NEW ECONOMIC & INDUSTRIAL POLICIES : STEPS TO SAVE CRISIS-RIDDEN INDIAN CAPITALISM

Indian economy is in the throes of a severe crisis. All the mass media sang in chorus with Prime Minister and the Union Finance Minister for some days together that our country is hit by a tremendous economic crisis that we must tighten our belt, practise austerity and be ready to make greater sacrifices, so on and so forth. Some of the steps concurrently taken by the P V Government, namely, sales of gold abroad, 20 per cent rupee devaluation, negotiations for fresh IMF loans, adoption of a new industrial policy, steep rise in railway passenger fares and goods traffic freights, price-rise of petrol etc.—all these moves speak eloquently of a malignant disease having attacked the country's economic system the heavy cost of recovery of which would have to be borne, of course, by the common people.

However, the funny side in common of all these melancholic songs is that each of them ended with an optimistic assurance that the steps the Government has taken will solve all problems, all difficulties ' we shall ovecome someday." Almost all the newspaper editorials, most of the commentaries by the columnists and experts have been echoing Mr. Manmohan Singh that with the new policy prescriptions put into action, namely, privatisation of the Public Sector Undertakings (PSU) abolition of the "licence-permit raj," modification of the Monopolies & Restrictive Trade Practices (MRTP) Act and Foreign Exchange Regulation Act (FERA), liberalisation of import and foreign capital investment etc.—competition will ensure growth and efficiency production will expand and increase, export will also grow and offset the negative trade balance.

Of course, optimism is better than frustration, provided we know who is who and what is what. So let us start from the preliminaries

WHITHER THE REAL CRISIS

It may be pointed out here that our party, the SUCI, has been since long past describing Indian capitalism as crisis-ridden with the further pointer that this capitalism has always been shifting the onus and burden of its own crisis on to the shoulder of the common people. It was rather the Indian capitalist class, their political cohorts like the Congress(I), Janata Dal, BJP, CPI(M) etc. and their mouthpiece, the big monopoly press which used to confuse the people about the economic crisis and realities. Actually, they quoted figures relating to national income, gross domestic product (GDP), industrial and agricultural growth rate, growth in the volume of foreign trade and so on. Although none of the successive Five-Year Plans was able to reach any near the various targets set before them by the Government agencies, they were lauded as viable means of economic development, and a rosy picture of growth was drawn with arrays of statistical figures, graphs and charts. The Nehruvian model of the socalled mixed economy, with the two separate public and private sectors running side by side, was extolled as the ideological instrument of progress.

Many renowned economists have sometimes criticised different aspects of this Nehruvian policy or its outcomes and the official claims. But guided by the academic supraclass point of view, they stopped short of getting at the heart of the problems, took the existing economic system for granted—often without characterising it in its true colour, and then reviewed and criticised the system with respect to some standard textbook norms. The Leftist parties like the CPI, CPI(M) etc. and the pro-Marxist intellectuals veering round their political lines also suffered in their analysis from this limitation. That is why they considered the public sector as a "pro-people", "anti-capitalist", "progressive" measure, even a "socialist" step.

On the contrary, our great leader Comrade Shibdas Ghosh, an outstanding Marxist thinker of this era, exposed the entire economic policy of the Central Government during and since Nehru as a single cohesive and comprehensive layout to consolidate, develop and protect Indian capitalism as a whole, no matter under whatso ever cover. What was called the public sector did not belong to the public, the people, but was modelled after a state-owned cartel to build up the basic infrastructure of the economy—the capital, the risk and the delay in return being devolving upon the state, and the basket of gains accruing to the industrial houses (on this question we shall have to discuss more somewhat later).

Our party then pointed out that this capitalist economy of our country was born in a land ruined through prolonged colonial exploitation, and in an epoch when capitalism as a world social force had entered the phase of an intense continuing general crisis. Shortage of market—at home owing to the low purchasing power of the common people, and abroad because of stiff competition with and among already dominating capitalist countries—wrote the message of crisis on the face of Indian capitalism ever since independence. Every measure it took, every plan it adopted, to sail over the crisis, was—as Comrade Ghosh commented—"pursued by a shadow of crisis". 'It comes out of one crisis only to be swamped into a still graver crisis".

In order to measure the bearing of this crisis in the life of the people we analysed the indicators relating to the level and growth rate of prices and inflation, the extent and growth rate of unemployment, the actual income level of various segments of the people, the real share of governmental expenditure in public utilities like health, education, housing, sanitation, transports etc, in a word, the general conditions of living of the peopel, using the live data of their daily sufferings from our direct experiences as well as drawing on the state figures and half truths published by the official organs, we showed how the capitalist class—rural, industrial and financial all alike—have been continuously fleecing the workers, peasants, office employees, the vendors, hawkers, poor tradesmen, the unorganised and unattached labour etc., to fill their coffers. While the growth of national income or GDP does not indicate as such how the gains are distributed, the per capita national income figure is always used to conceal the facts that the net income of the capitalist groups is soaring higher and higher while the real income of the people in general is declining over the years. Thus the purchasing power and consumption level of the people at large have not increased in proportion to the installed capacities or the growth of productive capacity.

Naturally, in absence of a growing demand in the market, industrial production, except in a few select areas, has not shown any significant rise. Apart from some diversification of products and hightech import-based consumer goods production, there has been no remarkable industrial expansion.

Agriculture, where production has appreciably increased over the years, remains more or less a labour intensive sector, supplying raw materials to the industries but demanding little capital goods from the latter. The subsistence type of economy prevails overwhelmingly in agriculture with a large number of poor and marginal farmers as well as a class of landless agricultural labourers poorly paid and partially employed in a year.

The only area which showed in the recent past some growth and expansion absorbing a thin stratum of the educated unemployed is the service sector. But as it is inter-locked with the actual productive sectors, it has also, sooner than expected, started to dwindle.

It is obvious, therefore, that such a stagnant economy cannot absorb the cons-

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Interest of capitalism and that of people are totally antagonistic

(Contd. from page 1)

tantly mounting workable manpower and hence unemployment continues to grow. While official figures based on registration in employment exchange stand now at nearly 38 millions, the total number is actually estimated to have exceeded 120 millions. Consider further the phenomena of industrial sickness, lock-out, lay-off and largescale retrenchment which are further swelling the ranks of the unemployed. Moreover, the policy of reducing wage cost by squeezing labour and switching over to mechanisation and computerisation has virtually stopped not only creation of new opportunities but even replacement through retirement.

The small scale industries (SSI) were nurtured and protected by the Government to serve the following five objectives of Indian capitalism: (i) create a cheaper and peripheral ancillary supply system around the key and heavy industries; (ii) cater to the consumers' demand at a cheaper rate and with local specifications; (iii) generate a positive market for some of the capital goods produced by monopoly; (iv) absorb a section of the upper and middle class unemployed and dissipate their grievance against the system; and (v) set up a buffer belt of pettyowners between the big bourgeoisie on one side and the common exploited together with the unemployed youths on the other, to spread and fortify some of the false hopes and illusions regarding business careerism. However, both of its markets—that in the primary sector of big industries above, and the other of the common consumers below—have shown, as already noted, trends of sluggish growth. As a result the SSIs too met with the same fate of growth and expansion as their big brothers did, with however still worse consequences.

This brief survey of the capitalist economy of our country, therefore, confirmed one thing beyond doubt as Comrade Ghosh had observed long back: the three-point fundamental economic programme, namely, allout modernisation and mechanisation of agriculture, continuous industrial development, and total absorption of the workable manpower into productive processes, which alone can solve the basic problems in the life of the people, is unachievable within the framework of this capitalist economic setup. As long as capitalism exists, it will continue to generate all these problems and then transfer the burden of its own crisis on to the shoulder of the people in the forms of price-rise, inflation, overtaxation, unemployment, retrenchment, wage cut or freeze; on the other hand, the governmental fund built by extorting the blood and toil of the people will be diverted from the public utility areas like education, health, housing, sanitation, transport etc. to the service of the big business. This is how the common people perceive the crisis in the economy.

As against this, the capitalist class and their political representatives or economic theoreticians perceive the crisis in different forms, like balance of payment, foreign exchange reserves, volume and speed of money circulation, availability of credit at home and abroad, and so on. As long as there was no alarming signs in these respects and the system was yielding profit up to their greedy satisfaction they felt nothing wrong. Now that these factors are showing symptoms of malignancy that may adversely affect this profit making, they have become vociferous about the crisis. Here again we note: the facts that these critical symptoms are created by the capitalist system are not only concealed from the people through a series of misinformation, but this crisis of capitalism is being passed on as a crisis of the nation, in order that the new burden can also be transported upon the already overtaxed worn out pockets of the people.

THE CURRENT PROBLEMS

What are those new developments?

First, India has been facing a tremendous balance of payments (B o P) crisis. That is to say, the imports of foreign goods have become so excessive over the export of Indian products overseas that the economy can hardly sustain the growing negative trade balance any longer (see table 1). Unless certain drastic measures are immediately taken, imports would become impossible and many of the domestic production units based on imported inputs would be hard hit.

Table—1 : India's Import-Export Trade Balance (1987-91)

Year	Import	Export	BoP
	(in crores of rupees)		
1987-88	22244	15674	— 6570
1988 89	28194	20302	— 7892
1989-90	35412	27681	— 7731
1990-91	43171	32527	—10644

Source : Illustrated Weekly, July 20-26, '91

The dimension of this danger can be assessed from the fact that the current account payment deficit ratio to our GDP has steadily increased from 1.2 per cent in 1980-81 to 2.6 per cent in 1989-90.

Secondly, the problem poses a graver threat in view of the rapidly draining out foreign exchange reserves that stood in May 1991 at Rs 2620 crores—almost reaching the bottom. The rate of erosion can be seen from the following data [table—2].

Table—2 : India's Foreign Exchange Reserves.

September	1990	Rs 4512 crores
October	1990	Rs 3820 "
December	1990	Rs 2932 "
May	1991	Rs 2620 crores

Source : Mainstream, July 27 1991

The Chandrasekhar Government and the P. V. Government sold or mortgaged totally 46.91 tonnes of gold to the West to temporarily offset the effects of negative trade balance. But it did not prove to be a golden means to ease the situation.

Thirdly, all the economic indicators—considered important by bourgeoisie—have been showing a steady decline in growth-rate in the recent years, as evinced by the table—3 below. Earlier also, Indian

Table—3 ; Some Indicators of Indian Economy (1988-91)

Indicators	Unit	1988	1989	1990	1991
GDP	% Change	10.4	5.2	4.5	4.2
Agriculture	"	15.4	2.5	2.2	2.0
Industry	"	8.1	6.8	6.0	5.7
Services	"	8.1	6.3	5.3	4.8
G D Investment	% of GDP	23.9	24.1	23.5	23.3
G D Savings	"	21.1	21.7	21.0	21.0
Inflation	% Change in C P I	9.1	6.6	10.0	9.0

Source : The Statesman, July 18, 1991.

capitalist economy underwent periodic cycles of slump, but those were more or less coincidental with the global recessionary tendencies of world capitalism as a whole. What agonises the Indian bourgeoisie much more this time is a new development in the world market. Owing to the collapse of the socialist system in the USSR and Eastern Europe brought about by the counterrevolutionary Gorbachev clique, the Western capitalist powers are going to make a fresh capital investment in these markets, whereas India, because of her trade relations with their erstwhile regimes, is going to face a serious problem even in maintaining the previous trade privileges, not to speak of sharing the new ventures.

Fourthly, India's foreign indebtedness has become truly formidable. Whereas in 1981, previous to India's first massive borrowing from the IMF in its Extended Financing Facility (EFF), her foreign debt was to the tune of 1.5 billion dollars, today, with IMF's liberal (?) assistance and under our rulers' wise (?) guidance it has reached the height of 76 billion dollars, which is nearly one-fourth of our GDP. This year, only the debt service and interests on foreign loan would require 12 billion dollars, which slices off more than 3 per cent of GDP. This position, in the words of the persent Union Finance Minister, has adversely affected the country's "creditworthiness" abroad.

Fifthly, Indian Government has also bound itself internally with a debt-level of Rs 183 billions which takes away Rs 21 billions annually in the form of interest payment.

Naturally, all these factors combined together have rendered Indian capitalist class overtly panic-stricken. As a remedy, they have thought out the easy course of once again begging from the IMF a loan of 5 to 7 billion dollars. After several meetings and bilateral negotiations, the IMF sanctioned an immediate loan of 2722

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All the parties practising politics of consensus to safeguard capitalism

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million dollars (of which 777 millions are from the Reserve Tranche, that is, from India's own membership quota in foreign exchange and the rest in three quick instalments under the Compensatory and Contingency Financing Facility). Another standby credit of 2200 million dollars has also been approved. However, the loan was bound with the condition that the Indian Government would continue to make certain important structural changes in its fiscal, financial, industrial and trade policies. The readiness with which the Rao Government not only responded to this conditionality but even jumped into action proves the urge of the Indian capitalist class towards the loan and its contingent package of economic reforms.

The Government, the monopoly press and even the IMF representatives advanced some arguments to justify the loans and the actions. The common people must analyse themselves and understand what are in store for them in all these measures.

RUPEE DEVALUATION— WHY AND FOR WHOM ?

Let us start with the official devaluation of the Rupee. In the first week of July, the Central Government devalued the Indian Rupee, three times in quick succession, by almost 20 per cent with respect to British pound sterling, American dollar, German Deutsch mark and Japanese yen. The Governor of the Reserve Bank of India (R B I) tried to mislead the people by describing it as a routine measure of intercurrency adjustment. However, the news of delights at the IMF headquarters in Washington D C and satisfaction of all the Indian Chambers of Commerce soon told us that the routine was dictated by some higher interests.

The Government of India, naturally, justified the move with the claims that it would help to cut down import and thus save foreign exchanges, promote export and thereby earn foreign exchanges, reduce the the negative trade balance, and so on. The Finance Minister who is known to be a reputed economist and finance administrator, even assured the people that it would not affect the domestic economic affairs nor add to the inflationary pressure.

But even a rudimentary knowledge about capitalist economy in general and Indian capitalism in particular would help one to see how the Central Government and its learned Finance Minister are trying to deceive the people.

First of all, devaluation would arrest the growth of imports if (a) the imported goods were in the main non-essentials (flexible import) and could be done without; (b) their demand in Indian market was price - elastic ; (c) the domestic production, in its larger and more important sectors, was not import-oriented ; and (d) prospects for import substitution exist in the domestic industries in the case of most of the necessary import items.

And what is our position with respect to imports ? Analysing the relevant data of he last four years (1987-91) we can easily say that the import-behaviour of Indian economy does not satisfy any of the above conditions (see table—4). Of all the items, the import bill on crude oil and products has increased from nearly 18 per cent to more than 25 per cent of the total amount within these four years. Similarly; the 'others' which include electronic components and softwares also rose from 14 to 33 per cent during this period and the capital goods remained above 20 per cent. All these items belong to inflexible imports. A large part of the petrol and diesel is essential for the economy, administration and public consumption. Another part, that is consumed to meet the luxurious mode of life of our ministers and bureaucrats and wasted through pilferage, mechanical faults and delayed running in the railways and roadways transport, also cannot be curtailed. Moreover, owing to the crazy computerisation of the service sectors by both public and private enterprises, the electronic hardwares and the high tech capital goods that the Central Government had encouraged to be imported during the '80s have entered the economy as irreplaceable basic inputs. Thus the costlier import items are not clearly reducible by an economic decision.

Secondly, because of this very reason, the demands for these items are not price-elastic, that is, their consumption does not fall with rising prices. In particular, unless largescale substitution of petrol and diesel by natural gas, coal, alcohol and electricity is enforced, the demand for petroleum will go on increasing. Moreover, according to reports, as a result of short-sighted excessive withdrawal of oil in the Bombay High in recent years, the production there will decrease in near future leading to still heavier import burden. Thirdly, fertilisers and iron and steel could be produced sufficiently in the domestic market to replace import. But either the home public sector units are producing under capacities, or, some of the foreign borrowings from the World Bank or other sources are "tied-up" with purchase of these commodities from stipulated foreign suppliers.

Table—4 : India's Principal Import Items (1987—91)

(in crores of rupees)

Items	1987-88	1988-89	1989-90	1990-91
Crude oil & products	3 965	4 378	6 318	10 819
Capital Goods	6 566	6 939	8 831	9 561
Fertilisers	508	928	1 776	2 700
Pearls & precious stones	2 018	3 175	4 242	3 732
Iron & Steel	1 320	1 937	2 305	1 984
Others	6 887	10 837	11 940	14 385
Total	21 264	28 194	35 412	43 171

Source : Illustrated Weekly, 20-26 July 1991

And import substitutes innovation ? The Central Government and the big business who are crying hoarse over this and other related issues are themselves discouraging or definancing fundamental researches in science and technology, thereby objectively narrowing the scope of innovation of import-substitutive technology.

It is obvious, therefore, that devaluation of rupee as such will not curtail imports even by a significant fraction.

Coming to the export side (see table—5) we find that only those export items which require no or little imported inputs can earn really more of foreign exchanges with increasing sale, like tea, rubber, cotton yarn, fabric, garments, leather goods etc. which account for only one-fourth of our total exports. In the case of agricultural goods, like rice and sugar, India has almost saturated its foreign market with hardly any hope of substantial increase—devaluation or not. The area where it can hope to prosper is proces-

Table—5 : India's Principal Export Items (1987-91)

(in crores of rupees)

Items	1987-88	1988-89	1989-90	1990-91
Gems & jewellery	2 613	4 399	5 296	5 210
Readymade garments	2 120	2 278	3 500	4 640
Engineering goods	1 105	1 589	2 350	3 221
Leather & Manufactures	1 252	1 490	1 951	2 554
Agrarian items & others	7 429	9 415	13 103	19 837
Cotton yarn/fabrics/madeups	1 155	1 131	1 481	2 065
Total	15 674	20 002	27 681	37 527

Source : Illustrated Weekly, 20-26 July, 1991

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sed foods and fruit products which would also earn a very small amount. Similarly the engineering goods export which is showing for India a remarkable growth since the mid-Eighties, still forms a smaller part of the total export value and require a sizable quantum of imported capital goods which will cost more from now on because of devaluation. Lastly, unless Indian products are competitive in terms of quality and reliability—where Indian manufacturers, because of their typical corrupt nature, are usually rated quite low—simply cheapening of prices would not help in the world market.

Moreover, all the powerful capitalist countries, despite their tall talks of "free trade" and "freedom of trade" for the developing countries, impose trade and tariff barriers or quota restriction on import from the latter. Devaluation of rupee will not soften their heart for India.

Experiences also tell us that on the two previous occasions of rupee-devaluation in 1949 and 1966, India's exports far from increasing, actually fell in absolute values [The Statesman, 3-4 September 1991]

The Government which is misleading the people is itself aware of this import-export invariance with rupee-devaluation. That is why it is now trying to curtail import by some direct physical means. Already it shifted 41 items of capital goods from the Open General Licence (OGL) list to the Replenishment Licencing Scheme (Rep list) and modified the Rep. Licences allowing exporters to import only to the amount of 30 p. c. of their total export value, turning these licences into tradeable certificates called "Exim Scrips". It also proposed a 15 p. c. cut in imports by the automobile, consumer durables and electronics industries with a view to saving Rs 500 crore of foreign exchange this year.

Queer enough, this same Government is adopting an import liberalisation policy, the consequences of which is totally contrary to what it claims to achieve by rupee devaluation !

Thus we are led to the obvious question : why did the Central Government then take this measure ?

The real issue was : the value of rupee had been depreciated in the foreign market mainly due to two important factors. First with the erosion foreign exchange reserves to the bottom line, and enormous rise in trade and fiscal deficit as well as foreign and domestic indebtedness, the Indian economy could not hold rupee as a stable and reliable currency in international trade. Secondly, the East European countries with whom Indian big business used to trade in rupee in favourable terms are also demanding new exchange rates for rupee as well as pressing India to switch over to direct hard currency trade from now on. Thus following the law of demand and supply, the Indian rupee had already been virtually depreciated. The Government just officially fixed it up at a stable point so that the big business can maintain their existing foreign trade in rupee with the USSR and other East European countries, Bangladesh, Pakistan, Nepal, Sri Lanka etc.—which they do not want to lose owing to uncertainty and instability of the Indian currency. The IMF had also been advising the Indian rulers to do so, failing which India would face a tremendous trade squeez with its member countries.

But what are the effects of devaluation in the domestic front ? The increasing BoP deficit calculated in terms of rupee will entail a heavier burden; India's external debts and debt servicing burden will also go up by 20 per cent and the new loans taken will also imply a greater load with the devalued rupee—all of which will have to be borne in the domestic front by the working people of the country. Its another immediate consequence is spiralling price-rise and additional pressure of inflation—as we already experience today. Thus it is with a view to providing some advantages to the big business and exporters of this country that the Central Government put this new and heavy burden on the people through devaluation of rupee. (To be Continued)

Stir against anti-people policies of Centre

MADHYA PRADESH

Under the auspices of Citizens' Committee against Antipeople Industrial Policy and Union Budget for 1991-92, a citizens' convention was held in the Municipal Corporation Convention Hall at Sagar, MP, on 8th September, 1991. A large number of students, youths, teachers, intellectuals, employees, journalists and representatives from different political parties, frontal and mass organizations participated in the proceedings of the convention which ran for about four hours.

The convenor of the committee Dr. Dinesh Atri underscoring the importance of the convention read the resolution and invited discussion from the participants. 16 persons responded and harshly condemned the government for taking such steps like monetary devaluation, loans from International Monetary Fund and World Bank, privatization, liberalization of licencing policy, withholding subsidies on fertilizers and food items of daily consumption.

On this occasion the convention unanimously demanded of the Government to withdraw with immediate effect the anti-people policies of the budget and those of economic reforms and demanded of the Government to take certain measures in order to avert the crisis of present economic system and easing people's life thereby.

In conclusion, Dr. Prabhudayal Gupta who chaired the proceedings, thanked the house for sincerely taking part in the deliberations. He fervently appealed to the participants to take the message of the house to the Indian people and organize them to resist the budget and the industrial policy.

Mao Zedong Memorial Day Observed in Assam

Guwahati, 9th September '91 :

Addressing a party workers' meeting held at Guwahati on the occasion of the 15th death anniversary of the great leader of the world communist movement Comrade Mao Zedong on the 9th September '91, Comrade Asit Bhattacharyya, member of the central committee of the party while dealing with the critical political situation of the state strongly emphasized that in the context of completely unfavourable and hostile international and national situation, where because of the upsurge of the reactionary forces aligned with the ruling capitalist class, even development of democratic movement had become extremely difficult, if not impossible.

Fervently addressing the friends and brethrnen in the ULFA leadership and the rank and file who had bravely come out demanding a radical transformation of the society, Comrade Asit Bhattacharyya urged them to realize this aspect of the situation and give a serious thought to their strategy and tactics because experiments of the untimely resort to armed struggle and struggle for capture of power had always resulted in untimely killings of thousands of bright young men and women, latest example of which was manifested itself in Sri Lanka, Kashmir and Punjab.

He severely condemned the deployment of army in Assam, resulting in curtailment of all democratic rights thereby further squeezing the scope of democratic movement.

EDITOR-IN-CHIEF : COMRADE NIHAR MUKHERJEE

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