we shall see, have promoted their fabulous growth and expansion, but hardly any benefit has trickled down to the masses, except to a small upper stratum of the urban petty bourgeoisie and of the peasantry.

The kind of planning that India's ruling classes have undertaken has been described by them as "democratic planning."On 15 September 1954 Nehru wrote to chief ministers of different constituent states of India:

"It is clear that we cannot proceed along authoritarian lines, such as in the Soviet Union or even as in China. The problem for us, therefore, is how far we can achieve our objective through democratic planning without too much compulsion.... We prefer the democratic approach because of certain values and standards we cherish."[10]

What were these values and standards? To the Nehrus it would be undemocratic to confiscate imperialist capital and the capital of the Indian big bourgeois who are in symbiotic relationship with the imperialist bourgeoisie: to them it would also be undemocratic to help the peasantry to liquidate feudalism root and branch. Instead, it would be quite democratic to protect and help those oppressive and exploitative forces to prosper though they stifled the lives of the people and blocked the path of India's development. And if some of the grosser forms of feudal exploitation were curtailed, it was democratic to pay adequate compensation to the former feudal lords at the expense of the famished people who had long been the victims of their ruthless plunder. To the Nehrus, China's planning or strategy of development was of an authoritarian character and smacked of coercion and force. But their 'democratic values' remained unsullied when they suppressed with fire and sword the people who stood up against exploiters and tyrants, as the Nehrus did in Telangana and elewhere. Frank Moraes, editor of the *Indian Express* and later of the *Hindustan Times*, wrote that "authority as represented by those in charge of law and order is more trigger happy in independent than in British-ruled India."[11]

'Democratic planning', said Gunnar Myrdal, "is thus rationalized, to de-fend the avoidance of radical reforms through changing the institutions — to which mostly those with an interest in the status quo would, of course, not voluntarily agree, even after so much persuasion.... And when they [the South Asian planners] do legislate radical institutional reforms — for instance in taxation or in regard to property rights in the villages — they permit the laws to contain loopholes of all sorts and even let them remain unenforced."[12]

'Democratic planning' in India is, a essence, planning in an exploiters' 'democracy'. The "certain values and standards" the Nehrus cherished ruled out any coercion to change the exploiters' 'democracy' into a democracy of the vast exploited masses. But the values Nehru swore by did not rule out coercion to protect the exploiters' 'democracy'. 'Democracy', 'freedom' and words like these have different connotations for different classes. For the Nehrus and the Birlas and the U.S. and other imperialists, the 'free and democratic world' is a world ruled by imperialist capital — a world where at least 75 per cent of the people are coerced to live lives of poverty, ignorance and squalor and where monopoly capital or capitalistic cannibalism preys on the lives of the people. So 'democratic planning' by India's ruling classes has rested on the foundations of semi-feudalism and semi-colonialism (that is, the indirect rule by imperialist capital).

'Democratic planning' has also come to mean a skewed concentration of fiscal powers with the Centre, with state governments serving as little more than glorified municipalities. This has afforded powerful coteries within the ruling classes greater sway over economic decision-making vis-a-vis rival sections. The various instruments of 'planning', including the Planning Commission, in the final analysis have served largely as tools of these coteries. Such a lopsided control by the Centre over Government finances finds its counterpart in despotism in the political arena. (Any democratic control by the various nationalities of India over their course of economic development is, of course, not even on the agenda.)

III. Imperialist Agencies and India's Plans

From the very beginning, as Chester Bowles, U.S. ambassador to India in the early fifties and again in the sixties, wrote, "under the leadership of Douglas Ensminger, the Ford staff in India became closely associated with the Planning Commission..."[1] It is worth noting that the Ford Foundation began in 1949 to change from a local organization into an international organization: its new role was to supplement the role of the U.S. State Department and contain and throw back Communism and build up and ensure the world-wide hegemony of the U.S.A.. "The fields of activity suggested [by the U.S. State Department] for the Ford Foundation', writes George Rosen, "were felt to be too sensitive for a foreign (American) government agency to work in.... South Asia rapidly came to the fore as an area for possible foundation activity.... Both India and Pakistan.... were on the rim of China and seemed threatened by communism. They appeared to be important in terms of American policy...."[2]

One of the main centres of activity of the Ford Foundation became India. Rosen, who came to India as an American economist hired by the MIT Center for International Studies -- as one of "agents of change in South Asia', to borrow his phrase -- and later served the Ford Foundation in India and Nepal, writes from his personal experience: "From 1950 to 1970 [the period he deals with] there was a close relationship between significant groups of Western economists and policy-makers and similar groups in the newly created countries of India and Pakistan.... The programmes [of the Ford Foundation] were intended to affect policy or to create new institutions or strengthen existing ones, thereby influencing the practice of economics by local economists and officials in those countries."[3] Rosen continues: "Paul Hoffman [the president of the Ford Foundation] and his Ford Foundation group had been welcomed eagerly by all levels of the Indian government, including the prime minister and the Planning Commission, on their 1951 visit.... Nehru had designated the Planning Commission as the Ford Foundation's point of contact with the Indian government on substantive matters. Normally Ensminger was in regular contact with Sir V.T. Krishnamachari, who became the deputy chairman of the Planning Commission in 1953, and with Tarlok Singh, its secretary and chief civil servant for much of this period, and a personal friend as well.... Because of Nehru's interest in the ideas emanating from the Ford office in New Delhi, Ensminger had access to the prime minister on matters of importance. The foundation office in Delhi was regarded as a participant in the generation of ideas and in developing new programme strategies, over and above its role in carrying out and evaluating projects it had assisted.... the foundation office and the Planning Commission worked jointly on developing ideas, for submission to the foundation.... Ensminger -- like Hoffman, Bowles and Millikan -- had a deep personal belief in the importance of the success of the Indian democratic experiment of development, both as a model for the Third World and as important to American security."[4]

The Ford Foundation sent out to India a number of seasoned men recruited from U.S. business, administration and academic institutions, to save India, "the key point in the entire east", from the fate that had overtaken China. Douglas Ensminger, who was a high official in the U.S. Department of Agriculture, was one of them. He came out as the chief of the Ford Foundation staff in India. A senior official of the Indian Government was somewhat surprised that "Ensminger normally had readier access to Nehru than any of the ambassadors, including the American."[5]

In 1982, Ensminger said to Rosen:

> "I fed programme ideas into India through the same channels [Indian officials]. To keep me informed the Planning Commission sent me.... its working documents.... with an understanding that ideas and suggestions from me were always welcome. The Planning Commission always expected feedback of my critical observations following a field trip -- and this I did."[6]

"From the 1950s to the early 1960s", adds Rosen, "the foreign expert often had 'greater authority than the Indian, even though highly competent', and Indians would frequently ask a foreigner to support a given point of view in order to insure its acceptance."[7] The foreign 'experts' had easy access to highly classified documents -- a privilege denied to their Indian counterparts.

The Community Development Programme, which formed an integral part of India's early plans, and the ostensible aim of which was the rebuilding of India's villages and village-life, was undertaken under U.S. inspiration and with U.S. help. Albert Mayer, an American architect and city-planner, who enjoyed Nehru's confidence and friendship, developed in 1948 a pilot project covering 64 villages in Etawah in Uttar Pradesh with official support. It was hailed by Nehru "as a model for meeting the revolutionary threats from left-wing and communist peasant movements demanding basic social reforms in agriculture."[8] With U.S. financial and technical assistance it soon became the model for an all-India programme. It was claimed that the Community Development Programme would bring about an all round development of the villages of India through mutual cooperation and self-help of the villagers themselves. The aims of the programme were quite lofty ones: not only intensive agricultural development -- land reclamation, irrigation, farm management, crop protection, application of scientific methods of cultivation like the use of improved seeds, fertilizers, pesticides and better implements -- but also improvement of health and education, social welfare, road-building, formation of cooperative societies and so on. The whole of rural India was expected to be covered by the programme by stages. While the "Community Projects budgeted only one third of the costs of land reclamation, drainage, irrigation and road-building schemes", they depended for the rest on "village contributions in labour and money". The programme proposed formation of cooperative societies -- credit cooperative societies in the beginning and cooperative farming afterwards -- and panchayats, which would be entrusted with the task of framing plans of all-embracing village development and implementing them. And thus the entire face of rural India was expected to be transformed -- peacefully, without any change in the property structure and avoiding all class conflict. Nehru discovered "a sense of almost family kinship" among the inhabitants of a village -- between the landlords and their tenants, the usurers and their victims, the upper castes and the serving castes who are banished because of their 'polluting influence' to the fringe of the village. The masses of the peasantry, cruelly oppressed and exploited for centuries, were expected not to attack the property structure and change it but to be enthused enough to contribute voluntary free labour and donations to build irrigation works, roads, etc., which would serve most the interests of those who owned most land and traded in the produce of the land and of rural industries.

Nehru was eloquent about the "peaceful revolution" that was unfolding. Inaugurating the first community projects in October 1952, he declared that "the work we are starting today" was the beginning of a great social revolution. He proclaimed: "we are now talking in terms of a big revolution, a peaceful revolution, not of turmoil and the breaking of beads. It is in this manner that we shall transform our country. Peacefully, we shall remove the evils of our country and promote a better order."[9]

Both the Nehrus and the U.S. imperialists felt that the conditions in rural India were quite serious. They were afraid that if something was not done India might go the China way.

Chester Bowles saw to it that the community development programme was assured of U.S. financial and technical assistance. He brought in 1952 the foremost American experts in land policy -- Wolf Ladejinsky and Professor Kenneth Parsons. After making intensive studies of several states "Ladejinsky reported that the bitter complaints of the peasants reminded him of similar complaints he beard in pre-Communist China in 1946. The land inequalities in parts of India, he said, were as bad or even worse than be had seen anywhere else in Asia."[10]

Before inauguration of the community projects by Nehru in October, an "Operational Agreement", setting out in detail the whole organization of community development, had been signed on 31 May 1952 by the governments of the U.S.A. and India. Another such agreement was signed by the two governments in November of that year.[11]

The Ford and Rockefeller Foundations lent their support to the programme. U.S. Aid for International Development (USAID) and the Ford Foundation worked together on the Community Development Programme. The Indian government invited the Ford Foundation to train the Indian personnel for the community projects. In the 1950s 35,000 village workers were trained with the help of the Ford Foundation. "The Ford Foundation's grants in support of Community Development and the National Extension Service", says Rosen. "were important in the Indian government's programmes to develop new village institutions and to use village labour for investment in kind in the villages."[12] The U.S. land-grant universities and the Rockefeller Foundation were invited to help in setting up Indian agricultural universities and agricultural research institutions. Tarlok Singh, the Planning Commission secretary, urged the Ford Foundation "to build up centres of applied economic research throughout the country to serve as a check on government policy and to supply data and ideas for policy-making by the Planning Commission." And institutes like the Indian Statistical Institute, the National Council of Applied Economic Research (NCAER), the Delhi School of Economics and the Gokhale Institute in Pune worked in collaboration with the Massachusetts Institute of Technology and were provided with funds by the Ford Foundation.[13]

"Certainly", said Chester Bowles, "one fruit of the programme is that it is bringing America and India closer together. At least it is bringing some Americans and some Indians very close indeed."[14]

The programme, no doubt, yielded this fruit. But what happened to Nehru's "big revolution", "peaceful revolution"? We may quote a few lines from Gunnar Myrdal:

> "Efforts to create a machinery for self-government, cooperation, and popular participation without changing the basic social and economic structure are essentially attempts to bypass the equality issue. And this attempt to evade the problem of inequality is in large part responsible for the failure of these reform policies. As a United Nations team of experts on an evaluation mission to India expressed it: 'A real community of interests between moneylender and debtor, between landowner and sharecropper, who receives half of the crops while bearing the entire cost of cultivation, is obviously not easy to establish".[15]

It may be added that Nehru's 'revolution' was not quite a failure. Besides "bringing some Americans and some Indians closer together", it consolidated the interests of the landlords and moneylenders, who alone were able to take advantage of the 'community projects' – the government funds that were invested in them and institutions created by the government like the credit cooperative societies and panchayats.[16]

The Center for International Studies set up by the Massachusetts Institute of Technology in 1951 selected India as its only field of activity. It came to be headed by Max Millikan, the deputy director of the U.S. Central

Intelligence Agency, who shifted from the C.I.A. to become director of the Center. It was funded by the U.S. government, especially the C.I.A. and the Ford Foundation.[17] Rosen states that the Center for International Studies put "emphasis upon the importance of Indian development for security interests" and assumed that "America's action was the maker of India's future, as its inaction had been the reason for 'failure' in China". It rightly held that "there was a convergence of interests between U.S. and Indian policymakers".[18] The Center established contacts with the Indian ambassador G.L. Mehta and Professor P.C. Mahalanobis, "a key figure in Indian planning". The CIA's former deputy director Millikan's visit to India in 1953 was "outstandingly successful" and he established "great rapport with Indian officials". To quote Rosen, "A mechanism was set up [during Millikan's visit] to insure consultation and exchange of information among MIT, Indian Universities, and government of India, as well as to develop joint MIT-Indian projects. The MIT Center also agreed to plan some U.S.-based training programmes for Indian scholars and officials."[19]

The Ford Foundation and the MIT Center operated as "quasi-official advisers to the Planning Commission" and played an important role in the formulation of India's plans. "The major economic activity in which the foreign economists and Indian policymakers cooperated', says Rosen, "was in preparation of Indian plans and in estimating the amount of foreign aid that might be expected in realizing these plans.... the Center's efforts did contribute to the American and World Bank policies with respect to India as well as to the Indian Government's internal policies."[20] To quote the words of the Controller-General of the U.S.A.: "The programme has been cooperative in some respects, such as joint discussions of plans and budgets...."[21]

When, after the mid-fifties, the Indian ruling classes faced an acute foreign exchange crisis and the fate of the Second Five Year Plan became uncertain, the U.S. imperialists came forward to save it.

In the U.S.A.'s prestigious quarterly *Foreign Affairs*, M.F. Millikan and W.W. Rostow wrote:

> "Politically and strategically India is even more important than the numbers of her people would suggest. The success or failure of Indian development efforts will affect the course of events from the Celebes to Morocco.... There are compelling technical and economic reasons why, at the moment, we

> should be concentrating a much larger share of our capital assistance on India than even her size would dictate.... The availability of help and resources from outside is important at all stages of the growth process. But there is a peculiarly critical moment in that process, which India has now reached, when external capital in adequate amounts and over a long enough period becomes the key determinant of what happens."[22]

In *A Proposal: Key to an Effective Foreign Policy*, which we have already referred to, Max Millikan and W.W. Rostow proposed as the "Key" to an effective U.S. foreign policy grants or loans to underdeveloped countries. "Public loans, by helping to create the necessary environment, can pave the way for greatly expanded private investment as growth takes hold." They held that the international division of labour must be promoted: the underdeveloped countries would serve the Western powers as "expanding markets" and "expanding sources for food and raw materials". Second, according to Millikan and Rostow, "the basic fact [is] that economic programmes [like extending official loans] are one of our few potentially effective levers of influence upon political developments in the underdeveloped areas." Third, the participation in the economic development of an underdeveloped country would be beneficial to the U.S.A. from the military point of view. The costs "would be small compared with what we shall have to spend in emergency efforts either to salvage situations which have been permitted to degenerate, such as South Korea and Indo-China or to put out additional brushfires if they get started. The total costs of such a programme would be insignificant compared with the costs of waging limited wars."[23]

At the initiative of the U.S.A., the Aid India Consortium (renamed, rather ironically, Indian Development Forum in 1994) -- a consortium of Western powers with the World Bank to coordinate between them -- was set up in 1958 to provide the much-needed loans to India's ruling classes to execute their plans. Loans are sanctioned on a yearly basis by the World Bank and individual consortium members after a thorough review and approval of a plan and its progress. The World Bank prepares "an extensive review and evaluation of the Plan, and this evaluation is discussed between the IBRD and India. Then the individual Consortium members discuss the Plan, at which time changes of emphasis, priorities and goals may be suggested."[24]

To quote C.P. Bhambhri, "For India, the establishment of [the] Consortium has meant that capitalist countries have taken over responsibility for the 'monitoring' of the Indian economy with a commitment to salvage it from crisis situations. The World Bank, the economic ministries and the Planning Commission of the Government of India and members of the Aid-to-India Club work in close cooperation with each other in harmonizing their respective goals and interests."[25]

A conference on the Indian crisis, sponsored by the Committee for International Growth, U.S.A., was held in May 1959 in Washington. It was co-sponsored by the MIT Center for International Studies, the Asia Foundation, the Stanford Research Institute and the National Planning Association; and among the contributing sponsors were Standard Vacuum Oil Co., Bank of America, Kaiser Engineers Overseas Corporation and Merck, Sharp and Dohme International. The U.S. participants, besides other prominent leaders, included Richard Nixon, then Vice-President and later President of the U.S.A.; Senator John F. Kennedy, afterwards U.S. President; John D. Rockefeller, 3rd; Hubert H. Humphrey; Averell Harriman; Hans J. Morgenthau; Max F. Millikan; and Chester Bowles. India was represented by M.C. Chagla, then Indian Ambassador to the U.S.A.; B.K. Nehru, the India's Commissioner General for Economic Affairs in Washington; Bharat Ram; Asoka Mehta; I.G. Patel; H.V.R. Iengar, then Governor of the Reserve Bank of India; etc. Kennedy said at the conference: "No struggle in the world today deserves more of our thought and attention than the struggle between India and China for leadership of the East.... It should be obvious that the outcome of this competition will vitally affect the security and standing of this nation.... Unless India is able to demonstrate an ability at least equal to that of China to make the transition from economic stagnation to growth.... the entire Free World will suffer a serious reverse. India herself will be gripped by frustration and political instability -- its role as a counter to the Red Chinese will be lost -- and communism will have won its greatest bloodless victory. So let there be no mistake about the nature of the crisis -- both the danger and the opportunity. And let there be no mistake about the urgency of our participation in this struggle."[26] Nixon said: "To take one example, I would not underestimate the importance of the Berlin crisis [when arose the possibility of a confrontation between the Western powers and the Soviet Union]; but I will say that in my own mind what happens to India, insofar as its economic progress is concerned in the next few years, could be as important, or could be even more important in the long run, than what happens in the negotiations with regard to Berlin.... we should consider always how private capital may also be attracted to this area of the world.... both [capital offered by the government and private capital] are necessary. and both have their place."[27] In his note the editor observed: "But whatever the pace of expansion, few doubt the long-range trend to a heavy United States private investment commitment in India.... This trend as Vice-President Richard M. Nixon [italics in the original] stresses, has many incidental foreign policy advantages and should be officially promoted in our future relations with India."[28]

Hans J. Morgenthau said: "The Indian experiment is a great experiment of a very great fraction of the human race, and it so happens that the success of that experiment is in the vital interest of the United States." He also stated: ".....we have not realized how completely identical the interests of India and our own interests are."[29] Max Millikan put forward two propositions: "The first proposition I would like to assert is that a larger volume of external assistance is necessary in order to make possible the full mobilization of Indian domestic resources.... The second of my paradoxes is that extensive foreign support for the public sector is in India a necessary condition, indeed, for expanded foreign private investment.... Now I believe that the kinds of activities that are being carried forward for the public sector under the Second Five Year Plan and proposed under the Third Plan, and the kinds of activity that it is hoped will be carried forward in the private sector are complementary and not competitive. It is my conviction that unless the public sector investment is maintained at a very substantial level – unless activity in both heavy industry and in public social overhead is maintained at an adequate level – the private sector is going to be depressed.... My rough view is that at a minimum, for a \$20 billion investment programme, compared roughly with the \$12 billion of the Second Plan, the correct figure for foreign assistance is very much closer to \$5 or \$6 billion of external capital to be supplied than to \$2 or \$3 billion.... My conclusion is, in short, that a liberal policy on the part of capital-supplying countries with respect to the public sector is likely to do more to promote the buoyancy of the private sector and is, in fact, likely to do more in the long run to promote foreign private investment in India than a policy of attempting to force foreign capital into the private sector from this side."[30]

While Kennedy and several others were shrill in expressing their resolve to fight China and Communism, it was proposed that the U.S.A. should share the burden of helping India with Khrushchev-led Soviet Union, besides other Western Powers and Japan. They were of the view that the burden was too heavy for the U.S.A. alone. Speaking "on Russia and the Communist countries and assistance", Eugene Stanley said, "it seems to me we might even go so far as to ask the question whether it would not be a good policy for the United States to encourage more of it.... why should not the United States take the initiative on this matter and why should not the President of the United States send a letter to Mr Khrushchev – this time *we* should initiate the correspondence."[31] In the holy war against Communism and China, the Soviet Union led by the Khrushchevs was "an actual if unacknowledged ally", to quote the words of Selig Harrison, the editor of this book.[32]

B.K. Nehru, Asoka Mehta, H.V.R. Iengar and other Indians pleaded for larger amounts of foreign loan and grant and tried to dispel the misgivings of a section of the U.S. ruling class about India's public sector. B.K. Nehru pointed out: "a significant part of the development activity of the State consists of the programmes of assistance and encouragement to the private sector."[33]

As regards deficit financing, the governor of the Reserve Bank of India said: "We are basing our policy in India on the advice given to us by the International Monetary Fund Mission headed by Dr Edward Bernstein, that to some extent deficit financing is necessary...."[34]

Hazari and Mehta write:

> "In the wake of the foreign exchange crisis [in 1956-57], U.S. aid became massive, not only in absolute terms but relative to the size of the Indian Plan, and the possibility arose for greater involvement with the whole planning process. A large flow of American experts came on the eve of the Third Plan–among them, Millikan, Rostow, and [J.K.] Galbraith and through them and otherwise, the U.S. came to have a big hand in the size of the Third Plan, and in many constituent elements of it."[35]

Interestingly, in April 1961, when Galbraith saw Nehru after assuming office as U.S. ambassador to New Delhi, Nehru "asked that my new role not prevent me from continuing as economic adviser to his government. I told him that it wouldn't but that my voice might now be a trifle muted..."[36]

Such was the bond that tied the U.S. imperialists and the Nehrus together and such was the dependence of India's policymakers on the former.

The World Bank closely scrutinizes every plan and monitors its progress. It scrutinizes even the annual budgets of the Indian government and on its recommendations the Western powers provide loans on which Indian plans are heavily dependent. As Eldridge says, the World Bank has "an established consultative status on the Planning Commission". Eldridge adds: "No individual country is in the same position to evaluate Indian planning and administration, which in any case would involve too great political embarrassment.... American influence with the Bank gives her additional leverage with the Indian government".[37]

To quote again from Hazari and Mehta,

"As an international agency which is a large creditor in its own right, and as broker and co-ordinator for Western aid to India, IBRD [International Bank for Reconstruction and Development, that is, the World Bank] has assumed a key role in Indian development. It is now the only creditor which makes an overall appraisal of the five year (and perhaps even annual) plans and which through its close association with planning through foreign aid mechanism can make its influence felt".[38]

Besides the World Bank and the U.S.A., other Western powers and the Japanese do monitor the implementation of the projects and play their role in shaping India's plans and in determining the direction of India's economy. Eldridge states:

"The IBRD and USAID make frequent technical and economic assessments of India's total requirements and utilization of aid as well as requiring regular reports on particular projects. The Germans also maintain strict surveillance through the economic section of the German embassy in India. The British maintain surveillance through the economic commission of the United Kingdom High Commission in India, though in a somewhat more informal manner. All donor countries maintain control in one form or another."[39]

We shall refer here in passing to a work that the CIA-funded MIT Center for International Studies undertook on behalf of the Indian planners. From mid-1962 it worked on a multisector planning model for the Indian economy -- not in India but at Cambridge, Massachusetts. The work on the model was being financed by the U.S. government's Agency for International Development (USAID). Completed in 1964 with the help of two MIT-trained Indian economists, this model of India's fourth five year plan was released in the U.S.A. It was shown in October 1964 at the MIT to the Indian ambassador to the U.S.A., B.K. Nehru – Jawaharlal's cousin and a good friend of Rosenstein-Rodan, then in charge of the India project. B.K. Nehru wrote to Asoka Mehta, then deputy chairman of the Planning Commission, warmly appreciating the model and recommending its acceptance. The Center's project came to an abrupt end when *Now*, the Calcutta weekly, edited by Samar Sen, exposed the game of "the extended arm of the C.I.A.'s research division" in an editorial article on 25 December 1964. This exposure of the C.I.A. connection became embarrassing to the Indian planners though they had not been unaware of it before.[40] But the end of the Center's model-building does not imply the end of the dominating influence of the U.S.A. and U.S.-dominated international financial institutions on the 'development' plans of the Indian ruling classes.

Major policies guiding the Indian economy, as we have pointed out and shall deal with it again, are drawn up in Washington and other imperialist metropolises by the imperialist powers and the World Bank, the IMF, the GATT (now renamed the World Trade Organization), etc., the watchdogs of their interests. It is those policies that provide the frame into which the Indian plans are fitted. The erstwhile Soviet Union, once one of the two superpowers, also made its contribution to the shaping of India's plans. The main supplier of military hardware to India since about mid-1965, it concluded during the seventies and the eighties several agreements to integrate the work of India's Planning Commission with that of the Soviet Planning Commission, which would help it to perpetuate a kind of colonial relationship with India, especially in matters of trade and investment.[41]

Like the Western powers, the Soviet Union used economic and military 'aid' not only as a means of exploitation of Indian resources but also as a tool of diplomacy. About a year after the signing of the Indo-Soviet treaty in 1971, the ruling classes of the two countries agreed to dovetail India's economic plans with those of the Soviet Union, and Gosplan teams were set up to prepare reports. During Soviet president Brezhnev's visit to India in November 1973, a fifteen-year agreement between India and the Soviet Union, described by Brezhnev as a "qualitatively new positive advancement in Indo-Soviet relations", was signed. It provided for, among other things, a closer coordination between the State Planning Commission of the U.S.S.R. and the Indian Planning Commission. Meeting in New Delhi on 19 November 1988, Soviet president Gorbachev and India's prime minister Rajiv Gandhi agreed that steps should be taken to "intermesh our ideas and interweave a joint plan of action'.[42]

But, despite pious wishes, it was not possible to implement the scheme fully. For, as Chester Bowles (who became U.S. under-secretary of state in 1961 and was Kennedy's representative and adviser on African, Asian and Latin American Affairs in 1962) said, the capacity of each of the two superpowers alone "to influence India and Asia is strictly limited". So, besides competition, there was collusion between them to mould India's fate when both regarded Communist China as the main enemy. Bowles stated: "In regard to the Indian sub-continent, certain fundamental interests of the U.S. and U.S.S.R. appear to coincide."[43]

To cut a long story short: since about the beginning of the eighties the rhetoric about self-reliance (that was to be achieved through reliance on imperialist powers) has become somewhat muted. The virtues of foreign capital and foreign technology are more loudly advertised. The twins, the IMF and the World Bank, and the GATT have reduced Indian planning to a mere ritualistic exercise.

IV. Models of Underdevelopment and Dependence

Referring to Gandhi's opposition to industrialization, Partha Chatterjee states :

> "Nehru in turn did not conceal his impatience with such 'visionary'and 'unscientific' talk and grounded his own position quite firmly on the universal principles of historical progress: 'we are trying to catch up, as far as we can, with the Industrial Revolution that occurred long ago in Western countries'."[1]

However, it is untenable to talk of 'universal principles of historical progress', for the laws of development do not apply equally to all countries. There were fundamental differences in the initial conditions in the countries of the West on the eve of the Industrial Revolution and in post-colonial India when planning was undertaken. It was not a mere question of a time lag. It was not possible for post-colonial India to catch up with the Industrial Revolution that took place in the West without first bringing about radical changes in the deformed social structure that it inherited from its colonial days. And if the transformation of the Indian society was to take place, if India was to rid herself of the domination by the foreign and domestic classes — foreign and Indian big capitalists (whose interests coalesced) and the Indian landlords — there would have to be a political revolution. And out of this revolution would emerge an India that was completely different from the countries of the West before and after the Industrial Revolution. It is unhistorical to assume that post-colonial India could simply repeat the development process of the industrialized West.

The economic, social and political conditions in post-colonial India were radically different from those that prepared the soil for the Industrial Revolution in the countries of the West. In those countries the bourgeois revolution had taken place, the feudal fetters on the development of productive forces had been smashed and a class structure with an independent bourgeoisie as the dominant class had emerged — conditions which made it possible for the Industrial Revolution to take place. In England, for instance, it was the bourgeois revolution in the 17th century, which removed the fetters on the productive forces and which afterwards gathered strength and prepared the way for the Industrial Revolution that took place in the late 18th and early 19th centuries. As Mao Tsetung said, "the revolution in the production relations is brought on by a certain degree of development of the productive forces but the major development of the productive forces always comes after changes in the production relations."[2]

The bourgeois democratic revolution in the West was essentially an agrarian revolution. The abolition of feudalism and advance in agricultural practices contributed to a larger surplus of food than before and created a much wider market for industrial goods including capital goods (at first, mainly for agriculture). India is yet to witness an agrarian revolution.

From the days of the Renaissance, from about the mid-fifteenth century, a radical change was taking place in the ideas, attitudes and institutions in Western Europe. As J.D. Bernal said, the achievements of the new social forces of the Renaissance and Reformation determined the technology and moulded the ideas of the Modern Age that was to follow. To quote him, "The change in ideas in science in this crucial period... amounted to a *Scientific Revolution*, in which the whole edifice of intellectual assumptions inherited from the Greeks amd canonized by Islamic and Christian theologians alike was overthrown and a radically new system put in its place."[3] The industrial revolution was preceded by this scientific revolution in Western Europe, which transformed the outlook of men. But in India colonial rule that intervened in the 18th century arrested the process of the transformation in ideas and attitudes that had been taking place. It fostered religious obscurantism and intellectual backwardness as it set up a new semi-feudal structure in place of the old one. So India can hardly conceal even today its mediaeval obscurantism beneath a thin veneer of modernity.

Besides, on the eve of industrialization the countries of the West were strong, independent nation-states that had not passed through long colonial rule as India did. It is true that capital goods and technical know-how from Britain played an important role in the initial phase of industrial development in France and some other countries of Europe. But, as L.H. Jenks pointed out, the impulsion came from within. Speaking of France, Jenks observed: "Initiative, leadership, decision were in French hands, and in the government in France."[4] The same cannot be said of post-colonial India. She has not only been heavily dependent on foreign capital and technology but major policies of hers, as we shall see, have been shaped by imperialist countries and by international institutions controlled by them.

The long colonial rule gave rise in India to an economic and social structure which served foreign imperialist interests. The two main domestic classes which acted as the props of colonial rule and exploitation — the feudals and the big compradors — as already noted, became the ruling classes of post-colonial India, and she has remained integrated into the capitalist-imperialist system. To quote Harry Magdoff,

> "The integration of less developed capitalisms into the world market as reliable and continuous suppliers of their natural resources results, with rare exceptions, in a continuous dependency on the centres of monopoly capital that is sanctified and cemented by the market structure which evolves from this very dependency.... The chains of dependence may be manipulated by the political, financial, and military arms of the centres of empire, with the help of the Marines, military bases, bribery, CIA operations, financial manoeuvres, and the like. But the material basis of this dependence is an industrial and financial structure through which the so-called normal operations of the market-place reproduce the conditions of economic dependence."[5]

There are many other differences in the objective conditions between the West on the eve of the industrial revolution and post-colonial India. It may be pointed out, for instance, that "Europe on the eve of the Industrial Revolution was a society that had already advanced a long way economically beyond the level of minimal subsistence." David S. Landes has cited figures showing income per head in eighteenth-century England and pre-industrial economies of the twentieth century and said:

"Western Europe... was already rich before the industrial Revolution — rich by comparison with other parts of the world of that day and with the pre-industrial world of today. This wealth was the product of centuries of slow accumulation, based in turn on investment, the appropriation of extra-European resources and labour, and substantial technological progress, not only in the production of material goods, but in the organization and financing of their exchange and distribution."[6]

Many of these countries of the West had colonies the plunder of which formed a considerable part of their capital formation. It has been estimated that it amounted to as high as 70 per cent of the gross domestic capital formation in Britain in 1801.[7] The colonies served also another purpose. They became markets for the manufactured goods of the industrializing West and in the process their own industries were crippled.

It is indeed preposterous to argue, as Nehru did, that India, where pre-capitalist relations prevailed, where the ruling classes, creations of British colonialism, were anxious to retain and strengthen the old ties with it, where imperialist capital dominated the economy and where industrialization depended on the influx of fresh foreign capital and technology, was capable of accomplishing the industrial revolution which had occurred in the bourgeois nation states of theWest with their independent,self-reliant economies.

Economic development of the capitalist West and the under-development of countries like India are closely related. The process of economic development in the West cannot be repeated by India. If India is to develop and regenerate herself industrially, she has to chart an altogether different path.

The real question which many of our social scientists seek to obscure is not one of 'a time lag' between industrialized countries of today and underdeveloped ones like India but one of politics. Economic development is not a mere economic question but also a political and ideological question. Without resolving it, the economic question cannot be resolved and no worthwhile economic development can take place.

In China after liberation in 1949 the Chinese people following the political line of Mao Tsetung demolished the structural barriers to progress and opened the road to independent, self-reliant, all round development. On the other hand, it was the politics of the Nehrus, the politics of India's ruling classes, to keep intact the structural barriers, to preserve the domestic class structure and existing production relations as well as the imperialist grip on Indian economy — the factors which perpetuate India's underdevelopment and dependence.

Indeed, instead of being models of development and self-reliance, India's plans are models of underdevelopment and dependence. Underdevelopment is a product of a set of production relations which act as a barrier to the development of productive forces. India's development does not depend on more and still more import of foreign capital and technology but on the liquidation of the existing production relations and foreign capital's grip, and on the reorganization of the economy on independent lines and in the interest of the people. That again depends on the political question: which classes hold State power?

Mere increase of some industrial or agricultural output from a very low base is no evidence of development. As M. Barratt Brown said: "underdevelopment is not non-development but a distortion of development."[8] It may be noted that during the years 1900-1 to 1946-7, that is, during the days of direct colonial rule, there was considerable increase in the output of the manufacturing industries in India. To quote S. Sivasubramonian,

> "While the net output of the secondary sector between 1900-01 to 1904-05 and 1942-43 to 1946-47 rose 2.2 times, *that of manufacturing industries rose 5.5 times*, of small-scale and cottage industries 1.1 times, and of mining 2.4 times over the initial 1900-01 to 1904-05 level."[9]

During more than four decades of planning, India's industries have no doubt expanded and diversified and her agricultural production has increased. In this context it should be borne in mind that the contribution of foreign capital — investment capital as well as loan capital — and technology to this growth and diversification is quite considerable and that foreign capital's hold on Indian economy has been tightening instead of relaxing.

"As the term 'underdeveloped' suggests", wrote Paul Baran, "output in underdeveloped countries has been low and their human and material resources have been greatly underutilized, or altogether unemployed. Far from serving as an engine of economic expansion, of technological pregress and of social change, the capitalist order in these countries has represented a framework for economic stagnation, for archaic technology, and for social backwardness."[10]

All this is quite true of India. Her vast human and material resources are to a great extent underutilized, even unemployed and wasted. The actual output falls far short of the potential output. In a recent annual report on world employment, the International Labour Organisation has estimated that 22 per cent of male workers in India are unemployed or underemployed and the figure is rising.[11] If the percentage of unemployed or underemployed female workers, which is much higher, is taken into account, one may guess the staggering extent of waste of valuable human resources in India under the present system. Material resources too remain greatly unutilized. India's finest iron ore, for instance, is exported to imperialist metropolises at throw-away prices. India is underdeveloped not only because her actual development falls far short of her potential, but also because her capacity to exert herself to realize her potential is impaired by her political and social structure and by the strangle hold of imperialist capital on her economy. Perhaps it is superfluous to mention that much of India's economic surplus is drained away to foreign countries.

Over the years India has retrogressed compared not only to the advanced capitalist countries but also to the Third World as a whole. With a population which is nearly one-sixth of the world population, India's share in the world GDP fell from two per cent in 1950 to 1.4 per cent in 1980. As Surendra J. Patel writes, "The decline has been greater when compared with the Third World GDP —falling from 10 per cent in 1950 to only 5.4 percent in recent years." India's share in world agricultural output declined from 11 per cent in 1900 to nine per cent in 1980 and in Third World agriculture from 25 per cent to 17 per cent during the period. India's share in world industrial output fell from 1.2 per cent in 1950 to less than 0.5 per cent in 1980 and in Third World industrial output from over 12 per cent in 1950 to only three per cent in 1980.[12]

The *Human Development Report* of 1994, prepared by the United Nations Development Programme, which ranks 173 countries of the world using three indicators — life expectancy, education and per capita income — assigns India 135th position, even below Pakistan and Vietnam.[13] In terms of per capita income India's rank would be 146, according to the *Human Development Report* of 1993.[14]

Despite 'development' planning for more than forty-five years, India continues to underdevelop. The gulf between the advanced capitalist countries and India grows wider with the passing of years. In 1949 the per capita income in high income countries was $915 and in low income countries $54.[15]

According to the *World Development Report 1997*, India ranked 27th from the bottom in a list of 133 countries; in 1995 its per capita average income was $340 while the per capita average income of 49 low income countries (including India) was $765 and the U.S.A.'s and Switzerland's were $26,980 and $40,630 respectively.[15a] In a developed country, industrial workers outnumber by far the agricultural workforce. Here, in India, the reverse is true: the agricultural workforce far outnumbers industrial workers and the number of workers engaged in traditional, non-mechanized industries is almost as large as that of the workers employed in modern industries small, medium and big. Overcrowding of agriculture, the existence of pre-capitalist relations, bonded labour, as well as a large pre-capitalist sector in industry are features of India's underdevelopment.

'Development' planning has, as we shall see, deepened India's dependence on imperialist countries. Between developed countries there is interdependence —interdependence beween equals though one may be more equal than the others. The advanced capitalist countries are not self-sufficient but self-reliant. The underdeveloped countries like India, on the other hand, are far from self-reliant. As a Latin American economist said, "Interdependence among national economies becomes dependence in the case of underdeveloped countries, for they are subordinated to the power of those who control the world market and the most advanced techniques and means of production."[16] He further said:

> "The concept of dependence itself cannot be understood without reference to the articulation of dominant interests in hegemonic centres and in the dependent societies. 'External domination', in a pure sense, is in principle impracticable. Domination is practicable only when it finds support among those local groups which profit by it."[17]

It is the collusion between the different international and national interests (national only in the geographical sense) that makes up the dependent situation, though there may be contradictions between them, which are secondary.

Today a feature of world economy is internationalization of capital on a large scale. A transnational corporation operates in different countries and forms ties with the domestic capital of host countries, but it has a national centre from which it is controlled. These national centres — the advanced capitalist countries — are, as already noted, independent, self-reliant. But the relationship between the advanced capitalist countries and countries like India is altogether different. Indian big capital, far from being an equal, plays a subordinate role, the role of an underling. To quote from *Joint International Business Ventures*, a Columbia University project, "Advanced technical know-how and continuing research give [foreign] investor companies effective control of joint ventures without majority ownership or legal control of the board." It also says: "To spare local susceptibilities, the existence of investor company control is often disguised in the form of technical assistance agreements which do not overtly convey managerial powers."[18] Kidron also observed: "the technologically-progressive firm would seem securely in control of a joint venture in a technologically-intensive industry whatever its financial stake."[19]

India is fated to underdevelop so long as the structural barriers to her underdevelopment are not removed, so long as semi-feudal relations prevail and India orbits the capitalist-imperialist system as a satellite. Instead of seeking to remove these stumbling blocks to India's progress, her 'development' plans have integrated India closely to the capitalist-imperialist system.

We propose to dwell briefly on India's structural barriers to development. When planning was undertaken, zamindari and talukdari were abolished. But huge compensation was paid to these classes of rent-collecting intermediaries between the State and the peasantry. Practically, little has been done to end the concentration of land in the hands of the rural oligarchy. The Eighth Five Year Plan 1992-97 states: "After the imposition of the ceilings, 7.23 million acres of land was declared surplus of which 4.65 million acres of land had been distributed by the end of the Seventh Plan", that is, by 1990.[19a] Two things may be noted. It is claimed that, of the total net sown area of about 143 million hectares, less then 2 million hectares were distributed. And much of this land was hardly cultivable. The Eighth Five Year Plan also says : "The thrust in the Eighth Plan will be towards recording the rights of tenants and share-croppers with the objective of giving them security of tenure."[20] The Plan admits that not only does share-cropping, essentially a feudal relation of production, prevail even today, but the tenants and share-croppers do not even enjoy security of tenure.

A 1979 article in *Economic and Political Weekly* stated:

> "The share of agriculture in the total workforce has not gone down at all: it was 73 per cent in 1921, 73 per cent in 1961 and in fact slightly higher at 73.8 per cent in 1971."[21]

According to the *Eighth Five Year Plan* (vol. I, pp. 13-14), two-thirds of the workforce in India still depends on agriculture and allied activities.

In percentage terms the increase of the agricultural workforce from 1921 to 1971 to the present day is marginal, but in absolute terms the number of the people dependent on land is several times higher. For lack of opportunity for non-agricultural work, this has intensified the terrible overcrowding of agriculture and the problem of unemployment and underemployment of the vast masses of the agricultural population. The *Draft Five Year Plan 1978-83* conceded that "the land reform measures have had no visible impact on the distribution of rural property."[22]

Concluding its review of a quarter century of planning, the Draft Five Year Plan also admitted that the "most important objectives of planning [the loudly professed objectives of "the achievement of full employment, the eradication of poverty and the creation of a more equal society"] have not been achieved, the most cherished goals seem to be as distant today as when we set out on the road to planned development."[23]

The above *EPW* article points out:

> "The extent of surplus land redistribution under the land reform programme is less than one-fourth of the officially estimated surplus. More important, 'the officially estimated surplus is [only] a fraction of the area held in large ownership holdings as estimated from survey data.' The upshot is that land redistribution has touched less than one-half of one per cent of the total land under cultivation."[24]

So the basic problem — the problem of the ownership of land — remains unsolved. Vast human resources remain unutilized or under-utilized and the *actual* economic surplus from agriculture is far less than the *potential* surplus. And much of the surplus is appropriated by landlords, usurers and traders and mostly invested not for productive purposes but in the purchase of land, in usury and speculation. For lack of the purchasing capacity of the bulk of the peasantry, the market for industrial goods catering for the needs of the masses remains stagnant. Without an agrarian revolution there can be no industrial regeneration.

Even for food, India had to depend for years on the U.S.A. When, in the mid-sixties, the food crisis grew alarming, India's ruling classes, unable because of their class character to bring about radical changes in the agrarian structure, and prodded by the U.S. imperialists and the World Bank,[25] adopted a technocratic approach to the food problem and opted for the Green Revolution. This major shift in policy, like many other policy decisions, was not initiated by India's planners but was dictated by U.S. imperialism and the World Bank controlled by the imperialist powers. The plans have only adjusted themselves to the policies formulated in Washington.

The Green Revolution is confined to irrigated areas — Punjab, Haryana, Western Uttar Pradesh and a few pockets in other states. The Indian State offered landowners a package of subsidized inputs — high-yielding hybrid seeds, chemical fertilizers, pesticides, herbicides, etc., and large, cheap credit to enable them to buy farm machinery and tubewells to be assured of a perennial supply of water. Besides, irrigation water rates and electricity to run the tubewells are heavily subsidized. Their surplus production is procured by government agencies at prices which leave an attractive margin for large landlords (albeit not for poor and middle peasants in these areas). The Green Revolution has cost the people hundreds of thousands of crores of rupees under different heads. It has accentuated the inequalities between class and class, between region and region. It has furthered the interests of the substantial landowners in favoured areas who can take advantage of the bounties of the government to the detriment of the interests of the poor and landless peasants who have to buy food at increasingly higher prices. It has caused soil degradation, destroyed much fish wealth and created health hazards through use of chemical fertilizers and insecticides without proper safeguards. Because of the uniform use of a few rice and wheat hybrid seeds, many precious traditional varieties of rice and wheat have been lost to this country.

What gain has been achieved by the 'revolution'?

Now India hardly depends on imports of cereals as she did before, but large imports of edible oils take place. But this self-sufficiency in foodgrains is more apparent than real. It is because forty percent or more of the people go hungry and semi-starved for most part of the year that this much trumpeted 'self-sufficiency' has been achieved.

A note entitled "Agricultural Price Policy in India," released by the Punjab, Haryana and Delhi Chamber of Commerce and Industry (PHDCCI) in December 1988, stated:

> "*it must be noted that in the post-Green Revolution period and from the period when price support scheme has been active, there has been a significant fall in production growth rate.* For all commodities, production growth rate has declined from 3.2 per cent per annum during the period 1951-52/1964-65 to 2.3 per cent per annum during 1964-65/1987-88. This is true even for foodgrains where considerable emphasis has been laid since the mid-1960s. The growth rate came down from 3.1 per cent to 2.5 per cent per annum. Decline in index of per capita production has been even more significant." [26]

Between 1984 and 1994 the growth rate of foodgrains in Punjab, the showcase of the Green Revolution, was 3.8 per cent and the average all-India growth was 2.5 per cent per annum.[27]

The PHDCCI note observes:

> "The technological transformation that has taken place has remained confined to a very limited area and a limited number of crops. Besides, as we have observed, *it has not even given rise to any significant improvement in productivity and production growth. Neither the support price mechanism nor the policy of subsidized inputs has succeeded in removing the basic inefficiency of the agricultural production system, which is obvious from the low level of yields of even HYV seeds.*"[28]

The note further states:

> "*the cost of modern inputs, or in other words, the cost of technological transformation has been significantly high. A question that arises is at what cost have we achieved the technological break-through in agriculture? Technological break-through is considered successful when it means that a greater production is achieved at a given input level and at a lower per unit cost. This has not happened in our case. One would also wonder whether the price policy has at all helped in keeping the cost of production under control and thus raising the net return of the farmers.* We have seen earlier that wherever technological breakthough has been achieved like Punjab and Haryana, net return of

farmers has declined. This is particularly true in the case of small and marginal farmers."[29]

While the growth rate of production decreases, the unit cost of production increases. The total cost of inputs increased at the rate of 3.7 per cent (at 1980-1 prices) a year between 1980-1 and 1987-8, but the rate of increase in the value of output during the same period was 1.2 per cent a year.[30] This leads to the spiralling of the prices of foodgrains. As M.L. Dantwala writes:

"We have repeatedly argued that the most critical issue for Indian agriculture is the rising cost of production of almost all crops. We are producing wheat and rice at a cost which we are protecting with higher and higher support prices which are beyond the reach of a large section of domestic consumers."[31]

While a landed class in some areas, helped with lavish State bounties, has become much more powerful than before, the Green Revolution has hit hard the poor and landless peasants in different ways. According to the PHDCCI note, most of the small and marginal farmers (operating respectively holdings of 1.0 to 2.0 hectares and of less than 1.0 hectare) cannot avail themselves of the facility of subsidized inputs, for even the subsidized prices are too high for them; and "for working capital, they depend primarily on loans, a large part of which is again obtained from the non-institutional sources", for they "often do not qualify for institutional finance."[32] Poor and landless peasants, especially the latter, are hit in the stomach as the prices of food spiral higher and higher.

Professor Gunnar Myrdal was right when he observed

"*Better seed grains can certainly not be a substitute for agrarian reform*.... the spread of the use of new seed grains, as of other improved techniques, will not reach far without an agrarian reform. Indeed, without such reform the availibility of the new seed grains will join the other forces of reaction that are now tending to increase inequality among the rural populations of the underdeveloped countries."[33]

It is true that "an acid test of the true nature of a government in any underdeveloped country", as Michael Tanzer wrote, "is its real position on land reform."[34]

While the Green Revolution has strengthened the economic and political power of the rural oligarchy, it has opened up, as it was intended to do, a vast market for U.S. and other western agribusiness — for its products like chemical fertilizers, pesticides, herbicides, hybrid seeds and farm machinery. Some of these are imported and some manufactured in India by foreign transnationals in collaboration with their Indian partners. The Green Revolution is indeed, as Harry M. Cleaver, Jr. wrote, "the latest chapter in the long history of increasing penetration of Third World agriculture by the economic institutions of western capitalism."[35] And the second phase of this revolution has now opened with the signing of the treaty by India under the General Agreement on Tariffs and Trade (GATT) in December 1994. To quote Pat Roy Mooney, "If you control the seed, you are a long way to controlling the entire food system: what crops will be grown: what inputs will be used; and where the products will be sold.... Control of the world seed industry [by a few trans-nationals] would be the second phase of the Green Revolution."[36] The GATT treaty ensures this control of the world seed industry by a handful of western transnationals.

The penetration of imperialist capital into Indian agriculture is a comparatively recent development. It has promoted some sort of dwarf-capitalistic features in Indian agriculture in some areas while preserving basically the old social structure in the country as a whole. (A rather elaborate discussion of imperialism's stranglehold over Indian agriculture and of the present agrarian relations will be found in the author's *Imperialism's Tightening Grip on Indian Agriculture*, Calcutta, 1998.)

With the transfer of power in 1947, the Indian ruling classes inherited a foreign sector in Indian economy, which dominated India's industry, plantations, external commerce, banking and insurance. The planners made no attempt to break this foreign stranglehold, rather, every attempt was made to encourage foreign capital to expand and spread its tentacles. As early as July 1945, Jawaharlal Nehru, 'the architect of modern India', declared: "Since rapid progress of the new State required capital and trained personnel, any national government will welcome the co-operation of advanced countries, especially America, in supplying capital goods and experts."[37] This was the refrain of many of his speeches and statements. In a statement of 6 April 1949, Nehru said in the Constituent Assembly of India (Legislative):

"Indian capital needs to be supplemented by foreign capital not only because our national savings will not be enough for the rapid development of the country on the scale we wish, but also because in many cases scientific, technical and industrial knowledge and capital equipment can best be secured along with foreign capital. As regards existing foreign interest, Government do not intend to place any restrictions or impose any conditions which are not applicable to similar Indian enterprise. *The Government of India have no desire to injure in any way British or other non-Indian interests in India and would gladly welcome their contribution in a constructive and cooperative role in the development of India's economy.*" [38]

From the very beginning India's plans have been heavily dependent on loan-capital and investment capital, technology and technical 'experts', from foreign countries.

The First Five Year Plan stated: "In securing rapid industrial development under present conditions, foreign capital has an important role to play. *A free flow of foreign capital should be welcome* because it will ensure the supply of capital goods and of technical know-how." Giving foreign capital appropriate assurances like non-discrimination between foreign and Indian undertakings, it said: "*it is of the highest importance to ensure to the foreign investor the prospects of a fairly good return and the certainty of fair and equitable treatment.*" It expected foreign capital to act "*as a catalytic agent for drawing forth larger resources for domestic investment.*" It held that "*The system of joint enterprises under which a number of foreign concerns have established new industries in collaboration with Indian industrialists appears to be suitable for securing the employment of equity capital.*"[39]

One of the documents of the Planning Commission relating to the Third Plan said:

"until the base has been built up, industrial development remains largely dependent on foreign exchange being made available from outside for setting up the industries required. Quicker progress towards the 'self-sustaining economy' in the sense of its being technically equipped to make capital goods and equipment it needs will raise the foreign exchange component of the Third Plan and will necessitate a larger measure of external assistance."[40]

While welcoming foreign investment and depending on foreign loan-capital for financing India's 'development,' the planners kept up the flow of rhetoric about achieving 'self-reliance' and 'self-sustaining growth.' Their path to 'independence' ran through the path of abject dependence on foreign capital. And this kind of 'development' planning admirably suited the interests of the imperialists.

In their book *A Proposal: Key to an Effective Foreign Policy*, Max Millikan (a former deputy director of the CIA) and Professor W.W. Rostow (who became head of the Policy Planning Division, U.S. State Department, during the Kennedy regime) spoke of three stages of growth — first, the precondition stage; second, the take-off stage; and third, the stage of self-sustained growth. According to them, India was then entering the take-off stage "when a substantial amount of external capital must be supplied if the country is to get over the hump, this capital must be supplied in part at least by other than private investors."[41] They stated: "...over time major progress might be made in increasing the flow of private capital to the underdeveloped areas.... Since successful private investment projects generally require a favourable environment in terms of expanding local markets, available transport and communication facilities, and the like, their share in the early stages of development must necessarily be low. Public loans by helping to create the necessary enviroment, can pave the way for greatly expanded private investment as growth takes hold."[42]

Public loans would not only create the proper climate and promote private investment from imperialist countries; they would benefit these countries in other ways, too. The mineral and other raw material resources "could be further exploited to provide the supplies needed by the industries of Japan, Western Europe, and the United States". The international division of labour must be promoted: "The receiving country's national development programme must be consistent with the requirements of expanding world commerce and the international division of labour." The underdeveloped countries would serve the imperialist countries as "expanding markets" and "expanding sources for food and raw materials."[42a]

So the interests of the ruling classes of the USA and other imperialist countries and the interests of India's ruling classes converged.

For foreign exchange expenditure that would be required for imports of machinery, components, spare parts, industrial raw materials and technology and of luxury items for the rich, the Planning Commission entirely depended on fresh external "assistance", and "for the first two years [of the Third Five Year Plan] at least, even repayment obligations would have to be discharged from the proceeds of new borrowings from abroad."[43]

In the Draft Outline of the Third Five-Year Plan, the Planning Commission "specifically admitted that the very effort to achieve self-sustaining growth at a comparatively early date increased the dependence of the country on external resources during the intervening period."[44]

The repeated declarations about building a self-reliant economy are no better than empty verbiage. India's dependence on imperialist countries has grown from more to more. *International 'aid'*, as R. K. Hazari and S. D. Mehta wrote, "*holds the key to the entire Indian development effort.. However, the importance of external assistance has necessarily meant some extra-national influence in the shaping of domestic policies.*"[45] Even in the late fifties a shrewd American observer, Selig S. Harrison, was right when he said: "*the political and economic order in India is in crucial respects dependent on outside capital and, as matters stand, will be progressively more so in the future.*"[46]

The table on the following page reproduced from the *Sixth Five Year Plan 1980-85* gives the official estimates of the gross and net 'aid' received to finance the plans from 1951-52 to 1978-79.The table provides the estimates of net 'aid' received as percentage of the Plan expenditure during the Plan periods. It should be borne in mind that the actual debt from imperialist countries and the financial institutions dominated by them is far greater than the net 'aid', for net 'aid' is the actual debt minus amortization and interest payment, which together may be much greater that the net 'aid' received. The World Bank's *World Debt Tables, 1991-92: External Debt of the Developing Countries* stated:

> "*Net flows* [into India] from both official and private creditors excluding non-resident Indian deposits have almost doubled since 1985 from US $2.5 billion to US $4.6 billion in fiscal year 1991 including almost $1.8 billion from the IMF. But *net transfers* have recorded a constant decline over the same period; from a peak of US $1.7 billion in 1985 to US $0.5 billion in fiscal 1991."[48]

That is, apart from the deposits from non-resident Indians (NRIs), which too form a part of the external debt, India incurred an external debt of $4.6 billion in 1991 but actually received only $0.5 billion; it paid the rest— $3.1

Gross and Net Aid by Plan Periods [47]

	Period	Utilization of External Assistance (Rs.cr.)	Amortization and Interest payment (Rs.cr.)	Net Aid (Rs.cr.)	Net aid as % of Plan Expenditure	Net aid as % of Imports
	(1)	(2)	(3)	(4)	(5)	(6)
1st Plan	51-52 to 55-56	201.7	23.8	177.9	9.1	4.9
2nd Plan	56-57 to 60-61	1430.4	119.4	1311.0	28.1	26.9
3rd Plan	61-62 to 65-66	2867.7	542.6	2325.1	27.2	37.5
Ann.Plans	66-67 to 68-69	3229.6	982.5	2247.1	33.9	37.5
5th Plan	69-70 to 73-74	4183.7	2445.0	1738.7	11.2	17.6
6th Plan	74-75 to 78-79	7309.5	3770.4	3539.1	8.9*	12.8

* On actual expenditure for the first four years, anticipated expenditure for 1978-79.

billion, more than six times the net 'aid' received — to service old debts — as amortization and interest payment.

And, according to the *World Debt Tables 1993-94*, the total external debt incurred by India in 1992 was $8.01 billion but $3.32 billion and $3.30 billion out of that went respectively towards principal repayments and interest payments.

To service old debts, India has to seek fresh loans. The more India pays, the more India owes.

In 12 years betwen 1980 and 1992 India's outstanding foreign debt increased about five-fold from $ 20.58 billion (according to the World Bank's *World Debt Tables 1993-94*[49]) to $100 billion (non-defence loans of $80 billion and defence loans of $20 billion, according to an IMF estimate, as reported by *Business Standard*[50]). The burden of amortization and interest payment is now huge.

The Central Government's *Economic Survey 1994-5* states that India's external debt amounted to $90.45 billion at the end of the first half ofthe financial year 1994-5 and that the debt service payment in 1995-6 was likely to be around $13 billion up from $ 8.32 billion in 1993-4.[51] It appears that the *Economic Survey* for 1994-5 takes an estimate of India's defence loans which is only half of the IMF estimate quoted earlier. Hence the

Economic Survey figure for total external debt is roughly $10 billion lower. (It is curious that even the estimates of external debt that the Government presents from time to time differ from one another and even more so from the estimates made by international organizations like the IMF and the World Bank). There is some amount of jugglery in the figures that the Government presents. 'Development' planning has indeed landed India in debt bondage to imperialist creditors.

Some features of 'aid' need to be noted. 'Aid' (that is, loan on what are supposed to be concessional terms) exacts its price from the debtor country in various ways. Bilateral 'aid', that is, 'aid' from a foreign country, has to be spent on the purchase of capital goods or other goods from it. It is usually country-tied as well as project-tied. 'Aid' from an international financial institution like the World Bank, the watch-dog of imperialist interests, is always project-tied, tied to projects for which international tenders have to be invited, and the acceptance of a tender has to be approved by the Bank. "A senior Indian official, much concerned with aid negotiations", writes P. Eldridge, "estimated during an interview that a combination of country-tying and project-tying can increase the cost to India anywhere upto 60 per cent above what would apply if she received free foreign exchange."[52]

According to a news item, datelined Geneva, 28 February 1977, the International Labour Organization stated in a report that for every dollar given to a third world country to continue buying from the West, the 'donors' receive three dollars in return".[53]

Not only is 'aid' responsible for this continual, severe drain of India's economic surplus to advanced capitalist countries but it contributes to India's underdevelopment in other ways, too. Under 'aid' agreements huge imports of machinery, components, etc., from those countries take place while the public sector enterprises which manufacture similar goods, like Bharat Heavy Electricals or Heavy Engineering Corporation, built at enormous cost by squeezing the people and with foreign collaborations, starve for want of orders, their manufacturing capacity remains greatly underutilized and workers suffer from forced idleness.

'Aid' forges not only chains of economic dependence but also political dependence. We shall return to this point later.

In addition to 'aid' and commercial borrowings, foreign capital has entered India as direct and portfolio investment. "In the early 1970's", writes Sudip Chaudhuri, "the share of the foreign branch companies and the foreign controlled rupee companies" (i.e. companies incorporated in India with foreign equity of 25 per cent or more) in private corporate sales was about 30 per cent and that in the total corporate sector about 25 per cent. Including the 'companies indirectly controlled by foreigners' (i.e., the rest of the companies having foreign equity) the shares have been estimated to be 50 per cent and 41 per cent.[54] The pace of direct investment of foreign capital in India became more rapid in the eighties. Since the middle of 1991 the flow has become still more rapid. Foreign direct and portfolio investment between 1991-2 and December 1994 alone, according to the *Economic Survey 1994-95*, amounted to $8.601 billion.

Huge Indian capital contributed by state financial institutions, banks and Indian shareholders is subordinated to foreign capital to finance the growth and expansion of foreign-controlled companies in India. According to a study of 50 largest foreign subsidiaries (companies incorporated in India with foreign equity of 50 per cent or more) existing in March 1975 and accounting for about 82 per cent of the assets of all foreign subsidiaries, foreign sources contributed only 5.3 per cent to the growth of these TNC-affiliated companies in India during 1956-75. The balance was raised from accumulated depreciation, retained earnings, locally raised loans and share capital and other Indian sources.[55]

According to a report in *The Statesman* (Calcutta) of 9 January 1997, Rajive Kaul, former president of the Confederation of Indian Industry, said at a press conference held under its auspices that in the period since mid-July 1991, more than Rs 70,000 crore of *equity* has been invested in India by foreign investors through FIIs (foreign institutional investors), FDIs (foreign direct investments) and through GDRs (global depository receipts) and ADRs (American depository receipts). Staggering amounts of Indian capital contributed by Indian partners, financial institutions and banks and the public will be utilized to serve the needs of foreign capital and will be subordinated to it while many existing enterprises in India are made to turn sick or gobbled up by foreign capital.

Foreign equity capital is much more expensive to the host country than foreign 'aid'. First, foreign private investors would choose to invest in industries of those sectors which assure them of high profits. They drain away several times more than what they bring in. Let us take two concrete instances. Ingersoll Rand (India), which was a wholly-owned subsidiary of a U.S. transnational, had an initial share capital of Rs one lakh. This was raised to Rs four lakh through the grant of bonus shares, three for each equity share held, to the original shareholders, that is, the U.S. parent firm. During five years alone— 1972, 1973, 1974, 1975 and 1976 — the company paid to the parent company dividends of 150 per cent, 750 per cent, 100 per cent, 750 per cent and 1,670 per cent respectively. Besides, immediately before it issued equity shares in September 1977 for subscription by Indian investors in order to bring down foreign shareholding to 74 per cent, the company granted its parent company bonus shares worth Rs 69 lakh in the ratio of 69 bonus shares for four equity shares held — with the consent of the Indian government and the Reserve Bank of India. Thus the U.S. transnational's initial share capital of Rs one lakh in the company soared to Rs 73 lakh by 1977 without any fresh investment, while it earned yearly dividends, even as high as 750 per cent or 1,670 per cent in some years.[56] It may be noted that the government and government organizations were the main buyers of the company's products.[57] It is also highly likely that while importing goods from the parent company and its subsidiaries Ingersoll Rand (India) repatriated concealed earnings of considerable amounts through the mechanism of transfer pricing. Observing that Indian businessmen are "no strangers to [rather adept at] over-invoicing and under-invoicing, and their related arts", Michael Kidron wrote: "It is none the less true that foreign firms are better equipped for this type of operation at the point where the Government is least able to reach them."[58] Ingersoll Rand (India)'s capital rose to Rs 31 crore and assets to Rs 132.71 crore by March 1993 and it made a net profit of Rs 21.04 crore in 1992-3.

Colgate-Palmolive (India), a subsidiary of another transnational, "on an original investment at some point in the past of Rs six to seven lakh, paid out foreign dividends of Rs 88 lakh in 1985; Rs 116 lakh in 1986; Rs 165 lakh in 1987; Rs 217 lakh in 1988."[59] During 1994-95 its sales stood at Rs 681.46 crore and it made a net profit of Rs 71.79 crore.[60] The profits of these subsidiaries including the giant ones among them like the ITC and Hindustan Lever are soaring higher and higher every year. To quote Kidron, "Capital gains of over 100 per cent in two or three years are not uncommon."[61]

The type of large and medium industrial unit most common in India today and most favoured by both transnationals and Indian business houses is the joint venture between them. This is the type that the Indian planners have consistently promoted. As already noted, the First Five Year Plan held that such joint enterprises were "suitable for securing the employment of equity capital." Michael Kidron writes, "Since the second half of the fifties, particularly after 1957, the Government has insisted on joint collaboration in new ventures. After the Himalayan War [India's China War in 1962] it grew to demand that the entire foreign exchange cost of a project be covered by the foreign collaborator. [In practice, only a small fraction of the foreign exchange cost is so covered.] ....collaboration agreements seem to give painless and immediate relief to the balance of payments by providing foreign exchange or its equivalent in imported plant and machinery [whatever the ultimate cost to the country may be]. Another, and one that limits approval normally to *joint* [italics in the original] projects, is the desire to graft foreign management and technical skills on to Indian industry."[62] The control of the joint venture usually rests with the foreign collaborator. "The approval of foreign collaborations together with foreign equity participation", observed the Industrial Licensing Policy Inquiry Committee, "resulted both in giving a dominating voice to the foreign partner and also an indirect drain on the foreign exchange resources of the country."[63]

Collaboration with a transnational, Venkatasubbiah has observed, "became a status symbol" for an Indian partner.[64] Control over the enterprise is usually exercised by the foreign collaborator even when the collaboration is only technical. The majority of large or medium sized enterprises in the modern sector, promoted by Indian by business, have been set up in collaboration — both financial and technical or purely technical — with some transnational or transnationals. This is true even of public sector enterprises.

Dividends, profits, royalties, technical fees, etc., are an attraction for the foreign collaborator, but most of all he uses the joint venture as a sales outlet — for continuous sale of machinery, components, spare parts, industrial raw materials and so on at prices much higher than international prices.[65]

The policy of a transnational is guided by the interests of the parent firm, not by those of its subsidiary or joint venture with an Indian collaborator. It seeks to maximize profits for itself and, as John Martinussen writes, "is in a position to transfer resources from the subsidiary [as well as from a joint venture] to the parent company. This may be done through overpricing the imported inputs [like machinery, components, spare parts, raw materials, etc.].... To the extent that the subsidiary sells commodities or services to the parent company, this provides the corporation with yet another possibility of transferring resources as the commodities and services may be sold at prices significantly below those prevailing in the world market."[66]

Writing in the early seventies, Constantine Vaitsos pointed out: "the absolute amount of overpricing for the foreign firms [in Columbia] studied amounted to a figure of six times the royalties and twenty-four times the declared profits."[67] In another article Vaitsos wrote: "Defining as effective returns to the parent corporation the sum of reported profits of the subsidiary, royalty payments and intermediate product overpricing, the following data can be inferred from our sample of the Columbian pharmaceutical industry. Reported profits constituted 3.4 per cent of effective returns, royalties 14.0 per cent and overpricing 82.6 per cent."[68] He added that "one encounters cases where royalty payments... amount to a multiple of profits or value added."[69]

It is worth noting that foreign capital investments in this country, and even much of the Indian capital invested in the public as well as in the private sector have very few spread effects within India. For the enterprises set up by foreign capital, comprador capital and even state capital depend to a great extent for their machinery, components, spare-parts, industrial raw materials and technical know-how on metropolitan countries. *The market for these goods, instead of becoming the internal market of India, is mostly 'an appendage of the internal market' of Western and Japanese capitalism.* Such development deprives the country of more resources than it adds to them. *It is the imperialist countries which benefit from such 'development'.*

The Second Five Year Plan stated:

> "Countries which start later in their industrial career have some advantage in that they have, in the main, to take over and apply techniques that have been worked successfully in more advanced countries."[70]

On this specious plea import of technology from imperialist metropolises and abject dependence on it, like dependence on imperialist capital, has become an in-built feature of India's plans. Besides financial-cum-technical agreements, many thousands of purely technological collaborations have been entered into by transnationals and Indian companies — both in the private and in the public sector — and their number is increasing fast every day.

Under technology collaboration agreements transnationals do not make an outright sale of their know-how; instead, they license to their Indian collaborators the use of their know-how and patents for a fixed period in lieu of lump-sum technical fees, royalty and so on. Collaboration agreements are full of restrictive clauses under which the Indian collaborator is not permitted to improve upon the technology and make innovations or transfer to any other company. So the import of technology is repetitive. The same technology for the manufacture of a particular product is licensed to several Indian collaborators for lumpsum fees and royalties from each of them. In a news item date lined New Delhi, 29 August, 1990, *Financial Express* reported that the total technology payments made to foreign collaborators had exceeded Rs 500 crore annually. Speaking of it at a seminar, the Secretary, Directorate General of Technical Development pointed out that these *direct remittances to the foreign collaborators for technology transfer were only the tip of the iceberg*. Larger indirect payments were also being made to the foreign collaborators through the import of capital goods, assemblies, sub-assemblies, components, intermediates and technical services.[71]

In order "to systematize a continuing control of know-how", the foreign collaborators seldom impart the knowledge of the entire production process to the Indian partners. As Kidron says, "the diffusion of skills that does take place is largely fortuitous."[72]

Besides, in these days of fast technological obsolescence, the technological dependence of the Indian collaborators is perennial. When the need arises to upgrade the technology, they choose the soft option of fresh import of technology.

In 1943 the first automobile plant was set up in India by the Nuffields of the U.K. for a Birla company, Hindustan Motors. Over these years the Birlas have entered into numerous collaboration agreements with different transnationals for manufacturing cars, light commercial vehicles, etc. Even today, after more than half a century, for re-designing old models of cars or fitting new engines to them or for introducing new models, Hindustan Motors abjectly depends on various transnationals. The Birlas, Tatas, Hirachands (PAL), Mahindras, Shri Rams, Sipana as well as India's public sector have tied up with the different automobile giants of the world— General Motors, Ford and Chrysler of the U.S.A., Daimler Benz of Germany, Fiat of Italy, Peugeot of France, Daewoo of South Korea, Suzuki of Japan and so on. DCM-Daewoo, TELCO-Daimler Benz and Premier Automobiles (PAL)-Peugeot are seeking to import thousands of cars from the transnationals in CKD condition for assembling them in India. DCM-Daewoo has already been permitted by the Government to import 20,000 cars in CKD kits, worth Rs 350 crore.[73]

The CSIR (Council of Scientific and Industrial Research) Review Committee headed by Abid Hussain admitted in its report which appeared at the end of 1986 that the CSIR system had failed not only to provide "much in terms of break-throughs or advances in the frontiers of knowledge" but also "to develop technologies which would meet even the most agonising needs of our economy and society, let alone facilitate modernization". It further said that "the CSIR system believes that *manufacturing firms, which have no capacity for absorption and development, always prefer the soft option of importing proven technologies*'. It went on to add: "It is possible to cite many examples of situations where technologies were imported for particular sectors at a point of time, and *the absorption of such technologies has been followed by stagnation rather than adaptation, diffusion and innovation.* At the same time, indigenous technological development, whether in the corporate sector or in the CSIR system, has not led to continuous technological upgradation. Imports of technology are, more often than not, followed by stagnation simply because the firms which import technology are primarily interested in the stream of output and the immediate profits that emerge from the use of such technology.... *After all, the soft option of importing the new vintage of technology, when tomorrow comes and there is need for upgradation, always remains.*"[74]

About the role of the corporate sector in R & D (research and development), a recent FICCI study stated:

> "*the investment on R & D has been dismal*, the average being 0.7 per cent of the turnover as compared to four per cent to seven per cent in industrialized countries.... Industry had thus increasingly depended on outright purchase of technology from abroad despite the in-house R & D facilities. *These*

facilities and funds were devoted to merely resolving the immediate problems of production and technology absorption and meagre resources were devoted for new products and technology innovations".[75]

This estimate of the contribution of the corporate sector to R & D appears to be inflated. A Reserve Bank of India survey of 1,885 private sector companies, constituting 57.1 per cent of all non-government, non-financial public limited companies in terms of paid-up capital at the end of March 1989, reveals facts much more dismal. These companies, whose total turnover in 1988-9 was about Rs 69,000 crore, invested just Rs 47 crore in that year, that is, 0.07 per cent of their turnover. In the same year their expenditure on imports amounted to Rs 5,415.5 crore and their other foreign exchange payments including dividends, royalty and technical fees to Rs 721.4 crore; their advertising expenses were about ten times their R & D expenditures.[76]

A study by the Centre for Technology Studies for the Department of Science and Technology observed: "In spite of liberalization, firms continue to spend very small amounts on R & D." Contrary to what the spokesmen of India's ruling classes claim, the extent of foreign equity, according to the study, is negatively associated with R & D activities. It pointed out that the degree of dependence on raw materials and components were negatively related to R & D intensity. It added: "The liberalization of imports reduced the pressure to indigenize and higher import intensity became associated with low R & D intensity in the post-liberalization period." (*The Statesman*, Calcutta, 3 Sept. 1993) Another study by the development research group of the Reserve Bank of India regretted that "the entire gamut of foreign technology agreements, foreign licensing arrangements and foreign investment approvals over the past years did not make much impact on domestic technology absorption and innovative capacity and capability so fundamentally imperative to hold one's own in the international market." (*The Statesman*, Calcutta, 24 Nov. 1993; see also "Stepmotherly", *ET*, 23 Apr. 1997) This illustrates the comprador character of the Indian big bourgeois; they prefer to depend on foreign transnationals for capital goods and technology despite the large assets they command and the large profits they make and the vast resources that have been made available to them by the Government.

It may be noted that what passes as R & D expenditures by these companies can hardly be called so. As the FICCI study already referred to stated, these funds were mainly spent on resolving immediate problems of production and technology aborption, not on innovating new products and processes.

Advanced capitalist countries like Japan have imported technologies, but they have done so on their own terms and in their own ways. Japan, for instance, has not submitted to restrictive clauses that are in force in India. The Japanese monopolists have not only absorbed, adapted and modified imported technologies but developed them and innovated new products and processes and surpassed their rivals in many fields of technology. According to an estimate, Japan spends on industrial R & D about ten times the amount they pay to foreigners in royalties and fees.[77] An article in *Business Standard* stated that Indian industry invests 0.68 per cent of its turnover in R & D against 12 per cent in Japan.[78]

In an interview to *Economic Times*, Dr. R.A. Mashelkar,director-general of the Council of Scientific and Industrial Research, said:

> "....operating imported and 'screw driver technologies', as we have done in most cases, has been detrimental in many ways. This has killed the instinct for innovation.... We, therefore, will have to recognize that there is no easy purchase of high technology any more and what will be given to us will be just left-overs."[79]

Inevitably the gap in technology between advanced capitalist countries and countries like India which seek to move forward using borrowed technological crutches gets wider and wider with the passing of years.

A bourgeois liberal like Gunnar Myrdal observed:

> "Scientific and technological advance in the developed countries has had, and is now having, an impact on the underdeveloped countries which, on balance, is detrimental to their development prospects."[80]

K.M. Panikkar was right when, referring to the negative impact of Western technology on underdeveloped countries, he wrote towards the end of the fifties :

> "The world is on the doorstep of a great transformation which will make the gap between the scientifically advanced and the scientifically backward nations [where no social revolution has taken place— S.K.G.] deeper and

wider; making the latter more than ever dependent for all essential things on the more powerful nations".[81]

Borrowed technology, while contributing to the prosperity of the Indian compradors and their underlings, has a crippling effect on the economy and the life of the people and perpetuates underdevelopment. Not only does it cause huge drain of wealth from the country impoverishing her; not only does it deepen her dependence on imperialist countries; but it also retards and distorts the process of development and is responsible for maldevelopment.

The technologies that are imported developed in the countries of the West in the course of centuries in response to the needs and demands of their societies. Several technological revolutions took place in the West before it has developed advanced computer technology, robotics, nuclear science, space technology, information technology and so on. Initially, when the Western countries started industrializing themselves, the technologies were simple and unsophisticated, suited to the socio-economic conditions of the times. To quote Landes,

"Thus of 110 cotton spinning mills established in the Midlands in the period 1769-1800, 62 were the creations of hosiers, drapers, mercers, and manufacturers from other districts or from other branches of the textile industry. [In a footnote Landes points out that the figure of 62 is actually an understatement; another 15 maybe added to it.] This previous accumulation of wealth and experience was a major factor in the rapid adoption of technological innovation — as it was in industries like iron and chemicals. We are now come full circle: the inventions came in part because the growth and properity of the industry made them imperative; and the growth and prosperity of the industry helped make their early and widespread utilization possible".[82]

Harry G. Johnson wrote :

"the historically important technological developments of the eighteenth and most part of the nineteenth centuries, the so-called period of Industrial Revolution, were effected by practical men, very few of whom indeed had been to university."[83]

From simple to sophisticated technology — it has been a long journey of some centuries. The development of technology has kept pace with the development of the economy, the progress of the country where the innovations took place. It is the socio-economic conditions of the particular country that called forth the innovations. As industry grew, as capitalists felt the need for labour-saving devices to reduce wage costs to be better able to complete with their rivals, technology became more and more capital-intensive and science played an increasingly important role in the development ofi technology. And science itself was employed as capital by monopoly capitalists to innovate new products and new processes of production. To quote Harry Braverman,

> "In place of spontaneous innovation indirectly evoked by the social processes of production came the planned progress of technology and product design.... Like all commodities, its supply is called forth by demand, with the result that the development of materials, power sources and processes has become less fortuitous and more responsive to the immediate needs of capital.... The key innovation is... to be found... in the transformation of science itself into capital."[84]

When, in the colonial days, India became a market for products of Western technology and Western technology itself was introduced in India gradually, India's indigenous technologies disappeared, though Western technology was not quite sophisticated. While a few enclaves of modern industry emerged, India's indigenous industries were ruined and vast masses of industrial workers became dependent on agriculture. The entire process of India's development was distorted. The problems of unemployment and underemployment of large sections of the people became chronic. While modern technology fostered economic growth and development in the capitalist West, it acted as a fetter on development and caused retrogression in the colonial and semi-colonial world. Today when Western technology has entered the age of advanced computers, robots, space satellites, cellular phones, it has a devastating impact on the economy and the life of a country like India. While unrestricted import of it serves the interests of the compradorial class and its servitors, it kills all possibilities of India's technological independence, and makes keener the problem of unemployment and underemployment. While it creates jobs for a few, it takes away millions of existing jobs. The very existence of tens of millions of people is at stake. Ruling class politicians and academicians loyal to them try to hoodwink the people by blaming growth of population as the villain of the piece and talk of Malthusian solutions of it.

India's planners and policy-makers, whose hunger for foreign capital and technology is insatiable, have reduced India to this state in which vast masses of people seem to be redundant. Is this fate inevitable for the peoples of Third World countries? That it is not was proved by liberated China during Mao Tsetung's time, where people came to hold State power. She followed an altogether different policy, adopted a 'do-it-yourself' programme and achieved spectacular successes. In the section "Two kinds of planning" we have referred briefly to the Maoist strategy of development.

The three-volume World Bank study, which can hardly be accused of entertaining any bias in favour of the China of Mao's days and to which reference has already been made in the previous section, stated:

> "The contributions of science and technology to agricultural development in China have been considerable, especially for the major food staples — rice, wheat and corn. For rice in particular, *China has pioneered several biological innovations: the first semi-dwarf improved rice was released in 1959, some seven years before the International Rice Research Institute realized its similar IR8 variety; in the 1970s, China was the first nation to develop and popularize a rice hybrid*, and it has developed techniques of rapidly stabilizing the varietal characteristics in new plant material that are widely studied in other countries. *Advanced work has also been done in wheat (for dwarfing, cold tolerance, rust resistance and early maturity)*, and hybrids are now planted on over 70 per cent of the corn area."

We would quote a few more passages from the same World Bank study:

> "Much effort has been devoted to attaining new technical capabilities. Almost the entire range of modern industries has been set up, with much emphasis on those making capital equipment. Thus China produces a far greater variety of industrial goods than most developing countries, and is far less dependent on imported equipment.... Quantitative advances, even in periods when China was isolated, were made by overcoming obstacles through a combination of ingenuity and expediency — for example, by using small plants and outdated methods when it was difficult to build larger plants or master newer methods....*"In the past two decades [the sixties and the seventies], China has manufactured the bulk of its new equipment for itself*.... Meanwhile, industrial research institutes and the more advanced factories continually strive to make new products and master recent technologies. *As a result, there is a foundation of engineering expe-*

rience, and a breadth of technical capibilities, unusual in a developing country....

"Indeed, since China's energy production record has been achieved largely with outmoded and indigenous technology, it appears outstanding.... Morever, despite technological limitations and some apparent managerial weakness, the Chinese electrical power system appears quite efficient by international standards...

"In terms of total output, China ranks among the world's major industrial countries...

"China's employment in industry totalled 53.4 million in 1979, or roughly 63 million including brigade industries... many of whose workers, however, work in industry only part of the time.... By comparison, in 1976, a total of roughly 60 million workers were employed in industry in Western and Southern Europe, the U.S.A. and Canada taken together... India's employment in industrial establishments with 20 or more workers, or 10 workers and a power source, was not much more than 7 million....

"The rapid build up of industrial capacity in the 1950s and 1960s increased considerably China's ability to produce machinery and other manufactured goods."

Relying on herself, China could build petrochemical complexes, oil refineries, fertilizer plants, etc., construct medium-size ocean-going vessels, launch space-ships and so on, which India cannot do even now without importing foreign technology and capital goods.

In the 1970s, says the World Bank study, "China changed from a petroleum importer to a petroleum exporter... successful geological exploration and oil drilling and development since the early 1960s reduced oil imports to a negligible amount in the late 1960s and China became a net oil exporter in 1972."[85]

The fact is, there is no alternative to the 'do-it-yourself' programme. Who can lift a technologically backward country into a technologically advanced country? The experience of India and countries like India conclusively proves that they cannot catch up with the Industrial Revolution that occurred long ago in the West with technology borrowed from transnationals at enormous costs to the people, as the planners and policy-makers of India fondly hoped to do and would still have us believe this to be possible.

Instead, foreign technology deepens dependence and perpetuates backwardness and underdevelopment. It is the people of the country concerned who alone can accomplish the task. The Chinese experience during Mao's days bears out the truth of this statement.

China then blazed a new path — the path that led the most populous country of the world, almost one-fourth of the world's population, from the quagmire of dependence, backwardness and underdevelopment to a stage of independent, self-reliant, all-round development of the people in less than three decades.

Just as China relied for investment in different sectors not on foreign capital but on her own resources, so she relied for her technology mostly on her own people. But she was not unwilling to learn from others. She purchased for use in very restricted fields sophisticated technology on her own terms and absorbed, adapted and modified it to suit her own conditions. But she depended mainly on her own people. Workers and peasants were encouraged and enthused to improve upon and modify the products and processes with which they were concerned. Managers, engineers, technicians and workers, or scientists, cadres and peasants formed teams to innovate new products, new technologies. China walked on two legs — capital-intensive and labour-intensive industries, modern and traditional technologies. Where modern technologies were not available, traditional technologies were used. Nothing was discarded that was useful and satisfied the needs of the people. But traditional technologies were not frozen in their existing state. On the contrary, technicians and workers of modern factories went to backward ones to impart the new advanced technology, modernize them and build new units. Similarly, improved agricultural practices pioneered by some peasant or peasants in one area were demonstrated before peasants of other areas. Here too peasants and scientists worked in close collaboration. New advanced technology was diffused as widely as possible. Like class struggle, the struggle for production and scientific experiment became great revolutionary movements in China of those days.

True to their class character, the Indian ruling classes and their planners, on the other hand, pinned their hopes on foreign technology and foreign capital goods in which that technology is embodied. They expected them to serve as the catalyst for India's modernization. This policy no doubt served their interests and helped them to flourish as underlings of imperialist capital. But they have doomed the country to deeper dependence and underdevelopment. Foreign technology has throttled the growth of indigenous technology. Capital, including loan capital, and technology are made to serve as potent levers for control of the economy of India by imperialist powers.

Modernization and self-reliance cannot be achieved by relying on foreign technology and foreign capital. As a writer rightly put it,

> "The theory of leap-frogging with borrowed technology is thus a myth and a trap.... Development after all means a process of self-growth. Its motive power is social ferment, tearing down of institutional barriers, and a release of innovative capacity of the people. Technological revolution cannot be achieved, has never been achieved, without a social revolution. Foreign 'help' will not facilitate but only obstruct such a transformation."[86]

Since the beginning of the eighties the Indian ruling classes and their planners have been step by step opening the door as widely as possible to imperialist capital and technology in the name of 'reforms' and 'liberalization'. In this process of 'liberalization', a stage was reached in mid July 1991 when the Indian ruling classes openly pledged to implement the economic policies formulated in Washington by the IMF and the World Bank. To these recent developments we shall refer later.

We would conclude this section with what Michael Tanzer said:

> "Complete success in attracting foreign investment comes at the price of increasing foreign domination of the underdeveloped country's economy. Among other things this implies an economy which is increasingly dependent upon external decisions; ... Morever, this decline in independence is furthered by the inherent instability in the foreign exchange situation caused by the accelerating potential profit and capital repatriation outflows.... At this point the underdeveloped country typically has to turn to the International Monetary Fund for assistance, and the process of loss of independence is virtually complete.... What all this suggests is that relying on private foreign investment for developing key areas of the economy may effectively be selling out a nation's birthright for a mess of pottage;..."[87]

V. 'Development' Planning — at Whose Expense?

As Michal Kalecki, the Polish economist, obseved, "the central problem here is at whose expense the country is to be developed [or under-developed]."[1] It is the class character of the State that decides whether there will be development or maldevelopment and which classes will finance the plans.

Though the main beneficiaries of India's plans are the Indian and foreign big bourgeoisie and Indian landlords, their contribution to the total plan outlay, as we shall see, has been negligible. It is the toiling people of India — the workers, the peasantry (except its upper stratum) and the petty bourgeoisie — at whose expense 'development' takes place in India. It is on them that the burden of financing the plans has been imposed by the ruling classes.

The sources of finance are internal resources and external borrowing (external borrowings are a built-in feature of India's plans). Internal resources are raised by the Government through taxation, deficit financing and loans. Over the years the incidence of indirect taxes, which hit the common people, has gone up steeply while the direct taxes like the income tax, the corporate tax, the wealth and gift taxes have steadily declined.

The Seventh Five Year Plan 1985-90 conceded:

> "Contrary to the expectation that with economic development the ratio of direct to indirect taxes would increase, as a result of poor performance of direct taxes the Government has been forced to rely increasingly on indirect taxes, which rose from 11.7 per cent of GDP at market price in 1975-76 to 14.0 per cent in 1984-85, while direct taxes fell from 3.4 per cent to 2.3 per cent during the same period."

The Seventh Plan also states that corporation tax as a percentage of non-agricultural gross domestic product at current factor cost in 1983-4 was 2.32; income tax 1.51; wealth tax 0.08; land revenue and agricultural income tax 0.27; and other direct taxes 0.27.[2] These percentages would be much lower if agricultual domestic product also was taken into account.

The share of indirect taxes in overall tax collections of the Centre went up from 56.5 per cent in 1950-1 to 81.1 per cent in the budget estimates of 1986-7, while the share of direct taxes went down during the period from 43.5 per cent to 18.9 per cent.[3] In 1990-1 the share of direct taxes in the total tax revenues of the Union, states, union territories and local bodies combined was only 15.9 per cent and that of indirect taxes 84.1 per cent.[4] Since then, the rates of both income tax and corporate tax have been further reduced.[5]

The Eighth Plan states: "At present, the number of personal income tax payers is only about four million, accounting for about 0.5 per cent of the total population.... The ratio of direct taxes relating to the agricultural sector (which includes land revenue and agricultural income tax) to *agricultural* GDP has fallen over the years from about 1.2 per cent in 1950-51 to less than 0.7 per cent in 1989-90."[6]

While mass consumption goods are invariably taxed at different stages, as regards taxes on income, profits and property, the Indian tax laws are full of concessions, exemptions and loop-holes. We would refer here briefly to the corporate tax. Most new enterprises (especially those which are set up in districts notified as backward and an overwhelming number of districts are so notified) are permitted to operate free of any corporate tax for the first five years. The budget for 1995-6 declares five-year tax holiday also for all infrastructure projects. In June 1995, the Government decided to allow with effect from April 1995 a tax holiday for any five years of the first twelve years of operation of an infrastructure project, which includes transport and communications, mining and power.

If a new enterprise undertakes expansion before the end of the five-year period, the corporate tax is waived for several more years. Very generous depreciation allowance, even 100 per cent accelerated depreciation, is allowed and export earnings are totally exempt from taxes. Some years ago, an American specialist in international investment and tax problems, Matthew J. Kust, said that the Indian tax laws permit "extremely liberal and accelerated depreciation which allows a new enterprise to write off 85 per cent of its investment during the first three years."[7] Various other concessions and rebates, like development rebate and rebate on expenditure for research and development (in almost all cases, a euphemism for adaptation of foreign technology to Indian conditions or for quality control) are liberally offered. At a convention "Advantage Maharashtra Global Investors", organized by the Maharashtra government and others early in 1997, S.N.L. Aggarwal, commissioner of income tax, Mumbai, said that India has an assessee-friendly tax system and that the incidence of taxation on foreign corporates is very low compared with other countries. "There are also", he added, "tax exemptions in many ways. For example, 100 per cent tax exemption is availabe in some cases — for projects at SEEPZ and other export-oriented projects". [8]

An article in *Economic Times* stated that because of these concessions, exemptions and loopholes, Reliance Industries, now the largest private sector company in India, which made a net profit of Rs 576 crore in 1993-4, did not pay any corporate tax at all. So, in this year TISCO, ACC, Bombay Dyeing, Arvind Mills did not have to pay any corporate tax at all though they made huge profits. The Centre for Monitoring Indian Economy (CMIE) found that, out of a sample of 1,208 companies, as many as 514 companies paid no corporate tax at all in 1993-4. To quote from the above article in *Economic Times*, "The tax paid by the corporate sector in proportion to their gross profits has fallen from 23.55 per cent in the first half 1993-4 to 17.07 per cent in the same period in 1994-5." [9]

Speaking at a workshop organized by the Confederation of Indian Industry at Delhi on 16 May 1995, the revenue secretary of the Indian government, M.R. Sivaraman, said: "What needs to be considered is incidence of tax and not the tax rate and compared to other countries, tax incidence in case of corporate tax is much lower in India." He observed that since a large number of exemptions are provided in India, the corporate tax incidemce works out to just 19.5 per cent to 20 per cent whereas it is as high as 30 to 40 per cent in other countries where tax rates are lower.[10] Again, on 6 December 1995, he said that the rate of corporate tax was 46 per cent but the final rate was only 19.5 per cent due to a large number of exemptions and concessions. He added that there were 148 exemptions and a plethora of litigations pending in the courts.[11]

It appears that what Sivaraman said may be an overestimate of the incidence of corporate tax in the case of big houses. In 1991-2 and 1992-3, the operating profits of the top 300 companies in India amounted in the aggregate to Rs 14,602 crore and Rs 16,268 crore respectively. "Depreciation provision went up from 22.3 per cent to 24.3 per cent... But there was a big fall in the tax burden, which came down by more than four percentage points, from 13.1 per cent to 9.0 per cent."[12]

Interestingly, *Reliance Industries has not paid any corporate tax since its inception some 25 years ago.*[13] The following is a list of major zero-tax paying companies with the net profits they made in 1994-95.[14]

Name of the Company	Net Profit *(Rs. Cr.)*
Steel Authority of India	1108.57
Reliance Industries	1064.85
State Bank of India	715.49
Essar Gujarat	397.51
National Aluminium Co.	300.20
Tata Chemicals	286.65
TISCO	264.19
Nagarjuna Fertilizers & Chemicals	192.89
Great Eastern Shipping	173.35
Century Textiles & Inds.	159.17
Chambal Fertilizers & Chemicals	132.86
BSES	126.64
Gujarat State Fertilizers	114.43
Gujarat Ambuja Cements	99.10
Jayaprakash Industries	95.54
Madras Refineries	92.19
Gujarat Narmada Valley Fertilizers	91.92
Essar Shipping	90.69
Arvind Mills	90.64
Texmaco	78.51
Hindustan Zinc	76.44
Ashok Leyland	70.59
Lloyds Steel Industries	70.51
CESC	68.50
Southern Petrochemical Industries	67.53

Zero tax companies abound in the list of top 300 companies every year. There are other giant companies which pay only negligible taxes. For instance, Indian Aluminium Co. Ltd. (INDAL), a subsidiary of a transnational based in Canada, made net profits of Rs 51.08 crore and Rs 91.79 crore in 1993-4 and 1994-5 respectively. Its provision for corporate tax in the respective years was Rs 1.2 crore and Rs 1.5 crore.

The Union Budget for 1997-98 has levied a minimum alternative tax (MAT) of 12.9 per cent of their book profit on companies which take advantage of various exemptions to pay no corporate tax. This has already been modified to exempt profits from exports and a system of tax credit can be carried forward for five years. Besides, the budget has reduced corporate tax by 25 per cent and abolished the surcharge. There has also been an effective reduction of personal income tax by 33 per cent. Earlier, investments in primary issues were exempted from capital gains tax.

So far we have been concerned with exemptions legally permitted. But it may be borne in mind that Indian businessmen enjoy the dubious reputation for possessing skill in cooking accounts. Years ago, it was estimated by the ministry of finance that in many branches of industry only one-third of profits was declared for taxation.[15]

To attract investment by large Indian and foreign companies, the different state governments vie with one another with offers of capital subsidy, sales tax exemptions, etc. besides land, water, electricity and other infrastructural facilities at nominal prices.

To promote exports, all kinds of incentives are offered to export houses, Indian and foreign, by the Central Government. Till 1992 the incentives were primarily (1) duty drawback, (2) cash compensatory support, and (3) import replenishment. Amaresh Bagchi writes that in the Tenth Report presented to Parliament in November 1977, the Public Accounts Committee (Sixth Lok Sabha) observed that "while the votaries of the cash assistance scheme may argue that this is not too high a price for maintaining a steady growth in exports, which is vital for the economy, if the value of the other concessions and facilities, like import replenishment, concessional railway freight, concessional bank finance, supply of raw materials at subsidized prices, grants-in-aid, etc., extended to exporters is also quantified and taken into account, the total cost of the export promotion effort may well turn out to be not quite proportionate to the net gain actually accruing to the country as foreign exchange."[16]

Amaresh Bagchi points out that "in several cases the PAC found that the amount of cash assistance was disproportionate, the percentage of cash assistance admissible to the net foreign exchange to be earned in three such cases being 93 per cent, 151 per cent and 131 per cent." In one case "the proportion of cash assistance to net foreign exchange earned was as high as 2875 per cent."[17] Deepak Nayyar, who became chief economic adviser to the Government of India, was of the view that "if one added up indirect advantages with the direct 20 per cent subsidy extended to engineering exports, the total subsidy to them might be as high as 100 per cent."[18]

Since April 1992 a new scheme called the duty exemption entitlement certificate (DEEC) scheme has replaced the direct subsidy like the cash compensatory support. The new scheme is doubly welcome to export houses. It helps many exporters to enrich themselves in several ways. A consignment may be exported and "sold" to an overseas buyer at a price many times its real worth. The black money that was sent out in a clandestine manner returns laundered as white money. The "export earnings" are free of income tax. Besides, exporters import duty-free raw materials against their export obligations and make a killing in the local market. According to the Government's own calculations, the amount of customs revenue sacrificed on account of imports under the DEEC scheme alone in 1994-95 was worth Rs 17,000 crore. Misuse of export-import incentives accounted for a substantial part of it. One of the participants at the all-India conference of chief commissioners and commissioners of customs and central excise, which met in New Delhi in mid-November 1995 to discuss the issue, told *Business Standard* that the actual revenue sacrifice and misuse of import provisions are much bigger. He said that the commerce ministry makes no mention of imports made through non-computerised ports and against which no exports were made. Usually, all records of these imports are destroyed on completion of transactions. According to his estimate, the actual revenue sacrificed as a result of the DEEC scheme is over Rs 25,000 crore. A report by a study group of senior revenue officals has underlined that the most frequent misuse of DEEC has been by way of diversion of duty-free imports into local markets while meeting export obligations by fraudulent means. The study group has pointed out that in many cases no exports were made at all. The export figures announced by the commerce ministry are inflated. The study group has noted that there were cases where exported goods were deliberately made of inferior quality imports of prime material. If the central excise, foreign exchange and income tax sides of the scheme were also taken into account, the loss would be many more thousand crores of rupees.[19] Newspapers report that since the introduction of the scheme there has been a spate of such fake exports and rackets in hawala operations. These "bogus exports", which are rather encouraged by the authorities who have asked all enforcement agencies like the Directorate of Revenue Intelligence, the Central Economic Intelligence Bureau, the Enforcement Directorate, Income Tax (Investigation) and the CBI to stop all probes and "harassment" of the exporters,[20] are likely to have contributed a sizable portion of India's foreign exchange reserve, which has swelled since 1992.

Big and middle bourgeois are offered all kinds of incentives and tax-relief, apart from other concession and subsidies, on the ostensible plea that these would promote savings and stimulate investment. How valid is the plea?

It is actually public funds that mostly finance private enterprises. Public sector financial institutions like the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI) and state financial corporations, besides the joint venture financial institutions like the Industrial Credit and Investment Corporation of India (ICICI) were set up to promote investment in the private sector. A study of the companies assisted by the IDBI revealed that 27.3 per cent of the equity, 60 per cent of the preference shares and 63.7 per cent of the debentures of the large and medium-size companies were held by the public sector financial institutions.[21] According to an earlier study undertaken by the Corporate Study Group of the Indian Institute of Public Administration, New Delhi, public financial institutions held more than 50 per cent of the equity in Tata Engineering and Locomotive Co., Escorts, Kirloskar Pneumatic and so on. Uaually the debt-equity ratio when a project is set up is 3:1 or 4:1 and it is the public financial institutions and public sector banks, besides foreign creditors, that provide all the loans. The above study pointed out that the asset holding of the following seven families, which are the leading ones in the private corporate sector, are less than one per cent of the total assets of the companies they control — Tatas: 0.4 per cent; Mafatlal: 0.9 per cent; Birlas: 0.2 per cent; Shri Ram: 0.1 per cent; Singhanias: 0.7 per cent; Thapars: 0.2 per cent; and

K.P. Goenka: 0.3 per cent.[21] The working capital for a project is usually provided by public sector commercial banks.

A big business house makes only a marginal contribution to the costs of setting up a large industrial project. And usually it takes back its share of the costs during the construction of the project itself. To quote S. K. Goyal,

> "a large part of the project costs consists of machinery and civil works. The execution of the industrial projects is undertaken, invariably, by sister concerns. It is well known that in all project executions the contracting firms make profits which may be 10 per cent or more of the total cost. Thus, the business reality in India happens to be that the promoters have by and large earned back their own contribution in the project even before the projects go into operation !"[22]

Indian businessmen are keen on making quick profits and much interested in running a parallel economy that is tax-evaded. According to an estimate of the Planning Commission, the amount of black money is about Rs 3 lakh crore at 1989-90 prices. The addition to the parallel economy is put at Rs 50,000 crore per year by conservative estimates.[23] Surinder K. Singha, a member of Parliament's standing committee on finance, also told *Economic Times* that the information available with the committee shows the unaccountable economy amounting to Rs 3 lakh crore at constant prices.[24] The black money is invested in real estate, share markets, etc, for quick speculative profits.

Our businessmen are in the habit of transferring illegally a substantial portion of their unaccounted money to be stashed in their secret accounts in foreign banks or in tax havens. It is through over-invoicing of imports and under-invoicing of exports and through what is called the hawala route that these illegal transfers take place. According to a Reuter report, dated 3 December 1992, the director of India's Central Bureau of Investigation told Reuters that most of the money leaving India through illegal channels was either deposited in "foreign banks which thrive on secrecy or in several tax havens across the world." The report states: "some official estimates place India's losses through illegal transfers at between \$5.5 billion and \$7.5 billion *annually*."[25] According to a study by three American economists (J.S. Zdanowicz, W.W. Welch, and S.J. Pak, "Capital Flight from India to the United States through Abnormal Pricing in International Trade", *Finance India*, September 1995), illegal flight of capital via over-invoicing of imports and under-invoicing of exports was perhaps even larger than the CBI estimate. In trade with the United States alone, during the year 1993, between $1.6 and $4.4 billion were funnelled out of India using such practices; and since trade with the United States accounted for only about a-sixth of India's external trade, the total figure leaving the country through this route could be some multiples of that.

Madhu Dandavate, deputy chairman of the Planning Commission, made a very modest estimate of the black money circulating in the Indian economy when he said in December last year that it was to the tune of Rs 80,000 crore. As regards the money stashed away by Indian businessmen and politicians in Swiss banks alone, the chef de mission of the Swiss embassy in New Delhi, Dr Pierre Helg, quoted unofficial estimates suggesting tht it amounted to more than $80 billion (Rs 280,000 crore) (*Outlook*, 26 March 1997, p. 52). Bhure Lal, central vigilance secretary, revealed that Swiss bank officials had told Indian investigators on the probe mission some time ago that the amount of Indian money lying in vaults cannot be estimated. He commented: "It is really a situation of rich India contributing to poor Europe." (*The Statesman*, 2 Dec. 1996)

Instead of contributing to savings and stimulating investment for productive purposes, various tax reliefs to the tycoons have only helped corruption to assume gigantic proportions to the detriment of the interests of the country and the people.

The landlords too are a favoured class who hardly pay any direct taxes. As already noted, according to the Eighth Plan, the ratio of direct taxes relating to the agricultural sector, including land revenue and agricultural income tax, to *agricultural GDP* fell from about 1.2 per cent in 1950-51 to less than 0.7 per cent in 1989-90.[26]

On the other hand, all kinds of state bounties are showered on the landlords and rich farmers and they are the main beneficiaries of hundreds of thousands of crores of rupees invested for the development of agriculture, for it is they who own most of the land. They thus get the bulk of the benefits of low irrigation rates, subsidized electricity, cheap credit to buy farm machinery, subsidized fertilizers, etc. It is the landlords and rich peasants who can derive the maximum benefit from the increases in procurement prices: for procurement prices set the 'floor' price above which prices in private trade are fixed. An overwhelmingly large share of the benefits from irrigation, subsidized electricity, cheap credit and subsidized fertilizers is appropriated by the landlords and rich peasants. The Eighth Plan states that, according to estimates for 1987-88, "the gap between the annual working expenses and the gross receipts from water rates stood at over Rs 400 crores.... Similar problems exist in the case of ground-water irrigation where water rates reflect only about 1/6th of economic water rates. Electric charges for agriculture purposes including pumping of water are highly subsidized.[27] (Two qualifications need to be mentioned here. First, the figures for subsidies are not reliable, as they also include massive plunder by various other interests. For example, the contractor-bureaucrat-politician alliance drains massive funds out of each irrigation project, which are then added to the 'costs' of the project. Fertilizer plants have been built with grossly overpriced imported technology; and there is a further incentive to inflate costs because the prices they receive are on the basis of a cost-plus calculation. Secondly, even in a planned socialist economy, subsidies may be maintained for various agricultural inputs, with the perspective of ensuring agricultural development. The point is that in our society, given the sharp inequalities of land distribution and the tight grip wielded by the larger landholders over rural administration, such subsidies actually benefit only a narrow section.)

According to S.S. Acharya, Chairman of the Commission for Agricultural Costs and Prices, the subsidy for irrigation was Rs 3,011 crore, for electricity Rs 5,963 crore and the total input subsidy for the agricultural sector was Rs 14,082 crore in 1992-3[28] The middle and poor peasants had only a small share of benefit from these subsidies.

The landlords are among the ruling classes of India: they share State power with the comprador big bourgeoisie. And like the latter, they contribute little to the financing of the Plans.

Deficit financing is another important tool of India's ruling classes for raising resources to finance the Plans. The Indian ruling classes have resorted to greater and greater monetary expansions — much greater than what the meagre increase in national income has justified — to raise resources during the second and all subsequent plans. During the Third Plan (1961-66), for instance, the annual rate of growth of national income was 2.2 per cent but the money supply increased by about 40 per cent. The growth of the national income especially of the per capita income (which has been about 1.4 per cent per annum), has always lagged far behind the monetary expansion.

Like more and more of indirect taxation, the reckless monetary expansion has invariably caused severe inflationary pressures since the mid-fifties. While the rate of growth of production, especially of mass consumption goods, is slow, the growth of money supply and consequent rise in the prices of goods, especially essential goods, is very rapid. We shall soon return to this aspect.

Internal debt is another important source of finance for the plans. It, too, is mounting every year. The outstanding internal debt of the Centre during 1993-94 stood at Rs 2,42,729 crore, which was higher by Rs 43,627 crore than in the previous year. The other liabilities comprising small savings, provident funds, etc., rose to Rs 1,83,298 crore in 1993-4 from Rs 1,60,554 crore in 1992-3.[29] The budget for 1995-6 has estimated interest payments for the internal loans at Rs 52,000 crore, which will take away 51.5 per cent of total revenue receipts.[30]

As noted before, Indian Plans are invariably dependent on external loans. The costs that the Indian people have to pay for such finance are quite a heavy burden on them. Only for servicing the external debt — apart from other payments under different guises —India had to pay the foreign creditors during the last four years alone $35.52 billion ($8.2 billion in 1991-2 and again in 1992-3, $8.32 billion in 1993-4 and $10.8 billion in 1994-5) —approximately Rs. 1,11,888 crore. These are official estimates. The actual outflows must have been much greater.

A contributor to *The Statesman* wrote: "...the outstanding dues of the Government, domestic and international, were Rs 723,850 crore in 1994-95 that went up to Rs 783,462 crore in 1995-96.... It must be realised that whenever the Government talks of external debts, it gives figures at historical prices, which means the actual implication is far more ominous." (Aditi Roy Ghatak, "Pig's Breakfast: Making a Mess of Reforms', *The Statesman*, 27 Feb. 1997).

According to the Budget for 1997-98, the revised estimates of repayment of debt (internal and external) was Rs 66,545 crore and of interest payments Rs 58,500 crore— a total of Rs 125,045 crore, which was 95.6 per cent of the total revenue receipts of the Government of India in 1996-97. The budgeted figures for repayment of debt and interest payments in 1997-98 are respectively Rs 74,632 crore and Rs 68,000 crore, totalling Rs

142,632 crore, expected to be 93.1 per cent of the total revenue receipts. The percentage is likely to be exceeded as there are likely to be shortfalls in revenue receipts on account of the tax concessions showered on the corporate sector and the rich. The debts and the payments to service debts are mounting fast — higher and higher every year.

All these ways of financing the Plans — heavy indirect taxation (and all kinds of tax relief to big and middle bourgeoisie and landlords), the enormous increase in money supply without corresponding growth in the purchasing power of the people, the staggering increase in internal and external debt and the servicing of them — are means of transferring money from the toiling people to the bourgeoisie and the landlords and from the Indian people to the foreign bourgeoisie.

All these have invariably contributed to the rise in inflationary pressures on the economy since the mid-fifties. Inflation, the scourge of the toiling people, has been particularly severe since 1991-92. The average annual rate of inflation in 1990-1 was 13.6 per cent, in 1991-92 13.7 and in the following years — 1992-3, 1993-4 and 1994-5 — it was 10.1, 8.4 and 10.8 percent respectively.[31] In the same years the growth of the GDP was 1.1, 4.0, 3.8 and 5.3 per cent respectively. This growth in the GDP in 1991-5 was propped up by a boom in the financial sector, which outstripped the growth rates in the primary and secondary sectors.

The official *Economic Survey 1994-5* states, "Primary articles continue to contribute disproportionately to the total inflation, with an increase in their contribution from 35 per cent in 1993-94 (till February) to 46 per cent in 1994-95 (till February)." The regular and steep increase by the Government, especially in the eighties and in the nineties, of prices of foodgrains, sugar, etc., supplied through the public distribution system and of administered prices of petroleum products, coal, and of freight rates and fares have intensified the inflationary pressures. In most years the prices of foodstuff have tended to rise faster than those of other goods. While the GDP growth is slow and the per capita GDP is much slower, the food prices have risen steadily and steeply. In the three years alone — 1991-2 to 1993-4 the Central Government increased the issue prices of wheat and rice under the public distribution system (which is supposed to benefit the poor) by 72 per cent and 86 per cent respectively.[32] This also led to a spurt in their prices in the open market.

Inflation, particularly the soaring food prices, hurt the toiling people most, for a large majority of them spend most of their income on the purchase of food — the barest necessity for survival. To quote B. S. Minhas, "the poor and the weak, who have no means available to them to neutralize inflation, are hit in their stomachs. Every one per cent increase in the rate of inflation, over and above the rate at which the real incomes of the poor might grow, manages to swell their ranks by more than one per cent. The direct benefits of the anti-poverty programmes and food subsidy are obliterated many times over even by a modest acceleration in the rate of inflation."[33]

While the benefits of 'development' planning are reaped by the imperialist bourgeoisie, its compradors and the landlords, the cost is borne by other sections of the people.

VI. 'Development' Planning — for Whose Development?

India's "democratic planning" has contributed to the spectacular growth and expansion of the big bourgeoisie as well as of the branches and subsidiaries of the transnationals based in foreign countries and other companies controlled by them. We shall cite a few instances.

The total assets of the Tatas amounted to Rs 69 crore in 1948,[1] while the total paid-up capital of the companies controlled by the Birlas, the second largest business house in India, was Rs 21.85 crore in 1947.[2] In 1993-4, the assets of the companies in the Tata group soared to Rs 22,750 crore. During these years, the Birla house split into several groups. In 1993-4, the assets of the B.K.-A.V. Birla group companies were valued at Rs 10,758 crore; those of the L.N.-S.K. Birla group at Rs 1,832 crore and of the G.P.-C.K. Birla group at Rs 1,639 crore.[3] There are other Birla groups like the K.K. Birla group, which too are among the big business houses of India. (According to a survey by *Business Today*, 22 Aug. 1997, the Tata group's assets in 1947 were Rs 62 crore, growing to Rs 37,511 crore by 1997. The same survey puts the assets of the Birla group in 1947 at Rs five crore, whereas in 1997, the following were the assets of various sections of the original group: B.K.-K.M. Birla: Rs 19,498 crore; G.P.-C.K. Birla, Rs 2,530 crore; K.K. Birla, Rs 3,095 crore; P. Birla: Rs 1,237 crore; S.K. Birla: Rs 2,080 crore.) It needs to be noted that these are gross underestimates of the real value of the assets. First, in calculating them, only major public limited companies have been considered and all other companies including finance and leasing companies have been excluded. Second, it is the book-value of the assets that has been taken into account. But the book-value does not represent the actual value which is much higher. A very high level of depreciation is allowed by the Government, which renders the book-value of the plant and machinery only nominal in the course of five to six years. Morever, large plots of land and various other concessions have been offered to them by the Government at nominal prices. The market-value of the assets would in most cases be quite higher.

The growth and expansion of the Ambanis has been even more spectacular. Their flagship, Reliance Industries Ltd., is now the largest private sector company in India. Its founder, Dhirubhai Ambani set up a small export firm, Reliance Commercial Corporation, in 1950. In 1966 he founded Reliance Textile Industries Ltd. with an investment of only Rs 28 lakh. In the congenial condition created by the 'development' Plans, and relying on State help and its patrons at the helm of the State machinery and transnationals, the total income of Reliance Industries rose to Rs 7,091 crore and net profit to Rs 1,065 crore in 1994-95. Its total asset base was Rs 11,529 crore and net worth Rs 7,193 crore. The Ambanis control several other companies. The Ambani empire straddles textiles, petrochemicals, oil and gas, telecommunications, power, advertising, etc. FIIs' investments in the shares of Reliance Industries work out to at least Rs 1,100 crore (*ET*, 24 July 1997). And the group has raised approximately $2.5 billion of capital overseas (*ET*, 30 May and 25 Jul. 1997).

Let us take the case of a subsidiary of a transnational — Hindustan Lever. The Anglo-Dutch transnational Unilever set up a wholly-owned subsidiary Lever Bros. (India) in 1933 with a paid-up capital of just Rs one lakh. In 1994 the share capital of this subsidiary (renamed Hindustan Lever in the meantime) was Rs 140 crore, gross turn-over Rs 3,240 crore and profit after tax Rs 189.96 crore. The Unilever empire in India includes Hindustan Lever and a number of other companies — Brooke Bond Lipton India Ltd, Tea Estates India, Doom Dooma Tea, Ponds and so on. In 1994 Brooke Bond Lipton India's turnover was Rs 1,839.46 crore and net profit Rs 99.11 crore. Like those of many other transnationals, Unilever's Indian empire grows vaster with the passing of years. Equally spectacular, if not more, is the rise and expansion of Imperial Tobacco Company (now renamed ITC). It is one of the three or four largest corporations in India. It also has diversified into several industries and into the service sector. It also has spawned several companies which, too, are doing magnificently.

Speaking of these private empires, K.V. Raghunath Reddy, a former Union Minister, said that the private sector in India is a myth. The private sector is virtually the public sector but managed by a few private industrialists. He said that as on 31 December 1982, there were 10,281 non-government public limited companies in this country, with a paid-up capital of over Rs 3,100 crore. Public financial institutions had invested over Rs 750 crore in equity shares, and by way of loans to these companies more than Rs 9.,000 crore. He added that this clearly showed that with small investments, ranging between three and 15 per cent the private sector is controlling the country's economy.[4]

As noted before, 'democratic' planning has also showered benefits on a class of rich landowners who are also traders and usurers. They have arisen as a powerful class in many parts of the country. It has also contributed to the development of a class of wealthy servitors of the ruling classes — corrupt politicians, corrupt bureaucrats, a section of professional people, and a section of academics.

It is this India of compradors and their foreign principals, rich landowners, and the servitors of these classes, that has developed and prospered. But the other India — the India of workers, peasants and petty bourgeoisie (except its upper stratum) — is mostly sunk in misery and gloom.

The government informed the Rajya Sabha in December 1993 that nearly 40 per cent of Indians live below the poverty line.[5] The poverty line as officially drawn takes into account certain calories of food and almost no other needs without the fulfilment of which a man can hardly survive. Avijit Majumdar, then president of the Associated Chambers of Commerce and Industry, was not wrong when he said at a meeting of journalists in Madras in October 1990: "Who says only 50 per cent of all Indians live below the poverty line? Take the minimum essentials of quality life, and you'll find that it is actually 75 per cent."[6]

The following also may throw some light on Kalecki's question - "at whose expense" the development or 'maldevelopment' takes place in India. A report released by the World Resources Institute in 1994 stated that India's upper income group which constitutes 1.5 per cent (roughly 12 million people) of its population, accounts for about 75 per cent of the total consumption of electricity, petroleum and machine-based household appliances.[7]

A Reserve Bank of India study estimated that in 1991 there were 30.3 million *unemployed* in India. Those underemployed or in part-time jobs could be closer to 35 per cent of the workforce according to economists.[8] Indeed, any meaningful definition of employment should be based on whether the person 'employed' is able to make a *living wage*. By such a criterion, all those below the poverty line — that is, 36-40 per cent of the workforce — are unemployed/underemployed.

Employment has declined in absolute terms almost everywhere, even in the industries where the level of technology is rudimentary. It is the trend everywhere to scale down permanent employment by replacing permanent workers with contract, casual or temporary employees. Casual labour has been increasing by about five to 10 per cent annually and replacing more regular workers.[9]

According to rough official estimates, the number of child labourers in India is 70 million. The number has jumped from about 10 million in 1971 and from about 18 million in the beginning of the eighties.[10]

The International Labour Organization's (ILO's) *World Labour Report 1993* said that forced labour and slavery-like practices keep millions of people, including children, working in bondage in dangerous and degrading conditions around the world, particularly in India, Pakistan and Brazil. It stated that debt bondage, a form of disguised slavery, entraps tens of millions of people in South Asia and Latin America (*The Statesman*, 3 Apr. 1993).

The World Bank's *World Development Report* of 1993 observed that India made extremely low investment in public health services and that India has the poorest hospital capacity, lower than sub-Saharan Africa.[11] The number of children who die below five years of age in India is 126 per 1000 births while it is just 21 in Sri Lanka; five in Sweden; eight in Japan; nine in Britain and France; and 11 in the U.S.A. The same report states that 63 per cent of children born in India are malnourished.[12]

A report entitled *Investing in Health*, brought out but by the World Bank in 1993, points out that as regards insanitary hygienic conditions no country can even come close to India. Over 85 per cent of our population is without any sanitary facilities.[13]

The World Bank's annual report *Global Economic Prospects in De-*

veloping Countries, released on 15 April 1994, states that the illiteracy rate in India in 1990 was 52 per cent.[14] Most of the children who enter primary schools, most of which are most ill-equipped, drop out soon after. According to a study on education conducted by the Association of Indian Engineering Industry (now renamed Confederation of Indian Industry,) the allocation on education went down from 7.7 per cent in the Third Plan to 2.6 per cent in the Sixth Plan, and it was two per cent of the central government expenditure in 1991-5. More than 90 per cent of educational expenditure is incurred in salary administration.[15]

Inaugurating the Indian Association for the Study of Population in New Delhi on 27 December 1982, Dr. C. Gopalan, president of the Nutrition Foundation of India and former chief of the Indian Council of Medical Research, said that *because of malnutrition and undernourishment India was producing more and more citizens of mentally and physically substandard quality*. Of the 23 million children who would be born in 1983, only three million, according to him, would be healthy and productive citizens. Of the rest, four million would die in childhood and 16 million would grow up to be adults with poor mental and physical abilities due to serious under-nutrition in their childhood.

This waste of human resources, he asserted, "poses a far greater threat to our nation than any threat of armed aggression from external agencies." Dr. Gopalan said there would be no malnutrition in the country if all available food in the country were distributed. He criticized those who blamed population rise as the cause of the prevailing malnutrition scene. According to him, it was the lack of money to buy food, and not population growth, that was responsible for malnutrition. "Population growth," he said, "provides a convenient alibi for those who are either unwilling or unable to remove the socio-economic and rural urban disparities."[16]

Prakash Singh, a former director-general of police of Uttar Pradesh and Assam and of the Border Security Force, wrote in *Economic Times*: "It is estimated that between 1951 and 1990, about 18.5 million people including a sizeable percentage of tribals were displaced as a result of various development projects. Out of them 13.9 million people have not been rehabilitated so far."[17] More are being uprooted from their homes and villages so that factories or large dams to generate electricity for the big compradors or imperialist concerns may be built. The uprooted millions are left to fend for themselves with little or no compensation — and to work as coolies or starve to death in strange lands. 'Democratic' planning has so far claimed million and millions of such victims and threatens to claim more.

What is progress or development? As Thomas Balogh, the Oxford economist, said, "there is a fundamental objection to regard as 'progress' any increase in productive capacity and output, irrespective of whose welfare it serves."[18]

It appears that 'development' planning since 1950 has hardly brought about any significant change in the quality of life of the vast masses of the Indian people from what it was in the colonial days. But it has been responsible for one among several significant differences in the other India. "The injection of planning into a society living in the twilight of feudalism and capitalism," said Paul A. Baran, "cannot but result in additional corruption, larger and more artful evasions of the law, and more brazen abuses of authority."[19] No doubt, while writing this, Baran could hardly have imagined the monstrous proportions which corruption, evasion of law and abuse of authority have assumed and thrive today among the ruling classes of India. One aspect of it was revealed in the report of the committee formed in July 1993 with N.N. Vohra, then home secretary of the Indian government, as chairman to investigate the links between crime syndicates, politicians and bureaucrats. Its members included chiefs of the central intelligence agencies including the head of the Research and Analysis Wing, the directors of the Intelligence Bureau and the Central Bureau of Investigation. The report, suppressed for some time by the government, was submitted under pressure in Parliament on 1 August 1995, in what opposition parties called a shorter and censored version. It states that big crime syndicates and mafias with international connections have "corrupted the government machinery at all levels" and even the judiciary with the backing of politicians. According to the report, the mafia was virtually running a parallel government, making the State apparatus irrelevant. The report says that in several states politicians have become leaders of these gangs and over the years, get themselves elected to local bodies, state assemblies and parliament.[20] The stories of huge financial scandals, in which men at the helm of the State machinery are involved, that regularly appear in the press, suggest that the State itself is fast turning into a gigantic crime syndicate.

VII. The Plans: Are They Worth the Name?

An economic plan is intended to control the economy: the authorities in charge of the execution of the plan are also expected to have the will and the power to carry it through.

As regards the goals of India's plans, there is no dearth in them of pious and brave declarations. When the Planning Commission was set up in March 1950, it was declared that the Commission would take as its basic terms of reference the following Directive Principles of State Policy embodied in the Indian constitution:

> "(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;
> "(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good; and
> "(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."[1]

When the Second Plan was at the stage of preparation, the building of a socialist pattern of sodciety was proclaimed as the goal. On whom did fall the task of planning for a future socialist India? As noted before, Sir V.T. Krishnamachari, a senior I.C.S. Officer, who had held high administrative posts during direct British rule, was vice-chairman of the planning commission from 1953 to 1960. Sir N.R. Pillai, a member of the I.C.S. and secretary to the Cabinet, was secretary of the commission and Tarlok Singh, another member of the I.C.S., was his deputy Gulzarilal Nanda, who had played an important role in organizing the Indian National Trade Union Congress (INTUC) in 1946 and in breaking the unity of the working class movement, was minister of planning from 1953 to 1960. About Nanda, G.D. Birla, who was likely to have an intimate knowledge of him, said: "There is Nandaji, who says that his mother did not give birth to him. She who gave birth to him is saffron-robed. She sends whatever you demand — be it rasgulla sweets or diamonds and pearls and does it just by raising her hand towards the sky."[2] Under such a minister of planning socialism was, indeed, easy of achievement.

Besides such Indian planners, Millikan, Rostow, Galbraith, etc. were entrusted with the task of planning for a socialist society in India.

The socialist goal has been declared from the house-tops from time to time while serving imperialist and comprador capital and landed interests, Nehru and his worthy daughter, Indira Gandhi never tired of proclaiming the socialist goal. In her "Foreword" to the Sixth Five Year Plan 1980-85, Indira Gandhi, then prime minister and Chairman of India's Planning Commission, asserted:

> "Progress in a country of India's size and diversity depends on the participation and full involvement of all sections of the people. This is possible only in democracy. But for democracy to have meaning in our circumstances, it must be supported by socialism which promises economic justice and secularism which gives social equality. This is the frame of our planning."

She added

> "We have come to a stage where we can confidently assert that development has contribited to strengthening our nation in spite of its regional, linguistic, social and communal diversities. *It has consolidated our democracy and is guiding our society towards socialism.*"[3]

In the "Preface" to the Sixth Plan, the deputy chairman of the Planning Commission stated that "the essential goals of Indian planning have been growth, removal of poverty and achievement of self-reliance."[4]

No doubt, Indira Gandhi was best fitted to talk about the consolidation of democracy and the building of socialism in India. Besides other achievements to her credit in realizing these goals, it was she who had imposed a state of Emergency in India only a few years before, which liquidated even all semblance of democratic rights in this country, declared many political parties illegal, imposed pre-censorship of the press, stifled all voices of dissent, flung all dissenters — radical and conservative alike — into prison and suppressed the struggles of the toiling people with fire and sword. Fascist terror was let loose.

We have had some idea of how "development" has been leading India toward socialism, how the goals of "growth, removal of poverty and achievement of self-reliance" have been attained in the course of planning for more than four decades.

Paul Baran said that "no planning worth the name is possible in a society in which the means of production remain under the control of private interests which administer them with a view to their owners' maximum profits (for security or other private advantages). For it is of the very essence of comprehensive planning for economic development —what renders it, indeed, indispensable — that the pattern of allocation and utilization of resources which it must impose if it is to accomplish its purpose, is *necessarily* different from the pattern prevailing under the *status quo*."[5]

In India the means of production are mostly owned and controlled by private interests — native and foreign. They invest in areas which assure them of maximum profits: they are interested only in their own profits, in their own growth and expansion. Invariably there is contradiction between their interests and the interests of the society a whole. It is claimed that by operating a system of controls — over capital issues, licensing of new enterprises and of large extensions of existing ones, controls over allocations of foreign exchange and over import and export, and price and physical controls, the investment decisions of the private businessmen can be guided along the desired channel. It may be remembered that the different controls by the State, even State management and State ownership of many industries, were urged by the tycoons themselves in the Bombay Plan. The plans drawn up by the colonial masters in the mid-forties also stressed their necessity. It was felt that these controls, licences, State intervention were essential in the interest of the tycoons themselves.

The question is: who guides whom when individual profit is the motive of production? In a society where the means of production are mostly the private property of small classes of people, there invariably exists a close nexus between the big capitalists and the policy-makers and administrators. The government in a capitalist country, as Marx and Engels said, "is but a committee for managing the common affairs of the whole bourgeoisie."[6] In India the government functions as a committee that manages the common affairs of the big comprador bourgeoisie and their imperialist principals as well as of the rural oligarchy. "The powers of the State [under capitalism] having to do with taxation, the regulation of foreign trade, public lands, commerce and the discharge of the functions of public administration," writes Harry Braverman, "have served as an engine to siphon wealth into the hands of special groups, by both legal and illegal means."[7] Some token welfare measures are undertaken to provide minimal relief to the people groaning under conditions of almost incredible poverty and deprivation — in order to create illusions about the character of the State and forestall revolutionary struggles which would otherwise be inevitable.

A notion is today being propagated that the earlier regime of 'controls' — the 'license-permit raj' — was socialistic, and that that the dismantling of them is a fundamental break in policy with the earlier regime. This is false. Actually, the earlier policy of the Indian State — its licensing policy, control over capital issues, permits and quotas — was designed to promote the interests of the big compradors and their foreign collaborators, and these interests took precedence over the brave declarations in the Plans. Even the public or nationalized sector — manufacturing and financial — is intended to serve the interests of the private sector.

Let us consider how the industrial licensing system actually worked. It was the usual practice of big business houses to put in a number of applications for each product. The purpose was not to implement them, if approved, but to foreclose the licensable capacity and prevent rivals or new entrepreneurs from entering different industrial sectors. This has been pointed out in the Industrial Licensing Policy Inquiry Committee (Dutt Committee) Report of 1969. As R. K. Hazari writes, "multiple applications for the same product and for a wide, very wide indeed, variety of products are meant to foreclose licensable capacity. This appears to be particularly true of Birla applications."[8] Hazari cites concrete instances. Among them is the Manjushree Industries, a Birla concern. Manjushree, "which holds licences/letters of intent, among other things, for acrylic fibres, bamboo pulp, steel castings and cotton spinning had, on 30th September 1964, a share capital of Rs 5,000 and no liabilities or assets to speak of."[9] A few favoured business houses always received the maximum number of industrial liocences. The licensing system encouraged, as Hazari points out, "foreclosure of licensed capacity by influential groups," who would sit "tight on unimplemented licences.... There is very little follow-up of licensing to see that the approved projects fructify in a satisfactory phased schedule. Even the authorities concerned are not fully aware of the total investment and foreign exchange commitments of licences issued or those under implementation at any particular period of time."[8] A vastly disproportionate share of licensed capacity was allotted to the largest business houses. The practice of pre-empting licences and sitting tight on many of them by big houses with political clout was one of the causes of the short falls in production targetted by the Planning Commission.

Lip-service was invariably paid to social priorities by the planners but, in actual practice, "licences," as R. K. Hazari pointed out, "were given for nearly all projects which satisfied certain criteria of secondary importance like foreign collaboration, import substitution, etc. but which bore little relationship to desired priorities."[9]

By making use of the licensing policy, the Government tended to create monopoly or oligopoly, for the grant of licences was related to capacity — to potential availabilities and potential demand. It assured a monopolistic market to Indian business magnates and their foreign collaborators by keeping competitors out and helped their rapid growth and expansion.

It has been usual with the planners to indulge in wishful thinking about the rate of growth of the GDP. While the growth of the GDP has always been estimated at more than five per cent per annum, the average annual rate of growth has been about 3.5 per cent. There are often wide gaps between physical targets and financial targets — the estimates of the available resources (including hoped-for loans from foreign creditors). Speaking of the Third Plan, Hanson states that "the commission appeared to be deceiving those of its readers who were prepared to take its own arithmetical exercises on trust." He points out the wide contrasts between physical and financial targets.[10] Gunnar Myrdal observed that in India "plan fulfilment has regularly fallen short of the targets for public investments in basic facilities and in industry. As for the dispersed and less calculable public efforts in agriculture, rural uplift, and education, the distance between plans and accomplishments is even wider. The relevant chapaters in the Indian plans often have an abstract and unrealistic tone of academic propaganda as does the public discussion."[11]

As we noted before, the Draft Five Year Plan, reviewing the results of twenty-five years of planning, admitted that "the most important objectives of planning" had not been achieved, that "the concentration of economic power" had increased and that "the land reform measures" had no "impact on distribution of rural property."

D.R. Gadgil, who became vice-chairman of the Planning Commission, observed that the most outstanding feature of India's "planned" economy was the total absence of a policy frame, that it operated as "almost a 'laissez-faire' economy, in part, modified by the operation of particular controls." "There is no doubt," he said, "that the present shape and direction of economic policy in India are largely the result of the influence of vested interests...." He held that the continued dependence on external aid "mortgages our future to the giver of aid: and as recent experience has painfully underlined, it gives outsiders enormous influence in shaping our economic policy."[12]

Charles Bettelheim, the eminent French economist, who had intimate knowledge of India's 'development' plans, stated that neither the politicians nor the civil servants and technicians who prepared the plans "had any definite theories in mind. The Indian Plans are above all empirical; they are intended to provide the answer to some urgent problems and to satisfy a certain hope and need". Bettelheim further commented that the main characteristic of the plans "is that they state what is anticipated or expected. They are entirely different from socialist plans, whcih lay down imperative and compulsory conditions.... the Indian Plans attempt to define as precisely as possible the Government's agricultural, economic and industrial policies for the following five years. The Government and its administration naturally want to fulfil as much of the Plan as possible, but they may adopt measures very different from those suggested by the original Plan without violating any legal oblligations. The fundamental cause of this situation is the capitalist nature of India's economy which gives a lot of initiative to private capital. Few restraints are used.... *There is therefore no planning in the true sense, as there can be none in any capitalist economy* if the term is taken to understand not only the preparation of plans but their compulsory execution."[13]

Writing in the sixties, Bettelheim also noted "India's growing reliance on foreign debt", the "heavier costs resulting from the foreign debt and foreign investments". He predicted that, unless things changed, India would soon face "the classic and all too-well-known situation prevalent in South America: incapacity to meet foreign expenses (repayment, interest costs, dividends, import costs, etc.), a demand for more aid and for a payment moratorium, the arrival of a mission of 'financial experts' sent by the creditor countries or by the I.B.R.D. or the IMF, who would outline an 'austerity programme' which India would be forced to accept, thus losing the initiative in matters of investment, prices, currency, etc."[14]

Planning went hay-wire after the mid-sixties when, in 1966, the devaluation of the rupee to the extent of 36.5 per cent was forced on the Indian government by the U.S. imperialists and the World Bank. Asoka Mehta, then India's minister of planning, followed prime minister Indira Gandhi to Washington, had two meetings with U.S. President Johnson, carried on negotiations with U.S. cabinet members and with the president of the World Bank, George Woods. To quote Francine Frankel, "*The minister of planning, who placed virtually all of India's major Fourth Plan schemes before George Woods for his consideration and approval*, pointed to the progress in carrying out the new agricultural strategy [called the Green Revolution, ensuring imperialist capital's penetration into Indian agriculture, which the Indian government ushered in at the dictates of the U.S. imperialists];[14a] a major new commitment to family planning, with the creation of a separate Department of Family Planning in the Ministry of Health; new opportunities for foreign private investment in fertilizers and petroleum; and the first steps toward relaxation of industrial licensing policy and price and marketing controls."[15]

Earlier in late 1965, as noted before, C. Subramaniam, the food and agriculture minister of the government of India, travelled to Washington to submit an outline of India's new agricultural strategy to the U.S. department of agriculture and obtain its approval. And he again saw the U.S. secretary of agriculture, Orville Freeman in Rome and "the specific policy proposals were reviewed item by item, including the plans for incentives to foreign private investment, especially in fertilizer."[16] And when India's food minister saw U.S. president Johnson, Johnson "insisted that Subramaniam put those policies [approved by him] in a written agreement with the American secretary of agriculture, Orville Freeman."[17] This was done: India signed on the dotted line.

The major economic policies of India have been drawn up virtually at the behests of imperialist masters in the interest of imperialist capital: India's Plans adjust themselves to those policies. It is not the Plans but imperialist capital — as represented by the Western powers and Japan — and Indian big comprador capital that actually control the economy.

Since the mid-sixties a policy of gradual delicensing, relaxation of controls and deregulation has been followed. The process was hastened when, in the early eighties, India's ruling classes approached the IMF for five billion SDRs (about Rs 5,200 crore at the current exchange rate). Secret negotiations were carried on between the Indian government and the IMF. The IMF imposed certain conditionalities. On the Indian government's compliance with them the loan was to be released in three instalments. The release of the second and third instalments would depend on the Indian government's satisfactory performance — satisfactory to the IMF. Besides an "austerity programme" — austerity not for the upper stratum but for the common people —, the conditionalities included demands for the boosting of the private sector — both native and foreign, 'liberalization' — closer collaboration with foreign capital and offer of more liberal royalty payments, relaxation of controls over imports, greater incentives to exports, cut in food and fertilizer subsidies, raising of administered prices of agricultural products and of products of public sector enterprises, etc. These binding conditions were agreed to by the Indian government in the finance minister's letter of 28 September 1981 to the managing director of the IMF and in the Statement of Economic policies which was enclosed with that letter.[18]

Contrary to all estimates of the planners, imports of goods, mainly capital goods and luxury articles for the consumption of the rich, soared. Collaborations with foreign capital multiplied. There was "liberalization" in respect of industrial licensing and controls. The investment "limit" of the delicensed sector was gradually raised from Rs 3.0 crore in 1983 to Rs 25.0 crore in general and to Rs 75.0 crore for projects in backward areas in 1990. Chandra Shekhar, who became India's prime minister for a brief spell, observed that nearly 75 per cent of the industrial investments and production were taken out of the scope of planning.[19]

During the eighties, with steady relaxation of controls over capital issues, licensing, etc., lowering of tariffs over imports and exports, increase in incentives to exporters, relaxation of foreign exchange regulations and so on, India's trade deficit and adverse balance of payments, chronic since the inception of planning, grew from bad to worse; India's budget deficit rose from Rs 3,451 crore in 1980-1 to Rs 12,149 crore in 1989-90. All this necessitated increased dependence on external debt. In rupee terms India's external debt rose about five times — from Rs 13,479 crore in 1980-1 to Rs 66,017 crore in 1989-90. The rupee went on depreciating in value: the value of the rupee per U.S. dollar fell from Rs 7.908 when the decade opened to Rs 16.923 when it closed. On an average the rate of inflation was nine per cent during the eighties.

The increasing balance of payments difficulties, the soaring external debt with a large proportion of short-term, high-interest commercial loans, the debt-servicing obligations and the acute foreign exchange crisis — the inevitable outcome of 'development' planning for about forty years — placed India's ruling classes completely at the mercy of the IMF and the World Bank. These classes wanted to solve the crisis at the expense of the people. The watchdogs of the interests of imperialist capital — the IMF and the World Bank —undertook to salvage them out of it and initiated economic policies for implementation by India's parliamentary political parties of all hues — right, centre and 'left'. The ritual of planning ceased for the time being.

The advanced capitalist countries had been hit by recession since 1978-9. They were anxious to export more capital goods and luxury consumption goods to Third World countries like India — and were keen that all restrictions on their export should be removed. Their interests converged with the interests of the big Indian compradors. They too were chafing against various controls — the industrial licensing system, controls over capital issues, foreign exchange regulations, import controls and other restrictions that now came to stand in the way of their operations. These very controls had made them what they were, created for their industries a monopolistic or oligopolistic market and had been sought after by them before, though they were outwardly critical of them. But now these had become outworn weeds which were proving irksome for them. 'Socialist pattern' had served its purpose. 'Democratic planning' had made them proud possessors of vast financial resources — legal and illegal. They had large hoards of money capital within the country as well as stashed away in secret accounts in foreign banks. Part of these they wanted to bring back laundered as white money to realize their dreams of expansion. As before, their dreams could be made real as junior partners of transnationals based in imperialist metropolises. With massive amounts of equity and loans from State-owned banks and other financial institutions and with foreign collaboration, capital goods and technical know-how from foreign collaborators, they were now in a position to launch into industries which they had shunned before and for the products of which they had relied on the public sector. The profit-making public sector enterprises were themselves a tempting prize which they wanted to grab.

So the wind of 'liberalization', that is, the dismantling of controls and restrictions — necessary instruments of planning — turned into a gale. *India: An Industrialising Economy in Transition*, a report released by the World Bank in December 1989, became the basis of India's 'new industrial policy,' which was announced soon after. It was contrary to the guidelines for industrial policy in the Planning Commission's *Approach to the Eighth Plan* which the Commission had laboriously prepared and which had been approved by the union cabinet a few days earlier.[20] Apart from delicensing all new units up to an investment of Rs 25 crore in fixed assets in non-backward areas and of Rs 75 crore in centrally notified backward areas, the 'new industrial policy' permitted free import of technology without prior Government clearance (provided the royalty payment to the foreign collaborator was not unusually exorbitant) and foreign investment in equity up to 40 per cent on an automatic basis.

As India's crisis grew, the IMF, the World Bank and the Aid-India Consortium members demanded more 'liberalization' of the Indian economy— a steep devaluation of the rupee; a more or less open door to foreign capital; freer imports of capital goods, industrial raw materials and other goods; lowering of tariffs, relaxation of Foreign Exchange Regulation Act provisions and of the Monopolies and Restrictive Trade Practices Act; change in India's Patent Act and so on. The demands no doubt received satisfactory respones from India's ruling classes.

While extending a meagre loan of $1.8 billion (about Rs 3,250 crore) to the Indian government as a stop-gap to meet India's immediate balance of payments difficulties, the IMF stated in a press note of 29 January 1991 that "the Government is committed to continuing adjustment process in the fiscal year 1991-2 beginning in April." India's finance minister declared in parliament in March 1991: "I would like to stress, once again, that my commitment to adjustment in 1991-92 remains firm and irrevocable."[21]

Immediately on assuming office in June 1991, the new government with Narasimha Rao as prime minister announced policies that went a long way to meet the IMF and World Bank demands, and the new finance minister assured the managing director of the IMF in a letter of 27 August 1991 and the enclosed "Memorandum on Economic Policies for 1991/92 - 1992/3" that more would be done. Already the Government had devalued the Indian rupee against the major currencies of the world by almost 20 per cent: its value was fixed at Rs 25.95 per U.S. dollar. Announcing a new industrial policy in parliament on 24 July 1991, the Government abolished the industrial licensing system for all industries except a few related to security, strategic concerns and the like; did away with the system of phased manufacturing programme which required the gradual reduction in the import content of some products; declared the policy of abolishing official controls and promoting energetically foreign investments; assured approval of "direct foreign investment upto 51 per cent foreign equity in high priority industries" (in practice, 'priority industries' include cold drinks, Kentucky Fried Chicken and the like) as well as in "trading companies primarily engaged in export activities"; offered warm welcome and very attractive terms to foreign technology; encouraged the private sector to enter areas previously reserved for the public sector enterprises; promised the closure of loss-making public sector undertakings and part-privatization of the profit-making ones; and promised unhampered growth of monopoly houses by amending the Monopolies and Restrictive Trade Practices Act.[22]

In brief, the main ingredients of the new economic policy are: steep devaluation of the rupee which would transfer resources from India to foreign countries by making imports dearer and exports cheaper, inflate the foreign debt, add to inflationary pressures, reduce real wages and make the rich richer and the poor poorer; dismantling of the regulatory system (without which planning becomes meaningless;) closer integration of Indian economy with the economy of imperialist countries ("our strategy to promote the international integration of our economy", said the "Memorandum on Economic Policies for 1991/92-1992/93"); an open-door policy towards foreign capital and foreign technology; "trade liberalization", lowering of tariffs and removal of other restrictions on free flow of imports (progressive elimination of "licences and quantitative restrictions, especially of capital goods and raw materials"); all-out efforts to increase exports; unrestricted growth of monopoly houses; withdrawal of budgetary support to public sector enterprises and rendering them unviable, closing down sick ones and the beginning of privatization of profit-making ones; dereservation of the areas previously reserved for public sector enterprises; a tight monetary policy, cuts in the expenditure on social welfare, health, education, etc., gradual withdrawal of subsidies for food and fertilizers, considerable increase in administered prices of food, fertilizers, petroleum products and so on; changes in labour laws and an 'exit' policy allowing employers to retrench workers and close down their undertakings freely; restructuring the financial sector; and gradual steps towards free convertibility of the rupee.[23]

While these measures were ruinous to the interests of the vast masses of people, they would be beneficial to the interests of imperialist capital and Indian big comprador capital and help in fulfilling their dreams of expansion. The Indian big bourgeoisie welcomed the free flow of foreign capital and technology, and their apex organizations —FICCI, ASSOCHAM and CII — hailed these measures. But some members of this class had fears that, unable to compete with vastly more powerful transnationals under the new economic order, their enterprises might be swallowed up by them. Yet they hoped to flourish as their collaborators, as their underlings. Speaking at Madras on 11 February 1995, A. K. Rungta, then president of the FICCI, said that *while the strategy should be to welcome foreign direct investment, it should be linked to setting up joint ventures with Indian counterparts.*[24] The Chairman and Managing director of the Hindustan Construction Company, India's largest construction company, told a *Business Standard* representative that "*while there is a threat from large multinational construction companies, we are obviating that through strategic alliances.* For example, we have a joint venture with Impregile, Italy, for a part of the Naptha Jhakri hydro-electric project in Himachal Pradesh.... *It is going to be tough but I think where are are poised for the next 10-15 years, we would be needed by some of the foreign firms who want to establish themselves in India.*"[25] True compradors, the Indian big bourgeois hope that the transnationals would allow them to serve the latter, and by rendering service to them, they hope to serve themselves at the expense of the country and the people.

These economic policies have been framed in Washington by the IMF and the World Bank for implementation by India's ruling classes. The General Agreement on Tariffs and Trade (GATT, now renamed World Trade Organization) has strengthened some of them and added a few more like opening of the financial sector to foreign capital and safeguarding 'intellectual property rights', which would ensure imperialist domination, particularly over Indian agriculture and Indian pharmaceutical industry.

Is there any scope for planning when the Indian ruling classes have undertaken to implement these economic policies affecting every aspect of Indian economy? Do Indian Plans have any control over the economy?

The Planning Commission acknowledged in a paper "Emerging Issues of Planning" that the essence of the process of planning had been eroded. Yet it bravely claimed that it "still has a large role to play". The Eighth Plan 1992-7 pays, as usual, lip-service to the people's welfare and repeats the old, empty verbiage about employment generation (achieving "near full employment level by the turn of the century"), "universalisation of elementary education", "health for all" by the year 2000 and so on, and at the same time makes a virtue of the injunctions of the IMF and the World Bank about abolition of "systems of control and regulation", of "quantitative import restrictions and tariffs", closing down of "unviable PSUs", etc. It states : "Planning and market mechanism should be so dovetailed that one is complementary to the other."[26] The difficulty is that though the market mechanism seeks State intervention to pamper the interests of big capital, it refuses to be guided by the professed objectives of the planners. During the past years of planning, the champions of the 'market mechanism' used State intervention — licences, controls, the public sector, the taxation policy, the credit policy and so on — to become what they are today. As they have grown bigger, they have progressively dismantled the controls and regulations. Today they are scrapping them as so many hindrances to their further expansion under the wing of imperialist capital. Naturally, the market mechanism refuses to be dovetailed with planning.

Our planners have coined a new phrase to describe their planning exercises. In the preface to the Eighth Plan, the deputy chairman of the Planning Commission, Pranab Mukherjee, said: "In line with the changed circumstances, we have redefined the role of the Planning Commission. From a highly centralized planning system, we are gradually moving towards indicative planning."[27] The Plan also states: "These reforms will lead to increased globalization of the economy and its greater integration with the world economy. The freedom and flexibility allowed to the industry will enable it to optimise its competitiveness. In this background, there will be less emphasis on quantitative targets and the planning will become more 'indicative'."[28]

The phrase is a new one; but what else were the previous Plans, if not "indicative"? There was no machinery or mandate to enforce them. As noted before, much of the allocation of available resources and most investment decisions were made according to the priorities which best served the interests of the tycoons, native and foreign. And for a large part of the resources the planners depended on foreign creditors. More important than the amount of resources obtained from external sources at great cost to the people and the country was their crucial importance to the Indian Plans. So the execution of the Plans depended to a great extent on domestic and foreign tycoons as well as on the imperialist lenders whose motives were not quite altruistic. As they paid the piper they invariably called the tune. It is they who controlled the Indian economy, not the Plans. The Plans tried to conform to the policies laid down by them.

There has always been something unreal about the Indian Plans. Their objectives have never been fulfilled; their targets have never been reached. While it is claimed that the overall GDP targets for the Eighth Plan have been achieved, indeed surpassed, this merely underlines the deceptiveness and meaninglessness of overall GDP figures. In fact, apart from shortfalls in planned spending on education, health, and social services, there have been grave shortfalls in crucial infrastructural industries — foreboding crises in the medium term. These planning exercises are futile when the economy is controlled by forces represented by the IMF, the World Bank and the World Trade Organization. But they are not wholly futile if their main purpose is to sow illusions in the minds of the cheated people. Though somewhat useful as a tool of propaganda, they are hardly worth the name of Plans.

It is the development strategy, outlined in the Plans, that spells ruin for the lives of the people. Speaking of Latin America, Andre Gunder Frank wrote: "As Foreign Minister Valdes [of Chile] told President Nixon, and as the U.S. Department of Commerce and E.C.L.A. [Economic Commission for Latin America] have documented extensively, *it is precisely the foreign investment and aid or external assistance which has generated not only Latin America's contemporary colonial structure, commercial and balance of payments crises, but also the underdevelopment – generating domestic economic and class structural aberrations.... The more 'external assistance' from the imperialist metropolis, the more underdevelopment for Latin America.*"[29] What Frank says is no less true of India. If the Indian people take their destiny in their own hands and dare to struggle and win, then only can they break the imperialist stranglehold and put an end to this lumpendevelopment. There is no other way of overcoming the utter deprivation, disease and slow death, the appalling degradation and dehumanization — the lot of hundreds of millions of our people as of people in other underdeveloping countries. In the course of the struggle not only will the country be changed but they themselves will be transformed. The filth of ages will be swept clean.

References and Notes

I. The Genesis

1. Note by Schuster in GOI Commerce Dept. Procs. A. No. 1 of March 1934 file 7-c(1) of 1933; cited in B.R. Tomlinson, *The Political Economy of the Raj 1914-1947*, London, 1979, pp.89-90.

2. G.D. Birla, *The Path to Prosperity*, Allahabad, 1950, pp.1-26.

3. J. Nehru, *The Discovery of India*, London, 1956 reprint, pp.400-1; Frank Moraes, *Sir Purshotamdas Thakurdas*, Bombay, 1957, p.190; S.K. Goyal, *Monopoly Capital and Public Policy*, New Delhi, 1997, p.39; A.H. Hanson, *The Process of Planning: A Study of India's Five-Year Plans 1950-1964*, London, 1966, p.35.

4. For a discussion of the comprador character of the Indian big bourgeoisie, see Suniti Kumar Ghosh, *The Indian Big Bourgeoisie: Its Genesis, Growth and Character*, Calcutta, 1985 and *India and the Raj, 1914-1947: Glory, Shame and Bondage*, Vol. I, Calcutta, 1989, Chapter 2.

5. Purshotamdas Thakurdas et al, *A Brief Memorandum Outlining a Plan of Economic Development of India*, Bombay, 1944, part I, p.48 — emphasis added.

6. P.A. Wadia and K.T. Merchant, *The Bombay Plan: A Criticism*, Bombay, 1945 pp.29,40; and pp.45-7.

6a. Alan Campbell-Johnson, *Mission with Mountbatten*, London, 1951, p. 171 (entry dated 22.8.1947).

7. S. Gopal (ed.), *Selected Works of Jawaharlal Nehru* (hereafter cited as *SWN*), Vols. I-XV (1st series), Vols. I-III (2nd series), New Delhi, 1972-1985; Vol. XIII, p.353.

8. N. Mansergh (editor-in-chief), *Constitutional Relations between Britain and India: The Transfer of Power 1942-7*, (hereafter cited as *TOP*), Vols. I-XII, London, 1971-1983; Vol. IV. pp.851-2; *Indian Annual Register* (ed. by N. N. Mitra), Calcutta (cited hereafter as *IAR*), 1944, Vol. II, p.301.

9. *TOP*, Vol. V, pp.466-71 —emphasis added; see also Vol.IV, pp.424-7,676,741,810-2,851-2.

10. Hanson, *op cit*, pp.37-8; see also Michael Kidron, *Foreign Investments in India*, London, 1965, p.19.

11. For the full text of the Statement, see *Aspects of India's Economy —AIE—*, No. 11, Jan.-Mar. 1991, pp.42-63.

12. *TOP* Vol.V, p.887; see also Tomlinson, *op cit*, p.100.

13. See Wadia and Merchant, *op cit*, pp.43-4 —emphasis added.

14. Hanson, *op cit*, p.38; also H. Venkatasubbiah, *Enterprise and Economic Change: 50Years ofFICCI*, New Delhi, 1977, p.50.

15. Kidron, *op cit*, p.19

II. Two Kinds of Planning

1. Frederick Engels, *Dialectics of Nature*, Moscow, 1966, p.35. Emphasis added except on the words "animal kingdom," which is in the original.

2. World Bank, *China: Socialist Economic Development*, a World Bank Country Study, Vols. I-III, Washington D.C.1983; the quotes are from Vol.I, pp.4,10,11,12,94,104,117,127 and Vol.II, pp. 7, 115 – emphasis added.

3. Chatterjee, "Development Planning and the Indian State," in T.J. Byres (ed.), *The State and Development Planning in India*, Delhi, 1994, p.57.

4. Quoted in Hanson, *op cit*, p.119.

5. See Suniti Kumar Ghosh, *India and the Raj 1919-1947: Glory, Shame and Bondage*, Vol. II, Bombay, 1995,esp. Chap.9.

6. Shelvankar, *The Problem of India*, Harmondsworth, Middlesex, 1940, p.70 — emphasis added.

6a. Alan Campbell-Johnson, Mission with Mountbatten, London, 1951, p. 171 (entry dated 22.8.1947).

7. Francine R. Frankel, *India's Political Economy 1947-1977*, Delhi, 1984, p.84 — emphasis added.

8. Brecher, *Nehru: A Political Biography*, London, 1959, pp. 515-6 – emphasis added.

9. Bowles, *Ambassador's Report*, London, 1954, pp.199-200.

10. Quoted in S. Gopal, *Jawaharlal Nehru: A Biography*, Vol.II, Delhi, 1997, p.221.

11. Moraes, "Gandhi Ten Years After," *Foreign Affairs*, Jan. 1958, pp.257-8, quoted in Gunnar Myrdal,*Asian Drama*, Vol. I, Harmondsworth, Middlesex, 1968.p.97 fn.1.

12. Myrdal, *ibid*, p.117

III. Imperialist Agencies and India's Plans

1. Bowles. *Ambassador's Report*.p. 340.

2. George Rosen, *Western Economists and Eastern Societies: Agents of Change in South Asia 1950-70*, Delhi, 1985, pp. 8,9 – emphasis added.

3. *Ibid*, Introduction, p. XIX.

4. *Ibid*. pp. 51-3 – emphasis added.

5. *Ibid*.p. 247, fn. 24.

6. *Ibid*. p. 53.

7. *Ibid*. p. 54 – emphasis added.

8. *Ibid*, p. 49.

9. Frankel, *India's Political Economy 1947-77*, pp. 101-9; the quote is on p. 109--emphasis added.

10. Bowles, *op cit*, 175-6, 185, 199-200; the quote is on p. 185.

11. Charles Bettelheim, *India Independent*, London, 1968, p. 206.

12. Rosen, *op cit*, p. 73.

13. *Ibid*, pp. 59, 109, 115.

14. Bowles, *op cit*, p. 210.

15. Myrdal, *Asian Drama*, Vol. II, pp. 883-4 – emphasis added.

16. *Ibid*,p.873, fn. 2; p. 876, fn. 3;p. 884, fn. 2; p. 1335; Daniel Thorner,*Agriculture Cooperatives in India: a Field Report*, Bombay, 1964, pp. 33-6.

17. Rosen, *op cit*, p. 32.

18. *Ibid*. p. 37--emphasis added.

19. *Ibid*, pp. 34-6.

20. *Ibid*, pp. 101, 121-2 --emphasis added.

21. "Report on Audit of Foreign Operations Administration, U.S. Assistance Programme for India", May 1954, p. 5;cited in R.K. Hazari and S.D. Mehta, *Public International Development Financing in India*, Bombay, 1968, p. 99.

22. Millikan and Rostow, "Foreign Aid: Next Phase", *Foreign Affairs*, April 1958, pp. 428, 429-30.

23. Millikan and Rostow,*A Proposal: Key to an Effective Foreign Policy*, pp. 2, 33, 71, 79. 81-3, 104, 142 -- emphasis added.

24. Hazari and Mehta, *op cit*, p. 67.

25. Bhambhri, *World Bank and India*, New Delhi, 1980, p. 81.

26. Selig S. Harrison (ed.), *India and the United States* (a report of the proceedings of the conference), New York, 1961, pp. 63-4--emphasis added.

27. *Ibid*, pp. 144, 146.

28. *Ibid*. p. 144 -- emphasis added if not otherwise mentioned.

29. *Ibid*. pp. 52, 58 --emphasis added.

30. *Ibid*. pp. 83-6 --emphasis added; see also Eldridge. *The Politics of Foreign Aid in India*, Delhi, 1969.p. 223, note 66.

31. Harrison (ed.), *op cit*, p. 115 -- emphasis in the original.

32. *Ibid*, p. 8 – emphasis added.

33. *Ibid*, pp. 60, 66-8, 76, 80, 117, 212.

34. *Ibid*, p. 80.

35. Hazari and Mehta, *op cit*, p. 99 –emphasis added; see also Eldridge, *op cit*, p. 266.

36. J.K. Galbraith, *Ambassador's Journal*, London, 1969, p. 76. (The quote is from his letter to President Kennedy, 17 Apr. 1961.)

37. Eldridge, *op cit*, pp. 70-1.

38. Hazari and Mehta, *op cit*, p. 242 –emphasis added.

39. Eldridge, *op cit*, p. 202 -- emphasis added.

40. *Now*, 25 Dec. 1964, p. 4; Rosen, *op cit*, pp. 124, 128-39.

41. See S. Nihal Singh, *The Yogi and the Bear*, New Delhi, 1986, pp. 101-2, 235, etc.

42. *Economic Times* and *Business Standard*, 20 Nov. 1988.

43. Chester Bowles, *A View from New Delhi*, New Delhi, 1969, pp. 196, 199, and "America and Russia in India", *Foreign Affairs*, July 1971, p.649.

IV. Models of Underdevelopment and Dependence

1. Chatterjee, *op cit*, p.54. The lines quoted by him are from (Jawaharlal) *Nehru's Speeches*, Vol. II, New Delhi, 1954.

2. Mao Tsetung, *A Critique of Soviet Economics*, New Delhi, p.66.

3. Bernal, *Science in History*, London, 1954, p.253 —emphasis in the original.

4. L.H. Jenks, *The Migration of British Capital to 1875*, London, 1963 (first published in 1927), p.167.

5. Magdoff, "Economic Aspects of U.S. Imperialism," *Monthly Review*, Nov. 1966, pp.38,39.

6. Landes, *The Unbound Prometheus*, London, 1969, pp.12-4.

7. See Utsa Patnaik, "India's Agricultural Development in the Light of Historical Experience," in T.J. Byres (ed.), *op cit*, pp.267-8.

8. Barratt Brown, "A Critique of Marxist Theories of Imperialism" in R. Owen and B. Sutcliffe (eds.), *Studies in the Theory of Imperialism*, London, 1972, p.64.

9. Sivasubramonian, "Income from the Secondary Sector in India, 1900-47", *The Indian Economic and Social History Review*, Oct.-Dec. 1977, p.489 — emphasis added.

10. Baran, *The Political Economy of Growth*, New York, 1962 edn., p.163.

11. *The Statesman*, 22 Feb. 1995.

12. Patel, "Indian Economy," *Economic Times (ET)*, 3 Mar. 1986.

13. *ET*, 12 Jun. 1994.

14. *Business Standard (BS)*, 26 May 1993.

15. See Baran, *op cit*, p.136. Baran's source is Ragnar Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, Oxford, 1953, p.63.

15a. World Bank, *World Development Report 1997: The State in a Changing World*, New York, June 1997, pp.207,214-5.

16. T. Dos Santos, "The Crisis of Development Theory and the Problem of Dependence in Latin America", in Henry Bernstein (ed.), *Underdevelopment and Development*, Harmondsworth, Middlesex, 1973, pp.67-8.

17. *Ibid*, p. 78.

18. W.G. Friedmann and G. Kalmanoff (eds.), *Joint International Business Ventures*, New York, 1961, pp.151,153; see also Selig S. Harrison (ed.), *India and the United States*, New York, 1961,pp.154-5; "Transnational Corporations in Electrical Industry," *Economic and Political Weekly (EPW)*, 20 Jan. 1979, pp.103-6.

19. Kidron, *op cit*, p.288.

19a. GOI, Planning Commission, *Eighth Five Year Plan 1992-97*, Delhi, 1992, Vol. I, p.13.

20.*Ibid*.

21."The Economy and Political 'Stability'," *EPW*, Special Number, Aug. 1997, p.1220.

22. Quoted in *ibid*.

23. *Ibid*.

24. *Ibid*.

25. See Frankel, *op cit*, pp.269-87; George Rosen, *Western Economists and Eastern Societies: Agents of Change in South Asia 1950-1970*, Delhi, 1985, pp.74-7,80-1.

26. PHDCCI, "Agricultural Price Policy in Indian" (mimeo) Dec. 1988, p.11—emphasis in the original.

27. *ET*, 31 Mar. 1995.

28. PHDCCI, *op cit*, p.15 —emphasis in the original.

29.*Ibid*, p.26 — emphasis in the original.

30. *Ibid*, pp.24-5.

31. Dantwala, "Prices and Cropping Pattern," *EPW*, 19 Apr. 1986, p.695.

32. PHDCCI, *op cit*, p.20.

33. Myrdal, *The Challenge of World Poverty*, London, 1970,p.125 —emphasis in the original.

34. Tanzer, *The Political Economy of International Oil and the Underdeveloped Countries*, London, 1969,p.347.

35. Cleaver, Jr. "The Contradictions of the Green Revolution," *Monthly Review*, Jun. 1972, p.81.

36. Mooney, *Seeds of the Earth: A Private or Public Resource?* San Francisco, 1980 reprint, p.44.

37. *SWN*, Vol. XIV, p.36; also p.477; Vol. XV, p.570, *passim*.

38. GOI, *The Gazetteer of India*, Vol. III, New Delhi, 1975, pp.676-7 — emphasis added.

39. GOI, Planning Commission, *The First Five Year Plan*, New Delhi, 1952, pp.437-8—emphasis added.

40. Quoted in Hanson, *op cit*, p.178.

41. Millikan and Rostow, *A Proposal: Key to an Effective Foreign Policy*, New York, 1957, p.53.

42. *Ibid*, p.104.

42a. *Ibid*, 71,78-83.

43. Hanson, *op cit*, p.179.

44. *Ibid*, pp.189-90.

45. R.K. Hazari and S.D. Mehta, *Public International Development Financing in India*, Bombay, 1968, pp.52,56. This study by Hazari and Mehta was undertaken as a research project of the Columbia University School of Law. George Kalmanoff, associate director of the project, was responsible for the final editing of the study and the drafting of the concluding chapter. In the Preface to the book, W.G. Friedmann, director of the project, wrote: "The responsiblity for the presentation of facts, as well as for the opinions formulated in this study, is entirely that of the Director."

46. Harrison, *op cit*, p.335.

47. GOI, Planning Commission, *Sixth Five Year Plan 1980-85*, New Delhi, 1981, p.14.

48. Quoted in "The World Bank on India's Foreign Debt," *AIE*, No.9, Jul.-Sep. 1992, p.56 — emphasis added.

49. *The Statesman*, 16 Dec., 1993.

50. *BS*, 27 Aug. 1992.

51. *BS* and *Statesman*, 15 Mar. 1995.

52. Eldridge, *The Politics of Foreign Aid in India*, Delhi, 1969, Note 6, p.266; also p.180. See also Hazari and Mehta, *op cit*, pp. 70,97; and Reserve Bank of India, *Survey of Financial and Technical Collaboration in Indian Industry — 1945-70 — Main Report*, Bombay. 1974, p.1063.

53. *ET*, (New Delhi), 1 Mar., 1977.

54. Chaudhuri. "Financing of Growth of Transnational Corporations In India, 1956-75." *EPW*, 18 Aug 1979. p.1431; also N.K. Chandra, "Role of Foreign Capital in

India," *Social Scientist*, Apr. 1977, pp.17-8.

55. Chaudhuri, *op cit*, pp.1431-4.

56. See Ingersoll Rand (India)'s Prospectus issued in August 1977.

57. "Foreign Companies: Easy Pickings," *EPW*,17 Sep. 1977, p.1624.

58. Kidron, *op cit*, p.228.

59. *AIE* No. 6, Oct.-Dec. 1991, p.26.

60. *BS*, 22 Jul. 1995.

61. Kidron, *op cit*, p.257.

62. *Ibid*, pp.261-2.

63. GOI, *Report of the Industrial Licensing Policy Inquiry Committee (Main Report)*, New Delhi, 1969, pp. 137-8; also p.131.

64. H. Venkatasubbiah, *Enterprise and Economic Change: 50 Years of FICCI*, New Delhi, 1977, p.93.

65. Kidron, *op cit*, pp.263-9.

66. Martinussen, *Transnational Corporations in a Developing Country: The Indian Experience*, New Delhi, 1988, pp.19,20.

67. Vaitsos, "The Process of Commercialisation of Technology in the Andean Pact," in Hugh Radice (ed.), *International Firms and Modern Imperialism*, Harmondsworth, Middlesex, 1973, p.319.

68. Vaitsos, "Bargaining and the Distribution of Returns in the Purchase of Technology by Developing Countries," in H. Bernstein (ed.), *Underdevelopment and Development*, Harmondsworth, Middlesex 1973, p.319.

69. *Ibid*, p.320

70. GOI, Planning Commission, *The Second Five Year Plan*, New Delhi, 1956, p.6.

71. News item dated New Delhi, 29 Aug. 1990 in *Financial Express*; facsimile reproduction of it in *AIE*, Jul.-Sep. 1990, p.46 — emphasis added.

72. Kidron, *op cit*, pp. 312-3; also pp.288-9,292.

73. *BS*, 15 July 1995.

74. GOI, *Report of the CSIR Review Committee: Towards a New Perspective*, New Delhi, 1989, pp.2,4,66,70—emphasis added.

75. "Role of Public Funded R & D in the New Economic Environment," *Statesman*, 27 May 1993—emphasis added.

76. *Reserve Bank of India Bulletin*, Feb. 1992; cited in *AIE*, No. 10, Oct.-Dec. 1992, pp.18,24-5.

77. See N.K. Chandra, "Planning and Foreign Investment in Indian Manufacturing," in T. J. Byres (ed.), *op cit*, p.511.

78. *BS*, 1 Apr. 1994.

79. *ET*, 26 Dec. 1992.

80. Myrdal, *The Challenge of World Poverty*, p.40.

81. Panikkar, *Afro-Asian States and Their Problems*, London, 1959, p.80; cited in Myrdal, *Asian Drama*, Vol. I, p.698, fn. 1.

82. Landes, *op cit*, p.66.

83. Johnson, *Technology and Economic Interdependence*, Macmillan, 1975; cited in Vinod Vyasulu, "Technology and Change in Underdeveloped Societies," *EPW*, 23 Aug. 1976, p.73.

84. Braverman, *Labour and Monopoly Capital*, New York and London, 1974, pp. 166 ff.

85. World Bank, *China: Socialist Economic Development*, Vol.I, pp.111,117-8,127; Vol. II, pp.121,123,420 —emphasis added.

86. K.R. Bhattacharyya, "Wages of Foreign Collaboration," *EPW*, 29 Jun. 1974, p.1022.

87. Tanzer, *op cit*, p.271,273.

V. 'Development' Planning — At Whose Expense?

1. Kalecki, "Theories of Growth in Different Social Systems", *Monthly Review*, Oct. 1971, p.77.

2. GOI, Planning Commission, *Seventh Five Year Plan, 1985-90*, New Delhi, 1985, Vol. I, 57,58 (Table 4.15)

3. *ET*, 10 Feb., 1987.

4. See *AIE*, No. 12, Jan.-Mar. 1994, Table 4, p.15. The source is *Statistical Outline of India*, Tata Services.

5. GOI, Planning Commission, *Eighth Five Year Plan, 1992-97*, Vol. I, p.95.

6. *Ibid*— emphasis added.

7. Harrison (ed.), *India and the United States*, p.151, also p.152; see also Mathew J. Kust, *Foreign Enterprise in India: Laws and Policies*, Bombay, 1965, pp. 386 ff.

8. *ET*, 18 Feb. 1997.

9. Neeraj Kaushal, "Corporate Lies and Statistics", *ET*, 30 Mar. 1995.

10. *The Statesman*, 17 May 1995.

11. *Ibid* — 7Dec. 1995.

12. *ET 300: India's Corporate Giants* (an *Economic Times* publication giving the rank and financial performance of each of the top 300 companies for the financial years 1991-92 and 1992-93), Bombay, n.d., p. 16.

13. *ET* 12 Oct. 1995.

14. "Money Manager" supplement, *BS*, 28 Dec. 1995.

15. Kidron, *op cit*, pp.225-6.

16. Amaresh Bagchi, "Export Incentives in India: A Review", in Amiya Kumar Bagchi and Nirmala Banerjee (eds.), *Change and Choice in Indian Industry*, Calcutta, 1981, pp.315-6.

17. *Ibid*, p.315.

18. *Ibid*, p.383.

19. *BS*, 20 Nov. 1995.

20. See *BS*, 1 Jun. and 5 Jul. 1994; *The Statesman*, 21 Dec. 1994; *ET*, 27 Feb. 1995.

21. *BS*, 7 Jun. 1985.

21a. *The Telegraph*, 23 Jun. 1983.

22. S.K. Goyal, *op cit*, p.110.

23. *ET*, 11 Mar. 1991; see also V.M. Dandekar, "Budget 1994-95: Fiscal Aspects and the Real Economy", *EPW*, 16-23 Apr. 1994, p.989.

24. *ET*, 7 Jul. 1995.

25. See *AIE*, No. 9, Jul-Sep. 1992, p.62.

26. *Eighth Five Year Plan 1992-97*, Vol. I. p.95.

27. *Eighth Five Year Plan 1992-97*, Vol. II, pp.67-8.

28. S.S. Acharya, "Getting the Subsidies Right", *ET*, 27 Mar. 1995.

29. Extracts from Reserve Bank of India's report on *Currency and Finance, 1993-94*, reproduced in *ET*, 16 Mar. 1995.

30. *ET*, 16 Mar. 1995.

31. *The Statesman*, 29 Apr. 1995.

32. Jaya Mehta, "Prices and Distribution", in Public Interest Research Group, *Alternative Economic Survey 1993-94*, Delhi, 1994, p.77

33. Minhas, "Planning Process and Budgets" (Excerpts), *ET*, 10 Jul. 1987.

VI. 'Development' Planning — For Whose Development?

1. A.I. Levkovsky, *Capitalism in India: Basic Trends in its Development*, Delhi, 1966, p.467.

2. Goyal, *op cit*, p.46, Table V.2.

3. *BS*, 13 Apr. 1995.

4. *ET*, 18 May 1983.

5. *ET*, 21 Dec. 1993.

6. *BS*, 8 Oct. 1990.

7. *BS* and *ET*, 8 Apr. 1994.

8. *BS*, 29 Oct. 1993.

9. *BS* and *ET*, 7 Sept. 1992; the source cited is Surath Devala (ed.), *Employment and Unionisation in Indian Industry* with an Introduction and conclusion by E.A. Ramaswamy of the Institute of Social Studies, The Hague.

10. *The Statesman*, 4 Apr. 1994.

11. *New Age*, 25 Jul. 1993.

12. *ET*, 24 Sep. 1993; see also *Statesman*, 5 May 1995.

13. *BS*, 5 Oct. 1994.

14. *The Statesman*, 17 Apr. 1994.

15. *The Telegraph*, 25 Aug. 1986.

16. *ET*, 28 Dec. 1982.

17. *ET*, 22 Apr. 1994.

18. Balogh, *The Economics of Poverty*, 2nd edn., London, 1974, p.31.

19. Baran, "On the Political Economy of Backwardness", in A. N. Agarwala and S.P. Singh (eds.), *The Economics of Underdevelopment*, New York, 1963, p.89.

20. *ET* and *Statesman*, 2 and 3 Aug. 1995.

VII. The Plans: Are They Worth the Name?

1. *The Constitution of India* (published by the Govt. of India), Delhi, 1972 edn., Part IV, pp. 26-9. The quote is on p.26.

2. R.N. Jaju, *G.D. Birla: A Biography*, New Delhi, 1985, p.144.

3. GOI, Planning Commission, *Sixth Five Year Plan 1980-85*, pp. iii-iv —emphasis added.

4. *Ibid*, p. xiv.

5. Baran, *The Political Economy of Growth*, 1962 edn., Preface, p. xxix —emphasis in the original.

6. Marx and Engels, "Manifesto of the Communist Party", *Selected Works* Vol.I, Moscow, 1973, pp.110-1.

7. Harry Braverman, *op cit*, p.284.

8. Hazari, *Industrial Planning and Licensing Policy*, Vol.I: *Text*, GOI, Planning Commission, New Delhi, pp.8,9,18.

9. Hazari, *The Structure of the Corporate Private Sector*, Bombay, 1966, p.371.

10. Hanson, *op cit*, 207; also Frankel, *op cit*, p.123.

11. Myrdal, *op cit*, Vol. II. pp.732-3.

12. Gadgil, "Planning without a Policy Frame". *EPW*, Annual Number, Feb. 1967.

13. Bettelheim, *op cit*, pp. 146,147.

14. *Ibid*, pp.362-3.

14a. See Rosen, *op cit*, pp.75-81; Frankel, *op cit*, pp.286-7

15. *Ibid*, p.297.

16. *Ibid*, p.286.

17. Rosen, *op cit*, p.81.

18. See *The IMF Loan: Facts and Issues*, Government of West Bengal, Calcutta. 1981.

19. Chandra Shekhar, "Statement on Economic Policies", press release dated New Delhi, 1 Jul. 1990.

20. See BM, "Liberalisation Lobby's Attempted Coup', *EPW*, 9 June 1990, pp.1237-8

21. See *AIE*, No. 3, Jan.-Mar. 1991, pp.2-3.

22. See *Hindustan Times* (New Delhi), 25 Jul. 1991.

23. See the finance minister's letter, dated 27 August 1991, to the managing director, IMF, and the attached "Memorandum on Economic Policies for 1991/92-1992/93".

24. *The Statesman*, 12 Feb. 1995.

25. *BS*, 24 Oct. 1994 —emphasis added.

26. *Eighth Five Year Plan 1992-97*, Vol. I, p.19.

27. *Ibid*, Vol.I, p. ii —emphasis added.

28. *Ibid*, Vol.II, p.108.

29. Frank, *Lumpenbourgeoisie: Lumpendevelopment*, New York and London, 1974 edn., p.130—emphasis added.