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Emergence of Permanent Emergency in India

Andre Gunder Frank

This paper argues that the most important causes and consequences of 'Emergency Rule' in India should be sought and can be found in the depending accumulation crisis in Indian industry (and in the capitalist world generally) since the mid-1960s and in the measures taken by Indian (and foreign) capital to confront this crisis.

The suggestion is that the actions of the government of India represent essentially the political-economic needs and interests of big industrial capital in what is primarily an inter-class struggle and that Indira Gandhi's intra-class conflict with her rivals turns on the secondary question of who will execute essentially the same capitalist policy and how.

Any government of capitalist India that emerges from the present political crisis will necessarily (have to) pursue the same political-economic policy for the foreseeable future of the permanent Emergency.

INDIA, like Argentina, may be termed an economy in a chronic and ever-deepening economic crisis of accumulation in which attempts at salvation through sub-imperialism *a la* Brazil have probably failed. Despite the consequent recourse to permanent 'Emergency Rule' since June 26, 1975, no possible escape from this crisis is in sight. India is commonly regarded as an agricultural village society, in which 80 per cent of the population live in rural areas, 72 per cent of the people are dependent for their living on agriculture which however accounts for less than 50 per cent of the national product and income. Nonetheless, it must be emphasised that industry, and particularly the heavy industrial sector, is decisive in the determination of the political economic fortunes of India as a capitalist economy. Along with the three major countries of Latin America and South Africa, India has the largest and most highly developed industrial sector in the Third World comparable to parts of Southern Europe — a case in point is India's development of the atomic bomb and the manufacture of jet fighters. By implication, India also has perhaps the most sophisticated and independent bourgeoisie in the Third World. Since Independence, investment, much of it by the state, has preferentially gone into industry and particularly into very capital-intensive heavy industry. Despite the public attention and private effort devoted to industry — or perhaps rather because of the overinvestment in industry without "walking on two legs" *a la* China to develop concomitant inputs and market demand from the agricultural sector — Indian industry and with it the Indian economy has suffered from a chronic crisis, marked by stagnating production, widespread under-utilisation of installed productive capacity and low or purely speculative investment since the mid 1960s. The result is the institutionalisation of economic, political and military repression under 'Emergency Rule', designed to favour Indian and foreign monopoly capital still further without solving any of the structural problems of the Indian economy.

The beginning of the chronic crisis of Indian industry and of the economy generally may be identified with the absolute decline of industrial production in 1966 and the less than 1 per cent growth in 1967 — coincident with the economic crisis and Ongania military coup in Argentina, the economic recession in Western Europe and the onset of the contemporary world crisis of capital accumulation generally in the mid-1960s. This generally accepted dating is not contradicted but rather supplemented by Ranjit Sau's remarks that

> an absolute decline in overall industrial production occurred only in one year, 1966, and that also by a small amount — less than one per cent. But the growth rate slackened appreciably much before that. ... [It] slowed down abruptly in 1963, and then after a brief spell of upturn tumbled down abruptly in 1966, not to recover again till 1970.... Industrial growth slowed down again by mid-1970; and the economy relapsed into a state of relative stagnation, its impact being fairly pervasive among all the industries. This time, agriculture can no longer be the excuse. ... Clearly a slowdown in Indian industries around 1965 or so was foreshadowed as early as 1960. If so, neither the Sino-Indian border conflict of 1962 nor the drought of the mid-sixties was at the root of the industrial recession, its seeds having germinated well before that. (Sau 1491-95.)

The growth of industrial production and economic growth generally have been much slower and much farther below planned targets since the end of the Third Five-Year Plan in 1965-66 than before. For the First Five-Year Plan (1951/52-1955/56) the planned growth in large-scale manufacturing output was 7 per cent and the realised rate was 6 per cent. For the Second Plan (1956-1960/61) the planned rate was 10.5 per cent and the realised one was 7.2 per cent; and for the Third Plan (1961-65/66) the rates were 10.7 per cent and 8 per cent, respectively. The Fourth Five-Year Plan, originally published in 1966, aimed at a rate of 10.7 per cent as well; but with the onset of the crisis it was replaced by three annual plans during the 'plan holiday' until 1968. The final version of the Fourth Plan, published in 1969, raised this target growth rate to 12 per cent; and the Draft Outline of the Fifth Five-Year Plan, published in 1973, 'realistically' lowered it to 8 per cent again. But the realised annual growth rates were only 3.5 per cent between 1965 and 1970 and 2.7 per cent or only 1/3 to less than 1/2 as high as the targeted ones. The compounded annual growth rates of industrial production in factory enterprises was 7.4 per cent in 1951-56, 6.8 per cent in 1956-61, 8.9 per cent in 1961-65 and then fell to 3.3 per cent in 1965-70 and 2.8 per cent in 1970-74 (Raj 223, 225). Industrial investment as measured by annual rates of growth of installed capacity dropped from 6.2 per cent between 1960 and 1967 to 4.5 per cent from 1967 to 1970 (Paul 2027). Percentages of utilisation of installed capacity have declined by ten or more points according to differing estimates since the mid-1960s: from about 90 per cent to about 80 per cent (Raj 226) or from about 80 per cent to 70 per cent based on official Reserve Bank calculations (Mishra 2064). Other estimates do not show such a decline overall, but put the utilisation rate at only about 55 per cent for the whole period since 1960 and find capacity utilisation rates to have fallen from 58 per cent to 42 per cent in the capital goods industries (Paul 2029). The *Eastern Economist* reports capacity utilisation at less than 50 per cent in 36 out of 61 industries in 1970 (Frank 123).

The 'problem' industries have been firstly heavy industries, particularly steel and electric power, which are largely state financed — not incidentally with substantial Soviet technology and inputs — to subsidise the private capitalist use of their products as inputs in their own manufacturing industry and secondly consumer goods industries particularly coarse cotton textiles, which use high price agricultural inputs (to favour their agricultural porducers) but face an increasingly restricted market for lack of popular purchasing power. With declining wages, absolutely and as a share of national income (Shetty, Sau) and falling real income of the poorest segments of rural India, manufacturers of coarse textile goods have been squeezed down or out and/or forced to switch to finer cotton or synthetic goods for the higher income and export markets. In more familiar terms, while the first three Plan periods per capita income increased at the modest annual compound rates of 1.8 per cent, 2.9 per cent and 2.3 per cent (first four years) respectively; this 'increase' decreased to 0.3 per cent per year for the whole decade from 1964-65 to 1973-74 (*EPW*, November 22, 1975, p 1793). The distribution of this income has become increasingly unequal, and the income of the poorest rural and urban 'recipients' of income declined, as documented in the now classic study by Dandekar and Rath. Recent trends and fluctuations in industrial production and national income and of the still strong influence on the latter of agricultural output are summarised in Table 1.

By mid-1974, after the balance of payments and general economic crisis in India had been *aggravated* (but not caused) by the steep rise in the prices of oil and wheat India is obliged to import in large quantities, politicians and the press, domestic and foreign, cried that India's growing economic crisis (*NZZ*, October 18, 1974) placed her in the worst economy since Independence in 1947 (SZ). "The country is today in the throes of a crisis much worse than any that has plagued it since Independence. The economy has ceased to progress. Per capita income is probably lower than it was a decade ago. Prices are rising about 30 per cent a year... Today, one institution after another is crumbling away in India." (Shourie in *EPW*, June 22, 1974, 983,987.) This renewed aggravation of the crisis is reflected in Table 1 by the decline in national income (lines 1 and 2) and agricultural output (line 3) in 1973 and the low rates of growth in industrial production (line 4) in 1973 and 1974. The resultant political economic adjustment is reflected in the relative recovery of production in basic industries (line 5) in 1974 and 1975, at the cost of increasing economic repression of urban and rural workers and peasants through inflation and other measures, which resulted in an absolute decline in the output of consumer and intermediate goods industries (lines 7 and 8) in these same years 1974 and 1975 (in which, however, their export markets also suffered because of the world recession).

Capital had been increasing its complaints about excessive wages and demanding that "labour indiscipline needs to be curbed with a heavy hand" (quoted in Frank 124). That this prospect was in the offing through "pre-fascism, semi-fascism or neo-fascism" was noted by many observers including the present writer (Frank, *EPW*, January 30, 1973). The Central government had already crushed the rural Naxalite and allied movements in Bengal and elsewhere in 1971-72. Then came the railway strike of April 1974. "The Government was itching for the strike so that it could crush it" (MR, *EPW*, June 8, 1974), and it did so brutally with 50,000 arrests and 15,000 dismissals. The political writer Mohan Ram would observe (*EPW*, June 8, 1974,

TABLE 1: NATIONAL INCOME, INDUSTRIAL PRODUCTION AND PRODUCTION OF FOODGRAINS

	1971	1972	1973	1974	1975	1976	1977
(1) National income (rate of growth, per cent)	5.2	1.8	—1.5	5.0	0.9	10.6	
(2) National income per capita (rate of growth, per cent)	2.9	—0.4	—3.6	2.8	—1.3	8.3	
(3) Foodgrains production (gross, mn tons)	108	105	97	105	101	116	118
(4) Industrial production (rate of growth, per cent)	4.2	5.8	1.5	2.2	4.4	10.9[a] 13.0[b] 13.2[c]	
(5) Basic industries (rate of growth, per cent)	4.6	8.0	—3.1	3.9	13.2	16.6	
(6) Capital goods industries (rate of growth, per cent)	5.5	0.9	16.0	4.3	—0.1	13.2	
(7) Intermediate goods industries (rate of growth, per cent)	4.0	7.0	2.7	—1.0	0.4	10.4	
(8) Consumer goods industries (rate of growth, per cent)	3.2	4.7	6.4	—4.5	—0.8	3.0	

Notes and Sources:

1+2: Economist Intelligence Unit, Quarterly Economic Review of India, Nepal, 4th Quarter 1976, p 8; 1975 and 1976 Estimates by *Economic Times*.

3: Reserve Bank of India, Report on currency and Finance, Vol II 1975-76, pp 24-25;
1975: Economist Intelligence Unit, Quarterly Economic Review of India, Nepal, Annual Supplement 1976 p 10.
1976: Economist Intelligence Unit, Quarterly Economic Review of India, Nepal, 4th Quarter 76, p 2.
All data are for crop year ending June 30 of year indicated.

4: 1971-1975: *Eastern Economist*, Annual Number 1977;
1976 a: *Eastern Economist*, Annual Number 1977, based on first nine months.
1976 b: Reserve Bank of India, Report on Currency and Finance, Vol I, 1975-76, p 28, for January-June 1976.
1976 c: Economist Intelligence Unit, Quarterly Economic Review of India, Nepal 4th Quarter 76, p 16, for Jan-Aug 76.

5, 6, 7, 8: *Eastern Economist* Annual Number 1977. Data for 1976 are "estimated".
5: includes: Coal, iron ore, steel, cement, chemicals, electricity, etc.
6: includes: Railway engines and wagons, motor vehicles, electric motors and transformers, etc.
7: includes: Cotton spinning, wool yarn, jute, synthetic fibres, petroleum products, tyres, paints, etc.
8: includes: Textiles and footwear, food products, paper, metal products, etc.

892) that "the Government's massive repression of the strike has sinister implications for the working class movement as a whole. It might even be a prelude to a total moratorium on all strikes and lock-outs". Another commentator suggested "after the Government's success in crushing the railwaymen's strike, the Prime Minister evidently feels confident about the feasibility of an unqualified wage freeze and seems even to believe that this is called for... But this is not all. The logic of populism turning towards authoritarianism has been relentlessly unfolding on a wide and ever-expanding front." (BM, *EPW,* June 15, 1974.) Indeed, a journalist would later recall in Bombay, I met with J R D Tata, the board chairman of the Tata group of industries, the largest industrial giant of the land.... Tata told me why he supported the Emergency: 'Things had gone too far. You can't imagine what we have been through here — strikes, boycotts, demonstrations. Why, there were days I couldn't walk out of my office onto the street. The parliamentary system is not suited to our needs'." The implication is that, from the point of view of big capital, labour was not only — or perhaps not so much — threatening its profits as disputing its untrammelled political power.

On June 26, 1975 Prime Minister Indira Gandhi declared a state of Emergency, ostensibly on the pretext of a threat to her government from the right opposition, which had been trying to disqualify her from office through the courts on charges for violation of the election laws. The Maintenance of Internal Security Act (MISA) was amended through executive ordinance to permit detention without grounds for one year (*Times of India,* July 1, 1975). Leaders of the right wing opposition — J P Narayan, Piloo Mody, Morarji Desai and others — were put in jail immediately, perhaps confusing a large part of the population and a small part of the left (but not those the present writer talked with during his visit at that time) about the real thrust and meaning of Indira Gandhi's coup. Soon, however, politicians, cadres, and particularly labour leaders on the left were detained also and have remained imprisoned while the detainees from the right were increasingly released again. It has been estimated that 175,000 people were detained and held without charges or trial during the first year of Emergency Rule (Member of Parliament, S Swamy, *Holiday,* July 25, 1976). Other estimates are even higher — over 200,000 (*NIB* 5, May-June 1976). In the meantime, maintaining strict censorship of the press and other media of public opinion, the government has several times further amended the laws, restricted the action of the courts, and changed the constitution to first extent the time and scope of its 'Emergency Rule', which like other states of 'exception' elsewhere is becoming normal (see below).

Not unexpectedly the declaration of Emergency was accompanied by a populist demagogy — reminiscent of Indira Gandhi's ill-fated 'Garibi Hatao' (eliminate poverty) programme of a few years earlier — in the proclamation of an (initially 21) 20-Point Programme of Development, only one of which, increased credit for the rural bourgeoisie, has been implemented with any concrete economic effects.

Equally expectedly, however, Indira Gandhi's new acceleration and sharpening of previous bourgeois crisis management through Emergency Rule bore its most immediate concrete economic fruits on the labour front·

> "Within a month of the proclamation of Emergency and the decision not to have strikes and lock-outs, nearly 20,000 employees have been either retrenched or laid off by various multi-national business-houses." (*Business Standard,* August 29, 1975, cited in *EPW,* September 6, 1975.)

A half year later, "the visible improvement of labour discipline in the course of the state of Emergency" (*NZZ,* March 18, 1976), "workers toe the line" (*FER,* February 20, 1976) became the most notable economic commentary of the foreign press. The US big business newsletter *Business Asia* a subsidiary of *Business International* informed its readers and commented:

> "Progress under Emergency Rule is claimed to include better labour discipline, increased productivity, and a revival of the stock market.... Much of the recent improvement — in fields such as for example, industrial relations — is simply due to fear" (*BA,* March 12, 1976).

The head of a West German pharmaceutical company in India remarked, "for the first time in 17 years we were no longer on the defensive in collective bargaining" (*HB,* September 25, 1976). A member of the Oberoi family told a journalist after the imposition of "Emergency Rule" on June 26, 1975: "Oh, it's just wonderful. We used to have terrible problems with the unions. Now when they give us any troubles the Government just puts them in jail." (*New York Times Magazine,* April 4, 1976.)

Based on official government statistics, the press reported the decline in man-days lost through strikes variously as shown in Table 2. Whatever the inconsistencies in the data, it is clear that mandays lost through strikes roughly doubled from 1973 to 1974, which included the railway strike in its first half. In 1975 they remained high at 17 million during the first half but after the imposition of Emergency Rule declined drastically to only 2 to 4 million in the second half. This low strike rate, that is high "labour discipline", was also maintained during the first months of 1976. In public sector enterprises, which employ twice as many workers as large private sector ones, the "improvement in labour discipline" was even more dramatic with only 1.4 million mandays lost out of the total of 17.9 million in all of 1975 (*FER,* February 20, 1976).

The business oriented *Eastern Economist* summarises:

> The industrial scene in this country looked reasonably cheerful throughout 1976... the rise in industrial production is likely to be more than 10 per cent above the level attained in 1975. How has the improvement in output come about? It seems that a number of positive factors assisted ... and the most important of them were improved employer-employee relations, increased utilisation of installed capacity, fast freight movement by the railways, and a significant improvement in the working of the public sector undertakings. The industries which exhibited remarkable dynamism in production were

TABLE 2: MANDAYS LOST THROUGH STRIKES

(in millions)

1973	
Jan-Dec	20 (a)
1974	
Jul-Dec	10 (b)
Jan-Dec	40 (a, e) 31 (d)
1975	
Jan-Jun	17 (c)
Dec 74-Jun	18 (a)
Jul-Dec	4.5 (c) 2.3 (b)
Jul-Jan 76	5.4 (a)
Jan-Dec	19 (a, d) 18 (b) 21.5 (e)
1976	
Jan-Apr	2.3=83 per cent less Jan-Apr 1975 (c)

Sources:
(a) *Holiday,* Aug 8, 1976.
(b) *FER,* Feb 20, 1976.
(c) *FER,* Aug 13, 1976, *EE,* Dec 31. 1976 and Bhagat in *Imprecor,* Jan 13, 77.
(d) *BA,* Mar 12, 1976.
(e) *FER,* Jul 20, 1976.

> steel, aluminium, fertilisers, coal, cement, vanaspati, scooters, cars and electricity. (*EE*, Annual Number, 1977, 125.)

If we examine this list of "most important positive factors" more carefully, it appears that all of them are in fact most importantly reducible to the first of them: "improved employer-employee relations". Thus the *Eastern Economist* itself continues on the next page:

> The public sector undertakings have played a useful role in raising the level of industrial production. Some of the units have almost doubled their output... True that improvement in industrial relations played a key role in the excellent performance of these units... (*EE*, Annual Number, 1977, 1252.)

The increased utilisation of installed capacity, of course, only means that it — or more precisely the workers — worked more. And the remaining positive factor mentioned, fast freight movement by the railways, began — as we observed above — by crushing the railway strike of 1974, which was the prelude to the disciplining of the labour force in general through the "Emergency". The *Eastern Economist* continues on the same page:

> In fact, some industrialists are of the view that the credit for all-round improvement in industrial production goes to the railways which have exhibited both improvement as well as a spirit of innovation in their functioning... [There is] availability of industrial goods all over the country, thanks to the happy performance of the railways. There is no shortage of coal anywhere in the country, and this applies to all other essential goods ... (*EE*, Annual Number, 1977, 1252.)

Speaking of coal, of which there is now no shortage anywhere in the country and which the *Eastern Econnomist* mentions as one of the "industries which exhibited remarkable dynamism", we may recall the causes and costs of this dynamism, which scandalously came to public attention subsequent to the Chasnala mine disaster in December 1975, in which the number of miner deaths was literally *untold*, because nobody knows, or says, who the unofficially employed and less than minimum wage receiving miners were. But this particular mine disaster was not an isolated incident or even an accidental phenomenon:

> There is little doubt that the frantic zeal shown in boosting coal production after nationalisation has not been matched by a corresponding concern to prevent accidents in the mines... Thus, the accent on higher production has led to a rise in the fatality rate... The fatality rate per thousand persons employed in the post-nationalisation years have been 0.60 in 1971, 0.66 in 1972, 0.65 in 1973, 0.42 in 1974 and as high as 1.4 in 1975. (*EPW*, October 30, 1976, pp 1717-20.)

The fatality rate, of course, is only the tip of the iceberg of the accident rate generally, and both are a reflection of the intensity of work — that is exploitation of the workers — under bad working conditions. Another case in point:

> The Central government will examine the condition of the distressed children working on Indian ships and in docks and ports. It is estimated that altogether 110,000 children are employed in naval work directly or indirectly, the majority being in the 8-14 age group. (*Business Standard*, October 21, 1976, cited in *EPW*, October 30, 1976.)

Though child labour below 14 years of age in factories and other hazardous occupation is prohibited by the Indian Constitution, according to the 1971 Census there were 10.74 million child workers below the age of 15 amounting to 5.9 per cent of the total labour force, of which about 1.2 million were in manufacturing and other industries and most of the remainder in agriculture. (DD 23.)

Compared to strikes, the opposite — or rather the observe — has happened with lock-outs and lay-offs:

> Inaugurating the state labour ministers' conference in New Delhi on October 26 [1976], the Union labour minister had to admit that the incidence of lay-offs and lock-outs had been on the increase in recent months.... The meeting [of labour secretaries on the eve of the labour ministers' conference] was told that after the declaration of the Emergency, while there had been 'a significant fall in man-days lost due to strikes', there had been 'many cases of large-scale lay-offs, particularly by big companies including a number of multinationals'. While there had not been any major strikes anywhere, there had been an increasing number of retrenchments and lock-outs.... It is evident thus that the 'discipline' enforced since last June which has made strikes virtually impossible has not imposed anything like comparable restraints on employers. According to the government's own figures, lock-outs had accounted for 57 per cent of the total number of mandays lost due to industrial disputes in January 1976. However, in July, as many as 96 per cent of all mandays lost were on account of lock-outs. In other words, strikes where responsible for a mere 5 per cent of mandays lost in the latter month (*EPW*, October 30, 1976, 1709).

The number of small enterprises shut down since June 1975 has been greater than at any time in the preceding 10 years (Swamy b 20). The number of workers laid off during the first year following the declaration of Emergency Rule has been reported as 475,000 (*HO*, July 25, 1976) and 479,000 (*HO* June 27, 1976), not including several important states and has been estimated as 700,000 for India as a whole (*EPW*, January 8, 1976). Registered unemployment was 2.6 million in 1966 and 8.2 million in 1973 (*NIB* 3, May-June, 1976, 9), 8.4 million in 1974, and is now estimated to exceed 10 million (*EPW*, July 3, 1976). One estimate, based on employment exchange data, indicates a 28 per cent rise in unemployment (Swamy b 20). (Estimated unemployment was already 18.7 million in 1971 according to official sources reported in *NIB* 3.) In the meantime, although real wages had already declined before the declaration of Emergency, money wages have since been frozen or even reduced (*HO*, August 8, 1976, *B3W*, August 1976) and minimum annual bonuses were cut from 8 per cent to 4 per cent (*FER*, February 20, 1976) despite inflation, so that real wage income declined still further. No wonder that Indira Gandhi's labour minister Reddy can remark with satisfaction that the climate of industrial relations has changed beyond recognition (*HO*, August 8, 1976).

The improvement beyond recognition of industrial relations from the point of view of capital is, however, only one aspect of the marked improvement of the political economic climate for business generally as a result of the "remarkable *volte face*" (as *FER*, August 22, 1975 calls it) of Indira Gandhi's government since the 'progressive' programme adopted by the All-India Congress Committee in 1967 and particularly since the declaration of Emergency Rule in June 1975. Only two months after this declaration, *FER* (August 22, 1975) already noted:

> Certainly, Mrs Gandhi would seem to have won the first round in her efforts to ensure the support of the big industrialists.... Industrialists and investors have welcomed her initiatives.... Under India's new slogan of 'Produce more', the big family companies such as Tatas, Birlas, Mafatlal and Thapar will be allowed to resume their expansion.

Under the title "New Areas for Private Sector" a commentator observed a month later (in *EPW*, September 13, 1975):

> Ever since he assumed office as Industry and Civil Supplies Minister, T A Pai has been displaying much zeal in his drive to end the prolonged stagnation in industrial production .... T A Pai is a pragmatist and a realist .... Pai projected the concept of the 'national sector'... that the public sector units should throw open their shareholding to the public at large and should not remain exclusively government-owned .... Pai's proposal and argument is as follows: The public sector units should be thrown open to the rough and tumble of market forces; they should neither claim, nor be given, any special privileges... More explicitly, he has laid down that the public sector will not in the future be allowed to pre-empt capacity in any particular fields. (*EPW*, September 13, 1975.)

A further few months later, on November 22, 1975, *EPW* reported:

> In the last three months or so the government has taken a series of measures calculated to revive output and investment in the private manufacturing sector. The most far-reaching of these measures has been what the Union Minister for Industry and Civil Supplies has described as 'a major reform in the licensing policy'. This 'reform' has been put through in stages. First, some 15 export-oriented engineering industries were allowed automatic expansion of capacity to the extent of 25 per cent of licensed capacity .... Interestingly, virtually all the 15 industries singled out are marked by low average capacity utilisation .... The second step in the reform was the official announcement on October 25 granting blanket exemption from licensing to 21 industries in the medium sector and allowing unlimited expansion beyond the licensed capacity to foreign companies and large monopoly houses in 30 other important industries .... Subsequently, on November 5, it was announced that the procedure for regularising unauthorised capacity installed by monopoly houses and foreign companies had been liberalised .... What is now left of the licensing system? [Little.] Would it not have been more straightforward to have abolished licensing altogether?

EPW comments that these measures designed to help the private industrial sector "are based on the totally wrong premise that the central task of economic management today is to revive investment and output in the private sector of industry", when *EPW* considers that "the central task of policy-making today is that of giving a decisive push to public saving and investment", which had fallen from 30 per cent of domestic saving in 1964-65 to 16 per cent in 1972-73 despite its increase in the share of domestic output from 12 per cent to 16 per cent. *EPW* predicts, undoubtedly correctly, that

> without yielding any notable results in terms of the levels of investment and output in the economy, these measures will still result in a further distortion of the structure of industry and the composition of industrial output... [These] concessions and incentives which go to raise the returns to capital and the dismantling of controls on investment and output will inevitably weigth the structure of production further in favour of non-essential goods and services and against the means of mass consumption. To sustain long-term growth of investment and employment in the economy what is needed is precisely the opposite. *EPW*, November 22, 1975, 1785-86.)

EPW is no doubt correct in assessing what is needed for growth, investment, employment and mass consumption. But *EPW* itself bases its analysis on totally wrong premises if it thinks, as it seems to in the above passage, that the central task of economic management and policy with respect to either private or public industry is in any sense guided by or even related to any such needs. On the contrary, the central task of Indira Gandhi's government is to maintain and improve the economic, political and ideological conditions for the pursuit of private profit, especially of big monopoly and foreign industry, regardless of any such needs — as is particularly evident in her recourse to 'Emergency Rule' to pursue these real political economic ends rather than abstract or hypothetical 'needs'. A month later, on December 20, 1975, *EPW* itself reported under the title "Corporate Sector: Never Had It So Good":

> One conclusion that straightaway strikes one is that the private corporate sector did very well during this period even though in terms of achieving some of the key Plan objectives, the performance of the Fourth Plan was the poorest of all Plans so far...There occurred serious shortfalls in every major industrial sector...Despite such poor performance...the number of companies with operating profits...increased...Profit margins and profitability ratios too improved quite notably... Profit margins and profitability ratios have since equalled and even surpassed the highest levels achieved in the past.

Under the title "Better Record Despite Recession" *EPW* (November 13, 1976) reports that among others "Tata Chemicals has been able to keep up its record of improved performance for the 14th year in succession, despite recession in demand...". Inflation, self-made, helped :

> It is evident from the Reserve Bank's study that the private corporate sector deliberately strove to push up prices by withholding supplies from the market. (*EPW*, October 16, 1976.)

According to a Reserve Bank study of 1650 large companies, in 1974-75 all inventories rose 28 per cent but inventories of finished goods rose 37 per cent. While the *value* of production rose 28.5 per cent, profits after tax rose 35.1 per cent in 1974-75 — after having risen 11.2 per cent and 21.1 per cent, respectively the year before — while the *quantity* of industrial production rose only 2.5 per cent in 1974-75 and had actually fallen 0.28 per cent in 1973-74. *EPW* comments, "the secret of the corporate sector's scintillating 'performance' is really to be found in the inflationary conditions prevailing in 1974-75", but — like the corporate sector elsewhere — this inflation was self-made with public monetary support. (*EPW*, October 16, 1976.)

This is a "Time for Rejoicing" however not only for Indian Big Business, but for international capital interested in India as well :

> The budget for the current year and a series of other initiatives towards unshackling industrial enterprise have been widely appreciated and welcomed not only by Indian business and industry but also by foreign investors (*EPW*, September 11, 1976).

After a whole series of ministerial level and other business delegations to India from France led by Prime Minister Chirac, West Germany, Britain, Japan, and particularly that led by former US Secretary of the 'Indo-US Business Commission', all of whom held talks' (*BI*, January, 26 1976), 'lobbied for' (*FER*) — in a word pressured — the Indian government into liberalising the Foreign Exchange Regulation Act of 1973 and amending other measures governing foreign investment and trade, Indira Gandhi's "Emergency Rule" offered a "New Deal for Foreign Capital":

> Such measures as the investment allowance scheme, reduction in capital gains tax, reductions in the rates of taxation at the upper income and wealth brackets, rationalisation of taxation on foreign companies, norms for non-resident Indian investment in India and liberalisation of trade policies were listed as being most encouraging for pro-

> fitable business, both Indian and foreign. Also specially noted were changes in the operating conditions for foreign business in India, such as reduction in the tax on royalties earned by foreign companies and easing of the tax burden on dividends received by foreign companies, including exemption from surtax in some cases. (*EPW*, December 4, 1976, 1884.)

Conditions were also eased in 'priority' high technology and high export industries and their application was in effect made discretionary, permitting retention of 51 per cent and up to 74 per cent foreign equity ownership in Indian industry.

> These changes were also spelt out in the agenda papers for the Indo-US Joint Business Council meeting... A striking feature in this context has been the unanimity among visiting business interests that vast and positive changes have already taken place in the government of India's attitude towards them. (*FER*, December 4, 1976.)

The feeling is mutual:

> Official circles in New Delhi have also noted with satisfaction the statement of Orville L Freeman, who came to India last year as Chairman of the Indo-US Business Commission, about the prospects of foreign capital investment in response to the new hospitable climate for business activity in India. Particularly gratifying for them is the fact that "current budget and new policies initiated by the Indian Government.../promise a/fairly exciting and growing market for foreign investment. (*EPW*, September 11, 1976).

With similar satisfaction, *Business International* (March 19, 1976 notes:

> India's new Budget seems to signal economic policy change: While paying lip service to its traditional commitment to the redistribution of existing wealth, the government's proposals are clearly aimed at increasing production [read profits] ... There are also a number of measures that will directly affect foreign firms ...

Furthermore:

> The import policy for 1976-77, announced this Wednesdy, carries the country another giant step in the free market direction and away from planning. As with industrial licensing, it is now difficult to say what remains of import control. (*EPW*, April 17, 1976, 579.)

And on the other hand as well, "export incentives too have risen phenomenally since 1969-70". After annual export growth rates of 1 per cent, 2 per cent and 7 per cent in volume during the First, Second and Third Plan periods, these jumped to 13.6 per cent during the Fourth Plan years. Since 1972-73, annual growth rates of exports have been 22.5 per cent, 28 per cent, 31 per cent and 16 per cent, respectively in value terms and 12.1 per cent, 4.2 per cent, 6.4 per cent and 7 per cent in volume (*EPW*, May 15, 1976, 713). Thus, long before the increase of India's import bill because of the rise in oil and wheat prices, India also joined the 1970s rush into 'export substitution' 'export promotion' and 'export-led growth'. The further liberalisation of foreign trade and incentives to export industries under 'Emergency Rule' only accelerate this trend.

Thus, the Reserve Bank of India (Report on Currency and Finance, Volume I, 1975-76, pp 198-201) summarises "Development in Trade Policy':

> Trade policy during 1975-76 was devised mainly to impart dynamism to the country's efforts for expansion and diversification of exports. A significant aspect of the new export drive related to stepping up of production for exports ... In order to strengthen the base for export production, import entitlements ... were enhanced...For promoting exports of non-traditional items like engineering goods, 15 export-oriented engineering industries were allowed to increase in physical terms, their capacities without prior permission... In the field of export incentives, the scheme of cash compensatory support was extended ... On August 5, 1976, export control was modified through selective abolition of export licensing and simplification of procedure... The policy of providing finance to the export sector at concessional rate of interest was liberalised..."

Exports (in rupees unadjusted for inflation (increased from Rs 80 billion in 1965-66 to Rs 330 billion in 1974-75 and by 19 per cent to Rs 394 billion in 1975-76. From April-October 1975 to April-October 1976 alone exports increased 34 per cent (*EPW*, January 29, 1977, advertisement on p 128). But "there has been threefold increase in the flow of export credits from the scheduled commercial banks" (*FEX*, October 5, 1976, cited in *EPW*). "The beginning of export of machinery and equipment made recently, howsoever encouraging they might be have hitherto been the result primarily of inadequate domestic demand..." (*EE*, Annual Number, 1977, 1377).

> The key-sector is engineering, now the most important of India's export industries and one particularly depressed in 1974 and 1975 ... 1975 had been the worst year for industry since 1969, especially in West Bengal. But by March 1976 there were signs of improvement in demand, output, capacity utilisation balance between costs of production and selling price, and inventory control. Most of this demand had come from the export sector where some large and prestigious jumbo projects orders have been won in the Middle East. 54 per cent of respondents reported 60 per cent capacity utilisation in April 1976 against 43 per cent six months earlier. 33 per cent expected an increase in orders and 63 per cent a rise in output; fewer to take on more labour... India has been particularly successful in winning big contracts in the Middle East (worth altogether $ 16 bn since January) for a fertiliser plant (Abu Dhabi), airports (Kuwait and Libya), a power plant (Libya) and a railway (Iraq). From being an importer India has now moved to being a substantial steel exporter. (EIU, 4th Quarter 1976, 18-9, 22.)

> The [engineering] industry has undertaken a major export drive aiming to achieve an export target of Rs 1,000 crores by 1979, or in the last year of the Fifth Five-Year Plan. The Fifth Five-Year Plan document has stated that by the end of the Plan engineering exports would emerge as the single most important group of items of exports. (*EE*, Annual Number 1977, 1365.)

> Export has become a principal commitment for the engineering industry... The principal policy developments should be related to: (a) a specific policy for project and consortia exports, (b) further liberalisation in export finance, and (c) extension of buyers credits to selected countries which purchase Indian engineering goods... The principal source of finance today is not industry itself, but banks and financial institutions which come within the government sector. (*EE*, Annual Number, 1977, 1369.)

This same accent on exports — and on state finance and other support for the same — appears throughout the *Eastern Economist* "Annual Number [which] will analyse the gains made by industry since June 1975" (advertisement in *EE*, December, 24, 1976), and ranges from the introductory article on 'outlook for industrial growth' by the President of the Associated Chambers of Commerce and Industry in India, H P Nanda, to the articles on "the hand tool industry being labour intensive... offers an etremely vast scope for... exports" (p 1383) and the consumer goods industries, especially textiles, for which there is also no internal market. The "consumer goods industries [are] victims of neglect" (p 1415). Though the production of cotton cloth rose by 1 per cent in 1976, more mills shut down than at any time since 1970; and the emphasis is increasingly on higher quality more capital intensive production for export, which picked up again since the world recession of 1974-75 (pp 1415-31).

And though hundreds of millions of Indians may be undernourished and millions literally dying from starvation, this capitalist export drive extends equally to foodstuffs. In 1976/77, the "increased export earnings of other food items, estimated by the Ministry of Commerce at Rs 2.7 bn, rising to a level of Rs 9.5 bn. Amongst products with good prospects are animal feeds based on groundnut extraction, vegetable oils (linseed and castor), fish, fresh vegetables and fruits" (EIU, 4th Quarter 1976, 22).

Moreover,

> the government may have to arrange for the export of some crops which have been purchased largely as a price support measure. This was indicated here today by the Union Agriculture Minister. (*Times of India,* September 4, 1976, cited in *EPW.*)
>
> India will be in a position to export rice in the next three or four years the Union Minister of State for Agriculture... said here today. (*FEX,* September 9, 1976, cited in *EPW.*)

EPW's correspondent rightly observes:

> Food Surplus for Export! The principles governing commercial agriculture which is being promoted with so much diligence for the last ten years under the banner of the new agriculture strategy are at last beginning to assert themselves. The approach is all of a piece with that towards other sectors of economic activity. If steel, coal, cement and similar industrial goods can find profitable export outlets when effective demand in the domestic market is not enough to absorb the current level of production, there is no reason why foodgrains cannot emerge as yet another export commodity on a similar basis!

Little wonder that international capital again assures India of its support as World Bank President Robert McNamara conspicuously did during his weeklong visit to India in November 1976.

> What is questionable, however, is the claim advanced by the finance minister, C Subramaniam, ... that ...'the dramatic change in the attitude of British and American commercial interests and the World Bank towards India was a measure of its growing economic strength and new dynamism prevailing in this country'... Quite clearly it was not the strength of the economy nor the adequacy of the measures taken by the government to deal with the economic problems facing it which had persuaded our aid-givers to step-up the net aid flow to this country in 1973-74 ... The reason for the turn in the country's aid fortunes has to be sought in the changes in the government's economic policies. Industrial licensing has been diluted through a series of relaxations and exemptions, the restrictions on large houses have been rendered virtually inoperative, import policy has been relaxed, a variety of generous subsidies and concessions have been extended to exports, foreign companies are being encouraged to expand under the liberal provisions of FERA, personal income tax and indirect taxes have been cut and there is confident expectation of a cut in the rates of corporation taxation in the next budget. In other words, major advances have been made in the direction of an open, free market, private enterprise economy. The World Bank has never made a secret of the fact that these are the policies it favours. Private businessmen, whether American or British, have sought to conceal their preferences even less. So there is really no reason for the finance minister to be bashful. (*EPW,* November 20, 1976, 1909-10.)

The Indian bourgeoisie's bid for a 'Brazilian model' capital intensive and export oriented subimperialist solution to its crisis of capital accumulation also takes other forms, Indian foreign investment ventures and military production and postures not the least among them. Both, moreover, are related to India's rivalry with Pakistan and its pretensions in Bangladesh and South and South-East Asia generally. The Indian bourgeoisie and government, which of course materially supported the independence of Bangladesh from Pakistan, entertained considerable expansionist economic, political and military hopes in Bangladesh after the Indo-Pakistani War and the secession of Bangladesh in 1971. Many of these hopes have, however, been substantially frustrated by circumstances, including major power rivalry, since then. On the other hand, Indian capital has launched a modest programme of investment of its own since 1970, much of it however in South-East Asia. By January 1, 1976 there were 65 recorded foreign investment ventures by Indian capital in 43 other countries, 49 of which were begun since 1970 and 23 of these in 1975 alone. 63 further ventures were in various stages of implementation in 1975/76, 51 per cent of the existing ventures involving 56 per cent of the capital were in South East Asia, most importantly in Malaysia; and 59 per cent of the proposed ventures involving 71 per cent of their capital were in this same area. Africa is the next most heavily represented region of existing and the Middle East of newly proposed ventures. A not insignificant 15 per cent of existing and proposed Indian foriegn investment is in the developed countries. Perhaps surprisingly, the least Indian foreign ventures, except for Latin America, are elsewhere in South Asia. Many of these foreign ventures of Indian capital are designed, like many foreign ventures elsewhere, to promote or assure export markets abroad. Many more, 105, ventures with a higher combined Indian equity, than those in operation have however, been abandoned again either after approval or after initiation, indicating perhaps the obstacles that Indian capital encounters in the realisation of its subimperialist ambitions abroad. (All data on foreign ventures from Balakrishnan.)

Far more successful than its ventures abroad have been Indian capital's remarkable expansion of military production and a 'defence' apparatus in its protected market at home. (All military data below are, unless otherwise indicated, from V P Gandhi and from Albrecht *et al* 105-131). With its 1 million-man armed forces complemented by another 800,000 police and paramilitary forces, India occupies a proud fourth place in the world behind the USA, USSR and China. In terms of military expenditures, India occupied 14th place in the world in 1973, but second after Israel in the Third World before Iran and Saudi Arabia multiplied their expenditures after the oil price increase. Adding some 240,000 civilians employed by the armed forces and 200,000 workers employed in the Indian armaments industry and ordnance, the number of workers directly dependent on the military apparatus is of the order of 2,400,000 — or nearly half as many as the 5,100,000 employed in manufacturing, excluding mining and energy. India's direct military expenditures, excluding nuclear missile and some other development expenditures, consumes about 3.7 per cent of its GNP, compared with an average of 2.1 per cent for

Latin America and 2.2 per cent for Africa, which are known for their military establishments. The 16.7 per cent annual growth rate of Indian military spending between 1961 and 1971 exceeded the average growth rate of 12 per cent in the Third World and was higher than that of nearly all North and Latin American and European countries and China. Thus after increasing by about 65 per cent or 2/3 during the decade of the 1950s, Indian military expenditures multiplied about 5 times during the decade of the 1960s and nearly doubled that again in the first half decade of the 1970s. While military expenditures shot up not surprisingly during the Sino-Indian border conflict of 1961-62 and again with the Indo-Pakistani war of 1971-72, they declined during the first Indo-Pakistani conflict of 1965, which was quickly settled; but they show an even more striking and consistent correlation with the periods of economic crisis in 1961-62 and again for the whole period since 1967! Perhaps it is reasonable to suspect that the Sino-Indian war and the second Indo-Pakistani war, as well as the related military expenditures, may have been provoked by and for Indian economic political reasons.

However that may be,

> when 'development' was the aim of the nation, the Central government was able to raise the revenue ratio [of taxes to GNP] by 1.5 per cent in a whole decade. But then, when 'defence was called for, the government was able to achieve a similar percentage in a matter of two years — from 6.4 per cent in 1961-62 to 7.9 per cent in 1963-64... [Then the ratio declined again.] And then there was a war and we raised our revenue ratio again to 7.7 per cent. What this suggests is that in the sixties we have needed wars to motivate us to undertake substantial revenue efforts — as if development was not a serious aim to make tax efforts for! (V P Gandhi 1491) — as in fact it of course *is not!*

On the other hand, taxation to finance military expenditures that are profitable to capital *are* a serious aim, enough to absorb 30 per cent of the Indian Central government's allocable expenditures in 1961-62 and 42 per cent now. Some estimates of hidden military expenditures triple officially admitted ones and raise their share in the government budget to over 80 per cent, which seems exaggerated (*FER*, May 7, 1976, cited in *B3W*).

What perhaps most distinguishes the military establishment in India from most other underdeveloped countries — though in this regard it resembles Brazil, Argentina, South Africa and Israel, all except the latter of which it however overshadows — is the scope and development of *military production* within the country itself, which however also argues for the economic importance or rationale of military expenditures for Indian capital.

> The far-reaching and broad scoped production programme of the Indian ordnance factories and armaments enterprises includes not only small arms, munitions and uniforms, but also complex weapons systems like supersonic fighters, jet trainers, fighter bombers, helicopters, medium and light tanks, anti-tank and ground-to-air missiles, destroyers and patrol boats. Additionally, electronic equipment and precision machinetools are produced. The newest production line of a state armaments enterprise is the fabrication of special metals and high-quality materials for the construction of airplanes, missiles and electronic equipment and instruments. (Albrecht *et al* 120).

Most famous perhaps, is the Indian production of Soviet design MiG 21 fighters, the spare parts for which India sought to sell to Egypt after its break with the Soviet Union but before the latter's refusal to let India proceed with this sale, which was then replaced by Chinese offer of replacements for free! (*IHT*, March 18, 1976.) India has been more successful, however, in the export of other Indian produced heavy weapons to other Middle Eastern countries.

If the production of this military equipment by India, as by some other Third World and even developed countries, is evaluated in terms of its local production or even foreign exchange costs for the payment of imported components, licences, etc, then the costs of production and of foreign exchange to India compared to import of the whole equipment from developed capitalist or socialist countries is so high as to lead Albercht *et al* (p 123) to claim that "on economic grounds the production of the Indian developed airplanes is a failure". But in this regard their otherwise good judgment would seem to be an error. They would be right only, if as they seem to assume, the economic objective is to save money by producing military equipment in India. But they are wrong in so far as the object is to *spend* money and support the profitability of the Indian bourgeoisie's highly developed but crisis ridden capital goods and machine producing sector through maximum government expenditures both of rupees and in so far as necessary to support the latter, also of foreign exchange! Here — and not in Pakistan or China — is where the real reason for India's development of the atomic bomb must be sought and can be found; and that is why the present author among others foretold the development of the bomb in 1972 (Frank; *EPW*, January 20, 1973) over two years before it exploded on a surprised world. For the relatively highly developed capital goods and machine building sector of Indian industry and its bourgeoisie the 2,500 scientists and 4,600 technicians who in 1973 worked in the Defence Research and Development Organisation — compared with 5,500 scientists, engineers and technicians in all private industrial R and D — and the over 1/3 of public R and D expenditures devoted to military and nuclear development no doubt produce substantial fall-out for the advancement of private profit just like in any developed capitalist country. Because of these windfall benefits of public military expenditures and R and D for private profit, the former Director of the Indian Institute for Defence Studies and Analysis, K Subrahmanyan — "who is an influential defence strategist" (V P Gandhi) — no doubt finds it easy to defend "Indian Defence Expenditure in Global Perspective" (in his article in *EPW*, June 30, 1965) and "Our National Security" (reviewed in *EPW*, March 10, 1973) on the same grounds as Pentagon consultant Emile Benoit in his "Defence and Economic Growth in Developing Economies" and in the same national security economic developing terms as the Brazilian General of 'geopolitics' Golbery do Couta e Silva and his Chilean geopolitical disciple General Augusto Pinochet Ugarte. Moreover, it was the army who was sent to run the railroads during the 1974 railway strike; and it is the paramilitary Central Reserve Police, Border Security Force, and Central Industrial Security who are becoming the main palace guard of Indira Gandhi's 'Emergency' regime. The police forces increased 52 times in the first 24 years after Independence, of which two times in the five years before the 'Emergency'. (*IHT*, October 25, 1974.) Since then their growth has no doubt accelerated still further to rule the Emergency.

This increasing support for domestic and foreign big business, subsidy of exports and expansion of military and paramilitary procurement and repression of labour contrasts with the budgetary and other measures devoted to popular welfare. This contrast becomes particularly visible through the comparison of the original and the latest draft of the Fifth Five-Year Plan. The original draft was prepared in 1972 under the aura of the 'new economics' proclaimed by Prime Minister Gandhi to a meeting of business leaders in Delhi in March 1972, when relations with the Soviet Union were blooming and booming and relations with the West were at an all time low. (At the same time Indira Gandhi greeted a Soviet-inspired conference on "Imperialism, Independence and Social Transformation" which the present author also attended in New Delhi.) The crux of the 'new economics' was analysed at the time by Ranjit Sau :

> The resources once committed to luxury goods may be partly diverted to commodities of mass consumption like bus transport or houses for the 'poor' — the petty bourgeoisie. The institutions which had been created for promoting, faster growth and capital for better 'distribution' and greater 'social justice' — in favour of the petty bourgeoisie and rich peasantry. And to foot the bill for all this, the exploitation of the workers and peasants will become more excruciating than ever before, if the prevalant economics is for the Big Bourgeoisie... The 'new economics' is the economics for the petty bourgeoisie, big bourgeoisie, rich peasantry and feudal remnants, all rolled up into one, against the workers and the peasants. No wonder such economics as yet remains to be fully worked out; the path is as yet not at all clear... (*EPW*, August 1972, 1571 ff.)

But it proved to be so difficult to roll all up into one, particularly in the face of the crisis in 1973, and the path to doing so was so unclear that it was soon abandoned again to be replaced by a still more big bourgeois version of the prevalent economics — which is now prevalent in other underdeveloped and developed capitalist countries as well. A major element of this now prevalent economics is — while supporting big capital 'productively' to invest, export and defend itself — to attack and cut back 'unproductive' social and welfare expenditures of all kinds:

> As part of the effort to deal with 'the worst manifestations of poverty', the draft Fifth Plan contained a 'national programme of minimum needs'. The programme, designed to provide a 'minimum level of social consumption for different areas and sections of the community', covered elementary education, rural health, nutrition, water supply, rural roads, house-sites for the landless, slum improvement and rural electrification ... Among the more conspicuous changes now effected in the final version of the Fifth Plan is the omission of the national programme of minimum needs as well as the chapter on objectives and policy-frame. The significant implications of these omissions are confirmed by the changes made in the sectoral distribution of the Plan outlay. The size of the Fifth Plan has shrunk in real terms because of the rise in prices... However, the allocation under a number of heads has been reduced even in financial terms in the final Plan as compared with the draft. What is significant is that most of the programmes which have met with this fate are precisely the ones which had constituted the draft Plan's programme of minimum needs ... enumerated by the Prime Minister in her 1972 address... as necessary to 'eliminate the worst manifestations of poverty'.
>
> The outlay on education has been reduced... by over one-fourth... The outlay on elementary education has been slashed ... by nearly 45 per cent.... The same treatment has been meted out to health programmes, the outlay on which has been reduced... by 14 per cent.

> The emasculation of the nutrition programmes is much more complete. The draft Plan had provided for an outlay of Rs 400 crores... which has now been slashed to a mere Rs 116 crores ... In the same vein the allocation for social welfare, which covers, progammes of family and child welfare, women's welfare and welfare of the handicapped has been reduced from Rs 229 crores to Rs 86 crores. And to complete the story, the cuts made in the outlays on urban development, from Rs 543 crores to Rs 362 crores, and on water supply schemes, from Rs 1,022 crores to Rs 927 crores may just be enumerated.
> In the aggregate the outlays on education, health nutrition, social welfare, urban development and water supply taken together have been reduced from Rs 4,716 crores to Rs 3,458 crores or by well over one-fourth. In the draft Plan these programmes accounted for 12.6 per cent of the total Plan outlay. This proportion has now been brought down to 8.8 per cent. Surely there is a story hidden in this jumble of figures. (*EPW*, October 16, 1976, 1641-2.)

The hidden story is emerging throughout the capitalist world, developed and underdeveloped: in the face of the accumulation crisis, capital and its state cut expenditures on 'unproductive' social welfare and put the resources at the disposal of capitalists who will supposedly use it for 'productive' investment. The new 'urban development' — reminiscent of Carlos Lacerda's expulsion of the poor from city slums in Rio de Janeiro to build tourist hotels in their place to initiate the Brazilian model in 1964 — is violent removal of 250,000 to 300,000 slum dwellers from Delhi at one fell swoop and similar programmes in Bombay and elsewhere which delights the 'middle' classes for whom it raises property values (*FR*, June 4, 1976, *FER*, January 21, 1977, Swamy, b 21). The new 'family and child welfare' programme is the often forceful mass sterilisation of to date already over 7 million Indians.

This economic programme for the support of capital in crisis in India — as elsewhere in the capitalist world and most notably in Latin America — also requires far-reaching 'superstructural' institutional and even constitutional changes. The declaration of 'Emergency Rule' and the immediate exercise of this rule through the abolition of *habeas corpus* the imprisonment without charge or trial of 200,000 people, the "depriving of the working class of its right to approach a civil court to ask for an injunction preventing an employer from committing a breach of an obligation imposed upon him by the law" *(EPW*, October 11, 1975, 1597) and a host of other repressive measures are only the first steps in the institutionalisation of 'Emergency Rule' and the normalisation of states of 'Exception'. The rule is to strengthen the executive while emasculatng if not abolishing the legislative and judiciary powers. Indira Gandhi's high-handed treatment of the judiciary (with whom the conflict over herself provided the spark for the declaration of Emergency) and the conversion of the legislature into a rubber stamp without the legitimacy even of elections that have been arbitrarily postponed (now again just as arbitrarily announced), and her efforts on the right as well as on the left to lay the ground for one party rule (now challenged by ex-Agriculural Minister Ram in alliance with the Janata coalition) are crowned and enshrined in and through the change of the constitution, so far most particularly through the 44th amendment. The still remaining opposition termed this amendment "the end of democracy" and the beginning of "a constitutional dictatorship" *(FR*, November 4, 1976). The *New York Times* comments:

> [This] was one of the most significant milestones so far along the the authoritarian course that Prime Minister Indira Gandhi's government set on 16 months ago, when it suspended civil liberties. Together with the government's decision, announced last Saturday, to postpone elections for a second time, the alterations in the constitution give a new aspect of permanence to a state of affairs that had originally been presented as temporary. "They're codifying the state of Emergency, giving force of law to the concentration of power in Mrs Gandhi's hands", said Asoka Mehta, a leader of the opposition ... The following are some of the principal changes: Judicial review of ordinary laws is taken away from the lower courts, and [limited for] the Supreme Court... The fundamental rights section of the constitution... is made specially subordinate to a section outlining 'directive principles' of state action... Parliament is empowered to enact legislation banning 'antinational' activities and associations. India's largely ceremonial President is deprived of any political power at all. (*IHT*, November 3, 1976.)
>
> Prime Minister Gandhi has said repeatedly, "there can be no going back to the old ways", which she says fomented chaos and disorder ... [As one Indian put it] "this so-called Emergency will be with us in this country for a long time to come". (*IHT*, November 12, 1976.)

(For an analysis — though a critical one is of course not allowed — of the 44th Amendment see *EPW*, October 23, 1976, pp 1702 ff.) The state is being reorganised to serve the interests of big — and foreign — capital more efficiently and, relative to other economic sectors and political interests, more exclusively.

Finally, we may inquire to what extent Emergency Rule has so far been successful and what some of its effects have been. Opinions so far seem to differ. In early and mid-1975 the European business mouthpieces *FAZ* (March 19, 1976), and *NZZ* (March 31, 1976), published reports from the economic correspondent in India, Werner Adam, entitled "India's economy recovers" and "economic upsurge in India". Similarly *FER*'s (July 30, 1976), correspondent A Hariharan reported "a change of climate" for the better. Beyond reflecting the business delight with the new government policies already recorded above, these reports also reflect official data and claims of economic success in lowering prices and increasing agricultural output, industrial production and investment. The rate of inflation indeed did decline and the price level even declined during the 1975-76 harvest season. But as *EPW* (May 8, 1976, 677), points out "in the past there have been sizeable seasonal declines in the face of a good harvest". The harvest has indeed been exceptionally good — the highest ever in foodgrains (Table 1, line 3, — for two years in a row now early 1977) in all of South Asia, including India; and all published commentary except that of the government attributes the decline in prices to the weather and not to Indira Gandhi. What may be taken as certain is that the weather will change again — for the worse! — and "the rise in prices since March 20, 1976, when prices resumed their upward trend, has been about 10 per cent, thus wiping out a considerable part of the price decline achieved between September 1974 and March 1976" (Reserve Bank of India, Report on Currency and Finance 1975-76, Vol 1, p x).

The Industry Ministry and the Reserve Bank also claim increases in industrial output and even saving and investment. Estimates of the growth of industrial production differ.

According to those in our Table 1, line 4, the growth rate was 1.5 per cent in 1973, 2.2 per cent in 1974 4.4 per cent in 1975 and between 10.9 per cent and 13.2 per cent in 1976. Increased harvest income of some agricultural producers may also have increased their demand for some industrial products. On the other hand, *EPW* (January 8, 1977, p 8) reports a 5.6 per cent decline in industrial output between March and August 1976, which is 1 point greater than the corresponding fall a year earlier and comments additionally that "industrial activity is stagnating. This deceleration in industrial output is in contrast to the rapid increases in bank credit." Moreover, "part of the spurt in industrial growth in 1975-76 was achieved by a deliberate stepping up of output in public sector units irrespective of whether the output could be cleared or not" (*ibid*). (See Table 1, line 5.)

> Not a single sector or industry in which the public sector is not dominant, showed any notable improvement. Textiles, tobacco industries, paper products, rubber products, metal products, electrical machinery, apparatus and appliances, and transport equipment either showed an absolute reduction in output or at least a slower growth rate in 1975-76.... A moment's reflection would have shown that two major segments of industry — those producing mass consumption goods, such as coarse and lower medium varieties of cloth, and those producing capital goods — suffer most from a lack of demand in this sense, therefore, there *is* a general recession. (*EPW*, May 22, 1976, 761.) (See Table 1, lines 8 and 6.)

Moreover, "there is no evidence of any large measure of increase in the utilisation of excess capacity" (*EPW*, March 6, 1976, 382).

Official sources also claim an increase in the rate of saving and investment. But *EPW* (September 18, 1976, 1518) argues, "that the Reserve Bank's estimate of the investment ratio overestimates the actual increase in investment in the economy in real terms is supported by the fact that the consumption of investment goods did not show any sharp rise during the year". Another analysis of "Corporate Investment in 1976: A Forecast" claims "a steep fall in corporate investment in 1975.... One can only hope that corporate investment will in 1976 at best reach the level attained in 1974." (Rangarajan in *EPW*, February 1976, M-2.)

K N Raj further assesses recent Indian economic performance and prospects for the immediate future:

> The recent decline in prices is to be attributed not only to the bumper harvest but to reduction in the proportion of the national output devoted to capital formation and reliance on larger import surpluses... The reduction in prices has been achieved in part at the expense of the additional employment that could have been created. The only way of getting out of the constraints imposed by the pace of [long-term] agricultural growth on industrial expansion is to concentrate on manufacturing industries which neither depend very much on growth of demand from the mass of the agricultural population nor require agricultural raw materials of any significant degree. These conditions are satisfied by many metallurgical and chemical industries catering to the requirements of the higher-income groups in our society. Perhaps it needs to be made clear in this context that the so-called middle classes belong in fact to the top 5 per cent of the population, whether ranked in terms of income or wealth. This will make clear the economic logic underlying some of the measures that have been taken recently to stimulate growth in the demand for durable consumer goods and the like. That this kind of strategy can 'work' up to a point, if one can be sufficiently insensitive to the consequences of skewing income distribution further in favour of the upper strata... is undeniable. In fact, it worked so well in Brazil until recently that it is now often referred to as the 'Brazilian model'. The social and political implications of this kind of strategy are however so obvious that there is no need to elaborate on them (*EPW*, July 3, 1976, 995-6).

One of the implications is an economic and political conflict between the big industrial bourgeoisie and the medium and small bourgeoisie, and perhaps some landed interests and of course with the urban and rural working class and pesantry, which has so far been resolved in favour of the first of these. What is not so obvious, however, is if and to what extent India can still successfully follow the Brazilian model of capital intensive, internationally open and sub-imperialist growth. Argentina already missed its opportunity to do so in 1966 when Ongania found himself unable to achieve the necessary submission of the labour movement and left the sub-imperialist camp in the region open to Brazil alone, which did not have such an organised labour movement. The emasculation of the labour movement and of the left before and after the declaration of Emergency — not to mention the support of the government in the same by the Moscow-aligned Communist Party of India — suggest that this internal obstacle can be overcome in India no less than in Brazil. But in the meantime, the Indian bourgeoisie has found a most powerful rival— but also collaborator — in the region not so much any longer in Pakistan as in Iran, which under the leadership of its Shah and with the benefit of its oil has set itself up as the principal sub-imperialist economic, political and military powerhouse of the Indian Ocean and Gulf region, where Iran is now calling the tune even to the extent of obliging India to accept her traditional rival Pakistan in a sort of 'Greater South-West Asian Co-prosperity Sphere' based on the Regional Co-operation for Development and led by Iran (*FER*, July 16, 1976).

There is reason to suspect therefore that, at least for external reasons, an Indian version of the Brazilian model can have only limited chances of success — or is already too late in coming. It might be said, moreover, that there has so far been still another obstacle to the full realisation of the Indian bougeoisie's dream of a Brazilian miracle: the Indian ties with the Soviet Union and the negotiated this-for-me-that-for-you position of India between the USSR and the USA, which perhaps limit India's options in the area. The Soviet Union could support an Indian strategic thrust in the area to counter the US allied Iranian one not to mention China, but it is more difficult — perhaps not impossible — to see Indian capital playing an active sub-imperialist economic role with dependence on the Soviet Union. On the other hand, Soviet and Communist Party support are no obstacle at all — as the "Emergency" proves in case that was not already clear before — to the Indian bourgeoisie's economic and political repression of its own people at home. But there is reason to believe that the Soviet Union needs India more than the Indian bourgeoisie now needs the Soviet Union — to say nothing of the Communist Party, whom Indira Gandhi is now throwing off like a worn out no longer needed coat. And as the recent Ambassador of the

United States to India probably quite rightly observes :

> We are already India's No 1 trading partner, and we think this trade will continue. That in itself will improve relations between the two countries. The Russians sell them tremendous amounts of military equipment at high prices — without concessionary terms. They are unable to supply India with the thing it needs most: food in a bad crop year. Russia won't or can't take the things that India wants to sell... The Government is beginning to rely more and more on the Capitalist businessmen... The independent Indian businessman will look to the West... There is nothing for him in Russia, nothing for him in the Iron Curtain countries or even in China. He has to look to the West, where his markets are, and I think this represents a radical change... I feel that that honeymoon [with the Soviet Union] is about over. (*USN*, January 24 1977, 41-42.)

[This paper forms part of the author's book under preparation on "Contemporary World Crisis" and the occasional references to countries other than India, e g, Argentina and Brazil, are to be understood in that context.]

Abbreviations

BA	*Business Asia* (Newsletter issued by Business International Corp) Hong Kong.
BI	*Business International*, New York (Newsletter).
B3W	*Blatter des Informationszentrums Dritte Welt*, Bonn.
BS	*Business Standard*, India.
DD	"Democracy or Dictatorship in India?" Committee for Freedom in India, Chicago.
EE	*Eastern Economist*, New Delhi.
EIU	The Economist Intelligence Unit Ltd, Quarterly Economic Review, London.
EPW	*Economic and Political Weekly*, Bombay.
FAZ	*Frankfurter Allgemeine* Zeitung, Frankfurt/Main.
FER	*Far Eastern Economic Review*, Hong Kong.
FEX	*Financial Express*, New Delhi.
FR	*Frankfurter Rundschau*, Frankfurt/Main.
HB	*Handelsblatt*, Hamburg.
HO	*Holiday*, Dacca.
IHT	*International Herald Tribune*, Paris.
NIB	*New India Bulletin*, Indian Peoples Association of North America (IPANA), Montreal.
NZZ	*Neue Zurcher Zeitung*, Zurich.
RBI	Reserve Bank of India, Report on Currency and Finance.
SZ	*Suddeutsche* Zeitung, Munchen.
TI	*Times of India*, New Delhi.
USN	*US News and World Report*, New York.

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Oriental Carbon

ORIENTAL CARBON, promoted by Phillips Carbon Black, is putting up a project at Ghaziabad in UP for annual manufacture of 9,000 tonnes of carbon black. Total cost of the project, estimated at Rs 4.65 crores, is proposed to be financed by equity capital of Rs 2 crores, term loans of Rs 2.35 crores and unsecured loans of Rs 30 lakhs. Loans apart, PCB is investing Rs 64 lakhs in the equity capital of the company and the remaining capital of Rs 1.36 crores in equity shares of Rs 10 each was offered to the public for subscription under a prospectus. Civil construction work is nearing completion, machinery and equipment have started arriving at the site, and the plant is scheduled to go on stream by July next. Major raw material for manufacture of carbon black, phenol extract, is available from Barauni refineries. To begin with, PCB will supply the feedstock to the new company. With the commissioning of the Mathura refineries, this raw material will be obtained from there which will result in considerable saving in transportation cost. The company hopes to cater to the requirements of the tyre companies in the Northern region of the country. The present total demand for carbon black in this region estimated at 7,500 tonnes, is being met from West Bengal or Bombay which involves heavy transportation charges. Demand from this region is expected to increase to 12,000 tonnes by 1978. The subscription list of the public issue, managed by FICOM, opened on February 21.