THE INDIAN BIG BOURGEOISIE

Its Genesis, Growth and Character

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, To
THE MEMORY
OF
MY COMRADES
WHO DIED FOR THE PEOPLE

CONTENTS

ABBREVIATIONS

AICC Papers	:	*All India Congress Committee Papers (N.M.M.L.)*
AIE	:	*Aspects of India's Economy* (edited by Rajani X. Desai), Bombay.
BS	:	*Business Standard* (Calcutta).
CEHI	:	*Cambridge Economic History of India* (in 2 volumes); *Vol* I, Cambridge, 1982; Vol. 2, Hyderabad, 1984.
CW	:	*Collected Works.*
CWMG	:	*Collected Works of Mahatma Gandhi,* Vols. 1 -90, New Delhi, 1958-1984.
EE	:	*Eastern Economist* (New Delhi).
EPW	:	*Economic and Political Weekly* (Bombay).
ET	:	*Economic Times* (Calcutta).
FICCI	:	Federation of Indian Chambers of Commerce and Industry.
GoI	:	Government of India.
LAR	:	*Indian Annual Register* (Calcutta), ed. by N. N. Mitra.
IESHR	:	*Indian Economic and Social History Review* (New Delhi).
N.M.M.L.	:	Nehru Memorial Museum and Library, New Delhi.
PT Papers	:	Purshotamdas Thakurdas Papers (N.M.M.L.)
SWME	:	*Selected Works of Marx and Engels* (in 3 volumes), Moscow, 1973 reprint.
SWMT	:	*Selected Works of Mao Tsetung* (in 5 volumes), Beijing, 1967-1977.
SWJN	:	*Selected Works of Jawaharlal Nehru* (in 15 volumes), New Delhi 1972-1982.
TNC	:	Transnational Corporation.
TOP	:	N.Mansergh (editor-in-chief), *Constitutional Relations between Britain and India : The Transfer of Power* 1942-7 (in 12 volumes), London, 1971-1983.

A Roman numeral after the name of a book indicates the number of the volume and the Arabic numeral the page number.

PREFACE

Whether the Indian bourgeoisie comprises two sections—national and comprador—is a thorny question, the correct answer to which is a key to the understanding of the character of the Indian state.

Parliamentary political parties, most political scientists and economic historians refuse to accept the view that the Indian bourgeoisie was divided into two sections—national and comprador—a division on the basis of the nature of their relations with foreign imperialist capital. To them it is almost axiomatic that during the colonial era there was an antagonistic contradiction between the *entire* Indian capitalist class, *including its upper stratum,* and imperialist capital. They contend that though there might be some collaboration at times, the relations between imperialist capital and the Indian big bourgeoisie were primarily antagonistic, at least from the thirties of this century.

We have argued in this book that such a view is not warranted by facts. The capitalist sector in India emerged not as a result of the sharpening of contradictions within Indian society but as a result of the impact of the developed capitalism of a foreign country, backed by state power, on a dependent, pre-capitalist society. Indian capitalism was put into the strait jacket of colonial rule and could hardly develop on autonomous lines. It is our contention that the capitalist class in India soon divided into two—national and comprador. The interests of the former were not interwoven with those of imperialist capital; it sought to develop independently, had antagonistic contradictions with imperialism and was oppressed by it. On the other hand, the comprador section served as agents of imperialist capital; its interests coalesced with those of the latter, though there were minor contradictions between them. It grew big under the fostering care of imperialist capital and has always served as an ally of imperialism in its struggle with the people. The comprador section constitutes the 'anti-nation' within the nation. In this Preface we would like to bring out more clearly than before the distinction between the national and the comprador bourgeoisie in India. In my article "Indian Bourgeoisie and Imperialism",[1] I have given very brief case-studies of some national bourgeois enterprises and their promoters (Excerpts from this article are printed as an appendix to this volume). They belonged mostly to Bengal but one would find such national bourgeois in every region of India. They were (and are) numerically a much larger section, though not the dominant section of the bourgeoisie.

It would be ridiculous to suppose that the national bourgeois enterprises, cited in the above article as typical examples, exhausted the list of such enterprises. And I pointed out that the instances could be multiplied and that similar enterprises existed in every national region of India. Yet, reviewing the first volume of my book *India and the Raj 1919-1947*, a learned professor of economics sarcastically commented that they were too few to constitute a separate section of the bourgeoisie. He would not recognize the existence of the comprador section and any distinction between the comprador and the national bourgeoisie.

Jyotirindranath Tagore, one of Rabindranath's elder brothers, set up the Inland River Steam Navigation Service, a shipping company, in 1884.[2] Its ships carried passengers between Khulna and Barisal and cargo upto Calcutta. A contrast between this venture, which had to face the fierce opposition of a British-owned shipping concern (the Flotilla Company), and the ventures like the Carr Tagore and Company and the Union Bank, which his grandfather, Dwarkanath Tagore,[2a] had established in collaboration with British merchants, would bring out the difference between the national bourgeois and the comprador. Jyotirindranath's venture failed because it could not survive the ruthless rate-war (even free rides and gifts to passengers) with the British company. Later, several other Bengali-owned shipping companies— East Bengal River Steam Service, East Bengal Mahajan Flotilla Company, Bengal Steam Navigation Company and Co-operative Navigation Ltd.— were founded but they all foundered on the rock of

1. *Economic and Political Weekly*, Special Number, November 1988. A somewhat abridged version of it forms the second chapter of my book *India and the Raj 1919-1947: Glory, Shame and Bondage*, Vol. 1, Calcutta, 1989.
2. See Rabindranath Tagore, "Jiban-Smriti", *Rabindra-Rachanavali*, X, Calcutta. Birth-Centenary Edition, B.S. 1368, 116-7; Sumit Sarkar, *The Swadeshi Movement in Bengal*, New Delhi, 1994 reprint, 109-10.

2a. See "Liquidation of Big, Independent Traders and Rise of Compradors", Chapter 6 below.

cut-throat competition from British shipping companies. The British companies would bring down rates and suffer losses for sometime to crush their Bengali competitors out of existence. Another cause of the shipwreck was the refusal of jute mills, including the Birla-owned jute mill, to accept cargo carried by Indian-owned (i.e., Bengali-owned) ships.[3] The Swadeshi Steam Navigation Company of Tuticorin also was a victim of the war with much more powerful British interests.[4]

For the benefit of people like the above professor of economics, we may add a few more examples to those we have already mentioned as national bourgeo is enterprises. Among other such enterprises in different sectors of industry were Sreenath Mill (a cotton textile mill), Dhakeswari Cotton Mills, National Tanneries, Bengal Potteries, National Soap Factory, Bengal Soap Company, Pabna Silpa Sanjibani Co., Bengal Hosiery Company, Bande Mataram Match Factory, Oriental Match Manufacturing Company, Bengal Cigarette Manufacturing Company, Rangpur Tobacco Company, Manorama Candle Factory, National Oil Mill, Standard Pharmaceuticals, Oriental Metal Industries, New India Metal Works, Maya Engineering Works, Atlas Weighing Machines, Bharat Jute Mills, Bengal Electric Lamp Works and Sadhana Aushadhalay. Some banks and insurance companies were also founded by the national bourgeoisie. Among them were the Bengal National Bank, Comilla Union Bank, Comilla Banking Corporation, Dass Bank, National Insurance Company, Eastern Life Insurance, India Equitable Life Insurance and Hindustan Co-operative Insurance.[5] I have confined myself mostly to Bengal, but similar enterprises existed in every other region of India. For my lack of knowledge of those enterprises or their promoters, I have not been able to cite them.

3. Report of the Bengal Provincial Banking Enquiry Committee 1929-30, Vol. III : Evidence — Part II, Calcutta, 1930, 161.
4. Amit Bhattacharyya, *Swadeshi Enterprise in Bengal 1900-1920*, Calcutta, 1986, 156.
5. For details, see Amit Bhattacharyya, *Swadeshi Enterprise in Bengal 1900-1920* and *Swadeshi Enterprise in Bengal: The Second Phase 1921-1947*, Calcutta, 1995; Sudip Chaudhuri, Bengal Chemical : 1892-1977 (mimeo), Indian Institute of Management, Calcutta, n.d., and Indigenous Firms in Relation to the Transnational Corporations in the Drug Industry in India (mimeo), Indian Institute of Management, Calcutta, 1984; Viswakarma, *Lakshmir Kripalabh : Bangalir Sadhana* (Lakshmi's Blessings : Bengali Enterprise), Calcutta, 1969; Alamohan Das, *Amar Jivan* (My Life), Howrah, B.S.; 1356; Sumit Sarkar, *op cit*, Chap. 3.

Besides such medium-size enterprises, there were small-scale capitalist units scattered throughout India. In 1951, under the Industries (Development and Regulation) Act, a unit employing less than 50 workers with power and less than 100 workers without power, was not subject to industrial licensing and was deemed a small-scale unit. *Business Standard* of 29 May 1993 stated that this sector comprised almost 20 lakh units and employed 80 per cent of the total industrial labour in the manufacturing sector. According to an article in *Economic and Political Weekly*, "Roughly 50 per cent of manufacturing output is from small industry."[6] Today, encouraged by the government, imperialist and comprador big capital are invading this sector and exercising control over a number of such units. For their benefit the central government has raised from time to time the ceiling of investments in them.[7] Earlier, the Industrial Licensing Policy Enquiry Committee of 1969 found "several cases of unincorporated units within the fold of even the biggest business houses".[8]

But there is no doubt that the overwhelming majority of these units during the colonial or the post-colonial era were (and are) owned and managed by the national bourgeoisie. In our article "Indian Bourgeoisie and Imperialism", we have dwelt briefly on the small-scale engineering units of Howrah (see Appendix). Here we would refer to some of the counterparts in Punjab of the skilled *mistries* of Howrah. Manjit Singh writes : "The cycle and sewing machine industries of Ludhiana, which started as small repair workshops run by entrepreneuring Ramgarhias, grew to the level of small-scale factories. The Ramgarhias, a traditional artisan community working with wood and iron, brought up this industry mainly by enlarging their traditional workshops and first converting them to manufacture and then elevating them to the level of a small factory.... A report in the early sixties on Ludhiana's engineering industry shows that nearly 50 per cent of the owners were Ramgarhias who had

6. S. Nanjundam, "Changing Role of Small-Scale Industry", *EPW*, 28 May 1994, p. M 62.
7. See "Industrial Policy : Smuggling Big Units into Small-Scale Packages", *Aspects of India's Economy* (Bombay), No. 1, July-Sept. 1990.
8. Cited in Naser Tyabji, *The Small Industries Policy in India*, Calcutta, 1989, 184; see also pp. 182-8 and S. K. Goyal, S. K. Chalapathi Rao and Nagesh Kumar, *Studies in National Development: Small-Scale and Big Business*, New Delhi, 1984.

been blacksmiths a decade earlier."[9] To quote Singh again, "the peculiar feature of Punjab's small-scale industries is that most of them have evolved from the traditional handicraftsman's small workshop to 'manufactories' and, more recently, to factories." Singh adds that "within the powerloom weaving industry the size of the units is so small that, on an average, ten to fifteen workers are employed per unit. Most of these units are owned by those persons who themselves had been workers in the weaving industry at some stage in their lives. A similar evolutionary development from below has been observed, not only in the textile industry but also in the cycle and cycle parts industry of Punjab.... In the industry for the production of agricultural implements, the role of traditional artisans has been of central importance in Punjab, as for example, that of the Ramgarhias from Goraya town in Jullundur."[10]

This is what Marx called "the really revolutionising path" to capitalism[11]—the path that P. C. Ray (the founder of Bengal Chemical and Pharmaceutical Works), B. D. Amin (of Alembic Chemicals), Narendra Nath Dutt (of Bengal Immunity), Surendra Mohan Basu (of Bengal Waterproof), Alamohan Das (of India Machinery and several other enterprises) and others like them as well as the skilled *mistries* of Howrah and the Ramgarhias of Ludhiana and Jullundur followed. Unlike the path of the big compradors, the Tatas, Petits, Birlas, Goenkas, etc., theirs was the path of independent development. Unlike the enterprises of the compradors, their enterprises had invariably small beginnings. And unlike the compradors, instead of buying technology from their foreign principals, they acquired mastery over the technology they used and they themselves were innovators. It is they who pioneered the chemical and pharmaceutical industry in India. Their enterprises represented almost all consumer goods industries and it is they who had started making machine tools long before the compradors, moving on the crutches of collaboration with imperialist capital, entered this industry. The Fiscal Commission of 1949-50 observed : "In most of these [small scale] industries, the proprietors are middle-class people who have had

9. Manjit Singh, *The Political Economy of Unorganised Industry,* New Delhi, 1990, 83.
10. *Ibid,* 84-5.
11. Karl Marx, *Capital,* III, Moscow, 1974 reprint, 334.

adequate practical training in the conduct of their business, and are familiar with the technical process of the industries."[12]

The national bourgeoisie has many inventions and innovations to its credit.[13] Dr. U. N. Brahmachari invented the remedy for *Kalazar,* a dreaded disease, in 1921; his laboratory produced it on a commercial scale and the disease was banished from the country. Unfortunately, after the lapse of many years, it shows signs of returning.

Speaking of China before 1949, Mao Tsetung said that the national bourgeoisie was "oppressed by imperialism and fettered by feudalism". This was no less true of India's national bourgeoisie and is true even today. Because of the prevalence of feudal relations in India's vast countryside, the Indian market was narrow. And because of the stranglehold over Indian economy—domestic and foreign trade, industry, finance, etc.—by imperialist capital and its compradors—and the inimical policies of the colonial state, the national bourgeoisie could hardly grow, expand, even survive. We have noted how Bengali-owned inland shipping companies were killed by imperialist capital with its vast resources and with the support of kindred interests. In an appeal to the Congress-appointed Planning Committee, addressed to its president, Jawaharlal Nehru, B. D. Amin of the Alembic Chemical Works and vice-president of the Indian Chemical Manufacturers' Association, wrote on 16 December 1938 : "It is a well-known fact that the policy of discrimination between Indian industries and foreign industries has been at work in this country for many years past to the detriment of the indigenous industry." As an illustration he pointed out the various disabilities to which "spirituous medicinal, toilet and perfumery preparations are subjected... while similar imports from overseas are free from them."[14] The national bourgeoisie had antagonistic contradictions not only with the imperialist bourgeoisie but also with the compradors. (See "Ingredients of Hostility", Chap. 9 below.)

The disabilities from which the national bourgeoisie suffered have not disappeared after the end of the direct colonial rule; rather, they

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12. *Report of the Fiscal Commission 1949-50,* New Delhi, 1950, 112; quoted in Tyabji, *op cit,* 126, n. 50.
13. See Amit Bhattacharyya. *Swadeshi Enterprise in Bengal : The Second Phase,* 168-93 for some instances.
14. PT Papers, File No. 220, Part I (N.M.M.L.)

have grown worse because of the policies of the post-colonial state. At the fourteenth conference of the All India Soap Makers' Association, held in April 1948, the representative from the Calcutta Chemical Works moved a resolution, which said : "The Association views with grave concern the alleged report that some foreign interests are contemplating to float soap factories in India either independently and/or in collaboration with Indian capital." And in his presidential address at the 1951 annual conference of the Association, Godrej (then the leading soap-manufacturer in India and a national bourgeois but no longer so) said : "Such an industry which could withstand the might of an alien government in those days and win through, finds itself now unable to withstand the incomprehensible attitude of our national government."[15]

Because of "the incomprehensible attitude of our national government", almost all the medium-size national bourgeois enterprises in Bengal, Bengal Chemical, Banga Lakshmi Cotton Mills, Mohini Mills, Bengal Immunity, Bengal Lamp, Calcutta Chemicals, Bengal Potteries and so on have been wiped out or taken over by compradors or their state and turned sick.

Sudip Chaudhuri writes that the drug industry in India before 1947 developed primarily due to "indigenous efforts", that is, the efforts of the national bourgeoisie. But, after 1947, the government "did not protect the indigenous firms when the TNCs [Transnational Corporations, voracious mammoths spawned by imperialist capital] started manufacturing drugs in India. It, in fact, encouraged the TNCs to invest in India. The government's licensing and pricing policies and the patent system adversely affected the indigenous firms." He added that technology was "not a bottleneck for the indigenous firms to replace most of the manufacturing activities of the TNCs. The indigenous firms actually had manufacturing technology to produce at least 76.8 per cent of the value of bulk drugs produced by the TNCs during 1976 / 76-77 and 1977 (77-78) and at least 97.8 per cent of the value of formulations sold by the TNCs during 1977 and 1978. There is no evidence to suggest that the drugs of the indigenous firms are of inferior quality compared to [those of] the TNCs."[16]

15. "Economic Data Relating to Some Statements in the [1951] Draft Programme", Communist Party of India, 1951, 24.
16. Sudip Chaudhuri, Indigenous Firms in Relation to the Transnational Corporations in the Drug Industry in India, p. ii.

It is the professed policy of the government to assist the small scale sector in different ways. The claim, like many other official claims, is hardly matched by performance. Instead of going into details,[17] we would first refer to a survey of small-scale enterprises carried out more than three decades ago by the Ford Foundation's International Perspective Planning Team on behalf of the ministry of Industry. According to A. H. Hanson, "one of the team's most important findings is that, under the present system of allocation, small factories are seriously handicapped, in comparison with large ones, in their efforts to acquire 'scarce raw materials and imported components'. As they receive lower allocations, in relation to capacity, than the large factories, they have to rely to a much greater extent than the latter on the black market, where they buy at prices which place them at a competitive disadvantage. The team does not attempt to quantify this disadvantage, but considers it to be serious enough to 'override all... types of assistance offered to small firms by the Government."[18]

We would quote a few words which may be said to have come straight from the horse's mouth. The minister of state for small-scale industry in 1990 said : "Reservation (for the small scale industry) exists for 836 items [the number has been slashed since then]. In these areas, large units have encroached dangerously : for example, toothpaste. The licensed capacity of the large units was not enhanced but they were allowed to farm out production to small units. The big houses [chiefly transnational] then simply put their brand name on the products and sold them, thereby benefiting the most. Take shoes, for instance. The small unit is making them, the multinational is selling them."[19]

The multinational reaps the benefit while the small unit struggles to survive by paying its workers much less than living wages.

The national bourgeois have always been victims of discrimination in respect of grant of loans from banks and other financial institutions, allocation of industrial raw materials, etc. National bourgeois enterprises

17. See "Industrial Policy : Smuggling Big Units into Small-Scale Packages", *AIE*, No, 1, July-Sept. 1990, V. K. Sharma, "Hoax of Marketing Assistance of SSIs", *AIE*, No. 2, Oct.-Dec., 1990, 90; "Fairy Tales about Foreign Investment", *AIE*, No. 5, July-Sept. 1991.
18. A. H. Hanson, *The Process of Planning: A Study of India's Five-Year Plans 1950-1964*, London, 1966, 509-10.
19. *ET*, 21 Aug. 1990; quoted in "Fairy Tales about Foreign Investment", *AIE*, No. 5, 64-5.

languish for lack of adequate working capital, while the "easy availability of public funds has made leeches" of the big compradors. The latter pillage the public sector commercial banks with impunity and turn them sick.

Very recently *Economic Times* reported : "In the past five years or so, the various moves undertaken by the governments have sent a single message. The small is unwanted."[20]

With the transfer of power in 1947, the Indian ruling classes inherited a foreign sector in the Indian economy, which dominated India's foreign trade, industry, plantations, banking and insurance. Instead of seeking to break the imperialist stranglehold, they have created conditions for the fabulous expansion not only of the branches and subsidiaries of transnational corporations but also of the joint ventures they have set up in collaboration with Indian big capital. The dependence on foreign capital, technology and loans (including what is euphemistically called 'aid') from imperialist countries and international financial institutions controlled by them has been an in-built feature of India's 'development' plans. The Indian ruling classes have an insatiable appetite for foreign capital and technology. Today, even the regulatory mechanisms which existed some years ago have been virtually dismantled and the free flow of imperialist capital into every pore of Indian economy is being hailed by the frontmen of the big compradors as the remedy for all the ills from which India suffers. In the climate created since 1947 the medium-size enterprises of the national bourgeoisie are an endangered species.

The woes of the national bourgeois found expression in a pamphlet "Menacing Multinationals in India", issued in April 1978 by the Golden Tobacco Company of Bombay. It stated :

"neo-colonialism is largely exercised and promoted through multinational corporations, many of them monopolies, which like colossuses stand astride the various sectors of the developing economies. By gigantic operations, these multinationals attain economic domination in their chosen spheres — an amazing domination that strangles, annihilates and scares away indigenous enterprises, *Severally and jointly, they eat into the very vitals of the developing economies, and in the cancerous process, tend to undermine or even destroy the sovereignty of the host countries over their own natural resources*" (emphasis added).

20. "SSIs to attend $ pre-budget meet to air woes", *ET*, 11 Jan, 1999.

Speaking of the ITC and Vazir Sultan Tobacco Company, which are virtually Indian subsidiaries of the multinational. British-American tobacco of the U.K., the pamphlet goes on to say : "Ever since its advent in India the cigarette monopoly by its ruthlessness has wiped out some 200 indigenous units.... Even after the country's attainment of political independence, the monopoly has not in any way been curbed or contained. On the contrary, its increasingly formidable position in the cigarette industry (and now also in the tobacco industry!), coupled with its growth through vertical integration, has for long scared away and thus shut out from the industry even the most daring and resourceful new Indian entrepreneurs.... It is indeed strange and surprising that in a free country a multinational monopoly operating in the *trivial and socially undesirable* cigarette industry has come to occupy a *commanding position* in the national economy. There are many more such instances and one rightly wonders whether this great country has reconciled itself to remain a *colony by consent,* economically of course" (emphasis in the original).

The ITC not only enjoys monopoly in cigarette manufacturing and tobacco leaf, but has also diversified into hoteliering, packaging and printing, paper and paperboard, agri-business, aquaculture, financial services, international trading and international systems and spawned several subsidiaries like ITC Bhadrachalam and ITC Hotels, and even subsidiaries in Singapore and the U.K. It is planning to enter into greener pastures like food processing, power, steel and cement.[21] A few years ago an ITC advertisement stated : "Over the last ten years, ITC has grown at a compound average of 35% in turnover and profits"[22] And the then chairman of ITC, K. L. Chugh, said : "For ITC, the time has come to think and do big things, Economic reform has opened enormous opportunities before us. We must take full advantage of them and use our financial muscle and management expertise to take a quantum jump in our business activity."[23]

While the 'economic reform' introduced in the early nineties is bleeding the people white and annihilating many national bourgeois enterprises, it has opened up new horizons for the growth and expansion

21. *ET* and *BS*, 21.11.94
22. See 300 *Corporate Giants : A* Business Standard *Study*, Calcutta, May 1993
23. *BS*, 21.11.94

of branches and subsidiaries of transnational and of their collaborative ventures with their compradors.

Reviewing the first edition of this book in his article "The Indian Big Bourgeoisie : Comprador or National?"[24], Partha Chatterjee agrees with me on certain issues and disagrees with me on others. In its two issues of February 1 and 8, 1986, *Frontier* carried my rejoinder. Here I shall confine myself to one point of our disagreement. He seems to agree with me that the Indian big bourgeoisie collaborated with foreign capital and the colonial government until the end of World War I. He also agrees with my statement that "instead of coming into conflict with each other, British monopoly capital and Indian big capital looked forward to playing complementary roles in the post-[Second World] war period". He argues that it was the "principal political objective of the Indian big bourgeoisie, certainly by the late 1930s", to have "a *formally* independent state of their own".[25] But he disagrees with my contention that the Indian big bourgeoisie has remained comprador, even after 1947. He asserts : "To a large extent, the old problem of comprador/national capital developed in the context of the pre-World War II situation is now obsolete."[26]

Chatterjee states that "Ghosh recognizes that formal political independence has now given the Indian bourgeoisie the freedom to woo several imperialist powers instead of one, and to bargain between them (p. 278)".[27] He does injustice to me as he reproduces only part of my sentence, which fails to represent my view fully. I stated : "Formal political independence, that is, the transition from a colony to a semi-colony (a formally independent country which is 'enmeshed in a net of financial and diplomatic dependence'), has given the Indian bourgeoisie, *mainly the big bourgeoisie,* the freedom to woo several imperialist powers instead of one and to bargain between them *but within the framework of basic dependence on them.*" This is followed by the sentence : "Though the comprador bourgeoisie is bound to the bourgeoisies of imperialist countries by many threads, visible and

24. First published in *Frontier,* Autumn Number, Oct. 19–Nov. 2, 1985; reprinted in Partha Chatterjee, *A Possible India : Essays in Political Criticism, Oxford* University Press, 1997
25. Chatterjee, *A Possible India,* 10–emphasis added.
26. *Ibid.*
27. *Ibid,* 9.

invisible, it is its power to bargain between them that gives the appearance of its 'independence'."[28]

Second, Chatterjee has cited the Benthall Papers in support of his argument that a serious contradiction developed by the late 1930s between Indian capitalists, "particularly those based in Calcutta", and expatriate British capital. The fact is, large investments were made in British-controlled companies in the twenties and the thirties by Indians, especially their Marwari brokers and *banians,* who were given seats on their boards of directors, but control of those companies remained firmly in British hands who exercised it through their managing agencies.[29] Instead of fierce opposition between them, there was a strong desire on both sides to co-operate and collaborate with each other.

World War II, which started in the late thirties, brought them closer. As Michael Kidron observed, "This drawing together went beyond the confines of individual companies. While the war perpetuated many of the old Indo-British conflicts and produced some new ones — the Empire dollar pool, the ultimate fate of India's sterling balances — it also injected new incentives to Indo-British collaboration."[30] As the war proceeded, the ties of collaboration became closer and stronger. An Eastern Group Supply Council with Britain, Australia, New Zealand, South Africa and India was set up early in 1941 and the Indian big bourgeoisie was depended upon for supply of some materials essential for the prosecution of the war. The Indian big bourgeois became even a part of the government machinery. They served on different official committees. For instance, G. D. Birla was a member of the Reconstruction Committee, Trade and Industry; Thakurdas, of the Reconstruction Committee, Resettlement and Re-employment; Lala Sir Shri Ram, of the Reconstruction Committee, Disposals, Contracts and Government Purchases; and so on.

In July 1941 Sir Homi Mody, a senior director of the Tatas, who had been president of the Bombay Millowners Association for several years, was appointed a member of the Viceroy's Executive Council and its vice-president. In June 1944 Sir Ardeshir Dalai, managing director of the Tata Iron and Steel Company, became a member of the 'Viceroy's Executive Council and was placed in charge of planning and

28. See "Changes after World War II", Chap. 10 below.
29. See "Indian Capital in Foreign-controlled Companies", Chap. 8 below.
30. Michael Kidron *Foreign Investments in India*, London, 1965, 58.

development. He was also one of the authors of a *A Brief Memorandum Outlining a Plan for Economic Development for India,* popularly known as the Bombay Plan, the first part of which came out in January 1944. Its authors, besides Dalai, were the biggest tycoons of India — J. R. D. Tata, G. D. Birla, Purshotamdas Thakurdas, Shri Ram, etc. As Professors P. A. Wadia and K. T. Merchant observed, '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 business, of which we have had such bitter experience in the past and in the present."[31]

Partha Chatterjee has overlooked the significant fact that the decline and fall of *expatriate* British capital did not mean the decline of British capital and of its domination over Indian economy. He has overlooked the change in the character of British capital investments in India. It is true that British *expatriate* firms began to decline from about the end of the twenties and the *expatriate* capitalists began quietly to sell much of their interests mostly to their *banians* and brokers at fabulous prices after World War II. It may be noted that British *expatriate* capital, represented by the Benthalls, had by the end of the thirties served its *main,* age-old purpose of mediating between metropolitan capital and the Indian market and sources of raw materials.

During the inter-war years, Britain's industrial structure underwent a radical change. By 1939, as Eric Hobsbawm said, "Britain was no longer a Victorian economy".[32] The traditional British industries like textiles, ship-building and coal declined with their export markets. New industries, technologically much more advanced and adopting mass production methods, such as engineering, electrical goods, chemicals and automobiles, arose to take their place.

There was another most significant change. Metropolitan capital had passed into the stage of monopoly capitalism. As a result of increasing concentration of production, there emerged giant corporations like the ICI, Unilever, Guest Keen Williams, British Oxygen, GEC, Imperial Tobacco, etc., which started setting up their own branches and

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31. P. A. Wadia and K.T. Merchant, *The Bombay Plan : A Criticism,* Bomnay, 1945–emphasis added; see also Suniti Kumar Ghosh, " 'Development' Planning in India : Lumpen development and Imperialism", AIE, No. 24, July-Sept. 1997, 5-13
32. Eric Hobsbawm, *Industry and Empire,* Harmondsworth, Middlesex, 1976 reprint, 213; see Chapters 9, 11 and 13.

subsidiaries in India — their 'India Ltds.' As Eric Hobsbawm put it, "gradually the sun of the old-fashioned rentier was setting"[33] and the sun of the giant transnational corporation was rising. The typical British managing agency firms in India, which had mainly served British industries as importers of their manufactures and exporters of raw and semi-processed materials, no longer justified their existence.

The character of British investments in India began to change from before World War II. Previously "the typical foreign investment was smaller, made by individuals and directed by expatriates through managing agency firms." To quote Tomlinson, "The available information suggests that by Independence [1947] about *half* of British private capital holdings in India was direct foreign investment (DFI) in the subsidiaries of British-based companies. Portfolio investment (which can largely be associated with the activities of the managing agency houses) was concentrated mainly in the old staples of tea, jute, coal, shipping, etc.; direct investment (which can be associated with the activities of multinational enterprises, or MNEs) was mostly in the 'new' industries of chemicals, processed foods, Pharmaceuticals, paints and varnishes, and so on."[34] It was the subsidiaries of British multinationals which became, as Tomlinson says, "the dynamic sector of foreign business enterprise from the 1930s onwards".[35]

Another very significant development started towards the end of World War II to assure the continued ascendancy of imperialist capital and its domination over Indian economy. There was a willingness of both imperialist capital and big Indian cpaital to set up joint ventures. As early as September 1942 Ernest Bevin, a member of Churchill's cabinet, wrote to Secretary of State Amery that he had misgivings that "much of our own thinking on post-war export trade is in terms of consumer goods". He suggested that "in the consideration of post-war trade" the question of "whole-hearted co-operation in the industrialization of India" should be given immediate consideration and "plans should be made accordingly and considered now".[36] A kind of industrialization

33. *Ibid*, 259.
34. B. R. Tomlinson, "British Businees in India, 1860-1970", paper presented at the seminar at the Indian Institute of Mangement, Ahmedabad, in March 1989.
35. *Ibid.*
36. *TOP*, III, 8-9

in India under the guidance of British capital in the post-war days was regarded as necessary in its interest. According to Tomlinson, the "proceedings and pamphlets of the Federation of British Industries indicate that some British businessmen were beginning to see this by the 1940s."[37] In January 1945 Amery informed Viceroy Wavell that the U. K. business interests were anxious "to assist India's industrial expansion", which, "if properly organized", would be a source of considerable profit to them as well as to Indian capitalists "by expanding the market in India for United Kingdom goods" — machinery, equipment, components, semimanufactured materials as well as sophisticated consumer goods for the section of affluent Indians. They expected that through co-operation with Indian industrialists and by setting up manufacturing units in India, British monopolies would be able to *guide* production in India and to strengthen "our position in the Indian market".[38]

Wavell began preparations in January 1944 to send a delegation of Indian business magnates to Britain (and to the U.S.A., if they wanted). This delegation, led by J. R. D. Tata and G. D. Birla, went to those countries in the summer of 1945 in quest of collaboration and capital. Even earlier, deals had been struck between Walchand Hirachand and Chrysler of the U.S.A. and between Kirloskar and the British Oil Engines for setting up joint ventures in India. In January 1945 Amery informed Wavell that several negotiations, such as those between the ICI and Tata and between Nuffield and Birla, were going on between British and Indian magnates for establishing collaborative ventures in India. Both Amery and Wavell were eager to promote this collaboration between British and Indian big capital. Manu Subedar, a small industrialist and then a prominent leader of the Indian Merchants' Chamber, Bombay, denounced such joint ventures as "illegitimate marriage" in the Central Legislative Assembly in 1945.

Thus, besides setting up branches and subsidiaries, transnational began to establish joint ventures in India in collaboration with Indian business magnates. There began an intimate fusion of imperialist capital and Indian big capital. As technology and capital goods (in which technology is embodied) are in the hands of a transnational, the control

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37. Tomlinson, *The Political Economy of the Raj 1914-1947*, London, 1979, 166.
38. *TOP*, V, 466-71

of the joint venture usually rests with it, whatever may be its equity holding. To quote Kidron, "the technologically progressive firm would seem securely in control of a joint venture in a technologically-intensive industry whatever its financial stake."[39] "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 in an indirect drain on the foreign exchange resources of the country."[40]

The type of large and technologically-intensive industrial unit most favoured by both transnational and Indian business magnates is a joint venture between them. This is the type that like the Amerys and Wavells, the Indian government and its planners have consistently promoted. The First Five Year Plan 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."[41]

It is worth noting that foreign capital investments in this country and most of the Indian capital invested in the private as well as in the public sector have few spread-effects within India. The enterprises set up by transnational—whether branches, subsidiaries or joint ventures — as well as by Indian big compradors or state capital depend on foreign countries for most of their machinery, components, spare parts, industrial raw materials etc, Dividends, profits, royalties, technical fees, interest and so on have their attraction for the transnational but it is not content with these only. It uses its branches and subsidiaries as well as all enterprises set up in collaboration with Indian private or state capital as sales outlets for continuous sale of machinery, spare parts, components and so on at prices much higher than international prices.[42] 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

39. Kidron, *op cit*, 288.
40. Report of the Industrial Licensing Policy Inquiry Committee (Main Report), New Delhi, 1969, 137-8—emphasis added.
41. GoI, Planning Commission, *The First Five Year Plan*, New Delhi, 1952, 437-8.
42. See Kidron, *op cit*, 263-9.

than it adds to them. It is the imperialist countries and the Indian compradors that benefit from such 'development'.

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."[43]

What Frank said of Latin America is no less true of India.

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." 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."[44]

'Typical of the old capitalism", said Lenin, "when free competition held undivided sway, was the export of *goods.* Typical of the latest stage of capitalism, when monopolies rule, is the export of *capital*"[45] It is the Indian big bourgeoisie and its state which serve as the conduits through which huge investment capital from imperialist countries and even more huge loan-capital from these countries as well as from the international financial institutions (like the World Bank and the IMF, controlled by them) enter this country to dominate almost every sphere

43. Andre Gunder Frank, *Lum-pen-bourgeoisie : Lumpendevelopment*, New York and London, 1974 edn., 130.
44. 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, 67-8, 78.
45. Lenin, "Imperialism Highest Stage of Capitalism", *Collected Works*, XXII, Moscow, 1974 reprint, 240.

of its life and to drag India into the debt trap. It is this collusion that makes up the dependent situation.

In support of his view that the comprador/national question is now obsolete. Partha Chatterjee argues that "what is crucial is that Indian big capital was looking towards changing the *political terms*" (emphasis in the original) on which it would bargain and collaborate with British monopoly capital. According to Chatterjee, Indian big capital "was seeking to collaborate not under the aegis of a colonial state, but of an independent state operating in the world economy".[46] Whenever, in the preceding paragraphs, Chatterjee used the words 'independent state', he qualified them with the word 'formally'. Is it correct to equate a *formally* independent state' with an 'independent state'? If, according to Chatterjee, "the creation of a *formally* independent state... was a principal political objective of the Indian big bourgeoisie", "the political terms" on which they would bargain and collaborate would not be *essentially* different from what those terms were during *direct* British rule. They might be able to bargain between some imperialist powers but they would still remain harnessed to the yoke of imperialism. This ability to bargain, very much restricted by their basic dependence on imperialism, might bring them some gains but the losses to the people would be enormous.

Chatterjee writes : "For whatever historical reasons, the leadership of the national movement in India remained firmly in the hands of the bourgeoisie, and so have the central organs of the Indian state since independence [sic!]."[47] The movements led by the big bourgeoisie whose objective, according to Chatterjee, was the achievement of *formal* political independence, can hardly be deemed national. Rather, they actually sought to forestall or disrupt anti-imperialist struggles the objective of which was genuine national liberation — freedom outside the imperialist orbit.[48] No doubt, the Indian state which emerged in 1947 is *"their* state"[49]—the state of the Indian big bourgeoisie. But the question is, what is the nature of this state?

One should distinguish between two kinds of decolonization — the genuine decolonization which was achieved by China in 1949 and the

46. Partha Chatterjee, *op cit,* 10.
47. *Ibid.*
48. See Suniti Kumar Ghosh, *India and the Raj 1919-1947.*
49. Chatterjee, *op cit,* 10—emphasis in the original.

sham decolonization which took place in India, Pakistan, etc. Long ago, in 1920, Lenin warned against "the deception systematically practised by the imperialist powers, which, under the guise of politically independent states, set up states that are wholly dependent upon them economically, financially and militarily".[50] One form of such dependence, according to Lenin, was the semi-colony.[51] It is my contention that, after the transfer of power in 1947. India changed from a colony to a semi-colony and that, instead of remaining the monopoly possession of British monopoly capital, India has become the happy hunting-ground of the monopolists of various imperialist countries. (The transition of India from a colony to a semi-colony has been discussed somewhat elaborately in *India and the Raj 1919-1947* and my forthcoming book *India : From Colony to Dismembered Semi-Colony).*

The sovereignty of the Indian state is a myth. The classes — the big bourgeoisie and the feudal class, the former being the dominant partner — to whose 'friendly and reliable hands' British imperialism transferred the reins of direct administration of India in 1947, never aspired to it.[52]

After attaining 'independence', India has remained integrated into the capitalist-imperialist system. The complementarity between Indian economy and the economy of the imperialist countries has not been broken and India has continued to orbit as a satellite within the imperialist system. As Harry Magdoff points out, "these countries [of the third world] under the sway of a long history of colonialism, have evolved a mode of production, a class structure, and a social, psychological and cultural milieu that are subservient to the metropolitan centres."[53] Britain's *formal* empire changed into an *informal* empire shared by Britain with other imperialist powers headed by the U.S.A. Dr Thomas Balogh, famous Oxford economist, who became economic adviser to the British cabinet, wrote in 1963 : "...'neo-imperialism does not depend on open political domination'. The economic relations of the U.S. to

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50. Lenin, "Preliminary Draft Theses on the National and the Colonial Questions", *Collected Works*, XXXI, Moscow, 1977 reprint, 150.
51. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, XXII, 259-60.
52. See Suniti Kumar Ghosh, *India : From Colony to Dismembered Semi-Colony* (forthcoming).
53. Harry Magdoff, *Imperialism : From the Colonial Age to the Present*, New York, 1978, 188.

South America are not essentially different from those of Britain to her African colonies. The International Monetary Fund fulfils the role of the colonial administration of enforcing the rules of the game."[54] Today this role is being fulfilled by the triad — the IMF, the World Bank and the World Trade Organization.

India is fated to underdevelop and remain semi-dependent so long as the structural barriers to her underdevelopment — the stranglehold of imperialist capital on her economy and the remnants of feudalism — are not removed. As India continues to orbit within the imperialist system as a satellite, as the Indian big bourgeoisie still serve as compradors and junior partners of imperialist capital in fleecing the Indian people, the distinction between the comprador and the national bourgeois is far from obsolete.

This book, as the Preface to the first edition said, "traces the growth of the Indian big bourgeoisie to 1947 and anticipates the subsequent course of its development". Though it touches in the last two chapters on the question whether the Indian big bourgeoisie has remained comprador, it makes no elaborate study of the role of this section of the bourgeoisie after 1947, as it was not intended to do so. I hoped to make such a study in a separate volume, but that hope remains unfulfilled. However, I think that my published writings like the monographs *'Development' Planning in India : Lumpendevelopment and Imperialism* and *Imperialism's Tightening Grip on Indian Agriculture* present facts and arguments which show, perhaps convincingly, that, like the leopard, the comprador big bourgeoisie of India could not and did not change its spots after 1947.

This book and *India and the Raj 1919-1947* may be read as companion volumes. They complement each other.

The main weakness of the communist movement in India was its inability to make a correct class analysis of the Indian society. Most often the communists held that the entire Indian bourgeoisie was national in character and at other times they believed that the entire class had compromised with imperialism and joined the imperialist camp.

The question whether there was and is differentiation within the Indian bourgeoisie had profound implications before 1947 and has them today also. As we have noted, a correct answer to this question is the

54. Thomas Balogh, *The Economics of Poverty,* New York, 1966, 29.

key to the proper understanding of the character of the present Indian state.

That is why there is resistance on the part of many to face facts.

The response that this book has received has been very encouraging to me. Some persons who had been strangers before have become valued friends.

The fact that three translations of this book have appeared has made me happy but the translations themselves have disappointed me. Malayalam and Tamil versions have left out all the notes and references, though these are an inseparable part of the book. The publishers of Hindi version were given by me on request a Hindi translation but manner in which it was finally prepared and published has been quite unfortunate.

The publication of this edition has been delayed by about four years as I placed trust in some men who least deserved it.

I sincerely thank all those who have helped me in various ways, thank, in particular, Radical Impression for bringing out this corrected Revised edition.

1 December 2012 **SUNITI KUMAR GHOSH**
Asansol

CHAPTER ONE

CONFUSION ABOUNDING

Much controversy centres round the questions about the character of the Indian bourgeoisie and its role in Indian politics—both past and present. There is already considerable literature on the growth and development of Indian trade and industry and on the evolution of the Indian capitalist class by Indian, British, Soviet and American economic historians, political scientists, etc. But even Marxists differ widely and sharply on these questions as, unfortunately, no Marxist theoretical work on the genesis and growth of this class has yet appeared.

How conflicting are these views may be seen if we refer to some of the typical ones among them.

It is held as an axiomatic truth by many that the Indian industrial bourgeoisie (which is usually assumed to be an undifferentiated class) arose and developed by overcoming the fierce opposition—both financial and political—of the British bourgeoisie. Rajani Palme Dutt, whose writings have influenced the Indian communist movement for decades far more powerfully than anybody else's, said :

"Such industrial development as has taken place has in fact had to fight its way against intense opposition from British finance-capital alike in the financial and in the political field."[1]

It is argued that, though this class occasionally entered into compromise with British imperialism out of fear of the people's revolutionary struggles, it was genuinely anti-imperialist and sought national independence in order to develop freely—free from the fetters forged by colonial rule. Palme Dutt spoke of the dual character of the Indian bourgeoisie : on the one hand, its contradiction with imperialism was antagonistic; on the other, it had its contradiction with the masses and was haunted by the spectre of social revolution which might sweep it away. But he held that, with all its proneness to compromise with imperialism, this class, "is in profound conflict with the British bourgeoisie" and "looks to the future of India as an independent nation".[2] Palme Dutt was of the view that the bourgeois leadership of the Indian National Congress, a multi-class political organization, spearheaded the struggle for genuine national emancipation. This view is shared by many Indian and foreign writers.

It is interesting that soon after the transfer of power in India Palme Dutt contended that the Indian bourgeoisie had betrayed the people and gone over to the camp of imperialism; the transfer of power in 1947, according to him. marked "a change from the direct rule of imperialism to its indirect rule." To quote him,

'The essence of modern imperialism lies in the hold of the great imperialist monopolies on a colonial country, the economic exploitation of the wealth of the country and the labour of its people in the interests of the imperialist monopolies and their hangers-on within the country, and in the strategic domination of the country as a base of the imperialist camp. The political forms are subordinate to these decisive purposes of imperialism. By all these tests India in 1948 is *still a colonial country within the orbit of imperialism, despite the changes of political forms.*"[3]

He described the new governments of India and Pakistan as "subordinate Governments" and the big Indian monopolist and feudal interests as "junior partners of imperialism."[4]

But, after the rise of the Khurshchevs to power in the Soviet Union.

Palme Dutt's views underwent a sea-change. He unceremoniously rejected the earlier views and described the new Indian state as an independent, bourgeois state, and the 1947 transfer of power as "a landmark of world history" and "a foremost part of the world advance of peoples, of national liberation and of socialism."[5]

In the late forties, Soviet writers spoke of the comprador character of the Indian big bourgeoisie. Balabushevich held that "not only the mercantile but *even considerable sections of the big industrial bourgeoisie*" were from their very birth "closely bound up through diverse threads with the British imperialists" and "closely linked with feudal landlords and quite often with usurious capital" and were "not capable of or inclined towards any kind of the active struggle against imperialism."[6] Maslennikov observed that, like the notorious 'four families' headed by Chiang Kai-shek in pre-liberation China, the groups of the native bourgeoisie in India which employ not only capitalist but pre-capitalist methods of exploitation "have become converted through imperialist support into big monopolist comprador amalgamations."[7] And E. Zhukov said : "The policy of British imperialism has remained unchanged to the present day. It was directly reflected in the 'reforms' of 1947-48 which gave India a fictitious independence."[8]

But. like Palme Dutt, the Soviet theoreticians such as Balabushevich recanted later what they had stated in the late forties.[9] A. M. Dyakov, V. I. Pavlov and A. I. Levkovsky have put forward the thesis that the Indian big bourgeoisie, which had started as comprador, was gradually transformed into the national bourgeoisie, especially during the thirties of this century. According to them, it is the national bourgeoisie that led the anti-imperialist struggle to victory and rules India today.[10]

Paul Baran held that the colonial bourgeoisie comprised three groups : first, the "wealthy compradors"—"a group of merchants expanding and thriving within the orbit of foreign capital"—many of whom "manage to assemble vast fortunes and to move up to the very top of the underdeveloped countries' capitalist class"; second, the "native industrial monopolists, in most cases interlocked and interwoven with domestic merchant capital and with foreign enterprise, who entirely depend on the maintenance of the existing structure" and who are allied with "the feudal landowners"; and third, the progressive bourgeoisie. According to Baran, it was the progressive national bourgeoisie that had come to power in India in 1947. The governments of countries like India, Egypt and Indonesia, he said, "were brought to power by broad popular movements the primary and unifying purpose of which was the overthrow of colonial rule and the establishment of national independence." Writing in the late fifties, he observed : "There [in India] the united front of anti-imperialist forces is still—if only precariously— intact, and provides the broad political basis for the government of the national bourgeoisie."[11]

Curiously enough, Tom Kemp described the Indian National Congress as "the most important political movement in Asia" and observed that the object of the "vast historical movement" was "to provide the conditions for the development of a bourgeois national state in India."[12]

But, later, Tom Kemp made the following generalization :

"The politically independent states of Latin America, Asia and Africa remained tied to the world market in a position of economic dependence. There seems no possibility of their following the same path to industrialization as was taken, historically, by the present-day advanced countries. Their economic destinies are decided not by the politicians who may from time to time struggle with insuperable problems but by giant foreign corporations and banks and their native allies. The break-up of the old colonial empires, the accession of dozens of new states to political independence, has changed the forms of imperialist domination much more than the substance."[13]

Harry Magdoff also arrived at a similar conclusion :

"Even though it [the British Labour Party] eventually presided over the dissolution of the formal British Empire—not by choice, but by necessity—it realistically managed the dissolution so that there would be as smooth a transition as possible to an informal empire that would serve the same imperialist economic policies."[14]

Indian academic historians such as Bipan Chandra have put forward "the basic hypothesis" that "the Indian capitalist class had developed a long-term contradiction with imperialism while retaining a relationship of short-term dependence on and accommodation with it." According to Chandra, this class including its upper stratum has never had, especially not after 1914, any organic link with British capital and "did not become an ally of the British rule in India." He affirms that this class has successfully led anti-imperialist struggles to wrest power by stages by adopting what he ingeniously calls "P-C-P" (pressure-compromise-pressure) strategy, and set up an independent bourgeois state.[15] The bourgeois political parties as well as the various parliamentary 'communist' and 'socialist' parties of India hold similar views.

Like Bipan Chandra, Paresh Chattopadhyay also assumes the Indian bourgeoisie to be an undifferentiated class and writes; "...in course of the anti-imperialist struggle the Indian bourgeoisie who were not comprador as in China, gave vent, to a large extent, to the genuine aspirations of the broad masses of the people and were allied to them." He theorizes : "Here the bourgeoisie, who through the Indian National Congress led the struggle for national liberation-against British imperialism, wanted to develop their country following independent capitalist path." But, according to Chattopadhyay, the Indian bourgeoisie ruling India was obliged by certain factors to pursue "a dependent capitalist path" from about the mid-fifties.[16] The view that the Indian bourgeoisie had spearheaded the national struggle for liberation, overthrown imperialism and "was bent upon carrying India along an independent capitalist path" and was later forced by circumstances to tread the dependent capitalist road is shared by some Western scholars. For instance, Thomas E. Weisskopf writes :

"Of all the ex-colonial nations that gained political independence in the aftermath of World War II, India appeared the most likely to escape foreign economic domination and pursue an independent path of economic development.... Thus, India attained independence with a significant indigenous capitalist class that had a history of considerable antagonism towards foreign capitalist competitors."[17]

Weisskopf, like Chattopadhyay, holds that, despite the fact that "Indian business leaderes [were] at first distrustful of foreign competition" and sought to follow a strategy of independent, self-reliant development, they came later—from about the mid-fifties—to be aligned with foreign imperialist capital and embarked on the road of economic dependence because of certain wrong policies that the Indian government pursued. It is Weisskopf's failure to understand the character and role of the Indian big bourgeoisie and the class character of the Indian state that leads him in the "Epilogue" of his essay (written in the early seventies) to describe Indira Gandhi as "a popular leader *committed to socialism and self-reliance*" and to state, though not without misgivings : "In recent years events have taken place in India that may suggest a departure from the syndrome of dependence and imperialism described in this essay."[18]

It is difficult to find one's way through the maze of such contradictory views expressed by writers, eminent and not so eminent. What seems basically wrong with most of the formulations about the character and role of the Indian bourgeoisie is that the precise economic, political and social impact of Western capital with its superior technique and organization, military and political power, on the feudal, backward economy of India has not been properly investigated. One of the results of this impact—the sort of relationship that emerged between the bourgeoisie of an advanced capitalist country or countries and the backward capitalist class of India—has usually been overlooked. It would be wrong to assume, as people usually do, that Indian capitalism pursued a line of development similar to that of West European capitalism with the difference that it was born late and that it had to struggle against and overcome the antagonism of the metropolitan bourgeoisie. It cannot be too much stressed that industrial capitalism developed in this country under British rule in conditions altogether different from those in which it had developed in the West or Japan. It is these conditions—chiefly, the rule of the bourgeoisie of a foreign country, then by far the most capitalistically advanced country in the world, and the dominance of a semi-feudal economy—that have determined the course, nature and extent of development of Indian capitalism. As we shall see, the capitalism that developed in this country emerged not as a result of the accentuation of the contradictions between classes within the Indian society but as the result of the interaction between an external force, economically more advanced and politically and militarily more powerful, and a backward economy. Emerging in response to the demands of powerful British capital, and linked with domestic feudal interests, the Indian big bourgeoisie acquired certain economic, social and political traits entirely different from those of the bourgeoisie of an independent country. Unfortunately, no scientific, objective study of the genesis and development of Indian capitalism in the light of Marxism has yet been made. But it is only by studying the peculiar circumstances of the birth and development of the Indian bourgeoisie and its links with imperialism and domestic feudalism that it is possible to appraise correctly its character and role and the nature of the Indian state which emerged in 1947.

NOTES

1. R. Palme Dutt, *India Today*, Bombay, 1947. 123.
2. *Ibid*, 262-3, 503-4.
3. *Ibid*, Bombay 1949 edn., 7, 578—emphasis added.
4. *Ibid* 564, 572.
5. See "Notes of the Month", *Labour Monthly*, January 1956 and *India Today*, Calcutta 1970 edn., Preface, p. VI. Curiously, Palme Dutt and Manisha Granthalay (the Calcutta publishers of the 1970 edition) disowned the 1949 edition by dropping it out of the list of previous editions and calling the 1970 edition the *second Indian* edition, though, in fact, it was the third such edition, the 1949 edition being the second.
6. V. Balabushevich, "New Stage in the National Liberation Struggle of the People of India", *Communist* (Bombay), Feb.-Mar. 1950, 37, 39 (trs. from *Problems of Economics*, No. 8, Moscow, 1949)—emphasis added.
7. Maslennikov, *On Leading Role of Working Class in the National Liberation Movement of the Colonial Peoples*, Moscow, 1949.
8. E. Zhukov, "Manoeuvres of British Imperialism in India", *Communist* (Bombay), June-July 1949, 128 (trs. from *Bolshevik*, No. 4, Moscow; Feb. 2,1949).
9. V. V. Balabushévich and A. M. Dyakov (eds.), *A Contemporary History of India*, New Delhi, 1964. (The Russian original was published under the auspices of the Institute of Oriental Studies, Academy of Sciences of U.S.S.R., Moscow, in 1959).
10. *Ibid*, 5; V. I. Pavlov, *The Indian Capitalist Class*, New Delhi, 1964, 386-407 ; A. I. Levkovsky, *Capitalism in India*, New Delhi, 1966, 310-23.
11. Paul Baran. *The Political Economy of Growth*, New York. 1957, 194-5. 219, 222.
12. Tom Kemp, "Leaders and Classes in the Indian National Congress, 1918-39", *Science and Society*, Winter, 1964. 1, 8.
13. Tom Kemp. "The Marxist Theory of Imperialism", in Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism*, London, 1972. 32.
14. Harry Magdoff, *The Age of Imperialism*, New York, 1969. 25.

15. Bipan Chandra, "The Indian Capitalist Class and British Imperialism", in R. S. Sharma (ed.), *Indian Society: Historical Probings*, New Delhi, 1974. 391,393,404.

16. Paresh Chattopadhyay, "State and the Economy in the Post-Independent India", in M. K. Chaudhuri (ed.), *Trends of Socio-Economic Change in India 1871-1961*, Simla, 1969, 689; and "Trends in India's Economic Development", in Kathleen Gough and Hari P. Sharma (eds.), *Imperialism and Revolutions in South Asia*, New York, 1973, 104, 121-3.

17. Thomas E. Weisskopf, "Dependence and Imperialism in India", in Mark Selden (ed), *Remaking Asia: Essays on the American Uses of Power*, New York, 1974,200-1.

18. *Ibid*, 230, 232—emphasis added.

CHAPTER TWO

A THORNY QUESTION

Whether the Indian bourgeoisie comprised (and comprises) two sections—national and comprador—is a thorny question—the subject of an endless debate since the Communist Party of India (Marxist-Leninist) formulated that the Indian big bourgeoisie is comprador in character. Without a correct answer to this question we can have no true understanding of the character and role of the Indian bourgeoisie or of the sections of which it is composed.

NATIONAL V. COMPRADOR BOURGEOIS

Contrary to usual assumptions, the bourgeoisie in India has for a long tune comprised two sections—one section which acts as the agent of foreign capital and the interests of which are tied up with those of the latter, and the other section which stands for independent development of India's economy. The bourgeoisie of a colony or semi-colony[1] invariably splits up into the national bourgeoisie which seeks independent development and the compradors who are selected by foreign capital to serve its interests. In a colony or semi-colony the imperialist bourgeoisie is in need of local intermediaries for procuring goods from the hinterland for export to the metropolis, for selling on the domestic market goods imported by it and also for serving as a pipe-line for import of capital goods and technology. The chief function of the comprador bourgeois is to act as this intermediary—as a transmission-belt linking an imperialist metropolis or metropolises with towns and villages in his own country. His interests are closely *intertwined* with the interests of the imperialist bourgeoisie and it is with the assistance of the latter that he thrives. Their roles are. in the main, complementary—not competitive.

Let us take some examples—

Bengal Chemical and Pharmaceutical Works Ltd., which was set up in 1892 by P. C. Ray, a reputed scientist, manufactured a number of products including heavy chemicals (like sulphuric acid), fine chemicals, various drugs, soap and toilet products, surgical dressings, scientific instruments, etc. It had its own research laboratory, developed many vital drugs and produced them from basic stages without any foreign help. It used as far as possible indigenous raw materials. It had also an engineering department to manufacture necessary machinery and equipment. Its policy was to be an "institution where the genius of the young men of the country could find full play for creation and organization.' Its objective was not merely to make profits but to harness science and technology for productive purposes and to attain self-reliance. A team of Soviet experts that visited India in the 1950s singled out Bengal Chemical for its successful efforts in producing bulk drugs from basic stages.

Bengal Chemical, the pioneering chemical and pharmaceutical firm in India, began to decline from about the 1960s and was taken over by the government in 1977. Besides lapses on the part of the management after 1948, two other factors were responsible for the decline of this institution, which had no ties with foreign capital. First, the policies of the government "were not conducive to the growth of indigenous units" that had no foreign collaboration; second, the competition with multinational firms like Pfizer, which set up manufacturing units in India after 1947, was intense and their methods unscrupulous.[2]

Bengal Chemical of the years before 1977 was an enterprise of the national bourgeoisie. Bengal Immunity Co. Ltd. (before its recent takeover by the government), East India Pharmaceutical Works Ltd. and Bengal Lamps Ltd. are among other enterprises that belonged or belong to this category. Later, we shall refer to various comprador groups—Jamsetji Jijibhais, Petits, Tatas, Goenkas, Birlas, etc.—who served or serve their own interests by serving those of foreign capital. Here, for the sake of clarification, we shall refer to one typical enterprise of the comprador bourgeoisie of today.

Hindustan Motors (HM) is one of the major industrial enterprises of the Birlas. After exploring possibilities of entering into collaboration with U.S. automobile giants, it struck a deal with the Nuffield Organization of the U.K. Registered in 1942, it was sit up by the Nuffields, first to assemble Morris cars in India, and there was, as the Birlas' *Eastern Economist* reported, "a merger of financial interests between Nuffield and Birla", which formed "the basis of the new enterprise."[3]

During its existence for more than fifty years, HM has hitched its fortune to several international giants besides the Nuffields, for updating its passenger cars and manufacturing commercial vehicles and other products. Some of these giants may be mentioned here : (1) Studebaker Packard Corporation, U.S.A.; (2) Vauxhall Motors, the British subsidiary of General Motors, U.S.A.; (3) MAN, Germany; (4) Marion Power Shovel, U.S.A.; (5) Athey Products Corporation, U.S.A.; (6) U.S. Industries Inc., U.S.A.; (7) General Motors Corporation (G.M), U.S.A.; (8) Isuzu Motors, Japan; (9) Ricardo Consulting Engineers, U.K.; (10) Caterpillar Inc, U.S.A. HM formed a joint venture-Hindustan Powerplus Ltd.—in which Caterpillar and HM had 38 per cent equity each, while the technology would be provided by Caterpillar. Since the 1950s, HM had agreements with GM to manufacture Bedford trucks, Vauxhall cars, earth-moving equipment, etc. Interestingly, for making Vauxhall cars, HM purchased second-hand dies and tooling discarded by the GM subsidiary.[3a] Another fact which may be noted is that though the licensed capacity of the Rs 110 crore plant set up in Gujarat in 1987 to produce heavy-duty commerce vehicles in collaboration with Isuzu Motors, was 15,000 vehicles per year, the production never reached more than 1,200 vehicles per annum and fell to 600 vehicles in the first ten months of

1990. The import content was very high, and with the high appreciation of the yen vis-a-vis the rupee, imports of components from Japan became very costly and the project proved unviable.[3b] Recently, HM has formed a Rs 300 crore joint venture company with GM—General Motors India Ltd.—to produce OPEL-Astra Cars with 50 per cent equity participation by each of them, with technology provided by GM and with GM having the principal management responsibility.[3c]

HM received three loans amounting to Rs 30.53 crore from U.S. Agency for International Development (USAID) and U.S Development Loan Fund in 1962 and 1965. Again, USAID loans of $ 42 million and Commonwealth Development Finance Company loan of £700,000 helped it to set up a Bedford engine plant in 1968. The International Finance Corporation, a World Bank affiliate, invested $36 million in HM in 1987.[3d] Perhaps the above is not a complete list of direct investment and loan capital in HM from foreign bilateral and multilateral financial agencies.

Even in the course of the fifty-five years of its existence HM cannot design a car or its engine and runs to foreign transnationals for modernizing them as the old technology purchased earlier gets obsolete.

Most of the surplus generated by the cheap labour of Indian workers and by selling its products in the Indian market at prices higher than international prices of similar, rather better, products is appropriated by the foreign monopoly capitalists in the form of interest, royalty payments, lump sum technical fees, dividends and enormous fees for so-called technical experts and by way of considerable overpricing of imports of machinery, spare parts, components, industrial raw materials, etc., from the foreign collaborators. At the same time, the development of indigenous technology is thwarted.

The question is : Does HM, designed by foreigners, equipped with capital goods by foreigners, ever depending on foreigners for very much overpriced technology and capital goods, financed considerably by foreigners, controlled to a great extent by giant transnationals based in foreign countries and exploited greatly by them, represent Indian capitalism? Or, is it an appendage of imperialist monopoly capital? Let us rely on the Birlas for the answer. The following advertisement appeared on the front page of the Birlas' *Hindustan Times* (New Delhi) on 8 November 1976 :

"Hindustan Motors Ltd., Earth-Moving Equipment Division, Trivellor, Tamil Nadu. We come from International Stock. HM-built TEREX forms an intrinsic part of the worldwide heritage of General Motors. One enterprise forms part of the, GM family of eight plants... And a revelation of our pedigree."

What is true of the pedigree of HM is true of every other large enterprise of the Indian big bourgeoisie.

Today, the comprador bourgeoisie, while seeking to further its interests, serves as a channel for import of capital goods (besides other manufactured goods) and enables foreign capital to penetrate into and exploit the Indian market. The interests of Indian comprador capital coalesce with those of foreign monopoly capital. The difference between the character of an enterprise like Bengal Chemical and that of a firm such as Hindustan Motors is quite obvious.

The word "comprador", meaning purchaser, is Portuguese in origin. A note at the end of the essay "Analysis of the Classes in Chinese Society" in the first volume of Mao Tsetung's *Selected Works* states :

"A comprador, in the original sense of the word, was the Chinese manager or the senior Chinese employee in a foreign commercial establishment. The compradors served foreign economic interests and had close connection with imperialism and foreign capital."[4]

A comprador has come to mean a bourgeois who serves foreign capital and whose interests have been intertwined with its interests.

On the basis of China's experience Mao Tsetung made the following generalization :

> *"In countries under imperialist oppression there are two kinds of bourgeoisie—the national bourgeoisie and the comprador bourgeoisie"*[5]

Mao's criterion for differentiating the comprador from the national bourgeois is the nature of economic relations with foreign imperialist capital and ties with domestic feudal interests. Speaking of the comprador bourgeoisie, he pointed out that it is "a class which *directly* serves the capitalists of the imperialist countries and is nurtured by them; countless ties link it closely with the feudal forces in the countryside."[6] The bourgeois of a colony or semi-colony, whether commercial or industrial or both, is a comprador if he serves imperialist capital directly and helps intensify imperialist economic (and, consequently, political) aggression against his country. As we shall see. it is not participation exclusively in commercial activities but service to the foreign imperialist bourgeoisie as its agent that is the criterion for distinguishing the comprador from the national bourgeoisie.

The role of the national bourgeoisie, unlike the comprador's, is not complementary to that of the imperialist bourgeoisie. Despite its likely dependence on imperialist capital in some respects (for example, for capital goods and market), their interests are not interwoven. Its aspirations are most often frustrated by the imperialist and the comprador bourgeoisie, the prevalence of feudal interests and the policies of the state which mostly serves their interests. The national bourgeoisie, as Mao said, is "a class with a dual character. On the one hand, it is oppressed by imperialism and fettered by feudalism and consequently is in contradiction with both of them. In this respect it constitutes one of the revolutionary forces.... But on the other hand, it lacks the courage to oppose imperialism and feudalism thoroughly because it is economically and politically flabby and still has economic ties with imperialism and feudalism."[7]

CHINESE EXPERIENCE

Mao spoke of the Chinese compradors as the big bourgeoisie and of the national bourgeoisie as chiefly the middle bourgeoisie of China.[8] Compradors wax fat and grow big by serving the imperialist bourgeoisie while the conditions in a colony or semi-colony are hardly congenial for the growth of an independent, national bourgeoisie, Yen-Ping Hao also writes : "The compradors were among the richest Chinese merchants not only in the treaty ports, but also in China as a whole. "[9]

In China the comprador bourgeois first emerged in cities such as Canton, Amoy, Shanghai, Hongkong and Macao after the Opium War of 1840-42, when *hong* merchants, the Chinese emperor's chartered merchants, were supplanted by merchants who were selected by foreign capital to serve as its agents.[10] "Thus in the history of modern China," state the Chinese authors of a book *The Opium War,* "the comprador bourgeoisie showed itself to be a class which directly served and was fostered by the capitalists of imperialist countries."[11] To quote Israel Epstein, "Such merchants and agents were among the first representatives of the 'comprador class' that was to play such an important part in subjecting China's economy to imperialism....On the Chinese side, defeat in the Opium War put an end to the monopoly of the emperor's chartered merchants in Canton, who alone had been authorized to deal with the foreigners. Their place was taken by the compradors who owed their status not to Chinese imperial charter but to their selection by foreign capitalism as its chosen servants and instruments.'[12]

In "Analysis of the Classes in Chinese Society" (1926) Mao observed that the landlord class and the comprador bourgeoisie ''represent the most backward and most reactionary relations of production in China and hinder the development of her productive forces."[13] Does this mean that Mao held that the Chinese compradors were engaged exclusively in commerce and did not participate in the industrial sphere? Such an interpretation would be wrong for the following reasons.

First in no other writings did Mao speak of the compradors as representing the most backward relations of production. Speaking in December 1947 of the stranglehold of bureaucrat capital in pre-liberation China, he said :

"During their twenty-year rule, the four big families, Chiang, Soong, Kung, and Chen, have piled up enormous fortunes valued at ten to twenty thousand million US dollars and monopolized the economic lifelines of the whole country. This monopoly capital, combined with state power, has become state-monopoly capitalism. This monopoly capitalism, closely tied up with foreign imperialism, the domestic landlord class and the old-type rich peasants, has become *comprador,* feudal, state-monopoly capitalism....This capital is popularly known in China as bureaucrat-capital. This capitalist class, known as the bureaucrat-capitalist class, is the big bourgeoisie of China"[14]

Second, those who offer such an interpretation seem to be unaware of the peculiar circumstances in which Chinese industrial capitalism emerged and developed. It was landlords and feudal bureaucrats, keen on "upholding the feudal autocracy," and fat comprador bourgeois with large financial stakes in British and American-controlled industrial enterprises, who were the first Chinese to set up modern industries in the second half of the nineteenth century. The Chinese authors of the book *The Revolution of 1911* state :

'With the deepening of imperialist aggression, the feudal rulers turned more rapidly into compradore lackeys of foreign interests."[15]

As Yen-Ping Hao states, "China's early industrialization was mainly undertaken by compradors and the traditional gentry members, including high officials and traditional gentry-merchants (merchants with purchased gentry status)..."[16] Through his direct and extensive, contact with Westerners, the Chinese comprador bourgeois "first saw the profits and promises of modem industry" and became "familiar with the superior advantages of modern enterprises." Accordingly, he combined his trading activities with his role as the builder of industries and was "the first to enter the modern fields of steamship navigation, mining, milling, and finally manufacturing, and thus became a pioneer in China's industrialization effort."[17]

To quote Hao again, "...by the late 1890s, roughly 40 percent of the paid-up stock of Western firms in shipping, cotton-spinning, and banking was held by Chinese investors, who occupied seats on the boards of directors" of a number of such firms. "By 1894 Chinese investors shared managerial responsibilities in three-fifths of the foreign firms, in which they had invested about 400 million taels. And a great number of these investors were compradors."[18]

The task of operating the government-sponsored industrial enterprises was also entrusted to the comprador bourgeois because of his knowledge of handling modern business.[19] And to run them the compradors depended on imperialist capital and foreign personnel.[20]

The modem industrial enterprises set up by foreign capitalists as well as by Chinese feudal elements and compradors were no doubt tiny islets in the vast Sea of Chinese semi-feudalism. This unholy 'trinity'—the alliance of the imperialists, the comprador big bourgeoisie and the feudal class—did not allow the potentialities of capitalist development to be realized and acted as a brake on the development of the productive forces in china. The bourgeois revolution in China, as in other colonies semi-colonies, was emasculated by imperialism acting in collusion the feudal class and the comprador bourgeoisie. Without overthrowing imperialism and its domestic props—the feudal elements and the compradors—China's productive forces could not be unleashed. These classes represented "the most backward and most reactionary relations of production" despite the fact that a part of their income was derived from the exploitation of wage labour. Speaking of Kuomintang-controlled China, Kuan Ta-tung pointed out that the bureaucrat capitalists headed by the Chiang family, besides monopolizing a large part of banking and trade, owned about two-thirds of the total *industrial* capital. Yet he stated :

"The bureaucrat-capitalists represented, therefore, the most reactionary relations of production at that time. The existence of comprador and feudal bureaucrat-capitalism had become the most serious stumbling-block to the development of the productive fore of Chinese society."[21]

WRONG ASSUMPTIONS

There are widely prevalent misconceptions about the character and function of the comprador bourgeoisie. It is usually held that the compradors are exclusively mercantile bourgeois whose function is to serve as agents of the imperialist bourgeoisie, procuring raw materials for the latter and selling their manufactures on the domestic market. That is, exclusive participation in the commercial sphere as an agent of foreign capital is deemed to be the criterion for distinguishing the comprador from the national bourgeois. Those who hold such a view theorize that there invariably exist antagonistic contradictions between the metropolitan bourgeoisie and the industrial bourgeoisie of a colony or semi-colony. The Communist Party of India (Marxist) stated :

"The phenomenon of *commercial or comprador* bourgeoisie was, no doubt, common to all the colonial or semi-colonial countries under imperialist domination. This section of the *trading* bourgeoisie, linked as it was to imperialism and dependent upon it, was parasitic in nature, did not reflect the native industrial interests and was often found in the service of imperialism and its capital."

While equating the comprador bourgeoisie with that section of the trading bourgeoisie that serves foreign capital, the CPI (M) contrasted it with the industrial bourgeoisie. It said : "But the fact to be noted here is that it is the *industrial* big bourgeoisie which, today, has emerged as a powerful force holding the leading position in the new state [i.e, the Indian Union] and government, and not the comprador element."[22]

In support of the thesis that only the section of the commercial bourgeoisie that serves as agent of foreign imperialist capital can be described as comprador, Ajit Roy invokes the authority of the Communist International and states : "The comprador bourgeoisie has been defined in the colonial thesis of the sixth congress of the C.I. [Communist International] as 'the trading bourgeoisie (which) directly serves the interests of imperialist capital'."[23]

The relevant sentences in the above thesis read as : 'The national [in the sense of 'native'] bourgeoisie in these colonial countries does not adopt a uniform attitude in relation to imperialism. A part of this bourgeoisie, *more especially* [emphasis added] the trading bourgeoisie, directly serves the interests of imperialist capital (the so-called *compradors* bourgeoisie)."[24]

This can hardly be called a definition of the comprador bourgeoisie. However, Roy seems guilty of distorting the text as the words in parenthesis refer to a "a part of this bourgeoisie, more especially the trading bourgeoisie," but he conveniently ignores the words "more especially" and equates "a part of this bourgeoisie" with "the trading bourgeoisie", Roy adds :

"This has been further described as 'native merchants, engaged in trade with imperialist centres, whose interests are in continuation of imperialist exploitation'."[25]

These words cited by Roy do not occur in the thesis but as an explanatory footnote, obviously supplied by the editors. Roy's basic mistake is that he starts with abstract definitions or what appear to him to be definitions—not with objective facts.

Facts disprove the naive theory that the interests of the industrial bourgeoisie of a colony or semi-colony inevitably conflict with those of imperialist capital. The assumption that the industrial bourgeoisie of such a country must necessarily seek the independent development of national economy and is above playing the role of the comprador is also unwarranted by facts.

We have already seen that in China the big compradors were also industrial entrepreneurs. In India, too, the first industrial entrepreneurs, as we shall see in Chapters 6 and 7, were compradors like Dwarkanath Tagore and Rustomji Cowasji in Calcutta in the 1830s and 1840s and Cowasjee Nanabhai Davar, Manakji Nassarvanji Petit, Jamsetji Tata, Morarji Goculdas, Sir Monmohandas Ramji and many other Bombay and Ahmedabad millowners. It was through their direct contact with British capitalists that, like their Chinese counterparts, Indian compradors "first saw the profits and promises of modern industry" and set up modern industrial enterprises relying greatly on British capital. Their role as comprador merchants did not cease even after they had entered into industry. An interesting case is that of Sir Swarupchand Hukumchand, one of India's leading speculators and merchants in the early decades of this century. By 1919, he owned or controlled several cotton mills and a big jute mill. Yet his firm became *banians* to Bird and Company in 1920, when this big British managing agency firm took out an agency for Lancashire piecegoods.[26] As A.D.D. Gordon writes,

"As with their forbears, it was fairly common for Indian industrialists to be agents of European firms."[27]

It is also absurd to assert, as many do, that there can exist no contradiction between imperialist and comprador capital. The interests of the imperialist bourgeoisie and its compradors are indeed tied up as they are engaged in a joint venture to fleece the people. But, at the same time, there are contradictions between them—contradictions over respective shares of the spoils. The comprador serves the imperialist bourgeois in order to serve himself. Naturally, he seeks advantageous terms for himself, and pressure, concession, compromise and, in a few cases, termination of agency are part of the business. Nevertheless, such contradictions are not usually antagonistic and are resolved within the framework of dependence on imperialist monopolies.

The following facts will illustrate the truth of the above statement. The rate of exchange of the rupee, which rose to 2s. $10\frac{1}{2}$ d. in February 1920, fell to 1s. 5d. in December 1920 and below 1s. 3d. in March 1921.

The trade in the import of Lancashire cotton textiles had been booming before the slump occurred. In December 1920, the Bombay Native Piecegoods Merchants Association, representing Bombay's Indian merchants who dealt in Lancashire textiles, wanted the European-dominated Bombay Chamber of Commerce to recommend to its importing member-firms to settle with the Indian compradors at about 2s. to the rupee. The Chamber declined the suggestion on the ground that the contracts were in sterling and that the buyer was not entitled to tender rupees against sterling at any arbitrary rate of exchange. The Piecegoods Merchants Association adopted a resolution asking its members not to settle contracts at a rate below 2s. to the rupee. At the end of 1920 the Nagpur session of the Indian National Congress stated in a resolution : "...this Congress...further declares that importers, merchants and dealers of British piecegoods will be entirely justified in refusing to complete their contracts at the present rates of exchange. Further this Congress appoints a committee to take steps to deal effectively with the situation."[27a] The Indian merchants refused to fulfil their contracts, the trade remained at a standstill for several months and the relations between the European importers and their Indian compradors were quite embittered. Fortuitously or not, this was also the period when the non-co-operation movement one of the main planks of which was boycott of foreign cloth, was launched. Relations between imperialist capital and its compradors became excellent again in early 1922.[28]

According to a report of the Marwari Chamber of Commerce (now renamed Bharat Chamber of Commerce), which represented Marwari merchants who dealt in Lancashire piecegoods as *banians* and brokers, it organized a boycott of British cloth during the non-co-operation movement from the mixed motive of patriotism and the need to dispose of accumulated stocks.[29]

Again, during the civil disobedience movement in 1930-31, the Bombay Native Piecegoods Merchants Association threatened to repudiate contracts with European importers of Lancashire goods if the political demands of the Congress were not conceded, and passed a resolution condemning police measures against Congress volunteers.[30]

The people who, spider-like, spin webs of theories out of their preconceived ideas and insist that there can be no contradictions between the imperialist and the comprador bourgeoisie, seem quite oblivious of the fact that it is the comprador merchants, whom A.D.D. Gordon calls "marketeers", who formed in Bombay the backbone of Gandhi's movements in 1920-21 and 1930-32.[31]

It may be of interest to note that, contrary to the views of many that antagonistic contradictions invariably exist between the metropolitan bourgeoisie and the industrial bourgeoisie of a colony or semi-colony, Indian millowners gave full support to the British Indian government and opposed even the *Swadeshi* ("Buy indigenous goods") movement in the early years of this century. They were also opposed to the movements led by Gandhi in 1920-21 and 1930-34, though their relations with the Gandhian leadership were quite intimate.[32] Because of their weakness and dependence on the British, the Indian millowners were opposed to any movement that might even embarrass the colonial regime and remained, to quote A.D.D. Gordon, "traditional allies" of the raj. (For elaborate discussion of the politics of the big bourgeoisie, see the author's *India and the Raj : Glory, Shame and Bondage.*

There are occasions when sections of the comprador bourgeoisie of a colony or semi-colony may seek to transfer their allegiance from the imperialist bourgeoisie of one country to that of another. At a certain stage of the War of Resistance Against Japan (1937-1945), the section of the Chinese comprador bourgeoisie represented by Chiang Kai-shek felt tempted to break its ties with the Anglo-American bourgeoisie and to forge new ties with the Japanese bourgeoisie. A similar thing occurred in India in 1942. We shall return to this in Chapter 8.

The bond between the bourgeoisie of an imperialist country and its compradors is not indissoluble : the comprador is not like the chaste wife of Hindu legends. He may choose to serve a new master in preference to an old one when his interests so demand. *When, on rare occasions, the contradiction between the compradors and the imperialist bourgeoisie they have been serving turns out to be antagonistic, the former cannot step outside the limits of dependence on the imperialist system and can only change one imperialist patron for another.* It is collusion to exploit and oppress the people of the colony or semi-colony—not contradiction—that is the principal aspect of the relationship between the imperialist bourgeoisie and the comprador.

Can the comprador bourgeoisie as a class throw off the imperialist yoke and carry on independently? If not, what prevents the big comprador bourgeoisie of a semi-colony, which is formally independent, from putting an end to its subjection to foreign imperialist capital? This question requires elaborate discussion. We shall take it up in the last chapter.

It would also be wrong to imagine the existence of a Chinese wall separating commercial from industrial capital in India. In a colony or semi-colony, industrial capital cannot subordinate merchant capital to itself as it did in Western Europe with the transition to a capitalist society. Merchant capital remains dominant, drawing its strength partly from its international ramifications. Merchant and usury capital thrives because of pre-capitalist survivals in agriculture, forced integration into the system of capitalist world trade, domination of imperialist capital in modern industry, lack of opportunities for investment in industry, etc. Even expatriate foreign capital working through managing agency firms that control export-import business, plantations, some extractive and other industries, insurance, etc., is predominantly merchant capital which mediates between the manufacturing-cum-trading interests in the metropolis and the colony or semi-colony.[33] Imperialism develops and strengthens the role of merchant capital in such a country. India witnessed a commercial revolution in the nineteenth century and after[34]—at a time when it went through a process of deindustrialization. Paul Baran rightly observed :

"The principal impact of foreign enterprise on the development of the underdeveloped countries lies in hardening and strengthening the sway of merchant capitalism, in slowing down and indeed preventing its transformation into industrial capitalism."[35]

When native merchant capitalists like the Birlas and Dalmias ventured into industry, they did not shed their predominantly trading, financial and speculative character. We shall return to it in the last chapter.

MORE ON COMPRADORS

A. I. Levkovsky points out that "the mere fact of participation in one field of the economy or another' cannot be "the criterion for dividing the bourgeoisie into national and comprador."[36] V. I. Pavlov also states that the colonial conditions compelled "the various strata of the Indian middle class, not only commercial agents or landowners but also *industrial capitalists,* to 'collaborate' with British capital" as "dependent junior partner[s]".[37]

But Levkovsky argues that the national bourgeoisie is seldom seen in its "unadulterated" form and has, "as a rule, certain characteristics of the comprador bourgeoisie," while a large section of the comprador bourgeoisie possesses "characteristics of the national bourgeoisie." Whether they are national or comprador depends, according to him, "on the degree to which they were interested in the development of Indian capitalist enterprise."[38]

It may be pointed out that in China compradors were among the pioneers in building capitalist enterprises, but that did not transform them into the national bourgeoisie. Second, the criterion for dividing the bourgeoisie into national and comprador is the degree of interest *not in the development of capitalist enterprise but in the independent development of capitalist enterprise.*

Some people equate the "national reformist" bourgeoisie as mentioned by the Comintern with the "comprador bourgeoisie" as described by Mao.[39] In truth, the Comintern's "national reformist" bourgeoisie is the same as what Mao referred to as the national—not comprador—bourgeoisie.[40]

Secondly, to use the word "dependent" in place of "comprador" in order to avoid "needless controversy", as is sometimes suggested, is to blur the distinction between the comprador and the national bourgeoisie. For, in a colony or semi-colony, the national bourgeoisie, which does not serve like the comprador as agent of foreign capital, may be dependent on it for capital goods, market, etc., has a vacillating character and may at times go over to the camp of imperialism, as the Chinese national bourgeoisie did in 1927.

It is interesting that at a seminar on the national bourgeoisie and the national liberation movements in Asia, Africa and Latin America, held in May 1959 in the Leipzig Institute of World History, several speakers expressed the same views that Mao had formulated long before. A speaker from Iran said :

"That part of the *industrial* bourgeoisie which fuses its capital with imperialist capital by taking part in mixed enterprises is, to a considerable degree, dependent on imperialism, becoming its agent and receiving its support in exchange....The seizure of the sources of raw material, and the exploitation of the working people by the imperialists, are in the interests of the comprador bourgeoisie; they are interested in maintaining the domination of the imperialist monopolies in the economy and in the home market, and in increasing foreign capital investments. Socially, the comprador bourgeoisie are closely linked with foreign capital and the local feudalists."[41]

A Chilean speaker observed :

"The big bourgeoisie [of Chile] encourage the penetration of North American imperialism : together with it they exploit the working class, oppress thousands of small and middle employers and tradesmen and oust from the market the weaker competitors, including the middle bourgeoisie."[42]

Andre Gunder Frank also notes :

"The Latin American bourgeoisie, which now includes an industrial sector, is once more the junior partner of imperialism and favours policies which increase subjection and dependence and renew the development of lumpen- or under-development."[42a]

In China, as Mao said, the big bourgeoisie was comprador while the national bourgeoisie was mainly the middle bourgeoisie. But, in India, a section of the middle bourgeoisie, besides the big bourgeoisie, is comprador in character. For instance, Sudhir Sen of Sen and Pandit (Pvt.) Ltd., which had been an agent to the Raleigh Industries of the U.K. and other cycle manufacturers before World War II, set up Sen Raleigh Industries in 1949 jointly with Raleigh to manufacture cycles here. Sen and Pandit, which supplied Sen Raleigh with different cycle parts, had technical collaboration with two West German firms. Raleigh's men served as Works Manager and technical executives in Sen Raleigh's factory until the sixties. Raleigh Industries and one of the two West German firms were represented on Sen Raleigh's board of directors. The Sens belonged to the middle stratum of the bourgeoisie.

It has been the deliberate policy of foreign finance capital and the Indian government to encourage a section of the middle bourgeoisie to opt for foreign collaboration. The Refinance Corporation of India, which was set up in 1958 with PL 480 funds "for refinancing term-loans given by banks", wanted "to assure financial support for many medium-scale industries which had entered into foreign collaboration agreements or been given a line of credit from foreign credit agencies or foreign currency loans from the ICICI [Industrial Credit and Investment Corporation of India]. The Refinance Corporation was later merged with the IDBI [Industrial Development Bank of India] which naturally took over its functions."[43]

"In the private sector." wrote David Artco, President of the Indo-American Chamber of Commerce, "U.S. partnership has extended from big industrial enterprises like Tata, Kirloskars, Mahindras to small and medium-sized entrepreneurs for the manufacture of agricultural equipment, engineering and automobile industries, machine tools, chemicals, pharmaceuticals and metal products."[44]

It may be noted that the International Finance Corporation (IFC), an affiliate of the World Bank, which invests in private enterprises in underdeveloped countries and *serves as a catalytic agent for collaboration between domestic capital and foreign monopoly capital,* "sent out an important message that it would not hesitate to finance small or medium scale projects provided they are commercially viable." Its representatives visited all important industrial centres in India in 1982 and conveyed this message to businessmen and industrialists.[45] According to another report in the *Economic Times,* the IFC seems anxious to assist medium-scale industries in India.[46]

Compradors have handled different types of goods in different countries and periods according to the demands of their European principals. For instance, in the era of European merchant capital, Indian compradors in Surat, Bombay, Madras or Calcutta, procured for European East India Companies cotton textiles, indigo, saltpetre, silk and other commodities from the hinterland for export to other Asian countries and to Europe. In the era of pre-monopoly industrial capital, as a new, international division of labour arose in the nineteenth century, the commodity composition of India's export and import trade changed. Instead of finished goods like cotton textiles, Indian compradors supplied to European firms raw cotton, jute, foodgrains, etc., and sold on the domestic market British factory-produced goods, especially cotton textiles. Opium was also a major commodity which was exported mainly to China by British and Indian merchants—a trade which was of inestimable value to the colonial system of exploitation. In the era of finance capital, especially after the transfer of power in 1947. when imperialist monopolies are keen on exporting capital, the Indian compradors are serving as the channel for the import of massive amounts of foreign imperialist capital—both official loan capital and private investment capital—which dominates every sphere of the country's life, especially its industry and agriculture.

In the present era of finance capital, the role of the agent of foreign imperialist capital can be played better by the industrial big bourgeoisie of a colony or semi-colony than by the commercial bourgeoisie. 'Typical of the old capitalism", said Lenin, "when free competition held undivided sway, was the export *of goods*. Typical of the latest stage of capitalism, when monopolies rule, is the export of *capital*."[47] While exporting capital, that is, machinery; components, spare parts, industrial raw and intermediate materials, and technology, the imperialist monopolies seek to guide and control the domestic production of a colony or semi-colony in their own interests and take every care to retard and distort the course of its industrial development along independent lines. Their object is to utilize its industry not as a rival but as an appendage. On the other hand, in order to survive and grow, the big bourgeoisie of such a country acts as a local intermediary of imperialist monopolies which are eager to export capital, and helps their intensified economic aggression against its own country and people. In the era of finance capital, the comprador big bourgeoisie serves imperialist monopolies by helping them to export mainly capital goods and technology (and sophisticated consumption goods). And export of *capital* is used by imperialist monopolies and their governments and international financial institutions like the World Bank, the International Monetary Fund, etc., as the lever for exporting more *goods* than before, besides highly-overpriced technology (which they have discarded in their own countries) and technical 'experts'. Foreign investment today serves several functions for the imperialist bourgeoisie : it provides a profitable outlet for capital and creates an almost permanent market for equipment, components, spare parts, raw and semi-processed materials for industry, etc. To quote Lenin, "The export of capital thus becomes a means of encouraging the export of commodities."[48] Through export of capital-direct investment capital as well as loan capital—imperialist countries not only "skin the ox twice" (pocketing the profits from the investments and loans and from the sale of goods with which they are tied), as Lenin said,[49] but force the debtor country to adopt policies that serve their interests.

Throughout these eras the character of the compradors as domestic intermediaries of foreign capital has not changed : despite many political and economic changes, their role—that of serving imperialist capital and acting as instruments of imperialist penetration—has remained essentially the same as before.

In his "Report of the Commission on the National and Colonial Questions" to the Second Congress of the Communist International held in 1920, Lenin said that "a certain *rapprochement* between the bourgeoisie of the exploiting countries and that of the colonies" had taken place, "so that very often—perhaps even in most cases—the bourgeoisie of the oppressed countries, while it does support the national movement, is in full accord with the imperialist bourgeoisie, i.e., joins forces with it against all revolutionary movements and revolutionary classes."[50] In "The Political Tasks of the University of the Peoples of the East", a speech Stalin delivered at a meeting of the students of the Communist University of the Toilers of the East in May 1925, he said that, "with the growth of the revolutionary movement," the native bourgeoisie of countries like India was "splitting up into two parts, a revolutionary' part (the petty bourgeoisie) and a compromising part (the big bourgeoisie), of which the first is continuing the revolutionary struggle, whereas the second is entering into a bloc with imperialism."[51]

But in the light of his experience in China, Mao distinguished between two sections of the bourgeoisie, apart from the petty bourgeoisie, in a country under imperialist oppression and held that the comprador bourgeoisie has been nurtured by imperialist capital and has, despite some contradictions, belonged to the imperialist camp *since its very emergence.* This section of the class, which owes its existence to the interdependence between it and imperialism, has always served as the accomplice and flunkey of imperialism. It is Mao who for the first time tackled with success theoretically and practically the specific problems which confront a colony or semi-colony; the solutions of which as Lenin had said in 1919, could not be found in any communist book.[52]

NOTES

1. *Semi-Colony* : Speaking of transitional forms of State dependence, Lenin said : "Since we are speaking of colonial policy in the epoch of capitalist imperialism, it must be observed that finance capital and its foreign policy, which is the struggle of the great powers for the economic and political division of the world, give rise to a number of *transitional* forms of state dependence. Not only are the two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of dependent countries, which politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence, typical of this epoch. We have already referred to one form of dependence—the semi-colony." (Lenin, "Imperialism, the Highest Stage of Capitalism," *CW,* XXII, Moscow, 1974, 263—italics in the original).

   Lenin also said : "It is natural that the struggle for these *semi-dependent* countries should have become particularly bitter in the epoch of finance capital, when the rest of the world has already been divided up." *(Ibid,* 260—our emphasis).

   Mao repeatedly described pre-liberation China as "a semi-colonial country for which many imperialist powres are contending" *(SWMT,* I, 117, 153-4, 158). He said : "....India was an English colony, a colony belonging to a single imperialist state. Herein lies the difference between India and China. China was a semi-colony under several imperialist governments" (Mao Tsetung, *A Critique of Soviet Economics,* New York, 1977, 37.

   In the light of what Lenin and Mao said, we may point out :

   First, a semi-colony, unlike a colony, which is under the direct rule of a foreign power, is a *formally* independent state but, in reality, it is dependent on imperialist powers economically, politically, militarily, etc. In this "semi-dependent country", the domestic ruling classes enjoy political power though *within the framework of basic dependence on imperialist countries.* As part of the world capitalist imperialist system, they are unable to shake off this dependence, for they can survive and develop only by serving imperialist monopoly capital. And this dependence of theirs means their subjection or subordination to the latter.

Second, a semi-colony is not the sole possession of a single imperialist power but a battle-ground where more than one imperialist wer contend for hegemony. This provides some opportunity to the domestic ruling class to manoeuvre between them. This may give the appearance of independence but appearance should not be confused with reality.

Third, the degree of control exercised by several imperialist powers over a semi-colony varies according to their respective strength, effective penetration and other objective conditions. And, as objective conditions differ at different phases, the degree of control exercised by an imperialist power may not always remain the same. So, while several imperialist powers contend, the greater control by one of them at one phase may yield to that of another at a succeeding phase.

Neo-Colony : This word came into wide use some time after World War II, when old imperialist powers were confronted by powerful national liberation struggles in their colonies and were "forced to change their old style of direct colonial rule" and "to adopt a new style of colonial rule and exploitation". In order to preserve their vital economic and strategic interests, they found it expedient to transfer power to the representatives of the classes which had been nurtured by them and had been serving as the props of colonial rule, and recognized the *formal* independence of their erstwhile colonies to deceive the people. In a neo-colony as well as in a semi-colony, imperialist rule is indirect and the former term is often used as synonymous with the latter. But it seems that while a neo-colony like the Philippines is under the exclusive domination of one imperialist power, a semi-colony is shared by several imperialist powers.

2. For the above two paragraphs, I have depended on Sudip Chaudhuri, *Bengal Chemical, 1892-1977* (mimeographed), Indian Institute of Management, Calcutta, n.d.

3. "Morris Cars in India", *EE* editorial, 4 Jan, 1946.

3 a. *BS,* 8 Dec. 1981.

b. *ET,* 1 Dec. 1990.

c. *Statesman* (Calcutta), 12 May, 1994.

d. US Information Service Fact Sheet, No. 23 ("US Economic Assistance to India June 1951-April 1971"); *ET,* "Corporate Profile : Hindustan Motors", 18 Apr. 1979; *BS,* 19 May 1987.

4. *SWMT,* 1, 19 n. 1; see also Yen-Ping Hao, *The Comprador in Nineteenth Century China : The Bridge between East and West,* Cambridge, Mass, 1970,1-2.

In 18th century Bengal the *banian* who acted as an agent and middleman for the East India Company's servants and British Free Merchants was a comprador of this type. He was "interpreter, head book-keeper, head secretary, head broker, the supplier of cash and cash-keeper.... serving to further such acts and proceedings as his master durst not avow." (Cited in Narendra Krishna Sinha, *The Economic History of Bengal,* I, Calcutta, 1965, 3rd edn., 101)

Today, Indian directors and managers of branches and subsidiaries of big multinationals, based in imperialist metropolises, play similar roles. They obtain their appointments from the parent firms, run to them whenever called upon to do so, and carry out the instructions they receive from them. Their job is to serve foreign economic interests.

Writing in *Foreign Affairs,* Leo Model stated that officers and directors of the foreign subsidiary of a U.S. multinational are no more than local agents carrying out directions from the head office in the United States. ("The Politics of Private Foreign Investment". *Foreign Affairs [New York],* July 1967, 646). This is no less true of the Indian subsidiaries of other multinationals.

5. Mao Tsetung, "Some Experiences in our Party's History," *SWMT,* V, 327—emphasis added.
6. "The Chinese Revolution and the Chinese Communist Party", *Ibid,* II, . 320—emphasis added.
7. *Ibid,* II. 320-1.
8. "Analysis of the Classes in Chinese Society", *Ibid,* 1, 14. 15 : "Introducing The Communist", *Ibid,* II, 288-9; "The Chinese Revolution and the Chinese Communist Party", *Ibid,* II. 320-1; "On Coalition Government," *Ibid,* III. 220-1; "The Present Situation and Our Tasks," *Ibid,* IV. 167.
9. Yen-Ping Hao, *op cit,* 99.

   It may be noted that in India, as a result of longer and intenser penetration by imperialist capital, the comprador bourgeoisie includes a section of the middle bourgeoisie. More of this later.
10. *Ibid,* 1; Michael Greenberg, *British Trade and the Opening of China 1800-42,* Cambridge, 1951, 46, 53.
11. The Compilation Group for the "History of Modern China" Series, *The Opium War,* Beijing, 1976, 114-5.
12. Israel Epstein, *From Opium War to Liberation,* Calcutta, 1977 edn., 9-11.
13. *SWMT,* 1, 13.
14. "The Present Situation and Our Tasks", *SWMT,* IV. 167—emphasis added.
15. The Compilation Group for the "History of Modern China" Series, *The Revolution of 1911,* Beijing 1976, 105; see also 12-13, 105-6. In India also, some rulers of native states like Gwalior, Mysore, Baroda, Travancore and Indore setup industrial enterprises or encouraged others with finances and in other ways to do so. Very big landlords such as the Maharajas of Darbhanga and Bardhaman made large

investments in industries, specially in British-owned enterprises. Obviously, their intention was not to abolish feudal relations.

16. Yen-Ping Hao, *op cit,* 137.

17. *Ibid,* 5.

18. *Ibid,* 136.

19. *Ibid,* 146

20. *Ibid,HO,* 141, 143,144, 146.

21. Kuan Ta-tung, *The Socialist Transformation of Capitalist Industry and Commerce in China,* Beijing, 1960. 22—emphasis added. ?

22. "Divergent Views between our Party and the CPC on Certain Fundamental Issues of Programme and Policy" (Resolution adopted by the Central Committee of the CPI[M]), Supplement to *People's Democracy,* Sept. 10, 1967—emphasis added.

23. Ajit Roy, *Monopoly Capitalism in India,* Calcutta, 1976, 173.

24. *Comintern and National and Colonial Questions* (Ducuments of Congresses of the Communist International), New Delhi, 1973, 82— emphasis in the original except where otherwise stated.

25. Ajit Roy, *op cit.*

26. *A History of Bird and Company 1864-1929,* II, Calcutta, 1929, 319.

27. A.D.D. Gordon, *Businessmen and Politics,* New Delhi, 1978, 61.

27a. *LAR,* 1921, Part III, 184.

28. R.J.F. Sulivan, *One Hundred Years of Bombay : History of the Bombay Chamber of Commerce, 1836-1936,* Bombay, n.d., 208-9; A.D.D. Gordon, *op cit,* 159-63.

29. *Marwari Chamber of Commerce Ki Report,* 31 March 1920 to 30 June 1924 (in Hindi); cited in Rajat K. Ray, *Industrialization in India,* Delhi, 1979,71.

30. *Ibid,* 319.

31. See A.D.D. Gordon, *op cit,* 159-63, 166-8,210-3,219-21,286 (notes 81,82). 295 (note 89); Judith M. Brown. *Gandhi's Rise to Power,* Cambridge, 1972, 267-8, 281, 293; Judith M. Brown, *Gandhi and Civil Disobedience,* Cambridge, 1977 128-9.

32. "A. P. Kannangara, "Indian Millowners and Indian Nationalism Before 1914", *Past and Present* (Oxford), No. 40, July 1968, 147-64; A.D.D. Gordon, *op cit,* 155-9, 200-2, 223, 228-9, 232, 283 n.l; Gordon, 'Businessmen and Politics in a

Developing Colonial Economy : Bombay City, 1918-1933", in Clive Dewey and A. G. Hopkins (eds.). *The Imperial Impact : Studies in the Economic History of Africa and India,* London, 1978,194-5, 196,208,210.

33. Scc S.B.D. dc Silva, *The Political Economy of Under development,* London, 1982, Chap. 15.

34. D. H. Buchanan, *The Development of Capitalistic Enterprise in India,* New York, 1934. 130.

35. Paul A. Baran, *The Political Economy of Growth,* New York, 1957, 194.

36. A. I. Levkovsky, *Capitalism in India,* New Delhi, 1966, 314-5.

37. V. I. Pavlov, *The Indian Capitalist Class,* New Delhi, 1964, 393—emphasis added.

38. A. I. Levkovsky, *op cit,* 318-9.

39. *Ekshan* (a Bengali periodical). Annual Number 1980, 275-9.

40. *Comintern and National and Colonial Questions,* 82-3, 85.

41. Kia-Nouri, "The National Bourgeoisie, Their Nature and Policy", *World Marxist Review* (Prague), Aug. 1959, 62-3.

42. V. Teitelboim, "Some Experiences of Relations with the Bourgeoisie", *Ibid,* 74.

42a. A. G. Frank, *Lumpen-bourgeoisie : Lumpen-development,* New York, Modern Reader Paperback edn., 1974, 16.

43. A. K. Bagchi, "Reinforcing and Offsetting Constraints in Indian Industry", in A. K. Bagchi and Nirmala Banerjee (eds.), *Change and Choice in Indian Industry,* Calcutta, 1981, 26.

44. David Artco, "American Investments in India", *Commerce* ("Indo-US Co-operation : A Survey—Supplement). 10 June 1978, 27.

45. *ET,* 3 Dec. 1982.

46. *Ibid,* 25 Jan. 1983.

47. Lenin, "Imperialism, the Highest Stage of Capitalism", *CW,* XXII, 240— emphasis in the original.

48. *Ibid,* 244.

49. *Ibid,292.*

50. Lenin, *CW,* XXXI, p. 242—emphasis in the original.

51. J. V. Stalin, *Works,* VII, Moscow, 1954, 147.

52. Lenin, "Address to the Second All-Russia Congress of Communist Organizations of the Peoples of the East", *CW,* XXX, 161-2.

CHAPTER THREE

EMERGENCE OF COMPRADOR MERCHANTS IN PRE-COLONIAL INDIA

In India comprador merchants emerged as early as in the sixteenth century. From about its beginnings the Europeans—first the Portuguese and afterwards the Dutch and the English—came to dominate the Indian seas and to control India's maritime trade with the ports on the Red Sea and the Persian Gulf and with East Africa and South-East Asia by virtue of their naval supremacy. It was because of the Indian rulers' powerlessness at sea[1] that the Portuguese could occupy Goa, Diu, Daman, Cochin, etc., on the west coast of India. They also established settlements at St. Thome and Negapatam on the Coromandel coast and at Hughly and Chittagong in Bengal. The Portuguese wanted not to build an empire on land but to dominate the trade across the Indian seas. They constructed a number of fortified harbours which would provide shelter to their fleets and established their power from Mozambique to Malacca. They declared trade on certain routes and in certain goods a monopoly of the king of Portugal. Ships of Asian countries were allowed to ply outside these limits provided they paid fees and took out a licence *(cartaz)* from them. The ships that were unlicensed "were treated as prizes of war, and sunk, burnt or captured."[2] W. H. Moreland observes that "none of the great Indian States played any part in this struggle for the seas...the merchants of the country could look to no protection but were dependent on their own resources."[3]

Even Emperor Akbar had to obtain from the Portuguese licences for ships sent by him to the Red Sea. And "the sea-borne trade of Vijayanagar was placed practically in Portuguese hands by the Treaty of 1547...".[4] Bengal's trade with foreign countries beyond the seas as well as her coastal trade with Coromandel, Malabar and Gujarat remained "almost entirely in the hands of the Portuguese" until 1632. when the Portuguese settlement at Hughly was destroyed by Emperor Shahjahan's forces.

During nearly one hundred years of Portuguese supremacy over the Indian seas, which was successfully challenged by the Dutch and the English in the seventeenth century, close ties were forged between Portuguese merchants and a section of Indian traders. The former sought to utilize the Indian merchants' business experience and knowledge of the domestic market and engaged some of the latter as their brokers. For instance, in the Bombay island, which had been under their rule until it was ceded to the British in 1661, they appointed a Parsi, Dorabi Nanabhai. as their broker.[5]

The contacts between the Portuguese and a section of the Indian merchants became very close. Thousands of Gujarati *bamas* flocked to Goa, Daman, Diu and Bassein, which had been occupied by the Portuguese, lent money to the Portuguese government and private traders, co-operated with them in all sorts of ways and helped their penetration into the country.[6]

So, with the subjugation of small parts of India, such as Goa, Daman, Diu, Bombay island and Cochin, and the domination of the Indian seas by the Portuguese, the sixteenth century saw the beginnings of a process of transformation of a section of rich Indian merchants into compradors—"the birth of comprador traders," as Surendra Gopal said.[7]

This process accelerated with the coming of the Dutch and English East India Companies. Strange are the statements of some economic historians. Tapan Raychaudhuri writes :

"They [the Dutch and English East India Companies] also took over from the Portuguese the system of passports [for ships plying on the Indian and Chinese seas], but the use of naval power to enforce it or secure trading rights was rather exceptional. As a net result, though in limited areas particular companies did establish exclusive control, the conditions of *'free competition'* which had characterized the pre-Portuguese era were restored to a large extent.... *To sum up the impact of European commerce with India on a competitive basis was in many ways beneficent"*[8]

Such a statement is at complete variance with facts. The Dutch and English East India Companies were merchant monopolist companies which neither wanted nor were prepared to tolerate free competition.[9] They were after monopoly of trade and, backed by armed power, they subdued the Portuguese and succeeded to a large extent in ousting independent Indian traders from the commerce across the Indian seas and in casting a large section of them in the role of their compradors. Holden Furber writes :

"The intent [of the Dutch company after its capture of Malacca in 1641] was gradually to throttle competition, first by insisting that all non-company ships carry the company's 'pass', then by reserving the lion's share of production [of tin] and reducing the number of loading places at which free trade was permitted. In 1647, the council [the Batavia council of the Dutch company] moved on to more stringent coercive measures, blocking off the Indian traders' country ships from access to the estuaries."[10]

To quote Holden Furber again,

"The Dutch company used the *cartaz* far more ruthlessly against Asian country shipping than did the Portuguese.... The Dutch company did not hesitate to employ it to eliminate Asian shipping from a particular region, as in the Java sea or the coastal waters of Ceylon. From the early seventeenth century onward, the company could dictate what terms it chose.... It could enforce an effective blockade of any Asian port or seize any Asian ship if it so chose. In 1649, the company, seized cargo worth a million and a half guilders in ships owned by the Mughal emperor Shah Jahan."[11]

The monopolistic policies of the Dutch, who dominated the Malabar coast, Ceylon, Java and the Spice islands, succeeded in driving Gujarati merchants out of the profitable maritime trade in pepper, cloves and such other items from about the eighties of the seventeenth century.[12] The Dutch tried to oust Indian merchants from trade not only with the Indonesian archipelago and Ceylon but also with ports on the Red Sea and the Persian Gulf. To monopolize the Red Sea trade they forbade Indian ships to visit Mocha and the Red Sea ports. Similarly, they sought to prevent Indian ships from visiting Bandar Abbas on the Persian Gulf.[13]

The" English company, too, was keen on monopolizing India's overseas trade, not on trading in conditions of free competition with others, least of all with Indians. When, in about 1618, the Gujarati merchants refused an English offer to carry their goods in English ships to the Red Sea ports, Sir Thomas Roe ordered the better-armed English ships to capture all Gujarati ships sailing with Portuguese licences.[14] Again, early in the 1620s, the English ships seized several Gujarati ships in the Red Sea, including two belonging to Prince Khurram (who later became Emperor Shah Jahan).[15]

Even though Indian ships carried 'passes' issued by them, the English continued to seize them until September 1624 when a compromise agreement was signed between the English company and prominent Surat merchants. As a consequence of all this, Indian merchants not only took out 'passes' from both the Dutch and English companies and thus came under their 'protection' but often sent their goods to different Asian ports in English or Dutch vessels. Gradually, their overseas trade began to languish and shrank considerably.[16] Sir Thomas Roe, the envoy of the English company to the court of Jahangir, observed :

"The merchants of this place are alsoe undone by our trade to the southwards [i.e., Achin, Bantam, etc.] which hath taken (as we may term it) the meats out of their mouthes and overthrowne their trade that way.... Since our coming this porte [Surat, the biggest port on the West coast at that time] is undone, which is their greefs they spare not sometimes to tell us."[17]

The impact of European commerce on the foreign trade of the merchants of Bengal also was "definitely injurious."[18]

Did "the impact of European commerce with India" prove "beneficent" to this sub-continent by increasing the productivity of the Indian economy, as Angus Maddison claims[19] on the basis of Tapan Raychaudhuri's statement which we cited before?

It should first be noted that nobody has suggested that the European East India Companies brought about any change in the old mode of production. Second, it is doubtful whether, as a result of the impact, there was any increase in production on the basis of the old mode. Raychaudhuri himself states :

"Wherever we have specific information, it is clear that the Europeans' trade accounted for a mere fraction of the output and 'export' in any given centre of production."[20]

When big Indian merchants felt helpless before the merchant monopolists of Western Europe, a symbiotic patron-client relationship gradually grew up between them. According to an estimate by Schreuder, the chief of the Dutch company at Surat in the 1740s, about one-third of the entire trading capital operating at Surat was then under the 'protection' of the English, Dutch and French companies and of the Portuguese crown. Schreuder observed : *"They [the English] behave as if they are the government* [at Surat]." The source of their strength, according to him, lay in having Bombay so near and ready to come to their help with maritime force.[21]

Second, as we have pointed out before, many Indian merchants not only sought the "protection" of the English and Dutch companies but sent their goods in their ships out of considerations of security. To quote Holden Furber, "In the English and Dutch records the evidence for the freighting between two Asian ports on company ships of goods owned by non-Europeans in the early seventeenth century is extensive. By the latter part of the century, the mingling of European and non-European ownership in country ships' bottoms and cargoes had become a common practice. In Madras, Indian merchants were co-owners with European and Eurasian captains of both ships and cargoes.... European and non-European interests were almost as much mingled in the purchase of commodities as they were in the world of country trading".[22] In this interweaving the principal aspect, no doubt, was European merchant capital.

Third, as the Europeans had no knowledge either of the local languages or of the local markets, they relied on Indian middlemen for supply of goods from the hinterland and for sale of their own goods on the Indian market. When the Dutch dominated the Malabar coast, Ceylon, Java and the Spice Islands, the Gujarati merchants became the agents of the Dutch for the sale of spices in Gujarat.[23] At Surat, during the heyday of the Mughal empire, and at Bombay, Parsi merchants, Gujarati *banias* and others established connections as brokers with European firms from early times.[24] For instance, the Paraks and the Rustumjis, the leading merchants among Hindu *banias* and Parsis respectively, served the English as brokers at Surat,[25] which was the chief Indian port on the Western coast before the rise of Bombay. J. Ovington wrote: "For the buying and more advantageous disposing of the Company's goods, there are Brokers appointed, who are of the Bannian [bania] caste, skilled in the Rates and Values of all the, Commodities in India. To these is allowed three per cent for their Care and Trouble."[25a] Even a merchant prince like Virji Vohra of Surat, besides carrying on independent business, sold on the domestic market goods imported by the Europeans, and provided credit to them (while they were ousting Indian merchants from maritime trade) to finance their purchase of Indian goods.[26]

As their overseas commerce declined, the Indian merchants "were forced to collaborate with the English and the Dutch. This underlined their character as comprador traders, a characteristic which remained their hallmark for the rest of the century. Their investment emphasis shifted from maritime commerce to usury."[27]

During the seventeenth century the Dutch and the English dominated also the coastal trade between Gujarat and Maharashtra and between Gujarat and Malabar. The Malabaris were practically eliminated from this trade. Some participation of Gujarati merchants after 1635 was possible only after collaboration with the English and the Dutch. It was "the top layer of the indigenous mercantile community and bureaucracy" that co-operated with the Europeans and was "the only beneficiary" among Indians.[28]

The Dutch and English East India companies also explored inland markets. Many links were established between them and local capital. Big Indian bankers, themselves also traders, financed the purchases of the European companies. To take an instance, some of the capital with which the English, Dutch and French companies carried on trade in India came as loan from the fabulously rich house of Jagat Seth,[29] a Marwari family of bankers, money-changers, merchants, controllers of the Bengal Nawab's mint at Murshidabad, receivers and treasurers of government revenues, revenue farmers, etc. Many of the big Indian merchants and bankers became *dalals* or middlemen of the Europeans. Instead of opposing their penetration, they became their collaborators and compradors.[30]

Holden Furber rightly observed that *"the steadily increasing participation in the maritime trade of Asia by Europeans in partnership —voluntary and involuntary—with local traders and seamen -was the foundation upon which the imperialism of more recent times was to be built.*[31]

When the Bombay island, ceded by the Portuguese in 1661, came under British sovereignty and the East India Company built a fort there and a small fleet and shifted its headquarters in Western India from Surat to Bombay, Parsi. Hindu and Muslim merchants flocked there to ply their trade as agents of British capital and subjects of the British crown.[32]

D. F. Karaka, who felt proud of the Parsis' close ties with the British, wrote : "...at an early period of the seventeenth century they [the Parsis] had established a connection and intimate business relations with the different foreign factories [i.e., trading posts set up by the European East India Companies] which carried on trade in Gujarat and along the Western coast of India generally."[33]

To quote him again, "The establishment of European trading companies at Surat at once brought them [the Parsis] to the front, and from that date commenced the true era of Parsi prosperity and importance. Either the Parsis had the knack of ingratiating themselves in the favour of Europeans or they were selected by them for their intelligence, business habits, and integrity, for certainly the closest confidence and most cordial relations were soon established. The Portuguese, French, Dutch and English factories all employed Parsis as their chief brokers;..."[34]

Merchants of other Indian communities were not far behind the Parsis in accepting the role of brokers or agents of European companies and private traders. Holden Furber said : "...circumstances conspired on this [the west] coast to give the English the aid of economically powerful Indian interests, notably the Parsi interests. In plain truth, Parsi, Muslim, and Hindu interests interacted in such a way that the English went from strength to strength without the necessity of building any territorial power outside this island of Bombay."[35]

Madras, which became the headquarters of the English East India Company on the Coromandel coast, grew out of a few villages leased out to the company by a *nayak* or local chief in 1639. Next year, the English built a fort there and, within a quarter century, exercised sovereign powers over this place and its environs.[36] In Madras and other European settlements on the Coromandel coast, first the Dutch and then the English took the initiative in setting up associations of native merchants, called 'Company's Merchants', which carried on transactions with the English and Dutch companies that "covered both the sale of goods imported into India and procurement of goods required for export from India." These temporary joint stock companies, which functioned from about the 1660s to the end of the eighteenth century, were no independent organizations : on the contrary, they were "closely watched by and [were] dependent on the European officials in the factories where they were established." They could not use their funds for any purpose other than the trade with the European company to which they were attached, had to admit new members if the company so desired and could not change the terms of their document without its consent.[37]

The merchants of Bengal, Bihar and Orissa, who had carried on an extensive trade with the Malay-Indonesian archipelago, Ceylon, Burma and the Red Sea ports, were gradually ousted from many of these markets and had to seek the protection of the Dutch and English East India Companies for whatever overseas trade they still carried on. The Dutch company also imposed many conditions on these merchants in order to control the composition, direction and extent of their trade in a manner advantageous to the company's interests.[38] In Bengal and

Bihar there appeared *dadni* merchants, who acted as brokers to the European East India Companies in the eighteenth century. *Dadni* means advance money, which was paid by the companies to native merchants to enable them, on behalf of the former, to make advances to the weavers. "Most of the ready money goods were also supplied by *dadni* merchants" and they also undertook to sell on the domestic market goods imported by the European companies. They included some of the richest merchants of Bengal and Bihar and the most notable among them were the Setts and Basaks of Sutanuti (which formed part of Calcutta).[39] After the English company had purchased towards the close of the seventeenth century *zamindari* rights over the three villages which later grew into the city of Calcutta, and had built a fort there, many Indian merchants moved into this settlement to carry on trade as their agents. 'The interests of the trading and commercial elements in Bengal, Indian and British," writes Sukumar Bhattacharyya, "were thus being closely interwoven."[40] In Bengal, as in other parts of India, a handful of middlemen clustering round the settlements of foreign traders made fortunes.[41]

The prosperity of a section of rich Indian merchants in different parts of India was thus closely linked with the commercial activities of the Europeans. Places like the Bombay island, Goa, Cochin and Madras came under the sovereign rule of the Europeans from about the mid-seventeenth century or earlier. Other European settlements like Calcutta, Pulicat, Negapatam, Masulipatam or in important centres of trade like Surat, Hughly, Kashimbazar, Balasore and Patna were foreign enclaves — extra-territorial units within the Indian territory. In these settlements the Europeans enjoyed immunity from the jurisdiction of the Mughal and other local courts and governed themselves and the Indians who lived within these settlements according to their own laws and customs and had their own soldiers to guard them.[42] The basis of what Holden Furber called 'the empire of conquest', as distinguished from 'the empire of trade', was laid in the seventeenth century. Moreland said : ".. .as the Voyage had led to the Factory, so the Factory led to the fort."[43] And the fort proved to be the jumping-off place for the conquest of the country which began in the second half of the eighteenth century.

During this period, English imperial policy, as K. N. Chaudhuri writes "reached its ideological peak under the governorship of Sir Josiah Child." In 1686, for example, a letter drafted by Child informed the Madras Council :

"You see what a mighty charge we are at to advance the English Interest and make this Company a formidable Martial government in India which formerly the Dutch despised at a parcel of mere trading merchants or Pedlars as they used to miscall us...without [revenue] it is impossible to make the English nation's station sure and firm in India, upon a sound Political Basis and without which we shall always continue in the state of mere merchants subject to be turned out at the pleasure of the Dutch and [at] the discretion of the Natives."[44]

To sum up, contrary to what Tapan Raychaudhuri has said, conditions of 'free competition' did not exist in the seventeenth century after the coming of the English and Dutch East India Companies. Second, there was no significant increase in production as a result of the impact of European commerce. Third, Indian merchants suffered from many constraints in their overseas commerce and a section of them changed into comprador traders. Fourth, the basis of 'the empire of conquest' was laid in the seventeenth century. Raychaudhuri's statement that "the impact of European commerce with India on a competitive basis was in many ways beneficent" makes curious reading.

In the pre-colonial era, the Indian merchants suffered not only from the effects of the domination of India's maritime trade by the Europeans but from various disadvantages in internal trade from which the European merchants were comparatively free. Sir Thomas Roe advised the East India Company, "You shall be sure of such privilege as any stranger, and rights when the subject dares not plead his." Moreland added : "I think that the phrase may be taken as an accurate summary of the position in the greater part of India."[45]

The Indian merchants were doubly oppressed by the feudal rulers. First, neither their property nor their persons, even of the tallest among them like Virji Vohra, were quite safe from the arbitrary encroachments or attacks by their rulers. On the other hand, the foreign merchants "were treated with due regard to the international position of the State to which they belonged,"[46] and could live freely within their settlements according to the laws and customs of their own countries—free from the jurisdiction of the courts of this country.

Second, the Indian merchants had to pay many local excise duties at different places during the transit of their goods by roads and rivers, from the payment of which the European merchants were exempt. In this respect the English company and its employees were most privileged. As early as 1615, Sir Thomas Roe obtained a *farman* from Jahangir, which permitted the English to reside at Surat, travel freely into the interior of the country and carry on trade subject to a customs duty of 3.5 per cent on English imports and 2 per cent on bullion. In 1651, Prince Shuja, the then governor of Bengal, granted the English company *nishan* or sealed permit, which allowed it to have freedom of trade in Bengal without any customs duties and without any other restrictions in return for an annual payment of Rs 3,000 only. Various other concessions and privileges were extended to the English by the Mughal rulers and other Indian chiefs. The most important of these were the *farman*, "the Magna Carta of the English trade in India," and certain other privileges granted by the Mughal emperor Farrukhsiyar in 1717. Among the provisions of the *farman* were :

"That all goods and necessaries which their factors [the English agents of the Company] of the Subahships [Mughal provinces], ports and round about bring or carry away either by land or water, know they are custom free that they may buy or sell at their pleasure."

And "That all persons, whether European or native, who might be indebted or accountable to the Company should be delivered up to the Chief of the factory."[47]

Another important privilege was : "That a *dastak*, or permit given by the chief of the factory, should exempt the goods from being stopped or examined by the officers of the Government"[48]

S. Bhattacharya rightly observes : "No other merchants, Indian or foreign, enjoyed the same privileges. Freedom of the Company's servants from molestation, searches and oppressions and the authority which the Company obtained over run-away debtors virtually conferred on them extra-territorial privileges, and correspondingly affected the sovereignty of the Mughal rulers in Bengal [and elsewhere in India]."[49]

The English not only traded customs-free in all goods they imported into the country and exported out of it but they carried on inland trade with the help of the *dastak* claiming exemption from inland duties. They even sold the *dastak* to Indian merchants for the same purpose — "an abuse extensively practised."[50]

The abuse of the *dastak* in inland trade was for a long time a bone of contention between the Nawab of Bengal and the English company. A Bengal government communique of 1731 complained that the extensive trade of the English "in all the country merchandise besides what are proper for the Europe markets", free of customs, caused the loss of substantial revenue and the ruin of a great number of Indian merchants.[51] In 1733, the Deputy Nawab of Dhaka (Dacca) accused the English of having monopolized the whole trade of the country "much to the prejudice of the King and his subjects". He also complained of the unauthorized private trade of the English merchants, which surpassed that of the Company itself.[52]

In the conditions that prevailed both in overseas and in domestic trade the decline of the Indian merchants who did not serve as brokers or agents of foreign merchants and the rise of the comprador merchant bourgeoisie became inevitable.

It is worth noting that at the same time close links were being forged between the European merchants and a section of India's feudal lords. This section obtained a ahsre of the huge profits earned by the European merchant monopolists. These feudal rulers received annual payments for the right they granted the Europeans to carry on trade within their territories, collected taxes and, sometimes, earned interest on loans they extended to them. For instance, the Portuguese paid to the rulers of Bengal Rs 4 lakh annually for the right to trade in Hughli; the rulers of Golconda, Bijapur, Vijayanagar, etc., encouraged the Dutch to trade in their territories and indirectly obtained some profit out of it. They also granted loans to the Dutch to finance their purchases and obtained interest of up to 40 per cent on their loans. In some cases, the European East India Companies were appointed revenue-farmers. In Golconda, the Dutch acquired from its ruler the right to collect taxes in several towns.[53]

The comprador bourgeoisie helped not only economic aggression but also political aggression against this country by the Europeans. Indian and Armenian merchants and "other subjects of Calcutta" served the cause of the English East India Company during the latter's struggles with Nawab Siraj-ud-daula so well that the treaty which Mir Zafar signed with the Company included the payment of Rs 2.7 million as compensation for the losses which these people claimed to have suffered during the hostilities.[54] The part Jagat Seth, Omichand and other leading representatives of Indian banking and commerce played in the conspiracy that led to the conquest of Bengal by the British is well known. According to N. K. Sinha, the house of Jagat Seth might have offered to bear the cost of dive's expedition against Siraj-ud-daula in 1757 and they were the "Nawab-makers' in 1757 as in 1740.[55] Their counterparts in other regions of India—Marwari, Gujarati and Parsi merchants and bankers—often financed the British colonialists' wars against Indian rulers and helped them in various other ways to extend their rule to various parts of India and beyond. About the Parsi compradors, D. F. Karaka wrote :

"...it was Parsi energy alone which supplied the wants of the increasing British forces in the different military stations in India... at all the principal stations in former years they acted as the bankers of European officers. In fact, wherever wealth was to be acquired, or wherever the English standard was carried, the Parsis followed with fearless energy. The Parsi tradesman accompanied the British army to Kabul..."[56]

The same role was played by the Indian compradors during India's First War of Independence in 1857-58 and all subsequent struggles of the people to overthrow colonial rule.

One may not agree to much of what Ronald Robinson says in his essay "Non-European Foundations of European Imperialism : Sketch for a Theory of Collaboration", but the following observation of his is quite correct, at least in the case of India :

"Nor without indigenous collaboration, when the time came for it, could Europeans have conquered and ruled their non-European empires. From the outset that rule was continuously resisted; just as continuously native mediation was needed to avert resistance or hold it down.... The financial sinew, the military and administrative muscle of imperialism was drawn through the mediation of indigenous elites from the invaded countries themselves."[57]

NOTES

1. Speaking of the Mughal Emperor Aurangzeb, John Fryer, an English traveller, wrote : "And if the King's Fleet be but ordinary, considering so great a Monarch and these Advantages, it is because he minds it not; he contenting himself in the enjoyment of the Continent, saying that God has allotted that Unstable Element for their Rule." (J. Fryer, *A New Account of East India and Persia being Nine years' Travels, 1672-81* [in 3 volumes], ed, by W. Crooke, London, 1909-15, Vol. I, 302).
2. W. H. Moreland, *India at the Death of Akbar,* London, 1920, 200-1.
3. *Ibid,* 202-3.
4. *Ibid,* 202.
5. Ashok V. Desai, "The Origins of Parsi Enterprise", *IESHR,* Dec. 1968,310-11.
6. Holden Furber, *Rival Empires of Trade in the Orient 1600-1800,* Minneapolis, 1976, 315; Surendra Gopal, "Merchants in Western India in the Sixteenth-Seventeenth Centuries", in R. S. Sharma (ed.), *Indian Society : Historical Probings,* 238.
7. Surendra Gopal, *Commerce and Crafts in Gujarat,* New Delhi, 1975, 21; A. I. Chicherov. *India : Economic Development in the 16th-18th Centuries,* Moscow, 1971, 112-3.
8. Tapan Raychaudhuri, "European Commercial Activity and the Organization of India's Commerce and Industrial Production, 1500-1750", in B. N. Ganguli (ed.), *Readings in Indian Economic History,* Bombay, 1964, 69, 75—emphasis added.
9. K. N. Chaudhuri, "European Trade With India", *CEHI,* I, 386-94.
10. H. Furber, *op cit, 252.*
11. *Ibid,* 268-9; see also Om Prakash, "The European Trading Companies and the Merchants of Bengal 1650-1725," *IESHR,* January-March 1964.
12. S. Gopal, *Commerce and Crafts in Gujarat,* 64.
13. *Ibid,* 36, 47.
14. *Ibid, 27.*
15. *Ibid,* 28; see also H. Furber, *op cit,* 47.
16. S. Gopal, *Commerce and Crafts in Gujarat,* 47, 49-50, 59, 61, 64-5.
17. *Ibid,* 26; also A. Dasgupta, "Indian Merchants and the Trade in the Indian Ocean." *CEHI,* 1,431.
18. Om Prakash, *op cit,* 60.
19. Angus Maddison, *Class Structure and Economic Growth : India and Pakistan since the Moghuls.* London, 1971, 17.

20. Tapan Raychaudhuri, "Inland Trade", *CEHI*, I, 335; also 331; Amiya Kumar Bagchi. *Merchants and Colonialism* (mimeographed), Centre for Studies in Social Sciences, Calcutta, 1981. 13; W. H. Moreland, *From Akbar to Aurangzeb*, New Delhi, 1972 edn, 73-4.
21. H Furber, *Bombay Presidency in the Mid-Eighteenth Century*, Bombay. 1965, 64-5—emphasis added.
22. H. Furber, *Rival Empires of Trade in the Orient*, 315-6.
23. S Gopal, *Commerce and Crafts in Gujarat*, 64.
24. D. R. Gadgil, *Origins of the Modern Indian Business Class*, New York 1959 20, 41-2; H. Furber, *Bombay Presidency in the Mid-Eighteenth Century*, 63-4.
25. A. Dasgupta, "The Merchants of Surat, c. 1700-50", in E. Leach and S. N. Mukherjee (eds.), *Elites in South Asia*, Cambridge, 1970. 210-212.

25a. J. Ovington, *A Voyage to Surat in the year 1689* (ed. by Rawlinson), 1929, 233; cited in D. R. Gadgil, *op cit*, 41 fn. 51.

26. S. Gopal, "Merchants in Western India in the Sixteenth-Seventeenth Centuries", in *op cit*, 240; W. H. Moreland, *From Akbar to Aurangzeb*, 153-5.
27. S. Gopal, *Commerce and Crafts in Gujarat*, 59; A. I. Chicherov. *op cit*, 113.
28. S. Gopal, *Commerce and Crafts in Gujarat*, 104.
29. N. K. Sinha, Introduction to J. H. Little, *House of Jagatseth*, Calcutta, 1967, pp. IX-XI; N. K. Sinha, *The Economic History of Bengal*, I, Calcutta, 1965 (3rd. edn.), 149.
30. S. Gopal, *Commerce and Crafts in Gujarat*, 135.
31. H. Furber, *Bombay Presidency in the Mid-Eighteenth Century*, 25— emphasis added.
32. D. R. Gadgil, *op cit*, 42; S. M. Edwardes, *The Rise of Bombay : A Retrospect*, *Bombay*, 1902. 117-8.
33. D. F. Karaka, *History of the Parsis* (in 2 vols.). London, 1884, I, Introduction, pp. XVI-XVII.
34. *Ibid*, 11,9, 244.
35. H. Furber, *Bombay Presidency in the Mid-Eighteenth Century*, 170.
36. H. Furber, *Rival Empires of Trade in the Orient*, 71, 133, 312.
37. D. R. Gadgil, *op cit*, 42; S. Arasaratnam, "Indian Merchants and their Trading Methods (circa 1700)", IESHR, March 1966; A. I. Chicherov, *op cit*, 117,120.
38. Om Prakash, *op cit*.
39. D. R. Gadgil, *op cit*, 42-3; N. K. Sinha, *The Economic History of Bengal*, 1,6-7.
40. Sukumar Bhattacharya, *The East India Company and the Economy of Bengal*, London, 1954, 16.
41. *Ibid*, 223.

42. W. H. Morelarid, *From Akbar to Aurangzeb,* 225-6; H. Furber, Rival *Empires of Trade in the Orient,* 198, 311.
43. W. H. Moreland, *From Akbar to Aurangzeb,* 228.
44. K. N. Chaudhuri, *op cit,* 392; Chaudhuri cites as his source Records of Fort St. George, *The Baramahal Records,* Madras, 1907-20 (paras 10, 27), 10, 1-13.
45. W. H. Moreland, *India at the Death of Akbar,* 247.
46. *Ibid.*
47. Cited in S. Bhattacharya, *op cit,* 29, 28.
48. Cited in *ibid,* 29.
49. *Ibid.*
50. *Ibid,* 30; K. N. Chaudhuri also writes : "The indigenous merchants, subject to the payment of numerous tolls and customs dues, were placed in a position of disadvantage and strove to overcome it by purchasing duty-free trading passes from the English Company." *(CEHI,* I, 395).
51. S. Bhattacharya, *op cit,* 50-1.
52. *Ibid, 67.*
53. A. I. Chicherov, *op cit,* 114-5; W. H. Moreland. *From Akbar to Aurangzeb,* 243-4; S. Gopal, *Commerce and Crafts in Gujarat,* 241.
54. Ramkrishna Mukherjee, *The Rise and Fall of the East India Company,* Berlin, 1958. 239.
55. N. K. Sinha, Introduction to J. H. Little, *House of Jagatseth,* p. XIV.
56. D. F. Karaka, *op cit,* II, 246-7.
57. Ronald Robinson, '"Non-European Foundations of European \ Imperialism", in R. Owen and B. Sutcliffe (eds.), *Studies in the Theory of Imperialism,* London, 1972, 120.

CHAPTER FOUR

INDIAN SOCIETY BEFORE COLONIAL RULE

Though small parts of India—Goa, Daman, Diu, Chaul, Bassein, the Bombay island, Cochin, Madras, Pondicherry, etc.,—came under the formal or informal rule of the Europeans in the 16th and 17th centuries (Goa as early as 1509), the colonial era is said to have its beginnings in 1757, when the victory in the battle of Plassey made the British virtually the rulers of Bengal and Bihar. It took them about ninety more years to complete the conquest of the whole of India.

India is a vast sub-continent and the home of many nations and nationalities, each with its own language, territory, a common past, and istinctive ways of life and culture. In India's long history, strong central governments were few and far between. Before the British, only three Large empires—Maurya. Gupta and Mughal—had arisen : even then None of them embraced the whole of India. And what had been created by the sword perished by the sword.

As regards economic conditions, the agrarian system, industrial organization, trade, etc., there was a great diversity among different regions of India. In fact, there was no Indian society but various societies in the sub-continent at different stages of development. Here, for the sake of convenience, we shall refer to the Indian society as a generic name for many such societies.

Generally speaking, the pre-colonial Indian society was divided into two main sections : the emperor or king and his nobles, who constituted the ruling class, and the peasantry and other working people who were the ruled. In the Mughal empire the ruling class was composed chiefly of foreigners—Turanis, Iranis and Afghans—who had recently immigrated from Central and West Asia.[1] It included only a handful of Indian princes who ruled over more or less autonomous territories, The Mughal state was, generally speaking, a centralized, autocratic state with a vast bureaucracy and a vast army, one main purpose of which was to extort from the peasantry the maximum share of the produce by force or by the threat of force. Bernier, as we shall see. was not correct when he said that the emperor was the ''proprictor of every acre of land in the Kingdom, excepting, perhaps, some houses and gardens."[2]

There were *khalisa* lands from which the Mughal emperor received land revenue directly through revenue officials, but most of the empire was parcelled out as *jagirs* and assigned to high military officers of the realm, called *mansabdars* (holders of ranks) in lieu of their pay and for meeting the expenses of maintaining units of the army under them. The *jagirs* were usually transferred from one *jagirdar* to another at intervals of about three years : they were not hereditary and the son of a *Jagirdar* was usually assigned a smaller *jagir* on the death of his father. Besides the *Jagirdars,* there were autonomous chiefs, *rajas, ranas, maharajahs,* etc., who after paying the expected tribute to the emperor were left free to exercise autonomy within their own territories. They usually continued to enjoy zamindari rights and privileges as before but were required to render the emperor military service when needed. Some of them joined imperial service, obtained *mansabs* or ranks in it and were assigned *jagirs* like other *mansabdars.* Their own domains were treated as *watan jagirs,* which were hereditary.

The ruling class tried to squeeze out of the peasants not only the entire surplus but, sometimes, even a part of the necessary product. Ordinarily, to quote Irfan Habib,

"...after making allowances for all these leakages [portions of land revenue going to local zamindars, village headmen, local revenue staff, revenue grantees, etc.], it must be assumed that the total net amount of produce actually lost by the countryside, without any return, must have amounted to a very large portion of the total—at least a fourth of it, if not a third or a half."[3]

There were intermediate classes of local zamindars, revenue grantees, urban and rural traders, *shroffs* and usurers. Villages were of two types : *raiyati* (or peasant-held) villages and villages of the zamindars. In zamindari villages, zamindars were held responsible for the collection and payment of the land revenue of their respective villages. According to Irfan Habib, the system was somewhat different in Bengal, where the land revenue was collected "in fixed amounts of cash from the zamindars, as if it were tribute rather than a varying tax on land or its produce."[4] The zamindars were not proprietors of the soil nor could they enhance the land revenue if they so desired, but they had a claim to a share of the land revenue, or could levy a separate rate on the peasants, or held lands that were revenue-free. They also claimed petty perquisites *(abwabs)* from the peasants and could obtain certain unpaid labour services *(begar)* from the most exploited sections of the people like *chamars* (scavengers and leather workers) and *dhanuks*. Their rights were hereditary and alienable. They erected forts and maintained soldiers to protect their rights. In Mughal India, during Akbar's reign, the total strength of the armed men maintained by zamindars exceeded 4.4 million.[5]

In the early 18th century Murshid Quli Khan, *diwan* and then governor of Bengal, created six large zamindaris which paid half the revenue of the province. As the zamindari rights could be bought and sold, there arose a large market in properties, and aspiring headmen of the villages, revenue grantees and rural usurers purchased these rights. "In the confusion which characterized the last phase of the [Mughal] empire", says Tapan Raychaudhuri, "the tendency to convert claims to a share of the produce into an absolute proprietary right over land appears to have been general. The zamindar's position in pre-Plassey

Bengal anticipated in essential details the Permanent Settlement of land revenue [made by the British in 1793]."[6]

The zamindars had also their own land-holdings to which they gradually came to acquire proprietary rights. They could cultivate them with the help of hired agricultural workers or rent them out to tenants.[7]

As we have seen, the top stratum of the zamindars formed by *rajahs, ranas, maharajahs,* etc., were part of the ruling class; but the petty ones, the local zamindars, had many ties with the peasantry. In many cases a small zamindar belonged to the same caste or sub-caste as the dominant section of the peasantry of the village or the area. When the struggle for land revenue or rent became sharp among the feudals, contradictions arose between *jagirdars* and local zamindars, and peasant revolts were sometimes led by them.

There was another section of people in the rural areas, called *madad-i-mash* holders (revenue grantees)—usually religious men who served the State as an "army of prayer"—who were assigned the revenue of some lands by the State. When they were allotted virgin lands, they could have them tilled by agricultural labourers whom they paid wages, generally in kind, or could lease them to tenants. Though the State had the right to resume the grants, these became in course of time hereditary and even salable.[8]

Except in a few regions, land revenue was collected in cash. Payment in cash had become a practice in wide areas even by the fourteenth century. And "cash collections were the rule in the beginning of Akbar's reign,..."[9] In most of South India, too, the cash nexus was quite strong.

Speaking of the transformation of rent in kind into money-rent, Marx observed that it presupposed "a considerable development of commerce, of urban industry, of commodity production in general, and thereby of money circulation."[10] In pre-colonial India, too, the revenue demand in cash led to the production of cash crops, and presupposed a considerable development of commerce, urban industry, commodity production and money circulation.

Though depending on itself in respect of most of its consumption needs, the village was no closed unit, isolated from the world outside. On the contrary, it was quite vulnerable to the caprices of the market and the villagers were prey to the machinations of merchant and usury capital, the octopus-like grip of which extended beyond particular regions. Besides bazars, which were mainly retail markets, there were *mandis* in the heart of the countryside, which were wholesale markets for the sale and purchase of grain. These *mandis,* each of which served several villages, were linked to bigger *mandis* or regional markets.[11] Considerable inland and coastal trade between far-flung towns and cities of the sub-continent—for instance, between Bengal on the one hand and Northern India, Gujarat and the Coromandel coast on the other—and foreign trade, both overland and overseas, had developed. Even in a town like Kashimbazar in Bengal, Gujarati, Armenian, Dutch and English merchants had permanent settlements and procured through their native agents huge quantities of silk for export to various regions and countries. When the actual producers were among the most wretched of the earth, there were very big merchants and bankers such as the Gujarati Virji Vohra of Surat and the Marwāri migrant, Fateh Chand 'Jagat Seth' (lit. 'banker to the world', a hereditary title conferred on Fateh Chand by the Mughal Emperor in 1722) of Murshidabad, who commanded large money capital and carried on extensive trade and banking. A merchant like Abdul Ghafur of Surat was reported to own 20 ships of between 300 and 800 tons each and "alone conducted trade equal to that of the whole East India Company."[12] Satish Chandra writes that there were merchants in Bengal and Gujarat who had 'stupefying wealth' and that there were some who drove as big a trade as the East India Company He observes: "Bernier's statement that, except in the coastal ports, the rich merchants 'studied indigence' lest they be used as 'field sponges', could only be partially correct. The *Baniyas* of Agra owned palatial houses."[13]

Smaller merchants, who often acted as agents of the bigger ones, would sometimes advance money to peasants before the crops were ripe and buy them at far below market prices. This was one of the ways'in which merchant capital fleeced the peasants as it fleeced the industrial producers.

A part of the peasant's surplus product was appropriated by usury capital. As Man Habib observes, the extent of peasant indebtedness was greater than what has till now been supposed. The rates of interest were quite exorbitant[14] and though the land of the defaulting peasant was not transferred to the professional usurer, he squeezed out of the peasant whatever he could. As the collection of land revenue in cash dragged the village into the orbit of money economy, almost every village had a *shroff* "make remittances of money and issue letters of exchange."[15] A big banker like Jagat Seth financed internal and external trade, and provided credit even to foreign merchants including the Dutch, English and French East India Companies. Their *hundis* (bills of exchange) were honoured everywhere and his house was enormously rich in the first half of the 18th century. "The tribute of one crore [of rupees] to be sent to the Delhi Emperor could be paid by Fateh Chand Jagat Seth by one single *hundi*"[16] Satish Chandra writes that the house of Jagat Seth could cash a *hundi* worth crores on sight.[17] In the 17th century, there existed also a system of insurance of goods in transit and the *shroffs* were usually the insurers.[18]

Often the roles of merchant, usurer and banker were combined in the same person. The petty usurer and merchant was linked to the big banker and merchant whose activities extended to different regions. Though there were contradictions between the rulers and the big merchants and bankers, they were also bound closely by many ties of interest. The latter lent money to the rulers, financed their military campaigns and served as army purveyors. Besides issuing *hundis,* they acted as money-changers, for a number of currencies circulated in those days, and they made enormous profits out of this trade in money. A big banker like Jagat Seth was the keeper of the state treasury and lent large sums to the Bengal *nawabs* and zamindars. These bankers would take over the zamindaris of those who failed to repay the loans. Many of them served as revenue farmers and some emerged as big landlords in course of time.[19]

It may be noted here that many members of the ruling class took part in commercial activities. Emperor Jahangir, empress Nur Jahan, prince Khurram (who afterwards became emperor Shah Jahan), prince Azimusshan, the rulers of Golconda, Bijapur, Vijayanagar and high officials like Mir Jumla, Shaista Khan (nawab of Bengal), his son Buzurg Ummed Khan (nawab of Patna), etc., carried on trade, both inland and overseas, in cloth, salt, saltpetre, diamonds and other commodities. Mir Jumla, a powerful noble, was also one of the biggest merchants of the time with a fleet of ships. In some cases these feudal lords and their underlings, such as governors of particular provinces and cities, employed their despotic power to impose their monopoly over the purchase and sale of certain commodities like salt, saltpetre and dyes. These "monopolies" were used to purchase goods below their market prices and to sell them at higher prices.[20]

"While income from land", observes Satish Chandra, "still remained its [the Mughal nobility's] main source of income, commerce or money extorted from commerce was becoming an important secondary source"[21]

Many big Marwari and Gujarati merchants and bankers held high posts in the princely states of Rajasthan and Gujarat.[22] They wielded considerable influence over such states. It is also worth noting that the heads of the local communities of merchants were often appointed by feudal chiefs. In the early 17th century Emperor Jahangir conferred on the richest shroff of Gujarat, Shantidas, the title of 'Nagar Seth' of Ahmedabad, then capital of Gujarat, for services rendered to the Mughal court. From that time onwards, the Nagar Seth was acknowledged as the chief of Ahmedabad's merchant community, who represented its interests to the rulers.[23] Kenneth Gillion writes that in the Mughal days the guilds of merchants and financiers and the Nagar Seth "were as much rulers of the city [of Ahmedabad] as the royal governors and officials and for the individual of far more immediate significance."[24] As we have already noted, Fateh Chand, the biggest banker in Bengal, whose house controlled the mint in Murshidabad and whose interests were interwoven with the interests of the feudals, was honoured with the title of 'Jagat Seth' by the Mughal emperor in the early 18th century. According to W. Bolts, the Jagat Seths "acquired an influence at the Durbar little inferior to that of the Nawab himself."[25]

C. A. Bayly observes that "the credit control of the major bankers [in Banaras] had by the mid-eighteenth century put them covertly in a position where they could, to use Duncan's own words, 'command the state'. By withholding the issue of advances on the revenue they had a powerful hold over a regional kingdom such as the Raj of Banaras...If pressed to extremes, the state could always resort to distraint or coercion, but accommodation was the safest course."[26] Such relationship was not uncommon in several cities of India.

In Europe, before transition to capitalism, the big merchants, the *haute bourgeoisie,* were "tied to and integrated within the feudal order."[27] In India, too, there was a fusion of big merchant and banking capital and feudal interests. The former was so integrated within the feudal order that it became, to use Engels' expression, "flesh of its flesh, bone of its bone."[28] It was this symbiotic relationship between the feudal class and the upper stratum of merchants and bankers that was primary; whatever conflict there was between them was secondary.

A section of the big merchants and bankers changed into compradors after the coming of the European merchants. They helped the latter to penetrate into the country not only economically but also politically.

It may be noted here that the vast growth of merchant and banking capital did not pose any threat to the feudal order in India, for such capital remained external to the process of production. Far from seeking to overthrow the old mode of production, it fastened leech-like to it and sucked the blood of direct producers. As Marx said of merchant's capital in pre-capitalist societies, it had, on the one hand, a disintegrating influence on the old mode and tended, on the other, to preserve and retain it as its precondition. The correctness of the law established by Marx that "the independent development of merchant's capital is inversely proportional to the degree of development of capitalist production"[29] is borne out by the conditions in pre-colonial India.

THE PEASANT AND THE LAND

Contrary to the views of some early British administrators, which influenced Marx, the possession and use of the land in pre-colonial India was not common but individual. The individual peasant had the hereditary right of occupancy to his plot of land so long as he paid the land revenue. The state would claim taxes on the cultivated land, in which the peasant's rights were guaranteed on the whole. The view also expressed by Sir Henry Maine that the village community was a "proprietary unit," that "ownership by bodies of men was the rule, several ownership by individuals the exception,"[30] was long ago refuted by Baden-Powell. The latter wrote :

"The separate holders (or *raiyat)* [in the *raiyatwari* villages], whatever spirit of union they may have possessed, never represented co-sharers in a unit estate nor acknowledged any form of common ownership."

He also stated: "This residence in a more or less isolated group, with the common use of the adjoining waste or grazing ground, submission to the village headman, and common employment of a local staff of artisans and menials, were the chief circumstances which formed the bond of union in a *raiyatwari* village."[31]

The Indian villages, as we have noted before, were mainly divided into *raiyatwari* (i.e., peasant-held) and zamindari villages. Besides, there was, as Baden-Powell held, another type of the village which had the "appearance of joint or common ownership."[32] This appearance was rather a passing phase. In most cases such villages had their origin in local conquest or as royal grants of revenue-collection rights over *raiyats*. Within a few generations heirs would proliferate and what was single ownership would change into undivided joint ownership. Still later, the entire village would be divided up among the heirs for cultivation by them individually or as their individual 'rent property". Thus, joint ownership of the entire village would again dissolve into individual ownership of fragments of it.[33]

Speaking of Mughal India, Irfan Habib says that the existence of the village community "does not mean that there was a village commune that owned the land on behalf of all its members. No evidence exists for communal ownership of land or even a periodic distribution and redistribution of land among peasants. The peasant's right to the land, as we have seen, was always his individual right."[34]

Generally speaking, private property in land in the bourgeois sense-that is, in the sense that the landowner can do with it what every owner of commodities can do with these—did not exist in pre-colonial India. There were diverse interests in land and no exclusive form of proprietorship : various people had rights over the land and its produce and there was no exclusive right of property.

But private property in land was not wholly absent in the Mughal period. Abu-l Fazl's *Ain-i Akbari* describes the state's land revenue demand as a tax on the property of the subject and recognizes the peasant as the owner of the land. Khafi Khan also speaks of "the proprietary *(milki)* and hereditary lands" of the peasants. Inaurangzeb's *farman* to Muhammad Hashim, the peasant's ownership of land, which included full rights of mortgage and sale, is admitted.[35] According to Satish Chandra, there are a number of references to the sale and purchase of land in the documents preserved in the Allahabad Records Office, most of which relate to the second half of the 17th century.[36] B. R. Grover writes that the *khud-kastha* peasant (whose land holding and home were in the same village or in the same zamindari area) "had full rights in land for the purposes of its transfer, mortgage and sale, though such transactions were, of course, extremely rare." To quote him again :

"...in the Mughal age, the state never claimed the absolute and exclusive ownership of the agrarian land and definitely recognized the existence of private property in it. The ownership of the land was vested in the hereditary *riaya [raiyat,* i.e.. cultivator as distinct from labourer] which [who] had the rights of transfer, mortgage and sale. Such rights were also vested with the zamindars in respect of their personally developed lands and villages and were also vested in a new class of colonizers named zamindars."

Grover also says that when the State wanted some privately owned agrarian land for some purpose like the construction of a monument, it had to buy it from the zamindars and the private owners.[37] In the urban areas, too, there seemed to exist private property in land. Contemporary documents refer to the king's subjects as "proprietors" *(maliks),* "selling plots of land to the king or even disputing their possession with him."[38]

Sale of urban land was not uncommon. Decades before the conquest of Bengal by the East India Company, Radhakrishna Nandy (father of Krishna Kanta Nandy, who was *banian* of Warren Hastings and founder of the Kashimbazar raj family) purchased 14 *kathas* (less than one fourth of an acre) of land at Kashimbazar, then a commercial centre in Bengal.[39]

Somendra Chandra Nandy, a descendant of Krishna Kanta, writes that before the battle of Plassey 'The officers of the registration of sale deeds accepted them written only in [the] Bengali language if the amount of the money was not significant but insisted on a two-language document, first written in Persian, the court language, and then in Bengali, when the amount of money was considerable."[40]

In South India, the *mirasi* peasants (the same as *khud-kasht* peasants of North India) "had a definite proprietary claim to the land" and had the right to alienate it.[41]

Satish Chandra cites a letter from Captain Briggs, the political agent in Khandesh, Maharashtra, to Mountstuart Elphinstone, in which he said that the land of the *mirasi raiyat* was "hereditary, salable, or transferable and on the occasion of its alienation from the family title-deeds are made out..."[42]

In the medieval Deccan and Maharashtra, village officers held *inam* (rent- or revenue-free) land besides *miras* land (i.e., land which was deemed to be their property). Their office and *inam* land as well as their privileges were treated as *watan* (patrimony), which was hereditary and could be sold with the approval of State authorities and village assemblies. *Mirasdar* peasants also enjoyed a rather full proprietary right to their *miras* land : there are documents which testify to sales of such land though the practice was far from common.[43] Fukazawa observes : "...fairly complete private ownership was recognized in *miras* land as well as in *inam* land."[44]

Though, in theory, land was alienable in many regions of India in the pre-colonial era. in actual practice its significance was very much restricted by certain factors. First, the State insisted that it was the duty of the peasant to cultivate as much land as he could and failure to do so was a culpable offence. The *jagirdars*, according to Irfan Habib, "claimed power to detain them [peasants] on the land, like serfs, and bring them back, if they ran away.'"[45] In 1668 Aurangzeb issued orders asking revenue officers even to "make use of force and the whip." if peasants abstained from cultivation "in spite of having means to cultivate, and of a favourable season."[46] "If in one sense," says Irfan Habib, "the land belonged to the peasant, in another the peasant belonged to the land." Habib quotes Geleynssen, a European observer, who said that there was "little difference between them [the peasants in India] and serfs such as we found in Poland, for here (too) the peasants must all sow..."[47] So, like the serf, the Indian peasant was tied to the land and it was his forced appropriation to the land that became the means by which the feudal authority oppressed and exploited him. Flight from the land was one form of the peasant's protest against feudal oppression and exploitation.

Second, it was a period when land was abundant. For all these reasons cases of sale of peasant land were rather rare.

No doubt, in the midst of these contradictory elements, the tendency towards the development of property rights in land was unmistakable.[48]

THE VILLAGE COMMUNITY

The village community existed in most Indian villages, though not in every village, and its pattern of organization was not the same everywhere. It was generally an administrative—not a proprietary—unit. It was different from the Russian *mir* or village community : while the latter formally owned the peasant land and redistributed it among the peasant households from time to time on the basis of certain criteria for individual cultivation, the Indian village community did neither. Though in a state of decomposition, the *mir* with its facade of communal ownership survived in Russia for a few years even after the proletarian revolution of November 1917.[49]

In India, the village community was responsible for collective payment of land revenue to the State's officials or the revenue farmer and managed a common pool from which the village officers, priests, menials and the village artisans were remunerated in kind for the services they rendered. It enforced a kind of servitude on the members of the landless serving castes like *chamars* (leather-workers and scavengers), who were forced to remain landless in that age of land abundance. Far from being an egalitarian society, the village community was dominated by a rural elite composed of village heads, revenue grantees and rich peasants. They avoided paying their share of the revenue demand and managed to shift much of the burden on to the shoulders of the smaller peasants who formed the bulk of the peasantry.[50]

Neither economically nor politically the village community was a closed, isolated unit. Though natural economy was predominant, the growth of money economy was not negligible. The organization of the village community with the peasants as the main social group and with rural crafts such as those of the carpenter, blacksmith and potter, each represented by one family or two, and with village officers and servants, arose to ensure the self-sufficiency of the village.

But the sale of a large part of the agricultural produce on the market in order to meet the revenue demand presupposed a considerable development of commodity production and money circulation. During Akbar's reign there were, besides 120 big cities, 3,200 *qasbas* (townships) in Mughal India, each serving 100 to 1000 villages. These were centres where rural as well as urban goods were bought and sold. The self-sufficiency of the village was not total. Though self-sufficient in respect of most of its needs, as in many parts of India today, the village depended on other areas for the supply of salt, iron, cloth, etc., and there was a demand from the rural elite for luxury goods produced in urban areas.[51]

The market mechanism inevitably had its impact on both agriculture and rural industry. In agriculture, there was some shift to the production of high-grade crops like wheat and of cash crops such as cotton, sugarcane, indigo and tobacco.[52] Writing in 1665, Bernier said that Bengal exported rice not only to neighbouring countries but to the Coromandel coast Ceylon, the Maldives etc.; sugar to the kingdoms of Golconda and the Carnatic, Arabia, Mesopotamia and Persia; large quantities of cotton cloth and silk to different parts of India, neighbouring kingdoms and even to Europe and Japan.[53] Both the peasant and the rural artisan responded to the demands of the market-distant as well as near. In different areas, subsistence farmers engaged in part-time activities to produce things like indigo, sugar and raw silk, which were sold on the market. Village community artisans also, besides working for the community, sold some of their additional output on the market and bought some of the raw materials they needed. As Tapan Raychaudhuri writes,

"By the 17th century, if not much earlier, exchange had made significant inroads into the subsistence-oriented system of manufacture by collectively maintained artisans. Payments in cash and kind for additional work, or entirely on a piece-work basis, co-existed with the more widespread practice of allocating fixed shares of the rural produce and/or land to the artisan families."[54]

There appeared large centres of textile production in Bengal, on the Coromandel coast, around Surat Ahmedabad, Agra and Lahore and in Oudh, which produced not only for the inland markets but for markets beyond the seas. The fluctuations in the demand and in the prices of textile goods, indigo, etc., affected large numbers of peasants, artisans as well as merchants in these advanced areas.

There is an interesting description of purchases made by a woman-servant in Kavikankan Mukunda Chakravarti's *Chandimangal,* a long poem in Bengali written in the second half of the 16th century. She was sent by Dhanapati, a rich merchant, who lived in a town on the bank of the Ajay river in the Bardhaman district, to buy things from a local market for the entertainment of guests, and was accompanied by ten men to carry them back. She purchased various kinds of vegetable and fruit, varieties of fish and a goat, betel-leaf, spices and sugar, mustard-oil, milk and different kinds of milk-products.[55] One may be sure that, today, so many varieties of things in such large quantities would be hard to obtain in a market in a small town or village in Bardhaman or any other district of Bengal. This, no doubt, shows that commodity production had developed considerably in some parts of Bengal and India.

The political storm-clouds also did not leave the village unaffected. The policies a ruler followed had a direct impact on the lives of the peasants. For instance, Aurangzeb imposed on the non-Muslims, who formed the vast majority of the people, the *jiziya* or poll-tax, which even at its lowest rate, according to Irfan Habib, was "equal to about a month's wages of an unskilled urban labourer."[56] The peasants' reaction to feudal oppression was not always passive. They refused to cultivate lands, escaped to the city to swell the large army of unskilled labourers or to a neighbouring chiefs territory, or rose arms in hand against the exploiters, as the Jat peasants and others often did. One of the chief causes of the fall of the Mughal empire was the peasants' resistance which took different forms. In his last years Aurangzeb bewailed :

"There is no province or district where the infidles [i.e., non-Muslims] have not raised a tumult and since they are not chastised, they have established themselves everywhere. Most of the country has been rendered desolate and if any place is inhabited, the peasants there have probably come to terms with the 'robbers' [meaning the Marathas]."[57]

DIFFERENTIATION OF THE PEASANTRY

The village communities were no egalitarian, classless societies but were marked by sharp class contradictions. We have seen that a considerable portion of the revenue extracted from the peasantry was appropriated by local zamindars, revenue grantees, usurers, etc. The peasantry itself was no homogenous, undifferentiated class. Broadly, there were three classes of peasants : first, the peasants who had the hereditary right of occupancy to the land they tilled: second, the tenants; and third, the landless agricultural workers.

The peasants who enjoyed the hereditary right of occupancy to the land they cultivated and could not be dispossessed if they paid the assessed land revenue were divided into two categories : *khud-kasht* peasant or *mirasdar* who had his home and his land-holding in the same village or zamindari area and the *pahi-kasht* peasant whose land was in a village or zamindari area outside his own. The same peasant could be a *khud-kashtkar* in his own village and a *pahi-kashtkar* in another village. The *pahi-kashtkar* enjoyed the same rights to the land he tilled as the *khud-kashtkar.* But the *pahi-kashtkar peasant* was reduced to a mere tenant-at-will in areas which were densely populated.[58]

There were rich peasants who employed hired labour and raised crops for the market as well as small peasants who could produce hardly enough food for themselves.[59] The local zamindars, revenue grantees and rich peasants employed agricultural labourers on fixed wages, which was paid either in grain or in cash or in both, as today, to till some of the lands under their possession and appropriated most of the produce.[60] Such labourers were also employed to reclaim land from the forests.

The rich peasants, local zamindars and revenue grantees could rent out their spare lands to tenants. According to the terms of the agreement *(patta)* between them, the latter would have to hand over a part of the produce as rent to the former who had the responsibility of paying land revenue to the State. The tenant had the hereditary right of possession to the land he cultivated provided that he paid the rent to the landowner.[61]

The land revenue was essentially a regressive tax and the burden of it weighed more heavily on the poorer peasants then on the richer ones who usually controlled the village community.

The differentiation of the peasantry was made even sharper by the caste system. In that age when land was abundant, the caste system forced a large number of rural people belonging to "untouchable" castes like *chamars* to remain landless. It was obligatory for them to render certain customary services in return for traditional payments in kind. Besides, they had to work in the fields during heavy agricultural seasons for some payment, especially in kind.[62] According to Man Habib, these castes must have formed a fifth or a quarter of the rural population. They had no land of their own, except very small plots, which were allotted to them as village servants.[63]

This vast rural semi-proletariat, forced to serve the interests *of khud-kasht* peasants, revenue grantees and local zamindars, was "maintained entirely through non-economic compulsions."[64]

According to Man Habib, in one of the verses of the *Guru Granth Sahib,* the Sikh scriptures, the compilation of which was definitely completed by 1604, Arjan, the fifth Sikh Guru, held that each field had a master—the peasant who tilled it—whose title no one could usurp. Another verse suggests the division of the rural working population into peasants and agricultural labourers.[65]

Irfan Habib cites a statement of the *jiziya* (poll tax on non-Muslims) assessed on a Punjab village in 1697-98, which divides the population into several classes. Out of a total of 280 males, 73 were shown as children, men physically handicapped, absentees, etc., and 22 as "absolutely indigent." Of the rest, 137 persons whose possessions were valued at less than Rs 52 per head were placed in Class III; 35, each with possession of Rs 52 to Rs 2,500, in Class II; and 13 persons, whose possessions were worth more than Rs 2,500, in Class I. Habib is of the view that Class I probably consisted of zamindars, money-lenders and grain-merchants; Class II, of the rich peasants; and Class III, of the large majority of peasants.[66] Similar differentiation was a feature of the rural society in South India, too. Speaking of the medieval Deccan and Maharashtra, Fukazawa writes :

"...villages would consist of (1) hereditary village-officers such as headman *(patil* or *mokadam),* accountant *(kulkarni),* and assistant headman *(chaugula),* (2) proprietary peasants called *mirasdars...,* (3) temporary peasants or tenants called *upari...,* and (4) village-servants and artisans collectively called *balutedars* or *bara balutedars..*"[67]

It appears that a rural gentry which carried on cultivation on a fairly big scale with the help of hired labour was not wholly absent during this period.

It has been noted that towards the end of the Mughal period there was a tendency on the part of the zamindars, revenue grantees and *mirasi* peasants to convert their right of occupancy to their land holdings into a proprietary right which included the right of sale and mortgage. Employment of wage labour was not uncommon, though the payment was made mostly in kind. It is quite significant that both the features of capitalist agriculture—employment of hired labour and production for the market—however limited their extent might be, made their appearance in some parts of India before the colonial rule.

There was another significant trend. Though it was usual to collect as revenue the cash equivalent of a share of the produce of the land; another system known as *kharaj-i-muwazzaf* came into existence during Aurangzeb's reign. Under this system a peasant "could compound for his revenue by annual cash payments agreed on with the authorities for the land in his occupation, altogether independent of the income which he might actually draw from it." According to Moreland, the detailed provisions concerning it contained in Aurangzeb's orders indicate that this system had already become quite important.[68]

INDUSTRY

The 17th and 18th centuries saw the rapid growth of towns and cities in India. There were several big cities in India which, according to Western travellers, were as big as or bigger than the biggest cities of contemporary Europe. Some of the large cities were seats of royal power or places of pilgrimage, but they as well as many others, such as Hughli, Dhaka, Kashimbazar, Patna, Masulipatam, Banaras, Mirzapur, Agra, Lahore, Ahmedabad and Surat, were flourishing centres of commerce and industry. As noted before, there were 3,200 *qasbas* (townships), which were centres of exchange in Mughal India, besides many such in the Deccan and in the South. According to many economic historians, the ratio of urban to rural population during the Mughal period was perhaps higher than in the nineteenth century.[69] And a high proportion of the urban population was employed in industrial crafts and the actual volume of output could perhaps compare favourably with that in the early decades of the 20th century.[70]

INDUSTRIAL ORGANIZATION : *RURAL DOMESTIC INDUSTRY AND ARTISAN PRODUCTION*

Part of rural industry was domestic industry : spinning, weaving, oilpressing, *gur* (jaggery) manufacturing, etc., were carried on in the peasant household and the products were meant for consumption at home. Besides, as part-time activities, peasants undertook in some places the production of indigo, salt, saltpetre, sugar, raw silk, etc. These products were sold on the market.

There was 'artisan production' in every village, which, to use Lenin's words, was 'the production of articles to the order of a consumer."[71] The products of this industry did not become commodities but were mostly exchanged for the products of agriculture in the sense that the artisans—blacksmiths, carpenters, potters, etc.—were maintained by the village community and each received a customary' share of the agricultural produce. Many of them were allotted small plots of land and were part-time agriculturists. As D. R. Gadgil observed.

"Their field of operations would be limited to a village or a small group of villages and the non-monetized sector in their business would be considerable'[72]

In India most of domestic industry and rural artisan production were, to use Lenin's words again, "a necessary adjunct of natural economy."[73]

SMALL COMMODITY PRODUCTION

There were also rural artisans in Mughal India, the Deccan and the South, who, while remaining tied to the village community and fulfilling their obligations to it, produced things for the market. It seems that in course of time differentiation of the rural artisans took place and villages of weavers and blacksmiths catering for a wide market arose.[74]

In towns and cities as well as in rural centres of industry, industrial producers carried on small commodity production and catered for the needs of the nobility, other townsmen, the army, the rural gentry and the export market. Handloom cotton, silk, woollen and metal-ware industries flourished in some regions. Family labour, the labour of the handicraftsmen and their women and children, predominated, but wage labour was also employed.

PUTTING-OUT SYSTEM

The putting-out system was widely prevalent during this period. Merchant buyers-up advanced money or raw materials to the artisans and the products belonged to the merchants when they were finished. Merchant capital combined with usury capital to reduce the relation between the merchants and artisans into one of personal dependence of the latter on the former, into one of bondage. Independent artisans owning and selling their products freely were fewer than those under the control of the merchant's capital.[75] Though they owned their own tools, worked in their own homes and depended mainly on family labour, they were brought under its complete control by merchant capital. They actually sold their labour-power to the merchants and became wage-earners working at home for the capitalists, and such capitalist domestic industry existed in different parts of India.

George Roques, an employee of the French East India Company from 1676 to 1693, observed this practice of handing out yarn or advancing money to weavers by merchants and said :

"The weaver is without contradiction the most miserable of all artisans. And the maxim which the *banians* [banias] follow with these poor miserables is inhuman. This they do, in order to keep them always grovelling, and to deprive them of the resources to work by themselves, so that they cannot destroy the profit that they [banias] make in their trade by the sale of their [the weavers'] product."[76]

In India the buyers-up did not, except in rare cases, arise from among the artisans themselves as many of them did in the countries of the West or Russia. Here they belonged to a merchant community which pursued its trading activities from generation to generation, thanks to the Hindu caste system.

"Handicraft units", observed Gadgil, "were limited by a variety of considerations in relation to growth in size of units and, therefore, in total economic strength; the handicraftsman, however skilled and well-to-do, was confined to his occupation and coul not rise to be a general merchant or trader. On the ontrary, almost as a result of the same immobility, the handicraftsman was inevitably dependent on the merchant for finance and merchandising. This resulted in a position of permanent economic subordination for the artisan classes."[77]

But it appears that the rigours of the caste system were somewhat relaxed in certain regions and there was some social mobility. In Bengal, the Setts and Basaks—*tantis*, i.e., weavers by caste—were the richest and biggest traders in cotton cloth in Calcutta in the first half of the eighteenth century. Generally speaking, the direct producers formed a class impoverished and in debt bondage to the merchants.

CAPITALIST SIMPLE CO-OPERATION

It was not uncommon in some places for a merchant capitalist to employ several artisans to work under the same roof for wages. Here there was no division of labour but a number of labourers were engaged in producing the same sort of commodity. That is, capitalist simple co-operation was practised in some regions of this sub-continent.

"Capitalist production", to quote Marx, "only then really begins... when each individual capital employs simultaneously a comparatively large number of labourers; when consequently the labour process is carried on an extensive scale and yields, relatively, large quantities of products. A greater number of labourers working together, at the same time, in one place (or, if you will, in the same field of labour), in order to produce the same sort of commodity under the mastership of one capitalist, constitutes, both historically and logically, the starting-point of capitalist production."[78]

In different areas merchants or master-craftsmen employed poor artisans—even 500 of them.[79] It appears that there existed weaving workshops in South India. In some other branches of industry also, like manufacture of glass bangles, cloth printing, saltpetre and salt production and carpentry, workshops with hired labourers existed.[80] Moreland refers to a statement by Terry that men stood in the marketplace to be hired and observes that "it indicates that a labour market did in fact exist."[81]

CAPITALIST MANUFACTURE

Capitalist manufacture also made its appearance in industries such as ship-building, diamond-mining, iron and steel, silk filatures, silk and cloth printing, carpet-weaving, cotton textiles, shawlmaking, sugar and dyestuff. Marx pointed out that while capitalist manufacture is marked by co-operation based on division of labour, the handicraft continues to be its basis.[82] A considerable number of wage workers were employed in manufactories or large workshops where there was systematic division of labour. But some of these industries were of a seasonal character.[83]

There were many shipyards in Bengal, Orissa, Cochin, Gujarat, on the Coromandel coast, etc., which were owned either by the State or private individuals.[84] Large numbers of workers were employed to build different kinds of ships on orders placed by merchants. About 50 to 100 workers were engaged by a master-contractor to build a single ship.

It is worth noting that junks, the principal type of Indian sea-going vessels in the 17th century, were some of the largest ships in the contemporary world.[85] The excellence of the Indian technique of building ships by the 'rabetting' method won the admiration of the English factors in the second half of the 17th century. Indian ships were also much cheaper than ships constructed in shipyards in England.[86]

Chicherov observes : "The free hiring of workers to cater for private navigation in India in the 16th–18th centuries should also be regarded as an indication of the emergence of capitalist relations".[87]

There were enterprises manufacturing iron in various places, especially in Mysore and Bihar. During his journey through Mysore in the beginning of the nineteenth century, almost immediately after the conquest of that country by the British. Francis Buchanan noticed that the "iron-smelting enterprises in Mysore generally approximated to the employment of artisans as wage labourers by proprietors."[88] Steel was produced in some manufactories. In many of them as many as 50 wage workers were employed. There must have been quite a large demand for iron, the raw material for the manufacture of agricultural implements, weapons, anchors, nails, horse-shoes, etc. Some of the output was also exported. Moreland said :

"...it is probable that the present [1920] output [of iron] already approaches, if it has not yet reached, the yield in Akbar's times, but looking at the years about 1912, we must recognize that there had been a substantial decrease."[89]

The hiring of workers was generally free and there was little extra-economic coercion. Wages were paid sometimes in cash and sometimes both in cash and in kind. The enterprises were owned by merchants or by master workmen. Sometimes the workers were paid their wages in advance and were not allowed to engage in other work until they had repaid their debts.

As regards the Indian steel-making technology, a well-known iron manufacturer in Britain quoted British experts who held that Indian steel was superior to the best standards in Western Europe. He wrote :

"It has always appeared to me one of the most astonishing facts in the history of the arts, that the Hindus should be in possession of a process the theory of which is extremely recondite, and in the discovery' of which, there seems so little room for the agency of chance. It is impossible to suppose, however, that the process was discovered by any scientific induction, for the theory of it can only be explained by the lights of modern chemistry".[90]

Diamond-mining in Golconda attracted large numbers of workers. Some diamond mines belonged to the king of Golconda. Rich merchants also rented from the king some diamond fields and employed workers to work the mines. In some districts 30,000 to 40,000 workers were employed in mines. The hiring of workers for the diamond mines was mostly free. Wage labour was employed to mine precious stones, such as agate, carnelian and chalcedony, in Gujarat in the 16th–17th centuries.

Workers worked for wages in the salt works in Bengal and on the Coromandel coast, in silk filatures in Bengal, in workshops in Gujarat which manufactured silk fabrics, in cotton textiles in some places and in the carpet-weaving trade. The shawl-making industry in Kashmir employed numerous workers. "Large workshops," says Chicherov, "were the property of masters (ustads) or manufacturers, who had from three to 300 looms in their establishments, which were 'generally crowded together in long low apartments'."[91] In different regions of India, especially Bengal, Mysore and Maharashtra, wage workers were employed to grow sugarcane and to manufacture sugar in sugar-making enterprises. Similar enterprises for the manufacture of dyestuff existed in Bengal, Bihar, Oudh and Mysore.

In the 17th and 18th centuries the European East India Companies, especially Dutch and English, set up many workshops where they employed wage workers. The Dutch silk factory at Kashimbazar employed as many as 700 to 800 workers.[92]

The capitalist manufactories should not be confused with *karkhanas* owned by emperors, kings and nobles, where a large number of artisans were employed to manufacture different sorts of articles, mainly luxury goods like fine muslins, silk fabric, brocade and objects of art.[93] Division of labour existed in state workshops like mints and in those that manufactured arms. The products of the *karkhanas* were outside the sphere of commodity circulation, for they were intended mostly for the use of the owners or for presentation as gifts. Secondly, in many such *karkhanas,* the artisans continued to own their tools, and their labour was not free but compulsory. They were mostly coerced to work under the supervision of officials and paid a remuneration that the feudals deigned to give.

Though the capitalist manufactory made its appearance in several industries, especially in those which demanded the employment of a number of workers and division of labour among them, the capitalist domestic industry, which merchant capital brought under its sway through the putting-out system, remained the dominant form of industrial organization. That the advance from the putting-out system to the capitalist manufactory in Mughal India was only sporadic was perhaps due to the fact that the capitalist domestic industry could better serve the interests of merchant capital, which was able to exploit, through the putting-out system, not only the labour of the artisan but also of his wife and children.

Lenin regarded "manufacture" as "highly important in the development of capitalist forms of industry," as the link between handicrafts and small commodity production, on the one hand, and large-scale machine industry (the factory), on the other.[94] Tracing the development of capitalism in Russian industry, Lenin pointed out three main stages : small commodity production, capitalist manufacture and the factory. He emphasized that the "connection and continuity between the forms of industry mentioned is of the most direct and intimate kind...Perhaps one of the most striking manifestations of the intimate and direct connection between the consecutive forms of industry is the fact that many of the big and even the biggest factory owners were at one time the smallest of small industrialists and passed through all the stages from 'popular production' to 'capitalism'."[95]

In India, the normal development of factory industry did not occur: the leap from manufacture to large-scale machine industry did not take place and there was no direct connection and continuity between these two stages of development. Here, after the establishment of colonial rule, indigenous capitalist manufacture that had emerged in some places was destroyed together with its know-how and, after some considerable lapse of time, factory industry with its capital goods and technology developed elsewhere was transplanted here.

To sum up, there was an unmistakable trend towards expansion of commodity production, both in agriculture and in industry. Though natural economy was predominant in rural India, a considerable portion of agricultural production was oriented to the market. However rudimentary, capitalist farming—employment of wage labour coupled with commodity production—made its appearance. No doubt, the extent of wage labour employed was rather small and the wage was paid mostly in kind as in many areas of India today. Considerable stratification of the peasantry had also taken place. In industry, commodity production attained quite a high level of development in this period. Moreland wrote : "The industrial production of India at this period was large and valuable..." Again, he said : "Making every allowance for these sources of error it is still to my mind indisputable that in the matter of industry India was more advanced relatively to Western Europe than she is today..."[96]

Writing of South India, Burton Stein observes :

"The export commodities mobilized by these [European] companies through networks of Indian traders came from an existing commodity system which proved capable of expanding to meet the European demand for textiles and other trade goods with no apparent alteration in forms of productive organization.... This level of commodity production had slowly come into existence in the centuries prior to the full operation of European chartered companies on the Coromandel Coast."[97]

Besides rural domestic industry and artisan production that were adjuncts to natural economy, small commodity production was carried on widely and capitalist manufacture, though of a sporadic character, had emerged. Capitalist elements, however weak, were already germinating within the womb of the old, decadent feudal society. Technological innovations and adaptations were not rare even though conditions were far from congenial;[98] for, labour, even skilled labour, was abundant and abominably cheap; second, the actual producers, crushed by poverty and ignorance, were hardly in a position to make technical innovations; and third, those who commanded money capital, that is, merchants, were ignorant of the production processes, thanks to the Hindu caste system, and found it to their interest to advance loans to artisans and to keep them in bondage rather than to risk their capital in revolutionizing methods of production by encouraging technical innovations.[99]

The picture, usually drawn, of pre-colonial Indian society as stagnant and vegetative, and of the period before colonial rule as a dark age, does not conform to reality. There were some, though not many, technical innovations—for instance, in shipping and armaments manufacture. "The one 'heavy industry' of the period, the manufacture of cannon and hand guns," writes Tapan Raychaudhuri, "was technologically the most advanced.... The popular impression that Indian technology was altogether stagnant also does not conform to facts."[100] Interestingly, citing as his source the Italian traveller Niccolao Manucci, D. D. Kosambi wrote : "Plastic surgery began with camp barbers in India who could make a new nose by making a viable graft out of the skin of the forehead." Kosambi added : "potters set bones in hard earthen casts, the forerunner of modern plaster casts."[101]

There was a large expansion of productive forces. The manufacturing sector that emerged and "kept a population of some 100 million self-sufficient in secondary products, catered to a vast inland market for luxury goods, furnished the Mughal State with all that it required for its army and public works and also met the demands of a steadily expanding export market, cannot be described as weak or backward."[102] And this period, as Gavin R. G. Hambly puts it, "appears to have been a veritable golden age of urbanization, at least for much of northern and central India."[103] There was a marked growth of towns and cities, and there existed a large urban population and a big urban market. Trade between the urban areas and external commerce were considerable. "The organization of commercial credit, insurance and rudimentary deposit-banking reminds us of conditions in Renaissance Europe," says Irfan Habib.[104] There were bankers and merchant princes in India richer than any in contemporary Europe.

It was a most significant development that some manufactories were set up by direct producers who were master workmen or *ustads*. In places like Lucknow, master craftsmen employed poor artisans, "as many as 500 in one case." There were also Parsi master-craftsmen as shipwrights who employed hired labour.[105] In Kashmir, masters *(ustads)* or manufacturers owned large workshops where they hired artisans to ply from three to 300 looms to manufacture woollen shawls.[106] Alaev writes that in South India there were metallurgical workshops "based on co-operation of producers and [they] had no employer in the proper sense. But there were other workshops as well where the main means of production belonged to a master who received a profit clearly distinguished from the wages of the labourers."[107]

THE MODE OF PRODUCTION

As we shall see in the next chapter, Marx's early characterization of the mode of production in pre-colonial India as Asiatic, for which he relied on Bernier and the writings of some high British officials of the early 19th century, was based on wrong premises. Samir Amin has described the mode of production in the pre-British period as "the tribute-paying mode."[108] We would prefer to call it the feudal mode, which, according to Samir Amin, is "peripheral" in relation to the "central" tributary formations. He says : "The state-class in the tribute-paying mode does not own the land, which belongs to the community."[109] As we have already seen, the land hardly belonged to the community.

Daniel and Alice Thorner contend : "A feudalism without manors, serfs of the manor, feudal contract, vassals and fiefs based on feudal contract is simply not feudalism; and the term had best be dropped, at least for rural India."[110]

Many historians mean by the term "feudalism" not a whole social order but certain specific relationships within the medieval ruling class—relationships of vassals with their overlords, based on the tenure of landholdings or fiefs—which lasted for about a couple of centuries in Western Europe.[111] Christopher Hill criticized "the narrow bourgeois academic definition of 'feudal' as a military term, ignoring its social basis" and "the equating of a feudal state with a state in which serfdom predominates." He argued : "If feudalism is abolished with serfdom, then France in 1788 was not a feudal state : and there never has been a bourgeois revolution in the sense of a revolution which overthrew the feudal state."[112] Georges Lefebvre also pointed out that the manorial system, "a very ancient one,... was not strictly present in the later centuries of the Middle Ages."[113]

The manor, serfdom, feudal contract between vassals and their overlords were features of West European feudalism in particular periods but not throughout the feudal era. In England the labour service of the serf in the lord's demesne was commuted into money-rent in the 14th-15th centuries. According to Rodney Hilton, in the period between the 9th and 13th centuries, there were changes in the character of feudal rent and the surplus was pumped out of the basic producers in Western Europe in varied forms. He states that "the general history of European feudalism shows quite clearly that labour rent was not an essential element in the feudal relations of production..."[114]

Marx said that under feudalism the direct producer's "lack of freedom... may be reduced from serfdom with enforced labour to a mere tributary relationship."[115] According to him, the labour service of a serf in the lord's demesne was one kind of feudal rent but not the only kind. He pointed out that there were also other kinds of feudal rent—produce rent (or rent in kind) and money rent, though money rent is of a dissolving kind.

Speaking of money-rent "as distinct from industrial and commercial ground-rent based upon the capitalistic mode of production." Marx said : "The direct producer here turns over instead of the product, its price to the landlord (who may be either the state or a private individual)."[116] In India, it was the State that *chiefly* played the role of the landlord in extracting the maximum surplus from the direct producer in the form of land revenue. Besides, there were zamindars, revenue grantees, etc., who, too, appropriated a part of this surplus.

The essential difference between the various social formations, said Marx, does not lie in outward forms but "only in the mode in which this surplus is in each case extracted from the actual producer, the labourer."[117]

Feudal society is primarily an agrarian society of petty producers—a society marked by a predominance of natural economy and a low and stagnant condition of technique. The relationship between the two major classes of this society—the landlords and subordinated peasants—is one of exploitation buttressed by various methods of extra-economic coercion. The surplus beyond the subsistence of the latter is extracted by the landlords in the form of labour, rent in kind or money rent, and the peasant's forced tie with the land, his appropriation to the land, becomes the means of extra-economic compulsion, "the source of feudal oppression."[118]

The fundamental law of feudal society is the tendency on the part of the landlord class to squeeze out the maximum surplus from the labour of the actual producers, and this becomes in course of time a fetter on the development of productive forces. Speaking of China, Mao Tsetung said : "The class struggles of the peasants, the peasant uprisings and peasant wars constituted the real motive force of historical development in Chinese feudal society."[119] In England, too, it was the struggle for rent, the basic conflict between the direct producers and their feudal lords—and "*not* any direct clash of urban bourgeois elements (traders) with feudal lords"—that became, as Rodney Hilton stated, the "prime mover" in feudal society.[120]

It is our view that India, at least certain parts of the subcontinent like Bengal, had entered a late feudal stage at the time of the advent of colonial rule. No doubt, feudalism was on the decline and a serious crisis afflicted every sphere of feudal life. As Moreland said :

"*Such was the economic system which at the close of our period was drawing towards collapse.* Weavers, naked themselves, toiled to clothe others. Peasants, themselves hungry, toiled to feed the towns and cities. India, taken as a unit, parted with useful commodities in exchange for gold and silver, or in other words, gave bread for stones."[121]

Increasing expenditure on a vast army to carry on ceaseless wars, to suppress revolts and to keep the people in subjection, and incredible extravagance of the feudals who lived lives of unequalled luxury, profligacy and splendour intensified the struggle for income from the land. It was a struggle among themselves as well as between them and the actual producers. During the brief years when a *mansabdar* held a *jagir,* his men tried to extort the maximum—even a necessary part of the product—from the peasants, and in the process the peasantry was ruined. When he gave the *jagir* on contract to an *ijaradar* (revenue contractor), the struggle became even more bitter. Francisco Pelsaert, the Dutch factor in Agra from 1621 to 1627, noted how the vicious feudal oppression disrupted the very productive forces, led to widespread disorder, flights of the peasantry from the land, etc. He wrote': "...consequently the fields lie empty and unsown, and grow into wilder nesses." Pelsaert also observed that the artisans and tradesmen did not escape the feudal scourge.[122]

Writing later, in the early sixties of the 17th century, Bernier also noted how many of the peasants, "driven to despair by so execrable a tyranny," abandoned the country and fled to the towns and cities to swell the ranks of unskilled labourers or servants or to the territory of an autonomous prince. He wrote : "...the whole country is badly cultivated, and a great part rendered unproductive from the want of irrigation." "The country," he said, "is ruined by the necessity of defraying the enormous charges required to maintain the splendour of a numerous court, and to pay a large army maintained for the purpose of keeping the people in subjection."[123]

The tyranny was no less execrable to artisans and middling and smaller merchants. To quote Bernier again. "The persons thus put in possession of the land, whether as *timariots [jagirdars]*, governors, or contractors, have an authority almost absolute over the peasantry, and nearly as much over the artisans and merchants of the towns and villages within their district; and nothing can be imagined more cruel and oppressive than the manner in which it is exercised."[124]

Even Virji Vohra, a merchant prince, "reputed to be the richest merchant in the world"[125] was thrown into prison in 1638 by the local governor of Surat, though his friends secured afterwards his release by appealing to the Mughal emperor.

Later, from about the closing years of the 17th century, the conditions grew even worse and the disruption of the productive forces assumed enormous proportions.

Second, wars among the feudals themselves—struggles between rival claimants to the throne, the revolts of rebellious chiefs and foreign invasion—raged uninterruptedly throughout the second half of the 17th and the whole of the 18th century. It was a period of bitter political and social turmoil : the Mughal empire was disintegrating. The feudal wars disrupted agriculture, trade and commerce in vast regions and accentuated the crisis of the system.

Third, the resistance of the peasants and artisans to feudal oppression became more and more widespread. It is not correct that during the pre-colonial era the villages remained untouched by the storm-clouds of the political sky or were passive victims of feudal oppression. Many peasant revolts broke out throughout the Mughal period : their extent and intensity increased during Aurangzeb's reign. In Gujarat, the villages under Mughal rule were supposed to belong to two categories : peaceful and rebellious. We have noted that in his last years Aurangzeb bemoaned that there was no province or district where "the infidels have not raised a tumult" and established themselves. Shah Waliullah of Delhi, an eighteenth-century writer, held that the causes of the "ruin of countries (or towns)" in his age were : first, the strain on the treasury from maintaining a large class of idlers; and second, "the imposition of heavy taxes on the peasants, merchants and artisans, and then, the oppression inflicted on them, as a result of which the submissive ones flee and are destroyed and those who have got the power rise in rebellion."[126]

Of the many peasant revolts, mention may be made here of a few. During Jahangir's reign, armed revolts in Cooch Behar and neighbouring areas of Assam like Goalpara and Kamrup continued for several years. The Kolis, a peasant community in Gujarat, rose in revolt almost throughout the Mughal period. In Narnaul and neighbouring areas in East Punjab, the Satnamis. a religious community which did not distinguish between Hindus and Muslims, and *asked its members not to bow their heads before any man or image,* led a heroic revolt in 1672. Its members were oppressed peasants and artisans, members of servant-castes like leather-workers and scavengers, and small traders. Towards the end of the seventeenth century, South-West Bengal witnessed a peasant revolt led by Shova Singh, a small zamindar belonging to a 'low' caste. In the Agra-Mathura region Jat peasants rose in repeated revolts against the oppressive Mughal regime. Peasants and artisans of the 'lower' castes, irrespective of their religions—Sikh, Hindu or Muslim—joined in the armed uprisings in the Punjab led by Banda, the Sikh *guru.* These revolts of the oppressed peasantry and rural artisans were directed against the state power as well as the Hindu and Muslim upper classes—big zamindars and big merchants. The long-continued Maratha struggles led by a section of zamindars drew their main support from the peasantry. Though some of the rebellions, such as those of the Jats and the Marathas, were led by local landlords—comparatively small—it is the peasants and artisans who formed their backbone.

As regards the role of artisans, Chicherov writes : "Artisans of one or several caste organizations would often join forces against excessive feudal levies, against arbitrary acts by local, as well as by European, merchants. Sometimes artisans succeeded in having their demands satisfied. This largely anti-feudal class struggle took on such forms as stopping business activity, refusal to fulfil orders and pay taxes, collective withdrawal of artisans from the given locality. There were even instances of armed resistance. Artisans were a considerable force in anti-feudal popular movements in the 17th-18th centuries."[127]

Mao Tsetung said : "Classes struggle, some classes triumph, others are eliminated. Such is history, such is the history of civilization for thousands of years. To interpret history from this viewpoint is historical materialism; standing in opposition to this viewpoint is historical idealism."[128] In India the struggles of the peasants and the artisans who were subjected to ruthless exploitation and oppression and their uprisings were, no doubt, the motive force of the development of the Indian society. But as the new productive forces and the production relations, which had grown within the old society, did not sufficiently mature when the British colonial rule intervened, the struggles of the peasants and artisans failed, and they were used by rival feudal lords to serve their own interests.

Fourth, in the ideological sphere, India witnessed several widespread revolts against Hindu and Islamic orthodoxy in the fifteenth century and after. Different sects appeared and most of them preached "an uncompromising monotheism, the abandonment of ritualistic forms of worship, the denial of all caste barriers and of communal differences." The significant fact is that *they sought to democratize the social relations in India.* One such revolt that shook the fabric of the Indian society was the *bhakti* movement. It was a movement of the oppressed strata of the feudal society against both Hindu and Muslim religious orthodoxy, against the rulers and against the Hindu caste hierarchy. It took the form of a religious movement but it upheld the ideals of social equality. This movement, which was joined by artisans, peasants and merchants, spread from one end of India to another—from Assam to Gujarat. Among the rebel religious leaders who exercised the greatest influence were Ruidas (or Rabidas), son of a *chamar;* Kabir, a Muslim weaver; Namdev, son of a Hindu tailor; Nanak, a Hindu trader; and Chaitanya, a Brahmin. These movements were mainly reformist in character and, far from asking their followers to rise in revolt against the existing political order, the religious leaders preached humility and resignation. Nevertheless, the new faiths gave inspiration to two of the most powerful armed revolts against the Mughals—those of the Satnamis and the Sikhs.

Under the impact of economic changes and religious and other ideological struggles, social relations were undergoing some changes. At least in certain places the caste system lost its old rigidity and there appeared some social mobility. For instance, members of various castes took to spinning and weaving in response to the demands of the market. According to C. A. Bayly, the upper and middling merchants in the Banaras region towards the close of the eighteenth century did not belong to "tight-knit, caste-defined groups." They came from "all the 'twice-born' castes down to the level of the lower Vaishyas" and even from so-called lower castes. He observes : "Forms of arbitration, market control, brokerage, neighbourhood communities, and above all conceptions of mercantile honour and credit breached caste boundaries...and imposed wider solidarities on merchant people." According to him, this was true of most Hindustani cities in Northern India.[129] Speaking of the Coromandel coast, circa 1700, S. Arasaratnam states that the merchant class was drawn from a number of caste groups—chettiar, komati, mudaliyar, brahmin and so on.[130]

Fifth, as the feudal system showed signs of disintegration, and commerce and capitalist elements grew, and ideological revolts shook the country, the process of the growth of nations in this subcontinent and the development of national languages and cultures received an impetus.

In the pre-colonial period, commerce was expanding and breaking down barriers and giving rise to regional markets. As Chicherov writes, "Local markets took shape, encompassing to one degree or another the main national regions of the country."[131] In a period like this the *bhakti* movement acted as a stimulus to the development of national literature in the vernaculars and to the development of national cultures.

Today's political unity is a legacy of what Marx called the political unity "imposed by the British sword." India has "neither a common language nor a common national character" and, as A. M. Dyakov pointed out, the common cultural fund of the different peoples of Europe, especially of Western and Central Europe, is greater than that of the peoples of the sub-continent.

As we shall see, with the advent of British rule, national cultures were trampled upon, provinces and 'native states' were formed not to unite people according to their national character but to divide them.

The pernicious result of this policy of stifling the growth of nations was the partition of India in 1947, not on the principle of the right of self-determination of nations but on communal lines.

To recapitulate, the main elements of the pre-colonial Indian society that were undermining the old mode of production were : an unmistakable trend towards the growth of private property in land; the employment of hired labour in agriculture though on a limited scale; the growing stratification of the peasantry; the high degree of monetization of the economy (though natural economy *mostly* prevailed within the village); the vast expansion of simple commodity production and the emergence of manufactories in some areas; the appearance, though sporadic, of direct producers as industrial capitalists; the expansion of internal trade and external commerce; the organization of commercial credit, insurance, etc. The fierce struggle for rent or income from the land towards the end of the Mughal period, the political, social and ideological movements such as the resistance and revolts of the peasantry and artisans, the *bhakti* movement and sikhism, the flowering of several national languages and the process of the formation of nations in the sub-continent were causing the decay of the feudal system. The incessant feudal wars in the second half of the 17th and in the 18th century were weakening feudalism, though the final overthrow might take a long time, as it did in England. The transition from feudalism to capitalism is quite a long and by no means uniform process, as Eric Hobsbawm said.[132] In England, changes in the economic structure began as early as the 14th century, but the bourgeois revolution took place in the mid-17th century.

Curiously enough, some people have seriously debated the question whether India was on the threshold of *an industrial revolution* on the eve of the colonization of the subcontinent and have arrived at the conclusion that "there was little potential for industrial revolution before the British arrived in India."[133] The question is not really one of industrial revolution but of the social revolution that smashes the old production relations which act as a brake on the development of the productive forces that have already emerged within the old society—the social revolution that must precede the industrial revolution and make it possible for the industrial revolution to take place. In England, the bourgeois revolution in the mid-17th century removed the fetters on the productive forces and prepared the way for the industrial revolution—a major development of the productive forces—in the late 18th and the early 19th century. As Mao 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."[134]

Here, in India, at least in certain regions, the new elements that could in course of time gain ascendency over the old were already germinating within the womb of the old social order. Speaking of China's feudal society, Mao observed that as it "had developed a commodity economy, and so carried within itself the seeds of capitalism. China would of herself have developed slowly into a capitalist society even without the impact of foreign capitalism."[135] India, too, if left to herself, would "have found in the course of time a shorter and surely less tortuous road towards a better and richer society." But, as we shall see. the possibility of the transition from feudalism to capitalism was forestalled by colonial rule, which destroyed the progressive elements awakening to life within the old society, allied itself with all its reactionary and benighted forces and gave rise to retarded, misshapen, lop-sided economic and social structures.

NOTES

1. Irfan Habib, "Agrarian Relations and Land Revenue : North India", *CEHI*, 1,241.
2. Francois Bernier, *Travels in the Mughal Empire A.D. 1656-1668* (tr. on the basis of Irving Brock's version by A. Constable, 2nd edn., revised by Vincent A. Smith), London, 1914, 204; see also 5.
3. Habib, "Potentialities of Capitalist Development in the Economy of Mughal India". *The Journal of Economic History* (New York), March 1961,41.
4. Habib, *The Agrarian System of Mughal India (1556-1707)* [hereafter *The Agrarian System]*, Bombay, 1963, 177.
5. *Ibid*, 163.
6. T. Raychaudhuri, "The State and the Economy : The Mughal Empire", *CEHI*, I, 177.
7. Irfan Habib writes : "...large areas of cultivated land were allowed to the intermediaries revenue-free (10 per cent to zamindars in northern India, 25 per cent in Gujarat; and 2.5 per cent to village headmen); and, where revenue was levied on their lands, it was often at substantially lower rates." ("Agrarian Relations...", *CEHI*, I, 240).

8. Habib, *The Agrarian System*, 307; T. Raychaudhuri, "The State and the Economy", *CEHI*, I, 177.
9. W. H. Moreland, *The Agrarian System of Moslem India*, Allahabad, 1929, 69, 83; see also Irfan Habib, *The Agrarian System*, 236, 238; Satish Chandra, "Some Aspects of the Growth of a Money Economy in India during the Seventeenth Century", *IESHR*, Dec. 1966, 326.
10. Marx, *Capital*, III, Moscow, 1974 reprint, 797.
11. Satish Chandra, "Some Aspects of the Growth of a Money Economy...", *op cit*, 326; T. Raychaudhuri, "Inland Trade", *CEHI*, I, 325-7.
12. See Habib, "Potentialities of Capitalist Development....", *op cit*, 72.
13. Satish Chandra, "Standard of Living : Mughal India", *CEHI*, I, 470.
14. Habib, "Potentialities of Capitalist Development...", *op cit*, 43-4.
15. Tavernier, *Travels in India*, tr. V. Ball, ed. W. Crooke, London, 1925, I, 24; cited in Habib, "Banking in Mughal India", in T. Raychaudhuri (ed.), *Contributions to Indian Economic History*, I, Calcutta, 1960, 2.
16. N. K. Sinha, *The Economic History of Bengal*, I, Calcutta, 1965 edn., 151.
17. Satish Chandra, "Some Aspects of the Growth "of a Money Economy...", *op cit*, 328.
18. Habib, "Banking in Mughal India", *op cit*, 15.
19. D. R. Gadgil, *Origins of the Modern Indian Business Class : An Interim Report*, New York, 1959, 33; N. K. Sinha, *op cit*, 149-50; Thomas A. Timberg, *The Marwaris : From Traders to Industrialists*, New Delhi, 1978, 131; Kenneth L. Gillion, *Ahmedabad : A Study in Indian Urban History*, Berkeley and Los Angeles, 1968, 17-19.
20. T. Raychaudhuri, "The State and the Economy : The Mughal Empire" and H. Fukazawa, "The State and the Economy : Maharashtra and the Deccan — A Note", *CEHI*, I, 182-3, 201; Habib, "Potentialities of Capitalist Development...", *op cit*, 74; A. I Chicherov, *India : Economic Development in the 16th-18th Centuries* [hereafter *India : Economic Development*], Moscow, 1971, 86-8, 149-50; Om Prakash, "The European Trading Companies and the Merchants of Bengal 1650-1725", *IESHR*, Jan.-March, 1964, 54-5.
21. Satish Chandra, "Some Aspects of The Growth of a Money Economy...", *op cit*, 324.
22. V. I. Pavlov, *Historical Premises for India's Transition to Capitalism*, Moscow, 1978, 84-6, 98.

23. *Ibid,* 123-4,222.
24. Gillion, *op cit,* 19.
25. W. Bolts, *Considerations on Indian Affairs; Particularly Respecting the Present State of Bengal and Its Dependencies,* London, 1772, 158; cited in V. I. Pavlov, *op cit,* 88.
26. C. A. Bayly, "Indian Merchants in a Traditional' Setting : Banaras, 1780-1830", in Clive Dewey and A. G. Hopkins (eds.), *The Imperial Impact : Studies in the Economic History of Africa and India,* London, 1978, 182.
27. Maurice Dobb. *Studies in the Development of Capitalism,* Routledge Paperback, London, 1972 edn., 120-2; Giuliana Procacci, "A Survey of the Debate", in Paul Sweezy, M. Dobb and Others, *The Transition from Feudalism to Capitalism* (with Introduction by Rodney Hilton), Verso Edition, London, 1980, 140; Kohachiro Takashasi, "A Contribution to the Discussion", in *ibid,* 87-90; Georges Lefebvre, "Some Observations", in *ibid,* 125; Rodney Hilton, "Capitalism—What's in a Name?" in *Ibid,* 157.
28. F. Engels, Supplement to Marx, Capital, III, 900.
29. Marx, *Capital,* III, 328; see also Lenin, "The Development of Capitalism in Russia", *CW,* III, 440.
30. H. Maine *Village Communities, 222;* cited in B. H. Baden-Powell, *The Indian Village Community,* London, 1896, 8.
31. *Ibid,* 6, 18.
32. *Ibid,* 3.
33. Eric Stokes, *The Peasant and the Raj,* Cambridge and Delhi, 1978, 5-6.
34. Habib, *The Agrarian System,* 123.
35. *Ibid,* 110-15; B. R. Grover, "Nature of Land Rights in Mughal India", *IESHR,* July-Sept. 1963, 3-5; W. H. Moreland, *The Agrarian System...,* 142.
36. Satish Chandra, "Some Aspects of the Growth of a Money Economy...", *op cit,* 325, 330 n. 20.
37. B. R. Grover, *op cit,* 4, 15.
38. Habib, *The Agrarian Systein,* III-2.
39. Somendra Chandra Nandy, "That Famous Accounts Book of Cantoo Baboo", *Oitihasik* (a Bengali quarterly, Calcutta), Oct. 1979.
40. Somendra Chandra Nandy, *Life and Times of Cantoo Baboo,* I, Calcutta, 1978,490.
41. A Sarada Raju, *Economic Conditions in the Madras Presidency* 1800-1850, Madras, 1941,32.
42. Briggs to Elphinstone, 22 Dec. 1815; quoted in *Selections from the Minutes and Official Writings of the Honourable Mountstuart Elphinstone;* see Satish Chandra, "Some Aspects of Indian Village Society in Northern India During the 18th Century", in *Essays in Honour of Prof. S. C. Sarkar,* New Delhi, 1976, 247.

43. H. Fukazawa, "Agrarian Relations and Land Revenue : The Medieval Deccan and Maharashtra", *CEHI*, I, 251.
44. *Ibid*, 256.
45. Habib, "Agrarian Relations..." *CEHI*, I, 243; Habib, *The Agrarian System*, 115-6; Moreland, *The Agrarian System...*, 134.
46. Moreland, *From Akbar to Anrangzeb*, New Delhi, 1972 edn., 254.
47. Habib, *The Agrarian System*, 115.
48. T. Raychaudhuri, "The State and the Economy...", *CEHI*, I, 176.
49. Charles Bettelheim, *Class Struggles in the USSR* (First Period : 1917-1923), New York, 1976, 213-20.
50. Habib, "Agrarian Relations...", *CEHI*, I, 248-9.
51. Habib, *The Agrarian System*, 75; T. Raychaudhuri, "Non-Agricultural Production : Mughal India", *CEHI*, I, 262.
52. Moreland, *From Akbar to Aurangzeb*, 190-1; Habib, "Potentialities of Capitalist Development...", *op cit*, 41.
53. Bernier, *op cit*, 439.
54. T. Raychaudhuri, "Non-Agricultural Production...", *CEHI*, I, 280; see also A. Chicherov. "On the Multiplicity of Socio-Economic Structures in India in the 17th to the Early 19th Century", in *New Indian Studies by Soviet Scholars*, Moscow, 1976, 50.
55. Kavikankan Mukunda Chakravarti, *Chandimangal* (ed. by Sukumar Sen). New Delhi, 1975, 154-5.
56. Habib, "Agrarian Relations and Land Revenue," *CEHI*, I, 239.
57. *Akham-i Alamgiri*, I. 61b; cited in Habib, *The Agrarian System*, 350-1.
58. B. R. Grover, *op cit*, 3-5; Satish Chandra, "Some Aspects of Indian Village Society in Northern India...", *op cit*, 246-55.
59. Habib, "Agrarian Relations and Land Revenue", *CEHI*, I, 247.
60. Habib, "Potentialities of Capitalist Development...", *op cit*, 47.
61. B. R. Grover, *op cit*, 5.
62. Habib, *The Agrarian System*, 120-2.
63. Habib, "Agrarian Relations and Land Revenue", *CEHI*, I, 249.
64. Habib, "Potentialities of Capitalist Development...", *op cit*, 48.
65. Habib, "Evidence for Sixteenth-Century Agrarian Conditions in the *Guru Granth Sahib*", *IESHR*, Jan.-March 1964, 65.

    It is interesting that in *Chandimangal*, the Bengali classic of the 16th century, the poet writes that thousands of *berunias* (labourers working for daily wages) came from the west, the north and the south to reclaim land from the forest and build the city of Gujurat near Bengal's border with Orissa. In the guise of a *berunia*, Viswakarma himself took part in the work of construction. (Kavikankan Mukunda Chakravarti, *op cit,* 67, 70).

66. Habib, *The Agrarian System,* 119-20.
67. H. Fukazawa, "Agrarian Relations and Land Revenue", *CEHI,* I, 250.
68. Moreland, *From Akbar to Aurangzeb,* 259.
69. T. Raychaudhuri, "The State and the Economy...", *CEHI,* I, 185; Habib, *The Agrarian System,* 76.
70. Habib, "Potentialities of Capitalist Development...", *op cit,* 61; Moreland, *India at the Death of Akbar,* 155-6.
71. Lenin, "The Development of Capitalism in Russia," *CW,* III, 331-2.
72. Gadgil, "Indian Economic Organization", in S. Kuznets, W. E. Moore and J. J. Spengler (eds.), *Economic Growth : Brazil, India, Japan,* Durham N. C., 1955, 452-3.
73. Lenin, *op cit,* 331.
74. T. Raychaudhuri, "Non-Agricultural Production : Mughal India" and L. Alaev, "Non-Agricultural Production: South India", *CEHI,* 1,280,281,317, 322; A. I. Chicherov, "On the Multiplicity of Socio-Economic Structures in India...", *op cit,* 50.
75. Moreland, *From Akbar to Aurangzeb,* 192-4; Fukazawa, "Non-Agricultural Production : Maharashtra and the Deccan", *CEHI,* 312; A. I. Chicherov, *India : Economic Development,* 160-70. Speaking of South India, L. Alaev writes : "Practically all the artisan settlements along the Coromandel Coast were under the control of one trader or another. In the 17th century the biggest of them was Kasi Viranna, who had in his hands all the coast from Madras to Armagaon except Pulicat." Alaev cites as his source C. Fawcett, *The English Factories in India,* new series, II, London, 146. See *CEHI,* I, 320.
76. Indrani Ray, *Of Trade and Traders in Seventeenth Century, India : An unpublished French Memoir by George Rogues,* centre for Studies in Social Sciences, Calcutta, 1979 (mimeographed), 8; see also 6-7 and 8-9.
77. Gadgil, *Origins of the Modern Indian Business Class, 22.*
78. Marx, *Capital,* I, 305.
79. T. Raychaudhuri, "Non-Agricultural Production...", *CEHI,* I, 284.
80. L. Alaev *ibid,* 322; Chicherov, "On the Multiplicity of Socio-Economic Structures in India...", *op cit,* 53; V. I. Pavlov, *op cit,* 143.
81. Moreland, *India at the Death of Akbar,* Delhi, 1974 reprint, 190. Abul Fazl's *Ain-i Akbari* has a section entitled "On the Wage of Labourers," where he mentions rates of daily wages for various workmen—stone-masons, workers in lime, carpenters, bricklayers, tilemakers, glass-cutters, water-carriers and others—who belonged mainly to the building trade. (Abul Fazl, *Ain-i Akbari* I) tr. into English by H. Blockman, 2nd edn. ed. by D. C. Phillott), Calcutta, 1927, 235-6.
82. Marx, *Capital,* I, 320.

83. A. I. Chicherov, *India : Economic Development*, 190-210, 213, 216-27.

84. See Chicherov, "On the Multiplicity of Socio-Economic Structures in India...", *op cit*, 53; L. Alaev, *op cit*, 322.

85. Irfan Habib, The Technology and Economy of Mughal India", *IESHR*, Jan.-March 1980, 14.

86. Ahsan Jan Qaisar, *The Indian Response to European Technology and Culture (A. D. 1498-1707)*, Delhi, 1982, 20-3.

87. Chicherov, *India : Economic Development*, 194.

88. Buchanan, *A Journey from Madras through the Countries of Mysore, Canara and Malabar*, II, London, 1807, 35, 38; III, 361-3.

89. Moreland, *India at the Death of Akbar*, 154.

90. *Journal of the Royal Asiatic Society of Great Britain and Ireland*, Vol. V, London, 1839, 394; cited in V. I. Pavlov, *op cit*, 152.

91. Chicherov, *India : Economic Development*, 217.

92. T. Raychaudhuri, "Non-Agricultural Production...", *CEHI*, I, 286.

93. Bernier, *op cit*, 259.

94. Lenin, *op cit*, 385.

95. *Ibid*, 541-2.

96. Moreland, *India at the Death of Akbar*, 51, 155-6.

97. Burton Stein, "The State and the Economy : The South", *CEHI*, 212.

98. See Habib, "The Technology and Economy of Mughal India", *op cit;* Ahsan Jan Qaisar, *op cit*.

99. D. R. Gadgil said : "The Indian business castes have been habitually traders, financiers, and moneylenders.... Because of the fairly rigid association of occupations with caste, none of these castes have traditionally engaged in what might be termed direct productive activity. They have always been highly urbanized, and their contact with agricultural activity has been confined to moneylending and trading. They have also not been directly engaged in handicraft or artisan activity. They traded in the raw materials required and the finished goods produced by artisans, and they might lend money to artisans or, perhaps, finance the whole field of activity in particular handicrafts. In the last case they would take on the entrepreneurial role; but this would not involve any direct participation in productive processes or activities, which would be left entirely in the hands of members of the traditional artisan castes." (Gadgil, "Indian Economic Organization", *op cit*, 460).

100. T. Raychaudhuri, "Non-Agricultural Production...", *CEHI*, I, 292, 293.

101. D. D. Kosambi, *An Introduction to the Study of Indian History,* Bombay. Revised Second edn., 1975, 398.

102. T. Raychaudhuri, "Non-Agricultural Production...", *CEHI,* I, 295.

103. Hambly, "Towns and Cities : Mughal India", *CEHI,* I, 436.

104. Habib, "Problems of Marxist Historical Analysis", in K. Mathew Kurian (ed.), *India—State and Society,* Bombay, 1975, 30.

105. T. Raychaudhuri, "Non-Agricultural Production...", *CEHI,* I, 284.

106. A. I. Chicherov, *India : Economic Development,* 217-20.

107. L. Alaev, "Non-Agricultural Production...", *CEHI,* I, 323; see also 322.

108. See Samir Amin, *Unequal Development* (tr. by Brian Pearce), Delhi, 1979, 16.

109. *Ibid,* 23.

110. Daniel and Alice Thorner, *Land and Labour in India,* Bombay, 1962, 11; see also Daniel Thorner, "Feudalism in India", in Rushton Coulborn (ed.), *Feudalism in History,* Princeton, New Jersey, 1956.

111. Rodney Hilton, Introduction to Paul Sweezy, M. Dobb and others, *op cit,* 30.

112. Hill, "A Comment", *Ibid,* 121.

113. Georges Lefebvre, "Some Observations", *ibid,* 122. li-'r. Hilton, *ibid,* 14-17.

115. Marx, *Capital,* III, 790.

116. *Ibid,* 796-7.

117. *Ibid,* 1,209.

118. Lenin, *op cit,* 192-3; Maurice Dobb, "From Feudalism to Capitalism", in Paul Sweezy, M. Dobb and others, *op cit,* 165-6; Rodney Hilton, *ibid,* 30.

119. Mao Tsetung, "The Chinese Revolution and the Chinese Communist Party", *SIWMT,* II, 308,

120. Rodney Hilton, "A Comment", in Paul Sweezy, M. Dobb and others, *op cit,* 115; Dobb, "From Feudalism to Capitalism", *ibid,* 166.

121. Moreland, *From Akbar to Aurangzeb,* 304-5—emphasis added.

122. F. Pelsaert, *Jahangir's India : The Remonstrantie* (tr. by W. H. Moreland and P. Geyl), Cambridge, 1925, 47, 54, 60, 63.

123. F. Bernier, *op cit,* 205, 226-7, 230.

124. *Ibid, 225.*

125. Moreland, *From Akbar to Aurangztb,* 153.

126. Ses Habib, *The Agrarian System,* 329-30, n. 45.

127. Chicherov, *India : Economic Development,* 232.

128. Mao Tsetung, "Cast Away Illusions, Prepare for Struggle", *SWMI* IV. 428.

129. C. A. Bayly, *op cit,* 188, 192-3

130. S. Arasaratnam), "Indian Merchants and their Trading Methods (circa 1700)", *IESHR,* March 1966, 90.

131. "Chicherov, "On the Multiplicity of Socio-Economic Structures in India...", *op cit,* 52. Sen also Ramkrishna Mukherjee. *The Rise and Fault oj the East India Company,* Berlin, 1958, 182-90.

132. Eric Hobsbawm, "From Feudalism to Capitalism", in Paul Sweezy, M. Dob'o and others, *op cit,* 162.

133. Shaibal Gupta, "Potential of Industrial Revolution in Pre-British India", *EPW,* 1 March 1980. Tapan Roychaudhuri also declares : 'There was no anticipation of the industrial revolution in the economy of Mughal India" *(CEHI,* 1, p. 306). Jawaharlal Nehru, on the contrary, discovered that the "economy of India had thus advanced to as high a stage as it could reach prior to the industrial revolution" *(The Discovery of India,* London, 1956 edn., 283).

134. Mao Tsetung, *A Critique of Soviet Economics,* New York, 1977, 66.

135. Mao Tsetung. "The Chinese Revolution and the Chinese Communist Party", *SWMT,* II, 309.

CHAPTER FIVE

MARX ON INDIA

It is usually assumed by Marxists and others who have written in detail or just touched on what Marx said about India that Marx's writings of the 1850s on India, especially his statement that the British rule in India was fulfilling a double mission—one destructive, the other regenerating—were his last word on the subject. While some of them agree with the Marx of the 1850s. others disagree and criticize him. Among the former are Rajani Palme Dutt,[1] A. R. Desai,[2] V. G. Kiernan,[3] Irfan Habib,[3a] R. A. Ulyanovsky and V. I. Pavlov,[3b] and Shlomo Avincri;[4] and among the latter are Samir Amin[5] and M. Barratt Brown.[6]

It is true that in the 1840s and 1850s Marx and Engels pinned their hopes on Free Trade and the development of a world market as an instrument for ensuring the victory of capitalism everywhere. "But as the facts concerning colonialism accumulated," H. B. Davis correctly pointed out, "Marx's enthusiasm for capitalism as a transforming instrument cooled,"[7] As we shall see, Marx later abandoned his earlier view about the regenerating role of British colonial rule in India. But this development of Marx's thought is usually ignored.

In 1853, when Marx wrote his articles on India for the *New-York Daily Tribune,* he hailed the British rule in India as an "unconscious tool of history." He believed it was bringing about "a fundamental revolution in the social state of Asia," which would rid her of the muck of all ages, however cruel to her people the process might be. He hoped that English steam and Free Trade would, by pouring into India cheap products of the British factory industry, especially Lancashire textiles, tear apart the village communities with their "stagnatory" and "passive sort of existence" (which, according to him, formed the solid foundation of Oriental despotism), shatter the union between agriculture and industry, their self-sufficiency and isolation and, thus, blow up "their economical basis." He formulated British capital's "double mission" theory—a mission both destructive and regenerating. According to him, it was pulling down the fabric of "old Asiatic society" and laying "the material foundations of Western society in Asia."[8] Hope then told a flattering tale and Marx believed that the ruin and devastation caused by British colonial rule was a terrible but necessary price for "the only social revolution ever heard of in Asia."

Marx noted in 1853 that the following were the chief features of pre-colonial Indian society : 1) "the absence of private property in land...the real key, even to the oriental heaven"; 2) dependence on artificial irrigation which was in the East, as Engels said, "the first condition of agriculture" and which was "a matter either for the communes, the provinces or the central government";[9] 3) a society consisting of "stereotype and disconnected atoms"—self-perpetuating village communities, which "existed with a given scale of low conveniences, almost without intercourse with other villages, without the desires and efforts indispensable to social advance"; 4) "the domestic union of agricultural and manufacturing pursuits", the primeval marriage between the plough and the handloom and other tools of handicraftsmen and "an unalterable division of labour" (besides "possession in common of the land") as the basis of these self-sufficient and isolated village communities; 5) the customary obligations through which exchange of goods and services between the agricultural and industrial producers and the servants of the community took place and the virtual absence of production for the market; 6) the existence of towns and cities that were nothing but military camps; and 7) its resistance to change; the village communities "transformed a self-developing social state into never changing natural destiny". "However changing the political aspect of India's past must appear", said Marx, "its social condition has remained.unaltered since its remotest antiquity, until the first decennium of the 19th century."[9]

Though, in 1853, Marx said that "England has broken down the entire framework of society, without any symptoms of reconstitution yet appearing", he believed that the work of regeneration had already begun. The British rule, he said, had forged the political unity of India (which was "imposed by the British sword" and "strengthened and perpetuated by the electric telegraph"); organized and trained a native army ("the *sine qua non* of Indian self-emancipation"); ushered in a free press for the first time; introduced private property in land ("the great desideratum of Asiatic society"); educated a class of Indians "endowed with the requirements for government and imbued with European science"; harnessed steam to break up India's isolation from the outside world ("which was the prime law of its stagnation"); and had plans of building railways, "the forerunner of modern industry". "Modern industry resulting from the railway system", Marx hoped, "will dissolve the hereditary divisions of labour, upon which rest the Indian castes, those decisive impediments to Indian progress and power."[10]

We have seen in the previous chapter that researches into Indian history, especially the history of Mughal India, undertaken since Marx wrote the above, have conclusively proved that the picture of the pre-colonial Indian society that Marx drew in the eighteen-fifties depending on the reports of some high British officials like Sir Thomas Munro, Lt. Col. Mark Wilks and Sir Charles Metcalfe is far from accurate. It may also be noted that Marx's hopes about the regeneration of Indian society under the impact of colonial rule were mostly belied. After more study and investigation he himself discarded in his later days most of the views he had held earlier, especially his theses about the revolutionary character of Free Trade and the "double mission" of British colonial rule.

Marx designated Indian society as "Asiatic society" or "Asiatic system" in the articles he contributed to the *New-York Daily Tribune* in 1853. Perhaps it was in the Economic Manuscripts of 1857-1859, published long afterwards under the title *Grundrisse der Kritik der politischen Okonomie (Outlines of a Critique of Political Economy)—his* rough draft for *Capital*—that he first used the expression "the Asiatic mode of production". In the sections of *Grundrisse* that have been translated into English under the title *Precapitalist Economic Formations* and in *Capital,* Vol. 1, he described the pre-colonial Indian society as the Asiatic mode. Among the characteristics of the Asiatic mode, he emphasized the existence of the village commune, absence of private property and communal ownership, and "a self-sustaining cycle of production, unity of agriculture and the handicrafts," which rendered exchange of commodities or production for the market superfluous. Under such a system, cities were no more than "princely camps, superimposed on the real economic structure." According to Marx, the Asiatic society, the surest basis of Oriental despotism that like an incubus extracted the surplus, was a pre-class society or a class society of the most primitive form.[11] And as a society with little class differentiation, the inner contradictions that are the basis of change were absent and it had little capacity of its own for change or revolution.

But it seems that Marx was never sure about his concept of the Asiatic mode of production. Referring to India, he wrote as early as 1853 :

"As to the *question of property,* this is a very controversial one among the English writers on India. In the broken hill-country south of Krishna, property in land does seem to have existed."[12]

Again, in early 1858. Marx wrote that, according to the spokesmen of the East India Company in the British Parliament, "The land...in India did not belong to the Government, the greater proportion of it being as much private property as the land in England, many of the natives holding their estates by titles six or seven hundred years old."[13]

In an article written in May 1858, Marx admitted that the land tenures of India were "a subject upon which there have been great disputes and differences of opinion in times past." He said that, according to one view, the zamindars and talukdars, like the landed nobility and gentry of Europe, were "the real owners of the land, subject to a certain assessment due to the Government..." He added that "whatever the origin of their rights might be" they "could claim prescription in their favour;" and they were described by him as "feudal landholders."[14]

In *Capital* (Vol. 1), Marx stated that commodity economy ruled outside the village community though it was natural economy that prevailed within it. He observed : "It is the surplus alone that becomes a commodity, and a portion of even that, not until it has reached the hands of the State, into whose hands from time immemorial a certain quantity of those products has found its way in the shape of rent in kind."[15]

Even in 1853, Marx noted "an internal dualism" in the village communities in India. He wrote that though the land belonged to the entire village community, and though in some of these communities "the lands of the village are cultivated in common, *in most cases* each occupant tills his own field." Besides, there were slavery and the caste system within them.[16] Much later, contradicting partly his earlier view about the "possession in common of the land", he said : "...no private property in land exists, although there is both private and common possession and use of land."[17]

Speaking of the Russian community which he equated with the Asiatic system, he said :

"I now come to the crux of the question. We cannot overlook the fact that the archaic type, to which the Russian commune belongs, conceals *an internal dualism,* which may under certain historic circumstances lead to its ruin. Property in land is communal, but each peasant cultivates and manages his plot on his own account, in a way recalling the small peasant of the West. Common ownership, divided petty cultivation : this combination which was useful in remoter periods, becomes dangerous in ours. On one hand mobile property, an element which plays an increasing part even in agriculture, gradually leads to differentiation of wealth among the members of the community, and therefore makes it possible for a conflict of interests to arise, particularly under the fiscal pressure of the state."[18]

Again, in the first draft of his reply to Vera Zasulich, Marx referred to this "dualism inherent in the 'land commune' ", "which can become a source of disintegration with time."[19] It is evident that he maintained, at least in his later years, that Asiatic society was not devoid of inner contradictions which are the main motive force of change. Avineri's glib assertions that Marx viewed oriental society as having "no internal mechanisms of change"[20] betray his partial and incorrect understanding of Marx's writings.

The second thing to note is that in his drafts of the reply to Vera Zasulich Marx regarded the village community not as static and unchanging but as developing or disintegrating to give rise to a comparatively more advanced society. Even in the Preface to *A Contribution to the Critique of Political Economy,* he observed that the Asiatic, ancient, feudal and bourgeois modes of production were "epochs *marking progress* in the economic development of society" (emphasis added). It is significant that *this observation is preceded by what may be described as a summary of his doctrine of historical materialism,* in which Marx stated that at a certain stage of the development of the material productive forces, a contradiction invariably arises between them and the existing relations of production and this stage is followed by an epoch of social revolution.

Later, he wrote in parenthesis : "I observe by the way, that the form of communist property in Russia is the most modern form of the archaic type, which in turn has passed through a number of evolutionary changes." He added : "Just so the archaic formation of society reveals a number of different types, which characterize different and successive epochs."[21]

Again, he wrote : "Primitive communities are not all cut to a single pattern. On the contrary, taken together they form a series of social groupings, differing both in type and in age, and *marking successive phases of development....* As the last phase of the primitive formation of society, the agricultural community is at the same time a *transitional* phase to the secondary formation, i.e., transition from society based on common property to society based on private property."[22]

At about the same time he described the village commune in the "East Indies" (i. e., India) as the "last *stage* or the last period in the archaic formation."[23]

Avineri, who states that, according to Marx, "the dialectics of historical development are not operative in Asia", talks of the "paradox" that "the more penetrating Marx's analysis of Asian society is. the graver the difficulties it poses to the internal structure of Marx's philosophy of history."[24] The "paradox" lies rather in the imagination of Avineri, for the difficulties presented by Marx's earlier writings with their incorrect analysis of pre-colonial Indian society, based on some contemporary writings, disappeared later. There is no conflict between what he said about oriental society in his later writings and his materialist dialectics.

Daniel Thorner rightly said : "In 1881 Marx simply leaves static Asiatic society out of the picture," Referring to the notes Marx made after 1867, Thorner observes that in these jottings Marx is silent on the Asiatic mode of production.[25]

It is significant that the third volume of *Capital* describes the mode of production in India and China that existed before the coming of the Europeans not as the Asiatic mode of production but as "pre-capitalistic, national modes of production."[26]

According to R. A. L. H. Gunawardana, in his notes on Henry Sumner Maine's *Lectures on the Early History of Institutions,* Marx categorically rejects the view that the state anywhere stands above society and asserts that it emerged out of social contradictions—contradictions which, in the final analysis, had economic conditions as their basis.[27] So, in *The Origin of the Family, Private Property and the State* (1884), which was based on notes Marx had made, Engels, speaking of the emergence of the state, wrote :

"At a certain stage of economic development, which was necessarily bound up with the split of society into classes, the state became a necessity owing to this split."[28]

This Marxist thesis about the origin of the state is in conflict with Marx's earlier view that the Indian state had existed for ages in a pre-class society or a society with little class differentiation—a view which he, no doubt, abandoned afterwards. It is significant that both in *Socialism : Utopian and Scientific* (1880) and in *The Origin of the Family, Private Property and the State,* Engels mentions three types of state that society, based upon class antagonisms, needs at different stages of development to hold down the oppressed class : the state of antiquity (or the state of slave owners), die feudal state, and the modern representative state (or the state of the bourgeoisie);[29] but nowhere does he mention the Asiatic state. It is also significant that in *Socialism* :

Utopian and Scientific Engels speaks of the exploited classes being kept forcibly by the state "in the condition of oppression corresponding with the given mode of production (slavery, serfdom, wage-labour)," but there is no mention of the Asiatic mode of production.[30]

As Marx's theory of the Asiatic mode of production, of an unchanging Asiatic society, underwent a complete change, so did his rosy view of the British rule in India, which he had held earlier. More study and investigation convinced him that the rule of foreign capital had started a process of de-industrialization, transformed its economy into an appendage of the economy of the metropolitan country and doomed it to further backwardness. He noted :

"By ruining handicraft production in other countries, machinery forcibly converts them into fields for the supply of its raw material. In this way East India was compelled to produce cotton, wool, hemp, jute and indigo for Great Britain.... A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field."[31]

About the railways, the construction of which he had hailed in the early 1850s as the catalyst of an industrial revolution in India,[32] Marx later wrote :

"Generally, the railways gave of course an immense impulse to the development of Foreign Commerce, but the commerce in countries which export principally *raw produce* increased the misery of the masses."[33]

According to him, the railways proved "very dismal for the real producer" and helped to strengthen, as Helen B. Lamb said, "the complementary colonial relationship between the British and Indian economies". Marx wrote : "*the production itself,* I mean the special *sort of produce,* was changed according to its *greater or minor suitableness for exportation*"[34]

That is, dragged into the orbit of capitalist world trade, with a great part of its productive forces destroyed or refashioned to suit the demands of industrial Britain, the economy of the country acquired a satellitic character.

On the extent of the drain of wealth from India to Britain, one of the formidable obstacles to the capitalist development in this country, Marx wrote :

"What the English take from them [the Indians] annually in the form of rent, dividends for railways useless to the Hindus; pensions for military and civil servicemen, for Afghanistan and other wars etc.—what they take from them *without any equivalent* and *quite apart* from what they appropriate to themselves annually *within* India,—speaking only of the *value of the commodities* the Indians have gratuitously and annually to *send over* to England—it amounts to *more than the total sum of income of the 60 millions of agricultural and industrial labourers of India!* This is a bleeding process with a vengeance!"[35]

Though, in 1853, Marx had welcomed the zamindari and *ryotwari* systems of land settlement for introducing private property in land, he described as early as 1858 the "exclusive proprietary rights claimed by the talukdars and zamindars" as "an incubus on the real cultivators of the soil and the general improvement of the country."[36] In 1881, he said:

"To take the case of East India, for instance, no one with the exception of Sir H. Maine and others of the same stock, can be ignorant that there the extinction of the communal ownership of land was only an act of English vandalism *which pushed the indigenous people not forward but backward*"[37]

Marx thus discarded his earlier view that the destruction brought about by colonial rule would create conditions for regeneration; he also rejected his earlier thesis that British rule in India "produced the greatest, and, to speak the truth, the only *social* revolution ever heard of in Asia" (Marx's italics). Instead, he wrote in the third volume of *Capital*:

"Domestic handicrafts and manufacturing labour, as secondary occupations of agriculture, which forms the basis, are the prerequisite of that mode of production upon which natural economy rests—in European antiquity and the Middle Ages as well as in the present-day Indian community, *in which the traditional organization has not yet been destroyed.*"[38]

It is evident that Marx had outgrown his earlier optimism about the revolutionary role of British colonial rule. He came to hold that far from laying down the material premises of a capitalist society, the colonial rule destroyed much of the existing productive forces, retarded the development of new ones, flung India backward and laid the basis of its underdevelopment. Instead of promoting the development of new productive forces, it tied India to the world market as a "chiefly agricultural field" : instead of the railways serving as the forerunner of modern industry, they proved to be a means of converting India into an agricultural appendage of Britain and a market for its industrial goods.

It is a pity that many writers consider Marx's early thesis about the "double mission" of the British rule in India as his final word on the subject. R. Palme Dutt, who described Marx's 1853 articles on India as "among the most fertile of his writings, and the starting point of modern thought on the questions covered",[39] continued to cherish as an axiomatic truth the above discarded thesis of Marx even in 1970, when an edition of his *India Today,* the last one during his lifetime, appeared, and analysed Indian society, its classes and struggles during the colonial era in the light of this thesis. His panegyric on early British rule[40] shows that in his faith in the "progressive" and "revolutionary" role of British rule he left the Marx of the 1850s far behind. He also excelled Marx when he dubbed the revolt of 1857 (which was described by Marx as "a national revolt") as essentially "the revolt of the old conservative and feudal forces and dethroned potentates" and spoke of its "reactionary character". He added :

"As has been already pointed out, the progressive forces [sic!] of the time, of the educated class, representing the nascent bourgeoisie, supported British rule against the Revolt."[41]

Palme Dutt failed to note that, by introducing the new agrarian systems, the alien rulers, far from overthrowing feudalism, established a kind of semi-feudalism. (As we have pointed out in the previous chapter, we mean by a feudal society one in which the two main classes are landlords and subordinated peasants and in which the surplus labour of the peasants is extracted by the landlords in the form of rent through extra economic coercion). And he was unable to see that from the beginning the British colonial rulers allied themselves with the most benighted and reactionary elements in India. The irony is that it was during the first half of the 19th century (which, according to him, was the "progressive" and "revolutionary" phase of British colonial rule) that India was forcibly converted into a primary producing country with her economy controlled and directed from outside. *He turned his gaze away from the economic base which continually engendered backwardness—economic, social and cultural*—to certain minor social reforms implemented by the rulers and to the flowering of a kind of hybrid, elitist culture—the work of the wealthy compradors and new absentee landlords (the two main props of colonial rule) and of their ideological representatives—which had its beginnings in new port-cities like Calcutta.

In a recent article[42] Irfan Habib has upheld the view that British colonial rule played a regenerating role in India. According to him, Marx's early expectation that the railway system would become in India "the forerunner of modern industry" has proved true. In support of his statement he has cited figures of miles of railways built and of spindles installed in cotton mills. Even more interesting is his observation that Marx's early optimistic belief that modern industry, "resulting from the railway system," would "dissolve the hereditary divisions of labour, upon which rest the Indian castes," has been largely fulfilled, "though not to the extent *perhaps,* that Marx might have expected"! (Our italics). Another sign of regeneration that Habib has observed was the birth of the Indian National Congress in 1885. He has indulged in a curious flight of imagination when he remarks that "surely what followed [the birth of the Congress] till the *finale* of 1947 contained much that should have gratified him [Marx]." The birth and 'achievements' of the Congress are a long story into which we shall not enter here. In passing we may note that the Congress, which was sponsored by Lord Dufferin, the then Viceroy of India, and which was set up on the initiative of a retired high British official, A. O. Hume (who has been called "Father of the Indian National Congress"), to forestall anti-imperialist struggles,[43] sought to win concessions and *never* to overturn the imperialist applecart. The movements initiated by the dominant section of the Congress leadership, and confined within carefully defined limits, led to "the *finale* of 1947"—the partition of India on communal lines (not on the principle of the right of self-determination of its various nations) and the transition from a formal empire of Britain to an informal empire shared by several imperialist powers—which has cost the lives of millions of Indians and the suffering and misery of tens of millions of others and promises to cost more. It was. no doubt, a grand *finale* from the point of view of the imperialists and their Indian allies, to whom power was transferred by an Act of the British Parliament.[43a] The fact is, there existed real contradictions between the aims of the Congress leadership, which sought accommodation with imperialism, and the aspirations of the people for genuine, not nominal, freedom.

How did the railways act as "the forerunner of modern industry in India"? Daniel Thorner observed that "the economic policies of the railways restrained rather than facilitated the indigenous economic development of India, that is,'the economic policies of the railways retarded the economic changes that the very existence of the railways made possible."[44] "Railway building", Michael Kidron rightly said, "had little 'spread-effect'..."[45] Built by British capital, which was guaranteed profits by the colonial rulers, the railways helped England "in becoming the manufacturer for India, rather than India in becoming the manufacturer for herself."[46] The rails, locomotives, passenger cars, etc., were not manufactured in India, as Marx had anticipated, but were imported from England. The railways, to quote L. H. Jenks, "did not call to life in India a vigorous industry to provide structural materials. For the case of the railway in India is that of the machine in all lands where it is imported from without. It destroys occupations in economizing labour. And the compensating demand for workmen to mine coal and to make machines which characterized the coming of industrialism in Great Britain, Germany and the United States was not manifested...the building and operation of railways with staffs which were English from foremen up and who had to be paid according to English standards, diminished further the benefits which could accrue to Indians from the railways."[47] Habib himself had held earlier that the railways, instead of serving as the catalyst of an industrial revolution as in Western Europe and the U.S.A., acted in India as "the catalyst of complete colonialization."[48] Paul Baran was quite right when he said that "it is not railways, roads, and power stations that gave rise to industrial capitalism: it is the emergence of industrial capitalism that leads to the building of railways, to the construction of roads, and to the establishment of power stations."[49]

The following observation by Marika Vicziany throws some light on an obscure fact :

"Technological innovation, a catalyst of changes in this era [1850 to 1880], was not always ethnically neutral in its effect. In theory all the merchants of Bombay city should have benefited from the introduction of the railway, but in practice the evidence clearly shows how the railway promoted, to the detriment of the Indian shipper and importer, the designs of foreign firms...the country's export crops, especially raw cotton, became the property of foreign firms."[50]

The extent of development of India's modern industry may be guessed from the fact that the total factory employment (including workers in seasonal factories) constituted less than eight-tenths of one per cent of the total work-force in 1913-14.[51] (It should be borne in mind that a majority of these factories were owned or controlled by foreign capital).

It is a travesty of truth to state, as Habib does, that Marx's forecast about the abolition of the caste system has been largely fulfilled. The caste system is still very much alive though its rigours are somewhat relaxed in big cities. Caste and communal tensions are extremely acute in most regions, especially in Habib's home province, Uttar Pradesh, for Indian society, instead of undergoing any revolutionary change, has been rotting for years. The parliamentary political parties base their electoral strategies and tactics on caste and communal considerations and never hesitate to exploit them. It would be no exaggeration to say that India today is torn by caste conflicts, thanks to them.

Despite some reservations about British capital's regenerating role in India, V. G. Kiernan declares that "the storm and sack of Delhi by the British army on September 18, 1858,...may have been a painful blessing for India...." He also affirms that in the years before the Revolt of 1857 some of the East India Company's servants "were carrying out intentionally, not as mere tools of history, a sort of *bourgeois-revolutionary, anti-feudal policy.*" This policy, according to him, resulted in the building of the railways, the establishment of a separate Public Works Department and construction of the Ganges Canal and of the Roorkee Engineering College.[52] The abolition of feudal estates and distribution of land among the tillers, the overthrow of colonial rule and capture of power by the indigenous bourgeoisie seem to be issues quite irrelevant to what Kiernan terms a "bourgeois-revolutionary, anti-feudal policy." Kiernan's one regret is that British capitalism was not more dynamic at home, and that Oxford and Cambridge had not fed the few Indian students on applied science instead of Cicero : according to him, things might have been different if they had done so! Kiernan must be a very bold optimist to expect, as he does, that a few Indian students of the upper classes who had the rare privilege of studying at Oxford and Cambridge would have changed the recent history of India, if they had learnt science and technology instead of Cicero!

A blatant apology for colonialism in the name of Marxism is provided by Avineri, who ignores Marx's later writings and the actual results of colonial rule. While accusing the "Maoists" of being "totally unaware" of Marx's writings on India and China, Avineri himself seems to be unaware that after more investigation and research Marx revised his views about the 'regenerating' character, for instance, of the agrarian systems and the railways that the British introduced.

Avineri attributes to Marx the following thesis :

"Just as the horrors of industrialization are dialectically necessary for the triumph of communism, so the horrors of colonialism are dialectically necessary for the world revolution of the proletariat since without them the countries of Asia (and presumably also Africa) will not be able to emancipate themselves from their stagnant backwardness."[53]

Avineri argues : 'The direct corollary of this [the conflict between Marx's "European-oriented philosophy of history" and "the non-dialectical stagnant nature of the Asiatic mode of production"] would be that Marx would have to welcome European penetration in direct proportion to its intensity : the more direct the European control of any society in Asia, the greater the chances for the overhauling of its structure and its ultimate incorporation into bourgeois, and hence later into socialist, society."[54]

Curiously enough, Avineri ascribes to Marx and Engels the absurd view (which history has proved false) that there is no "possibility of national wars of liberation prior to the proletarian revolution in Europe."[55] He also asserts that Marx had no sympathy with the causes of the great Indian revolt of 1857-8 and with those who took part in it.

To take Avineri's last statement first : Marx, as we have seen, characterized the Indian revolt of 1857 as "a national revolt", and Engels called it a "great rebellion."[56] "As to the talk about the apathy of the Hindus [i.e., Indians], or even their sympathy with British rule, it is all nonsense", said Marx, adding, "In view of such facts, dispassionate and thoughtful men may perhaps be led to ask whether a people are not justified in attempting to expel the foreign conquerors who have so abused their subjects."[57] Marx described the Indian forces fighting to overthrow the British rule as "the revolutionary league"; on the other hand, he and Engels denounced the British rule and condemned the savagery of the British army in emphatic terms.[58]

Marx poured all his scorn on the native allies of the British. In the closing years of his life, he wrote : "*Sindhia* [the ruler of Gwalior] loyal to the 'English dogs', not so his *'troopers'*, *Rajah of Patiala*—for shame!—sent large body of soldiers in aid of the English." Again, he lashed out at those who supported the British : "Young Sindhia (English dog-man) driven out of *Gwalior* by his troops after hard fighting, fled for his life to Agra." He also used the choice epithet "English dog-man" for the king of Nepal who was loyal to the British.[59]

At one stage during the progress of the war, Marx hoped that victory would belong to the Indians. He wrote : "We may almost expect, during the following campaign, a rehearsal of the Afghanistan disasters."[60]

Is it so difficult to understand on which side Marx's sympathies lay?

As regards Avineri's theory, attributed to Marx, that national liberation wars in colonies and semi-colonies must follow, and cannot precede, the proletarian revolution in Europe, it may be pointed out that, in "The Future Results of British Rule in India" (1853), Marx wrote that "the fruits of the new elements of society" would not be reaped by the Indians till the ruling classes in Great Britain were supplanted by the industrial proletariat or *till the Indians themselves - were "strong enough to throw off the English yoke altogether* "[61] So Marx never held, as Avineri would have us believe, that national liberation wars were to wait until proletarian revolutions had succeeded in Europe.

Speaking of Ireland, Britain's oldest colony, Marx wrote in 1867 : "Everytime Ireland was just about to develop herself industrially, she was 'smashed down' and forced back into a mere 'agricultural country'."[62]

In 1869, Engels said : "Irish history shows what a misfortune it is for one nation to have subjugated another."[63] And in early 1870, he wrote: "The more I study the subject the clearer it is to me that Ireland has been stunted in its development by the English invasion and thrown centuries back."[64]

For a long time Marx had believed that "it would be possible to overthrow the Irish régime by English working-class ascendancy", but he later changed his mind. "Deeper study has now convinced me of the opposite. The English working class will *never accomplish anything* until it has got rid of Ireland. *The lever must be applied in Ireland*" (emphasis added).[65] He said that what the Irish needed was : "1) Self-government and independence from England. 2) An agrarian revolution.... 3) *Protective tariffs against England...*"[66]

He came to hold that not only the internal development of Ireland but the proletarian revolution in England depended on the national liberation of Ireland. He wrote that for the English workers *"the national emancipation of Ireland* is no question of abstract justice or humanitarian sentiment but *the first condition of their own social emancipation"*[67]

Earlier, Marx had hailed free trade in the hope that it would hasten the social revolution though "under the present conditions of society" it meant "Freedom of Capital."[68] It was in this revolutionary sense that he had welcomed the destruction of India's rural industry by free trade, by the invasion of the products of Britain's factory industry, and the consequent ruin of village communities. But afterwards he was convinced that free trade destroyed the productive powers of the countries that were unable to protect themselves. He wrote that the European states "forcibly rooted out, in their dependent countries, all industry, as, e.g., England did with the Irish woollen manufacture."[69] The only industry that thrived in Ireland, observed Marx, was the coffin-making industry. That is why he came to hold that without protective tariffs against England there could be no internal development in Ireland.[70] His earlier view about the revolutionizing role of free trade underwent a sea-change. He wrote : "The system of protection was an artificial means of manufacturing manufacturers, of expropriating independent labourers, of capitalising the national means of production and subsistence, of forcibly abbreviating the transition from the medieval to the modern mode of production."[71]

Perhaps the following theses of Avineri—that "the countries of Asia and (presumably also Africa) will not be able to emancipate themselves from their stagnant backwardness" without experiencing the horrors of colonialism and that "the more direct the European control of any society in Asia, the greater the chances for the overthrowing of its structure and its ultimate incorporation into bourgeois, and hence later into socialist, society"—hardly need any refutation. Yet we may refer in passing to the cases of Japan, China and India to show how amazingly perverse Avineri's theses are. Of all countries of Asia and Africa, it was Japan which escaped the horrors of colonialism and semi-colonialism and had the chance of pursuing the path of independent capitalist development. So, unfettered by colonial rule, Japan transformed its precapitalist economic structure, emancipated itself from its "stagnant backwardness," and came to rival Western capitalist-imperialist powers and even to outdo some of them. China, on the other hand, was reduced into a semi-colony by several Western imperialist powers. Russia and Japan, which perpetrated many horrors there. But their penetration was not as intense, their control over China's affairs not as direct, as British penetration into and control over India. This factor, which resulted in a scramble among the imperialist powers for hegemony over China, gave rise, besides other factors, to a favourable opportunity, as Mao Tsetung observed, for making a revolution that overthrew the rule of the imperialists and their native allies and enabled China to take the socialist road.[72] But in India, the British penetration and control were most intense, direct and of long duration. The result of it all is that even today Indian society is in the twilight between capitalism and feudalism, that its economy is still an appendage of the economy of imperialist countries, that its ruling classes play the role of subordinate junior partners of imperialism, and that India is one of the poorest countries that wallow in "'stagnant backwardness."

Historical facts unmistakably prove that the weaker the penetration of an imperialist country into a country of Asia and Africa (and Latin America), the less difficult is the transition from the pre-capitalist to the capitalist or the socialist stage. On the other hand, the greater the penetration and the more direct the control, the more difficult is the transition. For, the imperialist powers allied themselves with all the most backward and reactionary classes in the colony to fleece it, keep its people in bondage, and build a basic complementarity between the metropolitan economy and the economy of the colony—a complementarity which had a distorting effect on the latter, caused it to retrogress and laid the basis of its underdevelopment. So what Avineri says in justification of the horrors of colonialism is in flagrant contradiction with facts.

Marx's later writings seem to suggest :

First, colonial rule, far from playing a revolutionary role, throws the people of the colony not forward but backward, as it creates a lop-sided economy which is tied as an appendage to the economy of the metropolitan country. The destruction that it causes is not complementary, but antithetical, to regeneration.

Second, the type of destruction of the old order which is a prerequisite for regeneration can be carried out by internal forces and not by external ones, such as the rule of foreign capital, which tend to preserve the old social structure in a modified form. Such destruction or social revolution depends on the people of the colony themselves.

Third, for such destruction, without which there can be no construction or regeneration, a colony must first win complete freedom from foreign control. This freedom is of primary necessity to a colony or semi-colony for any real progress of her people. Without smashing the colonial shackles, no colony can achieve regeneration.

NOTES

1. Karl Marx, *Articles on India*, ed. with an Introduction by R. Palme Dutt, Bombay, 1945, 1-17; R Palme Dutt, *India Today*, Bombay, 1947, 76-82.
2. A. R. Desai, *Social Background of Indian Nationalism*, Bombay, 1981 reprint, 34-6.
3. V. G. Kieman, "Marx and India", *The Socialist Register*, 1967, 159-89. other point

3a. Irfan Habib, "Marx's Perception of India", *The Marxist* (New Delhi), July-Sept. 1983.

3b. R. A. Ulyanovsky and V. I. Pavlov, "Afterword", in V. I. Pavlov, V. Rastyannikov and G. Shirokov, *India : Social and Economic Development (18th-20th Centuries)*, Moscow, 1975, 256-7.

4. S. Avineri (ed.), *Karl Marx on Colonialism and Modernization*, New York, 1968, Introduction, 1-28.

5. S. Amin, *Accumulation on a World Scale*, London (Harvester Press, n.d), 147-8,390-1.

6. M. Barratt Brown, "A Critique of Marxist Theories of Imperialism", in Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism*, London, 1972, 47-9.

7. H. B. Davis, "Capital and Imperialism : A Landmark in Marxist Theory", *Monthly Review*, Sept. 1967, 18.

8. Marx, "The British Rule in India" and "The Future Results of the British Rule in India", in Marx and Engels, *On Colonialism*, Moscow. 32-9, 83-90.

9. Ibid, 32-9, 83-90,309-13.

10. *Ibid*, 34, 84-88.

11. E. J. Hobsbawm, Introduction to Karl Marx, *Pre-Capitalist Economic Formations* (ed. by E. J. Hobsbawm), London, 1964, 34.

12. Marx to Engels, June 14, 1853, *On Colonialism*, 313—emphasis in the original.

13. Marx, Article of 3 April 1858, *New-York Daily Tribune;* see S. Avineri (ed), *op cit*, 262.

14. Marx, "Lord Canning's Proclamation and Land Tenure in India", *On Colonialism*, 181-3—emphasis added.

15. Marx, *Capital*, I, Moscow, 1974 reprint, 337.

16. Marx to Engels, June 14, 1853, *On Colonialism*, 312—emphasis added.

17. Marx, *Capital*, III, Moscow, 1975 reprint, 791—emphasis added.

18. Second draft of Marx's reply to Vera Zasulich, March 8, 1881, in *Precapitalist Economic Formations*, 143—emphasis added.

19. *SWME*, III, 155-6.

20. Avineri, *op cit*, 11.

21. Second draft of Marx's reply to V. Zasulich, March 8, 1881, op *cit*, 142— emphasis added.

22. Third draft of Marx's reply to V. Zasuiich, March 8, 1881, in *ibid*, 144-5— emphasis added.

23. First draft of Marx's reply to V. Zasulich, March 8, 188L *SWME*, III, 155— emphasis in the original.

24. Avineri, *op cit*, 11-12.

25. Thorner, "Marx on India and the Asiatic Mode of Production", *Contributions to Indian Sociology* (Paris), No IX, Dec. 1966, 63, 66; see also Kimio Shiozawa, "Marx's View of Asian Society and his 'Asiatic Mode of Production'", *The Developing Economics* (Tokyo), Sept. 1966.

26. Marx, *Capital*, III, 333.
27. R. A. L. H. Gunawardana, "The Analysis of Pre-Colonial Social Formations in Asia in the Writings of Karl Marx", *The Indian Historical Review*, Jan. 1976, 387: Gunawardana refers to Lawrence Krader, *The Ethnological Notebooks of Karl Marx* (Assen, 1972), 271-84 (pp. 146-55 in Marx's notebook).
28. *SWME*, III, 330.
29. *Ibid*, 147,328-9.
30. *Ibid*, 147.
31. Marx, *Capital*, I, 424-5.
32. Marx and Engels, *On Colonialism*, 87-8.
33. Marx to N. F. Danielson, April 10, 1879, in Marx and Engels, *Selected Correspondence*, Moscow, 1965, 318—emphasis in the original.
34. *Ibid*—emphasis in the original.
35. Marx to N. F. Danielson, Feb. 19, 1881, in *ibid*, 337—emphasis in the original.
36. Marx and Engels, *On Colonialism*, 183, and *The First Indian War of Independence 1857-1859*, Moscow, Second Impression, 163.
37. Marx, "Brief an V. I. Sassulitsch, Dritter Entwurf, 1881, in Marx and Engels, *Werke*, 19 Bd., S. 402; cited in Mori Kenzo, "Marx and 'Underdevelopment' ", *Annals of the Institute of Social Science* (Tokyo University), No. 19, 1978, 50—emphasis added.
38. Marx, *Capital*, III, 786-7—emphasis added.
39. Marx, *Articles on India*, ed. with an Introduction by Palme Dutt, p. I.
40. Palme Dutt, *India Today*, 252-3.
41. *Ibid*, 253, 358.

    What is basically wrong with Palme Dutt and the people who follow his line of thinking is that, with their faith in the objectively revolutionizing role British rule was supposed to have played in India till the 1850s, they paint its native collaborators (before the 1850s as well as afterwards) as bourgeois nationalists and builders of a new India. As we have noted before, even prior to the advent of colonial rule in this subcontinent, the interests of a section of the indigenous feudal class and of the big merchants and bankers, who acted as brokers, *banians* and financiers of the European East India Companies, had been intertwined with those of the latter, and without the help of these local intermediaries, neither the economic nor the political penetration of the Europeans would have been possible. It was also with the collaboration of these intermediaries that foreign rule could survive for such a long time. Ironically, in the eyes of Palme Dutt, these native intermediaries and their political and ideological representatives stood for the forces of progress working for India's emancipation from medieval backwardness and obscurantism and for its ultimate liberation.

    It is because of this uncritical faith in the regenerating role of British colonial rule that, referring to that section of the Indian bourgeoisie and their political representatives who served in the closing decades of the 19th century as collaborators of British imperialism and who outdid an average Britisher in their loyalty to the British throne, Palme Dutt approvingly wrote that "they looked to British rule as their ally. For them the main enemy was not British rule as such but the backwardness of the people, the lack of modern development of the country, the strength of the forces of obscurantism and ignorance, and the administrative shortcomings of the 'bureaucratic' system responsible for the situation" *(Ibid,* 266).

To cite another instance : eulogizing the pro-imperialist section of the Indian bourgeoisie and its political representatives of as late as the 1920s, Palme Dutt observed :

"The Swaraj party [a political party formed by a section of the Indian National Congress after the withdrawal of the Non-co-operation Movement] was the party of the progressive bourgeoisie *moving to cooperation with imperialism* along the inclined plane of parliamentarism. From its inception it slid downwards ever closer to the supposed [sic] enemy...Already on entry [into the Central Legislative Assembly], C. R. Das, as leader, declared : 'His party had come there to offer their cooperation. If the Government would receive their co-operation, they would find that the *Swarajists were their men.*"' *(Ibid,* 292—emphasis added. The above declaration was actually made not by C. R. Das but by Pandit Motilal Nehru, leader of the Swaraj Party in the Central Legislative Assembly. See B. Pattabhi Sitaramayya, *The History of the Indian National Congress,* I, Bombay, 1946 reprint, 268).

Palme Dutt then referred to an important speech made by C. R. Das in 1925, in which he "made a formal offer of co-operation [with the British rulers] on conditions, part of those conditions being a *common fight against the revolutionary movement*"' *(India Today,* 292-3—emphasis added).

The big bourgeoisie whose political representatives offered to serve British imperialism as "its men" and to wage "a common fight against the revolutionary movement" was "progressive" indeed! This sort of evaluation of the Indian big bourgeoisie is still the current fashion among academicians as well as within many Indian 'Socialist', 'Communist' and 'Marxist' circles.

Palme Dutt, no doubt, realized that imperialism was responsible for the arrested, stunted development of India (see *ibid,* 11-13). He correctly pointed out that "the normal course of evolution" from a pre-capitalist society to a capitalist one had been thwarted by a foreign bourgeois rule which forcibly superimposed itself on the old society and smashed "the germs of the rising Indian bourgeois class". He remarked : "Herein lay the tragedy of Indian development for the benefit of a foreign bourgeoisie" *(Ibid,* 85). Yet he somehow reconciled this view with his faith in the "objectively progressive or regenerating role" of British colonial rule during "the period of free trade capitalism" *(Ibid,* 82). It is this wrong understanding of the role of British colonial rule and of the character of the upper stratum of the

Indian bourgeoisie nurtured by it that has been the bane of the Communist movement in India.

42. Irfan Habib, "Marx's perception of India", *op cit.*

43. Palme Dutt *India Today*, 256-62.

43a. One who is interested in knowing about the Congress and its 'freedom struggle' may refer to Suniti Kumar Ghosh. *India and the Raj : Glory, Shame and Bondage* (in 2 vols.).

44. Daniel Thorner, "Great Britain and the Development of India's Railways", *Journal of Economic History* (New York), Fall 1951, p. 396.

45. M. Kidron, *Foreign Investments in India*, London, 1965, 14.

46. D. H. Buchanan, *The Development of Capitalistic Enterprise in India*, New York, 1934, 179,186,193.

47. L. H. Jenks, *The Migration of British Capital to 1875*, London, 1963 edn., 227-8; see also B. N. Ganguli, *Dadabhai Naoroji and the Drain Theory*, Bombay, 1965, 27; Helen B. Lamb, "The 'State' and Economic Development in India", in S. Kuznets, W. Moore and J. Spengler (eds.), *Economic Growth : Brazil India, Japan*, Durham, N. C., 1955. 476-7.

48. Irfan Habib, "Colonialization of the Indian Economy, 1757-1900", *Social Scientist*, March 1975, 42.

49. Paul A. Baran, *The Political Economy of Growth*, New York, 1957, 193.

50. Marika Vicziany, "Bombay Merchants and Structural Changes in the Export Community 1850 to 1880", in K. N, Chaudhuri and Clive J. Dewey (eds.), *Economy and Society : Essays in Indian Economic and Social History*, Delhi, 1979,188.

51. Morris D. Morris, "The Growth of Large-Scale Industry to 1947", *CEHI*, II, 592.

52. V. G. Kiernan, *op cit.*

53. S. Avineri, *op cit*, 12.

54. *Ibid*, 18.

55. *Ibid*, 20.

56. Marx and Engels, *The First Indian War of Independence*, 56, 59, 195.

57. *Ibid*, 68-9, 80; see also 155.

58. *Ibid*, 103, 151.

59. Marx, *Notes on Indian History (664-1858)*, Moscow (n.d.), 180, 185— italics in the original.

60. Marx, *The First Indian War of Independence*, 103.

61. Marx and Engels, *On Colonialism*, 88—emphasis added.

62. Marx, "Draft Manuscript of a Lecture on the Irish Question Delivered at the

Association for Education of German Workers residing in London, on 16 Dec. 1867"; cited in Mori Kenzo, "Marx and 'Underdevelopment' "' *op cit,* 45.

63. Cited in Lenin, "The Right of Nations to Self-Determination", *CW,* Moscow, 1972 impression, 438.
64. Engels to Marx, 19 Jan. 1870, in *On Colonialism,* 331.
65. Marx to Engels, 10 Dec. 1869, in *ibid,* 329—emphasis in the original except where mentioned otherwise.
66. Marx to Engels, 30 Nov. 1867, in *ibid,* 324—emphasis in the original.
67. Marx to S. Meyer and A. Vogt, 9 April 1870, in *ibid,* 335—emphasis in the original.
68. Marx, "Speech on the Question of Free Trade", 9 Jan, 1848, in Marx and Engels, *CW,* VI, 463,465.
69. Marx, *Capital,* I, 708.
70. Marx to Engels, 30 Nov. 1867, in *On Colonialism,* 324.
71. Marx, *Capital,* I, 706.
72. Mao Tsetung, "Why is it that Red Political Power can Exist in China?" *SWMT,* I, 65. See also Mao Tsetung, *A Critique of Soviet Economics,* 37.

CHAPTER SIX

IMPACT OF COLONIAL RULE : 1757 TO THE 1840s.

The establishment of colonial rule by the British bourgeoisie brought about far-reaching changes in all spheres of Indian life, which, instead of playing any revolutionary role, made Indian society retrogress still further. What it did was to 'freeze' development and class relationships and maintain a feudal society which was dying and which would have been swept away by inner convulsions if there was no external intervention.

CHANGES IN THE AGRARIAN SYSTEM

The changes in the agrarian system were complex and contradictory. A new semi-feudal structure that would serve the interests of the British bourgeoisie was raised in place of the old one that was mostly dismantled. On the one hand, land became a commodity—alienable private property—and the peasant's traditional right of occupancy to land was abolished. A new legal system based on concepts of private property and contract was introduced. India was drawn into the world capitalist market and there was greater commercialization of agriculture and greater penetration of commodity-money relations.

On the other hand, the extraction of the maximum surplus from the peasant's produce became the basis of the early colonial system of plunder. The mode of appropriation of the agricultural surplus was feudal. In 1763, the year before the East India Company became the Dewan of Bengal (i.e., undertook to collect revenue), the amount of land revenue actually collected in Bengal was Rs 6.5 million; in 1793, the revenue fixed by the Company under the Permanent Settlement amounted to Rs 26.8 million.[1] In his "Report to the Court of Directors" in 1772, Warren Hastings, then governor of Bengal, wrote :

"Notwithstanding the loss of at least one-third of the inhabitants of the province [during the famine of 1770],[2] and the consequent decrease of the cultivation, the net collection of the year 1771 exceeded even those of 1768."[3]

This policy of maximization of land revenue led to the colossal destruction of men and other productive forces. On coming to India in 1789 as Governor-General, Lord Cornwallis recorded : "I may safely assert that one third of the Company's territory in Hindustan is now a jungle inhabited only by wild beasts."[4]

The object was to wring a surplus from the revenue to finance the purchase of goods exported from here. "When an account is taken of the intercourse, for it is not commerce, which is carried on between Bengal and England, the pernicious effects of the system of Investment from revenue will appear in the strongest point of view. In that view, the whole exported produce of the country, so far as the Company is concerned, is not exchanged in the course of barter, but it is taken away without any return or payment whatever...."[5]

In the first few decades of the 19th century, India was transformed into a raw material appendage of Britain and a market for its manufactures. Profits from *unequal* trade were added to the rent-revenue as another main source of colonial plunder. For the realization of the maximum rent-revenue, which remained till 1850 "the basic pillar of British colonialism",[6] and of profits from the unequal exchange, the colonialists re-established and strengthened feudal landlordism on a new basis and encouraged the growth of comprador trade and usury capital. Neither the peasant's loss of the right of occupancy to land nor the development of commodity-money relations helped promote the growth of capitalism in agriculture or lay down the material premises for its development. The three different land revenue systems—zamindari, *ryotwari* and *mahalwari*—the British introduced in separate regions of India tended towards one direction—the development of feudal production relations in agriculture on a new basis.

In Bengal the zamindari system was not a new one. But, previously, the zamindars had to respect the peasant's right of occupancy to land and could not enhance the land revenue if they so desired.[7] But all existing rights of the peasants in land "were effaced" as a result of the Permanent Settlement of 1793 and the enactment of the Regulations that followed.[8] The zamindars could now freely raise the revenue demand and evict peasants. Besides, as a result of the various experiments in revenue farming which culminated in the Permanent Settlement, the old zamindars were mostly supplanted by Calcutta *banians* and other underlings of the new rulers, like Krishnakanta Nandi, Ganga Govinda Sinha and the Tagores, who had amassed fortunes by serving the raj and its representatives. As N. K. Sinha writes, these new "'*banian* zamindars" "were creations and beneficiaries of British innovations and the old zamindars were the victims."[9] The zamindari system was found useful in extorting the maximum land-revenue through a class of native agents and "created", as William Bentinck, Governor-General of India from 1828 to 1835, said, "a vast body of rich landed proprietors deeply interested in the continuance of the British Dominion and having complete command over the mass of the people."[10]

Regulation VII of 1799 gave the zamindars unrestricted powers to distrain the crops, cattle and other personal property of the *ryots* and even to seize their persons for arrears of rent without reference to any law court. Regulation V of 1812 abolished the zamindar's power of arrest but retained his right of distraint.[11] Besides the legal rent, all kinds of illegal exactions were collected from the peasants in all zamindaris. Writing in the 1870s, R. C. Dutt, who was himself a high government official said, "...zamindars still possess to an indefinite extent the power to oppress, harass and ruin their *ryots* in a variety of ways against which the law affords no redress...."[12]

Besides, a hierarchy of sub-infeudatories, sometimes as many as fifty, between the zamindar at the top and the actual cultivator at the bottom arose to fleece the peasants. A paper before the Indian Famine Commission, 1881, stated :

"The gross rental of that part of the Darbhanga estate that lies in the Alapur Pargana is [Rs] four lakhs, the revenue is Rs 1,810, i.e., less than $\frac{1}{200}$th part of the rental."[13]

Under the *ryotwari* system, the holding of the *ryot,* instead of the large feudal estate, became the basic unit for the fixation of revenue, which was raised from time to time. The demand was pitched so high that in the Bombay Presidency, for instance, *peasants were subjected to cruel and revolting torture* to force them to meet the revenue demand. "Large tracts of land were thrown out of cultivation, and in some districts no more than a third of the cultivable area remained in occupation."[14] Speaking of the Madras Presidency, R. C. Dutt says that "*the use of torture was almost universal in the Province* for the prompt realization of the assessed revenue from the miserable cultivators."[15] In 1818 the Board of Revenue in Madras complained that the cultivator was forced to occupy lands allotted to him by revenue officers, saddled with the rent of them whether he cultivated them all or not, dragged back to them if he absconded and deprived of the fruits of his labour.[16]

Writing in 1837, John Crawfurd, who served in the British army in India in a medical post, said : "The great body of the cultivators or occupants of India, whether under the denomination of tenants or proprietors, are pretty much in the condition of the *Metayers* of southern Europe, paying to the landlord, and that landlord most generally the government, a share of the crop as rent, and that share amounting to a fifth, a third, or one half, according to the quality and condition of the land—often taken in kind, but, by the British Government, usually converted into a-money payment."[17],

The British policy of perpetuating feudal survivals and the feudal mode of extracting the peasant's surplus as land revenue or rent enabled the British bourgeoisie to appropriate a large part of the peasant's produce at abominably cheap prices.

To sum up, among the main features of the land revenue systems introduced by the British were : first, the land-tax and rent appropriated by the British bourgeoisie through the colonial state machinery and by the native landlords and usurers took not only the entire amount of the surplus labour but also a considerable part of the necessary labour of the peasant. The peasant was not only ground down to the barest minimum of means of subsistence but even that minimum often eluded him. As the agricultural productivity was low, the amount of surplus labour was small, but there was a very high degree of exploitation of the peasants. Second, the rent that the direct producers paid to the landlords or directly to the colonial state was not capitalist land rent representing an excess over profit but the most ruthless and savage feudal land rent. Third, the appropriation of the land-tax and rent by the colonial state and the landlords was in the main coercive : extra-economic compulsion was even more intensified than before.

The very high rates of land revenue, as Dharma Kumar speaking of South India said, acted as the "severest brake on agricultural production."[18] There was little change in the production processes or field tools. Peasants could employ little capital, and landlords, instead of investing any capital in land, were keen on extorting from the peasantry the maximum rent and *abwabs* (illegal exactions). Almost every landlord maintained for the purpose an apparatus of coercion (including lathi-wielding muscle-men who would not hesitate to beat, maim or murder peasants, or to set fire to their huts) and used legal chicanery against which poor and ignorant peasants were helpless. As in pre-colonial days, the *jajmani* system, that is, customary exchange of goods and services between agriculturists and artisans and menials continued, and the rural non-monetized sector remained considerable.

In the new climate created by the agrarian systems imposed by the British, usury had a phenomenal growth. For meeting the exorbitant demands for land-tax or rent and also for his subsistence—not for investment in productive activities—the peasant was compelled to depend on the usurer.[19] The usurer made it comparatively easy for the colonialists to realize the land-tax or rent from the *ryots* as well as from the landlords, who also took loans to pay the revenue by due dates. Usury, as Irfan Habib observed, became "an inseparable aspect of the transformation of the Indian agrarian economy—brought about by colonialism itself."[20] According to Sarada Raju, indigenous capital employed in usury [in the Madras Presidency] was believed to be more than three times as much as that invested in trade.[21]

In colonial India, while usury capital sided with the colonial power and serviced the mechanism of tribute-extraction, it caused disintegration of the small peasant economy and ruined both the peasants and the handicraftsmen who could not escape its meshes. Because of the overcrowding of agriculture due to the destruction of "the union between agriculture and manufacturing industry" and because of the pauperization of large masses of peasants and artisans, the parasitical growth of usury led to wide prevalence of debt bondage.

Besides bonded labour, a new kind of serfdom arose. With the penetration of commodity-money relations into the countryside, the ownership of land was being increasingly transferred from peasants to a new breed of usurer-cum-traders. When the peasants were forced to sell their holdings or lost them to the mortgagees, they were not driven off the land, but were bound to it again by the new owners and tilled it on a crop-sharing basis. The usurer-landlords seized most of the products—the surplus product as well as much of the necessary product—of the peasants' labour without making any investment. Parasitic landlordism thus flourished throughout India. "In the Deccan, for example," writes D. R. Gadgil, "the Marwari [the usual trader and usurer there] never wanted to take possession of the land; in many cases he did not have the land transferred to himself legally, but it was still allowed to remain in the old cultivator's name; the Marwari merely appropriated to himself the entire profits of cultivation in virtue of the large number of debt-bonds that he held.... Thus was a great portion of the Deccan peasant class reduced to virtual serfdom."[22] According to Gopal Krishna Gokhale, about one-third of the number of peasants ceased to be owners of their land and became "serfs of their moneylenders."[23]

The exorbitant revenue demand and payment of it in money forced peasants to grow commercial crops like cotton and jute required by British industry as raw materials. The peasants, especially in cash-crop growing areas, became victims not only of feudal oppression but also of the colonial oppression as appendages to the speculator's market controlled by compradors and British agency houses and exchange banks. The fabulous amounts of commercial profit earned by the British bourgeoisie and their Indian compradors were not the normal capitalist commercial profit but speculation profit of a colonial and semi-feudal character obtained by coercion and swindling.

The agrarian systems introduced by the British, observes Barrington Moore Jr., "formed the basis of a political and economic system in which the foreigner, the landlord, and the moneylender took the economic surplus away from the peasantry, failed to invest it in industrial growth and thus ruled out the possibility of repeating Japan's way of entering the modern era.... *The Indian peasant was suffering many of the pains of primitive capitalist accumulation, while Indian society reaped none of the benefits.*"[24]

RUIN OF INDIGENOUS INDUSTRY

The impact of colonial rule on Indian industry and trade was devastating. After the establishment of the British rule in Bengal and some other parts of India, the East India Company and its agents virtually reduced petty commodity producers, especially weavers (for whose goods there was a great demand in Europe), into virtual slaves whom they coerced into selling their products much below their value.[25] W. Bolts, who had served in Bengal from 1760 to 1768, wrote :

"Inconceivable oppressions and hardships have been practised towards the poor manufacturers and workmen of the Country, who are, in fact, monopolized by the [English East India] Company as so many slaves...."[26]

According to him, there were innumerable methods of oppressing the poor weavers, "by which the number of weavers in the country has been greatly decreased." The prices of the goods which the Company was interested in purchasing were fixed "in all places at least fifteen per cent, and in some even forty per cent less than the goods so manufactured would sell for in the public Bazar, or market, upon a free sale," said Bolts.[27]

To quote Bolts again, "...the whole inland trade of the country, as at present conducted, and that of the Company's investment for Europe in a more peculiar degree, has been one continued scene of oppression : the baneful effects of which are severely felt by every weaver and manufacturer in the country, every article produced being made a monopoly; in which the English, with their *banians* and black *gomastas*, arbitrarily decide what quantities of good each manufacturer shall deliver and the *prices* he shall receive for them."[28]

The weavers were reduced to the position of indentured workers by the Company's regulations issued between 1775 and 1789. Advances of money were forced on them and when they defaulted they were coerced into paying a penalty of 35 per cent on the stipulated price of the cloth together with the money received as advance.[29]

Elsewhere also, for instance, in the Madras Presidency, the artisans were compelled to accept advances made by middlemen on behalf of the Company and were virtually turned into debt-slaves. Though production for private consumers was more profitable, they were forced to work for the Company.[30]

The Indian small commodity producers, the bulk of whom was formed by weavers, were confronted with heavy odds. Besides oppression by the Company's men, very high tariffs, even to the extent of 100 per cent and more, were imposed on the imports into England of certain types of textile goods and the entry of certain other types was banned outright.[31] Besides, the demand for the finer varieties of textiles and other goods had fallen greatly due to the decline of the old feudal nobility and incessant wars. In the beginning of the 19th century Lancashire invaded the Indian market. Lancashire goods paid an import duty not higher than $2\frac{1}{2}$ per cent, while cotton goods manufactured in Bengal were made to pay the inland customs duties totalling $12\frac{1}{2}$ per cent in some years and $7\frac{1}{2}$ per cent after 1823.[32] Moreover, it was not possible for Indian handicraftsmen to compete with Lancashire's mules or throstles. One result of the Industrial Revolution in England was the ruin of the weaving industry in India which produced finer varieties for the market. Reporting on it in 1834-5, the then Governor-General of India wrote : "The misery hardly finds a parallel in the history of commerce. The bones of the cotton-weavers are bleaching the plains of India."[33]

It may be noted that the imports from Lancashire did not affect much the weavers who produced coarse cloth for poor people.[34] It was the craftsmen who manufactured finer fabric that were ruined, and the weaving centres which produced for a large export market and catered for the tastes of the rich within the country perished with the invasion by Lancashire textiles.

Force was also employed to destroy silk manufacture in Bengal.[35] In a letter dated 17 March 1769, the Directors of the East India Company wrote to the Government of Bengal :

"The Company desired that the manufacture of raw silk should be encouraged in Bengal, and that of manufactured silk fabrics should be discouraged. And they also recommend that *the silk winders should be forced to work in the Company's factories and prohibited from working in their own homes* ."[36]

The Directors also wrote : "Should this practice [the winders working in their own homes], through inattention, have been suffered to take place again, it will be proper to put a stop to it, which may now be more effectively done by an absolute prohibition under severe penalties by the authority of the Government."[37]

In 1783, the House of Commons Select Committee on the Administration of Justice in India remarked : "This letter contains a perfect plan of policy, both of compulsion and encouragement which must in a very considerable degree operate destructively to the manufactures of Bengal. *Its effects must be to change the whole face of the industrial country, in order to render it a field for the produce of crude materials subservient to the manufactures of Great Britain.*"[38]

Contemporary documents show that *naccauds* (winders of silk) and weavers were treated as bond-slaves by the Company. In the two specimens of contracts, dated 9 June 1774, which Lokenath Nandy, a boy of ten, entered into with the East India Company on behalf of his father Krishna Kanta Nandy (who was the *banian* of Governor-General Warren Hastings) for supply of raw silk and silk piecegoods to the Company, one of the conditions was that the Company would deliver to Lokenath "all the *naccauds*" and "all the weavers" "which are at present employed by the Company."[39]

Not only cotton and silk industries but ore-mining, iron and steel, paper, ship-building, etc., gradually perished with their indigenous knowhow,[40] and India was converted into what Montgomery Martin called "the agricultural farm of England." When the East India Company petitioned the British Parliament in 1840 for certain reforms of the tariff regulations as they applied to India, it was stated in the course of the hearing held by the Select Committee of Parliament that *"this Company has in various ways, encouraged and assisted by our great manufacturing ingenuity and skill, succeeded in converting India from a manufacturing country into a country exporting raw produce.* "[41]

To quote R. C. Dutt, "If manufactures were crippled, agriculture overtaxed, and a third of the revenue remitted out of the country, any nation on earth would suffer from permanent poverty and recurring famines."[42]

This forced conversion of India from a manufacturing country into "the agricultural farm of England" marks the beginning of India's underdevelopment.

As Barratt Brown says, "India was the major area of British investment prior to 1870 and India did not develop; indeed India became underdeveloped as tribute was extracted, as the handicraft industries were destroyed and as land was switched from food production to export crops."[42a]

GROWTH OF COMMERCIAL CROPS FOR EXPORT

In the first half of the 19th century, "a new and international division of labour", as Marx said, arose and India was forcibly converted into a country producing raw materials, such as cotton, indigo and jute, for British industry. And this destruction of the equilibrium between industry and agriculture, the complete colonialization of India's economy and the conversion of it into an appendage of the metropolitan country are presented by some Indian academicians as beneficial to India ! Amales Tripathi writes :

"So far as raw materials were concerned, the Court's correspondence with the Indian governments...illustrate the solicitude it felt for their improvement. If cotton and silk were so developed by 1832 that one could satisfy the China market and the other the British, the Company should get its due reward of praise."[43]

People like Tripathi seem incapable of understanding that the East India Company was solicitours about developing India's raw material resources in the interests not of the Indian people but of the British merchants and manufacturers and this "improvement" was beneficial not to the former but to the latter.

The export of Indian cotton to England, which began in 1783, soared more than 800 times by 1841.[44] But the beneficiaries were chiefly the Lancashire millowners, European business houses and their native agents. Gaddum and Company and Ralli Brothers, the largest of the European firms in Bombay, "came to dominate the cotton trade of Western India." Marika Vicziany adds that "it seems that the involvement of indigenous business interests [in ginning and pressing companies] did not go beyond the motivation of a good investment. By contrast, the European managing firms viewed these companies as tools for their advancement in the export trade of Western India...the country's export crops, especially raw cotton, became the property of foreign firms."[45] Usually, Indian middlemen "kept the growers in a state of pecuniary bondage from one generation to another. They made advances to the cultivators and purchased their cotton often before it had ripened."[46]

Indigo was grown in Bengal and Bihar through a system of coercion. Indigo was much in demand as a dyeing agent in Britain with the growth of its textile industry. Cultivation of indigo started in Bengal in the last quarter of the 18th century on the initiative of European adventurers and some servants of the East India Company. Many of the planters were slave drivers from the West Indies. At the end of the 18th and in the first half of the 19th century, indigo became one of the major export commodities. Capital for setting up indigo factories was raised in India—partly from Indians and partly from servants of the Company. Force was employed to make peasants grow indigo, to whom indigo-growing was far from profitable. Citing *Parliamentary Papers*, D. H. Buchanan states that the Lieutenant Governor of Bengal "concluded in 1860 that in the deltaic area there was a loss of some twenty rupees (nearly ten dollars) on every acre planted to indigo because the production resources could have been devoted more profitably to other crops."[47]

That is why advances were thrust upon peasants who detested the cultivation of indigo : it meant for them forced labour, growing indebtedness and insecurity of life and property. The debts, often fictitious, descended from father to son. Once a peasant was made to accept advance of money, he and his descendants had no way of escaping from the debt bondage : they became bond-slaves from generation to generation. Buchanan observes : "The success of the debt system was possible only by the practice of both deceit and oppression.... Often he [the cultivator] was subjected to blackmail and extortion by the planter or his men and in numerous cases men were held prisoner until they complied with the planter's wishes."[48] There were many ways in which the peasants were harassed and oppressed. Physical torture was one of them. The laws framed by the Company's administration, like Regulation VI of 1823 and Regulation V of 1830, gave the European planters the necessary powers. "Not a chest of indigo", said the magistrate of the district of Faridpur in Bengal, "reaches England without being stained with human blood."[49]

It is the revolt of the peasants which swept through many districts of Bengal in 1860 that almost blotted out the shame of indigo from this province despite the rulers' "solicitude."

The East India Company was also much interested in the cultivation of poppy plants in Bihar and neighbouring districts, which formed part of the Bengal Presidency. The production and sale of opium, which was exported mainly to China, were under the complete control of the Company. "The Bengal opium monopoly", observed Michael Greenberg, "was one of the prizes of dive's victory." This monopoly came to yield, according to Greenberg, one-seventh of the total revenue of British India and opium "became the chief India product upon which the Company relied for its tea investment" in China.[50] Cultivators of poppy were offered unattractive prices and were coerced into maintaining a certain level of production. "Mr Fleming of the Bihar Opium Agency (1822) had the strongest reason to believe that 'did not an opinion prevail amongst the Koeries [the caste to which the poppy growers largely belonged] that they are in a certain degree bound to cultivate the plant very little would be engaged for.'... The Koeries', Mr D'Oyly, another Bihar officer, observed in 1822, "find themselves forced to do so [to cultivate the poppy] by the influence of the *mahtoos* [village headmen] who have them completely under subjection."[51]

The cultivation of tea was introduced in India by the British in the thirties of the last century to break the near monopoly of Chinese tea in the international market. Under government encouragement and with government help tea plantations, owned exclusively by Europeans, increased rapidly. Like indigo and opium, it was intended for export. The trade, too, was controlled exclusively by the Europeans. The profits and a large part of the salaries were remitted abroad or appropriated by planters here. Incredible oppression was perpetrated on the workers. Usually innocent tribal men and women of far-away places were recruited for the tea gardens in inhospitable places in Assam. They were duped by the planters' recruiting agents with false hopes about their future prospects. The mortality among the recruits during the long journey to the gardens was "fearful", and once they reached the gardens they virtually became serfs. The European planters were described "as a lot of inhuman monsters" by Cotton, the highest government official in Assam at one time.[52] Flogging was common; the workers were surrounded by guards and savage trackers so that they might not escape. An Act of 1865 armed planters with powers to arrest them if they attempted to do so. They could be imprisoned for refusing to work. "Among a group of about 50,000 coolies in the tea districts, 13,905 died and 4,425 deserted and disappeared in the forest within a year and a half."[53] Viceroy Curzon admitted that "on many plantations harsh and cruel and abominable things go on", "that the coolies get nothing like the wage which is stipulated for by the law", and that there were two scales of justice—one for the planter and the other for the worker.[54] Tea plantations employed wage-labour, but this labour was not free.

LIQUIDATION OF BIG, INDEPENDENT TRADERS AND RISE OF COMPRADORS

The first few years of colonial rule saw the gradual liquidation of old big Indian traders and bankers in most of Eastern India, which first came under the rule of the British, and the rise of others who served as *banians* and brokers of the latter. Indian merchants who traded independently were ousted not only from foreign trade but from internal trade. As N. K. Sinha writes, "Inland trade, already invaded before Plassey, became a part of the prize of Plassey."[55] The Company's servants made free use of the *dastak* (which exempted the East India Company from payment of inland duties) for their private trade, while Indian merchants had to pay heavy duties. The *dastak* was sold to British Free Merchants and Indian traders at a profit. The *banians* and *gomastas* of the Company's employees forced Indian merchants to buy Indian goods from them at 30, 40 or 50 per cent above the market price.[56] Mir Qasim, Nawab of Bengal, complained :

"In every pargana, every village and every factory [the warehouse of a British trader] they [the agents of British private traders] buy and sell salt, betelnut, ghee, rice, straw, bamboos, fish, gunnies, ginger, sugar, tobacco, opium and many other things. They forcibly take away the goods and commodities of the *ryots* and merchants for a fourth part of their value. ..they oblige the *ryots* to give five rupees for goods which are worth but one rupee...near four five hundred new factories have been established...they expose my government to scorn and are the greatest detriment to me."[57]

Verelst, who afterwards became Governor of Bengal, wrote; "A trade was carried on without payment of duties, in the prosecution of which infinite oppressions were committed. English agents or *Gomastahs,* not contented with injuring the people, trampled on the authority of government, binding and punishing the Nawab's officers whenever they presumed to interfere.'[58]

The privileged private trade, described by Macaulay as a "gigantic system of oppression, extortion, and corruption,"[59] was formally suppressed by the Company in 1771, but it was carried on by its employees in the name of some Indian *banians* or brokers, who became their front-men. The commercial residents of the Company who were posted in its different factories to procure goods for export were allowed to carry on private trade after fulfilling their obligations to the Company.

By the 1770s British agency houses began to appear. The visions of fabulous wealth lured many servants of the Company to resign its service and they, together with British Free Merchants, began to set up agency houses. The agency house became what Greenberg said "the characteristic unit of private British trade with the East, both China and India." Though primarily a merchant firm, it "also acted as bankers, bill-broker, ship-owner, freighter, insurance agent, purveyor, etc."[60] A greater part of India's foreign trade was in the hands of the agency houses even before the East India Company's legal monopoly of it ended in 1813. Besides, they controlled a large part of India's internal and coasting trade.

The agency house arose to fulfil the need of Britain's new factory industry to widen its market. The British manufacturers, especially Lancashire millowners, shipped their surplus stock to be sold on commission. This system, known as the consignment system, "formed", to quote Greenberg, "the essential methods of Manchester trade with the East, and the Agency House was its linchpin."[61] While dominating India's internal and coastal trade, it exported opium to China, financed indigo plantations and other business, accepted deposits and, in course of time, became ship-owners, farmers and manufacturers. Until the Charter of 1813, which abolished the East India Company's monopoly of the Indian trade, the agency houses enjoyed what John Crawfurd called "a kind of sub-monopoly."[62]

Though big agency houses had corresponding firms in England—"not, indeed, in partnership, but intimately connected with them in business"[63]—they did not import any capital from that country. The savings and clandestine gains of the Company's civil and military servants here were invested in these houses. And, as Crawfurd wrote, they enjoyed "the confidence of the great monied natives of Calcutta, as well as of many of the provincial towns" and "drew largely from native sources."[64] For instance, Raja Rammohun Roy, usurer, zamindar, *dewan* under British officials and founder of the Brahmo faith, invested his money in the agency house of Mackintosh and Company,[65] one of the six big agency firms of Calcutta before its collapse in 1833.

Because of utter dishonesty, over-speculation, etc., the big agency houses led by Palmer and Company were forced to close their doors between 1830 and 1833. Other agency firms which arose in their place, such as Cockerell and Company, Colville Gillmore and Company, and Carr Tagore and Company, crashed by 1850 for the same reasons. The laws of the land were such that British partners of these agency houses often escaped unscathed while many of their Indian collaborators suffered huge losses.

The Indian merchants who thrived in the second half of the 18th and the first half of the 19th century were all brokers or *banians.* As N. K. Sinha writes, "Between 1757 and 1793, though the artisans suffered, the zamindars were impoverished, the tenantry were victims of famine and pestilence and a ruinous farming experiment, money was there in the hands of those Indians who associated themselves with the westerners in their quest for wealth in Calcutta, Chuchura [Chinsura], and Chandannagar. The *banians* were beneficiaries of this economic expansion."[66] Among the Indian collaborators in the second half of the 18th century, who earned fabulous wealth, were, to name only a few, Nabakrishna Deb, Ganga Govinda Sinha, Gokul Ghosal, Huzuri Mal, Krishna Kanta Nandi and Baranasi Ghosh. Nabakrishna and Ganga Govinda acquired vast riches not only by plying their trade as underlings of the Company's men but by serving men like Robert Clive and Warren Hastings in other ways. Gokul Ghosal was *banian* to Governor Verelst; Krishna Kanta Nandi to Warren Hastings and Sykes, Baranasi Ghosh was *dewan* to the Collector of Calcutta and the Sherff and lent money to the Company's servants for their private trade. Huzuri Mai, a close relation of notorious Omichand, was also a *banian.* Almost all of them invested in land and founded big zamindari families. To quote N. K. Sinha, "The parvenu—trader, *banian, dewan*—became a patrician when he was transformed into a landlord, the chief beneficiary of various changes in the system of landholding which began in 1772."[67]

The Calcutta brokers, *banians* and *dewans,* whose fortunes rose to dizzy heights in the first half of the 19th century, were Ramdulal Dey and his sons Ashutosh Dey and Pramathanath Dey, Motilal Seal, Gopi Mohan Tagore, Dwarkanath Tagore, Rustomji Cowasji, etc. A "model early-nineteenth century *banian"* Ramdulal Dey served as "a factor for the American traders" and "was always acting in co-operation with British business houses"; though a ship-owner, "he was concerned largely with *dustoree* or commission business."[68] Ashutosh Dey was *banian* to Ralli Brothers and other European business houses in Calcutta.[69] Motilal Seal also served as a, *banian* to European firms. Blair B. Kling writes, "Among the twenty-five to thirty *[banians]* listed in the directories of the 1840s, the most eminent were Motilal Seal (1792-1854) and Ram Gopal Ghosh (1815-1868)."[70] Like Rustomji Cowasji and Dwarkanath Tagore, Motilal Seal set up a joint Indo-British agency firm, Oswald Seal and Company, which failed during the commercial crisis of 1847-8. Despite his huge loss, he is said to have left behind him a colossal fortune.[71] Rustomji Cowasji belonged to the Parsi Banaji family of Bombay. One of his brothers. Framji Cowasji, was agent for the East India Company, and the other brother, Kharsedji Cowasji, was broker to many European firms in Bombay.[72] N. K. Sinha describes Rustomji as "Merchant and Agent, moneylender, businessman, shipbuilder, insurance director, exporter of opium and indigo, importer of British manufactures."[73] He set up in partnership with an Englishman Rustomji Turner and Company, one of the leading agency houses. He joined British partners and Dwarkanath Tagore to promote the Calcutta Docking Company and several insurance companies. Rustomji and Dwarkanath were among the four Indian directors of the Union Bank, the other eight directors of which were Europeans. This bank, "the biggest Indo-British banking venture," which opened in 1829, crashed in 1848 because of over-speculation and corrupt practices. During its existence the bank became the main financial support of indigo planters and "a giant satellite of the indigo-exporting agency houses."[74] Rustomji Turner and Company and Carr Tagore and Company, promoted by Dwarkanath and his British partners, also collapsed during the commercial crisis of 1847-8.

Like all other big Indian merchants of the time. Dwarkanath was a product of British rule—perhaps more so than others—and a great defender of it. His ancestors had acquired zamindaris by serving the Europeans as "*banians* or compradores" and in other capacities.[75] Blair B. Kling observes : "As middlemen operating between the Indian and British business worlds the Tagores collaborated with European merchants in trade, banking, insurance, and plantations."[76] Among the more prominent Tagores, besides Dwarkanath, were Darpa Narayan and his son Gopi Mohan. Darpa Narayan, founder of one of the branches of the Tagore family, "amassed a fortune as *banian* for the French East India Company at Chandannagar."[77] Gopi Mohan was *banian* to Edward Wheeler, a member of Warren Hastings' Council, and to the French at Chandannagar.[78]

A zamindar of the new species, which the Permanent Settlement brought into existence, Dwarkanath served the East India Company for twelve years and rose to become *dewan* to the Board of Customs, Salt and Opium, one of the three or four highest posts that an Indian could aspire to in those days. He was already a partner of Mackintosh and Company and director of the Commercial Bank controlled by Europeans.[79] Since the early 1820s he had also been lending money to British merchants, indigo planters and government officials. He promoted several Indo-British joint ventures—Union Bank, Carr Tagore and Company, Calcutta Docking Company, Bengal Coal Company, several insurance companies, etc. The Bengal Tea Association, which he founded in partnership with Englishmen, was soon merged in the Assam Company, a sterling tea company, with its headquarters in London. He also acquired extensive landed property in Calcutta and near-by areas and zamindaris in several districts of Bengal and Orissa.

H. R. Ghosal commented : "Paradoxical as it may appear, the general impoverishment of the vast body of manufacturers was accompanied by the rise of a wealthy middle class in Bengal. Many persons of this class invested their capital in land and became zamindars, thereby forming a new landed aristocracy."[80]

Like their Calcutta counterparts, the Bombay merchants, who acquired colossal fortunes during the first half of the 19th century, hitched their wagon to the star of European capital. We have already referred to the Banajis. The most opulent among the Bombay merchants was Sir Jamsetji Jijibhai, the first Indian baronet. It was the trade in opium which Jijibhai carried on in collaboration with Jardine Matheson and Company that brought him incredible wealth. Jardine Matheson and Company, Remington Crawford and Company of Bombay and Jamsetji Jijibhai and Sons formed the Malwa Opium Syndicate. "It", writes Michael Greenberg, "was something more than a cartel, though less than a full joint-stock company". Greenburg further says : "Thus, Jamsetji Jijibhai and Sons, the largest trade constituent of Jardine Matheson, with whom in the 1830s they were annually transacting more than £1 million worth of business, remitted to London through China about £ 150,000 each year."[81] He owned ships and a big shipbuilding dock, and invested in newspapers and joint-stock banks.

This tycoon was the first Indian to be knighted in 1842. In the next year when the Bombay Governor handed him a medal on behalf of the British government in appreciation of his services, he said: "I shall hand down this medal to my children's children with pride and reverence!... They shall be taught that fidelity to the British Crown is their first duty—loyalty the first virtue."[82] It is quite in the fitness of things that he "became the confidential adviser to many Governors of Bombay."[83]

It is interesting that Amalendu Guha has cited Jijibhai's case as an example of what he describes as discrimination practised by the rulers against Parsi and other Indian agents and brokers. Guha writes : "Once having sent a 1400-ton ship to UK, he was obliged under the discriminatory Navigation Laws to recruit 70 English sailors on the top of usual crew to qualify for a return journey to India."[84] He seems to suggest that the contradiction between these brokers and agents and British capital—not their collusion with it as subordinate partners—was the primary aspect of their relationship with it. Guha forgets that it was by serving British capital that, despite minor contradictions, this class of compradors could acquire vast wealth.

D. F. Karaka wrote : "...it is unquestionable that from the time the island of Bombay was ceded to the English upto forty years ago, the whole of the European trade of the port passed through their [Parsi merchants'] hands as middlemen in one shape or another." According to Karaka, it was the Eastern trade, that is, the trade with China in raw cotton and opium, especially opium, that "brought the Parsis a mine of wealth," Besides Jijibhai, the Readymoneys, the Dadiseths, the Banajis, the Kamas and many others made their fortune in this trade.[85]

Leading Gujarati *banias* of Bombay like Varjivandas Madhavdas also prospered as underlings of the British capitalists. The founder of Madhavdas's family had been a contractor for the supply of corn to the East India Company. He himself was a *banian* or guarantee-broker to a European firm and became a big landlord.

In Ahmedabad, too, it is the compradors who began to thrive. They sold imported European goods such as cloth, wine and spirits on the domestic market and procured raw cotton from the interior of the districts for export. "Others, especially Parsis, became rich as contractors for the British, supplying grain and other commodities to their cantonments and lending money to their soldiers and officers."[86] Another key, and a more important one, to the prosperity of the Ahmedabad compradors was the trade in opium with China, "an immensely lucrative one." In Ahmedabad the opium trade with China began in 1819 and "much capital and many people soon became involved. By 1830 almost all the Ahmedabad merchants had agents or branches of their houses established in Malwa for the purchase of opium."[87] In a particularly good year, Ahmedabad merchants reaped a profit often million rupees from this trade in opium and several large fortunes were made.[88]

With the advent of British rule the Marwari *banias,* who form today a dominant section of the Indian big bourgeoisie, spread from Maharashtra in the west to Assam in the east. "Possessing commercially oriented 'resource groups', with relatives and corresponding firms all over India, the Marwaris", writes Thomas A Timberg, "became the natural agents to British houses in the port cities. They would have their upcountry correspondents buy raw produce for sale to the British firms in the port cities, and sell imported goods that could be bought from them."[89] The need of British capital for a network of intermediaries who would fleece the people, especially the peasants, by buying raw materials cheap and would sell the British manufactures on the domestic market, besides supplying their armies and helping in the conduct of government finance, was best fulfilled by the close-knit community of Marwari *banias.* As Timberg observes, "The bulk of Marwaris... were originally engaged as intermediaries between domestic producers and consumers, and foreign exporters and importers."[90]

Big Marwari firms which had branches in different parts of India, such as Sevaram Ramrikhdas (from which have descended the Singhanias of today) and Tarachand Ghanshyamdas, carried on trade in opium besides other commodities.[91]

The opium trade with China played an extremely important role in Britain's exploitation of India as well as of China. It was actually not a trade, for opium was a contraband in China till the treaty of Nanking which followed the Opium War of 1840-42. It was smuggled into China till then, for it solved the East India Company's problem of remitting the imperial tribute as well as the probem of sending from this country the savings as well as the illegitimate, gains of the Company's corrupt officers and of other British merchants. In the first half of the 19th century there was a sort of triangular trade between India, China and Britain. India exported to China raw cotton and opium and those exports paid for Britain's purchase of silk and tea from China, obviating the necessity of bringing bullion from Britain. Indian exports of raw cotton to China gradually declined while those of opium steadily increased and, in some years, constituted one-third and even more of India's total exports. Remittances in the form of opium exports to China also paid for the increasing import into India of Lancashire textiles.

"Opium," as Greenberg writes, "was no hole-in-the-corner petty smuggling trade, but *probably the largest commerce of the time in any single commodity.* "[92] Besides monopolizing the manufacture and sale of Bihar opium, the government imposed heavy export duties on Malwa opium which came to be exported from Bombay. A contemporary pamphleteer wrote : "From the opium trade the Honourable Company have derived for years an immense revenue and through them the British Government and nation have also reaped an incalculable amount of political and financial advantage. The turn of the balance of trade between Great Britain and China in favour of the former has enabled India to increase tenfold her consumption of British manufacture; contributed directly to support the vast fabric of British dominion in the East, to defray the expenses of His Majesty's establishment in India, and by the operation of exchanges and remittances in teas, to pour an abundant revenue into the British Exchequer and benefit the nation to an extent of £ 6 million yearly."[93]

Interestingly, Dadabhai Naoroji wrote in 1880 : "...India cannot fill up the remorseless drain; so China must be dragged into make it up, even though it be by being 'poisoned'.... The fact simply is that, as Mr. Duff said, India is nearly ground down to dust, and the opium trade of China fills up England's drain. India derives not a particle of benefit. All India's profits of trade, and several millions from her very produce..., and with these all the profit of opium, go the same way of the drain— to England. Only India shares the curse of the Chinese race."[93a]

As opium was a contraband in China till 1842, the East India Company did not export it directly : it was left to the private traders, British and Indian, to develop this trade. The Indian merchants who were permitted to participate in this very lucrative trade acted mainly as correspondents of British firms in China like Jardine Matheson and Company. During the Opium War of 1840-2, Parsi merchants lent their ships to the British, to transport troops to China, and many of them were imprisoned by the Chinese government.[94]

In South India, too, as Dharma Kumar writes, "independent Asian traders had been ousted from foreign trade well before the start of the nineteenth century,, but they were used by nearly all European private traders and Agency Houses as middlemen."[95] Chettiar groups, which had Madras as their base, extended their business—trade and moneylending, especially moneylending on a large scale—to Burma, Malaya, Ceylon, etc., as these countries came under the rule of the British. It is as underlings of the British that they thrived in these countries. According to the estimate of the Burma Banking Enquiry Committee of 193O, the Chettiar groups had invested about Rs 75 crore in Burma alone.[96]

Speaking of the Marwari and Gujarati *shroffs* "of the present day" in Bihar, the Report of the Bihar and Orissa Provincial Banking Enquiry Committee 1929-30 (which included two Marwari merchants and *shroffs)* stated : "They are essentially the product of British rule."[97] The same was true of big merchants and bankers of other regions, who appeared after the establishment of colonial rule.

The class of big independent merchants, which had been declining before the advent of colonial rule, was liquidated after it, and a class of comprador traders was raised and nurtured as a tool of colonial exploitation and plunder.[98] Like rank weeds, comprador traders and usurers grew luxuriantly on the soil of the colonial and semi-feudal society. The metropolitan bourgeoisie, native princes and landlords, and comprador traders and usurers fastened themselves leech-like to the semi-feudal mode of production and waxed fat.

IDEOLOGICAL AND OTHER CHANGES AND THEIR SIGNIFICANCE

To the compradors and landlords and their ideological and political representatives, British rule was a divine dispensation. Not only the

Bombay tycoon, Sir Jamsetji Jijibhai, but the entire tribe of Indian compradors and landlords was eloquent on the supreme virtue—fidelity to the British crown. In a petition to the Supreme Court in 1823, submitted jointly with Dwarkanath Tagore and some other friends—zamindars, *banians* and *dewans* to the East India Company or its servants, all products of the British rule—in protest against certain restrictions imposed on native newspapers, Raja Rammohun Roy, a usurer, zamindar, former *dewan* to the East India Company in Bengal districts under British officials and a close business associate of British merchants, stated : "During the last wars which the British Government were obliged to undertake against neighbouring Powers, it is well known that the great body of Natives of wealth and respectability, as well as the landholders of consequence, offered up regular prayers to the objects of their worship for the success of the British arms from deep conviction that under the sway of that nation, their improvement, both mental and social, would be promoted, and their lives, religion, and property be secured. Actuated by such feelings, even in those critical times, which are the best test of the loyalty of the subject, they voluntarily came forward with a large portion of their property to enable the British Government to carry into effect the measures necessary for its own defence, *considering the cause of the British as their own, and firmly believing that on its success, their own happiness and prosperity depended.*"

The Raja and his friends added :

"...Native Authors and Editors have always restrained themselves from publishing even such facts respecting the judicial proceedings in the Interior of the country as they thought were likely at first view to be obnoxious to Government."[99]

In their appeal to the King-in-Council, Rammohun and his friends wrote :

"Divine Providence at last, in its abundant mercy, stirred up the English nation to break the yoke of those tyrants [Muslim rulers], *and to receive the oppressed Natives of Bengal under its protection....* Considering these things and bearing in mind also the solicitude for the welfare of this country, uniformly expressed by the Honourable East

India Company, under whose immediate control we are placed, and also by the Supreme Councils of the British nation, *your dutiful subjects consequently have not viewed the English as a body of conquerors, but rather as deliverers, and look up to your Majesty not only as a Ruler, but also as a father and protector.*"[100]

The words of Dwarkanath Tagore, another shining light of the "Westernization" movement in India, are worth quoting. At a banquet given in his honour by the Lord Mayor of London in 1842, Dwarkanath said :

"It was England who sent out Clive [the victor of Plassey, a notorious forgerer and plunderer of the wealth of Bengal, whom Marx called "that great robber"] and Cornwallis to benefit India by their counsels and arms. It was England that sent out...the great man who had introduced a proper and permanent order of things in the East. *It was the country...that...protected his countrymen from the tyranny and villainy of the Mahometans,* and the no less frightful oppression of the Russians. And all this was done—not in the expectation of a requital—not in the hope of anything whatever in return, but from the mere love of doing good. It was impossible for his countrymen to treat the English with ingratitude."[101]

The outlook of these heroes of what is called the "Bengal Renaissance" was coloured with a deep sense of loyalty to the British rulers on the one hand and communal rancour on the other. A few years later, their Muslim counterparts like Nawab Abdul Latif, Sir Syed Ahmed and Syed Amir Hussain (founders respectively of "Muhammedan Literary Society," Aligarh Muslim College and "National Muhammedan Association") became pioneers of a Muslim "Renaissance"—a Muslim "westernization" movement. They together helped to impede the process of integration of the two major communities of India that had been going on before.

Rammohun and Dwarkanath were strongly in favour of settlement of Europeans in India and demanded removal of all restrictions on it. They were on the side of the indigo planters and declared that indigo plantations had done a lot of good to peasants and zamindars.[102] Zamindars themselves, Rammohun and Dwarkanath (the Tagore family estates, in the latter's own words, accounted for one-fifteenth of the total land revenue of the lower provinces)[103] were great defenders of the zamindari system.

Rammohun has been acclaimed as the father of the "Bengal Renaissance" for his supposed fight against medieval obscurantism—his campaign against Hindu idolatry, for religious and social reforms like the prohibition of *sati* (the burning of women on the funeral pyre of the deceased husbands), and for introduction of the Western system of education. Perhaps we are digressing, yet these things need to be discussed, however briefly, for a clearer understanding of the impact of colonial rule on our society.

Rammohun and his followers were never such fighters against medieval obscurantism as they are made out to be. Theoretically he opposed caste, but his *Brahma-Paottalik Sangbad* "defends the observance of caste, diet and other social rules by the believer in Brahma as a matter of expediency even while emphasizing their relative unimportance."[104] There was a contradiction between their theory and practice. Rammohun did not eat at the same table with members of other castes or religious communities, did not take those articles of food which a Brahmin was enjoined by custom not to eat. and the Brahmin's sacred thread adorned his neck to the end of his life.[105] While publicly denouncing idolatry, his followers like Prasanna Kumar Tagore. Dwarkanath Tagore and Kalinath Munshi performed the Durga *puja* in their houses with usual pomp.[106] Such a religious and social movement, initiated by a section of compradors and zamindars, had little in common with the religious and social movements like *"bhakti"* that swept the country in pre-colonial days—movements which marked a revolt against Hindu and Muslim orthodoxy and the caste system, roused the masses and *sought to democratize social relations,* During the upsurge of the *'bhakti* movement Chandidas, a poet of medieval Bengal, sang; "Man is above everything else, there is nothing greater than man."

Rammohun campaigned against *sati,* a barbarous social custom, confined mostly among a section of upper caste Hindus. According to Percival Spear, the number of recorded burnings in the Bengal Presidency, which then comprised most of eastern India, varied from 500 to 850 annually in the fifteen years before 1828[107] *(sati* was abolished in 1829). Rammohun hailed the July Revolution in France in

1830 and showed enthusiasm about the first Reform Bill in the British Parliament. But. characteristically, neither he nor the other heroes of the 'renaissance' had a word of condemnation for the slave-trade in Bengal. Many sons and daughters of poor men were bought and sold like cattle, even in Calcutta itself and, though slavery was legally abolished in 1843, it continued for several more years. This did in no way stir the conscience of these lovers of liberty.

Rammohun was strongly in favour of the introduction of the Western system of education in this country wth science as a part of the curriculum of studies. He himself set up a school in Calcutta which he named Anglo-Hindu School—a significant name. We shall return later to this subject of the introduction of Western education in this country.

In China also, between the 1860s and 1890s. a "Westernization" or "Learn from foreigners" movement was initiated by several big landlords and bureaucrats who formed a part of the Ching ruling class. They advocated collaboration with capitalist countries, imitated them and sought to develop industry with machinery, technology and technical personnel from foreign countries. While maintaining their feudal rule, they only helped to lead China into the abyss of semi-colonialism.[108] The Westernization movement in India, started by comprador and landlord elements, also sought to strengthen the chains of colonial rule. As Blair B. Kling writes, "Dwarkanath Tagore had devoted his life and fortune to making India into an integral part of the British realm and believed that through Western education the creation of a new British-Indian nationality was already in process."[109] This was true not only of Dwarkanath but of Rammohun and his other followers. They represented a kind of hybrid culture which blossomed in a port city like Calcutta, founded by the British.

During the colonial era, India was divided into 'British India' (directly ruled by the British) and so-called 'Indian States' where native princes owing allegiance to the British, guided by them and protected by their guns, ruled autocratically. There were about 563 such states— large, medium and small—scattered throughout India and occupying about two-fifths of its territory. As Marx said. "The conditions under which they are allowed to retain their apparent independence are at the same time the conditions of a permanent decay, and of an utter inability of improvement."[110] It was like, as Rushbrook-Williams said, "a vast network of friendly fortresses in debatable territory."[111] Even during the great revolt of 1857-8, the princes in general remained loyal to the British, and Viceroy Canning described them as "breakwaters in a storm."[112]

Colonial rule also subverted the historical process of the formation of nations in this subcontinent. Provinces of 'British India' and 'native states' were so formed as to split up nations into fragments tagged to different provinces and 'states'. For instance, the territory of the Telugu-speaking people was divided, one part attached to the Madras Presidency (where, apart from the Telugus, Tamils, Kannadas and Malayalam-speaking people were brought together) and another part to the Hyderabad state where lived Kannadas and Marathis, besides Telugus. The Gujaratis were distributed among more than two hundred native states, most of them extremely small, and the Bombay Presidency, which included within it a large part of the Maratha territory. Every nation, Marathi, Gujarati, Bengali, Oriya, Telugu, Kannada, etc., was thus carved up and fragments artificially joined with others; some of them were subjected to what may be called 'multiple partition'. There was a method in this madness and that method was political. Sir Andrew Fraser, then Chief Commissioner of the Central Provinces, opposed a proposal to attach Marathi-speaking Berar (which had been taken over from the Nizam of Hyderabad) to Bombay on the ground that it would be "politically unwise." Viceroy Curzon agreed with him : "The last thing that we want to do is to consolidate the Maratha race."[113] And so Berar was joined to the Central Provinces. Another instance may be cited. Bengal was partitioned in 1905 because, as Risley said, "Bengal united is a power; Bengal divided will pull in different ways."[114] Again, he said that "in this scheme as in the matter of the amalgamation of Berar to the Central Provinces one of our main objects is to split up and thereby weaken a solid body of opponents to our rule." And Viceroy Curzon was no less explicit : "The Bengalis, who like to think themselves a nation, and who dream of a future when the English will been turned out,... of course bitterly resent any disruption that will be likely to interfere with the realization of this dream. If we are weak enough to yield to their clamour now, we shall not be able to dismember or reduce

Bengal again; and you will be cementing and solidifying, on the eastern flank of India, a force already formidable, and certain to be a source of increasing trouble in the future."[115]

Social and religious obscurantism, too, was not combated but fostered by colonial rule for, as B. B. Misra said, the "general tendency [of foreign imperialist rule] was to preserve for political reasons the divisive character of the Brahmanic social order."[116] It sought to preserve the most reactionary social and religious customs and institutions, against which there had been widespread revolts in pre-colonial society. On the personal initiative of Warren Hastings, Governor of Bengal, the laws for the Hindus were codified according to the orthodox Brahmanical doctrine and those for the Muslims according to the orthodox interpretation of Islam. "In organizing the judicial system in the mofussil, Warren Hastings had made a rule that as regards inheritance, marriage, caste and other religious usages and institutions the laws of the Koran were to be administered for the Mohammedans and the laws of the Shastra for the Hindus. The Calcutta rule of 1781 was extended to Madras in 1802 and to Bombay in 1827."[117]

The process of integration of the two major communities—Hindu and Muslim—that had been going on since Akbar's time, was hampered. "Legislative recognition given to the differences based on religion and caste may have been responsible to some extent for holding the two major communities apart."[118]

Queen Victoria's proclamation of 1858 after the administration of India had been taken over from the hands of the East India Company stated that "in framing and administering the law due regard will be paid to the ancient rites, usages and customs of Hindus."[119] Respect for the maintenance of backward Indian customs and religious rites became a fundamental principle of the rulers. "Successive Government of India Acts have emphasized that policy."[120]

Many evil customs like *sati* and obscurantist ideas and practices like *kulinism* (polygamy of high-caste Hindus) revived or flourished as never before during early colonial rule. Akbar had banned *sati*, and A. S. Altekar has pointed out that "the *Sati* custom could not have been in much greater vogue in the Hindu and Muslim periods than it was in the first quarter of the 19th century."[121] Campaigns against *sati* by Indians preceded its abolition in 1829.

Under the rule of the British bourgeoisie the worst sore of Indian society—untouchability—became more stinking than before. The following extract from the presidential address of B. R. Ambedkar, a member of the Viceroy's Executive Council for some time, to the All-India Depressed Classes Congress in August 1930 is worth quoting :

"Before the British you were in the loathsome condition due to your untouchability. Has the British Government done anything to remove your untouchability? Before the British you could not draw water from the village. Has the British Government secured you the right to the well? Before the British you could not enter the temple. Can you enter now? Before the British you were denied entry into the police force. Does the British Government admit you in the force? Before the British you were not allowed to serve in the military. Is that career now open to you? Gentlemen, to none of these questions you can give an affirmative answer. Those who have held so much power over the country for such a long time must have done some good. But there is certainly no fundamental improvement in your position. *So far as you are concerned the British Government has accepted the arrangements as it found them and has preserved them faithfully in the manner of the Chinese tailor who, when given an old coat as a pattern, produced with pride an exact replica, rents, patches and all* Your wrongs have remained as open sores and they have not been righted."[122]

Much has been made of the official decision in the mid-1830s to introduce the Western system of education and of the Indians' contact with Western liberal and scientific thought. The purpose of the colonialists, as Macaulay put it, was to create a class of intellectual intermediaries between the metropolis and the colony. To carry on the administration the colonialists also required the cheap services of Indians for the lower rungs of the bureaucracy. These purposes were to a great extent achieved. But that did not help in the spread of education. By 1888, out of a population of more than 200 million in British India, less than one per cent had any knowledge of English, and the total number of students who had graduated from universities since 1857 (when the first three Indian universities during British rule were founded) was less than eight thousand.[123] The tiny English-educated minority was far from "imbued with European science," as Marx had expected. A damning indictment of the education system, which has been the preserve of a privileged few in the midst of the vast ocean of illiteracy, was made by Vera Anstey. "On the contrary", she wrote, "should we not inquire how far the system of education introduced by the British has helped to generate the scientific spirit and the spread of scientific knowledge? Do we not find that, instead of teaching the people to understand the world about them and how natural forces can best be utilized and controlled, they have been taught to write notes on archaic phrases in the works of sixteenth-and seventeenth-century Englishmen, and to learn by rote the personal history of obscure rulers of a foreign land?"[124] Education that was imparted was of a predominantly literary character, and little provision was made for technical training. As Angus Maddison writes, "They [universities and colleges] did little to promote analytic capacity or independent thinking and produced a group of graduates with a half-baked knowledge of English, but sufficiently Westernized to be alienated from their own culture."[125] Whatever science was taught was alienated from the basic economic and social problems of Indian society. The few scientists opted for the status quo as they depended for their existence and privileges on the rulers. In most cases there was a dichotomy between whatever scientific beliefs they acquired and their practice which conformed to traditions. The new intelligentsia could hardly free itself from the limitations of the classes to which it belonged—classes of landlords and compradors, professional people and employees under the alien government who, too, in many cases, exploited the peasantry as rent-receiving landowners. The mental horizon of most of these educated people has always been narrow, bounded by communal and caste considerations. One may recall Marx's words : "The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness."[126] The British colonial rulers created the westward-looking, status-conscious intelligentsia mainly to enlarge the comprador class. A section of it became emulators of their rulers and "whiter than the whites." Speaking of colonial society in India, Amaury de Reincourt aptly said that this Anglomania produced generations of people who "found themselves rootless, out of touch with their own country and its enduring culture, yet unable to compete with the British in their own language and their own techniques."[127] Even if a few persons acquired a rational world outlook, the benefit could not trickle down to the masses as they were too alienated from them.

On the other hand, the vast majority of the people remained sunk in ignorance and illiteracy. Even in 1931, only eight per cent of the people were literate.[128] (Even this official figure is exaggerated; it should also be noted that many of them had not passed beyond the first year in their notoriously ill-equipped schools). But in pre-colonial India almost every village in Bengal and many other regions had a school and some villages more than one, where reading, writing and arithmetic were taught not only to Brahmins and members of other higher castes but to pupils belonging to the Muslim community and so-called lower castes. There were at least one hundred thousand such schools in Bengal alone. "These were essentially secular institutions."[129] These schools were maintained with the income from tax-free lands, which the British resumed some years after seizing power. The old educational structure was demolished, and very little was built to take its place.

To conclude, India's development in all spheres—economic, social, political, ideological, etc.—was not only retarded but distorted. As L. H. Jenks said, there was almost no Indian economy as it formed an organic portion of the British economic system.[130] Besides, colonial rule raised an internal class structure which blocked the road to capitalist transformation. The elite (or rather the sub-elite, playing a subordinate role within the colonial system)—big compradors and landlords-depended on colonial rule for its survival and growth. British rule promoted a monstrous growth of merchant and usury capital and parasitic landlordism, which prevented any significant development of agricultural as well as industrial capitalism. So India's transition to a capitalist society became more difficult than before, because it had to contend against two formidable obstacles instead of one. The forces of colonialism combined with the forces of the pre-capitalist society to prevent such a transition. The satellitic relations of local capital with metropolitan capital and the semi-feudal class structure became barriers to the development of productive forces. Instead of progress, there was retrogression; instead of development, slipping back.

NOTES

1. A. Mitra, "Report", *Census of India 1951*, Vol. VI, Part I A, 439.
2. It is estimated that ten million people perished in the famine of 1770. One of the factors that intensified the horrors of the famine was the cornering of grain market in surplus districts by European employees of the East India Company. See N. K. Sinha, *The Economic History of Bengal*, II, Calcutta. 1968 reprint, 54-9.
3. Warren Hastings, Report to the Court of Directors, Nov. 3, 1772; cited in R. Palme Dutt, *India Today*, Bombay, 1947, 92.
4. Cited in H. N. Brailsford, *Subject India*, Bombay, 1946, 16.
5. Ninth Report of the House of Commons Select Committee on Administration of Justice in India, 1783. 55; cited in R. C. Dutt, The *Economic History of India under Early British Rule*, London, 1906 (Second edn.), 68.

   After 1757, "profit-making through trade", said B. N. Ganguli, "became integrated with administration which also became an instrument of profit-making... Abstraction of a surplus on both trade and administration— profit-making *par excellence* assumed proportions which were beyond the dreams of even the most avaricious merchant adventurers." (Ganguli, *Dadabhai Naoroji and the Drain Theory*, Bombay, 1965, 7-8).
6. Irfan Habib, "Colonialization of the Indian Economy, 1757-1900", *Social Scientist* (Trivandrum), March 1975, 35.
7. N. K. Sinha, *op cit*, 18-9.
8. *Ibid*, 172.
9. *Ibid*, 124.
10. Palme Dutt, *op cit*, 192-3; quoted from A. B. Keith, *Speeches and Documents on Indian Policy 1750-1921*, I, 215.
11. M. Azizul Haque, *The Man Behind the Plough*, Calcutta, 1939, 248.
12. R. C. Dutt, *The Peasantry of Bengal*, Calcutta, 1980 (first published in 1874), Preface, 4.
13. Indian Famine Commission, 1881, *Report*, app. I; cited in B. B. Misra, *The Indian Middle Classes*, London, 1961, 270.
14. *Bombay Administration Report, 1872-73*, 41; cited in R. C. Dutt, *Economic History of India in the Victorian Age*, London, 1956 edn., 52.
15. *Ibid*, 74.
16. R. C. Dutt, *Economic History of India under Early British Rule*, 148-9. See also A. Sarada Raju, *Economic Conditions in the Madras Presidency 1800-1850*, Madras, 1941, 50. According to Sarada Raju, as a result of the policies pursued

by the colonial rulers, only one fifth of the total cultivable land in the Madras Presidency was under the plough in the middle of the last century *(Ibid,* 292).

17. John Crawfurd, "A Sketch of the Commercial Resources and Monetary and Mercantile System of British India" (1837), reprinted in K. N. Chaudhuri (ed), *The Economic Development of India under the East India Company 1814-58,* Cambridge, 1971, 229.
18. Dharma Kumar, "Regional Economy (1757-1857) : South India", *CEHI,* II, 364.
19. Sarada Raju, *op cit,* 135-41; see also Daniel and Alice Thorner, *Land and Labour in India,* Bombay, 1962, 55.
20. Habib, "Colonialization of the Indian Economy", *op cit,* 45.
21. Sarada Raju, *op cit,* p. 136, Citing Sir Malcolm Darling's *The Punjab Peasant in Prosperity and Debt* (Oxford, 1947 edn., 20, 218-22), Barrington Moore, Jr. writes that, in the Punjab in the late 1920s, interest on debt amounted to 104 rupees a head annually for the agricultural population, compared with a land revenue rate of 4 rupees." (Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy,* London. 1967, 360).
22. D. R. Gadgil, *The Industrial Evolution of India in Recent Times,* Bombay, 1938,30.
23. *Indian Financial Settlement for 1906-1907,* London, 1906, 163; cited in A. I. Levkovsky, *Capitalism in India,* New Delhi, 1966, 66.

    Speaking of Uttar Pradesh in the early thirties, Jawaharlal Nehru wrote; "All the agricultural classes—landlords, peasant proprietors, tenants—bacame the victims of the money-lender.... Gradually land passed to him both from many of the smaller landlords and the peasant proprietors, and the money-lender blossomed out himself as a proprietor of land on a large scale, a big zamindar, one of the landed gentry. The peasant proprietor, who had so far cultivated his own land, now became almost a serf of the *bania-zamindar* or *sahukar."* (Nehru, *An Autobiography,* New Delhi, 1982 reprint, 301-2).
24. Barrington Moore, Jr., *op cit,* 344, 360—emphasis added.
25. See S. Bhattacharya, "Regional Economy (1757-1857) : Eastern India", *CEHI,* II, 287-9.
26. William Bolts, *Considerations on Indian Affairs,* London, 1772; cited in Ramkrishna Mukherjee. *The Rise and Fall of the East India Company,* Berlin, 1958, 302-4; see also N. K. Sinha, *The Economic History of Bengal,* I, Calcutta, 1965edn., 19, 158.
27. Cited in R. Mukherjee, *op cit.*
28. Cited in *ibid.*
29. Sinha, *op cit,* I, 161-70.
30. Sarada Raju, *op cit,* 172, 173.
31. Pramathanath Banerjea, *Fiscal Policy in India,* Calcutta, 1922, 19-20; H. R. Ghosal, *Economic Transition in the Bengal Presidency (1793-1833),* Calcutta,

1966 edn., 26, 27. See also R. C. Dutt, *Economic History of India in the Victorian Age*, 112.

32. N. K. Sinha quotes the following from Trevelyan's *Report on Inland Customs and Town Duties* (2nd edn., 1835, 9) : "Cotton pays 5 p.c. in its raw state, when made up into yarn it pays $7\frac{1}{2}$ p.c. more, when manufactured into piecegoods $2\frac{1}{2}$ p.c. more and if it happens to be dyed after a *rowanah* has been taken out for it as white cloth it becomes liable to another charge of $2\frac{1}{2}$ P-c.—$17\frac{1}{2}$ p.c. in all." Sinha then adds : "After the passing of the Charter Act of 1813 British piecegoods paid a duty of only $2\frac{1}{2}$ p.c. This anomaly of foreign goods enjoying a preference in the home market continued for more than two decades." *(Economic History of Bengal*, III, Calcutta, 1970, 42).

    Sinha observes; "In India inland customs duties helped to kill Indian textile export along with heavy and almost prohibitive duties on the importation to England and free inportation of British piecegoods to India. Inland customs barriers were removed in India after they had helped to kill the Indian textile industry. Then began the true opening up of India." *(Ibid*, 24).

33. Cited in Marx, *Capital*, I, 406.

34. Kenneth Gillion writes that "while [in 1849] the importation of English cloth had almost entirely superseded the weaving of fine cotton cloth in the Ahmedabad district, the coarse variety could still compete because of its cheapness and strength." (Kenneth L. Gillion, *Ahmedabad : A Study in Indian Urban History*, Berkeley and Los Angeles, 1968, 48; see also Dharma Kumar, *op cit*, 369-70). The Gazetteer of the Bombay Presidency noted in 1879 : "Until the opening of steam factories at Ahmedabad and Nadiad (1870-1876) the spinning and weaving of cotton cloth was, next to agriculture, the most important industry of the district...the weaving cloth, which from its greater strength and cheapness had little to fear from the competition of European piecegoods, had now been to a great extent ousted by the produce of Bombay and Gujarat weaving mills." (Bombay Government, *Gazetteer of the Bombay Presidency*, III, Kaira and Panch Mahals, 1879, 75; cited in Gillion, *op cit*, 48).

35. Sinha, *op cit*, 19.

36. Cited in P. A. Wadia and K. T. Merchant, *Our Economic Problem*, Bombay, 1957 edn., 413—emphasis added.

37. Cited in *ibid*, 413-4; see also H. R. Ghosal, *op cit*, 41.

38. *Ninth Report of the House of Commons Select Committee on Administration of Justice in India*, 1783, 64 : cited in R. C. Dutt, *Economic History of India under Early British Rule*, 4th edn., London, 45; see also Wadia and Merchant, *op cit*, 414.

39. Somendra Chandra Nandy, *Life and Times of Cantoo Babu*, I. Calcutta, 1978, 392-5.

40. Palme Dutt, *India Today*, 102-7; V. D. Divekar, "Regional Economy (1757-1857) : Western India" and Dharma Kumar, "Regional Economy (1757-1857) : South India", *CEHI*, II, 348-50, 373, 375.

41. *Select Committee on the Petition of the East India Company for Relief, Parliamentary Papers,* 1840, Vol. 7, Q. 191; cited in K. N. Chaudhuri (ed.), *op cit,* 27—emphasis added.
42. R. C. Dutt, *Economic History of India in the Victorian Age,* Preface, xvi. 42a. Barratt Brown, *Economics of Imperialism,* 138.
43. Amales Tripathi, *Trade and Finance in the Bengal Presidency 1793-1833,* Calcutta, 1979 edn., 210.
44. B. B. Misra, *op cit,* 109.
45. Marika Vicziany, "Bombay Merchants and Structural Changes in the Export Community 1850 to 1880", in K. N. Chaudhuri and C. J. Dewey (eds.). *Economy and Society, Essays in Indian Economic and Social History,* Delhi, 1979, 183, 184, 188.
46. B. B. Misra, *op cit,* 112.
47. D. H. Buchanan, *The Development of Capitalistic Enterprise in India,* New York, 1934,39.
48. *Ibid,* 45.
49. Ghosal, *op cit,* 83.
50. Michael Greenberg, *British Trade and the Opening of China 1800-42,* Cambridge, 1951,105,106.
51. B. Chaudhuri, "Regional Economy (1757-1857) : Eastern India", *CEHI,* II, 327.
52. Misra, *op cit,* 379.
53. Buchanan, *op cit,* 63; see also p. 62. Buchanan cites as his source J. W. Edgar, "Report on Tea Cultivation in Bengal", *Parliamentary Papers,* 1874, XLVIII, ed.982,23.
54. Misra *op cit,* 379; Gadgil, *op cit,* 51; R. C. Dutt, *Economic History of India under Early British Rule,* p. xiv.
55. Sinha, *op cit,* I, 78.
56. *Ibid,* 12,78-9,222-3.
57. Cited in Sinha, *op cit,* I, 79-80.
58. Harry Verelst, *View of the Rise...of the English Government in Bengal,* London, 1772, 48; cited in R. C. Dutt, *Economic History of India under Early British Rule,* 4th edn., London, 20.
59. Thomas Babington Macaulay, "Lord Clive", in *Critical and Historical Essays,* I, London, 1935 reprint, 549.
60. Greenberg, *op cit,* 144.
61. *Ibid,* 145.
62. John Crawfurd, *op cit,* in Chaudhuri (ed.), *The Economic Development of India under the East India Company 1814-58,* 275.
63. *Ibid.*

64. *Ibid*, 276-7.
65. Barun De. "A Biographical Perspective on the Political and Economic Ideas of Rammohun Roy",. in V. C. Joshi (ed.), *Rammohun Roy and the Process of Modernization in India*, Delhi, 1975, 143.
66. Sinha, *op cit*, III, 129.
67. *Ibid*, II, 223.
68. Blair B. Kling, *Partner in Empire : Dwarkanath Tagore and the Age of Enterprise in Eastern India*, Berkeley, 1976, 57; Sinha, *op cit*, III, 112-3.
69. *Ibid*, 113.
70. Kling, *op cit*, 57.
71. Sinha, *op cit*, *III*, 124.
72. D. F. Karaka, *History of the Parsis*, II; London, 1884, 112, 123.
73. Sinha, *op cit*, III, 109.
74. Kling, *opcit,2W.*
75. *Ibid*, 10 ff.
76. *Ibid*, 19.
77. Ibid, 13.
78. *Ibid*, 17
79. Sinha, *op cit*, III, 118.
80. Ghosal, op cit, 222.
81. Greenberg, *op cit*, 146, 164.
82. Karakas, *op cit*, II, 99.
83. Christine Dobbin, *Urban Leadership in Western India*, London, 1972, 24. ,
84. Amalendu Guha, *More About Parsi Seths : Their Roots, Entrepreneurship and Comprador Role, 1650-1918* (mimeographed), Centre for Studies in Social Sciences, Calcutta, 1982, 22.
85. Karaka, *op cit*, II, 245, 246.
86. Gillion, *op cit*, 50.
87. *Ibid;* Gillion cites the Commissioner's Circuit Report, 20 July 1830, Revenue Department 12/293/1830.
88. *Ibid*, 51; Gillion cites *Gazetteer of the Bombay Presidency, IV : Ahmedabad*, 1879, 64.
89. Thomas A. Timberg, *The Marwaris : From Traders to Industrialists*, New Delhi, 1978,51.
90. *Ibid*, 148; see also V. I. Pavlov, *The Indian Capitalist Class*, New Delhi, 1964, 158-9.
91. Timberg, *op cit*, 46, 139.

92. Greenberg, *op cit,* 104—emphasis in the original.
93. S. Warren *Opium,* 1839; cited in Greenberg, *op cit,* 106-7.
93a. Dadabhai Naoroji, *Poverty and un-British Rule in India,* Delhi, 1962 (first published in London, 1901), 190.
94. Ashok V. Desai, "The Origins of Parsi Enterprise", *JESHR,* Dec. 1968. 315.
95. Dharma Kumar, *op cit, CEHI,* II, 373.
96. The Indian Central Banking Enquiry Committee, 1931, Vol. I, Part I : *Majority Report,* Calcutta, 1931, 95.
97. *Report of the Bihar and Orissa Provincial Banking Enquiry Committee 1929-30,* I, Patna, 1930, 186.
98. See S. Bhattacharya, *op cit, CEHI,* II, 293.
99. *Rammohun Rachanavali* (Rammohun's Works in Bengali), Calcutta, 1973, 503-4—emphasis added.
100. *Ibid,* 508-9—emphasis added.
101. *London Mail,* 4 Aug, 1842, reprinted in *Friend of India,* 22 Sept. 1842; cited in Kling *op cit,* 170—emphasis added.
102. *Rammohun Rachanavali,* 529; Kling, *op cit,* 27.
103. *Ibid,* 32.
104. Sumit Sarkar, "Rammohun Roy and the Break with the Past", in V. C. Joshi (ed.), *op cit,* 53n.
105. *Rammohun Rachanavali,* Introduction, 21.
106. A, F. Salahuddin Ahmed, "Rammohun Roy and his Contemporaries", in V. C. Joshi (ed.), *op cit,* 101. See also Kaliprasanna Sinha, *Hutom Panchor Naksha* (a contemporary Bengali classic), Calcutta, 1962 reprint, 40. It is also significant that, as Kali Prasanna Sinha noted, Christian and formal Brahmo religious practices were tending to be identical *(Ibid).*
107. Percival Spear, *A History of India,* II, Hannondsworth, Middlesex, 1970 reprint, 125.
108. The Compilation Group for the "History of Modem China Series", *The Revolution of 1911,* Beijing, 1976, 22n, 105-6, and *The Reform Movement of 1898,* Beijing, 1976, 6n.
109. Kling, *op cit,* 161.
110. Marx, "The East India Question", in Marx and Engels, *On Colonialism,* Moscow; n. d. 74.
111. L. F. Rushbrook-Williams in the *Evening Standard,* May 28, 1930; cited in Palme Dutt, *op cit,* 359-60.
112. Percival Spear, *op cit,* 147; see also pp. 149. 150.
113. See Sumit Sarkar, *The Swadeshi Movement in Bengal 1903-1908,* New Delhi, 1973, 15.

114. *Ibid*, 17.

115. *Ibid*, 18, 19-20.

116. B. B. Misra, *The Indian Political Parties*, Delhi, 1976, 4.

117. *Social Legislation : Its Role in Social Welfare*, Issued on behalf of the Planning Commission, GOI, New Delhi, 1956, 16-17.

118. *Ibid*, 17.

119. *Ibid*, 19.

120. *Ibid*.

121. A. S. Altekar, *The Position of Women in Hindu Civilization*, Banaras, 1938, 165; cited in Ramkrishna Mukherjee, *op cit*, 324.

122. Cited in Palme Dutt, *op cit*. 248-4—emphasis added.

123. Misra, *op cit*, 37.

124. Vera Anstey, *The Economic Development of India*, London, 1929, 4.

125. Angus Maddison, *Class Structure and Economic Growth : India and Pakistan since the Moghuls*, London, 1971, 42.

126. Marx, "Preface to A Contribution to the Critique of Political Economy", in *SWME*, I, 503.

127. Amaury de Reincourt, *The Soul of India*, New York, 1960; cited in S. B. D. de Silva, *The Political Economy of Underdevelopment*, London, 1982, 45-6.

128. Palme Dutt, *op cit*, 57.

129. See Ramesh Chandra Mitra, "Education" inNarendra Krishna Sinha (ed.), *History of Bengal (1757-1905)*, Calcutta, 1967, 429-30.

130. L. H. Jenks, *The Migration of British Capital to 1875*, 197n.

CHAPTER SEVEN

FIRST PHASE OF INDUSTRIAL CAPITALISM : THE 1850s TO WORLD WAR I

Before the 1850s vast wealth accumulated in the hands of Indian brokers and *banians*, but very little of it was invested in modern industrial enterprises. Nor was European capital much interested during the period in building factory industry here. Only a few isolated enterprises like cotton gins and presses, flour mills and three cotton mills—two in Bengal, mostly by British capital, and one in Pondicherry by a Frenchman—were set up. The cotton mills were not quite successful and work in the cotton gins and presses was seasonal. The purpose of the latter was to help toward the easy export of the raw produce and thus to facilitate trade.

The history of Indian industrial capitalism may be divided into three phases : first, from the 1850s to World War I; second; from World War I to 1947—the year which marked the end of direct colonial rule; and third, the period since 1947.

Industrial capitalism did not emerge in India in the course of the normal evolution of industry as in the countries of Western Europe. In Russia, too, as Lenin said, there was a most direct and intimate connection between the three main stages in the development of capitalism in industry—small commodity production, capitalist manufacture and the factory. In India, on the contrary, the transition from capitalist manufacture to factory industry did not take place. With the advent of colonial rule, indigenous capitalist manufacture that had emerged in some places was destroyed along with its know-how. After a considerable lapse of time factory industry was transplanted here from the metropolitan country to further the interests of the latter. With its capital goods and technology developed elsewhere, the factory industry in India represents "an importation rather than an evolution," as D. H. Buchanan said.[1] As colonial rule transformed Indian economy into an appendage of that of Britain, Indian big industrial capital, like big merchant capital, remained tied to foreign imperialist capital like a sub-exploiter to the chief exploiter. Rajani Palme Dutt's view that "Such industrial development as has taken place has in fact had to fight its way against intense opposition from British finance-capital alike in the financial and in the political field"[2] is, as we shall see, in flagrant contradiction with facts. There was, no doubt, an antagonistic contradiction between imperialism and *independent* development of capitalism in India. But whatever little development of India's capitalist industry took place did so not in the strongest contradiction with the policies of imperialism but mostly in collaboration with it—as an appendage of the industry in the metropolitan country.

The second thing to note is that Indian industrial capitalism grew not by defeating feudalism but by adjusting itself to it. One of the chief sources of capital invested in Indian industries was the huge rent wrung out of the peasantry by feudal princes in 'native states' (such as Gwalior, Mysore, Baroda, Indore and Travancore) and by big feudal landlords like the Maharajas of Darbhanga and Bardhaman.

It is true that British capital and contractors, as L. H. Jenks wrote, "contributed to the rise of industrial life upon the Continent". 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 Jenks pointed out, the impulsion came from within; and he observed that "The Continent would certainly have become industrialized in any case."[3] In France and several other countries, bourgeois revolutions had taken place and capitalist relations of production were dominant. In India, on the other hand, pre-capitalist relations of production prevailed.

Second, white countries of the West were independent, sovereign states, India was a colony. Speaking of France, Jenks said : "Initiative, leadership, decision were in French hands, and in the government in France."[4] And they built up their industries by erecting tariff walls to protect their own markets. In India, on the other hand, the initiative and decision lay not in the hands of Indians but in those of the British and the British government. Economic imperialism, Jenks said, "means control of any directive kind, whether economic or political.... It [the real question in control] is the centre of enterprise. In this sense there is no Egyptian, Argentinian, almost no Indian or South African, certainly no Cuban or Peruvian economic system. The economic activities of these regions are all functions of a spirit of enterprise manifested either in the British Isles or at New York."[5]

Third, in the West small producers became merchants and industrial capitalists; that is, capitalism developed along what Marx called "the really revolutionising path."[6] Here, on the contrary, comprador merchants invested in industry.

Briefly, industrial capitalism did not develop in India independently, on autonomous lines. It is not the class contradictions and class struggle within the Indian society that led to the emergence and growth of industrial capitalism. On the contrary, it was capitalism, which had developed elsewhere, that urged by the laws of its own development promoted the growth of some industrial enclaves, dependent on it, in the mids of the vast semi-feudal economy in this subcontinent.

Between the 1850s and World War I, Indian-owned large industries were chiefly two : cotton and iron and steel. Those who set up cotton mills in Bombay and Ahmedabad in the second half of the nineteenth century had for a long time been closely associated with British capital as brokers, *banians* and *shroffs*, as its local intermediaries, and had close links with feudal princes and landlords. A few early industrial capitalists had been bureaucrats in the service of the colonial government or of the native princes and, while quite dependent on the latter for money-capital and other help, had formed close ties with British capital before venturing on their new activities.[7]

Much of the capital for the cotton mill industry, as pointed out by the Indian Industrial Commission 1916-18, was "derived from the profits made in the opium trade with China, and, of course, from the money which the cotton boom [during the American Civil War] brought into Bombay."[8]

The capital not only for Bombay's mills but also for those of Ahmedabad, the second largest centre of cotton textile industry, came mostly from trading in Lancashire textiles and in raw cotton and, especially, opium which were meant chiefly for export.

Opium trade with China under the umbrella of the British raj was an important and immensely lucrative source of wealth for the merchants and *shroffs* of Ahmedabad. Much capital was invested in the trade in opium with China, which had started in 1819. Ahmedabad merchants and financiers also sold Lancashire textiles on the domestic market and financed trade and industry. The capital for their cotton mills came "from their traditional financial activities and from trading in textiles, cotton and especially opium."[9]

The collaboration with the British bourgeoisie which enabled the Indians to accumulate capital for setting up the cotton mills was many-sided and long-standing. As we have seen, many Indian merchants had emigrated from Gujarat to the Bombay island (over which the British had been exercising sovereignty since the 1660s), were treated as British subjects and carried on trade and other activities as underlings of British merchants. As Christine Dobbin puts it

"Fortified by their own traditions, and strengthened by association first with the Company and then with important European merchants, the *shetias* [rich merchants] of Bombay in the first half of the nineteenth century controlled a trade worth crores and fortunes worth a similar sum."

She adds : "Most of the great *shetia* families of the 30s and 40s had their roots in the mid and late 18th century, when their founders had made their fortunes in association with the Company, providing boats for the transport of troops, drinking water for officers, uniforms for coolies, provisions for Europeans, and ships for international trade."[10]

The first Indian mill companies were floated in partnership with British capitalists by Parsis—Davar, Petit and others—who had long been associated with British capital as brokers, agents, etc. A few earlier attempts—the first one as early as 1817—to establish cotton mills had been made by European capitalists. The first Indian to set up a cotton mill in Bombay (which started operations in early 1856) in partnership with two Englishmen, among others, was Cowasjee Nanabhai Davar, a Parsi. His father had been a leading merchant with extensive trade connections with British commercial houses in Bombay and a member of the European-dominated Bombay Chamber of Commerce. Like his father, Cowasjee was a broker to British firms—Brown King and Co. and W and T Edmund and Co.[11]

The second cotton mill in Bombay was started by another Parsi, Manakji Nasarvanji Petit, who had been intimately connected as an apprentice, broker, etc., with the British agency houses—Sutton Malcolm and Co., Dyrem, Hunter and Co., and W. Haley and Rennie and Co. The meeting, convened by Manakji Patit to float the company, was held in the premises of Dyrem, Hunter and Co., and Hunter representing his company and Petit were authorized jointly to arrange for the purchase of machinery and settle other details.[12]

Mervanji Framji Panday, another Parsi, joined Manakji Petit in founding his second cotton mill. Panday, who afterwards became managing agent for several cotton mills, was also a broker to English firms and a cotton merchant.[13]

Manakji's son, Dinshaw Petit, also worked as broker to several leading British business houses after having served the firm of Dyrem, Hunter and Co. It was during Dinshaw's time that the Petits had nearly a dozen cotton mills.[14] They subsequently made over the control of some of their mills to the Wadias and became one of the biggest landlords of Bombay. Dinshaw Petit was honoured with baronetcy by the British government in appreciation of the family's close like with British capital.

Bamanji Hormasji Wadia was another Parsi who was among the early founders of Bombay's cotton mill industry. Like his father, Hormasji Bamanji Wadia, Bamanji Hormasji Wadia was broker to Forbes and

Co., a leading British firm in Bombay. He belonged to the Wadia family which for some generations had been master ship-builders in Bombay's dockyard owned by the East India Company : the working capital also, including material imputs like timber, was mostly provided by the Company. They worked there for remuneration, a part of which was paid as commission.[15] The Wadias accumulated capital not as master ship-builders but as merchants carrying on the very profitable trade in raw cotton and opium.

"Ultimately," said D. D. Kosambi, "it was the lowly Parsi go-betweens who first turned into capitalists on the British model, followed rapidly by Hindu *dalals* [brokers] and money-lenders."[16] Among the latter were Morarjee Goculdas, Damodar Thackersey Moolji, Vurjivandas Madhavdas, Lakshmidas Khimjee and Khatau Makanji, Morarjee Goculdas, C. I. E., who made his fortune by selling Lancashire piecegoods, came to own several cotton mills in Bombay and Sholapur.[17] It was his son, Narottam Morarjee, who afterwards became one of the main founders of the Scindia Steam Navigation Co. Damodar Thackersey Moolji, who bought three existing mills and started another and founded the Thackersey Moolji and Co., held "active intercourse with the European export and import houses of Bombay" and traded in Lancashire piecegoods.[18] According to the *Report of the Bombay Chamber of Commerce 1864-65,* Gujarati and Marwari merchants founded the Bombay Piecegoods Bazar Corporation "to promote the sale of Manchester piecegoods." Among the founders were Thackersey, Lakshmidas Khimjee and Palanji Hormusji.[19] The Khimjees were also agents of the Bombay Co., a big European firm.[20] Like them, Khatau also was closely associated with British capital in Bombay.[21] Vurjivandas Madhavdas was one of the leading *bania* merchants who procured cotton and opium for the export market and acted as an agent for foreign goods like cotton textiles and metals. He also served as a guarantee-broker to a European firm and was a big landlord like many other leading merchants and industrialists. Madhavdas also invested in industry and was a collaborator of Manakji Nasarvanji Petit.[22] Four cotton mills were controlled in 1880 by Nursey Kesowji, son of the merchant and broker, Kesowji Naik, who had been one of the pioneers of the cotton mill industry.[23]

The first cotton mill in Ahmedabad was started in 1861 by Seth Ranchhodlal Chhotalal. A descendant of big indigenous bankers and merchants, who rose to be assistant to the British Political Agent in the Panch Mahals district, he was closely connected with the feudal princes of Gujarat. Though dismissed from office on the charge of having taken a bribe from a prince, he later earned "high favour and honour" from the British rulers.[24]

S. D. Mehta writes : "In all of Ranchhodlal Chhotala's efforts (spread over 1846 to 1856. when he succeeded in setting up the first mill of Ahmedabad) the Englishmen's contribution is vital."[25]

Among the biggest shareholders of his cotton mill company were the prince of Rajpipla and the *dewan* of Bhavnagar. another native state.[26] The other important shareholders included Nagarseth Premabhai Hemabhai, whose family was "a leading participant in the opium trade"; Hathising Kesrising—his brother-in-law, "who became immensely rich through the opium trade";[27] and Maganbhai Karamchand, a member of an old family of *shorffs* and founder of the Sarabhai group, which was till the other day one of the ten largest business houses in India. Another shareholder was a " 'White Sahib' (possibly a Mr. White)."[28]

The second entrepreneur who set up a cotton mill in Ahmedabad was Bechardas Ambaidas Laskari, "whose father had been a financier and contractor having dealings with the officers of the Peshwa, the Gaikwad [i.e., the ruler of the native state of Baroda], and the military department of the East India Company."' Bechardas served as an officer in the Company's army for a time and helped the British during the great rebellion of 1857.[29] Like Chhotalal, he was awarded the title of 'Companion of the Indian Empire.' He had a commission from the British for supply of grain over a wide region of British India. He later took to cotton trading and then ventured into the field of textile industry.[30]

The others who followed Ranchhodlal and Bechardas is establishing cotton mills in Ahmedabad "were, in the main, *shroffs,* cotton-dealers and mill-stores suppliers,"[31] that is, mainly brokers and agents for British firms. In 1880, Karamchand Premchand, great grandfather of Ambalal Sarabhai, and four other merchants set up a mill under Karamchand Premchand's control. As Howard Spodek points out, *industry remained for several years to come ''ancillary to the financial* *trading of the banias"* He adds : "Although they knew little if anything about machinery, the *shroffs,* through their experience in money and cotton trading especially, were knowledgeable in financial organization."[32]

A. D. D. Gordon observed :

"*...the rise of the industrialists was dependent upon their role as compradors in the first instance,* and as... a result of this role they adopted a Western methodology. Indeed, it is interesting to note in this regard the example of China, where the compradors also became the leading entrepreneurs."[33]

The textile magnates—the Sassoons (a Jewish family which had emigrated from Baghdad to Bombay in the early 1830s and. later, settled in England), Currimbhoys, Petits, Wadias and Tatas—were all intimately tied to British interests. Jamsetji Tata, the founder of one of the two largest business houses in India, set up his first cotton mill in 1877 and named it "Empress Mills" as a token of devotion to the British Queen and Empress of India. It was the profits earned from trade in opium and raw cotton procured for export, and from contracts with the commissariat of the British army when it attacked Iran in 1857 and Ethiopia in 1868, that give Tata the much-needed capital.[34]

Bombay became the first and leading centre of cotton mill industry in India because of some advantages that the Indian bourgeois of this city who invested in this industry enjoyed. First their activities as compradors procuring raw cotton for export to Lancashire and selling Lancashire cotton goods on the domestic market helped them to form contacts with Lancashire machinery manufacturers. Second, they knew the market not only in India but in China and Africa where they had been marketing Lancashire yarn and piecegoods. Third, they themselves traded in cotton—the raw material they needed.

The contradiction between Lancashire textile industry and Indian cotton mill industry has been very much exaggerated. Till World War I, the area of competition between them was extremely narrow. The markets for Indian and Lancashire goods were mainly separate and were complementary rather than competitive as the coarse yarn and cloth produced by the Indian mills hardly competed with the finer varieties from Lancashire. As Clive Dewey writes, "The Government of India consistently maintained that British and Indian piecegoods were not directly competitive, and conducted a number of special inquiries which proved that Indian mills and Lancashire produced different kinds of cloth." Dewey refers to several official documents in support of his statement.[35]

Despite certain contradictions with British cotton industry, India's cotton mills may be said to have developed as an appendage of British capital, especially of the British machine-building industry, for the following reasons. It may be noted that the iron and machine-building industries were fast-rising industries in Britain during these years. The exports of machinery from Britain shot up from the annual average value of £1 million between 1846 and 1850 to that of £8 and 8 $\frac{1}{2}$ million between 1871 and 1875.[36] It may be of interest to note that the value of imports of textile machinery into India rose from £ 300,000 in 1870 to £1,185,900 in 1875.[37] It is also worth nothing that, in 1863, when the duty on imports of cotton manufactures into India was 5 per cent and that on yarn 3 $\frac{1}{2}$ Percent machinery continued to be on the free list.[38] It would be wrong to assume that Lancashire represented the interests of British capital as a whole : rather, there were contradictions between the interests of Lancashire and those of British manufacturers of textile machinery and of the British capitalists who had invested in the cotton mill industry in India.[39] As Matthew J. Kust writes, "Lancashire resisted its development [that of the cotton textile industry in India] but the British textile machinery manufacturers favoured it as it served to promote their exports. Hence they gave the Indian textile industry technical assistance, supplier's credits and other help while Lancashire agitated at the same time for economic policy to dissuade its growth."[40].

S. M. Rutnagur also wrote: "Thus Lancashire machinery manufacturers and exporters were in a way instrumental in furthering the development of the textile industry in India in competition with the imports of British-made piecegoods and fabrics."[41]

According to Tomlinson, India was the largest single customer for British exports of textile machinery, boilers, locomotives, etc., in 1911-13. He says : "The Indian market for textile machinery was especially important as this category...accounted for nearly a quarter of the value of total British exports of general engineering products in 1913."[42]

It may be noted that many cotton mills were set up also by British managing agency firms of Bombay and, later, of Kanpur and Calcutta. One such firm, Killick Nixon and Co., set up their mills "quietly ignoring the effect of their action on the Lancashire principals whose cotton goods constituted their chief line of business till then."[43] Among the leaders of the cotton textile industry in India were British firms like Greaves Cotton ("the foremost import agency for textile machinery"), Kettlewell Bullen, and Bradbury and Brady. It may also be noted that, as Buchanan points out, "some Manchester men chose India, under the protection of the British army and British courts, rather than Lancashire as a field of operations."[44]

For the machinery, spare parts and technical know-how, the Indian cotton mill industry entirely depended on the British machinery manufacturers. To quote S. D. Mehta,

"...the machinery installed was almost exclusively British; and gradually there evolved a structure which for its maintenance required regular supplies of spare parts of British origin, and made extension of older units more [sic] preferable with machinery of the same make as the existing mechanical set-up."[45]

And, according to the *Gazetteer of Bombay City and Island,* Britain had practically a monopoly of this trade in textile machinery and mill requirements.[46]

Second, as the Indian capitalists who floated the mill companies were quite ignorant of the technical aspects, the machinery was selected for them by the British suppliers, and erected, managed and supervised by British managers and technicians. Even the building plans and instructions came from British firms and often,created very difficult problems for the Indian companies because of the British firms' lack of knowledge of the Indian conditions.[47]

To quote S. D. Mehta, "The cotton mills of India owe a lasting debt to the enterprise of the Englishmen who comprised the mainstay of their technical cadre for more than six decades after the first mill company was floated in Bombay in 1854...the share of Lanchashiremen in the growth of the mill industry shaped into mighty proportions."[48]

Speaking of Ahmedabad, Kenneth L.Gillion wrote :

"It is true that there was little interest in science and technology and this would certainly have prevented an autonomous industrial revolution, but this was not required in the early Ahmedabad textile industry which could draw on England's experience and expertise. There were firms to erect the mills for others and there were Englishmen prepared to come out to India, so technical knowledge was not required of the promoters....The buildings and technical side of the industry were closely modelled on those of Lancashire. The availability of British textile machinery and expertise by the mid-nineteenth century was of crucial importance in Ahmedabad's modern transition."[49]

The Indian employers had no direct voice in the selection of English managers and technicians, which was made in England, and their direct control over the top technicians was extremely limited?[50] In some cases, even sweepers, oilers and fitters were sent out to India as mill superintendents and departmental heads.[51]

One may contrast the British policy towards Indian compradors with the policy Britain adopted a few decades earlier towards its potential rivals. To prevent the emergence Britain had prohibited the export of machinery and their emigration of technical persons.[51a]

Harry Magdoff writes :

"One of the greatest boons to U.S. capitalism was the decision by the British toward the end of the eighteenth century to prohibit the export of machines and the emigration of machinists. When an Englishman went before an emigration officer, he had to show his hands if the hands did not have calluses that are typical of farmers the applicant was denied an exit visa." Magdoff adds : "This prohibition was undoubtedly a powerful spur to the development in the United States of its own industrial revolution. At first, industrial undertakings were imitative of those in England; but as native mechanics emerged, the United States began to discover new and better ways adapted to its own conditions and needs."[51b]

It should be noted that there was vast difference between the remuneration offered to the foreign managerial and supervisory staff and that to the Indian workers. The official *Gazetteer of Bombay City and Island* says that the pay of a mill manager ranged from Rs 400 to Rs 1,000 per month according to the size of the mill and the qualifications of the person concerned and that in addition, he was provided with a free house and certain allowances.[52] On the other hand, the average monthly wage of a mill operative was only Rs 13 and he did not receive any additional benefit either in the shape of free living accommodation or allowances.[53] A worker had to pay the slum landlord more than 15 per cent of his meagre wages for a share in a dark, dingy, most insanitary room measuring about 12' × 8' × 8' and without any provision for water and toilet. In such a room which had a 3' wide verandah running in front of it, ten to fifteen persons (not counting children), belonging to two or three families, were huddled together. It was an all-purpose room which served as a living room, bedroom, kitchen, etc. *The Times of India,* then British-owned, described these workers' hovels as "plague haunts."[54] The *Gazetteer* states :

"All hands are paid by the piece, and the monthly wage thus varies according to the actual work accomplished.... Most mills keep the pay of the operatives a month and occasionally six weeks in arrears, in order to prevent strikes."[55]

S. D. Mehta writes that, in 1914, the average earning of a worker in the Bombay city was Rs 16-6-3 (Rs 16.39 p.); in Ahmedabad, Rs 13-9-9 (Rs 13.61 p.); in Sholapur, Rs 10-9-4 (Rs 10.59 p.); and in other centres of the Bombay Presidency, Rs 11-4-1 (Rs 11.26 p.). According to him, "The long unregulated hours of work, the high disease and mortality rates of the bigger Indian towns of the nineteenth century, and the vastly different modes of urban living were factors continually retarding the industrial intake of new workers."[56]

Third, for their market also, the Indian cotton mills relied on the British imperialists. The early mills were mostly spinning mills, which produced yarn not so much for the domestic market as for the foreign markets—Britain's imperial markets in East Africa, Hong Kong, China, etc., especially in China. The extent of dependence of the Indian mills on exports to China may be realized from the fact that "in 1888 three-fourths of the yarn produced in India was exported to China."[57]

"...*Indian textiles*" writes A. P. Kannangara, "*were sold abroad under the umbrella of British power and influence. The chief overseas market was in China : its entrepots were Hong Kong and Shanghai; it was made accessible as a market by the rights and facilities which*

Britain had secured in the interior; and the services of British consular offices were used by Indian exporters"[58]

Does all this suggest that there was "intense opposition" on the part of British finance-capital to the kind of industrial development that was taking place in India? One may contrast this generous policy of allowing and encouraging the entry of Indian yarn and cloth into Britain's imperial markets with the policy adopted only a few decades earlier when the British Government levied prohibitory duties—even to the extent of 100 per cent and more—on the import of certain types of India's handloom products into British and banned outright the entry of certain other types.[59]

Fourth, the cotton mill machinery was sold in India by the British manufacturers at *three times* and coal at *six times* their prices in Britain.[60] One-third of the price of the machinery had to be paid with order and the rest by instalments after delivery. The plant had to be mortgaged to the machinery suppliers and an interest of six per cent per annum was usually charged.[61] To *promote* mill companies, the agents of the machinery manufacturers often purchased shares of the newly-floated companies out of the substantial commissions they received and, afterwards, sold them to buy shares in other such companies.

Besides, as Rutnagur wrote, "The machinery order was also placed with Makers whose representatives in India could offer tempting commissions to the promoters with a lion's share for the managing partner."[62]

For capital goods and for technical services extending from the preparation of building plans to installing and running the machines, the Indian capitalists were wholly dependent on the British bourgeoisie. For markets, too, many of them, especially the Bombay millowners, relied on the British. As a price of this abject dependence, they had to hand over to the latter a large portion of the surplus value created by abominably cheap Indian labour in the form of exorbitant prices, interests, payments for technical services and high salaries for the managers and other supervisory staff.

Some of the Indian millowners continued to procure raw cotton for supply to Lancashire and, later, also to Japan and to sell Lancashire yarn and piecegoods on the domestic market. For instance, Morarji

Goculdas, who made his fortune by selling Lancashire piecegoods and came to own several cotton mills, continued to trade in the products of the Lancashire mills. Similarly, Sir Monmohandas Ramji, landlord and imillowner, founder of the Indian Merchants' Chamber, Bombay, and the Bombay Native Piecegoods Merchants Association, carried on trade in British textiles and acted as the representative of Ralli Brothers, a leading European firm which exported cotton and imported Lancashire cotton goods. Among others who, while owning cotton mills, continued to sell Lancashire piecegoods on the domestic market were Damodar Thakersey and Lalji Naranji, landlord and proprietor of the firm of Mulji Jetha and Co., which owned the Mulji Jetha Market, the largest piecegoods market in Bombay.

The Tatas were the first Indian merchants and millowners who began towards the end of the last century to export raw cotton for the Japanese mills which were forcing Indian yarn out of the Chinese market.[63] Some Indian millowners like the Wadias and Hormasji Manekji Mehta served as agents of British textile machinery manufacturers. The Wadias set up in 1898 a firm which served as agent of several very well-known British manufacturers of machinery and mill stores, including Platt Bros. Hormasji Manekji Mehta dealt in machinery and mill accessories as an agent of leading manufacturers and exporters of Great Britain and the European continent.[64]

British firms like Greaves Cotton and Bradbury and Sons, which set up a number of cotton textile mills, were also agents of British manufacturers of textile machinery and mill stores.[65]

To quote Pavlov, "Up to the First World War the big capitalists who had become factory owners not only continued to act as agents of the British and as money-lenders, but frequently even expanded their operations in these fields."[66] And A. D. D. Gordon writes : "As with their forbears, it was fairly common for Indian industrialists to be agents of European firms."[67]

The following facts will show how close was the collaboration between the Indian big bourgeoisie and British capitalists.

First, from its inception in 1875 to 1923, the Bombay Millowners Association was accommodated in the premises of the Bombay Chamber of Commerce dominated by British capital and in 1903, the former was affiliated with the Chamber which performed their entire secretarial work. The secretary of the Chamber was *ex officio* secretary of the Millowners' Association. Even when, in 1923, it became necessary to engage the services of a wholetime secretary, a Britisher was appointed Technical Assistant Secretary "responsible for the work of the Association under the guidance of the Secretary of the Chamber."[68]

Second, many mill companies, whether Indian or European, had on their boards of directors both Europeans and Indians. Citing as his source the *Times of India Directory, 1872,* Radhe Shyam Rungta says;

"The boards of three companies [out of 45 companies of Bombay which were analysed] ...were made up entirely of Europeans. Similarly, 25 companies had only Indians on their boards. The rest were mixed. Finally, a surprising finding was that though the boards of two companies were purely Indian, their managing agency was held by A. C. Brice and Company, probably a European firm."[69]

The following table showing the distribution of directors according to their racial and communal affiliations among the various mill companies of Bombay in 1925 is reproduced from Rutnagur :[70]

	Mill Companies					
	Parsi	Hindu	Mahomedan	Jewish	European	Total
49 Parsi directors in	16	7	12	8	8	51
77 Hindu directors in	9	18	3	7	8	45
19 Mahomedan directors in	2	3	12	5	Nil	22
6 Jewish directors in	3	5	8	7	4	27
24 European directors in	3	1	Nil	4	10	18

R. Palme Dutt wrote :

'The *basic* economic conflict between the new Indian bourgeoisie and the British bourgeoisie was already revealed when in 1882 all duties on cotton imports into India were removed by the Government in response to the demands of the Lancashire manufacturers against the rising Indian industry. Three years later the Indian National Congress was formed."[71]

The formation of the Congress is another story into which we shall not enter here. But it may be mentioned in passing that the Congress, according to its first president, W. C. Bonnerjee, was the brain-child of Lord Dufferin, the then Viceroy of India, and a high retired British official, A. O. Hume, whom his biographer, William Wedderburn. called "Father of the Indian National Congress", acted as the midwife at its birth. Palme Dutt himself partly contradicted the above facile view of his when he said that the Congress was set up "as an intended weapon for safeguarding British rule against the rising forces of popular unrest and anti-British feeling."[72]

Palme Dutt's mention of the withdrawal of only import duties on cotton goods gives a rather distorted picture. Actually, in 1882, all import and export duties were removed, except on very few articles such as salt, opium and liquor.[73] The withdrawal of import duties, no doubt benefited Lancashire, but it caused little harm to the interests of the Indian cotton millowners, whose goods, as we have seen, hardly competed with those of Lancashire, while the removal of duties on exports was definitely beneficial to them. Palme Dutt's statement that the removal of import duties on cotton goods revealed "a basic conflict between the new Indian bourgeoisie and the British bourgeoisie" had no basis on facts.

Palme Dutt and many other economic historians and political scientists also regard the imposition of excise duties, first in December 1894 at 5 per cent on Indian mill-made yarn above 20s count and then, in 1896, on cotton piecegoods at $3\frac{1}{2}$ per cent (the duty on yarn was, at the same time, withdrawn) as corntervailing measures against the revenue duties levied on imports from Lancashire, as cruel blows to "the very weak Indian cotton industry."[74] This argument about the countervailing excise duties is often put forward as such an irrefutable proof of British finance capital's "intense opposition" to such industrial development as has taken place that it needs some discussion.

First, the Indian millowners themselves did not "complain of the countervailing excise duty [on cotton piecegoods] as in any way injuring us in regard to the competition between England and India," as the Chairman of the Bombay Millowners' Association said in his address to its annual general meeting in 1899. He added : "There cannot, as this Association has always maintained, be any competition between the fine goods of Lancashire and the coarse cloth made in this country, but there can be no doubt that the excise duties protect handloom weavers..."[75]

D. E. Wacha, a millowner and top Congress leader, said; "Competing against the cloth of the [Indian] mills was that produced by the handloom weavers who used Indian yarn on which no duty was paid. From the point of view of the handloom weavers, who were really in a very distressed condition, it was no doubt a good thing that they should increase their industry, but so far as the millowners were concerned it could not be tolerated. It was protection within protection."[76]

To the Indian millowners the real enemy was the Indian handloom industry, the products of which, made from mill-made yarn, competed with their own, and so they criticized the excise duty on mill-made textiles for affording protection to the handlooms against the mill industry.

Echoing the demands of the millowners, the Indian National Congress, in a resolution adopted at its 18th annual session held at Ahmedabad in 1902, argued that "the cloth manufactured by means of powerlooms in this country in no way competes with the piecegoods imported from Lancashire" and the Congress "earnestly prays that the Government will be pleased to take the matter into its favourable consideration and repeal the duty at an early date."[77]

The European-dominated Chambers of Commerce and their spokesmen joined the Indian bourgeoisie in protesting loudly against the imposition of excise duties.[78] In his history of the Bombay Chamber of Commerce, of which he was Secretary for several years, Sulivan wrote that the excise duty levied on Indian piecegoods in 1896, "was imposed at the instigation of Lancashire and it had rankled not only in the minds of Indians but equally in the minds of many British merchants in India as a measure wholly indefensible, however beneficial it might be to themselves."[79]

Second, despite this imposition, the Indian cotton mill industry had a phenomenal growth. Between 1882 and 1892, the number of mills rose from 62 to 127 and the number of spindles more than doubled (even after the installation of a large proportion of ring spindles), and between 1890 and World War I, spindles more than doubled while power looms quadrupled.[80]

Third, the Government's revenue policy up to World War I favoured the industrialists and other businessmen instead of being harsh to them. As A. D. D. Gordon says, "Furthermore, co-existence and, indeed, collaboration with government were made all the more easy in so far as the logic of imperial rule decreed that they [the Indian industrialists] and the marketeers were left almost entirely out of the revenue structure."[81]

Fourth, the Government's labour policy was highly beneficial to the industrialists. Despite Lancashire agitation for restriction of hours of work in the Indian mills, the Government permitted the millowners to force labourers to work 16 hours or more under atrocious conditions and on wages which did not cover the subsistence of their families. Until 1911, even women and many children had to work 12 to 15 hours a day.[82] Despite the exorbitant prices of the imported machinery and auxiliary goods, the high salaries of British managers and technicians and other handicaps, many mills earned fabulous profits.[83] The declared profits, it may be noted, were 'peanuts' compared to the actual profits made.

Rutnagur wrote; "It was abundantly clear that the latter [the managing agents] dealt in cotton and yarn belonging to the mills and speculated in the shares of the Company according to the extent of the profits or losses which they were in a position to ascertain and even modify in the Balance Sheets to suit the situation.... Every canon of honest trading and manufacturing seemed to have been turned upside down, and the whole when considered together gave one the impression that the industry existed for no other purpose than to support a gigantic system of swindling."[84]

The enormous profits shared by British and Indian big capital arose out of the abominable exploitation of the Indian workers as well as of the cotton-growers who were defrauded of their rightful prices by a whole host of British exporters, Indian and British millowners, and a hierarchy of brokers, money-lenders and landlords acting in close alliance. The fact is, the fiscal and labour policies of the government promoted the development of the industrial bourgeoisie, which was tied to foreign imperialist capital.

Despite the growth of the Indian cotton mill industry and the *Swadeshi* ('Buy indigenous goods') agitation in the opening years of this century, the export of Lancashire cotton goods to India continued to rise until 1913-14 when it reached its peak. The subsequent decline of Lancashire is another subject with which we are not concerned here. It may only be pointed out that this decline was due to its inherent weakness—the smallness of its units, insufficient capital and out-of-date plants and methods, in short, its backwardness compared with the rising industries of Japan and the USA.[85] During the inter-war years, the British rulers tried to salvage as much of Lancashire's market in India as possible by concluding the Ottawa Agreement in 1932, the Bombay-Lancashire pact and other trade agreements and by levying import duties to the tune of even 75 per cent *ad valorem* on Japanese cotton goods. The decline of Lancashire is vividly described in the following sentence from Buchanan, who wrote in the early thirties : "...Japan, in the past 25 years, has built up an industry whose goods are now being sold in the shops of Manchester."[86]

The only other important Indian-owned industry, which started production just before World War I, was iron and steel. Attempts made in the thirties and the fifties of the last century by British firms—Jessop and Co., Mackay and Co., etc.—to set up iron works did not succeed for lack of sufficient encouragement from the British rulers. In the seventies the Barakar Iron Works closed down because of the uncertain purchasing policy of the government. But in the second half of the 1890s the government's policy showed signs of change. It seemed eager to see iron and steel works set up in India. In 1896 it agreed to purchase annually 10,000 tons of pig iron and castings from the UK-registered Bengal Iron and Steel Company, which had taken over the Barakar Iron Works.[87] And when Sir Ernest Cassel, a leading British industrialist, visited India in 1902-3, Viceroy Lord Curzon tried to arouse his interest in the industry. On his return to England Cassel sent out two experts to India to investigate the possibilities, but the project was abandoned as their report was not favourable.[88]

It was economic, political and strategic considerations that dictated the change. In the production of steel Britain was surpassed by the USA and Germany in the nineties : and by 1910 the US output of basic steel alone was almost twice as much as the total steel production of Britain.[89] Towards the end of the last century, U.S. and German steel, as Michael Barratt Brown writes, was being dumped in the British market itself and "to this British steelmakers could not retaliate".[89a] And, while Belgian steel imported into India was only 8,000 tons compared with 98,000 tons of imported British steel in 1885-6, the former outstripped the latter in 1895-6.[90]

In 1899 Lord Curzon changed the 'extraordinarily obstructive and unjust' regulations regarding mining and prospecting and issued revised rules which provided an impetus to mining enterprise in India. In the same year Major (afterwards General) R. H. Mahon, then Superintendent of the Cossipur Ordnance Factory in Calcutta, published a 'memorable report' in which he argued that the time had come for manufacture of iron and steel in India "on a considerable scale." One of his reasons was that British steel had been supplanted to a significant extent in the Indian market by steel from other countries.[91] The Secretary of State for India, Lord Hamilton, and Lord Curzon were strongly in favour of the proposal. Hamilton warned Curzon against 'the danger ahead' as the USA and Germany were producing steel more cheaply and scientifically.[92] Sir Thomas Holland, who afterwards became Chairman of the Indian Industrial Commission 1916-18, feared that if the steel industry was not developed in India, "it will soon become as much a market for German as for British goods."[93] British imperialism preferred to lean on its compradors to fight rival imperialisms on the economic and on the military front (when World War I was casting its shadow before) rather than to retreat before their challenge in a significant sphere.

At an interview in 1900 Hamilton urged J. N. Tata to undertake the building of a steel plant. Hamilton told him that it was in Tata that the

British government had found the man they had been looking for. When Tata expressed his misgivings, the Secretary of State for India promised him all government support and the promise was kept.[94] "From that time onward Mr Tata and his successors never had much reason to complain of any lack of official support."[95] Viceroy Curzon was impatient at the delay at the initial stage and prodded Tata to do the job more expeditiously.[96] Official encouragement and active help came in an ample measure and in various forms from the Government of India, the local authorities, the Geological Survey of India, etc.[97] The large site at Sakchi in Bihar was acquired by the government and handed over to the Tatas. The Railway Board had placed its orders with the Tata Iron and Steel Co. (TISCO) even before the construction of the works started.[98]

The original idea was that most of the capital for the project should be raised in London. On 20 December 1900, Hamilton wrote to Curzon: "I want to associate increased investment of British capital there with a simultaneous action on the part of the Government in developing industrial enterprise.[99] Though representatives of a group of London financiers interested in the project came to India and reported favourably, the Tatas were disappointed, because the London money market was then passing through "one of its periodical phases of depression."[100]

When Tata failed to obtain capital in England for his iron and steel project, most of the money-capital was subscribed by India's feudal lords. The Maharaja of Gwalior provided the entire working capital.[101] This is one instance among many which show how very close were the links between the comprador bourgeoisie and the feudal class.

For prospecting for iron ore (though ultimately P. N. Bose helped them), capital goods, construction of the works, etc., the Tatas turned to the Americans. The factory was constructed by Julian Kennedy, Sahlin and Co., an American firm of engineers, and Wells, an American, became the first General Manager. The different shops were managed by Americans and Europeans.

In TISCO, as in the cotton mills, there was a huge difference between the pay of the foreign managerial and supervisory staff and that of the Indian worker. Buchanan pointed out that, in the Tata steel works in

1921-2, the average salary of a European or American foreman was equivalent to the wage of sixty-eight Indian workers.[102]

Today there is an interesting competition among Indian writers of history books to paint the Indian big bourgeois in nationalist colours. Amales Tripathi writes : "The entire capital of the Tata Iron and Steel Company, *which had refused all Government and foreign help,* was subscribed by Indians within three months."[103] It is quite obvious that the statement that TISCO "had refused all Government and foreign help" is a blatant untruth. The Tatas themselves were quite eloquent in acknowledging the help they had received from the Government. For instance, in a letter of 5 June, 1912, they gave expression to their feeling of gratitude for "the very generous concessions made to our enterprise which more than any others have made an enterprise like the Tata Iron and Steel Works possible."[104]

In a "Note" appended to the *Report* of the Indian Industrial Commission 1916-1918, of which he was a member, Madan Mohan Malaviya, an eminent Congress leader, wrote : "The Government has earned the gratitude of Indians by the support they gave to the scheme [TISCO], and it is a matter of great satisfaction that the firm has rendered signal services to the Government and the Empire during the War [World War I] by a ready supply of rails and shell steel for use in Mesopotamia and Egypt."[105]

The important services that TISCO rendered British imperialism during World War I were openly acknowledged by Lord Chelmsford, Viceroy and Governor-General of India, when he paid a visit to Sakchi, the site of TISCO, early in 1919, renamed it 'Jamshedpur' after Jamsetji Tata and said : "I can hardly imagine what we should have done during the past four years if the Tata Company had not been able to give us steel rails which have been provided not only for Mesopotamia, but for Egypt, Palestine and East Africa."[106]

What Jamsetji Tata declared in his statement, which appeared in the *Times of India,* 12 April 1894, reflects the attitude of the Indian big bourgeoisie towards the British ailers : "Our small community [meaning the Parsi community but it may as well stand for the entire Indian big bourgeoisie] is, to my thinking, peculiarly suited as *interpreters* and *intermediaries* between the rulers and the ruled in this country. *Through* *their peculiar position they have benefited more than any other class by English rule,* and I am sure their gratitude to that rule is, as it ought to be, in due proportion to the advantage derived from it." (Emphasis added).

No doubt the Tatas showed their gratitude in an unstinted measure. TISCO rendered not unwilling but very willing and enthusiastic services to the British rulers during World War I and made a 'sacrifice' of the huge super-profits it could have earned during the War,[107] and the Tatas more than fulfilled the expectations of British imperialism. In November 1915, TISCO's representatives met the Secretary of State for India to explain to him its plans of expansion "in order to *provide a permanent armament reserve for the British Empire East of the* Swez."[108]

For his hydro-electric scheme also, Tata received encouragement and support from Lord George Hamilton, which, according to his biographer, "proved a valuable asset." Support was also extended to it by Lord Sydenham, the then Governor of Bombay, who took a keen interest in it and laid the foundation stone of Walwhan Dam.[109] When the first hydro-electric project of the Tatas was completed, Lord Willingdon, then Governor of Bombay, inaugurating the function held in February 1915 to celebrate the occasion, observed that it was "not only a Swadeshi, but an *Imperial* enterprise." J. N. Tata's biographer comments : "This was in accord with Mr Tata's views." He adds : "As Lord Willingdon pointed out, the hydro-electric project was truly Imperial, the result of co-operation such as the projector desired."[110]

The capital for the Tata Hydro-Electric Power Supply Co. Ltd., which was formed in 1910, was mostly subscribed by some of the most prominent rulers of the native states whom Sir Dorab Tata (the elder son of Jamsetji Tata, who had died in 1904) visited personally.[111]

Jamsetji Tata was not only a leading merchant and industrialist who thrived on his connections with the British imperialists but one of the biggest landlords and money-lenders of Bombay.[112] He made enormous investments in real estate and practised moneylending on a big scale. When the owners of the Advance Mills, Ahmedabad, failed to redeem the mortgage, he took over the textile factory, which had been pledged to him against the loans he had advanced.

In his young days Jamsetji Tata went to China, opened a new firm in Hong Kong in December 1859, which dealt mainly in cotton and opium, and then set up a branch in Shanghai. Harris writes : "He joined the volunteers, and obtained a brief experience of soldiering..."[113] At that time the Taipings Revolution was sweeping China. When, in May 1860, the Taiping were preparing to attack Shanghai, the British and French ambassadors issued a joint declaration that they would resist the Taipings by force of arms. In June that year, an American soldier-adventurer, Frederick Townsend Ward, organized with the help of some Chinese compradors and bureaucrats his infamous gang called "Foreign Rifle Detachment" with 200 foreigners and a few hundred Chinese. This gang committed many barbaric outrages against the Chinese people who were fighting to liberate themselves from feudal and imperialist oppressors.[114] How could J. N. Tata acquire in China "a brief experience of soldiering" as a volunteer except by joining Ward's gang? One may recall that, during the Opium War of 1840-42, Parsi compradors lent ships and offered other help to the British.

In a letter to Sir George Birdwood, J. N. Tata wrote : "The Parsee...becomes anxious when the *interests of British supremacy* are sacrificed to indulge individual arrogance, or to gratify service clamour, or to perpetrate a new caste domination... What should be the duty *of a friend of British rule whose vital interests are jeopardized with that rule in danger?* Harris says : "As usual, he [Tata] reaffirms [in the above letter] *his loyalty to the British connection"*[115]

Many of our economic historians weave interesting theories and put forward curious arguments in support of them. In a recent essay[116] Amalendu Guha asserts that, like their counterparts in other business communities, the Parsi compradors who were "directly employed by British firms" or who "themselves set up firms to sell imported British manufactures and buy raw materials for the British shippers" upheld "economic nationalism." He contends that they as well as other business communities of India, which followed the lead given by the Parsis, not only served as compradors but "had by and large independent lines of business and ships of their own, often in competition with the British traders"—unlike Chinese compradors.[117] As a proof of their "economic nationalism", Guha points out that the "cotton duty controversy reflected an economic nationalism that was shared by all sections of the bourgeoisie." Jamsetji Tata, according to him, gave economic nationalism "a tangible form" by founding the iron and steel industry and promoting the cause of electrification, technical education and science. "Politically", says Guha, "Jamsetji had a dual role." He cites the passage from Jamsetji's statement in *The Times of India* of 12 April 1894, which we have already quoted, and then adds : "yet he was surely a nationalist who remained close to the Congress through his contacts with Dadabhai and D. E. Wacha."[118]

As such views and arguments are not peculiar to Guha, they need to be discussed, however briefly.

First, Guha's view that Chinese compradors had no business separate from their compradorial activities is factually incorrect. Yen-ping Hao writes that "most compradors maintained their own separate businesses while they served in the foreign houses" and that the comprador was also "an independent merchant in his own right." Again, he says that doing "business in his own right, the comprador sometimes engaged directly in international trade" and made large investments in industry, mining, shipping, public utilities, modern banking and insurance jointly with foreign capital or separately.[119]

Second, the variety of nationalism that is dubbed 'economic nationalism' and of which many Indian historians like Bipan Chandra are enamoured, seems quite deceptive. Can a person be a nationalist economically and anti-national politically? Can economic nationalism be sundered from political nationalism? Is such a dichotomy real or is it a device invented to confuse the issues? Historically, nationalism had its origin and growth with the rise of the bourgeoisie. Among the chief characteristics of a nation are a common territory, a common language and a common culture (which give a sense of oneness to the people inhabiting a particular territory), and a common economic life-economic cohesion. It is the bourgeoisie of the country concerned that shatters the economic isolation of its different parts—the economic isolation characteristic of feudalism—and imparts this common economic life to it. The national bourgeoisie of a country has always sought to secure the home market for itself for its own growth and expansion. To quote Lenin.

"Throughout the world, the period of the final victory of capitalism over feudalism lias been linked up with national movements. For the complete victory of commodity production, the bourgeoisie must capture the home market, and there must be politically united territories whose population speak a single language, with all obstacles to the development of that language and to its consolidation in literature eliminated. *Therein is the economic foundation of national movements* [our emphasis]... Therefore, the tendency of every national movement is towards the formation of *national states,* under which these rquirements of modern capitalism are best satisfied."[120]

Without political power, without a state of its own, the national bourgeoisie is too weak to fulfil this purpose. In a colony or semi-colony, oppressed by imperialism, nationalism inevitably manifests itself as anti-imperialism and grows in the course of anti-imperialist struggle. Mao said :

"It was not that the so-called influx of ideas from the West [into the East] stirred up 'ferment and unrest', but that imperialist aggression provoked resistance."[121]

A nationalist in a colony or semi-colony is one who seeks to resist imperialism both economically and politically. Every national struggle becomes a political struggle. It is absurd to think that a nationalist in a colony can have an economic self which resists imperialism and a political self which surrenders to it. For without the overthrow of imperialist rule, even the capitalist development of the country remains stunted; without it, no powerful independent bourgeois class can arise nor can there be any salvation for the country—economic or political. The imperialist bourgeoisie creates a kind of basic complementarity between the economy of the metropolis and the economy of the colony. So long as this basic complementarity is not shattered, no tinkering with the problem of imperialist exploitation can help the bourgeoisie of the colony, except its comprador section. The Tatas or other compradors were nurtured so long as they respected this basic complementarity, but when they tried to step outside its limits by, for example, setting up a shipping company in collaboration with the Japanese firm, Nippon Yushen Kaisha, the challenge was not tolerated. But that did not prevent the British government from providing all help needed by the Tatas at the turn of the century to launch TISCO, when such a policy suited the interests of imperialism. And it was about the time when his shipping line foundered on the rock of the P and O's hostility that Tata issued the statement to *The Times of India* referred to above. Just like the compradors in China, the Indian compradors, Jamsetji Jijibhai or Jamsetji Tata, and later, Goenka or Birla, despite some contradictions with imperialist capital, could accumulate vast wealth in quite a short time only through collaboration or collusion with imperialist capital. Collusion, not contradiction, was the *main* aspect of the relationship. As Jamsetji Tata said, he was "a friend of British rule" who felt that his "vital interests" were "jeopardized" when "that rule [was] in danger." It is curious that Guha describes the Parsi compradors not only as "the beneficiaries of British rule" but also as "victims of its policies."[122]

Third, we have already seen the nature of the "cotton duty controversy" which Guha cites as a proof of the compradors' "economic nationalism". This sort of "economic nationalism" was not only upheld by all sections of the Indian bourgeoisie, as Guha says, but found strong supporters among British capitalists operating in India.

Lastly, when Dadabhai Naoroji, Romesh Dutt and such people criticized the drain of wealth from India by the British in the form of official remittances for 'Home Charges', private remittances, etc., they only exposed a part of the colonial system of exploitation, not the whole of it. They never challenged the entire imperialist system of exploitation and oppression, which perpetuated an archaic agrarian system, throttled the growth of India's industry and doomed the masses to starvation, disease, ignorance and squalor. And far from demanding the end of British rule, *they considered it a blessing* and wanted to perpetuate it while seeking some improvement of the colonial machinery of administration. What they sought was the extension of their own powers and privileges—as compradors, landlords and high-ranking government officials—within the framework of imperialist rule. The burden of their speeches and resolutions was fulsome loyalty to the British throne,[123] People like Sir Pherozeshah Mehta, G K. Gokhale and D. E. Wacha were hostile even to the idea of boycott of Lancashire products and other British goods, a call for which was given during the *Swadeshi* agitation in Bengal in the first decade of this century. As A. P. Kannangara writes, boycott of British goods in any form was too "anti-British" a form of action to them and, contrary' to usual assumptions, the millowners gave it no support at all. Rather, some of them like D. E. Wacha, Lalubhai Samaldas, Thackersey condemned "the militant cant and mischievous shibboleths now in evidence in some utterly misguided and misdirected quarters", though they were not averse to harvest gold out of it. People like Dadabhai Naoroji were afraid that Lancashire might retaliate by refusing to provide India "with machinery for new mills and repairs for old ones." To quote Kannangara, "the interests of the millowners were not confined to their mills. Several of them were pursuing other projects for which they were dependent upon the government's favour.... In their position of weakness and dependence on the British the millowners had every reason to declare against militant nationalism."[124] Indeed, it is preposterous to equate economic nationalism with asking for a few crumbs from the imperialist master's table.

D. E. Wacha, who was President of the Congress in 1901 and its joint general secretary for many years, was afterwards knighted by the British government and became a member of the Viceroy's Executive Council. If maintenance of links with such persons is a criterion of "political nationalism", as Guha claims, one may ask : who then is not a nationalist?

In its "Theses on the Revolutionary Movement in the Colonies and Semi-Colonies", the Communist International stated in 1928 :

"...the development of the national economy of the colonies, and especially their industrialization, the all-round independent development of their industry can only be realized in the strongest contradiction to the policy of imperialism."[125]

To hold that Tata's steel and hydro-electric projects, which were carried out in the closest collaboration with the imperialist rulers, were "tangible" evidence of his "economic nationalism" is rather queer. If donating a large sum for building the Indian Institute of Sciences in Bangalore is another such proof, are we then to suppose that the colonial government which agreed to bear half the cost of it and set up some, though very few, institutions of science and engineering, and the different imperialist powers that sponsored after 1947 several Institutes of Technology and Institutes of Management in India are patrons of Indian "economic nationalism"? (It may be noted that Jamsetji Tata made a gift of two million sterling as an endowment to the Scottish Universities.[125a]

In fact, the aspects of nationalism—economic and political—are inseparable from each other : economics is the basis and politics is part of the superstructure. Inseparably bound together, they act and react on each other. Economic nationalism is a sham if it is not deemed inseparable from the other aspect—political nationalism.

Many Indian big houses were indigenous bankers, traders, landlords and industrialists. The firm of Bansilal Abirchand, the biggest business house of the Central Provinces (now renamed Madhya Pradesh after some territorial adjustments), is somewhat typical in this respect. The following is a summary of the story of its rise and growth as told by Sir Bisweswardas Daga and Seth Narsingdas Daga, brothers and partners of the firm, at an interview with A. C. Sengupta, a member of the Central Provinces Provincial Banking Enquiry Committee 1929-30, of which Seth Narsingdas Daga himself was a member.[126] The story is quite illuminating.

Seth Indrabhan, a Marwari, came to Amraoti and started a *kirana* (grocery) shop in Amraoti in about 1820 and then extended his business to Nagpur. Bansilal, his younger brother, came to Kamptee for *kirana* business and also did some money lending. Before the Great Rebellion of 1857 he used to supply grain, etc., to the East India Company's army. During the rebellion he helped the British "in every way". Seth Abirchand, Bansilal's son, was in charge of the business at this time and was made Rai Bahadur in recognition of his services. Ramratandas, another son of Bansilal, used to stay in Lahore and helped the government in the Kabul war, and the title of Rai Bahadur was conferred on him, too. He used to supply stores to the commissariat and did some banking business in Lahore. He started a branch at Bangalore. Abirchand greatly extended his business. Kasturchand Daga, father of Sir Bisweswardas and Seth Narsingdas, was adopted by him as his son.

Besides banking shops in seven important business centres in the Central Provinces, they had branches in Bombay, Calcutta, Madras, Rangoon and in fifteen other important commercial centres of India. They were also *Khajanchis* (treasurers) to the provincial governments of the Central Provinces and the Punjab. (According to Amiya Kumar

Bagchi, this firm acted in the 1870s as the *Khajanchi* of the Bank of Bengal at Amritsar and Bombay).[127]

As *shroffs* or indigenous bankers they accepted deposits from people and carried on banking business with merchants, commission agents, other indigenous bankers, landlords and village money-lenders. At the same time they had dealings with the Imperial Bank of India and other joint stock banks : they deposited their surplus cash with them and took loans from them when the need arose. They went to them also for rediscounting their *hundis* (bills of exchange). As indigenous bankers their role was often that of intermediaries between British-controlled banks on the one hand and Indian traders and money-lenders on the other.[128] According to the *Report of the Central Provinces Provincial Banking Enquiry Committee 1929-30.* "they first made their fortune as suppliers of stores to the army, but now they are the biggest indigenous bankers in the province."[129]

Besides, they were merchants and acted as commission agents and cotton *dalals* (brokers). As brokers, they procured cotton from cotton-growers and small traders by advancing money to them.

They were also big landlords and owned many villages—four big villages in the Punjab and eighty-nine in the Central Provinces.

As part or their activities as cotton brokers they set up ginning factories and cotton presses and came to own many such industrial enterprises. They also owned one cotton mill and had one quarter of the shares in two other cotton textile mills, for which they, with Sir Manickjee Dadabhai as a partner, were managing agents. They invested in mining and owned six or seven collieries in the Central Provinces and many manganese mines. Bisweswardas Daga, one of the partners of the firm, was knighted by the British government.

Such is the story of a big Indian firm which, through its faithful service to the British rulers, went from 'rags to riches' and came to have diverse roles—the roles of indigenous bankers with close links with foreign capital, treasurers to the government, merchants, landlords, industrialists and owners of mines. These big firms were, indeed, the products of British rule and were nurtured by it. The Indian compradors rendered invaluable services—economic as well as political—to the British, who, as Christine Dobbin writes, "were pleased to see this as a mutually advantageous contract."[130]

There was fusion of British and Indian capital in some enterprises. In Bombay, the Bank of Bombay, the Bank of Western India (which was renamed Oriental Banking Corporation and had its headquarters transferred to London in 1845) and the Commercial Bank of India were established as joint Indo-British ventures between 1840 and 1845. Though some big Indian compradors like Sir Jamsetji Jijibhai, Cowasji Nanabhai Davar and Premchand Roychand were among the promoters or directors of these banks, the dominant element was British. In Calcutta, the Calcutta City Banking Corporation, founded in 1863, was promoted by both Indians and Europeans. But its headquarters were very soon shifted to London and it was converted into a sterling concern and renamed National Bank of India (now merged in the Gridlays Bank). The Bombay Steam Navigation Company was set up in 1845 as a joint venture but, afterwards, it came to be controlled and managed by Killick, Nixon and Co., a big British managing agency firm of Bombay.

Tea and rubber plantations and the jute industry were almost the exclusive preserve of British capital. Prior to World War I, organized industry in India was mostly dominated by British capital. To quote M. M. Mehta, "In 1911, the British firms occupied a position of unparalleled dominance, controlling over four-fifths of the productive capacity in the organized industries."[131]

Compared to the vastness of the country, the development of factory industry was negligible. In 1914, the total number of workers covered by the Factory Act was only 951,000. The number was 1,023,000, if workers in seasonal factories are added, and constituted *less than eight-tenths of one per cent* of India's total workforce.[132]

NOTES

1. D. H. Buchanan, *The Development of Capitalistic Enterprise in India,* 119.
2. R. Palme Dutt, *India Today,* Bombay, 1947, 123.
3. L. H. Jenks, *The Migration of British Capital to 1875,* 185, 188.
4. *Ibid,* 167.
5. *Ibid,* 197n.
6. Marx, *Capital,* III, 334; see Chap XX : "Historical Facts about Merchant's Capital".
7. S. D. Mehta, *The Cotton Mills of India 1854-1954,* Bombay, 1954, 13-23; Ashok V. Desai, "The Origins of Parsi Enterprise", *IESHR,* Dec. 1968, 307-17.

8. Indian Industrial Commission 1916-18, *Report*, Calcutta, 1918.73. In 1863, during the cotton boom, Sir Charles Trevelyan, Finance Member of the Viceroy's Executive Council, stated in the Council that Indian handloom weavers had been "prostrated by the blow which staggered Manchester." The excessive price of cotton forced them to give up weaving and they "had migrated or gone upon the Railways and other public works or had given themselves up entirely to agriculture." Trevelyan anticipated that Manchester would soon "find her rival local manufacturers converted to an unexpected extent into ready-money customers." (GOI, *Financial Statement, 1863-64;* cited in Pramathanath Banerjea, *Fiscal Policy in India*, Calcutta, 1922, 62). One of the chief ways in which Indian compradors accumulated capital in this early period was by serving Manchester and ruining, in the process, Indian handloom weavers.
9. Kenneth L. Gillion, *Ahmedabad,: A Study in Indian Urban History.* 50-1.52-3,55.78-9.
10. C. Dobbin, *Urban Leadership in Western India : Politics and Communities in Bombay City 1840-1885*. London, 1972, 9.
11. Mehta, *op cit*, 13-14.
12. *Ibid*, 20-1; C. Dobbin *op cit*, 20.
13. *Ibid*.
14. Mehta, *op cit*, 53. "During the American Civil War", writes Helen B. Lamb, "when soaring prices temporarily deflected cotton exports to Europe, the Parsi Petit family reaped huge speculative gains which they subsequently invested in textile mills, thus becoming Bombay's leading textile family" ("The Indian Business Communities and the Evolution of an Industrial Class", *Pacific Affairs*, June 1955, p. 105).
16. D. D. Kosambi, *Introduction to the Study of Indian History*, Bombay, Revised Second Edition, 1975, 395.
17. S. M. Rutnagur, *Bombay Industries : The Cotton Mitts*, Bombay, 1927,715.
18. C. Dobbin, *op cit*, 157; A. D. D. Gordon, *Businessmen and Politics*, New Delhi, 1978, 59.
19. S. K. Sen. "Bombay Merchants : Capital Accumulation (1837-1867)", in *Essays in Honour of Prof. S. C. Sarkar*, New Delhi, 1976.
20. A. D. D. Gordon, *op cit*, 71.
21. Stanley Kochanek, *Business and Politics in India*. Berkeley, 1974, 19.
22. C. Dobbin, *op cit*, 14, 20.
23. *Ibid*, 156.
24. Gillion, *op cit*, 82; Howard Spodek, "The 'Manchesterisation' of Ahmedabad", *Economic Weekly*, 13 March 1965, 484.
25. S. D. Mehta, *The Indian Cotton Textile Industry : An Economic Analysis*, Bombay, 1953, 2; Mehta cites as his source B. R. Badshah, *Rao Bahadur Ranchhodlal Chhotalal*, 11, 19, 38, 39.
26. Mehta, *The Indian Cotton Textile Industry*, 22-3.
27. Gillion, *op cit*, 55-6, 85.

28. *Ibid,* 85; Mehta, *The Cotton Mills of India,* 22-3.

29. Gillion, *op cit,* 85-6; Spodek, *op cit,* 484.

30. *Ibid,*

31. Gillion, *op cit,* 88.

32. Spodek, *op cit,* 484, 485—emphasis added.

33. A. D. D. Gordon, *op cit.,* 4—emphasis added.

34. F. R. Harris, *Jamsetji Nusserwanji Tata—A Chronicle of his Life* (with a Foreword by Sir J. R. D. Tata, Chairman of Tata Sons Ltd. and various other Tata concerns), Bombay, 1958 edn., 5-6, 11-12. A recent Jamsetji Tata Trust publication says : "He [Tata] and his associates obtained a contract to furnish supplies required by the Expeditionary Force of General Napier in Abyssinia. The share of the profits was sufficient to launch him on his career in textiles"—R. M. Lala, *The Creation of Wealth,* Bombay, 1981, 4.

35. Clive Dewey, "The End of the Imperialism of Free Trade : The Eclipse of the Lancashire Lobby and the Concession of Fiscal Autonomy to India", in Clive Dewey and A. G. Hopkins (eds.), *The Imperial Impact: Studies in the Economic History of Africa and India,* London, 1978, 49, 334— notes 39, 40.

S. D. Mehta also writes : "In an extremely able Despatch the Government [of India] pointed out [in 1894] to the Secretary of State that of the Indian output of piecegoods, 94% was of the counts 24s and under and, as such, was outside the pale of competition with Manchester; that Manchester had an absolute monopoly in the finer qualities of cloth, the bulk of its trade consisting of cloth using yarn of about 30s, and a little finer in the case of yarns; and finally, that in the output of cloth wherein counts 20s and over were used, the Indian manufacturer suffered from grave handicaps and was in a position to produce only very small quantities. To the extent to which he did produce such cloth, 'it is direct but obviously somewhat unequal competition with Manchestar..."—*The Cotton Mills of India,* 66.

36. See L. H. Jenks, *op cit,* 174; also E. J. Hobsbawm, *Industry and Empire,* Harmondsworth, Middlesex, 1976 reprint, chap. 6.

37. *Indian Textile Journal,* Special Souvenir Number, Bombay, 1954 (published on the occasion of the Centenary of the Bombay Cotton Mill Industry), 685.

38. Banerjee, *op cit,* 62n.

39. B. R. Tomlinson, *The Political Economy of the Raj 1914-1947,* London, 1979, 15; Eckehard Kulke, *The Parsees in India,* New Delhi, 1978, 122-3.

40. Matthew J. Kust, *Foreign Enterprise in India : Laws and Policies,* Chapel Hill, USA and Bombay, 1965, 23.

41. Rutnagur, *op cit,* 48.

42. Tomlinson, *op cit,* 3.

43. Mehta; *The Indian Cotton Textile Industry,* 2.

44. Buchanan, *op cit,* 200; see also Mehta, *The Cotton Mills of India,* 42.

45. Mehta, *The Indian Cotton Textile Industry,* 2-3; Spodek, *op cit,* 485.

46. *The Gazetteer of Bombay City and Island,* I, compiled by S. M. Edwardes, Bombay, 1909 (Facsimile reproduction, 1977), 424.
47. Rutnagur, *op cit,* 633; Buchanan, *op cit,* 203; see also p. 204.
48. Mehta, *The Cotton Mills of India,* 100; see also Spodek, *op cit,* 485; Buchanan, *op cit,* 205.
49. Gillion, *op cit,* 78.
50. Mehta, *The Cotton Mills of India,* 105, 108.
51. Mehta, *The Indian Cotton Textile Industry,* 58; Mehta cites as his source the evidence submitted before the Tariff Board of 1926, Vol IV, 321.
51a. David S. Landes, *The Unbound Prometheus,* Cambridge, 1969, 143, 148.
51b. Harry Magdoff, *Imperialism : From the Colonial Age to the Present,* New York, 1978,231.
52. *The Gazetteer of Bombay City and Island,* I, 492.
53. *Ibid,* 209.
54. *Ibid,* 210-1.
55. *Ibid, 493.*
56. Mehta, *The Indian Cotton Textile Industry,* 27.
57. Buchanan, *op cit,* p. 20 In; see also W. W. Hunter, *The Indian Empire : Its Peoples, History and Products,* London, 1893, 716-7.
58. A. P. Kannangara, "Indian Millowners and Indian Nationalism before 1914", *Past and Present,* No. 40, July 1968, 164—emphasis added.
59. Banerjee, *op cit,* 19-20; R. C. Dutt, *Economic History of India in the Victorian Age,* London, 1956 edn., 112; N.'K. Sinha, *The Economic History of Bengal,* III, Calcutta, 1970, 11-12.
60. Hunter, *op cit,* 715; V. I. Pavlov, *The Indian Capitalist Class,* New Delhi, 1964, 390; Buchanan, *op cit,* 207. Hunter refers to the year 1877 and Buchanan to 1878. Later, the price of mill machinery came down. According to Arun Joshi, the cost of machinery was 30 per cent higher in India than in England in 1885 (see Arun Joshi, *Lala Shri Ram,* New Delhi, 1975,27).
61. Rutnagur op cit, 47.
62. *Ibid.*
63. *Ibid,* 598-9.
64. *Ibid,644,113.*
65. M. M. Mehta, *Structure of Indian Industries,* Bombay, 1961 edn., 317.
66. Pavlov, *op cit,* 386.
67. Gordon, *op cit,* 61.
68. Rutnagur, *op cit,* 535; R. J. F, Sulivan, *One Hundred Yeats of Bombay : History of the Bombay Chamber of Commerce, 1836-1936,* Bombay, n. d.,279.
69. Radhe Shyam Rungta, *The Rise of Business Corporations in India 1851-1900,* Cambridge, 1970, 242.

70. Rutnagur, *op cit*, 250.
71. Palme Dutt, *op cit*, 255—emphasis added.
72. *Ibid*, 256.
73. Banerjee, *op cit*, 86-7.
74. Palme Dutt, *op cit*, 125
75. *Report of the Bombay Millowners ' Association for 1898*, p. 85; cited in Bipan Chandra, *The Rise and Growth of Economic Nationalism in India*, New Delhi, 1969, p. 139n.
76. D. E. Wacha's Speech on May 3, 1901, *Report of the Bombay Millowners' Association for 1901*, p. 53; cited in Chandra, *ibid*, 139.
77. See J. S. Sharma (ed.), *India's Struggle for Freedom; Select Documents and Sources*, I, Delhi, 1962, 148.
78. See Mehta, *The Cotton Mills of India*, 68-9, 70-1; and Sulivan, *op cit*, 117-21.
79. *Ibid*, *60*.
80. See Mehta, *The Cotton Mills of India*, 48; Buchanan, *op cit*, 138-9.
81. A. D. D. Gordon, *op cit*, 5.
82. See Buchanan, *op cit*, 313.
83. See *ibid*, 208-10; Rutnagun *op cit*, 50-1.
84. *Ibid*.
85. See Alfred E. Kahn, *Great Britain in the World Economy*, New York, 1946, 94-8. R. Palme Dutt said : "The Platt Report on cotton textiles found that 42 per cent of the looms in 1930 dated from the Victorian era; and more than two-thirds were over 20 years old;... The Platt Report stated that 'conditions throughout almost the entire British cotton weaving industry are basically similar to those which existed 40 to 50 years ago." (Palme Dutt, *The Crisis of Britain and the British Empire*, London, 1957, 486).
86. Buchanan, *op cit*, 196.
87. Radhe Shyam Rungta, *op cit*, *211*.
88. Harris, *op cit*, 170-1.
89. Hobsbawn *op cit*, 181.

89a. Barratt Brown, *The Economics of Imperialism*, 161.

90. Rungta, *op cit*, *211*.
91. Harris, *op cit*, 148-50.
92. Hamilton to Curzon, 3 July 1903; see S. K. Sen, *The House of Tata*, Calcutta, 1975, p. 34n.
93. Note by T. H. Holland, Director, Geological Survey of India, 12 Feb. 1905, *Curzon Papers*, Vol. 499; cited in *ibid*, 43.
94. Harris, *op cit*, 155-6.

95. *Ibid*, 156, Harris has used this and certain other passages from Lovat Fraser, *Iron and Steel in India*, Bombay, 1919, with a few verbal alterations.

96. Harris, 170.

97. *Ibid*, 170-88.

98. *Ibid*, 188,192.

99. Cited in Sen, *The House of Tata*, 34-5.

100. Harris, *op cit*, 188-9.

101. *Ibid*, 190; Sen, *op cit*, 39.

102. Buchanan, *op cit*, 324.

103. Bipan Chandra, Amales Tripathi and Barun De, *Freedom Struggle*, New Delhi, 1977 reprint, 89. Claude Markovits also writes : "The symbol of this industrial diversification was the foundation of the Tata Iron and Steel Co. (TISCO) in 1907, made possible, *in the face of government indifference if not outright hostility*, by a great elan of patriotic enthusiasm." (Indian *Business and Nationalist Politics 1932-1939*, 10—emphasis added).

104. Tata Sons (managing agents of TISCO) to GOI, Commerce Dept, Stores, 5 June 1912; cited in Sen, *The House of Tata*, *42*.

105. Pandit Madan Mohan Malaviya, *Note*, in Industrial Commission 1916-18, *Report*, 305.

106. Cited in Geoffrey D. Tyson, *The Bengal Chamber of Commerce and Industry 1853-1953 : A Centenary Survey*, Calcutta, 1953, 117; see also Harris, *op cit*, 217.

107. See *Ibid*, 216-7; A. K. Bagchi, *Private Investments in India 1900-1939*, Madras, 1975, 306-7.

108. See *Ibid*, 307.

109. Harris, *op cit*, 221-8; R. M. Lala, *The Creation of Wealth*, 41.

110. Harris, *op cit*, 234-5—emphasis added.

111. *Ibid*, 229; A. I. Levkovsky, *Capitalism in India*, New Delhi, 1966, 82.

112. Harris, *op cit*, 60, 67-85, 119.

113. *Ibid*, *6*,

114. The Compilation Group for the 'History of Modem China' Series, *The Taiping Revolution*, Beijing, 1976, 105-6, 138-9; Yen-Ping Hao, *The Comprador in Nineteenth Century China : Bridge Between East and West*, Cambridge, Mass., 1970, 191.

115. Harris, *op cit*, 254-256—emphasis added.

116. Guha, *op cit*.

117. *Ibid*, 12.

118. *Ibid*, 40-1; some of Guha's arguments are very similar to those put forward by Kulke. See Kulke, *op cit*, 130-2.

119. Yen-Ping Hao, *op cit*, 12, 15, 116, 120-48, 207.

120. Lenin, "The Right of Nations to Self-Determination", *CW,* XX, 396— emphasis in the original except where stated otherwise.

121. SWMT, IV, 455

122. Guha, *op cit,* 39.

123. See Pattabhi Sitaramayya, *History of the Indian National Congress,* I, Bombay 1946 reprint, 60-2; Palme Dutt, *India Today,* 265-6.

124. Kannangara, *op cit.*

125. *Comintern and National and Colonial Questions (Documents of Congresses),* New Delhi, 1973, 78.

125a. Gita Piramal, "Entrepreneurs and Political Awareness : A Study of Bombay's Business Groups 1850-1937" (mimeo), Paper presented at a seminar at the Institute of Management, Ahmedabad, in March 1989, 14, fn. 49.

126. See *Report of the Central Provinces Provincial Banking Enquiry Committee 1929-30,* II, Calcutta, 1930, 2 and 493-6.

127. A. K. Bagchi, *Merchants and Colonialism* (mimeographed), Centre for Studies in Social Sciences, Calcutta, 1981 37.

128. A. D. D. Gordon writes : The links which *did* [emphasis in the original] exist between the modern banks and the *shroffs* were somewhat similar to those between the foreign merchant and comprador, the *shroffs,* through their knowledge of local merchants and conditions, operating as interpreters for the banks". (A. D. D. Gordon, *op cit,* 82; Gordon refers to W. F. Spalding, *Eastern Exchange, Currency, and Finance,* London, 1924,123-4).

129. p. 496.

130. C. Dobbin, *op cit,* 23.

131. M. M. Mehta, *op cit,* 352.

132. Morris D. Morris, "The Growth of Large-Scale Industry to 1947", *CEHI,* II, 592.

CHAPTER EIGHT

SECOND PHASE OF INDUSTRIAL CAPITALISM : WORLD WAR I TO 1947

CHANGES IN GOVERNMENT POLICY

World War I brought about a change in the government's industrial policy for three reasons—economic, military and political. The rise of formidable imperialist rivals, especially the U.S.A. and Germany, the military security of the empire and the political need to grant some concessions to the Indian big bourgeoisie in return for the loyal services it was rendering and would render in the face of the mounting wrath of the people demanded a change in the government's policy.

On 26 November 1915, Viceroy Lord Hardinge's government wrote in a despatch to the Secretary of State for India : "It is becoming increasingly clear that a definite and self-conscious policy of improving the industrial capabilities of India will have to be pursued after the war, *unless she is to become more and more a dumping ground for the manufactures of foreign nations*"[1]

Referring to the war-time difficulties in a report to King George V, Viceroy Lord Chelmsford wrote on 21 July 1917 : "We are of course handicapped by our inability to procure machinery and by the necessity we are under of establishing industries which should have been set up in pre-war days. For this we have to thank the ill-judged parsimony and now discarded *laissez-faire* policy of those days."[2]

The Indian Industrial Commission 1916-18 pointed out: 'The list of industries which, though their products are essential alike in peace and war, are lacking in this country, is lengthy and ominous. Until they are brought into existence on an adequate scale, Indian capitalists will, in times of peace, be deprived of a number of profitable enterprises whilst in the event of a war which renders sea transport impossible, India's all-important existing industries will be exposed to the risk of stoppage, her consumers to great hardship, and her armed forces to the gravest possible danger."[3]

The Montagu-Chelmsford Report of 1918 on India's Constitutional Reforms stated : "These are *political* considerations peculiar to India itself. But *both on economic and military grounds imperial interests also demand that the natural resources of India should henceforth be better utilized.* We cannot measure the access of strength which an industrialized India will bring to the power of the Empire; but we are sure that it will be welcome after the war."[4]

By 1875 the British pre-eminence as an industrial power was seriously challenged and on the eve of World War I, she was outstripped as an industrial nation by the U.S.A. and Germany. "This sudden transformation of the leading and most dynamic industrial economy into the most sluggish and conservative, in the short space of thirty or forty years (1860-90/1900)," writes Hobsbawm, "is the crucial question of British economic history."[5] Unable to compete with the U.S.A. and Germany, Britain remained content with being, until World War I, "the greatest commercial power" and "the greatest source of international loan capital"—the advantages she enjoyed because of her political control over a large empire.

Buchanan writes that in 1917-18 "it was estimated that only 19 per cent of the total capital 'invested' in India represented the paid-up capital of joint stock companies and that only six per cent of the total was invested in coal mining and cotton and jute manufacturing."[6] On the other hand, large amounts of capital were invested by Britishers and Indians in government loans, trade, banking, public utilities, etc.

As we have seen, Viceroy Curzon liberalized the mining laws just before the turn of the century and that, anxious about the loss of competitive power of the British steel industry and apprehensive of the shape of things to come, the British rulers did their best to promote the Tata Iron and Steel Company. In 1906, Curzon set up an Imperial Department of Commerce and Industry with the ostensible purpose of encouraging industrial development—a step which did not lead to any tangible result because of opposition from the authorities in London.

The change, however feeble, in the government's policy was accelerated by World War I. There were, indeed, causes for apprehension. During the war both Japanese and American firms opened their branches and agencies in India, and direct shipping services began to operate between Japan and the U.S.A., on the one hand, and India, on the other. From 1914 the U.S. and Japanese shares in India's foreign trade began to rise while the U.K.'s share started declining.[7]

Second, global strategic considerations played an important role. India had long been regarded by the British colonialists as "an English barrack in the Oriental seas from which we may draw any number of troops without paying for them."[8] From about the beginning of this century India came increasingly to be viewed as the most important strategic base of the British empire east of Suez for the supply not only of cannon fodder but of war materials to different theatres of war. World War I highlighted the necessity of an industrial base in the east for the conduct of a modern war. British strategic thinking is reflected in the Montagu-Chelmsford Report :

"The possibility of sea communications being temporarily interrupted forces us to rely on India as *an ordnance base* for protective operations in Eastern theatres of war. Nowadays products of an industrially developed community coincide so nearly in kind though not in quantity with the catalogue for munitions of war that the *development of India's natural resources becomes a matter of almost military necessity.*"[9]

As Clive Dewey writes, "peacetime industrial policy was conceived as preparation for the next war."[10]

Third, political considerations were hardly less important. British imperialism emerged out of the war much weaker than before. It lost the leading position in the capitalist-imperialist world to U.S. imperialism, which also took over its informal Latin American empire. Besides, the victory of the socialist revolution in Russia and the emergence of the world's first socialist state presented a threat to the capitalist-imperialist system itself.

Within India there was widespread unrest. The war brought in its wake tremendous misery and suffering for the people and unprecedented opportunities to the bourgeoisie of making speculative profits. Prices soared, the necessaries of life became scarce, hunger and disease stalked the land. Donations for the war were forcibly raised and press-gang methods were employed in the Punjab to recruit soldiers. In 1918 an influenza epidemic swept away fourteen million lives.[11] Though anger and hatred towards the rulers smouldered within the hearts of the people, they could not put up any organized resistance for lack of any effective leadership. The efforts of a few groups of revolutionaries to lead armed revolts were suppressed by the government, which adopted from the outset draconian laws like the Defence of India Act and resorted to imprisonment, shootings, etc., to put them down.

Bipan Chandra's theory that "concessions" were wrested from the unwilling hands of the British imperialists by the Indian bourgeoisie through struggle is patently false. During the war the Indian big traders, speculators and industrialists were busy minting gold out of the blood, sweat and tears of the people. By checking imports, the war created an "atmosphere of economic protection" in India, "in which the industries of India, both nascent and established, have flourished to an unprecedented degree."[12] When the people groaned under the political tyranny and economic hardships, the upper stratum of the bourgeoisie and its political leaders made full-throated declarations of loyalty and pledged full support to the British imperialists. Through deputations, conferences and congresses, they conveyed to the rulers their sentiments of profound loyalty. Gandhi, the votary of truth and nonviolence, whose star was rising, offered unconditional support to British imperialism and went on a mission to recruit soldiers for the army. As percival Spear writes, "The outbreak of the war saw an outburst of loyalty to the British. "[12a]

The Montagu-Chelmsford Report and the Government of India Act 1919 sought to associate the leaders of the upper classes with the administration. The purpose, no doubt, was to strengthen the British raj, not to weaken it. As Montagu, then Secretary of State for India, "pointed out to the House of Commons in February 1922, such advance was conditional on Indian 'good conduct' and, in the imperial context, this included loyalty to the empire and preparedness to put the interests of the imperial power above those of India alone."[13]

The new industrial policy that the British Government proposed to initiate was the economic counterpart of the Government of India Act 1919. To strengthen their social base within the colony when World War I had created an explosive situation and when the proletarian revolution in Russia had set an example before all oppressed peoples, the British imperialists extended some concessions to that section of the Indian bourgeoisie which was quite willing "to put the interests of the imperial power above those of India" and "to play a part in the imperialist system." The concessions were granted in order, as Judith Brown says, "to contain growing public discontent and to attract collaborators who would form a stable foundation for their rule...."[14] In other words, the concessions were intended "to construct a framework in which Indian politics could develop in a manner that would strengthen, rather than weaken, the raj."[15]

The British imperialists expected that if Indian resources were developed by British capital with Indian capital playing a subordinate role, this would prevent imperialist poachers from trespassing upon Britain's Indian preserves and benefit British capital. Till then, "the traditional British aim of developing India as a market for British Manufactured goods in return for India's food and raw materials was achieved by the combination of an active state policy in the fields of transport, communication and irrigation development with a passive state policy in the name of *laissez faire* with respect to industrial development"[16] This policy was proposed to be modified somewhat in the new conditions to safeguard imperial interests. *Guided development,* *judicious "economic safeguards" and adoption of "imperial preference" in matters of tariff were expected to help, not harm, the interests of British capital* Surveying the prospects for British capital in India soon after the war, Thomas Ainscough, the then senior U. K. Trade Commissioner, observed : "*A new era is dawning for India*—the era of industrial expansion, during which the great Dependency will gradually take her place as an important manufacturing country and *a valuable industrial asset to the empiree* [17].

On behalf of the Indian compradors, Pandit Madan Mohan Malaviya, a Congress leader of eminence, greeted the new "dawn" and declared : "The hope of Indians for the industrial development of their country has been further strengthened by the knowledge that, like their noble predecessors in office, the present Viceroy and the Secretary of State are also convinced of the necessity of a liberal policy being adopted in respect of Indian industrial development."[18]

The change in the government's policy was reflected mainly in the setting up of the Indian Industrial Commission 1916-18 and its Report recommending a positive policy of industrialization, the appointment of the Indian Fiscal Commission in 1921 and of Tariff Boards for selected industries in subsequent years and in the grant of subsidies or protection to certain industries such as iron and steel, cotton, paper, matches, heavy chemicals and sugar. This led to the expansion of the cotton and iron and steel industries, the involvement of Indian big capital in paper, cement, jute, sugar and a few other industries, and the emergence of new groups of the Indian big bourgeoisie—the Birlas, Singhanias, Sri Rams, Goenkas, Dalmia Jains, Surajmull-Nagarmulls, Ruias, Poddars, Thapars, Walchands, Chettiars, Naidus, etc.

The advantages arising out of the policy of discriminating protection were reaped by Indian as well as imperialist capital. While, during the inter-war years, Lancashire with its small units and comparatively backward technique retreated, giant monopolies like Imperial Chemical Industries (ICI), Unilever, Dunlop, British Oxygen, Guest Keen Williams, Bata, Aluminium Ltd., Union Carbide and Swedish Match entered and set up manufacturing units in India to dominate its industry The protection granted to industries like matches was enjoyed to a great extent by foreign monopolies. In matches, protection not only helped the Swedish giant but assisted it to oust many indigenous concerns.[19]

The "positive policy" of promoting India's industrialization after World War I had its inherent limitations. The problem was how to reconcile this policy of developing India's industries for strengthening the raj with the interests of metropolitan capital. The British rulers did not propose to do anything that would unduly disturb the basic complementarity between the economy of the metropolitan country and that of India. As the Memoranda submitted by the Government of India and the India Office to the Indian Statutory Commission (Simon Commission) stated, the Joint Committee on the Government of India Bill, 1919, recommended that a Convention should grow up, under which "the Government of India should be granted liberty to devise those tariff arrangements which best fitted to India's need as an integral portion of the British Empire" and the Secretary of State should intervene only to safeguard "the international obligations of the Empire or any fiscal arrangements within the Empire to which his Majesty's Government was a party."[19a] According to this recommendation, the British government adopted the Fiscal Autonomy Convention under which the Secretary of State for India would avoid interference in budgetary policy when the Government of India—their chosen men—were in agreement with the Central Legislative Assembly, a body far from representative of Indian interests. Even this was reduced to a sham, for as Lord Peel pointed out in 1923, the India Office expected to be consulted on tariff matters before these were raised in the Central Legislative Assembly.[20] And the Government of India Act 1919 empowered the India Office to "interfere in tariff policy, even after this had been agreed by the Government of India and the Central Legislative Assembly, to safeguard imperial interests and to maintain any fiscal arrangements involving Britain as well as other parts of the Empire."[21] As Tomlinson says, "The purpose of the Convention had not been to loosen the commercial ties between Britain and India but to set them on a new, and politically more secure, basis."[22]

During the inter-war years imports from Britain were in many cases displaced by non-British imports, and the scope of competition between Indian manufactures and British imports was quite narrow. The Indian

Fiscal Commission appointed in 1921 was asked "to examine with reference to all the interests concerned the tariff policy of the Government of India, *including the question of the desirability of adopting the principle of Imperial Preference* and to make recommendations."[23] Among the Indian members of the Commission were G. D. Birla, Narottam Morarjee, Ibrahim Rahimtoola (its president), T. V. Seshagiri Ayyar and Jamnadas Dwarkadas. In their "Minute of Dissent" they said :

"We will, therefore, state at once that we would raise no objection to foreign capital in India obtaining the benefit of the protective policy provided suitable conditions are laid down to safeguard the essential interests of India."

Then they approvingly quoted the following lines, among others, from the main Report :

"It is to him [the foreign capitalist] that we must look largely at first for the introduction of new industries and for instruction in the economies of mass production."

They declared :

"It is because we desire that industrialization should proceed very rapidly that we are prepared to accept the advent of foreign capital to accelerate the pace."

Their conditions under which foreign capital was welcome were, as they themselves pointed out, what "The Government of India themselves laid down...under a free trade policy in regard to all companies which get concessions..." Before concluding, G. D. Birla and the fellow dissenters stated :

"It is a mere commonplace to say that a rich India is a tower of strength to the Empire, while an economically weak India is a source of weakness. In our opinion, India would have been of far greater help to England during the war if a policy of protection had been adopted at least a generation ago..."[23a] (Curiously, G. D. Birla and his ilk are represented by Bipan Chandra and several others as the most radical national bourgeois pining for freedom !)

A policy of discriminating protection was adopted and it was matched with imperial preference where necessary. Buchanan observed : "the government has granted protection to steel manufactures and cotton, only in return for a large degree of preference to British goods. Indeed the principle has now been applied to various goods and may now be classed as an important part of the government's policy."[24]

At the Imperial Economic Conference in 1930, Geoffrey Corbett, the Commerce Member of the Government of India, pointed out : "I have already explained that it is foreign goods that are replacing British goods in the Indian market. It follows that it is frequently against foreign goods that Indian industries require protection. In some lines there is really no competition at all between British goods and Indian goods. In other lines the measure of protection required is far less.... In our schemes for protecting the steel industry and the cotton textile industry...we have recognized this difference and we have fixed differential duties for British and foreign goods."[25]

SOME CAPITALIST GROUPS AND THEIR LINKS WITH FOREIGN CAPITAL

According to Soviet theoreticians like V. I. Pavlov, the Indian big bourgeoisie which started as comprador changed into the national bourgeoisie during the inter-war years, especially the thirties.[26] Another ingenious theory sedulously propagated by some Indian historians like Bipan Chandra is that the capitalist class that developed in India, especially after 1914, "did not develop an organic link with British capitalism : it was not integrated with foreign capital in India."[27] As we shall see, like the Tatas and other textile magnates, the new groups of Indian businessmen who invested in industry after 1914 had forged intimate links with imperialist capital; in fact, there was a close interweaving of their interests and in this interweaving foreign capital was the dominant element.

TISCO, to quote A. K. Bagchi, "showed a remarkable degree of prescience in keeping on the right side of the government even at the cost of profits" during World War I.[28] Its links with the government were quite close throughout the period. For some years one or another of the Tata directors was a member of the Viceroy's Executive Council. "While the major part of the paid-up capital of the Tata companies was contributed by the Nizam of Hyderabad and other princely states, the British-Indian government provided the preference capital." For nine-tenths of its sales in India it depended on the government, the British-controlled railways and public bodies.[29] When a Tariff Board was appointed, the application of TISCO for protection was the first to be referred to it.[30] One of the grounds on which TISCO based its claim for protection was the strategic importance of the works as a source of steel for the British empire east of Suez, and the Indian Tariff Board quite appreciated it.[31] TISCO was granted statutory protection and bounties in 1924. In 1931, Nowroji Saklatvala, then Chairman, TISCO, said : "We are fortunate by comparison with our rivals in other countries during the present crisis. This is largely due to protection."[32] D. R. Gadgil observed: "...it is not too much to say that the successful establishment in India of the iron and steel industry was made possible by the changed fiscal policy of Government."[33]

While a crisis overtook TISCO in 1922 and the immediately following years, it was the British Indian government and British capital that mainly came to its rescue. Viceroy Lord Reading assured Sir Purshotamdas Thakurdas, who met him on behalf of the Tatas, "that the Government was determined to see that the chimneys in Jamshedpur would continue to smoke...five days later Lord Reading took the unexpected step of voting Rs 50 lakh in the form of debentures to help rescue the Company from its financial crisis."[34] The Imperial Bank of India, India's biggest bank dominated by British capitalists, extended a loan of Rs 20 million to TISCO. TISCO sold debentures on the London money-market, and loan capital from London to the tune of £2 million—much more than TISCO's initial share capital—and from America amounting to Rs 3 million was invested in TISCO. To tide over the crisis, it also received loans of Rs 9 million from a Parsi business magnate, F. E. Dinshaw, and of Rs 10 million from the Scindia of Gwalior, a native prince. In TISCO there took place a fusion of Indian and British capital.

It may also be noted that in the years of depression in the early thirties, close relations developed between TISCO and British steel interests.[35] That is why the Tatas were in favour of the system of imperial preference.[36] At the same time there was a rapprochement in the sphere of cotton textiles between Bombay and Lancashire in the form of the Mody-Lees Pact, and Sir Homi Mody, a director of the Tata Sons, played a leading part in concluding it.

TISCO also served the interests of British capitalists in India at the expense of Indian interests. Writing in *Modern Review*, a contributor accused TISCO of forming a trust with the other two pig iron manufacturers—Bengal Iron Co. Ltd. and Indian Iron and Steel Co. Ltd., mainly British-owned—and of maintaining inflated prices of pig iron, which enjoyed tariff protection at that time. This enabled the two British-controlled companies to monopolize the cast iron business and the Indian competitors who had been making use of cheaper imported pig iron. Besides, TISCO sold steel to British engineering companies at low concession rates while the indigenous engineering concerns had to purchase this industrial raw material at much higher prices. The writer complained: "Thus the engineering industries also are becoming the monopoly of some European concerns and the Indians are gradually giving way to them and are going out of the market.... Thus the enormous sacrifice of the whole country due to the heavy import duties on steel and iron products and the large bounty from public revenues is being repaid by Tatas in ruining almost all the indigenous industries of the country."[37]

In a rejoinder N. B. Saklatvala, Director, Tata Sons Ltd., Managing Agents for TISCO, did not dispute these facts; rather, he sought to justify TISCO's policy of selling steel at lower prices to large purchasers.[38]

Indian rerolling mills also accused the Tatas of discriminating in favour of British firms in respect of prices for steel billets and charging Indian firms exorbitant prices. The Tatanagar Iron Foundry complained against the same "differential treatment."[39]

The Tatas promoted three power companies—Tata Hydro-Electric Power Supply Co. Ltd., Andhra Valley Power Supply Co. Ltd. and Tata Power Co. Ltd. In 1929 their management was handed over to the Tata Hydro-Electric Agencies Ltd., a company formed jointly by the Tatas and a Morgan subsidiary, the American and Foreign Power Co. Ltd., and T. G. Mackenzie became the Managing Director of the new company.[40] The Tinplate Co. of India was set up in 1919 as a joint subsidiary of the British-owned Burma Oil Company and TISCO, with the former holding two-thirds of the shares and with a European firm, Shaw Wallace and Co., as its managing agents.[41] Thus, the Tatas, now the leading business house in India, forged the closest links with British capital and, to some extent, with American capital, during the inter-war years.

In Martin-Burn, which controlled the Indian Iron and Steel Company, some of the largest engineering firms, such as Burn and Co. and Hooghly Docking and Co., several light railways, a number of electricity companies, some coal and cement companies, etc., and which was the third biggest business house in India till the beginning of the seventies, British and Indian interests were interwoven with British capital dominating it till 1947 or even afterwards.

During the inter-war years, several Marwari firms, flush with war profits, began to invest in industry. Thomas Timberg writes : "The establishment of British power...furnished the conditions for Marwari migration...it opened new opportunities, to serve as intermediaries in the new foreign oriented commerce that the British were developing."[42] With relatives and corresponding firms in the main centres of commerce, they became "the natural agents to British houses in the port cities." They sold goods on the domestic market imported by the British firms and procured from the hinterland through their correspondents raw produce for sale to them. To quote Timberg again, "The final stages of export and manufacture in those trades that were centred in Eastern India (jute, tea, coal and shellac) were still largely in the hands of those European agency houses which had consolidated their position in the years 1860-1914. It was under them that Manvaris initially found employment as brokers and agents."[43]

The Indian Industrial Commission 1916-18 pointed out that a large share of the inland trade between Calcutta and its hinterland was in the hands of mainly Marwari merchants, who "have carried on their trade in import and export goods through European houses." It also noted that the foreign trade of India was mainly in European hands.[44] Even in 1930-31 the share of the Indians in the export and import trade of India was estimated at less than 15 per cent of the total by the Indian Chamber of Commerce, Calcutta.[45]

Many Marwari traders served as *banians* and brokers of British merchants and industrialists. "You know", wrote G. D. Birla to Ambalal Sarabhai on 30 April 1930, "Marwaris are mainly responsible for the establishment of the Manchester market in Calcutta." He said that nearly half or more of the total imports of foreign piecegoods was distributed through Calcutta and that "almost all the distributors, *Dukandars* and *Chalanewalas* as they are called here [in Calcutta] are Marwaris..."[45a] They were also inveterate speculators on different markets—in raw jute, gunny and hessian, imported cement and sugar, cotton, grains, company shares, etc. It is the huge profits they obtained from trade and speculation during the war that enabled the Birlas and several other Marwari traders to enter into industry after World War I.[46]

The Birlas are one of the two largest business houses in India. G. D. Birla's grandfather Sheonarayan, a poor man, left his village home at Pilani in Rajasthan, went to Bombay and engaged in gambling on daily prices of opium. "He showed great sharpness in such speculation" and made several lakhs of rupees. Baldeodas, his son, joined him at the age of about twelve and displayed similar talent. In 1896, on the outbreak of plague in Bombay, Baldeodas came to Calcutta. He and, later, Jugal Kishor, his eldest son, "showed such maturity in speculation that the Birla family came to be classed with the Chamarias", the leading Marwari speculators of Calcutta.[47] The firm of 'Baldeodas Jugal Kishor' also traded in wheat, silver, oilseeds, etc., and soon became one of the leading exporters of opium to China. Together with Harduttrai Chamaria, they set up a syndicate which organized the entire opium trade. Baldeodas became a Rai Bahadur in 1918 and the Governor of Bihar and Orissa conferred on him the title of 'Raja' in 1925. G. D. Birla was initiated into business when he was barely ten. He left Calcutta for Bombay where his elder brother Rameswardas was a leading bullion trader. Coming back to Calcutta at the age of sixteen, "determined to be a broker", he started his own independent business. It was Englishmen, who, as Birla himself said, were his "patrons and clients."[47a]

The Birlas, who had entered the cotton business, invested in a ginning press and purchased two mills in Bombay, one in 1917 and the other in 1919. During World War I, gold showered on Barabazar in Calcutta, the market dominated by Marwari compradors as huge speculative profits as well as profits from trade, especially in raw jute, the price of which they and their compatriot agents in various urban and rural markets of Bengal kept permanently depressed, poured in. According to G. D. Birla's biographer, Birla "did well in the brokerage of gunny and jute.... The times favoured the Birlas. Some people have estimated that during the First World War the financial condition of the Birlas improved fourfold and they became multi-millionaires." In 1915, G. D. Birla, purchased an estate in Ranchi while Jugal Kishor "bought estates on a large scale."[47b]

Birla Bros. Pvt Ltd., a managing agency firm, with Brajamohan, the youngest of the Birla brothers, as managing director, was set up in Calcutta in 1918. He, too, "had been initiated into the brokerage of jute and gunny." After World War I, they started a jute mill near Calcutta and a cotton mill in Gwalior at the insistence of the Maharaja of Gwalior, who advanced loans. They entered sugar, paper and other industries. "By 1935-36 the Birlas", writes Jaju, "had ten big industries : four [cotton] textile mills, five sugar mills and a jute mill. First the boom in the speculation market and then the [second world] war gave a boost to their activities, and they acquired twenty-two big factories for an investment of only rupees twenty crores."[48] They also set up insurance companies and a bank. While their industrial activities expanded, they continued to serve as intermediaries of British and Japanese capital. They procured raw jute for British industry and cotton for Mitsui and other Japanese firms. According to Timberg, the "increasing importance of Japanese cloth imports and demand for jute and cotton fibre strengthened the hands of various Marwari houses, such as Keshoram Poddar's and the Birlas..."[49]

With the end of direct British rule in 1947 emerged the "sovereign democratic republic" of India, which afterwards became "sovereign socialist secular democratic republic".[49a] Under the successive 'socialist' regimes of Nehru, Indira Gandhi, Rajiv Gandhi and Narasimha Rao, the Birlas, greatly aided by imperialist capital and the 'socialist' state, have had a triumphal march. As Jaju observed, "in Nehru's socialism there was room for a mixed economy and also for the Birla Bros."[49b]

The Singhanias (Juggilal Kamlapat) of Kanpur, another top business house of today, were a branch of an old and large Marwari firm, Sevaram Ramrikhdas, which had branches at different places and which at one time traded in opium as its major commodity. The Singhanias were major financiers of the early British-owned mills in Kanpur and, in return, received sole selling agencies for them. The wartime profits enabled them to set up in 1921 their first cotton mill in Kanpur, which was followed by more cotton mills, one jute factory and two sugar mills. At the same time they had large investments in the European-controlled mills of the city.[50] Padampat, Kamlapat Singhania's son, was awarded knighthood by the British rulers.

The firm of Anandilal Poddar, who was a broker to other Bombay firms, dealt in cotton, grain, etc. In 1919 Poddar became chief broker to Toyo Menka Kaisha Ltd., a subsidiary of Mitsui, the main Japanese cotton exporters from India. An old cotton mill of Bombay was purchased in 1926 by a Japanese syndicate, which included Anandilal Poddar as one of its members, and was renamed Toyo Poddar Cotton Mills Ltd. The managing director, the general manager and the technical adviser were all Japanese.[51]

Seth Jamnalal Bajaj was the founder of a leading business house of today. One of the chief benefactors of M. K. Gandhi and a leading luminary of the Congress, he was the biggest cotton merchant of Central India—a "merchant prince", as Gandhi called him—and supplied raw cotton to the Japanese, especially to Mitsui. By 1913, according to Timberg, his firm shipped out annually 40,000 bales and earned Rs 75 lakh as profit in that line alone. Timberg writes that the Marwari firms of Bombay and Calcutta—Poddar, Bajaj, Birla and Ruia—had close relations not only with Mitsui but with other Japanese trading firms.[52] Besides, he was a big landlord, founded the Bank of Nagpur and owned a sugar factory.

One of the oldest gunny-broking firms was that of L. N. Kanoria. He became the principal broker of the British managing agency house, McLeod and Co. Every jute mill had a principal broker through whom all sales and purchases of finished goods were made by it. The principal broker acted as an intermediary between the jute mill company and the purchaser or seller and arranged for a standard contract to be made by them. He received a commission on sale or purchase : he had no financial responsibility like that of the *banian.* L. N. Kanoria gradually acquired financial interests in the jute mills run by McLeod and became the first Indian director of a jute mill in 1907 when McLeod took over the management of Soorah Jute. He was the only Indian director of the Empire Jute Mills when it was floated by McLeod in 1912-3. Even after the Kanoria firm founded the first jute mill of their own in 1935, they carried on as McLeod's brokers.

Sir Sarupchand Hukumchand traded in opium, cotton, grain, etc. and is said to have made a profit of more than Rs 10 million in three years from trade in opium.[53] He was also one of India's leading speculators in opium, cotton, company shares, etc., in Indore, Bombay and Calcutta. By 1916 he set up three cotton mills and took over the management of another in 1918. And in 1919. in partnership with another person, his firm established the first Indian-owned large-scale jute mill near Calcutta, which was followed by a large steel processing mill and an insurance company. Though big textile millowners, the firm began in 1920 to serve as *banians* to Bird and Co., a leading British managing agency house in Calcutta, when the latter took out an agency of a Manchester firm, Ledward and Taylor, for their piecegoods.[54]

In the thirties, a number of Marwari firms began investing in industry. One such firm was that of the Goenkas, now one of the big business houses of India. Ramdutt Goenka, the founder of this house, became a cloth broker to Kettlewell Bullen, a European managing agency. His nephew and, then, his grandson served as *banians* to Ralli Bros., the biggest importers of Lancashire piecegoods and one of the leading exporters of cotton, jute, hessian, etc. Sir Hari Ram Goenka also became a *banian* to Ralli Bros.[55] As Ralli's *banians,* the Goenkas distributed Lancashire cotton textiles among traders on a commission basis. They also served as *banians* to Kettlewell Bullen. Besides, they procured and supplied raw jute to local mills as well as to Dundee (Scotland) and Germany and acquired vast real estate—many houses in Calcutta and zamindaris in Bihar and Rajasthan. They were also very big money-lenders who gave short-term loans on a large scale at a high rate of interest. They first launched into industry in 1934, when they purchased a cotton mill, the Kamala Mill, in Bombay. They continued as *Banians* even when they owned a cotton mill, a number of tea gardens and several power companies in towns and cities like Patna, Saharanpur and Bangalore.

The Ruias, who became managing agents of cotton textile mills in 1934 and one of the leading Marwari industrial firms of Bombay, were *banians* to European firms in that city. Ramnarain Ruia, the founder of the house, began in 1883 as broker to the opium department of Sassoon J. David, the big Jewish firm in Bombay, and later became a guaranteed broker to the firm's cotton department.[56]

The Bangurs, another leading Indian business house, began as speculators on the Calcutta Stock Exchange and as jute and share brokers. They came to be closely associated with Bird Heilgers and Kettlewell Bullen, two leading British managing agency houses. Before 1947, they owned two cotton mills (one in Bombay and the other in Rajasthan) and set up a cement company in Saurashtra. At the same time they had large financial interests in European-controlled companies and served on the boards of directors of some of them. "Bangur", R. K. Hazari wrote, "came into industry via real estate, finance, and trade in jute and shares."[57]

Like the Parsis or other Gujaratis, all big Marwari businessmen, including Birlas, Goenkas, Bangurs, Jalans, Bajorias and Jatias. ware brokers or *banians* to European firms. "The Marwari community in Calcutta," Stanley Kochanek rightly observed, "had become wealthy and prosperous largely because of its symbiotic relationship with British business and especially foreign trade."[58]

It was not only the Marwari community in Calcutta but all big Indian traders that, contrary to what Bipan Chandra says, had developed this symbiotic relationship with British or other foreign capital and some of them blossomed out as industrial capitalists. Mention may be made of a few more of such houses.

The founder of one of the big business houses of India—the DCM group—was Sir Lala Shri Rani. His great grandfather Badri Das made his fortune by serving the British as treasurer for the commissariat at Karnal and as *kotwal* (police officer) of the Ferozepur and Delhi cantonments. After the Revolt of 1857-8, he was handsomely rewarded "for his loyalty to the British."[59]

The Delhi Cloth Mills, which began to operate in 1891, was set up with the help of an English foreman by Indian *banias* "who had never seen a cotton mill."[60] As usual, the machinery was imported from England. When World War I started, Shri Ram, who had taken over charge of the different departments of the DCM, of which his father was a paid secretary, secured from the government large orders for the supply of tents for troops. By fulfilling these war contracts, DCM, then a small mill, "reaped a harvest beyond the wildest dreams of its timid founders." During the war years the fortunes of Shri Ram's family, according to his biographers, "changed from modest thousands to dizzy lakhs." After the end of the war, Shri Ram and his father purchased a number of shares of the mill company and gained considerable control over it.[61]

It was DCM that spawned a number of industrial units. The government granted protection to the sugar industry in 1932 and there was an unprecedented boom for sugar factories. The Birlas, Dalmia Jains, Shri Ram. Surajmull-Nagarmull, Gokuldas Narang, etc., rushed to set up sugar factories which, according to Sir George Schuster, Finance Member of the "Viceroy's Executive Council, earned a profit of 400 per cent in 1933.[62] Shri Ram took over the Bengal Potteries in Calcutta in 1934 and went in a for a technical collaboration agreement with the German firm of Rosenthal. A second pottery unit was set up in collaboration with another German firm.[63] Shri Ram also took over the Jay Engineering Works in Calcutta, which was then producing sewing machines. It was four Indian mechanics who had devised the first Indian sewing machine after tearing apart a German Pfaff machine. He parted company with the original builder who insisted on self-reliance, and went in for foreign machinery and foreign experts. During World War II, the works switched over to producing items for the defence services, including components of fighter aircraft. "This meant working round the clock, larger profits and no problem of sales," write Shri Ram's biographers.[64]

World War II created highly desirable conditions for the select class to which Shri Ram belonged. The Defence of India Rules made strikes illegal and kept wages low, while prices of all things soared. On the other hand, as regards profits, especially of textile mills, "the sky was the limit." These "went beyond the industrialists' wildest dreams."[65]

Shri Ram's relations with the highest officials of the British Indian government were very close. It was on the advice of the then Governor of the Punjab that he established his second cotton mill at Lyallpur, and it was the Governor who performed its opening ceremony. In 1939 Lady Linlithgow, the Vicereine, graced the Golden Jubilee celebrations of the DCM as its chief guest. "During the British Raj," write his biographers, "he co-operated with the English rulers and eagerly sought honours from them."[66] He was rewarded for his loyalty in various ways, besides being awarded knighthood.

Walchand Hirachand, the founder of the Walchand Hirachand group (another leading business house of today), "won his first fortunes as a military and railway contractor" during World War I.[67] In 1915 he floated a company—Walmer and Company—to supply goods to the army and carry on import and export transactions on commission.[68] Walchand and Narottam Morarjee, son of Goculdas Morarjee, the cotton mill magnate who traded in Lancashire textiles, were the main promoters of the Scindia Steam Navigation Company, which was set up almost immediately after World War I. Among others who were closely associated with it was Lalubhai Samaldas (who was afterwards knighted). Samaldas had been secretary to the Maharaja of Bhavnagar and its revenue commissioner and became the Revenue member of the Bombay Governor's Executive Council in 1923. Walchand, too, "enjoyed close relations with the Ruler [of Baroda] himself, his principal ministers, and the traders and industrialists of the State;..." The Scindia Co.'s initial share capital was mostly subscribed by Indian princes and zamindars[69] —another instance of the close ties between the Indian big bourgeoisie and feudal interests.

Scindia could not hope to compete with the powerful British companies—Lord Inchcape's P. & O. and British India Steam Navigation Co. (B.I.), a merger of which had taken place in 1914. They had established a monopoly of India's overseas and coastal shipping. According to an agreement of 1923, which Walchand himself described as a "slavery bond", Scindia had to confine itself to coastal shipping and was not permitted to engage in passenger trade. In order to have a bit larger share of the cake, Scindia went on negotiating with P. & O. and B.I. and kept on knocking on the government's doors, on the one hand, and on the other, it and the Congress leaders raised the demand for reservation of coastal shipping to Indian-owned lines. Its plea was that the growth of Scindia would further the interests of the Empire. Speaking as Chairman at the 5th ordinary general meeting of the Scindia Co., held in October 1924, Narottam Morarjee said : "India wants a separate Merchant Marine for the economic development of her neglected ports, for reviving an old avenue of career on sea and shore. Had India such a National Marine at the time of the great war, what a tower of strength it would have been to the Empire and like the splendid services of the Indian army, how invaluable would have been the services to England in its hour of great trial ?"[70] High British officials, including Viceroy Lord Willingdon (who suppressed the Civil Disobedience Movement in 1932-3 with exemplary ferocity), Sir George Rennie and Sir Joseph Bhore, members of the 'Viceroy's Executive Council, were sympathetic to the aspirations of Scindia.[71]

After the outbreak of World War II, Walchand sought the government's help to establish a ship-building yard, urging that "This industry of ours should be classed among those which assist the war effort. So long as the war continues, we will place every single steamer built in our yard at Government's disposal, for war purposes." The government agreed to "grant some of the facilities and more or less all the concessions expected by Walchand"; the Royal Indian Navy waived all its claim over the site at Visakhapatnam, which had been approved by a British engineer; and the Port authorities handed over to Scindia the site towards the end of 1940.[72]

It was British experts and engineers who made a proper survey and prepared reports and designs of the yard. The British Admiralty and concerned departments granted the company permission to import all necessary machinery and equipment as well as vital components of ships, besides seven engineers. Cruikshank, a British engineer, was appointed Chief Supervisor of the yard, which was constructed by British engineers under the direction of Sir Alexander Gibb and partners.[73] So the Hindustan shipbuilding yard was built by the British and for the British—at least for the duration of the war.

Walchand promoted the Premier Automobiles Ltd. during World War II. He approached the Chrysler Corporation of the U.S.A., and a collaboration agreement was entered into in July 1940. According to the agreement, the Chrysler Corporation was to "prepare building layout plans," to "prepare specifications for the machinery, jigs, fixtures, dies and gauges", to "purchase on behalf of the Indian company or facilitate the purchasing by the Indian company of tools, equipment and machinery", to "send out to India trained personnel to supervise the installation of the manufacturing operations", and to "perform development and engineering work on special models of motor vehicles required for the Indian market." In the meantime, Walchand proposed to the government that he would undertake to build 5,000 motor vehicles a year and supply them to the defence forces. Only in 1944 the central government gave its assent to Walchand's proposal to raise capital for the car project.[74] Financed by Indians, it would actually be a Chrysler unit to fulfil the needs of the British Indian army.

After meeting W. D. Pawley, President of the Inter-Continent Corporation of New York, Walchand made a proposal to the British Commander-in-Chief of the Indian army for manufacturing military planes in India according to the latter's specifications in co-operation with well-known American manufacturers. High government officials showed keen interest in the project and Viceroy Linlithgow guaranteed support for it. It also received the British government's approval. The Government of India and the Mysore state each contributed one third of the capital of the Hindustan Aircraft Company that was set up, and Walchand and his friends the rest. The Mysore state gave all help including 700 acres of land in Bangalore free of cost.

W. D. Pawley was entrusted with "the responsibilities (among others) of setting up the aeroplane factory and equipping it with machines, mechanics, technologists, skilled workmen, and other apparatus; of buying machinery and other materials from America and China; of supplying planes and their component parts from time to time as requested...," etc. According to an agreement with the Hindustan Aircraft Company, Pawley's New York firm was to purchase planes, aero engines, aeroplane components, machines, tools and various types of equipment and to despatch them to Bangalore. The control of the Bangalore factory, as the agreement stipulated, was to be exercised by Pawley or by the Resident Director appointed by the Company. Mc Carthy, an American expert, became the General Manager. In 1942, when India came under the threat of Japanese attack, the government took over the company after paying compensation to the promoters and the Mysore state. During the war it was operated by the U.S. Air Force under the technical direction of Pawley.[75] Presiding over the annual session of the FICCI in 1941, Amrit Lal Ojha praised "the efforts of the Government of India in identifying themselves with the country's aspirations to establish this important defence industry (aircraft manufacture).. ."[75]

It may be noted that an enterprise like Premier Automobiles has not been able to overcome its complete dependence on foreign capital for capital goods, components and technical know-how even after decades. Premier Automobiles announced a few years ago that it would market a new car with Fiat 124 body and Nissan engine and gear box. Its never-ending dependence on imperialist capital is not peculiar to itself : it is the badge of the entire tribe of the Indian big bourgeoisie.

Indian big capital not only played the role of an underling to foreign capital within India but went out to exploit other British colonies under the umbrella of British power. As S. B. D. de Silva puts it, "Like the remora which travels long distances by attaching itself through its dorsal slicker to the body of a shark, Indian capital went along with Britain's overseas expansion."[76]

According to an estimate by the Indian Imperial Citizenship Association, contained in a memorandum to the FICCI in 1941, the total capital invested in Burma alone amounted to Rs 250 crore.[76a] To have an idea of this amount at today's price, one has to multiply it by more than one hundred.

Till 1930, the Nattukottai Chettiars of Tamil Nadu were usurers and traders whose tentacles had spread to several countries of South-East Asia—Ceylon, Malaya, Singapore, and especially to Burma. Their total assets rose in 1930 to 800 million rupees, according to one estimate, and to 1400 million rupees, according to another.[77] According to the Burma Banking Enquiry Committee, the total amount of Chettiar capital employed in Burma alone was Rs 750 million, and the Madras Provincial Banking Enquiry Committee estimated the capital employed by the Chettiars in the Madras Presidency—owned as well as borrowed—at Rs 110 million.[78] It may be noted that the Chettiar private banking houses often acted as intermediaries between British Exchange Banks and local interests.[79] According to Phillip Siegelman, one of the main factors which contributed to the success of the Chettiar moneylenders upto 1930 was the colonial system.[80]

In 1930. during the days of economic depression, the loans they had advanced to Burmese peasants could not be recovered and they became owners of one-fourth of all the cultivated land in Lower Burma.[81]

It was the bankruptcy of their traditional moneylending business, especially in Burma, that prompted the Chettiars to enter industry. According to Shoji Ito, they had under their control 40 cotton textile mills in the mid-sixties.[82]

There are about four important business groups among the Chettiars. Two of these groups—Raja Sir Muthiah group and the Chidambaram group—are closely related. Annamalai Chettiar, on whom the British conferred the hereditary title of Raja as well as knighthood, and his son, Raja Muthia, who too was honoured with knighthood, founded the Indian Bank. This group had large investments in the giant A. F. Harvey's mills. M. Ct. Chidambaram Chettiar, whose father also had been knighted by the British, started the Indian Overseas Bank. These banks were among the leading banks in India before they were taken over by the Government of India. The other two groups are the A. M. M. Muragappa Chettiar or Arunachalam group and the Karumuthu or Thiagaraja Chettiar group. The Nattukottai Chettiars are the largest economic power in South India.[83]

Another important business house of the South is the Seshasayee group. During World War II they took over Mettur Chemical and Industrial Corporation Ltd., which had been started by Marwaris with the help of German technicians. Their important enterprise, Fertilizers and Chemicals, Travancore, Ltd. (FACT), could be promoted only with the help of Sir C. P. Ramaswamy Iyer. *dewan* of the Travancore State, and of William D. Pawley, the American businessman. The International Corporation of New York designed and erected the plant. Two sulphuric acid plants were built to a design owned by Monsanto of St. Louis. The Power Gas Corporation of Britain designed and built the gas generators while the ammonia and sulphuric acid plants were erected by a New York firm. In 1944 a group of American experts arrived to direct construction of the plants. The Travancore-Cochin government alone owned 65 per cent and the Madras government 12 per cent of the capital. Working capital loans were advanced by the Government of India and the Madras government. The Aluminium Industries Ltd. (ALIND) was promoted by the Seshasayee group with the technical assistance of the Aluminium Laboratories Ltd. of Canada, a subsidiary of the Aluminium Co. of Canada (ALCAN). The Travancore-Cochin State took 20 per cent of the shares to inspire investors' confidence in the project. It should be noted here that, as R. K. Hazari writes, "assistance and concessions from Princely States [like Mysore, Hyderabad and Travancore] played a key role in the promotion of industrial entrepreneurship in the South...."[84]

Many were the ties with foreign capital. First, the Indian houses which turned to industry after World War I accumulated their capital by serving foreign capital, especially by rendering all aid to the British imperialists during the war. Second, the activities of many of these houses as brokers and *banians* to European firms did not cease, but continued after their participation in the industrial sphere. Third, large chunks of Indian capital were subordinated to foreign capital to serve its interests.

Capital, an organ of British capital in India, wrote in 1944 : "...it is in many ways regretful that the extent to which working partnership [between British industrialists and Indian business magnates] already exists is not more generally known. The terms in which some people talk of a coming British attack on Indian markets, and the supposed cleavage between British and Indian business' ambitions, completely ignore *the wide field over which British and Indian ownership, capital, direction, and labour have, in fact, co-operated for the last century and a half*".[85]

INDIAN CAPITAL IN FOREIGN-CONTROLLED COMPANIES

Except for a few jute mills owned and controlled by Marwari groups and managed by Scotsmen with their Scottish assistants, the entire jute industry, then one of the major industries in India, was controlled by European managing agencies. Yet, according to a written statement of the Marwari Association before the Indian Fiscal Commission 1921-2, "not less than 60 per cent of the shares of the jute mills" were owned by Indians.[86] Indian capital was similarly subordinated to foreign capital in other foreign-controlled industrial enterprises—paper, engineering, power generation, etc.

In a memorandum submitted to the Simon Commission in 1929, the Associated Chambers of Commerce, then dominated by foreign capital, stated : "It is almost impossible to draw any line of demarcation between British and Indian interests in regard to invested capital, for companies floated and managed by British managing agents were frequently owned to a very large extent by Indians. Similarly, in many companies generally regarded as Indian, a considerable number of the shareholders may be British."[87] As the Reserve Bank of India's *Report on the Census of India's Foreign Liabilities and Assets as on 30th June 1948* showed, Indian investments constituted 53.41 per cent of the capital in foreign-controlled companies other than branches of foreign companies, and the ratio of Indian investments under foreign control to foreign investments under Indian control was 5.21 : 1.[88]

The Indian capital invested in foreign-controlled companies constituted the investments not only of landlords like the Maharaja of Darbhanga and of the affluent petty bourgeoisie but of the big bourgeoisie. At an interview Sri Iswari Prasad Goenka, a nephew of Sir Hari Ram and Sir Badri Das, said that the Goenkas as well as the Birlas, Bangurs, Jalans, Bajorias, Jatias, etc., had all started as brokers or *banians* of European companies and came to have large financial stakes in them. Many of them served on their boards of directors though they had no control over their management. The companies were under the control of powerful European managing agency firms. Sri Iswari Prasad Goenka himself had been a director of at least twenty-five such companies during the inter-war years.[89]

Men like Sir Purshotamdas Thakurdas, topmost representatives of Indian commerce and industry, were very closely linked with British capital and the British Indian government. A leading member of the Indian Merchants' Chamber, Bombay, from its inception in 1907 to the early thirties and one of the founders of the FICCI, who represented it at Round Table Conferences in London, Thakurdas was very closely associated with the leading British managing agency firms of Bombay, Killick Nixon and Co., Volkart Bros., etc. : he was a director of Kohinoor Mills, Ahmedabad Electricity Co. Ltd., Bombay Suburban Electric Supply Co. Ltd., Bombay Steam Navigation Co. Ltd., etc.—all run by the Killicks.[90] He was appointed by the British Indian government to serve on many important official committees such as the Indian Railway Committee, the Retrenchment Committee and the Central Banking Enquiry Committee. He served on the board of directors of the Imperial Bank of India, a British-dominated bank, from 1922 to 1934—five times as its President and for an equal number of times as its Vice-President.

In banking, as in industry, there was interweaving of British and Indian capital with the former as the main strand. The Imperial Bank of India, which was set up in 1921 through amalgamation of the three Presidency Banks of Bengal, Bombay and Madras, and which was by far the biggest bank in India, was controlled by the British, though only a little less than one half of its paid-up share capital in 1930 was held by Indians.[91] Manu Subedar pointed out that the British Exchange Banks financed India's foreign trade (more than 85 per cent of which, according to the Indian Chamber of Commerce, was then in the hands of foreign firms) as well as much of internal trade out of the deposits they received in India. He quoted Beaumont-Pease, then Chairman of the Lloyds Bank, who said : "The total of deposits received in that country [India] largely exceeds the amount of our advances and no portion of our deposits at home is used for the purpose of making loans in India." The loans were mostly advanced by them to British firms in India.[92] The Bombay Provincial Banking Enquiry Committee pointed out that the Indian branches of foreign banks "receive deposits from the public in India and *try to secure as much of the country's capital resources as they can obtain*" and that it "is a matter of *general complaint* that the resources thus tapped are used mostly for financing the foreign trade of the country, which is largely in the hands of foreign merchants, and that *in times of monetary stringency abroad they remit money out of India to take advantage of high market rate in other places*"[93] Tomlinson observes that, though the British businessmen in India were prepared to co-operate with Indians to their mutual advantage, they were *unwilling to share control* except in a rare case like-Burn : the managing agency system was their bastion in India.[94] In fact, *the real problem was one of foreign control rather than of foreign capital.*[95]

Foreign and Indian big capital were dovetailed also in another way. The cement units—both Indian and British-owned—formed quasi-monopolistic organizations, the Indian Cement Manufacturers' Association in 1926 and the Cement Marketing Company of India Ltd. in 1930. Later, in 1936, ten out of twelve existing cement companies, including those under the managing agencies of Killick Nion and Tata Sons, were amalgamated to form the Associated Cement Companies (ACC). This cement monopoly formed a joint syndicate in 1941 with the Dalmia Jain group, which controlled five cement units. Similarly, the Indian Sugar Syndicate, on which both Indian and British capital were represented, came into existence before World War II.[96]

In 1933 was founded the Employers' Federation of India, an organization of big employers, both Indian and European. It was set up on the initiative of, among others, Sir Homi Mody (then Chairman, Bombay Millowners' Association and, afterwards, Senior Director, Tata Sons, and Chairman, ACC and Central Bank of India, etc.), Sir Edward Benthall and Sir Frederick James, topmost representatives of British capital in India.

The following observation of Jawaharlal Nehru, an avowed "socialist" who best served the interests of the Indian big bourgeoisie, may be found interesting : "Indian capital was largely dependent on foreign capital, and in particular, could be controlled by the foreign banking system. It is well known that the [First] World War gave a great push to Indian industry and afterwards, for reasons of imperial policy, England changed her policy towards Indian industry and began to encourage it, but mostly with foreign capital. The growth of so-called *swadeshi* industries in India thus represented to a very great extent the increasing hold of British capital on India."[97] V I. Pavlov was right when he observed that "India's colonial capitalist sector developed in indissoluble unity with British capitalism relying on the latter's powerful support."[98]

COLLABORATION DURING WORLD WAR II

During World War II the collaboration between Indian big capital on the one hand and British capital and the colonial state machinery on the other became still closer than before. Michael Kidron said : "This drawing together went beyond the confines of individual companies.... For virtually the first time, the two business communities had to deal with the state as purchaser, regulator, or patron on a vast scale, and this in a period of unprecedented boom."[99]

The advent of a new world war in September 1939 held out a thrilling prospect before the big compradors. World War I had enabled them to grow and expand; World War II, which would inevitably rain misery and death on the impoverished people, was welcomed by them in the hope that it would rain showers of gold on them. (And it did.) On the eve of the war G. D. Birla sent Gandhi for his comments the draft of a statement which he and other tycoons proposed to issue immediately after the outbreak of the war. The draft stated that, "after the successful functioning of provincial autonomy during the last two years and a half, the "existing differences between India and England" were "capable of satisfactory solution and amicable settlement through friendly negotiations", and held that *"it was not difficult to evolve a scheme of national defence as an integral part of the defence of the British Commonwealth"* After the outbreak of the war Birla wrote to Gandhi's secretary : "May be India and England may start competition with each other in manufacturing cordiality and friendship."[100]

Another tycoon, Lala Shri Ram insisted that the Congress must not bargain with the British raj to squeeze out promises until the war was over and "hoped that they would not precipitate a crisis when the war was on."[101]

While presiding over the annual session of the FICCI in March 1940, C. S. R. Mudaliar said that "the war should be seen as an opportunity for furthering industrial expansion, and that the expanded and new industries should receive adequate protection after the war."

This theme became the "main concern of the session".[102] True to their character, the big bourgeoisie viewed the war between the rival imperialist powers not as an opportunity to throw off the imperialist yoke but as a means of enrichment of themselves by helping British war efforts and impoverishing the people further.

The war, no doubt, came as a heaven-sent boon to the Indian big bourgeoisie. India became one of the most important supply bases east of Suez. With the entry of Japan into war India was not only obliged to provide men and materials for war in the Middle East. Africa and Europe but she herself became a base of military operations. Besides British troops, large numbers of American troops came to India.

Already in late 1940, an Eastern Group Supply Conference was held and early in 1941 the Eastern Group Supply Council with the U.K., Australia, New Zealand, South Africa and India was set up to plan production and procurement of war materials. In its communication to the Government of India, the FICCI stated :

"Even from the viewpoint of the British Commonwealth as a whole or of the Eastern Group countries themselves, it would not be prudent for one country to rely for several essential supplies or armaments...on another distant territory even though it might be a part of the same Commonwealth."

The FICCI urged that India should have "certain basic industries which would be capable of expansion in times of emergency."[103]

The raj depended on the Indian big bourgeois for procurement and production of certain materials for the successful prosecution of the war. In the prevailing conditions of scarcity due to stoppage of imports and vast military purchases, factories worked round the clock and prices of essential things soared beyond the most avaricious dreams of the manufacturers and merchants. While it was the worst of times for the people, it was the best of times for the big bourgeoisie. Vast profits, legitimate and illegitimate, were raked in at the cost of the blood and sweat of the people.

But the United Kingdom Commercial Corporation, a U. K. government company, procured directly or through its subsidiaries in India supplies for various theatres of war at prices much below market prices.[104] In an article in *Tribune* in July 1945, Manu Subedar, then a member of the Central Legislative Assembly, wrote :

"Several thousand crores of rupees worth of goods of all kinds, both the produce of fields and factories, have been taken at controlled or negotiated price (price at which the civil population never got it) not only for the army, but for the civil populations of England, Allies, Eastern Group countries and the liberated Europe. Indian food, Indian cloth, Indian raw materials and Indian finished products have been taken not merely for the army, but for the other people, when the civil population of India has had to suffer scarcity, high prices and black markets.

"The price of these has been paid in printed notes, against which there is no security except sterling (whose international value is on the decline).... This may not be called a loan since it was compulsorily taken away from India, and *the price paid by India runs into millions of lives.*"[105]

In this crime against the Indian people Indian big business, as usual, was a willing accomplice.

In 1942 came the American Technical Mission led by Henry Grady, who became U.S. ambassador to India after the transfer of power. The mission was instructed to investigate India's industrial resources and "determine the types and number of men that should be sent from the United States to India in order to effect in the most efficient manner further expansion in India's industrial capacity. Consideration should first be given to improvements that can be effected immediately; but feasible longer term projects should also be studied." The mission was asked to "recommend what men, money and equipment will be required, and the order in terms of importance of these requirements."[106] G. D.Birla was quite enthusiastic and at his suggestion Homi Mody, then a member of the "Viceroy's Executive Council, convened a meeting of the tycoons in Delhi for 24 April 1942. Birla believed that the meeting would be "very important economically and politically". Both Nehru and Patel attached value to the contact between the American mission and the tycoons.[107]

In its report the Grady Mission recommended the establishment of certain industries and promised to obtain the necessary machinery and technical help from the U.S.A. It said :

"The expansion of industrial production in India is to be based at least in part on Lend-Lease material from the United States and upon the advice of technicians from this country."[108]

But Anglo-U.S. imperialist contradictions temporarily stood in the way. The British Indian government rejected the recommendations of the American mission and suppressed its report.

The FICCI was represented on the post-war reconstruction committees set up by the government and the Indian big bourgeois took their seats in the various committees. Birla was a member of the Reconstruction Committee, Trade and Industry; Thakurdas, of the Reconstruction Committee, Resettlement and Re-employment; Shri Ram, of the Reconstruction Committee, Disposals, Contracts and Government Purchases; Kasturbhai Lalbhai, of the Reconstruction Committees, Transport and Posts and Aviation; Walchand Hirachand, of the Permanent Agricultural Committee (ILO); and so on.

Referring to the annual session of the FICCI in 1943, Gaganvjhari Lal Mehta, who presided over it and who was, after the transfer of power, appointed a member of the Planning Commission, India's ambassador to the U.S.A., etc., proudly recollected that the above meeting was attended by, among others, "four or five members of the Viceroy's Council", a number of high officials and secretaries of some departments and that they warmly congratulated him for his presidential address.[109]

On 29 November 1943, when the masses were groaning under the double yoke of the British raj and the native sharks, when official repression and a man-made famine swept millions of lives away, Shri Ram wrote to Thakurdas :

"There is in my humble opinion already a very great change in the policy of the Government so far as Indian industries are concerned, and to my mind, the Federation should consider over these questions from now and take them up."[110]

The fruits of this collaboration during the war, which brought untold misery to the lives of the people, were enjoyed in an abundant measure by the big bourgeoisie. D. R. Gadgil wrote : "The prices of cloth reached levels more than five times the pre-war level before Government intervened and when the intervention came, it was on terms on which alone the co-operation of the industrialists could be obtained.... The fixation of industrial or agricultural prices in India during wartime was thus in sharp contrast to the work of the Canadian Wartime Prices Board or the Ministry of Supply or other Control agencies in the United Kingdom or the O.P. A. [Office of Price Administration] in the United States of America."[111]

Naturally, the profits, for instance, of the cotton mill industry, in which capital to the tune of Rs 50 crore was "primarily invested", soared from Rs 7 crore in 1940 to Rs 109 crore in 1943.[112] But the declared profits were only 'peanuts' compared to the actual profits made when hoarding and blackmarketing were the rule. The Committee of the Bombay Millowners' Association admitted in the opening paragraph of its 1944 Report: "The story of the cloth and yarn markets during the year is more or less a story of black market, control and still more black market."[113] In this economic war against the people, the Indian and British bourgeoisie and the colonial state machinery were at one pole and the people at the other.

Writing in 1951, D. R. Gadgil observed : "A glance at the industrial growth of India during the last 30 years makes clear how almost each industry has grown through support, direct and indirect, given by general revenues or by laying burdens on the general consumer."[114]

NATURE OF CONTRADICTION BETWEEN FOREIGN CAPITAL AND INDIAN BIG CAPITAL

It is not suggested that the relation of the Indian big bourgeoisie with foreign imperialist capital was one of only collaboration and no conflict. Nor is it suggested that British imperialism was not opposed to the development of India's capitalist industry. My contentions are : First, there was an *antagonistic contradiction between imperialism and independent development of capitalism in this country;* second, much of the capitalist industry that developed in India did so not in the strongest contradiction with the policies of imperialism but mostly on a comprador basis; third, there was also contradiction between the Indian big comprador bourgeoisie and British capital, but such contradiction was over secondary issues, such as tariff, protection, fiscal autonomy, government purchase of stores, reservation of coastal shipping, sterling-rupee ratio, the empire dollar pool, sterling balances, etc. Over matters concerning respective shares of the spoils there were conflicts between metropolitan capital and Indian big capital. But such conflicts were intended not to terminate the principal-comprador relationship but only to improve the terms within the framework of that relationship. These conflicts could be resolved within the imperialist system itself. But on the primary, basic issue whether imperialist control and exploitation should be liquidated, the Indian big bourgeoisie, which grew up under the fostering care of imperialism and played a complementary role to that of metropolitan capital, sided with imperialism and opposed the people. Co-operation with imperialism, which meant subservience, was primary while conflict or contradiction was secondary. Here, in passing, we may refer to a few facts.

On many of the issues on which there were conflicts between Indian big capital and metropolitan capital, British expatriate capital in India often made common cause with the former. We have seen in the previous chapter that on the question of tariff on Lancashire textiles and countervailing excise duties on Indian mill-made goods in 1894 and 1896, the representative organizations of British capital in India were as critical of the government policy as the Indian millowners. It is interesting that in the early twenties, Edwin Montagu, then Secretary of State for India, told a Lancashire delegation that the import duties imposed on Lancashire piecegoods in India in 1921 had not been levied for the benefit of Bombay millowners. He said : "Then a proposal was made [in the Indian Central Legislative Assembly] to increase the duty that you take such a strong exception to from 11 per cent to $12\frac{1}{2}$ per cent.... The people who proposed that increase in the Legislative Assembly were the non-official *European* members from Bombay, and it is suggested to me in the telegram that one of the reasons it was done was in order to give an answer to Manchester agitation."[115]

The government's policy of purchasing in England stores required by the railways and its various other departments was opposed not only by Indian capitalists but by British capital operating in India—for example, by Binny and the Indian Engineering Association, in which the major interests were British.[116]

The demand of fiscal autonomy was raised as early as 1904 by British industrialists in India like Ernest Cable (later Lord Cable) of Bird and Co. British businessmen and their representatives demanded tariff protection for the paper and sugar industries before and during World War I.[117] On the question of the sterling-rupee ratio, "most expatriate businessmen, including the Managing Governors of the Imperial Bank", to quote Tomlinson, "advocated devaluation in the early 1930s" : they supported the demand of the Indian big bourgeoisie for fixing the 1s. 4d. ratio of the rupee, instead of 1s. 6d., as adopted by the colonial rulers in 1927. Among others. George Schuster, then Finance member of the Viceroy's Executive Council, and even the Governor of the Bank of England, were in favour of devaluing the rupee to 1s. 4d. against sterling.[118] The British-owned *Times of India* supported the 1s. 4d. ratio of the rupee and systematically campaigned for it. Besides, this daily, as Sir Stanley Reed, its editor, wrote to Gandhi, "fought consistently against the cotton excise duties, and also for fiscal freedom for India."[119] Geoffrey Tyson, who was editor of *Capital* from 1932, a mouthpiece of British capital in India; a European representative in the Central Legislative Assembly for some time; and, later, editor of the *Quarterly Review* published by the National Bank of India, wrote : "*business there had, in fact, for long been a much closer degree of collaboration between Britons and Indians than most people realized.*"[120]

Second, it should be noted that the connections of the industrialists with provincial and central governments, as A. D. D. Gordon writes, "were strong and after the 1919 reforms they came into government in substantial numbers."[121] At some time or other, prominent industrialists like Sir D. E. Wacha. Sir Cowasji Jehangir, Sir C. V Mehta, Sir Ibrahim Rahimtoola, Husseinbhoy Lalji, Sir Lalubhai Samaldas and Sir Homi Mody were members of the Viceroy's Executive Council or of the Bombay Governor's Council. Sir Homi Mody has been called "the Raj's blue-eyed boy" by his biographer, D. R. Mankekar. Sir Purshotamdas Thakurdas served the raj in different capacities. We have pointed out in the second chapter that the millowners opposed every mass movement that might embarrass the rulers. During the non-co-operation movement in 1920-21, the industrialists rallied to the side of the government and some of them, R. D. Tata, Thakurdas, D. E. Wacha, Sir Phiroze Sethna, Sir C. V Mehta, etc., formed the Anti-Non-Co-operation League to fight the movement actively. Similarly, the millowners were opposed to the civil disobedience movement from the very beginning. Together with European millowners, they set up the Indian Industries Association to carry on a campaign against the civil disobedience movement.[122] Speaking of the period 1918-22, A. D. D. Gordon quotes Kannangara approvingly : *"their interests as a class made them....remain absolutely loyal to the British Raj"*[123]

G. D. Birla, whom Bipan Chandra described as "the brilliant political leader and mentor of the Indian capitalist class, whose political acumen often bordered on that of a genius"[124], often played the role of a political broker between the British rulers and the Congress leadership, especially Gandhi.[125] He hated civil disobedience and felt not only horror at the mere talk of it but "dread at anything that will lead us towards a mass movement." (Gandhian civil disobedience, as Gandhi's secretary Mahadev Desai explained to Birla, was the oppressed humanity's "medium of giving vent to its protest", a kind of sefety-valve intended for the benefit of the colonial masters and their allies). He stood for "settlement through persuasion" and believed in the efficacy of "personal touch" with the raj.[126] When the Second Round Table Conference failed and when, early in 1932, the British Indian government issued a sheaf of ordinances, "very drastic and severe" (to quote Sir Samuel Hoare, the then Secretary of State for India), and let loose widespread repression on the people, G. D. Birla offered his co-operation to the rulers in order to bring about "happy relations between the two countries". On behalf of the Indian big bourgeoisie represented on the Committee of the FICCI, he assured Sir Samuel Hoare that he could "rely on our support in the right direction" and that he would "find us *always ready to work for the economic interest, leaving aside sentiment and politics* ,"[127] He informed Hoare that he would discuss with Edward Benthall (who later became President of the Bengal Chamber of Commerce and, still afterwards, a member of the Viceroy's Executive Council) and others *"the question of closer co-operation between the two communities*

[British and Indian] interested in trade and commerce ,"[128] He proudly told the Viceroy's private secretary in December 1940 : "The Viceroy should have, by this time, known that no man among Indians has worked harder to help him or stood more loyally by him than myself." Feeling hurt at the Viceroy's lack of trust in him, he wrote to Gandhi's secretary : "you know how I have defended the Viceroy before Bapu [i.e. Gandhi] and how I have acted as if I was the Viceroy's representative."[129] This political near-genius believed that "since Macaulay's day the declared policy of the British Parliament and the accepted national programme of the British people as a whole...was that Indians should progressively learn to govern themselves and to do so as soon as they could."[130] That is, the British imperialists were always eager to be relieved of the 'white man's burden'. Such was the political ideology of the compradors.

Did the Indian big bourgeoisie seek to expel British capital from India and capture the home market? On the contrary, they sought more of foreign capital, as they do today. As we have already noted, the Indian Fiscal Commission 1921-2, of which G. D. Birla and Narottam Morarjee, were among the members, emphasized the need for foreign capital and foreign technology. Presiding over the second annual session of the FICCI in December 1928, Purshotamdas Thakurdas, the outstanding leader of the Indian big bourgeoisie, who together with G. D. Birla founded the FICCI, pleaded for co-operation between Indian and British commercial interests and declared that "Englishmen in India understand that Indian leaders have no predatory intentions."[131] In 1928, Birla wrote : "we agree that Indian and British interests are not irreconcilable and there is enough room for both the communities to work in close cooperation." Many similar statements were made by the Birlas and the Thakurdases on different occasions.[132] In 1931 Birla assured Sir Edward Benthall, a prominent leader of British expatriate capitalists in India, that "henceforward, he desired to work in close collaboration and to drop all his hostility."[133] And on 28 May 1932, Birla wrote to Professor J. M. Keynes that India—the Birlas' India—"wants nothing more than a privilege to have, in the words of Sapru, a decent place in the household of King George the Fifth."[134] In 1946, Birla declared in a press statement that he did not believe that British capital in India "will ever be expropriated. The British firms will carry on."[135]

The Indian big bourgeoisie aimed at building "a new order of things", not by righting British capital but by relying on it. In his presidential address at the third annual meeting of the FICCI, held in February 1930, G. D. Birla, after welcoming Viceroy Lord Irwin and other members of his council to the meeting, said : "Men cannot gather figs of thistles, nor can creditors realize their dues from insolvents. A prosperous India alone can redeem her debt [to England], and the policy to be followed in future should be one which makes for her prosperity at every turn. *They [the British capitalists] owe it as much to themselves as to this country, to strive in co-operation with Indians for a new order of things*"[136]

1942 AND THE INDIAN BIG BOURGEOISIE

Only in 1942 the traditional alliance between the raj and a section of Indian business magnates came under severe strain. Many of them looked forward to collaborating with Japanese capital as its underlings instead of with British. As Jawaharlal Nehru acknowledged, "many of the persons who had been collaborating with British rule...had perfected the art of collaboration and would find no difficulty in holding on to that basis even though the superstructure changed.[137] The spectacular advance of the Japanese army to the borders of India, the collapse of British rule in Malaya and Burma like a house of cards and the swift overrunning of almost the entire European continent by Nazi Germany convinced some business magnates and their political representatives of the ultimate victory of the Axis powers. They were like rats seeking to desert a sinking ship. They thought of forging new ties with Japanese capital and wanted to put pressure on the British to quit India. This thinking is reflected in the words of Pattabhi Sitaramayya, Gandhi's lieutenant: "Should India make herself a trailer to a sinking steamship or hitch her waggon to a falling star?"[138]

The British plan of adopting the scorched earth policy before abandoning Assam and Bengal and building a new line of defence across Bihar in the event of Japanese invasion[139] was a source of worry to many tycoons. They could hardly stomach the prospect of seeing their industries in eastern India and in the south being wiped out. "Indian industrialists and capitalists", to quote Edgar Snow (who met a number of them at the time), "were among the most suspicious and worried groups. Would not 'scorched earth' ruin their factories?"[140] So they wanted the British to withdraw from India and allow them to make new arrangements with the Japanese. Walchand Hirachand said to Edgar Snow that "As for choice between the British and Japanese, frankly he preferred to take his chance with the latter."[141] To the Indian big bourgeoisie the question at the crossroads of history was not one of achieving freedom from imperialist rule but of choosing between rival imperialist masters.

Earlier, on 4 September 1939, the day after World War II had broken out and India had been dragged into it by the British imperialists, Gandhi, who, as Edgar Snow said, could play "the dual role *of saint for the masses and champion of big business*" met Viceroy Linlithgow and told him that "my own sympathies were with England and France from the purely humanitarian standpoint." He wrote : "I am not therefore just now thinking of India's deliverance. It will come, but what will it be worth if England and France fall, or if they come out victorious over Germany ruined and humbled?"[142] In November 1940, almost immediately after he had been obliged to start an *individual* civil disobedience movement to provide an outlet for the pent-up resentment of the people against the British, and had written to Nehru that it was "do or die" and that "there is no turning back",[143] Gandhi sent his secretary, Mahadev Desai, as "his ambassador" to meet four persons in New Delhi. They were the Director General of Intelligence, the Additional Home Secretary in charge of the C.I.D. portfolio, the Home Member of the Viceroy's Executive Council and the Private Secretary to the 'Viceroy. It was Mahadev's mission to assure the raj that the object of the individual civil disobedience movement was not to hinder war efforts but to "live and let live", that Gandhi "takes every step with the good of the British always in his mind", and that "the balance of advantage arising out of his great influence for restraint is greater than the disadvantages arising out of his opposition."[144] Gandhi also wrote to the Home Member of the Viceroy's Executive Council that he was pursuing only "a *seemingly* opposite course". Sir Reginald Maxwell, the Home Member, replied that he was glad to."[145] Even on 12 October 1941 Gandhi said : "It is repeated time and again that England's difficulty is our best opportunity. Let me tell you that the Bombay Resolution of the A.I.C.C. precludes any such policy. How can we swear by non-violence and embarrass England in the hour of her difficulty?"[146]

But from the time of Holland's surrender in 1940 Hitler's stocks, as Gandhi's secretary Mahadev Desai informed G. D. Birla, had been "steadily rising" in Gandhi's eyes, and he was convinced that Britain would lose the war.[147] In a letter to Linlithgow on 26 May 1940, Gandhi advised the British cabinet through the Viceroy "to sue for peace" and wrote that "I do not believe Herr Hitler to be as bad as he is portrayed." And he urged the British in an appeal "To Every Briton" "to lay down the arms you have as being useless for saving you or humanity. You will invite Herr Hitler and Signer Mussolini to take what they want of the countries you call your possessions."[148]

Then the swift Japanese advance to the very doors of India and the possibility of imminent Japanese invasion brought about a sea change in his thinking. His early sympathy for the British had changed to passive waiting and gratuitous advice to them to surrender to the Nazis : now his passive waiting yielded to active opposition. Even before Stafford Cripps came in March 1942 and the proposals of the British cabinet were known, Gandhi's secretary had written to Birla : "Let Cripps come, if he likes. What does he hope to get from Bapu? He should rather get busy placating Jawaharlal and Rajaji."[149]

Gandhi was in no mood to stay in Delhi till the end of the negotiations between the Congress and Cripps, and dismissed the Cripps proposals as "a post-dated cheque on a *crashing* bank."[150] On 4 April 1942, Cripps wired to British Prime Minister Churchill that the Gandhi wing of the Congress was "against the scheme altogether. They are indifferent as to what happens in the war and *regard Great Britain as defeated and unimportant so far as the future of India is concerned.*"[151]

In April 1942 Gandhi "asserted how he used to say that his moral support was entirely with Britain but 'today my mind refused to give that moral support',"[152] And the Mahatma's 'inner voice' now dictated a different course altogether. So, after Cripps departure, Gandhi sent his draft of a resolution for the consideration of the Congress Working Committee and of the All India Congress Committee, which were to meet at Allahabad on 27 April and subsequent days. The draft stated among other things :

"The A. I. C. C. is of opinion that Britain is incapable of defending India.... Japan's quarrel is not with India.... If India were freed her first step would probably be to negotiate with Japan... This Committee desires to assure the Japanese Government and people that India bears no enmity either towards Japan or towards any other nation....

"It is necessary for the Committee to make a clear declaration in regard to the scorched earth policy...it can never be the Congress policy to destroy what belongs to or is of use to the masses."

The draft resolution demanded that "the British should withdraw from India", "remove these foreign legions and henceforth stop further introduction [of foreign soldiers]."[153]

Criticizing Gandhi's draft, which was supported by Patel, Prasad, Kripalani, etc., Nehru said at the Congress Working Committee meeting : "If Bapu's approach is accepted we become passive partners of the Axis Powers...the whole thought and background of the draft is one of favouring Japan.... It is Gandhiji's feeling that Japan and Germany will win. This feeling unconsciously governs his decision."

Commenting on Gandhi's draft as amended by Rajendra Prasad, Rajagopalachari said : "Japan will fill the vacuum created by the British withdrawal.,.. Do not run into the arms of Japan, which is what the resolution comes to."[154]

But Gandhi was not prepared to wait any longer. At an interview with the press on 16 May, 1942 he said that "this orderly disciplined anarchy [meaning British rule] should go, and if as a result there is complete lawlessness I would risk it..." And in *Harijan* of 7 June, 1942, he issued a call to the people "to resist the slave drivers." On 28 May 1942 he said to members of the Rashtriya Yuvak Sangh : "We have to take the risk of violence to shake off the great calamity of slavery."[155]

The top leadership of the Congress was then a house divided against itself, as Gandhi himself pointed out.[156] Unlike Gandhi, Patel, Prasad, etc., who sought to put pressure on the British to withdraw from India and allow them to come to terms with the Japanese, Nehru and Azad were confident of the ultimate victory of the Allies. Nehru had forged close links with the Chiangs and the Americans and was even invited to visit the U.S.A. and meet President Roosevelt. He told Colonel

Johnson, U.S. President's Personal Representative in India, that India would hitch its "wagon to America's star and not Britain's."[157] While sharing Nehru's faith in the victory of the Allies and opposing Gandhi's move to embarrass the British, Rajagopalachari struck a different note. He openly criticized the Congress for rejecting the Cripps offer (and, later, the Congress movements of 1920-1 and 1930-3), pleaded for an alliance with the Muslim League on the basis of acceptance of its demand for a separate state and wanted to set up a "National Government" under the aegis of the raj and resist the Japanese.[158]

This division within the top leadership of the Congress reflected the conflicting aspirations of the Indian big bourgeoisie. While many of the Gujarati and Marwari millowners like Walchand Hirachand, Kasturbhai Lalbhai and Ambalal Sarabhai waited to welcome Japanese masters, another section remained pro-British, while a third preferred the Americans, whose star was rising. The hopes of this section were encouraged by, among other things, the decline of British imperialism, the growing U.S.-British contradictions, the report of the Grady Mission and the ties forged before and during the war with U.S. monopoly capital.

Sharp differences almost split the Congress Working Committee. At Gandhi's insistence, Rajagopalachari had to resign not only from the Working Committee but from the Congress itself. Besides him and a few other members of the Working Committee, Nehru and Azad were opposed to the launching of any movement. From his talks with Nehru on 5 April, Colonel Louis Johnson came to believe that Nehru "would work to assist the war effort even if the 'Cripps proposals' did not go through."[159] Cripps assured Churchill on 11 April that, immediately after the failure of the negotiations, Nehru had come out "in a fine statement for total war against the Japanese."[160] At an interview that Nehru gave to a *News Chronicle* representative soon after Cripps had left, Nehru "tried to represent that though Congress has rejected the Cripps offer, India was willing to help the British."[161] Basing his observation on various documents, Gary R. Hess writes : "While not openly disagreeing with Gandhi, Nehru worked behind the scenes during June and July in an attempt to forestall Gandhi's campaign."[162]

Differences became so acute that, on 15 April, Gandhi felt it his "duty to caution" Nehru and, on 13 July, he wrote to Nehru, demanding his resignation from the Working Committee. He also asked Azad to resign the presidentship of the Congress.[163] On 16 July, immediately after the Working Committee had met at Wardha and adopted the "Quit India" resolution, Gandhi's secretary wrote to G. D. Birla : "The W. C. [Working Committee] was this time our eye-opener. With the exception of the Khan Sahib [Abdul Ghaffar Khan] the Muslims have no heart in the Congress programme—or rather Bapu's programme. Jawaharlal is too deeply committed to China [i.e., to the Chiangs] and America to take up anything energetic immediately. My fear is that the real situation is even worse.... The fact is that he [Gandhi] is determined to throw his last throw, this time."[164] Ultimately Nehru and Azad climbed on Gandhi's bandwagon for fear of losing popularity with the masses.

Curiously, the Congress leadership, which gave a clarion call to the people to "do or die", did not place before them any programme of action. As Nehru said, "Neither in public nor in private at the meetings of the Congress Working Committee did he [Gandhi] hint at the nature of the action he had in mind, except in one particular [a one-day protest *hartal]*.... So neither he nor the Congress Working Committee issued any kind of directions, public or private, except that people should be prepared for all developments...."[165]

The people, left to themselves and uninhibited by any respect for 'non-violence', rose in heroic revolt in many parts of the subcontinent. On 31 August Viceroy Linlithgow wired to Churchill that it was "by far the most serious rebellion since that of 1857, the gravity and extent of which we have so far concealed from the world for reasons of military security."[166] The fiercest struggle was waged in north and central Bihar and east U.P., a contiguous area about the size of England and Wales. In most villages in this region the raj collapsed and could be set up again after about a fortnight by "nearly a full army corps, supported by aircraft and armour." "For two weeks or more", writes H. V. Hodson, then Reforms Commissioner of the Government of India, "the writ of Government did not run in most of Bihar and some districts of the United Provinces."[167] As Max Harcourt observes, "the forestalling arrests of provincial Congress leaders [and all-India leaders] far from dampening down the movement actually abetted the process whereby it developed into an insurrection."[168] Parallel governments were established in several areas, besides this region. More than fifty-seven army battalions were employed and machine-gunning from the air was resorted to crush this widespread peasant rebellion. By May 1943, "105 battalions were given the special task of keeping India quiet...."[169]

D. D. Kosambi writes that though the esteemed leaders knew that arrest was imminent and though most of them "had prepared for the event by setting their family affairs and personal finances in excellent order," not one of them "ever thought of a plan of action for the Congress and for the nation as a whole." Kosambi observes that on a *class* basis this refusal to draw up a plan of action "was quite brilliant, no matter how futile it may have seemed on a national revolutionary scale. The panic of the British government and jailing of all leaders absolved the Congress from any responsibility for the happenings of the ensuing year; at the same time the glamour of jail and concentration camp served to wipe out the so-so record of Congress ministries in office, thereby restoring the full popularity of the organization among the masses. *If the British won the war it was quite clear that the Congress had not favoured Japan : if on the other hand the Japanese succeeded in conquering India (and they had only to attack immediately in force for the whole of the so-called defence system to crumble) they could certainly not accuse the Congress of having helped the British.*"[170]

For weeks before the AICC meeting in Bombay in August 1942, Gandhi had been declaring that it was "open rebellion," that there was *"no room left in the proposal for negotiations,"*[171] but in his speech at the AICC meeting on 8 August, after the 'Quit India' resolution had been adopted, Gandhi, while asking the people 'to do or die', announced that he would approach the Viceroy before launching the movement. The British did not allow him the opportunity. Viceroy Linlithgow had anticipated Gandhi's move, and on 11 July, 1942 he wrote to Secretary of State Amery: "I am inclined to think myself that the old man [Gandhi] will play for time and (as so often happened in the past) produce a threatening resolution drafted so as to attract as much attention as possible here, at home and in the United States but also worded so carefully as to leave ample opportunity for Congress to get out without too much loss of face if things look like going badly for it later on."[172]

It seems that, intaiediately after his arrest, Gandhi felt that his calculations had gone wrong; and on 14 August, within a week of his arrest and internment in the Aga Khan Palace, Gandhi wrote to Linlithgow repudiating all responsibility for the 'Quit India' movement and assuring him that "I remain the same friend you have known me."[173]

The Ahmedabad millowners kept their mills shut for more than three months. In Bombay a few "millowners themselves, led by Patel's friends such as Mafatlal Gagalbhoy...staged lockouts. Foremen and managers simply told the workers to go home and promised to see that they got their wages. But when owners saw that the revolt had failed they quickly reopened the factories."[174]

During these uncertain months some Bombay business magnates, such as Sir Purshotamdas Thakurdas and Sir Cowasji Jehangir, and perhaps the Madras; tycoons remained unwavering in their loyalty to the British.

Some of the big bourgeois like the Tatas and Birlas followed a dual policy. They did not put their eggs in one basket. They were far from enthusiastic about any conflict with the raj. While serving British imperial interests and enriching themselves in the process, they contributed liberally to the Congress funds and offered other secret help. In his letter of 14 July 1942 to Gandhi's secretary Birla painted the dark aspects of ths political situation in India, which were not favourable to the success of 'Bapiu's movement'.[175] Together with Sir Purshotamdas Thakurdas, who "did not hesitate the throw the full weight of his support in their favour [in vour of the British],"[176] and a few others, G. D. Birla and Sir J. R. D. Tata submitted a memorandum to the Viceroy before the 'Quit India' resolution was adopted by the All India Congress Committee. It stated; "We are all businessmen, and, therefore we need hardly point out that our interest lies in peace, harmony, goodwill and order throughout tte country.... We have always believed in creating a firm and solid foundation for building up a permanent friendship between England and India, and throughout our public career most of us have endeavoured to work for this object...."[177]

With the permission of the Tatas Sir Homi Mody, a director of Tata Sons Ltd., became inn May 1941 a member of the Viceroy's Executive

Council and was a party to all the brutal measures that were adopted to quell the August rebellion.[178]

On the other hand, the entire TISCO remained closed for about a fortnight from the night of 20 August 1942, costing the British 300,000 tons of lost steel production. Edgar Snow wrote that, though the TISCO workers had no serious grievances, "just before Gandhi was arrested the owners inexplicably distributed a three months' 'Bonus' to all employees, who then promptly went on protest strike, led by their foremen! In contrast, practically none of the miserably paid workers in state-owned enterprises—and none whatever on the railways, most important of all—made any serious move to back Gandhi."[179]

On September 1, Viceroy Linlithgow informed the Secretary of State: "Incidentally, I am by no means satisfied with the Tata business. All these Parsees are rather inclined to play for safety.... I have given [Sir Homi] Mody a very broad hint that while Tatas are important from the point of view of the war effort of the United Nations, they are not in the least degree essential, and that if they continued to play the fool we may have to send our orders in other directions. I am glad to say that he shows signs of having taken that seriously." The threat had immediate effect. Normal work was resumed in the TISCO in less than two days.[180]

Referring to M. N. Roy's statement in *Indian Labour and Post-War Reconstruction* that "the few cases of serious interference with production were engineered by the industrialists themselves, including the Tata Iron and Steel Company," S. K. Sen writes : "On the contrary the TISCO management tried to break the strike. The war had provided a stimulus to production and the Company entered a period of boom."[181] Quite characteristically, Sen fails to realize that, despite the boom, there were other considerations, which prompted a section of Indian businessmen like the Tatas, Birlas and Walchand to lend secret support to a "short and swift struggle" against the rule of British capital but not against that of all foreign capital. They were playing for high stakes.[182] As noted before, in Ahmedabad the cotton mills were closed by Ambalal Sarabhai, Kasturbhai Lalbhai and others for more than three months (despite the boom). What the Tatas, Sarabhais, Lalbhais, Gagalbhais and their ilk lost due to the temporary stoppage of production was more than made up by the undreamt of profits they harvested afterwards in conditions of scarcity.

A note entitled "Congress and 'Big Business' " by the Intelligence Bureau, Government of India, Home Department, dated 28 February 1944, contains reports from chiefs of intelligence and the police of various places in India that the Congress was receiving financial help from Indian big business. It also states : "In November 1942, two Gujarati merchants told a secret agent that the motives which led the millowners of Ahmedabad to close their mills were more economic than political, as the Congress leaders, particularly Vallabhbhai Patel, had impressed upon them that a Japanese invasion was a certainty and that in that event their accumulated profits in the shape of money would have no value; the millowners calculated that the losses incurred by closing their mills could be made up by the rise in prices, which would follow the decrease in production."

The Intelligence Bureau note further states that when Herbert Matthews, a *New York Times* correspondent, visited Ahmedabad in March 1943, "the local millionaires deplored what had been happening in the country and pointed out that their object in life being to make money, like most Indian businessmen, they were keeping one foot in the Congress camp, which they expected to see running the country, and another in the British camp, which is running it now and gives them fat orders."

According to this note, "in the course of the statements made to the Police after his arrest, Jayaprakash Narayan said :'...in fact I hate their [the Birlas'] dual policy. On one side they claim to be nationalists while on the other they have all the military contracts'."[183]

When the calculations of this section of the big bourgeoisie turned away, the old relations were soon re-established. It is interesting that the Ahmedabad millowners, perhaps to expiate their 'sin' of 1942, celebrated the victory of the British and their allies by offering a "Victory Bonus" to their workers in 1945.[184] When Birla saw Viceroy Wavell on 6 March 1944, he affirmed that "he believed in co-operation, [and] agreed that political leaders had missed a great opportunity during the war." He was anxious that the post-war years should not be wasted. He "favoured industrial visit to [the] U.K." by a delegation of Indian industrialists and "would be prepared to go himself." He also "recommended [the] appointment of a Member [of the Viceroy's Council] for Reconstruction."[185] The Indian big bourgeoisie was then eager not only to serve British capital as before but to hitch its fortune to the more resplendent star of U.S. monopoly capital.

TOWARDS "JOINT CO-OPERATIVE DEVELOPMENT OF INDIAN INDUSTRIES"

When World War II was nearing its end, the Indian big bourgeoisie came to cherish ambitious plans as it expected to obtain some freedom for itself within the limits of basic dependence on imperialist countries after the war. Its hopes were roused and sustained by, among other things, the decline of British imperialism, the collapse of old imperialist powers like France and the Netherlands, the prospect of Japan's eventual defeat, the contradictions between U.S. and British imperialism—and the huge war profits it had made.

These hopes and aspirations are enshrined in *A Brief Memorandum Outlining a Plan of Economic Development for India*—popularly known as the Bombay Plan—in two parts, which appeared in 1944. Its authors were the topmost representatives of the Indian big bourgeoisie— Sir J. R. D. Tata, G. D. Birla, Sir Purshotamdas Thakurdas, Sir Shri Ram, Kasturbhai Lalbhai etc.

Planning was in the air at the time. The success of the Soviet Five-Year Plans adopted since the end of the twenties prompted the capitalist ruling classes in some countries to attempt economic planning to deceive their people. While the object of the plans in the Soviet Union, where private property had been abolished, was to transform and regenerate society for the welfare of the people, the object of the capitalists was to overcome their temporary crisis in order to give a new lease of life to monopoly capitalism.

Even the shrewdest among the British colonialists and their compradors in India thought of adopting economic plans to hoodwink the people and to exploit them better.

As early as June 1932, Sir George Schuster, then a member of the Viceroy's Council, liked to "see the G.O.I, attempting to devise some thing 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."[186] And addressing the annual session of the FICCI on 1 April 1934, G. D. Birla spoke on the importance of economic planning and urged the adoption of plans in India—a semi-feudal, colonial country.[187] So did N. R. Sarkar, president of the FICCI session in 1934.

In 1938 the Congress set up a National Planning Committee with Nehru as chairman, which included among its members high officials of provincial governments—Congress and non-Congress—and enjoyed the co-operation of several big native princes, such as those of Hyderabad, Mysore, Baroda, Bhopal and Travancore. The Government of India was also co-operating: it was sending materials as well as its representatives to attend the committee's meetings. Indian big capital was strongly represented on it. Among its members were Thakurdas, A. D. Shroff, Ambalal Sarabhai and Walchand Hirachand. The secretariat to the committee was provided by the Tatas.[188]

In 1942, after the 'Quit India' struggle had started, the tycoons undertook to draft an economic plan. The Tatas provided most of the resources. The first part of this plan—the Bombay Plan—appeared in January 1944 and the second part in December of that year. In the meantime Sir Ardeshir Dalal, Managing Director of TISCO and an author of the Bombay Plan, had been appointed member of the Viceroy's Executive Council in charge of planning and development.

What are the main features of the Bombay Plan?

The plan assumed that "on the termination of the war or shortly thereafter, a national government will come into existence at the centre which will be vested with full freedom in economic matters." Such words as *'swaraj'* and 'national government' were capable of various interpretations, however baffling they might be to ordinary people. For different meanings of *swaraj,* one may refer to Nehru.[189] Similarly, 'national government' had one meaning for the big compradors and their political representatives and another for the masses. To the former a 'national government' meant a government representing political parties, which would work within the framework of the GOI Act of 1935—under a British Viceroy responsible to the British cabinet and with a British C-in-C controlling military affairs. In 1944, after the first part of the Bombay Plan had appeared, Bhulabhai Desai, the leader of the Congress Party in the Central Legislative Assembly, saw Viceroy Wavell and proposed with the blessings of Gandhi that a 'national government' should be established "under the existing constitution from members of the existing legislature" to be ultimately selected by the Viceroy. During these negotiations, Birla joined Desai and met the Viceroy's Reforms Commissioner. [190] What they wanted was a 'national government' with some more control over economic affairs under His Majesty's Government. This was implied in the Bombay Plan itself. While assuming their 15-year plan to start in 1945, the authors hoped that the war would continue "for a year or two and that His Majesty's Government [would] continue to make purchases from this country on the same scale as they have been making hitherto."

The objective of the plan, according to its authors, was "doubling of the present per capita income", i.e., "trebling of the present national income". The plan "amounted to", as H. V. R. Jenger writes, "doubling the per capita income in a period of 20 years" for it assumed that "a period of 4 to 5 years might be required to do all the preparatory work."[191]

The total plan expenditure for 15 years was estimated at Rs 10,000 crore, based on the value of the rupee "at approximately the average price level which prevailed during the period of 1931-39"—Rs 4,480 crore for the capital required for industry; Rs 1,240 crore for agriculture; Rs 4,280 crore for communications, education, health, housing, etc. The planners sought to liquidate illiteracy from the country at the total cost of Rs 66 crore—"at the rate of Rs 4 per adult"—a munificent sum. Vocational education was allotted half the sum and health Rs 450 crore—for 15 years.

How to finance the plan? One of the main means was deficit financing or "created money" to the extent of Rs 3,400 crore—a burden most of which the impoverished people had to bear and "a concept which had the blessing of the International Monetary Fund," as Iengar said.[192] Sterling balances which had accumulated and would accumulate, as Manu Subedar said, at the cost of millions of Indian lives, were expected to contribute Rs 1000 crore. From India's favourable balance of trade or 15 years—trade which was of the colonial pattern—would come Rs 600 crore. Savings would contribute Rs 4,000 crore; "the precise form in which the capital would be raised whether by the state in the shape of taxation or government borrowings or by private voluntary investment" was left for the future to decide. Another source of finance was loans from foreign countries to the tune of Rs 700 crore, which had to be repaid by the people with interest. All these figures would have to be multiplied five or six times, if not more, as the average price level would rise to that extent compared to pre-war prices, as lengar wrote.[193] The authors of the plan were hopeful that India could "borrow substantial amounts of capital if she wishes...especially in America." There were two main structural barriers to India's development-one, the dominance of imperialist capital over Indian economy and the other, feudal agrarian relations. Without their liquidation, development, except of the plutocrats and their hangers-on, was impossible.

It is wrong to assert, as some do, that the plan declared war against imperialist capital. Far for proposing that the foreign capital which then dominated India's foreign trade, banking and industry should be taken over, the plan depended on its implementation on fresh borrowings of loan-capital. It declared : "In the initial years of planning, India will be dependent almost entirely on foreign countries for the machinery and technical skill necessary for the establishment of both basic and other industries." Again, it stated : "For capital goods, mainly machinery, India will have to depend on foreign countries for a longer time and to a larger extent than for labour."

Did the plan declare war against feudalism? Neither abolition of feudal landlordism nor liquidation of feudal princely states nor redistribution of land was proposed : instead, consolidation of holdings and co-operative farming were suggested as the panacea for the ills of Indian agriculture The plan stated : "It increases the size of the holding for purposes of cultivation without depriving the cultivators of their right to the ownership of their existing holdings [whatever might be the size of the holdings]. In order that co-operative farming should come into vogue as early as possible, some measure of compulsion seems desirable."

Compulsion on whom? When landlordism flourished even in ryotwari areas, when land-holdings were so unequal, when agricultural indebtedness was so acute, forced co-operative farming would hand over control over the destiny of the masses of the peasantry to the feudal landlords and the rich peasants who had a feudal tail. In Part II of the plan, the tycoons proposed that in the zammdari areas the rights of those landlords who were not directly interested in cultivation might be taken over by the state after giving them compensation. That, too, was no better than a cosmetic reform, as it proved to be afterwards.

The plan proposed the liquidation of agricultural indebtedness "principally through co-operative societies." No amount was allotted for organizing and financing co-operative credit societies. Instead, the traditional money-lenders were entrusted with that task. They were expected to extend cheap loans to these societies in order to enable the debtors to repay their loans. That is, traditional money-lenders, the rural (and urban) leeches, would *voluntarily* agree to liquidate the loans they had themselves advanced at exorbitant rates of interest by financing credit co-operative societies at cheap rates of interest. There would be no compulsion but only conciliation. A quite ingenious solution of the problem of rural indebtedness, indeed! This would actually amount to handing over the rural co-operatives to the same exploiting classes of traditional money-lenders, landlords and traders.

The plan envisaged a mixed economy—the co-existence of private and public sectors in industry. It conceded full or partial state ownership of enterprises—"public utilities, basic industries, monopolies,..." Besides full or partial state ownership, the plan proposed state control in various forms. The planners wanted state subsidies for essential utility services like electricity, gas and transport—subsidies which would help their industries to flourish.

A strong, centralized state was the heart's desire of the tycoons. They affirmed that "practically every aspect of economic life will have to be so rigorously controlled by government that individual liberty and freedom of enterprise will suffer a temporary eclipse."[194] Professors Wadia and Merchant were not wrong when they said : "A national government, as our authors contemplate it, will be a government representing their 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 state will eliminate new competitors from the existing industries and leave the field for new industries open to themselves."[195]

The Bombay Plan was a model of dependency on imperialist capital and technology and was intended to develop big bourgeois enterprises as well as semi-feudal interests while the burden of development would be borne by the impoverished people.

And the Bombay Plan became the model for the five-year-plans framed during Nehru's regime and after. As 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 the 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."[196]

Planning became in the hands of the Marwari, Gujarati and Parsi compradors and their political representatives a convenient instrument for concentrating all power at the centre for the benefit of the former and their hangers-on and for stifling the aspirations of the bourgeoisie of the different national regions. This alarmed the big Tamil compradors who, though weaker than the Marwari, Gujarati and Parsi compradors, were stronger than the bourgeoisie of other regions. As Raman Mahadevan writes, "There was a latent fear [among them] that in the post-war plan for industrial development, Madras would be overlooked. This perceived fear of a possible domination of the South Indian market by the capitalists from other regions provided the basis for the coming together of large sections of regional capital, with the leadership for this trend being provided by the SICC [Southern India Chamber of Commerce]." To quote Mahadevan again, "The first South India Industrial and Commercial Conference held in Madras in 1945 and convened by the Southern India Chamber of Commerce with a view to discussing the prospects of industrialization in Madras reiterated the regionalization principle.... This conference was fairly representative and brought together for the first time almost all the leading industrialists of South India under one platform".[197] Happily for them, they were soon co-opted into the privileged club of the big Marwari, Gujarati and Parsi compradors. One of their representatives, Sir Shanmukham Chetty, became the first Finance minister in New Delhi after the end of *direct* British rule in 1947.

On its publication, the Bombay Plan was enthusiastically hailed by Nehru as "one of the most cheering and promising signs of the times in India recently." (Nehru resented Professor K. T. Shah's criticism of it). It was also warmly welcomed by India's former Finance member George Schuster while he spoke in British Parliament and by the Secretary of State, Leopold Amery. On the other hand, Professors Wadia and Merchant observed :

"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."[198]

The British monopolists were also changing their tactics during World War II itself to suit the altered circumstances. In a letter to L. Amery, Secretary of State for India, as early as 21 September 1942, Ernest Bevin, a Labour member of the British Cabinet (who "like everyone else hates the idea of our leaving India"),[199] warned that "the United States will make the industrialization of India and China an important objective and that effort will be made to lay a foundation for this through activities during the war." He feared that "much of our own thinking on post-war export trade is in terms of consumer goods and I doubt very much whether whole-hearted co-operation in the industrialization of India is sufficiently in mind." He hoped that Amery would agree "that *in the consideration of post-war trade this subject should be given a prominent place* and that plans should be made accordingly and considered wow."[200]

During the later phase of the war British monopoly capitalists were planning to expand the market in India for their capital goods and sophisticated consumer goods and to set up manufacturing units in India in partnership with the Indian big bourgeoisie. On 2 March 1943 Amery informed Viceroy Linlithgow that Lord McGowan of ICI was "all for *British firms throwing themselves frankly into that development [India's future industrial development]*" and *"also bringing Indians* *into partnership in local Indian companies as much as possible"*. Lord Mc Gowan also suggested the setting up of an Indian Development Commission "both at the Indian and also at the British end, to consider what British industry could do to help the most rapid development in India."[201] On 27 April 1944 Amery reported to Viceroy Wavell that Sir Raymond Streat, an influential representative of the British textile industry, showed an "attitude [which] was thoroughly realist and helpful, with none of the old Lancashire idea that India ought to be a reserved market for Lancashire cottons" and that Sir Raymond "was quite willing to discuss the provision of textile machinery for India."[202]

Writing to Wavell on 29 March 1944, Amery said that Dalton, President of the Board of Trade, "to whom I spoke and wrote about the importance of an early visit [of an Indian industrial delegation], has been quite helpful... After all, the important thing is that they should make their personal contacts and feel that British industry is out to co-operate with them and not to boss them.... I am all for welcoming it [the Bombay Plan] in general terms and making these big industrialists feel that the GOI is both more capable and more willing to help on the industrialization and development of India than Congress would ever be..."[203]

In the meantime, in March 1943, the Post-War Reconstruction Committee of the Viceroy's Executive Council was set up. Wavell placed a "Memorandum" on "Post-War Reconstruction" at a meeting of the provincial governors in November 1943. He stated that "nothing short of a national plan of the most sweeping character will remedy the poverty and backwardness of the country."[204] On coming to India Prof. A. V. Hill, Secretary of the Royal Society, suggested the possibility of *partnership between British and Indian capital for the successful development of India's potential resources.*

Both Amery and Wavell were eager to help in making *"co-operative arrangements"* between British and Indian big capital *"for joint co-operative development of Indian industries ."*[205]

As early as January 1944 Wavell began to try "to get a visit of big Indian industrialists to the United Kingdom (and United States of America if they want to...) organized at an early date."[206] The fear of American competition haunted them. On 12 June 1944 Wavell wrote to Amery that "if we are to hold our own with countries such as the United States and Russia with their vast internal markets, we must go in for some form of co-ordinated effort within the Empire."[207]

In July 1944, Sir Ardeshir Dalai, Managing Director of TISCO and one of the authors of the Bombay Plan, was appointed to the Viceroy's Executive Council as member in charge of the new portfolio of Planning and Development. It is quite significant, as Wadia and Merchant pointed out, that Sir Ardeshir was quite emphatic in his assertion that *"the objectives of the Government Plan and those of the Bombay Plan are the same"* He also suggested 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."[208] As Michael Kidron says, many of the policies and measures adopted after the transfer of power in 1947 were foreshadowed during this period.[209]

Those, including Soviet academicians, who are enamoured of Nehru's "socialist pattern of society" and "public sector" (or "socialist sector," as many writers of both 'right' and 'left' hues are fond of describing it), should note that the Viceroy's Executive Council might legitimately claim to be the parent of the "socialist pattern." Acting Viceroy John Colville informed Amery on 16 April 1945 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, electrical machinery, machine tools, electrochemical and non-ferrous metal industries."[210]

Soon, on 31 April 1945, Sir Ardeshir Dalal's department of planning and development issued the official "Statement of Industrial Policy".[211] It was no less 'socialistic' than Nehru's 'socialist pattern' plans. It proposed to bring under the control of the Centre twenty basic and other industries catering to the needs of the masses. It, too, stated that if adequate private capital was not forthcoming, basic industries, apart from ordnance factories, public utilities and railways, should be nationalized. The three "objectives" that the statement proclaimed were: "(i) To increase the national wealth by the maximum exploitation of the country's resources.... (ii) To make the country better prepared for defence.... (iii) To provide a high and stable level of development."

The statement was welcomed by Sir Badridas Goenka, then president of the FICCI. There was, as Professor Wadia said, "a remarkable parallelism between the proposals contained in the Bombay Plan and the recent Government communique."[212] *Instead of coming into conflict with each other, British monopoly capital and Indian big capital looked forward to playing complementary roles in the post-war period as before.*

At the crossroads of Indian history the Indian big bourgeoisie, as we have noted before, relied on two props for its further growth and enrichment—imperialist capital and State capitalism, which, to quote Maurice Dobb, means "State-reinforced monopoly—monopolistic restriction and monopolistic aggrandizement with the sanction and by the arm of the law." Dobb added that the various species of state capitalism have a common element which is "the co-existence of capitalistic ownership and operation of production with a system of generalized controls over economic operations exercised by the State, which pursues ends that are not identical with those of an individual firm."[213]

Referring to the proposed visit of the delegation of Indian industrialists to the U.K. and the U.S.A., Amery informed Wavell on 25 January 1945 that the U.K. business interests were "anxious to assist India's industrial expansion which they believe will, *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." A confidential memorandum, prepared jointly by the Board of Trade and Amery's office, was enclosed with this message. It stated: "In the case of India it seems 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...."

The memorandum expressed the hope that, through cooperation with Indian industrial interests and by setting up manufacturing units in India, British monopolies would be capable of *"guiding domestic production* in the interests of both countries" and *'strengthening...our position in the Indian market'*[214]

Interestingly, U.S. imperialists also wanted to pursue a policy no different from this. John Abbink, head of a U.S. technical mission in Brazil, said : "The U.S. must be prepared to 'guide' the inevitable industrialization of the undeveloped countries if we want to avoid the shock of intensive development outside U.S. aegis.... Industrialization, if not controlled in some way, would bring a substantial reduction of U.S. export markets."[215]

As part of the preparations for the visit of the Indian industrial delegation led by Sir J. R. D. Tata and G. D. Birla, British monopoly capitalists formed the Midlands Group to offer the Indian delegation "helpful co-operation." Hailing this, *Capital* wrote : "Partnership in the old-fashioned business meaning of the word may no longer always be possible. But collaboration over a large area of commercial activity is not merely something to be hoped for; it is an inescapable necessity."[216]

Wavell had a note prepared on the effect of the proposed transfer of power in India on "the Strategy, Economics and Prestige of Great Britain and the British Commonwealth." It said : "As India's commerce and industry expand, there seems every reason that British business, both in India and in the U.K., should also benefit increasingly. Britain is still the natural market from which Indian importers are likely to seek their requirements; and sterling balances will greatly strengthen the connection." The note concluded : "To sum up, it is vital to Britain that when she gives over political power in India, she may be able to hand over to a stable and friendly Government and contract with it a genuine defensive alliance.... If this objective is achieved the demission of political power may bring advantage and not loss...."[217]

Among the factors that brought about the changed stand of British monopoly capital was the fact that, as Tomlinson points out, the structure of British economy had undergone a change in the first half of the 20th century : "important industries were emerging that had little use for India" with her non-industrial, depressed peasant economy.[218] So a kind of industrialization of India, *guided by metropolitan capital,* was deemed necessary in its own interests. Tomlinson adds that the "proceedings and pamphlets of the Federation of British Industries indicate that some British businessmen were beginning to see this by the 1940s."[219] The Report of the Indian Industrialists' Delegation to the U.K. and the U.S.A. confirmed this fact. It stated : "In Britain we were struck by the fact that the inevitability of India's political and economic independence [sic] in the near future and her rapid industrialization thereafter was recognized and that there appeared to be a desire on the part of many industrialists and businessmen to adapt themselves to the new conditions."[220]

The following picture of Bengal (perhaps the richest province before colonial rule), which R.G. Casey, Governor of Bengal and later a member of the British cabinet, drew in 1945, will give some idea of the state of "depressed peasant economy" to which India was reduced by long British rule. In 1 March 1945, Casey wrote to Wavell: "Judged by any standards with which I am acquainted or which I can imagine, the administration is of a very low order. On these standards Bengal has, practically speaking, no irrigation or drainage, a medieval system of agriculture, no roads, no education, no cottage industries, completely inadequate hospitals, no effective public health sevices... The position in Bengal today, I know, is a legacy from the times when the whole of India was in effect centrally administered and the Empire has cause for shame in the fact that, in Bengal at least, after a century and a half [almost two centuries] of British rule, we can point to no achievement worth the name in any direction."[221]

During the inter-war years, the traditional British industries, such as textiles, ship-building and coal, declined : on the other hand, technologically new and mass production industries like engineering, electrical goods, chemicals and automobiles grew rapidly. As Hobsbawm writes, "Britain was no longer a Victorian economy. The importance of scientific technology, of mass-production methods, of industry producing for the mass market, but above all of economic concentration, "monopoly capitalism,' and state intervention was very much greater."[222]

As a result of increasing concentration, there emerged giant corporations such as ICI and Unilever. The character of British investments in India began to change after World War II. During the inter-war years, some large international companies, as we have noted, set up subsidiaries in India, but the typical foreign investment was smaller, made by individuals and directed by expatriates through managing agency firms which were unable to dispense with patronage and safeguards provided by colonial rule. But "gradually the sun of the old-fashioned rentier," as Hobsbawm puts it, "was setting," and the sun of the giant international corporation was rising.[223] The British capital investments of the old type in trade and industries like jute, coal, public utilities and cotton textiles were mostly sold out in the post-war years to Indian *banians* and brokers at fabulous prices.[224] Besides setting up branches and subsidiaries, the multinationals began to make "co-operative arrangements" with Indian big capitalists to start joint ventures: they would provide technology, capital goods, components, spare parts, etc., and design, set up and run, at least for some time, the plants, while local capitalist groups undertook to raise finances for making exorbitant payments to them for capital goods and technology, besides funds for other construction work and working capital. There began a process of intimate fusion of British and Indian capital. As technology and capital goods (in which technology is embodied) are the key to power and as they are in the hands of the multinational, it generally controls a joint venture, whatever may be its equity holding.[225]

Contrary to Tomlinson's thesis,[226] direct colonial rule was not something to be spurned by British multinationals. But it was not deemed essential for their growth and expansion nor was it possible in the post-war international and Indian context to maintain it.

Indian big capital was eager to play the role for which it was cast. As we have seen, the Bombay Plan underlined the Indian big bourgeoisie's need for foreign loan-capital and complete dependence on foreign capital goods and technology for many years to come. In the spring and summer of 1945, a delegation of some of India's top business magnates—Sir J. R. D. Tata, G. D. Birla, Sir Padampat Singhania, Kasturbhai Lalbhai, M. A. H. Ispahani, etc.—went to the U.K. and the U.S.A. in search of capital and collaboration. Earlier, on 25 January 1945, Amery informed Wavell that "a number of negotiations [were] going on between United Kingdom and Indian commercial interests for the establishment of joint enterprises in India. For example, Imperial Chemical Industries and Tatas are negotiating for the establishment of dyestuffs production in India and an agreement between Nuffield and Birla has recently been announced. A good deal of hard bargaining is in progress as to the terms on which the United Kingdom interests will make available their knowledge and perhaps in some cases their reputation and their sales organization in India."[227] Agreements between Walchand and Chrysler and between Kirloskar and British Oil Engines had been made even before. Tycoons like Shanti Kumar Morarjee of the Narottam Morarjee group and the Scindias hailed the visit of the Indian Industrial Delegation as one that would have "far-reaching effects on the national policy of this country's future development of industries."[228] Reporting that Miles Thomas, Managing Director of the Nuffield Organization, had come to India "to make arrangements for starting the Hindustan Motor Works which will assemble Morris Cars," Birla's *Eastern Economist* observed that as a result of the Birla-Nuffield deal "a *merger of financial interests between Nujfield and Birla mil be the basis of the new enterprise.*"[229]

When the end of direct British rule was in sight, Indian capitalists sought to bargain for a greater share of the equity capital of the joint ventures to be set up in collaboration with imperialist capital and for control over them. For instance, Sir Ardeshir Dalal wanted Indian control and at least 51 per cent of equity for Indians.[230] Though these questions were raised as bargaining counters, the Indian big bourgeoisie was quite aware of its basic weakness want of capital goods and technological poverty. That is why *Eastern Economist* opposed the suggestion of the National Planning Committee that "investment of foreign capital should not *ordinarily* be permitted to involve ownership and management *in respect of industries of national importance*" Birla's journal also opposed the committee's proposals that the vast amount of foreign capital required for economic development should be accepted in the shape of loans by or through the state and that the "foreign interests exercising a predominant control over certain vital industries should be compulsorily bought up." Such views appeared to the Birla mouthpiece as "extreme" : it pointed out that "*may not be possible to have foreign capital completely divested of the powers of control.*"[231]

The Indian big bourgeoisie's plan of depending on imperialist capital for fulfilling its dream of expansion fitted perfectly into the British and U.S. capital's strategy of using India chiefly as an outlet for export of capital.

After the concentration and centralization that metropolitan capital had undergone, it could obtain much of what it sought from a country like India by using the levers of capital goods, technology and loan. Under the new kind of arrangement, Indian economy would remain, as before, dovetailed with the economy of the metropolis, despite *formal* political independence. And when the economic basis of the relationship would be like that of a satellite orbiting imperialist capital, political and other relations could be shaped accordingly.

NOTES

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6. D. H. Buchanan, *The Development of Capitalistic Enterprise in India,* 153.
7. Vera Anstey, *The Economic Development of India,* London, 1929, 340-1, 343.
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9. *Montagu-Chelmsford Report on Indian Constitutional Reforms;* cited in R. Palme Dutt, *India Today,* 126-7—emphasis added.
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20. Secretary of State to Viceroy (Commerce Dept.), late Dec. 1923, undated copy in Baldwin Papers file 93 Imperial B; see Tomlinson, *op cit,* 118.

21. Summary of Working of Fiscal Autonomy Convention in Cabinet Office Papers 24/66, C. P. 299(24) of 24.5.24; see *ibid.*

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23. See Buchanan, *op cit,* 469-70.

23a. "Minute of Dissent", *Report of the Indian Fiscal Commission 1921-22,* Simla, 1922, 202-3, 210.

24. Buchanan, *op cit,* p. 467; Helen B. Lamb also writes : "With the change in tariff policy after the war came the imposition of Imperial Preference, designed to tie Britain closer to the British dominions and British colonies. In the Indian case this meant having Britain buy more raw materials in return for British manufactured goods—in short the same old colonial economy relationship which Indian industrialists and nationalists had so long opposed." *(op cit,* 487).

25. Cited in Tomlinson, *op cit,* 120.

26. V. I. Pavlov, *The Indian Capitalist Class,* 400-7.

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49a. See Preamble to the Constitution of India.

49b. Jaju, *op cit,* 147.

50. Timberg, *The Marwaris,* 46-7, 150, 209,228.

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52. Timberg, *The Marwaris,* 63, 220.

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169. Johannes H. Voight, "Co-operation or Confrontation? War and Congress Politics, 1939-42", in *ibid,* 368 : note 115.

170. D. D. Kosambi, "The Bourgeoisie Comes of Age in India", *Science and Society* (New York), Vol. X, 1946; reprinted in Kosambi, *Exasperating Essays*, Pune, n.d., 16-17—emphasis added. Edgar Snow, too, held that Gandhi's refusal to accept the Cripps proposals was based on the same calculations (Snow, *People on Our Side*, 27). It is also worth noting that Girija Shankar Bajpai, I.C.S., British India's Agent General in the U.S.A. from 1941 to 1947 and 'free' India's Secretary General, Ministry of External Affairs, from 1947 to 1952, told the U.S. government in April 1942 that the Congress Working Committee's rejection of the British proposals was dictated by the same considerations. (U.S. Government, *Foreign Relations of the United States, Diplomatic Papers, 1942*, Vol. I, p. 640; cited in R. C. Majumdar, *History of the Freedom Movement in India*, III, Second Revised Edn., Calcutta, 1977, 522).

171. Snow, *op cit*, 49, 50.

172. *T.O.P.*, II, 368-9. See also Linlithgow to Punjab governor Glancy, 11.7.42, *ibid*, 367-8.

173. *Ibid*, 702, 705.

174. Snow, *op cit*, 54.

175. Birla, *Bapu*, IV, 316-7.

176. Moraes, *op cit*, 213; see also *T.O.R*, II, 84-5, 405, 805.

177. Moraes, *op cit*, 219.

178. T.O.P. II 397-8,620.

179. Snow, *op cit*, 54; see also *T.O.P.*, II, 776, 777, 829.

180. *Ibid*, 869, 886.

181. Sen, *The House of Tata*, 134 n.

182. For official misgivings on this score, see *T.O.P.*, III, 190-1.

183. *T.O.P.*, IV, 765-71.

184. *EE*, 21 Sept. 1945,433.

185. *T.O.P.*, IV, 779.

186. Note by Schuster in GOI Commerce Dept. Procs. A. No. 1 of March 1934, File 3-C (1) of 1933; cited in Tomlinson, *The Political Economy of the Raj*, 89-90.

187. G. D. Birla, *The Path to Prosperity*, 1-26.

188. Nehru, *The Discovery of India*, 400-1; *SWN*, XIV, 326; Moraes, *Sir Purshotamdas Thakurdas*, 190; S. K. Goyal, *Monopoly Capital and Public Policy*, 39.

189. J. Nehru, *An Autobiography*, New Delhi, 1982 reprint, 76.

190. *T.O.P.*, V, 230-1,400-1,424,476-7,787,1126,1149.

191. H. P. R. Iengar, "A Look at the Bombay Plan in the Light of Today", in Forum of Free Enterprise, *The Bombay Plan and Other Essays*, Bombay, 1968. Iengar. ICS (Retd.), was joint secretary, GOI (Planning and Development), 1944-6; principal private secretary to Nehru from September 1946; and afterwards governor of the Reserve Bank of India.

192. *Ibid*, 9.

193. *Ibid*, 66-7.

194. Sir Purshotamdas Thakurdas *et al*, *A Brief Memorandum Outlining a Plan of Economic Development for India*, Bombay, 1944, Pt. 1, 48; for other quotes from and references to it, see Pt. I, 2, 3, 6, 31, 43, 44-9, 51; Pt. II,16,21,28-9.

195. P. A. Wadia and K. T. Merchant, *The Bombay Plan : A Criticism*, Bombay, 1945, 40; see also 45-7.

196. Iengar, *op cit*, 10.

197. Raman Mahadevan, "The Politics of Business Interest Groups : Some Observations on their Articulation of Interests in Colonial Madras" (mimeo), paper presented at the Seminar at the Indian Institute of Management, Ahmedabad, 29-31 March 1989, 27-8, 31.

198. *SWN*, XIII,353; IAR 1944,II,301; Amery toWavell,29.3.44, *T.O.P.*, IV,852; Wadia and Merchant, *op cit*, 29.

199. *Wavell the Viceroy's Journal*, ed. by Penderel Moon, Delhi, 1977, 399.

200. *T.O.P.*, III, 8-9—emphasis added.

201. *Ibid*, 752—emphasis added.

202. *Ibid*, IV, 935.

203. *Ibid*, 852.

204. *Ibid*, 424-7.

205. *Ibid*, 676—emphasis added.

206. *Ibid*, 638.

207. *Ibid*, 1022; see also pp. 810-2.

208. Wadia and Merchant, *op cit*, 43-4.

209. Kidron, *op cit*, 19.

210. *T.O.P.*, V. 887; see also Tomlinson, *op cit*, 100.

211. For the full text, see *Aspects of India's Economy* (Bombay), No. 11, Jan.-March 1993, 42-63.

212. FICCI, *Silver Jubilee Souvenir*, 135; P. A. Wadia, "Our Economic Future in the Light of the Statement on Industrial Policy", *Modern Review*, July 1945,22.

213. Maurice Dobb. *Studies in the Development of Capitalism,* Routledge Paperback edn., London, 1972. 384.
214. *T.O.P.*, V, 466-71.
215. *Journal do Comercio* (Rio de Janeiro), March 23, 1950, cited in Eduardo Galeano, *Open Veins of Latin America,* New York, 1973, 262.
216. *Capital,* 14 Sept. 1944, 297.
217. *T.O.P.*, VIII, 51-2.
218. Tomlinson, *Political Economy of the Raj,* 165-6.
219. *Ibid,* 166; see also Dobb, *op cit,* 380.
220. *EE,* 21 Sept. 1945,439.
221. *T.O.P.*, V. 638
222. E. Hobsbawm, *Industry and Empire,* Harmondsworth, Middlesex, 1976 reprint, 213.
223. *Ibid,* 259.
224. See *"Our Economic Development", EE,* 31 May 1946, 905; "Sale of British Business", *EE,* 17 May 1946, 832-3.
225. W. G. Friedmann and G. Kalmanoff (eds.), *Joint International Business Ventures* (a Columbia University project), New York, 1961, 151, 153; Selig S. Harrison (ed.), *India and the United States,* New York, 1961, 154, 155; "Transnational Corporations in Electrical Industry", *EPW,* 20 Jan. 1979, 103-6; Subhendu Dasgupta, "Structure of 'Interdependence' in Indian Industry : Electrical Equipment Industry—A Case Study", *EPW, 29* Oct. 1977, 1857-65, for excerpts from technical collaboration agreements which show how only technical collaboration can enable a foreign company to exercise many-sided control over a joint venture in India.
226. Tomlinson, *Political Economy of the Raj,* 161, 166.
227. *T.O.P.*, V, 467.
228. *IAR,* I, 1945, 67.
229. "Morris Cars in India" (editorial note), *EE,* 4 Jan. 1946, 39.
230. *T.O.P.*, V, 526.
231. "Future of Foreign Investment", *EE,* 23 Nov. 1945, 748-9; "Our Economic Development", *EE,* 31 May 1946, 905—emphasis added.

CHAPTER NINE

COLLABORATION OR HOSTILITY ?

There is a widely-held view that the Indian bourgeoisie, including its upper stratum, was hostile to foreign capital before the transfer of power in 1947 and that, only later, it surrendered to imperialist capital. This view is shared by Michael Kidron, Stanley Kochanek, Paresh Chattopadhyay and Thomas E. Weisskopf.[1] But there is an important difference. Unlike the others, Kidron also notices "some ingredients of collaboration." And he holds that the Indian government and bourgeoisie began to think of foreign capital as "useful" from 1948 and as "necessary" from 1949. "By 1953," writes Kidron, "it was generally recognized that the terms on which capital can be invested in India now match almost exactly the conditions laid down in the 'Code' published by the International Chamber of Commerce in the United States."[2] Kochanek is of the view that "India entered independence with a strong hostility towards foreign capital on the part of both Government and indigenous entrepreneurs." He adds that this "strong hostility" soon changed into "grudging acceptance" and then into "active encouragement as preoccupation with issues of foreign control and economic power progressively gave way to concern over balance of payments difficulties and a desire for rapid growth." Chattopadhyay and Weisskopf consider the adverse balance of payments and similar difficulties as the villain of the piece that forced the Indian bourgeoisie to swerve by the mid-fifties from its chosen path of independence to the path of dependence.

What is basically wrong with Kidron, Kochanek, Chattopadhyay and Weisskopf is their refusal to see that the Indian bourgeoisie was (and is) divided into two sections : the comprador bourgeoisie, which, as we have seen, has always served as the intermediary of foreign capital, and the national bourgeoisie, which has sought independent development. In fact, "the ingredients of collaboration" were among the former while "the ingredients of hostility" could be found among the national bourgeoisie.

"INGREDIENTS OF COLLABORATION"

We have already noted how eager the big bourgeoisie was to forge a "new kind of relationship" with imperialist capital—"a merger of financial interests," as *Eastern Economist* said, of foreign capital and Indian big capital. Reference has already been made to the Bombay Plan and its unequivocal statement about India's complete dependence for many years to come on foreign capital goods and technology, to the visit of the delegation of India's top businessmen in 1945 to the U.K. and the U.S.A. in quest of capital and collaboration and to the tie-up arrangements between foreign monopolists and Indian business magnates that were being made.

It is true that, in March 1943, when large sterling balances began to accumulate in favour of India, G. D. Birla stated that "it is only fair that the private British investments in India too should be repatriated, thus reducing our sterling balances and eliminating the risk of exchange. This has been done in South Africa and in Canada...."[3] This demand is sometimes adduced as a proof of hostility. But it is conveniently overlooked that Birla, as noted before, declared in 1946 : "I don't believe this [British capital in India] will ever be expropriated. The British firms will carry on."[4]

It may be argued that in its communication of 22 December 1945 to the Planning and Development Department of the Government of India, the FICCI expressed its hostility to private foreign capital and foreign vested interests.[5] But leading Indian capitalists such as Tata, Birla. Walchand, Kasturbhai Lalbhai and Kirloskar had already been negotiating with British and other foreign monopolies for the establishment of joint enterprises in India, and some deals had already been concluded. Venkatasubbiah comments : "Since this was known in England a year before the Federation [FICCI] sent its anti-foreign communication to [Sir Ardeshir] Dalal's Department, its stance lacked credibility." Speaking of the anti-big business stance of Congress politicians, Venkatasubbiah writes : 'The same politicians sometimes both befriended and attacked businessmen. Their public face on business was different from their private face with it."[6] Similarly. Indian big capitalists have both public and private faces. The public face seeks to deceive the people and smaller businessmen.

In a leading article. *Eastern Economist* wrote in July 1945 that "it is a happy sign that Americans have begun taking intimate interest in Indo-American economic relations." It stated that as America could "maintain conditions of full employment by large-scale manufacture and export of capital goods," *India's post-war requirements can, therefore, be absolutely dovetailed into each other* ."[7]

Perhaps this question of "hostility" on the part of the Indian big bourgeoisie to foreign capital on the eve of the transfer of power need not detain us any longer. Yet, in order to show how erroneous are the views of Kochanek, Chattopadhyay and Weisskopf, we shall refer to some more facts and pronouncements. At an interview to a correspondent of *Reynold"s News* in February 1946, Nehru said : "The United States can play a great part in India's industrial development." Addressing the Associated Chambers of Commerce of India (dominated by British capital) in December 1946, Nehru assured the British capitalists that they would continue to have their "place in industry and commerce in India".[7a] Again, on 15 December 1947. Prime Minister Jawaharlal Nehru declared at the annual general meeting of the Associated Chambers of Commerce that his government "would welcome foreign capital and technical assistance." He also affirmed : "...We want co-operation with other countries during the process of India's development, and I think British and other foreign interests that exist in India will and should have this large field open to them.[8] At about the same time Asaf Ali, India's first ambassador to the U.S.A.. was bidding in Washington "for American financial backing" and "urging that India was solvent and a good market."[9] And Birla's *Hindustan Times* said that India could not industrialize without an American loan. It stated : "Whether America will be disposed to give such assistance to India will very largely depend upon the foreign policy that India adopts, and the spokesmen which [whom] India sends abroad to interpret that foreign policy to the American people." It chided the Indian government by saying that it was an amateurish as well as positively harmful pastime "for a half-naked, half-starved country to take up a mighty pose and talk about neutrality...."[10]

One may also refer to the Indian government's Industrial Policy Resolution of 6 April 1948 and the official memorandum which accompanied it. The memorandum stated : *"The Resolution contemplates full freedom for foreign capital and enterprise in Indian industry* While at the same time assuring that it should be regulated in the national interest. This part of the Resolution reveals *the Indian Government's recognition of the need for foreign aid both in management and technical training and investment, and of the wisdom of welcoming foreign capital and skill to supplement Indian enterprise."* The resolution assured "foreign firms that they could continue to operate under the same conditions as Indian-owned enterprises." Besides, "negotiations were set in motion with the major British groups to attract additional investment."[11] Again, Nehru's statement of 6 April 1949 in the Constituent Assembly of India (Legislative), said : "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 interests, 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 co-operative role in the development of India's economy."[12] And an official statement issued by the Indian government in September 1949 declared : *"The policy of the Government of India was to allow foreign capital to come in to operate freely in the industrial field... Every attempt must be made to secure the maximum possible influx of foreign capital in the shortest possible time.* The Government of India categorically declared that permission to retain a majority of non-Indian interest in the ownership and effective control in some cases could not *ipso facto* be considered as detrimental to the interests of the country."[13]

In October 1949 Nehru went to the U.S.A. in quest of three things—food, capital and technical help—as he repeatedly said. Speaking at a dinner given in his honour by the National Foreign Trade Council and the Far East-American Council of Commerce and Industry, Nehru assured the U.S. capitalists : "Private capital will be welcomed in India and there will be no differential treatment of capital from other countries." He added : "We think foreign capital necessary...and will give it freedom to function."[14] This was the refrain of his songs everywhere in the U.S.A.

The members of the Indian big bourgeoisie were no less enthusiastic in welcoming foreign monopoly capital. Addressing the ordinary general meeting of the United Commercial Bank, held in April 1949, G. D. Birla, who held that there was "no sufficient capital market in the country" and that "plainly capital had to come from abroad," said :

"We can also supplement internal sources of capital with foreign capital which can easily be attracted on reasonable terms.... *Increased friendliness with the United Kingdom and the United States of America should be the keynote of our foreign policy.* These countries can help us with capital goods and the knowhow so necessary for industrialization."[15]

In 1949 G. D. Birla visited Britain and the U.S.A. in search of foreign capital. In his letter of 6 May 1949 to Deputy Prime Minister Sardar Patel, he wrote : "I talked to him [Anthony Eden] about the need of building up a strong India militarily as well as industrially, and to that end the U.K. should co-operate with us. He said he would talk to (Lord) Alexander about military equipment, and about industries to City men. Now that India was in the Commonwealth, he said that they would all co-operate."[16] Again, on 11 July 1949, he informed Patel: "As regards investment from England, there are better possibilities here than in America."[17] In a leading article, *Eastern Economist* wrote that "India for many years to come will need foreign capital and technical skill which must come mainly from the United States and Great Britain...it is clear from the *Eastern Economist's* recent calculations so far as India is concerned that without foreign investment, it is quite impossible now to maintain our standard of life...India's hunger for food this year is great, but *her hunger for capital*—if less evident—is nearly, as deep."[18]

Birla's was not a lone voice : there were many such voices. For instance, during his visit to the U.S.A. in the middle of 1948, Sir Homi Mody, a senior director of Tata Sons Ltd. (which controlled the Tata empire), assured American capital in an interview to the United Press of America that "the Indian Government was showing a 'more realistic' attitude towards industry and capital and called for Indo-American relations."[19]

Capital noted that India's position on the issue of majority control in new industrial enterprises had already been clarified by the time Indo-U.S. trade talks were held in August 1949, when a draft of the Treaty of Friendship, Commerce and Navigation was considered. According to *Capital,* "with the exception of about half a dozen key industries India will not object to majority control by Indians, Britons or Americans. There is almost a free zone outside the 'key industries reserve'.... The participation of foreigners even in the 'reserved' field may be considered...further modification in the original plan for the development of key industries can be envisaged."[20]

Badridas Goenka, a former president of the FICCI, wrote : "...now both the Government and the commercial community are anxious to secure the co-operation of foreign interests."[20a]

The Fiscal Commission 1949-50, which included B. M. Birla and

Ambalal Sarabhai as its members, was quite emphatic about the need for foreign capital.[21]

It is quite interesting that the Engineering Association of India, on which the tycoons were represented and which was eloquent on the 'constructive' role of foreign capital in the development of India's economy, placed the responsibility of making India "industrially great" on the shoulders of the monopolists of the U.K. and the U.S.A. In its written evidence before the Fiscal Commission 1949-50. it stated :

"...*industrially-advanced countries like U.S.A. and U.K. should undertake the obligation of making India industrially great.* The exigencies of the situation in South-East Asia require it and comparative inability of the Western powers to be of effective help in South-East Asia demands that India should be made strong in order that she may act as a bulwark against the rising tide of Communism in this part of the globe."[22]

This passionate love for—*not* hostility to—imperialist capital was causing anxiety to lesser businessmen. In the fourteenth conference of the All India Soap Makers' Association, held in April 1948, Calcutta Chemical's representative moved a resolution which said : "The Association views with grave concern the alleged report that some foreign interests are contemplating to float soap factories in India either independently and/or in collaboration with Indian capital." And in his presidential address at the 1951 annual conference of the Association, Godrej said : "Such an industry which could withstand the might of an alien government in those days and win through, finds itself now unable to withstand the incomprehensible attitude of our national government...." To cite another instance : the Government of India invited in 1950 British shipping companies, especially P. & 0., to join it in setting up two shipping companies and to manage them—a proposal which was greeted with a storm of protest.[23]

While referring us to Michael Kidron's *Foreign Investments in India,* Paresh Chattopadhyay has argued that "until the mid-fifties the Indian bourgeoisie was not very enthusiastic about the *fresh* inflow of foreign capital into India lest it jeopardize the very purpose for which the bourgeoisie had fought against British rule : independent capitalist development." In support of this statement he has cited the following lines from J. P. Lewis's *Quiet Crisis in India* : "until the late fifties the total inflow of foreign capital into India was sluggish. The inflow of American private capital amounted to little more than a trickle."

We have pointed out that, contrary to what Chattopadhyay says, the Indian big bourgeoisie was comprador in character like its counterpart in pre-liberation China, never sought independent capitalist development and never wanted to upset the imperialist applecart.[23a] Chattopadhyay's argument that the fact that "the total inflow of foreign capital into India was sluggish" until the late fifties is evidence of the Indian bourgeoisie's, including the big bourgeoisie's, antagonism towards foreign capital is, to say the least, extremely superficial.

It should first be noted that the total inflow of foreign capital into India between 1948 and 1955, though a trickle compared to massive amounts of it after 1962, was not inconsiderable when compared with foreign capital invested earlier. The total amount of foreign *private investment* which stood at Rs 255.8 crore in June 1948 increased to Rs 493 crore by June 1956.[24] In the years between 1948 and 1955, the total loan capital from the U.S.A., the World Bank and other sources amounted to Rs 714 crore.[25] While the total U.S. capital invested in India till 1948 was only Rs 27 crore, "American efforts, public and private, since India's independence, have amounted in value terms to more than 455 crores of rupees."[26] (This figure included the 1951 wheat loan of almost Rs 100 crore and the Rs 170 crore Agricultural Commodity Agreement).

Second, foreign capital's shyness was not peculiar to itself. Until the mid-fifties, i.e., until India's Second Five Year Plan started, the total capital invested by *Indian* business magnates was a "trickle" compared to what was invested by them afterwards. As George B. Baldwin said, "The share market suffered a collapse in the fall of 1947 from which it began to recover only in 1955.... Few, if any, new firms were started between 1947 and 1955 through public capital issues on the share markets. Underwriting was not used."[27]

Speaking at a meeting of the All-India Manufacturers' Organization, which represented the *smaller* industrialists, T. T. Krishnamachari, then India's minister for commerce and industry, said: "You want the country to be rapidly industrialized. Indian capital is shy and you want me to prohibit foreign capital from seeking investment in India."[28]

Interestingly, foreign capital was expected to raise the faint hearts of the Indian capitalists. On the occasion of the World Bank's first mission to India early in 1949, "the largest field mission that it has yet sent abroad," *Capital* wrote : "It is important to realize that assurances capable of satisfying the foreign investor would certainly help to reassure the Indian investor, so that the successful floatation of an International Bank loan might well be the prelude to an overdue revival of the now inanimate internal capital market."[29] It was hoped that, as Kidronput it, "a demonstration of foreign confidence would probably do more to revive domestic capital's spirits than any amount of official exhortation."[29a] That is, *foreign imperialist capital was expected by the Indian big bourgeoisie to act as the catalyst for India's industrialization.*

Third, as we have already seen, there was no lack of enthusiasm on the part of Indian big capital to woo imperialist capital. "Proposals were being considered [after the transfer of power]", wrote L. Natarajan, "to import every year more capital than the British imperialists had invested in India in a hundred years."[30] It is worth remembering that on 3 November 1951, during his business tour of the United States, G. D. Birla went so far as to propose *"the formation of an Indo-American Development Corporation consisting of businessmen and officials of both countries* similar to an existing United States-Brazil organization. *This corporation would be a super-trust directing the future of the Indian economy"*[31] So, *what Birla, "the brilliant political leader and mentor of the Indian capitalist class," was seeking was not independent development of India's economy but neo-colonial development.* Outlining two types of profitable American investment in India, India's ambassador in Washington, B. R. Sen, also "recommended an investment company in which both American and Indian private capital would participate initially on a 70-30 per cent basis."[32]

How can one account for the initial hesitation of imperialist capital, its "sluggishness", despite such wooings by Indian big capital and its state? According to Raymond Vernon, it is doubtful that even in 1950 many U.S. companies "saw their foreign investments as much more than peripheral to the corporate structure. The domestic U.S. market was still the serious business of most of these enterprises.... In the late 1950s there were major signs of change, and in the ten years that followed the change went very deep."[32a] The following statement of Douglas Dillon is illuminating. As Under-Secretary of State, U.S.A., he told a special U.S. Congress sub-committee in 1960 : "The low level of labour skills, the limited local market, the absence of basic facilities such as roads, power and communications on which private enterprise depends, the uncertain political climate are all obstacles to a greater flow of private funds."[33] Max F. Millikan and W. W. Rostow also wrote : "Since successful [foreign] 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 [from foreign countries like the U.S.A.], by helping to create the necessary environment, can pave the way for greatly expanded private investment as growth takes hold."[33a] In his *Ambassador's Report,* Chester Bowles, who was U.S. ambassador in New Delhi in the early fifties, and who all the time prodded Nehru to introduce land reforms and brought Wolf Ladejinsky and Kenneth Parsons to India for the purpose, wrote : "Thus there is a vicious circle: the very instability in Asia which leads everyone to recommend economic development as an essential cure is a major cause for the reluctance of private capital to go there ...The type of activity required during the early stages of economic development is not very well fitted for private investment in the first place. What is needed at the outset is agricultural improvement, higher health and educational standards, mineral development, the construction of dams, power plants and other public utilities and roads.... Yet it is only after a groundwork in these fields has been laid that rapid industrialization can take place. India's problem is to finance that groundwork."[34]

Between 1948 and 1955, foreign capital penetrated into India *mainly* to assist India's ruling classes "to finance that groundwork." Much of it came in the form of loan-capital from the U.S. government and international financial institutions like the World Bank, which were (and are) dominated by imperialist monopolies.

Another reason why American capital was not enthusiastic enough was that it waited for even better terms. President Truman's Point Four Programme announced in 1949, which "laid the foundations of American penetration in India" and which was hailed by Nehru, "was a programme to obtain these terms."[35] A contributor to the economic journal of the main party of the ruling classes wrote : "They [the foreign industrialists] were just waiting and watching to see how we evolved our economic policy in the wake of independence. The attitude of watch and wait continued till after the end of the First Plan by which time political conditions in India had stabilized, according to world opinion, and foreigners began to take interest in developing industries in India."[36]

So, *the view that the Indian big bourgeoisie was hostile to foreign capital before and after the transfer of power is contrary to facts. It sought not independent development but development as subordinate partners of imperialist monopolies.* Without dilating any longer on this subject, we shall cite one more fact. In the fifties, "the Ford staff in India became closely associated with the Planning Commission which administers the Five Year Plan."[37] And today, as C. P. Bhambhri writes, "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 co-operation with each other in harmonizing their respective goals and interests."[38]

"INGREDIENTS OF HOSTILITY"

While the Indian big bourgeoisie saw visions of rapid expansion as underlings of foreign capital, the national bourgeoisie did not hesitate to give open expression to its hostility to foreign capital and to collaboration with it. On 2 May 1945, when the industrial delegation led by Tata and Birla was about to leave India for the U.K. and the U.S.A., Manu Subedar, a small industrialist and leader of an anti-collaborationist group within the Indian Merchants' Chamber, Bombay, denounced in the Central Legislative Assembly the collaboration between foreign monopolies and Indian big capital as *"illegitimate marriage."*[39]

On the same day the Committee of the Indian Merchants' Chamber, opposing the influx of fresh foreign capital, issued a statement, in which it said : "India would prefer to go without industrial development rather than allow the creation of new East India Companies in this country, which would not only jeopardize her economic independence but would also effectively prevent her from acquiring her political freedom."[40] And, at the last quarterly general meeting of the Indian Merchants Chamber, held in 1945, a speaker made a scathing indictment of what was considered to be "an unholy alliance between British and Indian industrialists." According to his information, "the process of mortgaging managerial rights over Indian industries had already begun." It was his view that "the stage was reached when it had become necessary for the Committee of the Chamber to criticize the industrialists who entered into such unpatriotic deals." Criticizing at the same meeting the view that it would not be wrong to allow the foreigners to participate in the Indian ventures to the extent of 30 per cent, M.A. Master, then President of the Chamber, pointed out that control over a compact group of 30 per cent easily gave a managing agent or a managing director full powers over the company. He said that this apparently innocent concession would be sufficient to hand over complete control over the Indian industries to the foreigners.[41]

At the annual general meeting of the Indian Merchants' Chamber held in January 1947, Mahomed Husain Hasham Premji, then its President, said : "We have now and then been hearing of references both in the Press and elsewhere, relating to the propositions for the establishment of new industries on the basis of tie-up agreements or other arrangements with foreign industrialists. The general feature of all such agreements, it is understood, is that foreign interests are allowed a share in varying form and proportion in ownership, control and management of such industrial undertakings. This development is a matter of serious concern to all those who have the permanent interests of the country at heart.... We had the bitter experience of the menace presented by the India Limiteds in the past.... We do not want to have this mischief perpetrated on a permanent basis."[42]

It may be recalled that an acute struggle had been going on since the beginning of the thirties within the Indian Merchants' Chamber between Indian big capital on the one hand and merchants and small industrialists like Manu Subedar, K. T. Shah and their friends. The domination of the Chamber by the big bourgeoisie since its inception in 1907 came to an end by February 1931, its Committee was captured by Manu Subedar's group, and men like Sir Homi Mody, Sir Purshotamdas Thakurdas and Sir Phiroze Sethna were thrown out of important offices.[43]

A contributor to *Modern Review* warned : "This fresh invasion [by foreign capital] in addition to what already exists will mean parcelling out India to different nations of the West and creating a second China." In another issue of the journal, he wrote : "...India is now being faced for the first time during nearly 200 years of British rule with an issue that, unless manfully handled, will perpetuate her foreign yoke.... It is lamentable that present-day Indian leadership is chary of treading on the corns of Indian big business-.... But now comes the harrowing revelation of combine after combine being formed with foreigners.... The chief defect of such combination is that the country cannot fight it with the same zeal as it can when the concern is totally foreign."[44]

It seems that the pronouncements of the National Planning Committee, which was set up in 1938 at the instance of the Congress with Jawaharlal Nehru as Chairman and Professor K. T. Shah as Hony. General Secretary, have confused many people. Meeting in November 1945, it said that "the investment of foreign capital in Indian enterprises should not ordinarily be permitted hereafter in a form which could entitle it to ownership and management in respect of industries of national importance"; that "in the case of key industries, involving the use of secret processes which would not otherwise be available to the country, foreign participation in ownership and management may be permitted", and that "in view of India's vast capital requirements" foreign capital needed for essential industries should be accepted only in the shape of loans or credits raised by or through the State". The resolution also stated : "Foreign interests now exercising a predominant control over certain vital industries in India should be acquired by the State on payment of reasonable compensation." Though the resolution is vaguely worded, Birla's *Eastern Economist,* as noted before, came out with strong criticism of all these suggestions for putting restrictions on foreign capital.[45]

It is quite evident that there were two sharply conflicting views on this issue within the National Planning Committee, which, as Nehru said in *The Discovery of India,* was "a strange assortment of different types." *Industrial Finance,* the report of the sub-committee on industrial finance appointed by the National Planning Committee, brings out these differences sharply. In a lengthy introduction to the book, K. T. Shah, its editor, while conceding that import of foreign capital may in some cases be unavoidable, takes a definite anti-foreign-capital stand, opposes investment of foreign capital in private enterprises and proposes the imposition of severe conditions to restrict its operation. On the other hand, the report itself, which was the work of two members of the sub-committee including its Chairman A. D. Shroff (a director of Tata Sons Ltd. and one of the authors of the Bombay Plan), has nothing to say against foreign capital. And while K. T. Shah condemns the managing agency system (which was peculiar to India and developed here, according to K. T. Shah, "as part of the British Economic Imperialism") and says that it is "rotten, root and branch, leaf and bark and blossom; and must be abolished at the first opportunity," the report of the sub-committee extols the role of the managing agency.[46]

It seems that the conflict between the comprador big bourgeoisie and the national bourgeoisie on these two issues had been simmering for a long time. The Indian Central Banking Enquiry Committee 1931 was divided on these questions and produced two reports—a majority report signed by its Chairman Sir Bhupendra Nath Mitra (a former member of the Viceroy's Executive Council), Sir Purshotamdas Thakurdas and others, and a minority report signed by Manu Subedar alone. The majority report was quite tender towards foreign capital and eulogized the managing agency system while the minority report sought to restrict the operations of foreign capital and made a devastating criticism of the managing agency system. At the very outset of his report Subedar claimed that "the two great beacons lighting my path were an impoverished mass of people in the country on the one hand, and powerful vested interests on the other hand, both Indian and foreign." He considered the growth of foreign banking in India, which financed almost the entire foreign trade as well as much of the domestic trade, enabling them to be controlled by foreign capital, as "a symptom of malaise" and as menacing Indian interests. He recommended strict curbs on foreign banks in India. And in attacking the managing agency system, Subedar was expressing the hostility of the national bourgeoisie towards both foreign and Indian big capital.[47]

In the years immediately before the transfer of power there was a sharp conflict also on the question of repayment of sterling balances by the British government. These sterling debts—between Rs 1,700 crore and Rs 1,800 crore in 1946—which Britain owed to India, represented, as pointed out before, the value of goods and services compulsorily taken away from India during World War II and the months immediately following it. Indian food, raw materials, textiles, other finished products, etc., were taken not only for the army but also for the civil population of England and other countries when the Indian people were victims of acute scarcity, steep inflation, exorbitant prices and black markets. The goods were taken by Britain at controlled or negotiated prices at which the Indians could not get them. Otherwise, as Manu Subedar wrote, "the debts would have [been] three times as much." *"The price paid by India"* to quote Subedar again, *"runs into millions of lives"*[48] There was an attempt on the part of the British government to scale down the debts. The Anglo-U.S. Financial Agreement of December 1945, which stipulated for the liquidation of the sterling area and the abolition of the imperial trade preference, made it mandatory on the U.K. to scale down the debts.

At the end of January 1946 the Central Legislative Assembly adopted a resolution condemning the Government of India for joining the International Monetary Fund and the World Bank without reference to the Assembly and by an ordinance. The Assembly appointed a committee of nine persons including four Congress members to go into the whole question and make recommendations to it. Among the four Congress members of the committee was Manu Subedar. When Subedar insisted on withdrawal from the IMF and the World Bank unless the British government gave the assurance that it would not scale down the debts (an assurance which it not only refused to give but refused even to start negotiations with Indian representatives on the issue), the other three Congress members of the Committee disagreed. The majority in the executive committee of the Congress Party in the Legislative Assembly took a stand that was opposed to Subedar's. In his letter of 27 February 1946 to Sardar Vallabhbhai Patel Subedar wrote : "*The lever used* [by the British Indian government] *is the impatient industrialists who want machinery and who want some dollars now for their machinery regardless of what happens to the country's general economy. It is these big industrialists who are therefore being used by the Government.*"

In a note on India's sterling balances, which he enclosed with his letter of 17 February 1946 to Patel, Subedar wrote : "There is no reason why assets, at least those who [which] belong to Britishers non-resident in India, should not be mobilized by the British Government with a view to reducing the outstanding balance."[49] At the same time G. D. Birla, as we have noted before, was assuring British capital in India that it would never be expropriated and that the British firms would carry on.

On 20 July 1946 a frustrated Manu Subedar wrote to Patel : "In February [1946], at the time of the Bretton Woods discussions, *I found the hand of Government reaching right inside the Congress Party to secure results which they wanted.* Their method of dealing with Indian opposition was to isolate me and to get the three other colleagues in their hands. They did this largely through Sir Chintaman Desmukh [then Governor of the Reserve Bank of India and, in the early fifties, India's Finance Minister], Sir Shri Ram, the editors of the *Eastern Economist* and *Indian Finance,* Mr Mulharkar [Secretary of the FICCI], Rao Bahadur V. P. Menon [Reforms Commissioner who became Patel's man] and other agencies....You know the subsequent history of how we compromised on this issue."

Subedar went on to criticize the top leadership of the Congress. He said : "It is most extraordinary that the three Cabinet Ministers [members of the British Cabinet Mission which came to India in 1946] should have come here and not a word was said to them by any Indian in regard to the sterling balances." He added : "But I carry a sense of frustration so far as my own partymen are concerned, the latest phase of it being the omission of my name in the Constituent Assembly."[50]

Interestingly, for all his labour, Subedar, whom Patel complimented in his letter of 4 March 1946 "as the only expert" on all economic subjects "on whom we can count as the watchman of our interest",[51] was quietly dropped, while men like Raja Sir Kumararaja Muthia Chettiar, Raja Sir Swethachelapathi Ramkrishna (Raja of Bobbili) and

Shyama Prasad Mookerjee (President of the Hindu Mahasabha)—all trusted men of the British—and, afterwards, Sir Homi Mody (the "Raj's blue-eyed boy", according to his biographer) were nominated by the Congress as members of the Constituent Assembly.

The national bourgeoisie opposed and condemned the "unholy alliance" between foreign monopoly capital and Indian big capital, but it was too flabby to intervene effectively and change the course of history.

The national bourgeoisie itself had "a proneness to conciliation with the enemies of the revolution." This section of the bourgeoisie, as Mao Tsetung said, can play a revolutionary role only "at certain periods and to a certain degree", but it is not consistently revolutionary.[52] Here, in India, the Communist Party was ideologically, theoretically and organizationally weak and, instead of trying to provide a revolutionary leadership to the restless masses in the years preceding the transfer of power, chose to trail behind the comprador big bourgeoisie. In the absence of a revolutionary leadership the national bourgeoisie could do little to frustrate the designs of imperialism and Indian big capital, and an era of close integration between giant multinationals based in advanced capitalist countries and Indian big capital opened. The political counterpart of this financial and economic collaboration was the transfer of power in India in 1947.

NOTES

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2. Kidron, *op cit,* 100, 102.
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4. G. D. Birla's statement in *Hindustan Times,* 11 April 1946; cited in Palme Dutt, *India Today,* Bombay, 1947, 160.

5. H Venkatasubbiah, *op cit,* 52.
6. *Ibid,* 53, 77.
7. "India, Britain and the U.S.A.", *EE,* 13 July 1945, 38.

7a. *SWN,* XIV, 477; also 36, 255; *SWN,* 2nd Series, I, 426; also 518.

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11. Cited in *ibid,* 58—emphasis added; Francine R. Frankel, *India's Political Economy 1947-1977,* Delhi, 1984, 77.
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13. Cited in L. Natarajan, *op cit,* 71.
14. J. Nehru, *Indside America,* New Delhi, n. d., 76, 168; see also 54, 59, 69, 89, 130.
15. Birla, *The Path to Prosperity,* 546, 547.
16. G. D. Birla, *In the Shadow of the Mahatma,* Bombay, 1968, 296, 298.
17. *Ibid,* 299; see also Birla, *The Path to Prosperity,* 546-7.
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19. DR. Mankekar, *Homi Mody : A Many Splendoured Life,* Bombay, 1968, 231.
20. *Capital,* 18 Aug. 1949, 265.

20a. Badridas Goenka, "In Retrospect", in *FICCI, Silver Jubilee Souvenir 1927-51,* 215.

21. GOI, *Report of the Fiscal Commission 1949-50,* New Delhi, 1950,1. 212-5; see also GOI, *The First Five Year Plan,* New Delhi, 1952, 437-8.
22. GOI, *Report of the Fiscal Commission 1949-50,* III (Written Evidence), 80.
23. N. G. Jog, *Saga of Scindia 1919-1969,* Bombay, 1969, 146-7.

23*a*. See Suniti Kumar Ghosh, *India and the Raj 1919-1947 : Glory, Shame and Bondage,* (in 2 volumes), Calcutta and Bombay, 1989, 1994.

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26. Robert F. Fluker (Counsellor for Economic Affairs, U. S. Embassy, New Delhi), "Indo-American Economic Relations"—an address before the Indian Foreign Affairs Association, New Delhi, on 21 Dec. 1956, published by the Association.
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44. Siddheswar Chattopadhyaya, "The Menace of Foreign Capital", *Modern Review*, May 1945, 233 and Jan. 1946, 76.
45. See "Future of Foreign Investments", *EE*, 23 Nov. 1945, 748-9; "Indian Enterprise and Foreign Capital", *Modern Review*, Dec. 1945, 349-50; Kidron, *op cit*, 70-1.
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CHAPTER TEN

SUMMING-UP

Lenin held that the export of capital, one of the basic features of imperialism, "influences and greatly accelerates the development of capitalism in those countries to which it is exported."[1] This is true of what Engels called "colonies proper"—Canada, Australia, etc.—that is, colonies occupied by Europeans, who had transplanted there a more or less bourgeois society, but not of the other colonies they had subjugated. Lenin himself pointed out that, in the countries of the East, "medieval survivals" or "survivals of feudalism"—not capitalism—were the target of revolution.[2]

The "Theses on the Revolutionary Movement in the Colonies and Semi-Colonies", adopted at the Sixth Congress of the Communist International, stated that the "exported capital here flows predominantly into the sphere of trade, it functions mainly as usurious loan capital and it pursues the task of preserving and strengthening the oppressive apparatus of the imperialist state in the colonial country..." Only a portion of the exported capital that is invested for productive purpose "does in part conduce to an acceleration of industrial development; by no means, however, in the direction of independence, but rather in a direction which strengthens the dependence of colonial economy on the finance capital of the imperialist country." It said : "The transference to the metropolis of the greater portion of the surplus value extorted from the cheap labour power of the colonial slaves retards to a correspondingly enormous degree the upward growth of the economy of the colonial countries and the development of their productive forces, and serves as an obstacle to the economic and political emancipation of the colonies." It added that *"the development of the national economy of the colonies, and especially their industrialization, the all-round independent development of their industry can only be realized in the strongest contradiction to the policy of imperialism."*[3]

Speaking of China, Mao Tsetung referred to the contradictory effects of the penetration of foreign capital when he said : "Penetration by foreign capitalism accelerated this process [of capitalist development].... There is another concomitant and obstructive aspect, namely, the collusion of imperialism with the Chinese feudal forces to arrest the development of Chinese capitalism."[4] Paul Baran also pointed out these contradictory effects : "Accelerating with irresistible energy the maturing of *some* of the basic prerequisites for the development of a capitalist system, the intrusion of Western capitalism in the now underdeveloped countries blocked with equal force the ripening of others.... Thus the people who came into the orbit of Western capitalist expansion found themselves in the twilight of feudalism and capitalism enduring the worst features of both worlds, and the entire impact of imperialist subjugation to boot."[5]

It has been the *fundamental* policy of imperialism to transform the economy of the colony into an appendage of the economy of the imperialist country, to destroy the equilibrium between separate branches of production and to plunder its natural resources and thus to hinder the development of productive forces.

A large part of the British capital that flowed into India was usury capital—loans to the government and semi-government bodies. Much of the remaining portion was invested in trade, in improving transport and communications like the railways in order, mainly, to facilitate export and import trade, and in tea and rubber plantations, the products of which were meant chiefly for export. Only a small part was invested in industry. As we noted before, only 19 per cent of the total capital 'invested' in India, according to one estimate made in 1917-18, represented the paid-up capital of joint stock companies and only six per cent of the total was invested in coal mining and cotton and jute manufacturing, then the major industries in India. On the other hand, there was a continuous flow of wealth from India to Britain. This *annual* tribute during the two decades before World War II was estimated to have been in the neighbourhood of £135 million to £150 million.[6]

The destruction of indigenous industries and forced conversion of India into a raw material appendage and the preservation of the old precapitalist social structure in a modified form acted even more powerfully than the drain as a brake on the development of productive forces. Expatriate British capital built up a few enclaves of capitalist industry but in the vast rural areas semi-feudal relations of production were zealously preserved, and merchant and usury capital flourished as never before.

Even in 1950-51, factories, owned by foreign as well as Indian capital, provided only 5.8 per cent of India's total national income. The total number of workers in factories in 1946-7 was 2,654,000 (less than two per cent of the total *working* population), while the number of workers employed in cottage and small-scale industries (that is, in the pre-capitalist sector) was 15.4 million.[7] The number of 'cultivators' and agricultural labourers formed 69.4 per cent of the total workforce in 1901 and 73.3 per cent in 1951, while persons engaged in manufacturing (factory industry as well as small-scale and cottage industries) constituted 10.1 per cent of the work force in 1901 and 8.7 per cent in 1951.[8] It is claimed that India was industrially more advanced than other underdeveloped countries, as it was the tenth largest producer of manufactured goods in the world by 1945. It should be noted that "even by 1947 the value of average *per capita* output of manufactured goods was a quarter that of Egypt and one tenth that of Mexico."[9] The per capita consumption of steel was 8 lbs. per year in India against 860 lbs. in the U.S.A., 520 lbs. in the U.K., and 470 lbs. in Australia. The per capita consumption of sulphuric acid was "400 times lower" in India than that of the U.S.A., and the per capita consumption of soda ash was "100 times lower."[10] Angus Maddison observed : "From the beginning of British conquest in 1757 to independence, it seems likely that *per capita* income could have increased by more than a third and *probably did not increase at all* [emphasis added]. In the U.K. itself there was a tenfold increase in *per capita* income over these two centuries."[11] And Michael Barratt Brown points out that the wealth per head of India and of other underdeveloped lands in Latin America, Africa, etc., "was higher than in Europe before the seventeenth century and fell *panri passu* as wealth grew in capitalist Europe."[11a]

The non-monetized sector of Indian economy was quite considerable. The extent of semi-natural economy, characteristic of feudalism, that prevailed in India in the fifties, can be guessed from the following fact disclosed by the third round of the National Sample Survey. According to this Survey, "About 43 per cent of the total consumption in rural areas was obtained in kind and 57 per cent purchased in cash."[12] It should be borne in mind that most of the total consumption purchased in cash—food, cotton textiles and the few other articles of daily use—was supplied by semi-feudal agriculture and the cottage and small industries of the village or near-by villages. In an interview to the *Far Eastern Economic Review* in 1975, T. A. Pai, then India's minister of Industries, stated : "The market for industrial goods, apart from textiles, hardly exceeds 50 to 60 million people, or hardly 10 per cent of the population."[13] In 1975, a Government of India publication stated : "Although there has been an impressive development of large-scale industries during the two decades of planned development, *India still remains predominantly a country of village and small industries.* About two crore persons are engaged in these industries, of whom nearly 50 lakhs work in the handloom industries, i.e., more than the total number of persons employed in the organized industries and mining put together."[13a] So there existed (and exist) two parallel cycles of reproduction—pre-capitalist and capitalist.

"The degree of the development of the home market," said Lenin, "is the degree of development of capitalism in the country."[14] Here, in India, the home market for capitalism could not grow nor was the agricultural population reduced as compared with the non-agricultural (as it tends to be under capitalism), because of the crucial retarding factor—the failure of capitalist relations to develop in agriculture.[15] As there was no parallel development of capitalism in agriculture and industry (one of the conditions for the development of the home market and the capitalist mode of production),[16] the pre-capitalist mode remained dominant. While semi-feudal agrarian relations fostered the monstrous growth of merchant and usury capital, these in their turn strengthened semi-feudal relations, became an obstacle to the transformation of the agricultural sector along capitalist lines and combined with metropolitan capital to retard the growth of capitalist industry in India.

PREDOMINANCE OF MERCHANT'S CAPITAL OVER PRODUCTIVE CAPITAL

Marx spoke of merchant's capital and usurer's capital—"the twins"—as belonging to "antediluvian forms of capital, which long precede the capitalist mode of production."[17] In pre-capitalist society these forms of capital subordinate productive capital to themselves while, under capitalism, they function as agents of productive capital. In India it was the former that were dominant. As a new, international division of labour arose in the nineteenth century and India changed into a raw material appendage and a market for industrial goods of capitalist Britain, there occurred a kind of commercial revolution in this country. A network of comprador capital was built by the British bourgeoisie to enable it to export raw materials from this country to the metropolis and to sell its manufactured goods here. There arose on the backs of the peasantry a pyramid of oppression and exploitation, the apex of which was formed by British agency houses and exchange banks. Below them were Indian importers and exporters, numerous brokers and other merchants, landlords and usurers. Merchant capital and usurer's capitalwent hand in hand. Through a system of commercial advances the peasant producers were mostly reduced into virtual serfs. They were robbed not only of their surplus product but of a part of their necessary product. Similarly, weavers and other artisans could not escape the meshes of merchant and money-lender's capital which impoverished them through the system of commercial advances. Thus commerce was much more lucrative than industry, and it was commerce that ruled industry, as it does in a pre-capitalist society. G. D. Birla observed : "Really speaking, we in this country so far have only a trader's psychology. We have not yet developed the industrialist's outlook in the full-fledged sense of the term..."[17a]

The industrial bourgeoisie, as we have seen, developed from merchants and money-lenders many of whom were also incorrigible gamblers; to most of them industry was an adjunct to their basic activities within the sphere of circulation. Even expatriate British capital, which operated through managing agency firms and dominated India's foreign trade, industry, banking, insurance, etc., was predominantly merchant capital. The Indian Industrial Commission 1916-18 stated that the European managing agency firms "have been inclined to develop commerce rather than industries." It also observed : "The political and economic conditions of India in the past have created a large export and import trade; and this trade has brought about the present industrial position."[18] A large railway system and other mechanical facilities were built to serve trade, not industry. The Indian Central Banking Euquiry Committee noted that banks in India financed foreign and domestic trade but refused to provide capital for the fixed assets of industrial enterprises. They only granted some advances for working capital but only for short periods.[19] The whole banking system was intended to serve not industry but trade. In his history of the FICCI, H. Venkatasubbiah writes that the Indian big bourgeoisie was "a class which was yet [1949] in the early stage of emerging from a trading into an industrial class....Most industrial houses were also trading houses. The surpluses from trading still provided substantial funds for the new industrialization. In other words, capital formation for industry still took place in private trade, domestic and foreign." "Industry", comments Venkatasubbiah, could be a privilege, but trade was its prerogative."[20] The member-bodies of the FICCI reacted furiously to the government's proposal for state trading when it was first made in 1949. In a 'typical reaction', B. M. Birla wrote : "My firm is interested in the export and import of cotton, jute, jute goods, oil, oil seeds, groundnut, steel, motor cars, cycle parts, copper, zinc, tin, chemicals such as caustic soda, soda ash, bleaching powder, dyes, pulp and store materials of all varieties. *Therefore,* I am absolutely opposed to the view that the state should start trading in any sphere in the foreign trade of the country."[21] The big bourgeoisie could seek the state's participation in and control over industry[22] but was unable to reconcile itself to the state's participation in trade, which it considered its own preserve. Later, when state trading was launched, "it left much in private hands or used them as instruments of state trading."[23]

The Soviet writer, G. Shirokov. writes that, even during the fifties and sixties when industry made some progress, the Indian business firms were "primarily involved in the sphere of circulation, both in absolute and in relative terms." The table he presents shows that the income of the bourgeoisie from industry (including construction) in 1948-49 was only 21.5 per cent of its total income, while its income from trade and transport was 36.3 per cent, from finance 6.9 per cent, from real estate 4.8 per cent and from interest on securities 3.1 per cent. Though the income from industry (including construction) increased to 28.7 per cent in 1966-67, industry "failed to develop into the main source of income for the bourgeoisie." According to him, "the actual preponderance of incomes derived from trade, finance, etc. is far greater than the data in table 10 [the table he has prepared on the basis of *Statistical Abstract, India, 1953-54,* Delhi, and *Statistical Abstract, India,* 1969] may suggest."[24] Writing in the sixties, Charles Bettelheim also observed : "*The predominance of non-productive over productive capital formation* is greater than statistics suggest."[25]

CAN THE COMPRADOR BOURGEOISIE THROW OFF THE IMPERIALIST YOKE ?

The question is : Why did the Indian comprador big bourgeoisie choose to play the role of an underling to foreign imperialist capital when India was going to be formally independent? What prevented (and prevents) it from putting an end to its subjection to the latter? When its members can bargain between different imperialist monopolies, choose to lean on one imperialist power more than on others, reject one for another from whom they expect better terms, economic and political, why can't they do away with all subordination and carry on independently?

It was not the adverse balance of payments and difficulties of this sort which arose in the mid-fifties that forced the big bourgeoisie to deviate from the road of independence to the road of dependence, as Stanley Kochanek, Paresh Chattopadhyay and Thomas Weisskopf would have us believe. The reasons are more fundamental : they are both economic and political.

The Indian big bourgeoisie, as we have seen, has been travelling along the same road—the road of compradorism—since its very birth. When direct colonial rule ended, the basic weakness of India's capitalist class, besides its failure to subordinate merchant's and usurer's capital to productive capital, lay in the virtual absence of one of the two major departments of capitalist production—the production of the means of production. As Marx pointed out. the total production of society may be divided into two major departments : *means of production* (Department I) and *articles of consumption* (Department II).[26] The former, to use the words of Lenin, are "articles which serve for productive consumption, i.e., are to be put back into production, articles which are consumed, not by people, but by capital" while the latter are "articles used for personal consumption." The main conclusion that Lenin drew from Marx's theory of realization is that "capitalist production, and, consequently, the home market, grow not so much on account of articles of consumption as on account of means of production,... The department of social production which produces means of production has, consequently, to grow faster than that producing articles of consumption."[27] Though the growth of one depends on the other, Department I is the more dynamic of the two.

Far from growing faster, the Department which produces the means of production for capitalist industry did not almost exist in India till the end of our period. It is colonial rule which was responsible for this virtual lack of producer industry, for this lopsidedness and distortion. Except for very meagre production of iron and steel, coal, a few chemicals, etc., the articles that could pass into productive consumption were hardly produced in India. There did not almost exist any machine-building industry. The Fiscal Commission 1949-50 stated : "Machinery and machine tools, non-ferrous metals, electrical engineering, automobiles and tractors, prime movers and heavy chemicals are some of the basic industries which are either non-existent or still in their infancy."[28] It held that the non-availability of capital in the near future would not allow large-scale development of capital-intensive industries and that, in India, labour-intensive industries (like textiles, leather, soap and cement) had a comparative advantage over capital-intensive industries (such as iron and steel, mechanical engineering and shipbuilding). It observed : "The growth of India's industries from the end of the last century to the outbreak of World War II seems to warrant this conclusion." Its aims were modest. The "pattern of large-scale industries" it visualized was "in the nature of a half-way house between the highly capitalized industries of the USA and the UK and India's predominantly rural economy."[29] As we pointed out before, the Commission repeatedly emphasized the need for foreign capital and technical know-how. It prescribed for the Indian bourgeoisie a role complementary to that of metropolitan capital, a role it had been playing before. It did not seek to correct the distortion of the economy nor did it want to overcome its abject dependence on imperialist capital for means of production, for capital goods and technical know-how. Rather, the Indian big bourgeoisie hugged the chains that bound it. In its written evidence before the Commission, the Engineering Association of India stated that "foreign capital is necessary for establishing new industries and maintaining the existing industries in which foreign capital is already invested."[30]

It may be pointed out here that the international trade in technology is a case of unequal exchange. A large number of weak buyers are at the mercy of a few powerful sellers in the world market for technology, which is the monopoly of giant multinational corporations and of the bureaucrat capital of the erstwhile Soviet Union, and this gives them enormous power to control production and marketing decisions of their collaborators, to fleece these countries and make them serve their global strategy. P. Mohanan Pillai and K. K. Subrahmanian rightly pointed out: "With the transfer of productive inputs, mainly technology, *a new phase of technological and. Industrial dependence is set in motion.* The transfer of inputs enables the advanced countries to bring the recipient developing countries into dependence within the international network and to subject them for the generation and accumulation of surplus to transfer back to the centre...peripheral economies are transferred [transformed?] into an inalienable structural element of the centre. Production structure under the influence of foreign technology results in what Charles Cooper describes as lack of organic relation between indigenous science and production which tends to perpetuate the process of technology transfer. Thus production, reproduction, and socio-economic and political forces in the peripheral countries are all necessary but inevitable features of the dependent relationship repeating itself and getting reinforced.... The dependence on foreign technology is necessary to maintain the monopolistic and oligopolistic power of domestic industrialists."[31]

Under the existing economic and political system and in these days of fast technological obsolescence, factory industry in India remains ever dependent on foreign finance capital for technology and capital goods. Addressing the Indian Institute of Management, Calcutta, Dr Raja Ramanna, then Chairman, India's Atomic Energy Commission, observed that much of the Western economies was based on an export strategy that ensured that the material, and not the technology, was exported. According to him. in order to create such a situation, the products were made in such a way that these contained "a high rate of obsolescence."[32] In *Foreign Affairs,* one of the most prestigious journals of the US ruling classes, Leo Model stated : "Technical information is provided for the subsidiaries at second-hand. This cuts off foreign scientists and technicians from the best opportunities for industrial research in their own countries. In fact, the problem is one of national concern."[33] Indeed, there is no substitute for do-it-yourself programme in technology. That is why the faster India tries to run on the crutches of purchased technology, the more backward it moves, in comparison with metropolitan countries.

Constantine Vaitsos was quite right when he said : "In a bargaining structure with highly unequal participants, with limited information and imperfect overall market conditions, the sovereignty of the 'technology consumers' becomes an inapplicable concept."[34] One may remember Lenin's words : The colonies have no capital of *their own,* or none to speak of, and under finance capital no colony can obtain any except on terms of political submission."[35] The Indian big bourgeoisie finds it cheaper for itself to buy technology and capital goods, in which technology is embodied, than to develop them; but this means enormous cost to the country, both economic and political. It prefers to remain a sub-exploiter while imperialist capital is the "monopoly supreme exploiter." It has neither the will nor the strength to fight to cast off the imperialist yoke. It is capable of swapping masters but it is incapable of ridding itself of all of them.

A backward country can never overcome its dependence on the imperialist bourgeoisie except by unleashing the initiative of peasants and workers, technicians, engineers and scientists, and mobilizing them for getting rid of the industrial and technological backwardness of centuries. This can be achieved only when the present economic, social and political system is overthrown and replaced by another under which industry and technology become the property of the people, the profit motive is eliminated and the people are infused with a spirit of independence and self-reliance. Only an aroused and self-reliant people working not for the profits of a few but for the welfare of the overwhelming majority can overcome the industrial and technological backwardness and liberate India from its semi-colonial dependence on imperialism. If the capitalist class wants to get rid of its dependence on foreign monopoly capital, it must unite with the people in the struggle to end imperialist domination, to eliminate feudal survivals and to build an entirely different economic and political system. But the comprador bourgeoisie is incapable of doing so, for such a role demands transformation of its own character. And such a revolutionary struggle will sweep away not only the imperialist fetters and feudal remnants but also this class. So, it prefers subjection or subordination to the metropolitan bourgeoisie rather than self-immolation or *nirvana*. Whatever may be the aspirations of individual members of the comprador bourgeoisie, the economic and political conditions are such that it is incapable of throwing off the yoke of foreign capital. Rather, to be harnessed to that yoke is the purpose of its existence.

THESIS OF RE-COMPRADORIZATION

Samir Amin is right when he points out that "the bourgeoisie of the periphery proved unequal to the task of establishing themselves as independent ruling classes and instead were obliged to accept the role of compradors to the bourgeoisies of the centre." But his theses that the bourgeoisie of what he calls a peripheral country does not comprise two sections (one nationalist, the other "pro-imperialist"), that the "phase of capitalist expansion between 1945 and 1970 could still accommodate 'nationalist' deviations", and that the present crisis and the contradictions that it has exacerbated have provided opportunities to transnational capital to "re-compradorize the third world (in particular, through the international monetary system)"[36] are hardly convincing. They are at best sweeping generalizations unsupported by facts. These theses are not correct at least so far as India is concerned. We have seen that the Indian bourgeoisie has two sections (one national, the other comprador) and that the comprador bourgeoisie could not be accused of any nationalist deviation between 1945 and 1970. We shall not dilate upon the "nationalist deviations" here, for we have already touched on them in the previous chapter and intend to deal with them more elaborately elsewhere. In passing we would quote a passage from an article which appeared in an organ of the major party of the ruling classes in the early sixties :

"The Indian industrialists often did not bother much about the quantum of royalties, know-how fees, cost of the capital equipment or technical control. They were satisfied with having as big a capital participation as possible.... In other cases [where foreign capital is less than 51 per cent] the foreign collaborating firm has actually much less capital but usually there is a sort of agency, technical and royalty agreement. These agreements usually give the foreign firm almost complete control over the joint ventures even when Indian participants have a major share.... It is known, however, that the cost of equipment brought in this way [as part of a turnkey job] is higher than it should be, in several cases more than 100 per cent. The processes are usually old ones on which the collaborators have already made quite a bit of profit.... The Indian participants in their zeal and hurry to get some sort of foreign name in the proposed joint ventures rush and bring in some foreign firms so that the shares of the ventures are appreciated right at the beginning in the Indian markets...the Indian unit has to be entirely spoon-fed for any further technical developments by the foreign participant. All technical progress thus is at the mercy of the foreign participants."[37]

Speaking of the period after 1947, Bhabatosh Datta, a reputed Indian economist, wrote in the same vein :

"The private [Indian] capitalists' attitude to wards foreign capital and collaboration thus became one of enthusiastic welcome. Foreign collaboration to them started to mean additional financial resources, advanced technology, highly developed marketing organization, the prestige of foreign brand-names and personal prestige and advantages. If the share of the foreign collaborators was going to be large, it did not matter to the Indian partners as long as the total profits were high." He also stated that "there is every likelihood that the Indian partners of the foreign holders will side with the latter in matters which may be in the interests of the company even when these are against the interests of the country." He added : "The foreign multinationals had powerful allies in the Indian industrial groups and this resulted in agreements detrimental to the interests of the country, while they were highly profitable to the partners on both sides of the frontiers."[38]

There can be no disputing the fact that the International Monetary Fund, the World Bank and the governments of the imperialist countries play an important role in strengthening the symbiotic relationship between imperialist capital and domestic big capital.

CHANGES AFTER WORLD WAR II

Some changes have, no doubt, occurred after World War II. In the era of industrial capital before the rise of monopolies, when the import of manufactured consumption goods from the metropolis was primary and that of capital goods secondary, the Indian comprador bourgeoisie acted primarily as the distributor of imported goods on the domestic market and as the supplier of raw materials and food-grains. In the era of finance capital, especially since the end of World War II, what was primary has become secondary and what was secondary primary. The Indian comprador bourgeoisie has now become primarily the local intermediary of the imperialist bourgeoisie for import of massive amounts of both direct investment and loan capital. Another change that has occurred is that, instead of remaining the monopoly possession of the British bourgeoisie, India has become the happy hunting ground of the monopolists of various imperialist countries.

Formal political independence, that is, the transition from a colony to a semi-colony (a formally independent country which is "enmeshed in a net of financial and diplomatic dependence") has given the Indian bourgeoisie, mainly the big bourgeoisie, the freedom to woo several imperialist powers instead of one and to bargain between them *but within the framework of basic dependence on them.* Though the comprador bourgeoisie is bound to the bourgeoisies of imperialist countries by many threads, visible and invisible, it is its power to bargain between them that gives the appearance of its 'independence'.

As World War II was approaching its end, the Indian big bourgeoisie dreamt of becoming a dominant power in Asia with the imperialist powers like the U.K. and the U.S.A. to prop it up. The old colonial powers like France and the Netherlands were maimed, Japan was facing defeat and ruin, China was in the throes of a civil war. South-East Asia as well as West Asia beckoned our big capitalists. Jawaharlal Nehru held that the small national state "can have no independent existence" : he thought that it was India's 'manifest destiny' to become the centre of a super-national state stretching from the Middle-East to South-East Asia and to exercise "an important influence" in the Pacific region. He continually harped on the theme that *"India is likely to dominate politically and economically the Indian Ocean region.* " On 27 October 1948 he wrote to Patel from Paris : "Definitely India is considered as a potential great Power and specially as a *dominant power in Asia.*"[39] Patel shared this aspiration. He said : "Let India be strong and be able to assume the leadership of Asia, *which is its right....*"[40]

How could India, so abysmally poor and backward, without any machine-building industry and lacking in military strength, hope to dominate the Indian Ocean region economically and politically? It was because of this disparity between aspiration and ability that the Indian big bourgeoisie was enamoured of the virtues of the British Commonwealth and entrusted the task of making India industrially great and strong to the monopolists of the U.K. and the U.S.A., as the Engineering Association of India proposed in its written evidence (which we have cited in the previous chapter) before the Fiscal Commission 1949-50. They aspired to become a zonal power under the umbrella of the Anglo-U.S. imperialist powers.

A CURIOUS STATEMENT

Amiya Kumar Bagchi makes this curious statement: "The role of the monopoly power, backed by political authority, that was exercised by European capitalists in suppressing the growth of native bourgeoisie has tended to be obscured by the attention paid to the character and role of the so-called [sic!] 'comprador bourgeoisie' in such countries as China, India, Indonesia and Brazil."[41] In China, the attention paid to the character and role of this "so-called 'comprador bourgeoisie' " by Mao Tsetung and his comrades enabled them to distinguish between friends and enemies of the people and to accomplish the Chinese revolution which brought about a historic transformation in the most populous country of the world. In India, so far as my knowledge goes, very little attention has been paid to the character and role of this section of the bourgeoisie. Academicians usually ignore this disagreeable subject or, when they mention it they deny the existence of any such section.

Bagchi is quite correct when he says that European capitalists, backed by political authority, suppressed the growth of the native bourgeoisie. But this is part of the truth. While they suppressed the growth of the *independent* native bourgeoisie, they raised and nurtured a comprador native bourgeoisie—Dwarkanath Tagores, Jamsetji Jijibhais, Petits, Tatas, Goenkas, Birlas, etc. The European capitalists would have failed to establish and consolidate their economic and political domination over this sub-continent without the help of native intermediaries. For its underdevelopment, for the emasculation of the bourgeois revolution here, the imperial impact was primarily responsible but the domestic classes—the compradors and the feudal princes and landlords—played a complementary role to that of the metropolitan bourgeoisie. The external forces and the domestic classes that were their traditional allies were two blades of the same scissors. If one shuts one's eyes to this aspect of the truth, one's approach to the question of underdevelopment will be a confused and confusing one. Though direct colonial rule ended quite a few years ago, yet India continues to underdevelop. Contrary to what Bagchi says, it is not the "open or covert racialism" of the nations of Europe that is to blame. To whatever races they might belong, the monopoly capitalists of the West or of Japan or "the state bourgeoisie" (to use Charles Bettelheim's terms) of the erstwhile Soviet Union could hardly be expected to change their nature and industrialize India and other backward countries out of altruistic motives. What are to blame are, first, their lust for profit and power (which is a basic characteristic of that class) and the competitive struggle among them for capital accumulation and second, the internal class structure which emerged as a result of the coalescence of the interests of metropolitan capital and those of certain domestic classes. The development of the advanced capitalist countries and the underdevelopment of backward countries are dialectically related. Besides international monopoly capital, the domestic class structure is a barrier to the development of India's productive forces. The question is not one of transfer of capital and technology, appropriate or inappropriate, from metropolitan countries but of smashing this class structure and of breaking in the process the chains that bind India to the capitalist-imperialist system.

THE CHARACTER OF THE INDIAN BIG BOURGEOISIE

"The formation of an Indian bourgeoisie, slow as it was," wrote Tom Kemp, "became increasingly apparent, but it was a bourgeoisie of a type which was closer to that of early nineteenth-century Europe than of a mature capitalist society."[42] Such a view, shared by many economic historians and political scientists, fails to take into account the conditions in which the Indian bourgeoisie, especially the big bourgeoisie, had its genesis and growth—the conditions which shaped it and endowed it with certain economic, political and social traits quite unlike those of the early nineteenth-century European bourgeoisie.

It is a truism that the bourgeoisie of early nineteenth century Western Europe was a progressive class which had led the people against the feudals, wrested power from the latter and established bourgeois nation states. As Marx and Engels observed, it was a class which historically had played "a most revolutionary part." "The bourgeoisie, wherever it has got the upper hand," they said, "has put an end to the feudal, patriarchal, idyllic relations."[43]

But in India the upper stratum of the bourgeoisie has been reactionary from its very birth. It waxed fat by serving foreign capital as its intermediary and thus helped the colonial power to penetrate into the subcontinent and dominate it economically and politically. On the other hand, it grew not by waging struggle against the feudal class but in close alliance with it. As we have noted before, one of the chief sources of capital invested in Indian industries was the huge rent squeezed out of the peasantry by feudal princes and big landlords. To quote R. K. Hazari, "Except for the Princely States and rich zamindars, which constituted a rather narrow and unpredictable class of long-term investors, there were no institutions to provide long-term finance for projects requiring considerable capital and likely to take a long time to earn a return from goods with uncertain sales prospects."[44] And in 1949, G. D. Birla lamented : "The Princely order was another investor which now is out of the market."[45] The Indian big bourgeoisie itself was involved in feudal landownership and extraction of rent. Many of them have been big landlords and usurers. This is the reason why this class has always opposed radical land reforms and refused to carry them out. So Indian industrial capitalism, the growth of which was not only retarded but also distorted, could hardly play any dynamic role and has failed to transform Indian society as British and French capitalism transformed their respective societies.

Interestingly, a contributor to Birla's *Eastern Economist* wrote that while, during the 19th century, the Englishman developed in India railroads and plantations, opened mines and established the jute industry, "the Indian was content with becoming the agent, or the guaranteed broker of important foreign houses.... He was content to make his pile in a relatively small way as an adjunct of the European firm in India.... The Indian businessman talks the language of modernism, but he is a medievalist at heart, both in his mind and in nis practices. He cannot, therefore, think of the enterprise that he has founded as being controlled and developed by anybody except his own descendants.[46]

To the Indian business magnates the firm and the family were (and are) coterminous. The advent of mechanized factories, as Howard Spodek wrote of Ahmedabad, had not changed the traditional hereditary structure of the family business.[47] The *banias* have neither any aptitude for innovation nor any interest in the process of production. Nor are they distinguished for a bold and adventurous spirit. It is "management of finance and ability to take advantage of opportunities for cornering the market in key articles of trade and for earning speculative profits" that contribute to their business success.[48] The family firm, a pre-industrial institution, is quite useful for their purposes.

"The Indian industry", George Baldwin aptly says, "provides an example *par excellence* of *'imitative entrepreneurship'*—a form of pioneering along well-blazed trails."[49] Indeed, the factory industry owned by Indian big capital is the product of the mating of the Indian traders' skills with the foreign production engineers'.

As alien technology is mostly copied without taking into account the differences in factor endowments or market structure, Indian industry tends to cater to the needs that are grafted on to society.[50] When stark misery prevails, when the bullock cart is the main means of transport in India's vast rural areas, when the industrial revolution is yet to take place, when scores of millions of people remain unemployed and the problem of unemployment gets more acute with every passing day, the Indian ruling classes talk of bringing about an electronic revolution and import foreign computers (or their components) to instal them wherever possible. The kind of "development" that is taking place is neo-colonial "lumpendevelopment" promoted by a "lumpenbourgeoisie" (to use Andre Gunder Frank's terms which he has employed to describe the bourgeoisie and 'development' in Latin America).[51] On the one hand it flaunt till recently a tattered "socialist pattern'.' and, on the other, it felt no qualms to mortgage India to imperialist capital.

At a specially convened and well-attended seminar held at Davos, Switzerland, early in February 1985, Ram Tarneja, managing director of the *Times of India* group of publications, spoke on the "enormous number of fiscal and non-fiscal concessions that gave the foreign investor all the returns he could possibly dream of and urged potential foreign investors to "come, see and conquer'[52] (as if India is not enslaved enough).

Swaraj Paul, a non-resident Indian industrialist, who was very close to Indira Gandhi and is linked to the Apeejay house, one of India's big business houses, told a packed Press Club of India meeting in New Delhi years ago that just eleven business houses in the country were controlling industry in which the state financial institutions had invested about Rs 27,000 crore, while their own investment was barely Rs 148 crore. He accused these eleven houses of siphoning off a big chunk of the financial gains for their own ends and added that, according to some estimates, they had deposited Rs 25,000 crore in banks overseas.[53] Interestingly, there was no reply to this accusation made from an important public platform and published widely.

About these imitator entrepreneurs of trading and money-lending origin, Ronald Segal rightly said :

"...in general the businessman is more a speculator than a builder, a pirate rather than a pioneer. His base is not in industry, though he will exploit industry to his profit, but in commerce and finance. He has none of that sense of national responsibility which characterized the Japanese businessman in the first flush of his country's economic expansion. Still less has he the moral disposition of the Quaker industrialist.... He is an empire builder with the vision of a chartered accountant, and a chartered accountant skilled at cooking his books."[54]

Politically, the Indian big bourgeoisie, as A. D. D. Gordon said, was the traditional ally of the British raj.[55] Leaders of this section, as we have noted before, were opposed even to the *Swadeshi* movement and to the kind of movements started by Gandhi in 1920 and 1930. The "freedom" this section of the bourgeoisie wanted was the freedom to manoeuvre between rival imperialisms and to obtain better economic terms and more political power but within the limits of basic dependence on imperialist countries. The dominant section of the Congress leadership (i.e., Gandhi, Sardar Patel and Gandhi's other lieutenants), which best represented the interests of the compradors, was "dying to co-operate" with the British raj; to it, "non-co-operation was only a step towards co-operation"[56] and it was anxious not to break the ties with imperialism. Under pressure from radical elements within the Congress, the Gandhian leadership only *formally* accepted at the end of 1929 complete independence as the Congress goal. Soon after, Gandhi and his lieutenants repudiated it?[57] What they aspired to was "permanent," "indissoluble partnership" with the British imperialists.[58]

In order to build a permanent, indissoluble Indo-British partnership, Gandhi, the "champion of big business", insisted that the people must remain non-violent in the face of the armed might of the raj. He preached that the people should observe *ahimsa*—non-violence—in thought, word and deed even under the gravest provocation and raised it to the level of a religious tenet, though persons closest to him like Nehru, Patel and G. D. Birla never believed in it. Interestingly, non-violence was interpreted differently at different times by Gandhi. The boycott of foreign goods was sometimes an act of violence[59] and, at other times, a non-violent act. This saint's services to the British in the Boer War and in suppressing the Zulu rebellion in South Africa, his support for the British imperialists in World War I and recruitment of soldiers for the British Indian army, and his offer of support for allied war efforts in 1942 and 1944, etc., did not, of course, militate against his creed of non-violence. On the other hand, the refusal of Garhwali soldiers to obey commands of a British officer to fire upon and kill unarmed anti-imperialist demonstrators in Peshawar in 1930 was denounced by Gandhi instead of being commended as an act of non-violence.[60] All his ideological propaganda and political practices were meant to blunt the edge of all anti-imperialist struggles and deprive them of their effectiveness.

True to his role as the representative of the comprador bourgeoisie, Gandhi was friendly to both native princes and landlords. His solicitude for the welfare of the native princes.[61] and of the landlords[62] is so well-known that we need not dilate upon it.

Both the imperialist rulers (to whom Gandhi was sometimes "an asset")[63] and the Indian big bourgeoisie regarded the "left wing" (by which they often meant national bourgeois and petty bourgeois elements who believed in armed struggle and sought genuine independence) as the real enemy. Men like G. D. Birla, whose association with Gandhi and Gandhi's lieutenants was truly "unique", appealed again and again to the alien rulers to combine with the Gandhian leadership to crush the left wing. Otherwise, they felt, it would be the "funeral" of their India as well as of Tory England.[64] The same appeal was implicit in Gandhi's warning to the British rulers at the plenary session of the Second Round Table Conference : "Will you not see the writing that these terrorists are writing with their blood?.... I urge you to read that writing on the wall." This warning was accompanied with an entreaty to the raj to trust him, "a frail man, 62 years gone," and to "find a little corner for him and the organization that he represents."[65] And. representing the FICCI, Birla, too, told the plenary session of the Second Round Table Conference on the same day : ".....it would be the great mistake of your life if you do not take the opportunity of coming to terms with India. I know the youth of my country. It is quite possible that a few years hence you will not have to deal with men like Mr. Gandhi who has proved in many respects a greater Conservative than many of you; you may not have to deal with Princes; you may not have to deal with capitalists like myself; you may have to deal with new men, new conditions, new ideas, and new ambitions. Beware of that."[66]

Today truth is smothered by trumpet-tongued lying : the collaborators of imperialism are extolled as mighty heroes of national liberation!

The transfer of power in 1947 was smooth from the point of view of the British raj and the Indian big bourgeoisie—not from the point of view of the Indian people, who had to go through many ordeals-unprecedented communal holocausts and mass migrations and, later, several wars between themselves. The British political and military leaders considered India to be "the essential linchpin in the structure of the Commonwealth."[67] The transfer of power was smooth because it was effected on the basis of dominion status and partition of India on communal lines.

Evidently, India was not Malaya or Viet Nam where the people led by the party of the working class waged protracted armed struggles, for they sought to liquidate imperialist exploitation and control (formal or informal) and break out of the capitalist-imperialist system. Here, on the contrary, the colonial masters transferred power by an act of Parliament to "friendly hands" which would ensure that, as Harry Magdoff wrote, 'the fundamental relations of colonialism and the old international division of labour" would persist "even after political independence was gained."[68]

Socially and culturally, the Indian big bourgeoisie is a cross between decadent pre-capitalist India and the decadent capitalist West. Paul Baran correctly said :

"While in advanced countries, such as France or Great Britain, the economically ascending middle-classes developed at an early stage a new rational world outlook, which they proudly opposed to the medieval obscurantism of the feudal age, the poor, fledgling bourgeoisie of the underdeveloped countries sought nothing but accommodation to the prevailing order."[69]

When colonial rule was established, the old social structure underwent some changes but it was retained in the main. Feudal society changed into a semi-feudal society. D. R. Gadgil observes that, as there has been no revolutionary change, "in our socio-economic structure and in all motivations, in procedures, habits of thought and patterns of conduct, influences from the past appear still to play a very large part."[70] Marx's early expectation that modern industry, resulting from the railway system, would dissolve the Indian castes, proved too optimistic. Of a total population of about 68.52 crores, only 6,895.000 people (or a mere 2.8 per cent of the total working force) were employed in factory industry in 1979-80,[71] and the caste has not lost much of its old rigour, even in big centres of industry like Bombay and Ahmedabad. Instead of fighting this impediment to progress, the Indian big bourgeoisie and its political representatives (including Gandhi, Rajendra Prasad, etc.) have supported it. G. D. Birla said that he thought "caste is what holds this country together. Abolish caste and India is in trouble."[72] The outlook of the Indian big bourgeoisie is imbued with casteism and communalism. B. M. Birla, G. D. Birla's brother, wrote to Congress boss Vallabhbhai Patel on 5 June 1947 (immediately after the plan for transfer of power was adopted) : "Is it not time that we should consider Hindustan as a Hindu State with Hinduism as the State religion?"[73]

Religion, which has a powerful appeal to the masses in this semi-feudal milieu, has been exploited unashamedly to serve political ends. With his *ashrams*, prayer meetings, visions of "Ram Rajya" (the kingdom of God) and dictates of "inner voice", Gandhi, the most astute leader of the Congress, made a unique blend of religion and politics, and in it lay one of the secrets of his tremendous influence on the Hindu masses, especially the dominant caste Hindus.[74] On the other hand, the Muslim compradors proposed the partition of India on religious lines, became champions of the two-nation theory and raised the bogey of "Islam in danger" in order to rally the Muslim masses behind their demand. Casteism and communalism remain the bane of Indian politics.

A letter written by six former army commanders to the then President of India Zail Singh, requesting him "to see" that the Sikh soldiers who had deserted in the wake of the 'Operation Bluestar' against Sikhs at Amritsar in 1984 were treated "sympathetically and leniently", reveals to what extent religion is exploited by the Indian ruling classes and their state. When a Sikh soldier is inducted into the Indian army, he has to take the oath of allegiance at the ceremonial parade by touching with both hands the *Guru Granth Sahib* (the Sikh scriptures), which is displayed on parade for this purpose. Then he is led to the regimental war memorial (which embodies the "Chakra" and "Khanda, the coat-of-arms of the Khalsa, the Sikh religious community) and ceremonially repeats and adopts as his own the vow taken by Guru Govind Singh at the time of taking up the sword against the Mughals. "The Sikh soldier", wrote the army commanders, "is nurtured today, as in the past, on his. religious tenets and traditions which have been fully approved by the Army and the government of India during the past thirty-seven years."[75] This is true not only of the Sikh soldiers but also of the Hindu and Muslim soldiers.[75a]

Far from fighting medieval obscurantism the Indian capitalist class thrives on it. Members of this class still worship Hanuman the monkey and Sabbala the cow and many 'holy men' who are supposed incarnations of God. They spend millions of rupees in building temples and *dharmashalas* (temporary residences for pilgrims) when beggars rummage dustbins. They have a vested interest in medieval obscurantism and all their cultural media uphold it. It is worth noting that prohibition of the slaughter of cows and calves and other milch and draught cattle is one of the directive principles of state policy, which form a part of the Indian Constitution. Cow slaughter has been banned in all states of the Indian Union, except West Bengal and Kerala. In some places like Haridwar in Uttar Pradesh, nobody is permitted to eat fish or meat. Faith in astrology is quite strong. One instance will perhaps suffice.

The 15th of August 1947 was fixed by Viceroy Mountbatten as the day of transfer of power in India. But astrologers found this day to be inauspicious while 14th August was held auspicious. The diffifulty was got over by India's keeping its "tryst with destiny" at the midnight hour between 14 and 15 August,[76] for the day according to the Hindu calendar begins not at midnight but at dawn. On this day Nehru, the professed socialist, attended a traditional 'crowning' by Hindu *pandits* and sought blessings from brahmins for the new dispensation.[76a] The big bourgeoisie and its political and ideological representatives are interested in preserving the rottenness of ages underneath a thin veneer of modernity.

It is the social climate, an amalgam of the worst features of feudalism and capitalism, that is "conducive to double-think, doublespeak, double-deal"—an art in which the Indian big bourgeoisie is a past master, "...the principal characteristic of this class," wrote D. D. Kosambi, is "ravening greed which is now so obvious in the black market, in enormous bribes spent in making still more enormous profits, in speculation in shares and an increasingly callous disregard for the misery and even the lives of their fellow Indians."[77] And D. R. Gadgil, once Vice-Chairman of India's Planning Commission, observed: "It has always been known that the financial communities in India had developed tax evasion into a fine art."[78] The black money that they have accumulated and that circulates in the Indian economy was estimated by the International Monetary Fund more than fifteen years ago at 50 per cent of India's gross national product.[79]

The bourgeois revolutions in different regions of India were strangled by imperialism acting in collusion with the feudal class and the comprador bourgeoisie, which itself has a feudal tail. It is to the interests of the comprador bourgeoisie to preserve the internal class structure and the domination of external imperialist powers, which act as a brake on the development of productive forces and which generate underdevelopment. Ruth Glass, Director of the Centre for Urban Studies, University College. London, observed :

"By now, feudal, colonial, and capitalist conditioning combined, together with the specific cultural precepts of the introverted caste system and geographical segregation, have made the Indian bourgeoisie one of the socially blindest examples of the species."[80]

It was under the banner of Free Trade that the economy of India was made dependent on the economy of the metropolis in the 19th century. Today, through what is called 'internationalization of capital', all spheres of Indian life are dominated by imperialist capital.

Generalizing the Chinese experience, Mao Tsetung pointed out: "In the epoch of imperialism, in no country can any other class [other than the working class] lead any genuine revolution to victory. This is clearly proved by the fact that the many revolutions led by China's petty bourgeoisie and national bourgeoisie all failed."[81] Mao held that no new bourgeois state could emerge in the era of imperialism and proletarian revolution. According to him, Turkey under Kemal Ataturk had been an exception and that, too, lasted for a short while and soon reverted into a semi-colony.[82] He pointed out that a colony or semi-colony can attain genuine independence only by accomplishing the anti-imperialist, democratic revolution under the leadership of the proletariat, by overthrowing the external and internal forces that keep it enchained to the capitalist-imperialist system as a satellite, by breaking out of it and carrying on an uninterrupted revolution for achieving and consolidating socialism.

It is interesting that, in the course of discussion on Tom Kemp's paper "The Marxist Theory of Imperialism" at a seminar, held at Oxford in 1969-70, the issue was raised "whether an independent capitalist industrialization was possible during the imperialist epoch. Throughout the seminar there was little disagreement on this question; it was generally agreed that the possibility was no longer open."[83] At least some thirty years before, Mao had written that in the era of imperialism the road to *independent capitalist* development of a colony or semi-colony was blocked.

NOTES

1. Lenin, "Imperialism, the Highest Stage of Capitalism", *CW,* XXII, 243.
2. Lenin, "Address to the Second All-Russia Congress of Communist Organizations of the Peoples of the East", *CW,* XXX, 161; "Draft Theses on National and Colonial Questions", *CW,* XXXI, 149.

3. *Comintern and National and Colonial Questions* (Documents of Congresses), New Delhi, 1973, 77, 78—emphasis added.
4. Mao Tsetung, "The Chinese Revolution and the Chinese Communist Party", *SWMT,* II, 309-10.
5. Paul Baran, *The Political Economy of Growth,* New York, 1957, 143-4— emphasis in the original.
6. R. Palme Dutt, *India Today,* Bombay, 1947, 122.
7. GOI, *Report of the Fiscal Commission 1949-50,* I, 32; *CEHI,* II, 642.
8. *Ibid,* Table 6.2, 535.
9. B. R. Tomlinson, *The Political Economy of the Raj 1914-1947,* 31-2— emphasis added.
10. GOI, *Report of the Fiscal Commission 1949-50,* I. 33
11. Angus Maddison, *Class Structure and Economic Growth : India and Pakistan since the Moghuls,* 67.
11a. M. Barratt Brown, *The Economics of Imperialism,* 119.
12. GOI, *India : A Reference Annual 1959,* New Delhi, 197-8; see also G. Shiroko, "Industrialization and the Changing Pattern of India's Social and Economic System," in V. Pavlov, V. Rastyannikov, G. Shirokov, *India : Social and Economic Development (18th-20th Centuries),* Moscow, 1975, 195; Charles Bettelheim, *India Independent,* London, 1968, 45-6, note 19.
13. Philip Bowring and Lawrence Lifschultz, "India's Emergency Steps....", *Far Eastern Economic Review,* 24 Oct. 1975.
13a. GOI, *India : A Reference Annual 1975,* New Delhi, 248.
14. Lenin, "The Development of Capitalism in Russia", *CW,* III, 69.
15. See Chapter 6 above; also Charles Bettelheim, *op cit,* 23.
16. Lenin, "The Development of Capitalism *op cit,* 589-90; Maurice Dobb, *Studies in the Development of Capitalism,* Routledge Paperback edn., London, 1972, 161-2.
17. Marx, *Capital,* III, Moscow, 1974 reprint, 593.
17a. G. D. Birla, "The Task Ahead", in FICCI, *Silver Jubilee Souvenir,* 188.
18. Indian Industrial Commission 1916-18, *Report,* 9, 49.
19. GOI, *Indian Central Banking Enquiry Committee 1931,* Vol. I, Part I— *Majority Report,* 29, 269, 271.
20. H. Venkatasubbiah, *Enterprise and Economic Change : 50 years of FICCI,* 80,81.
21. B. M. Birla's letter to the Officiating Secretary of the FICCI, 27 April 1949; cited in *ibid,* 81—Venkatasubbiah's italics.
22. See P. Thakurdas and others, *A Brief Memorandum Outlining a Plan of Economic Development for India,* Parts I and II.
23. Venkatasubbiah, *op cit,* 96.
24. Shirokov, *op cit,* 244-5.

25. Bettelheim, *op cit*, 73—emphasis in the original.
26. Marx, *Capital*, II, Moscow, 1974 reprint, 399.
27. Lenin, "The Development of Capitalism", *op cit*, 54.
28. GOI, *Report of the Fiscal Commission 1949-50*, I, 33; see also G. K. Shirokov, *Industrialization of India*, Moscow, 1973, 35-45.
29. GOI, *Report of the Fiscal Commission 1949-50*, I, 121, 122, 126.
30. *Ibid*, III (Written Evidence), 79.
31. P. M. Pillai and K. K. Subrahmanian, "Rhetoric and Reality of Technology Transfer", *Social Scientist* (Trivandrum), Jan.-Feb. 1977, 88-9—emphasis added.
32. *The Statesman*, 28 April 1984.
33. Leo Model, "The Politics of Private Foreign Investment", *Foreign Affairs*, July 1967, 646. Another contributor to *Foreign Affairs* wrote : "Still as far as the advanced countries are concerned, the generalization holds : the pattern of co-ordination, consultation and commitment has evolved to such a point that freedom of economic action on the part of these nations [which have become formally independent since the end of World War II] is materially qualified." (Raymond Vernon, "Economic Sovereignty at Bay", *Foreign Affairs*, Oct. 1968, 110-1).
34. C. Vaitsos, "The Process of Comm ercialization of Technology in the Andean Pact", in Hugh Radice (ed.), *International Firms and Modern Imperialism*, Harmondsworth, Middlesex, 1975, 192.
35. Lenin, "Imperialism, the Highest Stage", *op cit*, 338—emphasis in the original.
36. Samir Amin, "Contradictions in the Capitalist Development of Egypt : A Review Essay", *Monthly Review*, Sept. 1984, 14, 20.
37. S. V. Kapade, "Foreign Collaborations", *AICC Economic Review*, 30 Oct. 1962, 27-8.
38. Bhabatosh Datta, "Foreign Capital, A Historical View : Entry with Trade, Leap with Industry", *Business Standard*, Year-end Survey 1977, 10-11.
39. J. Nehru, *The Discovery of India*, London, 1956 edn., 545, 549, 550; *SWJN*, XIV, New Delhi, 1981, 325—emphasis added; Nehru, *Independence and After*, Delhi, 1949, 219, 360; Nehru to Patel, 27 Oct. 1948, in Durga Das (ed.), *Sardar Patel's Correspondence 1945-50*, VII, Ahmedabad, 1973, 668—emphasis added; J. Nehru, *Inside America* (a collection of his speeches in the U.S.A. in 1949), New Delhi, n.d, 54, 63, 83.
40. P. D. Saggi (Editor-in-Chief), *Life and Work of Sardar Vallabhbhai Patel*, Bombay, n.d., 86—emphasis added.
41. A. K. Bagchi, *The Political Economy of Underdevelopment*, Cambridge, 1982,28.
42. Tom Kemp, "Leaders and Classes in the Indian National Congress, 1918-1939", *Science and Society*, Winter 1964, 6.

43. Marx and Engels, "Manifesto of the Communist Party," in *SWME*, I, 111.
44. R. K. Hazari, "Industries", in GOI, *The Gazetteer of India*, III, 484.
45. G. D. Birla, *The Path to Prosperity*, Allahabad, 1950, 559.
46. Nanalal C. Mehta, "The Pattern of Indian Industry," *EE*, 1 Feb. 1946, 181-2.
47. Howard Spodek, "Traditional Culture and Entrepreneurship : A Case Study of Ahmedabad", *EPW* (Review of Management), 22 Feb. 1969, p. M-29.
48. A. K. Bagchi, "Reinforcing and Offsetting Constraints in Indian Industry", in A. K. Bagchi and N. Banerjee (eds.), *Change and Choice in Indian Industry*, Calcutta, 1981, 28.
49. George B. Baldwin, *Industrial Growth in South India*, Glencoe, Illinois, 1959, 165.
50. K. S. Krishnaswamy, "Inaugural Address", in A. K. Bagchi and N. Banerjee (eds.), *op cit*, 20, 21.
51. Andre Gunder Frank, *Lumpenbourgeoisie : Lumpendevelopment*, New York, 1974.
52. *ET*, 6 Feb. 1985.
53. *Ibid*, 20 Aug. 1983; see also *ibid*, 5 Sept. 1983.
54. Ronald Segal, *The Crisis of India*, Harmondsworth, Middlesex, 1965, 304.
55. A. D. D. Gordon, *Businessmen and Politics*, 156.
56. *CWMG*, XLII, 87,150; see also XX, 365,493; XXII, 162; XXVII, 2, 243-4, 418; H. N. Brailsford, in H. S. L. Polak, H. N. Brailsford, Lord Pethick-Lawrence, *Mahatma Gandhi*, London, 1949, 170; G. D. Birla, *Bapu : A Unique Association*, Bombay, 1977, III, 76; B. Pattabhi Sitaramayya, *History of the Indian National Congress*, I, Bombay, 1946 reprint, 358.
57. Gandhi's speech at the Federal Structure Committee of the Second Round Table Conference, *CWMG*, XLVIII, 18, 362-4; Vallabhbhai Patel's presidential address at the Karachi session of the Congress, March 1931, A. M. Zaidi and S. G. Zaidi (chief eds.), *The Encyclopaedia of the Indian National Congress*, X, New Delhi, 1980, 136; Birla, *Bapu*, III, 269; *CWMG*, LXXI,23; T.O.P., XI, 132.
58. *CWMG*, XLVIII, 18; Birla, *Bapu*, III, 269.
59. *CWMG*, XVI, 318, 322; Rajendra Prasad, *Autobiography*, Bombay, 1957, 291; Judith Brown, *Gandhi's Rise to Power*, Cambridge, 1972, 202-3.
60. Palme Dutt, *India Today*, 302-3.
61. *CWMG*, LXXI, 34.
62. *Ibid*, LXIIL 248.
63. Birla, *Bapu*, III, 94, see also 348; IV, 138, 146-7, 150, 162.

64. *Ibid,* II, 12-14, 44-5; see also I, 181; and *In the Shadow of the Mahatma,* 210-1.

65. *CWMG,* XLVIII, 365.

66. Birla, *The Path to Prosperity,* 389-90.

67. *T. O. P.,* VIII, 224, 348-50,547, 646, 659; IX, 940; X, 965, 974-5.

68. Harry Magdoff, *Imperialism : From the Colonial Age to the Present,* New York, 1978, 74.

69. Paul Baran, "On the Political Economy of Backwardness", in A. N. Agarwala and S. P. Singh (eds.), *The Economics of Underdevelopment,* New York, 1963,77-8.

70. D. R. Gadgil, *Origins of the Modern Indian Business Class : An Interim Report,* New York, 1959, Foreword, p. iv.

71. See Mridul Eapen, "Structure of Manufacturing Workforce," *EPW,* Annual Number 1984, 1455. See also GOI, *India : A Reference Annual 1983.* New Delhi, 1983, 404. Mridul Eapen writes : "Throughout the period 1901-81,...the share of agriculture in total workforce has remained around 70 per cent and of non-agricultural activities, 30 per cent, within which manufacturing [including household industries, factory industries and non-household, non-factory industries] has accounted for 9-10 per cent" *(op cit,* 1454).

72. Ian Jack, "The King is Dead," *Sunday* (Calcutta), 26 June-2 July 1983, 19.

73. Durga Das (ed), *op cit,* IV, 56.

74. Gandhi declared : "I call myself a *sanatani* Hindu [a Hindu diehard] because,

    1. I believe in the Vedas, the Upanishad, the Puranas and all that goes by the name of Hindu scriptures and therefore in avatars [incarnations of God] and rebirth,

    2. I believe in the *Varnashrama* dharma in a sense in my opinion strictly Vedic but not in the present popular and crude sense,

    3. I believe in the protection of the cow in its much larger sense than the popular.

    4. I do not disbelieve in idol-worship."

    "Varnashrama", wote Gandhi, "is, in my opinion, inherent in human nature, and Hinduism has simply reduced it to a science. *It does attach to birth.* A man cannot change his *varna* by choice... The four divisions are all-sufficing. ...All are born to serve God's creation, a Brahmin with his knowledge, a Kshatriya with his power of protection, a Vaisya with his commercial ability and a Sudra with his bodily labour," "The central fact of Hinduism however," said Gandhi, "is cow protection" *(Young India,* 6 Oct. 1921, reprinted in *CWMG,* XXI, 246, 247, 248; emphasis added See also XIII, 301-3; XXIV, 402.) It should be noted that it is these beliefs in *avatars,* rebirth, *karma* and *Varnashrama dharma* that have formed for ages the ideological superstructure of Indian feudalism and made it more resistant to change than European feudalism.

75. *Business Standard* 26 Sept. 1984.

75a. See Stephen P. Cohen, *The Indian Army*, Berkeley, Los Angeles and Bombay, 1971,53.

76. *T.O. P.*, XII, 595.

76a. Michael Brecher, *Nehru*, 357.

77. D. D. Kosambi, "The Bourgeoisie Comes of Age in India", *Science and Society*, Vol. X, 1946; reprinted in *Exasperating Essays*, Pune, n. d., 14.

78. D. R. Gadgil, *Economic Policy and Development*, Pune, 1955, 115.

79. *Business Standard*, 7 Oct. 1984.

80. Ruth Glass, "Bengal Notes", *Monthly Review*, Oct. 1971.

81. Mao Tsetung, "On the People's Democratic Dictatorship", *SWMT*, IV 421 422.

82. Mao Tsetung, "On New Democracy", *Ibid*, II, 354-6.

83. Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism*, London, 1972, 33.

APPENDIX

Excerpts from

"Indian Bourgeoisie and Imperialism"*

There is the usual distinction between the comprador and the national bourgeois that the former serves foreign capital as its agent and helps it to penetrate into the country economically, while the latter seeks *independent* development of the country's economy and of his own interests (though sometimes dependent on imperialist capital for market or capital goods) and his interests are, in the ultimate analysis, antagonistic to those of imperialist capital. Besides, there are other important differences between the two in India. They are poles apart in respect of their social origins, their ways of primary accumulation of capital and their knowledge of production processes or total lack of it. The Indian compradors sometimes belonged to an old business house with a network of branches, which carried on *sharafi* business (indigenous banking) and combined with it trading activities. As *shroffs* they "served as intermediaries for the joint stock banks",[1] set up by the British, and helped in the conduct of government finance in far-flung areas; as traders they served British merchant firms by procuring for them goods like opium, cotton and jute from the hinterland and by selling imports from Britain on the domestic market. The Singhanias, Lalbhais and Sarabhais belong to this category. There were others who were brokers, *banians* or contractors to the raj, who supplied provisions to the British Indian army at home or abroad. The founders of the Tata house, the Wadias, Lalji Naranjis, Thackerseys, Khimjees, Morarjees, Goenkas, Kanorias, Jatias, Jalans, Bajorias and so on amassed fortunes by serving the imperialist bourgeoisie in such capacities. There was another group who were also brokers of British firms but who made their piles *mainly* as gamblers or speculators.[2]

The Gazetteer of Bombay City and Island spoke of a form of speculation, "known as Satto", which had "existed for more than fifty years and is still a feature of commercial life in the city.... The business consists in the making of contracts for the sale or purchase of any

* *Economic and Political Weekly,* Special Number, November 1998.

commodity or produce or manufactured article or stocks and shares at a specified rate deliverable at a specified future time, the seller or buyer, as the case may be, trusting to his own calculation or forecast of the market rate on such specified date. The transaction is as a rule not followed by the actual delivery of goods, ...and the transaction degenerates into simple gambling on the differences in rates..."[3]

In Bombay, besides Marwaris, Gujarati Hindu, Parsi and Muslim businessmen were engaged in the speculative business in opium, cotton, wheat, gold and silver, government promissory notes, shares of joint stock companies and so on.[4]

The futures markets in opium, spices, and later, hessian and raw jute were started in Calcutta by Marwaris and leading Marwari speculators appeared before the turn of the century.[5] The stock market became the second major speculative market.[6]

Speaking of the Calcutta Stock Exchange, P. Lovett says : "...the boom years during and just after the [first world] war brought in a large number of that community [Marwari]. ...They have undoubtedly entirely changed the atmosphere of the Stock Exchange and in place of genuine stock-broking business they have introduced a very strong element of personal gambling. Many of these new members are speculators pure and simple..."[7]

The first world war, like the second, offered magnificent opportunities for speculation. As Timberg says, during the war, "Marwaris were able to reap the rewards of speculation on all these markets"—in jute, jute manufactures, jute mill shares, imported cement and refined sugar, grain, cotton and specie.[8] It has been said that wealth 'literally' began to shower on Barabazar (Marwari-dominated market in Calcutta).[9] The Bengal Chamber of Commerce, the stronghold of British expatriate capital, felt greatly concerned at "the extensive gambling in wheat, seeds, cotton and jute that was going on in Barabazar to the detriment of 'legitimate business' ".[10] Among the princes of gamblers or speculators who afterwards became leading industrialists were the Birlas, Bangurs, Dalmias, Surajmall Nagarmulls, Kesoram Poddars, Hukumchands, Chamarias.[11]

It is the huge speculative profits that enabled Birla, Anandilal Poddar of Bombay, Jamnalal Bajaj, Surajmall Nagarmull, Kesoram Poddar and others to enter industry'. 'The successful [Marwari] industrialists of the 'first wave', the immediate post-world war I period", writes

Timberg, "were almost exclusively from firms prominent as speculators rather than as *banians* to British firms, or as firms with extensive upcountry nets of the traditional sort."[13]

So the Indian big bourgeoisie's sources of primary accumulation of capital were their earnings as brokers or *banians,* as *shroffs,* or as gamblers and speculators. All of them were gamblers and speculators but some were primarily so. Eminent gamblers and speculators like the Petits, Birlas and Bangurs were also brokers serving British patrons.

The national bourgeois in India, on the other hand, belonged to altogether different classes or strata of society. They were neither brokers and *banians* to British firms, nor *shroffs* with a wide network of branches serving as intermediaries of British joint stock banks and merchants and managing government finance, nor gamblers and speculators. Some of them were educated petty bourgeois elements-scientists, technicians, etc,—and some were skilled workers or *mistries*. Second, the source of their initial capital was their own earnings or the earnings of their relatives and friends. So the beginning was always very modest. They always started with small capital and, gradually, through hard struggle, established themselves to some extent. The compradors, on the other hand,—a Tata, Petit, Wadia, Morarji Goculdas, Kasturbhai Lalbhai, Birla, Goenka or Dalmia—set up big units on the model of those operating in the metropolis or founded by expatriate capital here.

Third, the national bourgeois generally knew the techniques of production; they not only had mastery over the production process but often innovated products and machinery. On the other hand, not only was the comprador big bourgeoisie blissfully ignorant of the production techniques but it felt no interest in them. Their mills and factories were designed, erected with all machinery supplied, commissioned and run for some time by foreign engineers, technicians and managers. The *banians* were financial wizards but had neither any aptitude for innovation nor any interest in the process of production nor were they distinguished for a bold and adventurous spirit. As Amiya Kumar Bagchi observes, it is "management of finance and ability to take advantage of opportunities for cornering the market in key articles of trade and for earning speculative profits", that contribute to their business success.[14]

Some National Bourgeois Enterprises

The national bourgeois who were genuine entrepreneurs were those who founded Bengal Chemical and Pharmaceutical Works, Alembic

Chemicals, Bengal Immunity, Mohini Mohan Cotton Mills, Shri Annapurna Cotton Mills, East India Pharmaceutical Works, Calcutta Chemical Company, Calcutta Fan Works, Scientific and Industrial Glass Co. Ltd, Krishna Silicate and Glass Works, Bharat Battery Manufacturing Company, Bengal Waterproof, Bharat Jute Mills and India Machinery Company and many other enterprises of this kind in different parts of India. Here we may mention a few facts to underline the basic differences between them and the comprador big bourgeois.

Bengal Chemical and Pharmaceutical Works, the pioneer chemical and pharmaceutical firm in the Indian subcontinent, was set up on a very modest scale in 1892 by P. C. Ray, an eminent scientist, professor of chemistry in the University of Calcutta and true nationalist. The growth was slow but steady. It had its own research laboratory, developed many vital drugs and produced them from basic stages without any foreign help and mainly with indigenous raw materials. It revived the use also of some potent indigenous drugs. It had an engineering department to manufacture necessary machinery and equipment. Its policy was one of learning and innovating while doing. Its founder wanted it to be an "institution where the genius of the young men of the country could find full play for creation and organization". Its objective was not merely to make profits but to harness science and technology for productive purposes and to attain self-reliance.[15]

Bengal Immunity was founded by eminent doctors who set up a small laboratory in a small room in 1919. Captain Narendranath Dutt, who had worked as an ordinary labourer in fields and factories during his student days and joined the Indian Medical Service during world war 1, took charge of the company in 1925 when it faced an acute crisis. It set up several factories and a big well-equipped research laboratory. Dispensing with imported intermediate goods, it produced fine chemicals from indigenous basic raw materials and manufactured machinery and components in its own workshop.[16]

Calcutta Chemicals had also an humble beginning in 1916 with an initial capital of Rs 9,000. Its three founders—Rajendra Nath Sen, Birendra Nath Maitra and Khagendra Chandra Dasgupta—were distinguished students of science and teachers at the Bengal Engineering College, Shibpur. Dasgupta took part in the Swadeshi movement and had one of his hands broken by the police. He was sent by the 'Society for the Advancement of Scientific and Industrial Education for Indians', Calcutta, first to Japan and then to the US for higher studies. He obtained B.Sc from Stanford University and worked as a chemist in a large factory in the US for some time. On his return he became a professor of chemistry at the Shibpur B. E. College. He was arrested in 1914 for trying to help the patriots of the Komagatamaru.[17]

East India Pharmaceutical Works was set up in 1936 with only five or six workers and a paid-up capital of Rs 12,182 only. The founder of the company, Ashok Sen, had been doing research in the Calcutta University Science College before he joined Bengal Immunity. Like him, two other chemists left Bengal Immunity to set up East India Pharmaceuticals. Hiren Dutt Gupta, who soon joined East India and afterwards became its managing director, had been a member of the Jugantar Party, a petty bourgeois revolutionary organization which believed in the armed overthrow of the raj, and was imprisoned in 1931. At the end of his four-year term of imprisonment, he was interned as a detenu until 1938. A fellow-detenu for seven years had been Jyotirmay Sengupta, who too joined East India. Refusing to depend on foreign technology, it has built up its own research laboratories equipped with modern scientific instruments. And most of the mechanical instruments used in its factories were designed and manufactured by its own engineering division.[18]

Nani Gopal Sarkar, one of the two promoters of Scientific and Industrial Glass Company, the first company in India to manufacture scientific glass, learnt the process of manufacturing industrial glass in this country, as well as in Germany and other places. Ranajit Roy, the other promoter who had obtained tripos in natural sciences from the Cambridge University, joined him and raised the initial capital of about Rs 60,000 for the company which was set up in 1937. Among others who helped the enterprise was Amulya Biswas, who was endowed with a scientific talent and manufactured many complicated scientific equipment in his machine shop in Calcutta.[19]

The founder of Krishna Silicate and Glass Works Ltd, Bibhuti Bhusan Sarkar, when quite young, was imprisoned for political reasons in Burma from 1933 to 1936. On his release he had a brilliant academic career and obtained his master's degree in applied physics. Helped with a plot of land and an initial capital of Rs 6,000 by a sympathetic person, he set up a factory in 1943 with only twenty workers. The automatic machine that was installed at its Baruipur unit was imported from the US but smaller machines were manufactured in the company's machine shop.[20]

Bengal Waterproof Works was the first firm in India to manufacture waterproof. It is still the leader in the field of rubber-based waterproof and protective footwear. Its founder, Surendra Mohan Basu, obtained a scholarship and left for Japan to learn dyeing and Calico printing. From there he went to the US, graduated in industrial chemistry from the Stanford University, obtained an M.Sc degree from the University of California and worked for some time in the International Harvester Company. In September 1914, on his return to India, he was arrested for his contacts with the Ghadar Party. Again, after some time, he was arrested under the Defence of India Act and interned in Hamirpur in the U. P. He had contacts with Indian revolutionary exiles like Madame Cama, Sardar Ajit Singh and Shyamaji Krishnavarma. While under internment in Hamirpur during the first world war, he equipped a small laboratory and carried on research to manufacture waterproof cloth and canvas through chemical proofing. Released some time after the end of the war, he set up in 1920, with the help of his brothers, Bengal Waterproof Works in their rented house.[21]

Alembic Chemicals, first set up in Bombay in 1903 and reestablished in Baroda in 1907, which had also a modest beginning, was till recently the largest indigenous pharmaceutical firm in India. B. D. Amin, one of the three founders of Alembic, was a Patidar, not a bania. His sons, Ramanbhai and Nanubhai Patel, educated respectively in Germany and the U.S. at M.I.T and Cornell, "take great pride in the fact that the Alembic complex was developed with essentially no foreign collaboration (by contrast with some of the newer chemical/pharmaceutical houses, such as the Sarabhai firms, also in Baroda)".[22] In 1965 Alembic Chemicals used foreign technology to manufacture or improve five products, but these accounted for a small percentage of the total value of production.[23]

We shall not multiply such instances. We shall refer to another class of genuine entrepreneurs. According to a report of a survey undertaken by the Jadavpur University, Calcutta, under the auspices of the Reserve Bank of India, between July 1960 and April 1961, there were 1168 small engineering units in central Howrah : 707 of them employed less than 10 persons each; 198, 10 to 19 persons; 163, 20 to 49 persons;

80, 50 to 200 persons; and only 20, over 200 persons each. Most of the owners were themselves skilled *mistries;* "they often buy machines scrapped by the large engineering concerns in Calcutta at an almost nominal price (e.g., Rs 500 for a machine worth Rs 30,000 as stated by one such happy buyer) and build them a new in their factories. Many of the finer accessories of such machines are done away with in the process of this remaking and much of the accuracy also goes out of them... It is also quite usual for them to manufacture some machines *in toto,* copying what they call the 'mother' machine ... leaving out again many of the accessories".[24] The report states that the skilled *mistries,* who promoted these units, "started independently, with their skill as the only important asset and some make-shift arrangement for factory space and a small old lathe, often reconditioned by themselves... They use their eyes for meters and fingers for intricate machines for testing accuracy and smoothness, and do things which our engineering investigators declared to be unusually good. This, of course, is not the case with the majority of workers any more, but the percentage of skilled workers is still very high."[25] It may be noted that the overwhelming majority of these units were set up before 1947. The report goes on to observe : "Like their European counterparts in the eighteenth century, the pioneer industrialists [of Howrah] started entirely with their own resources... The only difference with the English pioneers lay in the really small amounts which they could scrape together to make a start. We came across many firms, some now quite big, where the only resource with which they started their business was a lathe discarded by some big business firm. Their capital, in a figurative sense, was their own skill and their confidence in themselves...like the English pioneers, most of them achieved this expansion through modest living, ploughing back their profits, and making most of the limited resources, which could thus be scraped together.[26]

Referring to the history of the form of ownership, the report points out that "there was an evolution almost following the lines of development in England, with a lag of a century, from private proprietorship to partnership and then to private limited company. But this is the point, we noted, where their history appears to have stopped somewhat abruptly. There are only two public limited companies out of the 200 units surveyed and those two were so only in name, with hardly any shares sold to the public."[27]

As regards quality, the products of the Howrah units, according to some big industrial concerns which are among their principal buyers, bear a good tolerance limit. Some of the small workshops are said to produce first class materials but lack tools for extra accurate work.[28]

Chief among the problems these units face are delay in receiving payment from the government for the work done, denial by the government of any quota or adequate quota for raw materials and lack of finance for buying machines.[29]

The report strikes a pessimistic note :

"Most small owners are workers with ambition, though limited, and are men of determination, quick to learn and with much forbearance. This is how they make up the lack of finance, and, in a way, the fact that they have not secured much aid has done them good : they have learnt it the hard way. Barring a few cases of rich beginners...the way many of them have made a start makes very interesting and stimulating reading... It is difficult indeed to explain, but one has a feeling often of coming across occasionally a small man who has unmistakable, and we hope, indomitable urge for growing big as many indeed have and no doubt some others will.... There is no doubt that a few will survive almost any hazard, and will grow without any assistance, but on the whole, the odds against them make a rather depressing reading, and their lot is much worse compared even to the medium units for whom the long run prospects are not very bright either."[30]

This was what Marx called "the really revolutionising path"[31] to capitalism—the path that P. C. Rays, Amins, Ashok Sens, Surendra Mohan Basus and the skilled owner *mistries* of Howrah followed. But the revolutionary elements were cabined, cribbed and confined under colonial rule and under the post-colonial order when imperialist capital and its big compradors dominated and dominate Indian economy and politics. Many of them fall by the roadside, some survive somehow and a few like Alembic Chemicals, East India Pharmaceuticals and Bengal Waterproof attain a middle bourgeois status.

The path of independent development that the national bourgeoisie followed may be contrasted with the path of development pursued by the compradors. The Delhi Cloth Mills, once one of India's largest industrial complexes, was founded in 1888 by promoters, "mostly Agarwal banias who had never seen a cotton mill".[32] So an Englishman was entrusted with the task of setting it up. The Bombay and Ahmedabad millowners had followed the same practice. Wealthy comprador merchants, moneylenders and gamblers, often rolled into one, lured by the vision of more than usual profits, promoted cotton mills, but these were designed, equipped with machinery at exorbitant prices, erected, commissioned, run and managed by Britishers for them. Even the building plans and instructions often came from British firms.

Confrontation or Collusion

Contrary to what Pavlov and other Soviet writers have asserted, the Indian big bourgeoisie was not seeking confrontation with imperialist capital in the twenties and thirties but collaboration with it. The positive recommendations of the Indian Industrial Commission 1916-18, the Fiscal Autonomy Convention, the appointment of the Indian Fiscal Commission 1921-22, the appointment of the Tariff Boards, the grant of protection and subsidies to certain industries such as cotton, iron and steel, paper, matches, heavy chemicals and sugar, roused great expectations in the minds of the big bourgeois. While the excise duty on Indian cotton textiles, a subject of much grievance of the Indian and British cotton millowners in India, was removed in 1925, increasing doses of import duty were imposed on Lancashire and Japanese cloth, especially Japanese cotton textiles, to protect Indian textiles. The imposition of protective duties on paper and sugar, especially sugar, in the early thirties thrilled the hearts of the big bourgeoisie, who rushed to set up sugar mills. As George Schuster, then finance member of the viceroy's executive council, said, the sugar industry earned a profit of 400 per cent in 1933.[33]

It may be noted that towards the end of 1929, Indians were admitted to the Baltic Exchange and other commercial bodies in London through the influence of viceroy Irwin—a step which Thakurdas hailed as being "in the right direction of bringing the two countries together in matters commercial and political".[34] These concessions benefited several Indian business magnates, chief among whom were the Birlas and Scindias.[35]

Both European expatriate capital and Indian big capital were seeking co-operation with each other—not conflict. While opposing discrimination of a racial and communal character, a letter dated July 27, 1929, circulated by the secretary of the British-dominated Associated Chambers of Commerce of India and Ceylon, assured Indian business magnates that the organization of British expatriate capital was not "unsympathetic to Indian economic aspirations" and stated :

"This association does not believe that Indian and British interests are irreconcilable; on the contrary, it holds that the trade and prosperity of the two countries arc and must be interdependent."[36]

A reply to this circular, drafted by G.D. Birla on behalf of the FICCI, while claiming India's right to discriminate against foreign interests, appealed "to every right-thinking Englishman to judge the situation calmly and decide for himself whether a prosperous, self-governing, contented and friendly India is a more valuable asset to the Empire... We agree that Indian and British interests are not irreconcilable and there is enough room for both the communities to work in close co-operation...".

The reply approvingly quoted the following from the report of the Motilal Nehru Committee, assuring British capital that there would be no discrimination against it in a Swaraj India : "An regards European commerce we cannot see why men who have put great sums of money into India should at all be nervous. It is inconceivable that there can be any discriminating legislation against any community doing business lawfully in India."[37]

In a letter, dated June 7, 1929, to N. M. Mazmudar of Tata Ltd, London, written for the benefit of Sir Dorab Tata, Thakurdas also mentioned "the great scope for co-operation between Indian and European merchants and industrialists".[38]

Between 1920 and 1938 India's industrial production more than doubled.[39] Both foreign and Indian capital contributed to this growth. Private foreign sterling capital and private foreign rupee capital that were invested in India between 1921 and 1938 amounted to £33.934 million and Rs 220.5 million respectively, of which British investors provided £21.285 million and Rs 159.7 million, a total of Rs 343.4 million worth of new investment.[40]

V. I. Pavlov has observed : "The discrepancy between the accumulation of money capital and its productive utilisation grew during the war and as a result of the war. It was, in our opinion, the principal economic reason for the sharpening contradiction between the Indian bourgeoisie and imperialism in the post-war [i.e, post-first world war] years."[41] Soviet scholars writing on India seemed to have one purpose—to produce stuff that would defend Soviet foreign poilicy. Otherwise, a statement of this type which has hardly any relation to facts, could not be made. During and for some years after the war the Indian cotton textile industry and the iron and steel industry, the only two industries in which large amounts of Indian capital were invested, made fabulous profits. Big brokers and speculators, too, made undreamt of profits during the war. Speaking of trade in raw jute, for instance, Omkar Goswami writes that traders manipulated things in such a way that the price of raw jute was permanently depressed and they "did very well for themselves by simultaneously maximising the trade and *fatka* profits".[42] And after the war, the war profits and official policies led to the expansion of the cotton and iron and steel industries, the involvement of Indian big capital in jute, paper, cement, sugar and a few other industries, and the emergence of new groups of the Indian big bourgeoisie—the Birlas, Singhanias, Sri Rams, Goenkas, Dalmia Jains, Surajmall-Nagarmulls, Ruias, Poddars, Thapars, Walchands, Chettiyars, Naidus etc. A big chunk of Indian big capital was invested also in companies controlled by European managing agencies. As we have seen, G. D. Birla, Narottam Morarjee and others as members of the Indian Fiscal Commission 1921-22, were not opposing but inviting fresh foreign capital. *Coleusion between the two to fleece the people was the primary aspect; whatever contradiction was there over tariff, the sterling-rupee ratio, imperial preference, etc, was secondary.*

The fact is, the Indian business magnates were eager to exploit the profitable opportunities that had opened out before them after the first world war and were opening out, especially in the early thirties. The positive aspects of the government's commercial and fiscal policies—positive from their point of view—as Claude Markovits notes, "tended to overshadow the negative aspects of the currency restriction and financial stringency".[43] The Indian big bourgeoisie wanted to wax fatter within the orbit of imperialism, not outside it. They found ample scope for co-operation with imperialist capital, despite some conflicts on the issues like the sterling-rupee ratio. Above all, they wanted peace to rake in profits that were quite alluring. For instance, Sir Shri Ram's Delhi Cloth Mills paid a total annual dividend of 135 per cent in 1930-31.[44] They were not so stupid as to risk their business empires in a confrontation with the raj.

During the second Round Table Conference in London in 1931, the representatives of the FICCI—Purshotamdas Thakurdas, G. D. Birla and Jaraal Mohamed—like Gandhi, the sole representative of the

Congress at the conference—were willing to agree to 'safeguards' to protect the interests of British capital in India.[45]

It was about this time—the depression years—that G.D. Birla told Edward Benthall, the senior partner of Bird Heilgers, a Calcutta-based leading British managing agency,[46] who represented British expatriate capital at the second Round Table Conference,

"that for the last ten years of his life he had been taking up an attitude of opposition, which was more often than not of a bitter nature *(sic!)* because it was the only way he could put pressure to bear on the objects he had in mind, but that, henceforward, he desired to work in collaboration and to drop all his hostility".[47]

"According to Benthall", writes Markovits, "he [Birla] even appeared ready to guarantee non-discrimination in the future against British business interests in India..."[48]

It was during the early thirties that those British business magnates "who had for a long time recognised the virtues of co-operation between British and Indian interests now felt, in Benthal's words, that the 'time is ripe...because there is at the present moment a bond of unity between the two in their joint opposition to Japan'."[49] In a note B. Chatterji adds: "The Association of British Chambers of Commerce offered its offices for bringing millowners from Bombay and Manchester together."[50]

The Federation of British Industries emphasized "the increased importance of Empire for the British economy and prescribed imperial economic co-operation as the only possible way out for the crisis-ridden and increasingly non-competitive British economy".[51] A report of the federation stated : "...Great Britain has the possibility of creating (with her empire) an economic group of unlimited possibilities", without which its competitive pisition would be "extremely disadvantageous".[52] The response from their Indian counterparts was far from discouraging.

The opposition by a section of the Indian bourgeoisie to the Ottawa Agreement of 1932 and the Indo-British agreements of 1935 and 1939, which extended preference to a number of empire goods, especially British manufactures in return for preference to India's raw material exports, is sometimes highlighted as a shining example of the Indian big bourgeoisie's antagonism toward imperialist capital. This imposition of Imperial preference was designed to tie the British colonies and dominions closer to Britain and to perpetuate the same old colonial economy relationship. "But", as B. Chatterji writes, "denunciation did not mean the end of the principle of economic co-operation. Among the

Indian commercial classes, as the viceroy gloomily observed, there was a conviction that if India denounced the agreement, the U.K would, for political as well as economic reasons, hurry forward with offers of an agreement much more favourable to India."[53] The opposition was intended not to change the colonial economic relationship but to obtain some concessions.

On March 14, 1932, before the Ottawa Conference, G.D. Birla wrote to the secretary of state :

"With reference to the Ottawa Conference, if it is your desire that Indian trade and commerce should be represented at the conference, ...Sir Purshotamdas would be delighted to accept the invitation when it is extended to him. I am writing this with his full consent. The committee of the federation will not be averse to this proposition. We realise the importance of this conference and you may rely on our support in the right direction."[54]

The government of India chose to appoint Sir Shanmukham Chetty, instead of Sir Purshotamdas, as its delegate to the Ottawa Conference. On November 25, 1932, Thakurdas wired to Birla from London that Hoare (the secretary of state) "complained to me about your taking a leading part in the agitation against the Ottawa bill, and said that the government of India had informed him to that effect.'[55] Birla's telegram in reply to Thakurdas, sent on the same day, when decoded, read that Hoare's "information [is] utterly untrue...[I] have done nothing to embarrass or organise any opposition... Assure him [he] will not only find me *never* embarrassing but really helpful if only there was more trust which is hopelessly lacking [in] India."[56]

The tariff protection and subsidies to industries in India, offered during the twenties and thirties, were intended to shut out not British goods so much as other foreign goods. At the 1930 Imperial Economic Conference Geoffrey Corbett, the commerce member of the government of India, pointed out :

"I have already explained that it is foreign goods that are replacing British goods in the Indian market. It follows that it is frequently against foreign goods that Indian industries require protection. In some lines there is really no competition at all between British goods and Indian goods. In other lines the measure of protection required is far less... In our schemes for protecting the steel industry and the cotton textile industry...we have recognised this difference and we have fixed differential duties for British and foreign goods."[57]

Many political scientists and historians are apt to exaggerate the contradiction between imperialist and Indian big capital. They seem to ignore what D. R. Gadgil noted :

"Many modern industries in the country have become established behind tariff walls. The iron and steel and the sugar industries owe their development entirely to protection granted for long periods. Old, established industries like cotton manufactures have had to seek, and have obtained, protection against Japanese competition."[58]

Writing in 1947. Gadgil referred to the Indian business magnates as "the reactionary elements represented primarily by the financial interests which have grown during the last twenty-five years to heights of wealth and political influence undreamt-of before in the history of Indian society".[59]

The Indian big bourgeoisie avidly welcomed the concessions the raj offered during the inter-war years and it is not antagonism but fidelity to the raj and close co-operation with imperialist capital that raised it "to heights of wealth and political influence undreamt-of before". It is out of the merger of and close co-operation between British and Indian big capital that a monopoly firm like the Associated Cement Companies and a cartel like the Indian Sugar Syndicate arose in the thirties.

Interestingly, Sir James Grigg, finance member of the viceroy's executive council, noted with regret early in 1939 that the policy of expatriate British capitalists "is now frankly that of making friends with the mammon of unrighteousness, e.g.. Birla and Benthall hunt together for quick profits."[60]

G. D. Birla's letter of January 19, 1935 to Sir Samuel Hoare, then secretary of state for India, is illuminating.

"I am not at all frightened", he wrote, "of the safeguards...whatever be the safeguards, they would not hinder the progress if there was genuine sympathy and goodwill behind them." He concluded the letter with the characteristic observation that the two countries—England and India—"by destiny are bound together".[61]

When the second Round Table Conference failed, and the Civil Disobedience Movement entered its second phase and widespread repression was let loose, G. D. Birla assured the secretary of state :

"The best service I can render to my own country as well as to the cause of co-operation [between India and Britain] is to persuade the federation [FICCI] to officially offer its co-operation...I shall discuss there [in Calcutta] with Mr Benthall ard some others the question of closer co-operation between the two communities interested in trade and commerce."[62]

In his letter of March 14, 1932, to Sir Samuel Hoare, Birla placed his 'humble services' at the disposal of the secretary of state and assured him : "...you will find us always ready to work for the economic interest, leaving aside sentiment and politics".[63]

Birla was all the time harping on the necessity of "a friendly and permanent settlement". He wrote to Sir Walter Layton on May 20, 1932 :

"In fact if I would be dealing entirely with businessmen I should not find any difficulty in convincing them that the interest of India as well as of Great Britain lay in a friendly and permanent settlement... I am writing this as an Indian who has got a large stake in the country and who wants to see permanent peace between the two countries established."[64]

G. D. Birla has been acclaimed by Bipan Chandra and many others as the most radical of the Indian bourgeois. What was the political aspiration of this "mentor of the Indian capitalist class"? On May 28, 1932 he wrote to J. M. Keynes that India—the Birlas' India—"wants nothing more than a privilege to have, in the words of Sapru, a decent place in the household of King George the Fifth",[65] which may be paraphrased as self-government under the aegis of imperialism. This was, indeed, the political aspiration of the entire Indian big bourgeoisie.

Birla held that "Sensible Indian men and women realise their need of British friendship; they want British friendship."[66] He wanted an alliance between the raj and the Gandhi wing of the Congress to crush the left wing.[67] On June 30, 1935, he told Sir Henry Craik, home member, government of India, that if there was no settlement that might "bring the government and the people closer to each other" during Gandhi's lifetime, "a revolution of the bloody type may become an inevitable factor. And this would be the greatest calamity not only to India but also to England. Tories may say this would be India's funeral. I say it would be a funeral for both."[68] The destinies of Tory England and the "nationalist' Birla's India were wedded together : they rose and fell together. He had "realised India's progress was bound with proper understanding between the two races."[69] Naturally, he hated even civil disobedience and felt horror at the mere talk of it.[70] He was opposed to all kinds of direct action and tried his best to see that "the energies of India" were directed "once for all towards constitutional channels."[71]

To G. D. Birla, British imperialism did not stand in the way of India's progress : the real obstacle was Hindu-Muslim disunity. That is why, long before the Muslim League demanded the partition of India, he had pleaded for it—a fact historians are not aware of or ignore. In his letter, dated January 11, 1938, to Gandhi's devoted secretary, Mahadev Desai, he wrote :

"The international situation is changing so rapidly and is getting so complicated that if there was at any time a chance of an agreement [with the raj], in my opinion, it is now. But the chief difficulty still seems to be the Hindu-Muslim question, which is getting worse and worse...I wonder why it should not be possible to have two Federations, one of Muslims and another of Hindus... I fear if anything is going to check our progress, it is the Hindu-Muslim question—not the Englishman but our own internal quarrels."[72] Birla, "the brilliant leader and mentor of the Indian capitalist class", was not only a commercial broker but a broker in the sphere of politics. As he himself put it, "I sought to prevent the growing distrust which the British in India entertained of Gandhiji's high motives and the passionate distrust which Indians felt in regard not merely to the English in India but towards Bntish statesmen and the British Parliament."[73] And in his letter of July 3, 1937 to C Rajagopalachari, Birla confessed :

"Whilst at times I feel disappointed, I also feel that I am amply compensated in having to defend Englishmen before Bapu [ie, Gandhi], and Bapu before Englishmen. It is a very interesting task. I would have no heart to do it, but the more I discuss Bapu with Englishmen and vice versa, the more I believe that it is a tragedy that these two big forces in the world cannot combine. I think it will be a sendee to the world when they do."[74]

It reply to a letter from Sir Stafford Cripps after the Labour Party had come to power in Britain at the end of the second world war, expressing gratitude to Birla for what he had done and was "doing to assist in smoothing the way",[75] Birla, who expected nothing more than Home Rule at least as late as May 1945,[76] wrote :

"Let us, however, on both sides do our best to smoothen the position and I have no doubt in my own mind that, God willing, it will be possible to establish permanent friendly relations between the two countries which will be to the good of the whole world."[77]

Naturally, Birla was quite indignant when, towards the end of 1940, viceroy Linlithgow did not sufficiently trust him. Indeed, this was 'the most unkindest cut of all' for, as he said to the viceroy's private secretary, "no man among Indians has worked harder to help him [the viceroy] or stood more loyally by him than myself." Communicating all this to Gandhi's secretary on December 29, 1940, Birla added : "You know how I have defended the viceroy before Bapu and how I have acted as if I was the viceroy's representative. And this is the way he has reciprocated... But let not Bapu misjudge the viceroy. Who knows if he may not himself be the victim of the circumstances?"[78]

G. D. Birla's biographer, Ram Niwas Jaju, writes that both the raj and the Congress "considered [G. D. Birla] a bridge between the two".[79]

Sir Purshotamdas Thakurdas, another brilliant leader of the Indian capitalist class, who together with Birla founded the Federation of Indian Chambers of Commerce and Industry, realized that "the salvation to India lies in coming to some understanding with British commerce."[80] In an interview in London in July 1933, Thakurdas denied that there was "any incompatibility of interest between England and India." He said that there was "no reason why Lancashire should not have preference in India and with Indians, apart from anything political... Many textile importing firms in India have most cordial relations of long standing with Lancashire millowners."[81] Again, at a meeting of the Indian Cotton Enquiry Committee, Manchester, in June 1933, he said that there was every chance of co-operation between the Lancashire producer and the Indian producer and "that there should be the closest co-operation." He expressed his willingness to do all he could to strengthen the relationship between India and Lancashire.[82]

R. J. Moore has rightly observed : 'Thakurdas represented it [the disposition of the commercial collaborators with the raj] faithfully. Though never a creature of any political party, he occupied a strategic position as an intermediary between the Congress and the government."[83]

Though Thakurdas did not support many of the policies of the Congress leadership, he enjoyed the trust of Gandhi and his chief lieutenants. According to Frank Moraes, his association with Gandhi "extended over several decades..."[84] Thakuradas was a prominent member of the Imperial Citizenship Association, of which Gandhi was a founder. During the Civil Disobedience Movement when the top leaders of the Congress were behind bars, Congress workers of Bombay vehemently denounced Thakurdas, G. D. Birla and men of their ilk for what appeared to them to be anti-national activities of imperialism's lackeys. The Emergency Council of the Bombay Provincial Congress Committee branded G. D. Birla. Thakurdas and Thakurdas's friends as traitors.[85] Congress workers also held demonstrations in front of Thakurdas's palatial residence in Bombay. When the news reached Vallabhbhai Patel in prison, Patel was quite upset. He remarked that Thakurdas was "more our man than anyone else's" and sent instructions to withdraw the Congress pickets.[86]

Thakurdas's relations with the raj were also most cordial. Offering a toast to Lord Irwin on behalf of the Orient Club, Bombay, in January, 1930, Thakurdas said :

"...the governance of India may benefit no less than ourselves from frequent and intimate contact between this historic city and the King's vice-regent in India... The announcement made by His Excellency on October 31,[87] appealed to every thinking section of the Indian press and public by its sincerity and singleness of purpose... in making the announcement His Excellency took the right setp at the right time towards assuring India of the bona fides of Great Britain at this juncture...the combination of Lord Irwin as viceroy and Mr Wedgwood Benn as secretary of state appears at the moment to be most fortunate... It is indeed a tragedy that with such high hopes appearing on the horizon, the National Congress at Lahore should at this moment have taken the decision it has [to start the Civil Disobedience Movement]... I have no doubt that with the increasing support which the Round Table Conference scheme is getting from the other sections of Indian political thought, we need not be pessimistic... I am convinced that the Congress made a great mistake in taking the decision that they did at Lahore."[88]

When the Civil Disobedience Movement had started and it had 'caught on', as Thakurdas found, he worked hard for a compromise and withdrawal of the movement for all time. He wrote to the viceroy : "...I still consider and pray that wiser counsels may prevail and England may still be able to retain a contented India."[89]

A few days later he wrote again to Irwin : "My efforts and the efforts of my Chamber are, and will always be, in the direction of inducing Mr. Gandhi to abandon his movement, but you can... realise that Mr. Gandhi cannot now abandon the movement without some agreement regarding the future constitution...we wish to press our view on Mr Gandhi with all emphasis and do not apprehend failure. It is for your Excellency to strengthen our hands and to enable us to press our plan on Mr. Gandhi."[90]

On resigning from the Central Legislative Assembly at the behest of the Indian Merchants' Chamber, Thakurdas acknowledged "the most considerate treatment from the various viceroys" and from Sir George Schuster, then finance member of the government of India. "It is therefore with a wrench of personal sorrow that I sever myself from Lord Irwin and you in the Legislative Asembly", wrote Thakurdas to Schuster.[91]

In another letter Thakurdas suggested to Schuster that it was possible to arrive at a compromise with Gandhi and bring about an end to the Civil Disobedience Movement. He stated :

"If something can be arranged in this matter through an intermediary I think it may be feasible to bring pressure to bear upon Mr. Gandhi to call off the Civil Disobedience Movement... Mr. Gandhi's agitation is bad, but it may prove to be better than some other more vicious agitation to follow should government hold out unduly."[92]

Writing to Graham Pole, Thakurdas said that he was "free to admit that Mahatma Gandhi was not justified in starting the agitation which he did", but as "the agitation" had "caught on", statesmanship required "that means should be found to reassure the people and to conciliate men like Mahatma Gandhi, men who really do not want severance of the British connection".[93]

During the second phase of the Civil Disobedience Movement, Thakurdas wrote to Sir Samuel Hoare, then secretary of state for India :

"...from what I have heard from reliable sources, it appears that before his last incarceration, his [Gandhi's] mind was bent on peace...The present plight, he maintains, was forced on him by the viceroy in refusing an interview to him when he returned from England... After all, it looks as if in substance the difference between the government and Gandhiji is not fundamental... The youth of India are getting impatient. Gandhiji has begun to lose his hold over them, and it is felt in many quarters that it will not be long before he loses his hold entirely over them. The defeat of Gandhism must mean, it is felt in many responsible circles, the revival of terrorism.[94] The best men in India dread it. To many therefore it seems as if the government are unconsciously working hand in hand with the terrorists in defeating Gandhism."[95]

Earlier, when he met the secretary of state in London, he "told him very plainly as to how any reforms without Gandhiji's blessings would be worse than useless".[96]

It is worth noting that like Birla,[97] Thakurdas made a distinction between Gandhi (and his chief lieutenants) and the Congress as an organization.

It is obvious that Thakurdas could play the role of a friend both of Gandhi and the raj—the role of an intermediary between them only because, as Thakurdas put it, "in substance the difference between the government and Gandhiji is not fundamental". The real enemy dreaded by both was the genuine anti-imperialist struggle.

Tactical Differences

During the inter-war years, the Indian big bourgeoisie, apart from the Muslim bourgeois, was divided into three groups so far as their political tactics were concerned. First there was the group of Bombay's millowners headed by the Tatas. To this group belonged, among others, Sir Cowasji Jehangir, Sir Pheroze Sethna, Sir Homi Mody and F. E Dinshaw. These business magnates always wanted to keep on the right side of the government and shunned even any *seeming* opposition to it. They felt they would gain little and lose much by treading such a path. This does not mean that they were fully satisfied with what they had. As Homi Mody's biographer, D. R. Mankekar, writes, Mody expressed his gratitude to the secretary of state for India for the Government of India Act of 1919 and was at the same time "dissatisfied with the quantum of fiscal autonomy" offered by this act.[98] They wanted tariff protection, the removal of the countervailing excise duty on cotton cloth, a change in the sterling-rupee ratio and so on. But they relied on friendly negotiations and gentle persuasion to achieve their ends. They were very much opposed to non-co-operation and civil disobedience and organized opposition to these movements.

The business magnates were very close to foreign capital and the raj. Members of this group were directors of companies managed by European managing agencies; some of them served as members of the viceroy's or the Bombay governor's executive council. For six years

Mody was chairman of the Bombay Millowners' Association, in which European interests also were represented. Jointly with Sir Edward Benthall and Sir Frederick James, prominent representatives of British capital in India, Mody founded the Employers' Federation of India and remained its president for more than 25 years since its foundation in 1933. Apprehending that the Congress might take to the path of opposition to the raj, these businessmen joined hands with British capitalists in 1929 to organize a political party. During the Civil Disobedience Movement, Mody and the others were opposed to any discrimination against European millowners. Invited by the government Mody, Cowasji Jehangir and Pheroze Sethna attended in their individual capacities the first Round Table Conference in London in 1930. which was boycotted by the Congress.

In 1933 Mody signed the Mody-Lees Pact, which gave some tariff concessions to Lancashire textiles—an agreement which was condemned by the Indian Merchants' Chamber, Bombay (then led by Manu Subedar, a small industrialist, and his group) and Ahmedabad millowners like Kasturbhai Lalbhai.

With the outbreak of the second world war, Mody threw his whole weight on the side of the government. He was appointed vice-president of the viceroy's executive council in 1941 and together with M. S. Aney and Nalini Ranjan Sarkar, two other members of the council, lent his full support to the decisions to adopt the harshest measures to suppress the 'Quit India' movement. Mody became an acting governor of Bombay for a short while in 1946.

Significantly, Mody, who, according to his biographer, was the raj's 'blue-eyed boy', and other business magnates like him had quite friendly links with top Congress leaders like Gandhi, Motilal Nehru and Vallabhbhai Patel. When Motilal went to Bombay, he would stay with R.D. Tata. F.E. Dinshaw was the main fund-raiser for the Swaraj Party led by him.[99] After the transfer of power, the Congress leaders honoured Mody as best as they could. They had him elected to the Constituent Assembly in 1948 and then made him governor of Uttar Pradesh.

The second group included, among others, Sir Purshotamdas Thakurdas and Lala Sir Shri Ram. Thakurdas was no less close to foreign capital and the raj than the Modys. He also preferred the constitutional path and was on the side of the raj when the Congress launched the non-co-operation and civil disobedience movements. He strongly opposed the Congress decision to start the Civil Disobedience Movement.[100] He proposed to Sir Tej Bahadur Sapru that "all interests other than the Congress interests [should] get together and stand together" to defeat the Civil Disobedience Movement proposed by the Congress.[101] When it started, he seemed to share the view expressed by Lalji Naranji : "Mahatma Gandhi's movement has diverted the people from adopting violent methods to his non-violent methods." Naranji wanted to tell the British government that they should give them a constitution which would offer the mercantile community "real control of the purse of the country". He wrote : "We can also tell politicians including Mahatma Gandhi that it is undesirable to create a feeling of disregard for any authority of the government."[102]

So when the movement acquired strength, Thakurdas pleaded with the raj to conciliate Gandhi with whom, he realized, the raj had no fundamental difference.

On the other hand, he was opposed to the formation of a political party which Sir Cowasji Jehangir, Sir Ibrahim Rahimtoola and other Bombay millowners set up jointly with European expatriate capitalists with the support of Sir Dorab Tata and F.E. Dinshaw. Though he held that "there is great scope for co-operation between Indian and European merchants and industrialists" and though he got on "excellently with the European in commerce and industry", he was of the view that "Indian commerce and industry are only an integral phase of Indian nationalism, and that deprived of its inspiration in Indian nationalism, Indian commerce and industry stand reduced to mere exploitation..."[103]

This letter is quite significant. On the one hand, the comprador *par excellence* longed for 'co-operation' with imperialist capital to further his interests; on the other, he sought the support of those who would be able to mobilize the masses to save him from 'exploitation' by imperialist capital and to provide him with some bargaining strength. So the formation of a political party jointly with British capitalists appeared to him to be an unwise step as it would deprive him of the much-needed support of the indigenous forces. It would mean only 'co-operation' and no pressure.

The third group, which included Birla, the Ahmedabad millowners like Ambalal Sarabhai, and Jamnalal Bajaj, was closest to Gandhi. Some of them like G. D. Birla were the shrewdest of all. This group, too, feared mass action like the plague, but it appreciated the usefulness of some controlled, limited mass action that would kill two birds with one stone. Such controlled mass action at rare times, though it had its risks, would serve a dual purpose; it would forestall or divert genuine anti-imperialist, anti-feudal struggle and at the same time exert pressure on the raj to yield some concessions.

Before the Congress met at Lahore at the end of December 1929 and adopted the 'independence' resolution, Birla was in favour of accepting viceroy Irwin's offer of a Round Table Conference to consider India's constitutional advance. Expressing his view that the offer should be accepted, he wrote : "This is the first time in the history of India that the Indian politicians will have the privilege of a joint conference with the members of the cabinet, and this being so I won't allow the opportunity to be missed. Viceroy seems to be sincere, and therefore I think his hands ought to be strengthened."[104] As we have noted, Birla hated civil disobedience; like Lalji Naranji, whom we have already quoted, he heartily disliked anything, that would "create a feeling of disregard for any authority of the government". But, at the same time, he appreciated its necessity at times. During the first phase of the Civil Disobedience Movement, Birla wrote to Thakurdas :

"Regarding the present agitation and the results of the [first] Round Table Conference, I agree that we should try our best to get the country out of the present turmoil... There could be no doubt that what we are being offered at present is entirely due to Gandhij...if we are to achieve what we desire the present movement should not be allowed to slacken. We should, therefore, have two objects in view : One is that we should jump in at the most opportune time to try for a conciliation and the other is that we should not do anything which might weaken the hands of those through whose efforts we have arrived at this stage."[105]

The final aim was 'conciliation'; the limited, controlled mass action of the Gandhian variety was aimed at obtaining some concessions. As Gandhi often put it, co-operation with British imperialism was the end and non-co-operation was a step towards it.[106] Birla, no doubt, had a hand in the suspension of the Civil Disobedience Movement in March 1931.[107] Later, he devoted all his energies and influence to directing the Congress Movement along the peaceful, constitutional channel and to putting "a stop to any kind of direct action". He was strongly in favour of dominion status and wanted to retain the British connection. He felt that the government "should be mended and not ended"[108] and that there should be "settlement through persuasion".[109] More of Birla's role later.

Despite their different reactions to the limited mass actions initiated by the Congress leadership, there was fundamental unity among these three groups. First, they had the same political goal—self-government within the British empire; they were all anxious to retain the British connection.

Second, all these groups abhorred mass action. The difference lay in the fact that when the Birla group recognized that mass action within limits under the direct leadership of Gandhi and his chief lieutenants was at times necessary to serve their class interests, and felt the need for using Gandhi and the Gandhians and their 'constructive activities' for forestalling what Thakurdas described as "more vicious agitation", the others were not as far-sighted and were opposed to it. Generally speaking, all the groups preferred the peaceful constitutional path and wanted to be led to their goal by the British raj in whom they had considerable faith and confidence.

Thirdly, extremely friendly relations existed between the big bourgeois of the different groups and the Gandhian leadership. Even those who actively opposed Gandhi-initiated limited mass action helped him and his lieutenants in other ways and at other times. And their help, especially the very substantial funds they placed at the disposal of the mahatma and his close associates, and their advice were eagerly sought after by the latter.

Muslim Compradors

Besides these groups of Marwari and Gujarati business magnates including Parsis, there was another group consisting of big Muslim compradors like M.A.H Ispahani, Sir Rafinddin Adamji, Sir Abdulla Haroon and Habib. The adoption of the Nehru Committee Report by the so-called All Parties Convention held in Calcutta at the end of 1928 marked for them the parting of the ways. They were much weaker than the Hindu and Parsi big bourgeois and were hostile to the aspirations of the latter to set up a strong centre within a united India. They were afraid they would be swept away in an India where the centralized state machinery would be in the hands of the representatives of the Hindu business magnates. In a subcontinent like India, colonial and semi-feudal, the outlook of the big bourgeoisie, which, generally speaking, came from certain castes and communities, was religious, communal, obscurantist and medieval. To prove this point a few instances may suffice. After the partition of the subcontinent on religious lines, Pakistan became an Islamic state. On June 5, 1947, when the Mountbatten plan had been formally adopted, in a letter to Congress boss Vallabhbhai Patel, B. M. Birla, G. D. Birla's brother, wrote : "Is it not time that we should consider Hindustan as a Hindu state with Hinduism as the state religion?"[110] In the mid-twenties when Hindu-Muslim riots vitiated life in northern India, G. D. Birla was in favour of proselytizing Muslims by force.[111]

During 21 years between 1927 and 1947, there were only two Muslim presidents of the FICCI and they were not among leading Muslim businessmen. The Muslim compradors wanted to have Muslim-majority provinces as autonomous units within an Indian federation where the federal centre would be weak and residuary powers would be vested in the provincial units. When their hope faded away, they started organizing themselves. From about the beginning of the thirties Muslim Chambers of Commerce began to be set up. The following lines from Thakurdas's letter to G. D. Birla are interesting :

"Regarding the Muslim Chamber, I understand it may be a tame affair. You are quite right when you say that they are too late in the field."[112]

Ultimately, in March 1940, the Muslim business magnates raised the demand for a state of their own—Pakistan, where they could control the state machinery to fulfil their ambitions. Any Congress movement since 1930 was looked upon by this group with suspicion and hostility.

Towards Multilateral Dependence

The inter-war period marked the beginning of the transition from India's 'unilateral dependence' on Britain to its "multilateral dependence' on several advanced capitalist countries led by the US. The process had started : from a monopoly possession of Britain, India was changing into a happy hunting ground of the monopolists of different imperialist countries. The beginning during the inter-war years was a modest one. as all beginnings are. It was modest, particularly because Britain's direct rule over India, the end of which US imperialism, dreaming of building a world-wide informal empire, devoutly wished, especially during the second world war, had not yet terminated. Britain was no longer the leading capitalist country of the world, which role the US had come to play. Before the second world war General Motors, Ford, Standard-Vacuum, Caltex, Firestone, Union Carbide, Remington Rand and other US corporations set up their branches in India. Mellon, an American company, acquired aluminium plants, and Ludlow Jute Company set up a unit to manufacture jute mill machinery. The biggest managing agency firm in India—Andrew Yule and Co Ltd—which controlled a large number of jute mills, coal mines, engineering companies and so on, was a subsidiary of Morgan, Grenfell and Co, which again was a British subsidiary of the American house of the Morgans.

Close links were also being forged by some leading Indian business houses with the US monopolies. The three big hydro-electric companies promoted by the Tatas in western India came under the joint control of the Morgans and the Tatas from 1929. The management was handed over to the Tata Hydro-Electric Agencies Ltd, a company formed jointly by the American and Foreign Power Co Ltd, a Morgan subsidiary, as the dominant partner, and the Tatas; and T. G. Mackenzie became the managing director of the company. Walchand Hirachand relied entirely on the Chrysler Corporation of the US to set up an automobile factory in India. Another US company, the Inter-Continent Corporation of New York, planned, designed, constructed with men and machinery brought by it and ran an aircraft factory on behalf of the Hindustan Aircraft Company promoted by Walchand Hirachand, the Mysore state and the government of India. The Birlas too were exploring chances of collaboration with the US automobile giants to set up an automobile plant in India. These marked the modest beginnings of what was going to be after 1947 the dominant feature of the relationship between imperialist and Indian big capital.

It may be noted that the establishment of branches by giant foreign corporations was viewed with suspicion by a section of Indian business magnates. Early in April 1938, the Congress Working Committee passed a resolution viewing "with grave concern the rapid increase in the number of companies owned and managed by foreign nationals". It had "no objection to the use of foreign capital or to the employment of foreign talent", but wanted them to be "under the control, direction and management of Indians". At its annual meeting in April 1939, the FICCI also expressed its concern at the situation arising from foreign interests establishing industries behind a protective tariff wall..."[113]

Interestingly, at a meeting of the National Planning Committee, held on June 8, 1939, under Nehru's presidentship, and attended, among others, by Walchand, Thakurdas and Ambalal Sarabhai, a resolution expressing 'grave concern' at "the increasing influx into India of foreign-controlled industrial establishments" came up for discussion and was then swept under the carpet.[114]

In fact, what the Indian big bourgeoisie objected to was not the influx of foreign capital but the establishment of fully-owned branches or subsidiaries of the transnational. They were quite aware that they, so blissfully ignorant of and disinterested in techniques of production, would have to depend on them for capital goods and technology for setting up new industries—chemicals, automobiles and so on. When the Tatas, Birlas, Walchands were inviting transnational, they could hardly be very squeamish about the question of control, whatever might be their formal resolutions, adopted often as bargaining counters. They were not so stupid as to be unaware that technology and technology embodied in capital goods is the key to power. That is why the Birla mouthpiece, *Eastern Economist,* opposed the suggestion of the National Planning Committee that "investment of foreign capital should not ordinarily be permitted to involve ownership and management *in respect of industries of national importance".* It also opposed its proposals that the vast amount of foreign capital required for economic development should be accepted in the shape of loans by or through the state and that the "foreign interests exercising a predominant control over certain vital industries should be compulsorily bought up". Such views appeared to the Birla organ as 'extreme' : it pointed out that "it may not be possible to have foreign capital completely divested of the powers of control".[115] What the Indian big bourgeois, fully conscious of their inherent weakness, wanted was not really control but a slice of the cake—the luscious enterprises of transnational.

Another reason why the Indian big bourgeoisie felt enamoured of "the British connection" was that they had a large stake in the British colonies in south-east Asia and east Africa. Indian big capital not only played the role of an underling to foreign capital at home but went abroad to exploit other British colonies under the umbrella of British power. As S B D de Silva puts it, "Like the remora which travels long distances by attaching itself through its dorsal slicker to the body of a shark, Indian capital went along with Britain's overseas expansion."[116] The role of the Indian big bourgeoisie was that of a sub-exploiter in other British colonies as in India.

In Burma. Indian businessmen controlled about two-fifths of the value of imports and about three-fifths of the value of exports.[117] In a memorandum to the FICCI in 1941, the Indian Imperial Citizenship Association, of which Gandhi was a founder and with which Thakurdas and many other Indian business magnates were actively connected, estimated total Indian capital investment in Burma at Rs 250 crore,[118] a very huge amount in those days. In that country, the Nattukottai Chettiyar groups alone, based in Tamil Nadu, invested about Rs 75 crore in usury and trade and owned one-fourth of the cultivable land of south Burma in the early thirties when Burmese peasants, hit by economic depression, failed to redeem their mortgages.[119] The Birlas, too, owned a starch factory there. It seemed, as N. R. Chakravarti obser/ed, "an Indo-British occupation rather than a British occupation". [120]

In Malaya, the Chettiyar groups, besides other Indian groups, set up their trading and money-lending firms as the British opened up different regions for colonial exploitation. Besides, their investments in rubber plantations and coal mines were considerable.[121] As money-lenders the Chettiyar groups played an intermediary role between British banks and the local people, both in Burma and in Malaya.

In Sri Lanka, the import trade in rice, flour, sugar and textiles was dominated from about 1908 by Memon merchants from India[122] and a cotton mill was managed by the Currimbhoys.[123]

"Prior to the 1920s", writes Markovits, "Indian capitalist interests in Bombay wanted to transform Kenya into an Indian sub-colony"[124] but, though they retained considerable interests, their aspiration was not fulfilled. In East Africa a Parekh family and a Patel group had big cotton trading concerns and set up cotton mills. The Parekhs were helped by the Mafatlals while the Sarabhais of Ahmedabad were the principal financiers of the firm managed by the Patels.[125] Of the major groups, at least Mafatlal, Sarabhai and Thakurdas had considerable interests in Uganda. Thakurdas had important interests also in Tanganyika (now Tanzania).[126]

The following passage from the memorandum presented by the Indian Association (Tanganyika Territory), Dar es Salaam to the Joint

Parliamentary Committee on East Africa, a copy of which was sent to the general secretary, Indian National Congress on May 2, 1931, sheds light on the character and role of the Indian bourgeoisie in other British colonies :

'Their [The Indians'] importance in the economic fabric of this territory drew an admission even from Dr. Schnee, when he officially said that 'the Indians are *indispensable as middlemen* between large European firms and the producing and consuming natives'...Indians generally fought [in the East African theatre of war] shoulder to shoulder with the British army in the interest of the British Empire and for all that Great Britain entered into the war... One single firm of Indians namely Messrs Karimjee Jiwanjee and Co. owns estates extending to over 80,000 acres and employs about 20,000 native labourers...In commerce, Indians continue to hold conspicuous control over the market, as much as that most of the export to and import from India, Britain and other foreign countries passes through their hands...More than a thousand Indians are engaged in official posts, thereby making their contribution to the carrying on of the King's government in this Territory."[127]

The above gives some idea how Indian capital, protected by British guns, spread its tentacles to other British colonies and served the raj to serve itself This was one of the strong reasons why Indian business magnates insisted on retaining the imperial connection. From Jamsetji Tata to Purshotamdas Thakurdas and G. D. Birla—all Indian big businessmen swore by their loyalty to the British connection. Not surprisingly did Thakurdas say to a friend : "I am for the British connection because no other set of people endowed with power have the same substratum of fair play. To deal with them is therefore no losing game."[128]

Gandhi and his chief lieutenants, including Jawaharlal Nehru, wanted to, and did, retain the British connection. Nehru often talked of independence which he explained as severance of connection with the British raj, but whenever the test came, he toed the mahatma's line. To Gandhi, dominion status was preferable, for it meant "independence plus the British connection"—something superior to mere independence.[129] The Indian business magnates and the Gandhis, their political representatives, were opposed to independence which would mean coming out of the imperialist orbit, for this meant to them an uncertain future in India and loss of the privilege to play the sub-exploiter's role in other British colonies. It is not surprising that they were anxious to remain within the British Commonwealth; but, in the forties, they also longed to hitch their wagon to the US's more resplendent star, as Nehru had told Colonel Louis Johnson, President Roosevelt's personal representative in India, in April 1942.[130]

While the comprador big bourgeoisie sought no more than self-government under the aegis of imperialism, the other section of the bourgeoisie—the national bourgeoisie in India—was too flabby to lead the anti-colonial, anti-feudal revolution. The task fell on the working class, but it was ideologically and politically too weak to accomplish it.

NOTES

1. Thomas A Timberg, Three Types of the Marwari Firm', *Indian Economic and Social History Review (IESHR),* March 1973, 2.
2. *Ibid,3ff.*
3. *The Gazetteer of Bombay City and Island,* I, compiled by S. M. Edwardes, Bombay, 1909 (facsimile reproduction 1977), 299, 301, 302.
4. Timberg, *op cit,* 26-7.
5. *Ibid,* 23; see also Timberg, The Origins of Marwari Industrialists' in Robert and Mary Jane Beech (eds), *Bengal: Change and Continuity,* Michigan, n.d, 162; also Omkar Goswami, 'Collaboration and Conflict: European and Indian Capitalists and the Jute Economy of Bengal, 1919-39'. *IESHR,* Vol 19(2), 1982, 143.
6. Timberg, 'Three Types of the Marwari Firm', *op cit.* 25.
7. PLovett, *The Mirror of Investment 1927,* Calcutta, 1927, 1.
8. Timberg, 'Three Types of the Marwari Firm', *op cit,* 29.
9. Balchand Modi, *Desh Ki Itihas me Marwari Jati Ka Sthan* (Hindi), Calcutta, 1926, 541-2; cited in Rajat Kanta Ray, *Social Conflict and Political Unrest in Bengal 1875-1927,* Delhi, 1984, 228.
10. *Ibid, 229.*
11. *Ibid,* 228, fn 3; Timberg, Three Types of the Marwari Firm', *op cit,* 30, 31,34,35.
12. See Timberg, *The Marwaris : From Traders to Industrialists,* New Delhi, 1978,66, 170-1.
13. Timberg, The Origins of Marwari Industrialists', *op cit,* 166.
14. Bagchi, 'Reinforcing and Offsetting Constraints in Indian Industry' in A. K. Bagchi and N. Banerjee (eds), *Change and Choice in Indian Industry,* Calcutta, 1981, 28.

15. See Sudip Chaudhuri, *Bengal Chemical, 1892-1977* (mimeographed), Indian Institute of Management, Calcutta, n.d.
16. Biswakarma, *Lakshmir Kripalabha Bangalir Sadhana (Lakshmi's Blessings : Bengali Enterprise,* in Bengali), Calcutta, 1969, 352-60,
17. *Ibid,* 326-37.
18. *Ibid,* 344-51; *Economic Times* (Calcutta), September 2, 1986.
19. Biswakarma, *op cit,* 167-75.
20. *Ibid,* 176-85.
21. *Ibid,* 207-16; *Economic Times* (Calcutta), August 27, 1986 and February 24,1987.
22. Howard L Erdman, *Political Attitudes of Indian Industry : A Case Study of the Baroda Business Elite,* London, 1971, 51, note 38.
23. Sudip Chaudhuri, *Indigenous Firms in Relation to the Transnational Corporations in the Drug Industry in India* (mimeographed), Indian Institute of Management, Calcutta, 1984, 47.
24. *Survey of Small Engineering Units in Howrah,* Report of a Survey undertaken by the Jadavpur University, under the auspices of the Reserve Bank of India, Reserve Bank of India, Bombay, 1964, 17, 18.
25. *Ibid, 43.*
26. *Ibid,* 60.
27. *Ibid.*
28. *Ibid,&&.*
29. *Ibid,* 94, 98, 105,109.
30. *Ibid,* 136,137.

    The national bourgeois enterprises cited above belong to Bengal, except one—Alembic Chemicals. Readers should blame not my imaginary Bengali chauvinism but my real ignorance for failing to provide examples from other national regions. I can cite many names of such enterprises but, I confess, I have little knowledge about their promoters—knowledge which is hard to come by. I am sure such entrepreneurs of different national regions do not differ essentially from one another, as they do from the compradors.
31. Karl Marx, *Capital,* III, Moscow, 1974 reprint, 334.
32. Khuswant Singh and Arun Joshi, *Shri Ram : A Biography,* Bombay, 1968,33-4.
33. Ibid, 206.
34. Thakurdas to Sir Stephen Demetriadi, London, December 11, 1929, PT Papers, file 42, part VIII; see also Thakurdas, 'My Association with the Federation', FICCI, *Silver Jubilee Souvenir 1927-51,* New Delhi, 1952, 184.

35. Frank Moraes, *Sir Purshotamdas Thakurdas,* Bombay, 1957, 44.
36. PT Papers, file 42, part I
37. PT Papers, file 42, part I. See also All Parties Conference 1928, *Report of the Committee Appointed by the Conference to Determine the Principles of the Constitution for India,* Allahabad, 1928,11.
38. Ibid, file 42, part II.
39. See table on indices of industrial production in B. R. Tomlinson, *The Political Economy of the Raj 1914-1947,* London, 1979, 32.
40. B. R. Tomlinson, 'India and the British Empire, 1880-1935', *IESHR,* Vol XII, No 4, October-December, 1975, 364-5.
41. Pavlov, *op cit,* 400.
42. Omkar Goswami, *op cit,* 148.
43. Claude Markovits, *Indian Business and Nationalist Politics 1931-1939,* Cambridge, 1985, 56.
44. Arun Joshi, *Shri Ram : A Study in Entrepreneurship and Business Management, 221.*
45. Frank Moraes, *op cit,* 138-9; see also G. D. Birla to Lord Lothian, August 4, 1932, PT Papers, file 126, part II; also H Venkatasubbiah. *Enterprise and Economic Change : 50 Years of FICCI,* New Delhi, 1977, 16.
46. Benthall was afterwards knighted and became president of the Bengal Chamber of Commerce and of the Associated Chambers of Commerce, and member, viceroy's executive council (1941-46).
47. Benthall's memo to ASSOCHAM, October 4, 1931, Benthall Papers, Box XI, file 1; cited in Claude Markovits, *op cit,* 81.
48. Markovits, *ibid.*
49. B. Chatterji, 'Business and Politics in the 1930s : Lancashire and the Making of the Indo-British Trade Agreement 1939' in Christopher Baker *et al* (eds), *Power, Profit and Politics,* 557; Chatterji quotes from Benthall to Mothersill, July 10, 1933; Benthall to Cleminson, July 10, 1933; Benthall MSS, XV.
50. Chatterji, *ibid;* he cites Proceedings, Indian Section, July 4, 1933, p. 65, as his source.
51. Chatterji, *ibid,* 544.
52. FBI, *Industry and the Nation,* 1931, circulated to the cabinet as OC (31) 72 CAB 27/475; cited in Chatterji, *op cit,* 544, fn 57.

53. *Ibid*, 557, Chatterji quotes Viceroy to Secretary of State, Pvt tel, April 11, 1936, L/E/9/1123.

54. Birla, *In the Shadow of the Mahatma*, 52-3; also *Bapu*, 1, 181.

55. PT Papers, file 132.

56. *Ibid*—emphasis added.

57. Cited in Tomlinson, *The Political Economy of the Raj*, 120.

58. D. R. Gadgil, *Economic Policy and Development*, 114—emphasis added.

59. *Ibid*, 86; see also Tomlinson, 'Colonial Firms and the Decline of Colonialism in Eastern India 1914-47', in Christopher Baker *et al* (eds), *op cit*, 458, n 7.

60. P. J. Grigg to H. V. Dodson, January 24, 1939, Grigg Papers, file 2/11 (Churchile College, Cambridge); cited in B. R. Tomlinson, *The Political Economy of the Raj 1914-1947*, 53.

61. G. D. Birla, *Bapu*, II, 4-5, emphasis added.

62. Birla, *In the Shadow of the Mahatma*, 49.

63. *Ibid*, 52-3.

64. PT Papers, file 107 part I; see also G. D. Birla to Samuel Hoare, November 2, 1932, *In the Shadow of the Mahatma*, 64; Birla to Hoare, December 16, 1934, in Birla, *Bapu*, I, 453.

65. PT Papers, file 107, part n.

66. Birla, *In the Shadow of the Mahatma*, 179.

67. *Ibid*, 178.

68. *Ibid*, 145.

69. Birla, *Bapu*, H, 51.

70. *Ibid*, IV, 30-1.

71. *Ibid*, II, 206, 270, 337.

72. *Ibid*, III, 144.

73. Birla, *In the Shadow of the Mahatma*, 2.

74. *Ibid*, 209.

75. #/W,284.

76. Birla, *Bapu*, IV, 383.

77. Birla, *In the Shadow of the Mahatma*, 285.

78. Birla, *Bapu*, IV, 190-1.

79. Jaju, *op cit*, 243.

80. Thakurdas to G. D. Birla, July 4, 1932, PT Papers, file 107, part I.

81. PT Papers, file 142.

82. *Ibid.*
83. Moore, *The Crisis of Indian Unity 1917-1940*, Delhi, 1974, 173.
84. Moraes, *op cit*, 197; see also Motilal Nehru to Thakurdas, October 19, 1924 and Thakurdas to Motilal, October 11, 1924, PT Papers, file 40, part II.
85. See *The Bombay Congress Bulletin*, Vol II, No 241, October 10, 1932; No 244, October 13,1932; No 247, October 17, 1932, PT Papers, file 101; also extract from the *Congress Bulletin*, July 19, 1932 : PT Papers, file 107, part I.
86. Moraes, *op cit*, 202.
87. On October 31, 1929, Viceroy Irwin made a vague declaration about India's attainment of dominion status at some uncertain future date and proposed a Round Table Conference of British and Indian politicians. The British government assured parliament that the declaration marked no departure from its past policies.
88. PT Papers, file 91, part I.
89. Thakurdas to Irwin, May 30, 1930, *ibid*, file 99, part I.
90. Thakurdas to Irwin, June 10, 1930, *ibid.*
91. Thakurdas to Schuster, May 24,1930, *ibid*, file 91, part II.
92. Thakurdas to Schuster, May 30, 1930, *ibid.*
93. Thakurdas to Graham Pole, July 9, 1930, *ibid*, file 99, part I.
94. Every kind of revolutionary anti-imperialist struggle was equated with terrorism by the Thakurdases.
95. Thakurdas to Hoare, September 4, 1933, PT Papers, file 132.
96. Thakurdas to G. D. Birla, November 25, 1932, *ibid.*
97. G D Birla to Samuel Hoare,. March 14, 1932, *In the Shadow of the Mahatma*, 51; see also *ibid*, *277*.
98. Mankekar, *Homi Mody: A Many Splendoured Life*, Bombay, 1968, 34, 35.
99. M Nehru to Thakurdas, November 14, 1924, PT Papers, file 40, part II; M. Nehru to F. E. Dinshaw, October 18, 1929, *ibid*'. Thakurdas to M. Nehru, October 11, 1924, *ibid.*
100. Thakurdas to M. Nehru, October 30, 1929; November 4, 1929; Thakurdas to Tej Bahadur Sapru, December 27, 1929; PT Papers, file 91, part I.
101. Thakurdas to Sapru, January 8, 1930, *ibid.*
102. Lalji Naranji to Thakurdas, March 28, 1930, *ibid*, file 91, part II.
103. Thakurdas to N. M. Mazmudar of Tata Ltd, London, June 7, 1929, PT Papers, file 42, part II.

104. Birla to Thakurdas, October 30, 1929, *ibid*, file 91, part I; See also Birla to Gandhi, November 11,1929 in Birla, *Bapu*, 1,130-1.

105. Birla to Thakurdas, January 16, 1931, PT Papers, file 42, part VII— emphasis added.

106. *CWG*, XX, 365; XXV, 199; XXVII, 2,418; XLII, 87,150 etc.

107. See 'Despatch to Gandhiji from London', June 14, 1935, in Birla, *Bapu*, II, 51.

108. Birla, *In the Shadow of the Mahatma*, 145.

109. *Ibid*, *258*.

110. Durga Das (ed), *Sardar Pate's Correspondence 1945-50*, Ahmedabad, IV, 56.

111. Birla, *Bapu*, I, 9.

112. Thakurdas to G. D. Birla, January 29,1937, PT Papers, file 177.

113. FICCI, *Silver Jubilee Souvenir*, 99.

114. PT Papers, file 223.

115. 'Future of Foreign Investment', *Eastern Economist*, November 23, 1945, 748-9; 'Our Economic Development', *Eastern Economist*, May 31,1946, 905—emphasis added.

116. S. B. D de Silva, *The Political Economy of Underdevelopment*, London, 1982, 153.

117. *Ibid*.

118. Kasturbhai Lalbhai Papers, K-6; cited in Claude Markovits, *op cit*, 183, note 5.

119. The Central Banking Enquiry Committee 1931, Vol I, part I, *Majority Report*, 95; Shoji Ito, 'A Note on the "Business Combine" in India— with special reference to the Nattukottai Chettiars', *The Developing Economics* (Tokyo), September, 1966, 370; see also Rajat Kanta Ray, The *Bazar:* Indigenous Sector of the Indian Economy', in D. Tripathi (ed), *Business Communities of India*, New Delhi, 1984, 254-6.

120. Chakravarti, *The Indian Minority in Burma*, London, 1971, 96; cited in de Silva, *op cit*, 156.

121. Raman Mahadevan, 'Pattern of Immigrant Entrepreneurs : A Study of Chettiars in Malaya, 1880-1930', *EPW*, January 28-February 4, 1978, 146-52.

122. de Silva, *op cit*, 96.

123. Markovits, *op cit*, 188, n 24.

124. *Ibid*, 187.

125. Howard Spodek, 'The "Manchesterisation" of Ahmedabad', *Economic Weekly*, Bombay, March 13, 1965, 488.

126. Frank Moraes, *op cit,* 211.

127. Durgadas, hon, secretary, The Indian Association (Tanganyika Territory), Dar es Salaam to general secretary, Indian National Congress, May 2, 1931, enclosing a copy of the memorandum presented by the association to the Joint Parliamentary Committee on East Africa, AICC Papers, file FD-1/1931—emphasis added.

It was, no doubt, India's shame that some of its people went to the other British colonies to exploit their people and to help the raj to keep them under subjection. There was also another aspect which constituted India's glory. The Mau Mau rebellion started in 1952 to make Kenya free and continued till 1960. The East Africa Trades Union Congress, formed in 1949, played a great role in making the rebellion country-wide. It was the first African organization to demand independence on May Day 1950. Makhan Singh, an Indian, was its general secretary—the man held responsible for 'stirring up the natives'. He was detained without trial for the next eleven years. Some Indians like Makhan Singh identified themselves with the cause of the natives of the colonies and struggled and suffered together with them. (See John Newsinger, 'Mau Mau—Thirty Years Later', *Monthly Review,* May 1985.)

128. Frank Moraes, *op cit,* 77; see also Thakurdas to Sir Stephen Demetriadi of the London Chamber of Commerce, March 8, 1928, PT Papers, file 71, part II.

129. CWG, XLII, 375.

130. N. Mansergh (editor-in-chief), *The Transfer of Power 1942-7,* I, 665; Nehru, *Selected Works,* XII, 194-5.

NOTES ON WORDS

bania : A member of a trading caste.

banian : Till the end of the 18th century, the *banian* acted as an agent and middleman for the East India Company's servants and British Free Merchants on a commission basis. He was "the personal factotum of his European "master'...a combination of steward, secretary and business partner." Later, he became a "guarantee broker'" attached to a European firm. He had to guarantee the reliability of other Indian businessmen dealing with the firm and received a commission on sales.

dewan : The word had several meanings. It meant (1) the finance minister during Muslim rule of the state or a province, responsible for the collection of the revenue and remittance of it to the imperial treasury; (2) the prime minister of a native state; (3) the chief Indian officer of government establishments like the mint; (4) the Indian employee in confidential charge of the dealings of a business house with Indians; or (5) the manager of a zamindari.

semi-colony : See Chapter 2, footnote 1.

shroff : *Shroffs* were originally money-changers and indigenous bankers, many of whom had branches at different commercial centres and combined their banking activities like money-lending and discounting of bills of exchange with trade.

crore : Ten million.

lac or lakh : 100,000

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