The Indian Bourgeoisie In Its True Colours—II

MONI GUHA

THE authors of the paper say, 'once we agree about the nationalist nature of the present Indian bourgeoisie (i.e. Tatas, Birlas etc.) under colonial rule), the development of capitalism will clear up. Let us now trace the history of the rise and growth of the Indian bourgeoisie.

The formal historians and a section of 'intellectuals' call the 'Renaissance movement' as a movement of the early bourgeoisie. I quote here what I wrote about this 'Bourgeoisie' in an article entitled *The Politics of Statues* in *Frontier,* (Vol. 3, No.34, November 28, 1970). 'The great reformers were the products of Western ideas and ideologies. They received western education and natural science ready made before the economic, social and political conditions to which these were related had arisen...The question of conquest of political power from the clutches of the foreigners did not and could not arise in their minds as the social forces capable of effecting a political revolution, that is, the bourgeoisie and the proletariat, did not exist then...the question of political revolution did not arise at that time due to the historical absence of the necessary development of production and social forces.' As such the period of "renaissance" cannot be called a period of the rise of the Indian bourgeoise.

How and when, then, did the Indian bourgeoisie arise? Since about the middle of the 19th century, specially after the opening of the Suez Canal in 1869. opportunities for trade began to open up and a deliberate encouragement to agricultural export began to be given by the colonial authority as a part of their colonial policy. A number of new crops came to be cultivated *mainly with a view to sale* in indigenous and foreign markets. With the gradual increase in importance of such cash crops, which are called commercial crops, over the years, the Indian agriculture came to be tied to the chariot-wheels of foreign commerce. A network of elaborate organisations throughout the length and breadth of the country at the railway heads and river and canal sides, also at important road junctions, became necessary to collect the crops and to act as go-between in the commercial transactions. *Agricultural marketing became no less important than the production itself.* The headquarters of these commercial organisations were called 'Houses' of the company. These transactions of commercial crops were the *main sources of cash earning of Indian middlemen. The Indian agents of these 'Houses' and the British colonialists united together to bleed white both the Indian peasantry (people) and the national economy.* Every movement in world-prices of agricultural crops became important in the life of the Indian peasants and competition in the world market often played havoc with the fortunes of the peasantry and the national economy. The basis of anti-imperialist role of the peasantry was thus laid, while the basis of pro-imperialist role of the Indian agents of British commercial houses was also laid. The peasant, a poor and isolated being became a plaything in the hands of powerful forces that dominated the worlds of industry and commerce outside India, while remaining serfs and slaves of the feudal lords inside India and in the hands of Indian agents of the British houses, *as an instrument of imperialism.* The triple burden on peasant and national economy led India to ruination. The Indian agents brought the agricultural crops in contact with the world-capitalist market and amassed untold wealth for themselves. *These Indian agents of the British 'houses' were the early Indian compradors in its original and classic sense.* Besides social support of the Indian feudalists, the colonialists created a new base of social support, *the comprador base,* who developed strong ties both with feudalism, usury and foreign industrial-merchant-capital and colonial rulers. The amassed wealth and cash of this section became the *primitive accumulation,* a part of which was invested in building up Indian industries by 1870-80. In the later period, this capital, again, took two different courses, which gave birth to the present, modern comprador and national bourgeoisie.

A few lines are necessary for a clarification. The commercialisation of Indian agricultural crops and tying up of Indian agriculture with the world capitalist market gave birth to a false idea in a section of the people that Indian agricultural production relation has already entered the arena of the capitalist system and as *production is made for sale,* feudalism no longer remains in agriculture as a predominant feature. But, in fact, India entered the arena of world capitalist economy, *not through the direct producers—transforming themselves into capitalist traders—but through a section of parasites having no link with the process of production.* As a result the transformation that took place in Indian society, in agriculture and national economy, *was not from feudal to capitalist mode of production, but capitalist mode of distribution on the basis of feudal mode of production.* This capitalist mode of distribution over the feudal mode of production was superimposed from above on the feudal society. Thus Indian society became semi-feudal, semi-capitalist, of course, together with the rise of some industries.

This, in short, is the history of the origin of Indian compradors.

The 'Group of Students' write 'Before World War I one would rarely have found Indian shareholders in British companies. But during the war the supply lines were cut off and export of capital stopped at a time when they were most needed. The British Agency Houses were left with no other way of survival than to allow the entry of Indian capital. *From then Indian capital started infiltrating the British Agency Houses,'* (emphasis mine). Though this statement is somewhat misleading, the authors of the paper, after all, admitted that since the First World War 'Indian capital had started infiltrating the British Agency Houses'. Elsewhere they said, 'the Indian bourgeoisie emerged mainly as finance capitalists, *from the very beginning having a monopolistic position*'. It is not understood how the Indian bourgeoisie can have a 'monopolistic position' from the very beginning when their capital began to infiltrate the British Agency Houses which were run by the all-powerful managing agents ? However, for the present, let us trace the history. During the last decade or a bit earlier of the last century, a section of Indian compradors began to invest a part of their accumulated wealth in industry as capital, while remaining comprador in its truest sense at the same time. During this period many Indian and British concerns came into being. British concerns were incorporated in England and foreign capital entered India in the form of the assets of the incorporated companies with their capital expressed in sterling. These companies were controlled and guided by the British Companies Act through the managing agencies in India. There was no companies Act or anything like that in India. That was the reason why Indian capital could not 'infiltrate' British Agency Houses. However, due to the growth of many concerns in India, as well as to gear up and control all these industries the colonial authority felt the need of introducing a Companies Act in India and accordingly in 1913 the Indian Companies Act was introduced for the first time. With its introduction and with the outbreak of war, almost simultaneously, most of the foreign companies in India registered their companies under the Indian Companies Act and changed over to *rupee capital of* course, in order to create the impression that these companies are Inidan and invited Indians to buy shares. *This laid the foundation of the Indo-British collaboration of capital and Joint Stock Companies.* The bulk of shares, however, remained in foreign hands.

Collaboration

As 'politics is the concentrated expression of economics' the collaboration of capital demanded collaboration in policy making in administration. The basis of semi-colonialism, that is the rule in alliance with domestic reaction, was imperceptibly being laid by the process of collaboration of capital and joint exploitation of the people. As a result *dyarchy* was introduced through the Montagu Chelmsform reforms. Neither the nationalist section nor the collaborating section were satisfied, as the status in dyarchy was not really semi-colonial. A storm rose and the British Parliament sent the Simon Commission to India. The Simon Commission tried to inquire about the respective economic positions of the British and Indian investors in Indian industries and trade. And what were the findings ? The Associated Chamber of Commerce told the Simon Commission, "It is almost impossible to draw any line of demarcation between British and Indian interests in regard to invested capital, for companies floated and managed by the British managing agents were frequently owned to a large extent by Indians. Similarly, in many Indian companies generally regarded as Indian, a considerable number of share-holders may be British...The interests of the individual chambers included Tea, Jute, Cotton, Mining, Timber, Leather, Shipping, Building, Railway, Agriculture, Engineering, Insurance, Banks, and in general, all forms of export-import trade.' The picture is complete. If you cannot draw any line of demarcation between British and Indian interests' how can you draw any line of demarcation in their politics, I mean basic political interests ? It shows that what our 'Group of Students' call 'infiltration' is nothing but going over of the Indian bourgeoisie to the camp of imperialism. Long before Lenin in the Second Congress of the Communist International had warned the communists of the colonial countries that "There has been certain rapprochement between the bourgeoisie of exploiting countries and the colonial countries" and the Third Congress of the Communist International said in its resolution regarding India and China that "The bourgeoisie of these countries tightened their bonds with foreign capital and *so became an important instrument of its rule* ;" and finally Stalin, in 1925 said that in 'capitalistically developed India' 'the richest and most influential section of the bourgeoisie is going over *entirely* to the camp of the irreconcilable enemies of the revolution, *forming a bloc with imperialism* against the workers and peasants'. Naturally this could not satisfy the 'Group of Students' as they are more serious communists and objective than Lenin and Stalin!

As a sequel to the Simon Commission Report, the 1935 Act was delivered. This was basically a constitution that made secure the edifice for the consolidation of Indian compradors leaning heavliy on British masters and disarrayed the nationalist section of the bourgeoisie. The comprador section accepted it, in spite of the bitter opposition of the national bourgeoisie and worked it out to consolidate diligently their position.

Background: Drama of August 15, '47

The authors of the paper say, 'The political independence in 1947 gave the final blow. Fear of nationalisation and confiscation led the foreign capital to withdraw from Indian markets, and most of them sold their share at inflationary prices during the inflation of post-independence years.

Thus by 1948, most of the control came to Indian hands.' They further write, 'one can claim safely that the major part of foreign capital in India was slipped off following political independence and thereafter economic control slipped out to Indian hands to ensure the transfer of political power. British capital retained control in some restricted fields.' The stories are, indeed, no less thrilling than those from *Arbaian Nights*.

"India Ltd."

Let us face the facts. Instead of withdrawing capital from India, the British imperialists renewed the collaboration with Indian capital in double strides. The biggest foreign concerns like Lever Brothers, Dunlop, Imperial Chemicals etc. registered their companies in India and inserted at the tail of their companies "India Limited" in 1945-46. The pound sterling was converted into the rupee. In the budget session of 1945, the then Commerce Secretary said in his report in the Legislative Assembly that during the period of 1942-44 altogether 113 foreign concerns registered in India as "India Limited." During this period, one of the biggest Indian monopoly concerns, Birla Brothers, made a collaboration contract with Nuffield of England in 1945. In December 1945, another big Indian monopoly concern, Tata, made a collaboration contract with one of the biggest monopoly concerns of the world—the Imperial Chemical Industries. The biggest Indian capitalists and monopolists—G. D. Birla, J. R. D. Tata, Ramkrishna Dalmia, Walchand Hirachand, Kasturbhai Lalbhai and Ambalal Sarabhai made agreements with foreign capital and set up collaboration industries during 1945-46.

What this collaboration signified? It signified that national industries would not be built up. Instead foreign industries will supply the needs of Indian markets and Indians will build up assembly and ancillary industries. It means curbing the building of an independent national economy.

The International Monetary Fund (IMP) which was set up just after the war and which was for all practical purposes an American organisation of finance in foreign countries asked the Government of India to accept the interests of foreign national residents as domestic. Thus the ICI, Bata, Glaxo, Goodyear, Union Carbide, Indian Aluminium, Metal Box etc were all 'Indianised'. Our learned 'Group of Students' finding all these concerns as "Indian" safely claimed that the 'major part of foreign capital' fled in fear of 'nationalisation and confiscation'. The Reserve Bank of India reported in 1950 that 169 foreign directors (of them 139 British and 7 American) control 149 Indian joint-stock companies of Rs 55.14 crores capital by actually investing Rs 2.5 crores. They control trade and ancillary industries and agricultural products as ; in jute (15.74 crores), tea (Rs 52 crores), electricity (Rs 19.35 crores) ; financial investment (Rs 17 crores), mineral oil (Rs 22.5 crores), cotton (Rs 11.7 crores), iron and steel (Rs 7 crores), coal (Rs 4.9 crores), shipping (Rs 8.8 crores), total Rs 160 crores.

This was the picture of the ruling British finance capital control over Indian ancillary industries, agricultural commodities and trade in 1945-46.

Let us now turn to America. By the end of World War I American commodities and credits had become the second largest trader in India after Britain. Kaiser, Morgan, Rockefeller. Mellon, Ford and others acquired dominating interests in many British enterprises and in India acquired controlling interests in Andrew Yule & Co (operating in tea, jute, coal, shipping, sugar, rubber, paper, etc), in the British-owned Mercantile Bank of India, in Angus Co (jute, engineering, steamship etc.), in Ludlow Jute Mills apart from their direct activities through Ford, General Motors, Eveready dry cell batteries, Remington Rand Typewriters, Firestone Tyres, Chase Bank, National City Bank, American Express Co, Caltex and Standard Vacuum Oil distribution. It is the Americans who supplied equipment to Tatas worth 6 crores of U.S. dollars, with American engineers and advisers who dominated Tatas physically right up to 1937, only to laugh at our 'Group of Students' who found streams of people queuing up to buy Tata shares to supply the initial capital.

Besides these, a joint mica mission with an equal number of British and American members was formed in 1945 to buy the entire output of Indian mica. The Hindusthan Aircraft Factory of Bangalore was given in lease to the U.S. Air Force. Contracts for assembly of motor vehicles in India were given to Ford and General Motors. A treaty of commerce and navigation was forced on the Government of India by the American Government, completely disregarding the British Government, to get rid of the discriminatory imperial preferences which were badly hurting American trade. All this was done between 1943 and 1946.

After these Indo-British and Anglo-American treaties and collaboration came efforts to complete Indo-American collaboration. The following were the Indo-American collaboration agreements during 1945-46 (the list is not cmplete) : Automobiles : Birla's Hindusthan Motors with Studebaker Corporation ; Walchand Hirachand's Premier Automobiles with Chrysler Corporation ; and Motah House (Gujarat) with Kaiser Fraser Export Corporation etc. Radio and Electric Equipment: The Fazalbhoy Photo-Phone Equipment Company with Radio Coporation of America.

Rayon : The National Rayon Company of Sir Pursottamdas Trikamdas, Sir Ardeshir Dalal, H.D. Shroff, Walchand Hirachand with Skennadoa Rayon Corporation of Utica (N.Y.) and Lockwood, Green and Company of New York. All the notable Indian monopolists set up collaboration industries during 1945-46.

Besides, a feudo-bourgeois-imperialist collaboration was made with the native princes.

Impact of Marshall Plan

One of the objects of the Marshall Plan was to oust the British, French and Dutch imperialists from monopoly positions in their respective colonies and to have open-door policies in the colonial countries. So long these countries remained colonies and under the direct monopoly rule of the British, French and Dutch imperialists the U.S. imperialists could not find sufficient elbow-room to manipulate and infiltrate. American imperialism came forward to save the drowning imperialism of Europe with its Marshall Plan, provided these imperialist powers allowed it a free hand in their colonies. This was one of the secrets of bestowing 'independence' to colonial countries.

Economic-financial and trade agreements and all-round collaboration amongst all the reactionary forces of the world and inter-merger of their joint interests laid the basis and background of talks for a political deal which began in 1945 and culminated in August 15, 1947. If this all-round collaboration and registration of all foreign firms working in India as "India Limited" during the period of 1945-46 is ignored and repatriation of foreign capital is magnified, one will surely land in a hopless situation like our Group of Students!

Myth of Repatriation

The 'group of students' writes that most of the foreign capital was repatriated between 1942 and independence with only about Rs 419 crores remaining in 1948. Hugh Dalton announced in the House of Commons in July 1946 that no property worth mentioning has been sold or transferred to the Indians. Wherefrom, then, our "Group of Students" got the figure that about Rs 1350 crores fled from India? In answer to this question, our learned authors say in the backnotes of their paper that the 'estimate is crude'! If the estimate is crude, why, then, make a fuss over it?? The paper says that 'only' about Rs 419 crores of foreign capital remained in India after repatriation. 'Only' serves to prove that this amount is almost negligble and cannot be a controlling power over the foreign capitalists. For argument's sake, let us accept the figure as correct for a while. The total amount of foreign capital invested in India at the end of 1965 was Rs 935.8 crores according to a Reserve Bank of India Report. Of this Rs 613.3 crores represented direct investment and Rs 322.5 crores were portfolio investment. The annual inflow of foreign capital between 1949 and 1965 has been of the order of Rs 90 to 100 crores excluding the retained earnings of foreign concerns in this country. At the same time, repatriation of foreign capital amounting to Rs 35 crores to Rs 40 crores a year usually takes place. In that case Rs 419 crores was not a small figure in 1947 compared to Rs 935.8 crores in 1965 and when usually Rs 35 crores to Rs 40 crores repatriation takes places evey year, somewhat bigger amounts between 1942 and 1947 were not certainly unusual. It is true that some amount of foreign capital, especially British, quit India during that period, but that was not in accord with imperial policy. Individuals' baseless fear psychosis may have played a part but that repatriation did never change the fact of foreign economic domination materially.

The authors of the paper say that 'Basu and others' made a special study of the Calcutta jute mills. They found that on the eve of the outbreak of World War II, more than 60% of the shares were held by the Indians? What conclusion should we draw from this? Does it mean that Indians control the jute industry and jute trade? We find in Yudin's that "According to the official figures for 1951 (little has changed since) foreign capital controlled 97 per cent of India's oil industry, 93 per cent of rubber, 62 per cent of coal, 73 per cent of mining, 90 per cent of match manufacture, 89 per cent of jute, 90 per cent of tea-growing" etc. Should we, then, assume that though repatriated 'on the eve of the outbreak of World War II' not only foreign capital in jute, but also capital in all the above industries returned after the assurance from Nehru in 1949 and overwhelmed the Indian capital in all these industries? Such assumption would be silly. Of course, the authors of the paper may raise a tricky plea saying that they referred to "Calcutta jute mills" only, not to West Bengal jute mills. But that would be more deceitful.

The authors have written about managing agency. They should know that one of the key forms of subordinating the Indian economy to foreign monopolies was the so-called managing agency system. It was enough for the managing agencies only to seize even a small part of shares of an enterprise so as to establish their control over it, subjugating it and get hold of a considerable part of profit from it. The managing agencies had on an average only 14.6% of their capital in the companies under their control when 'Basu and others' were making a special study, but they appropriated the lion's share of these companies' profits. For instance, during World War II, 54% of the net profits in the Indian jute industry went to the British managing agencies.

New Form

Besides this, a new form of control has been devised nowadays in order to disguise the foreign control and the actual role of foreign concerns. Foreign concerns distribute the major part of preference shares to the Indian bourgeoisie, while keeping the ordinary shares in their control. The foreign companies by this method, can effectively control the collaboration companies of joint holding. The ordinary shareholders possess the right to vote while the preference shareholders do not possess this right. The *Economic Weekly,* in its special July 1964 issue, cited an interesting example regarding the Indo-Burma Petroleum Company. The total share capital of this company was one and a half crores of rupees. The value of ordinary shares was Rs 1 crore and that of preference shares was Rs 50 lakhs. The ordinary and preference shares were distributed as under :

Ordinary Shares :

The share of British monopolists	60%
The share of Indian capitalists	40%

Preference shares :

The share of Indian capitalists	98%
The share of British monopolists	2%

As a whole, the British share of the total capital was 2/5th, yet the British monopolists effectively controlled the industry by controlling 60% of the votes.

So, the sooner we give up the idea of repatriation of capital and overwhelming of shares the better.

Who controls whom ? The authors of the paper say that the Indian bourgeoisie emerged mainly from the very beginning as monopolists and as finance-capitalists. How is this correct? Up to 1935, the Bank of England directly controlled Indian finance. The creation of the Reserve Bank of India in 1935 only changed the form of control of Indian finance by the British banks. The extension of the change account, operation of foreign function of the Reserve Bank in August, 1947 did not end this dependence of Indian finance on Britain. India continued to remain in the sterling bloc even after independence. This was the surest sign of economic and financial dependence, while remaining within the Commonwealth signified political dependence. The helplessness and utter dependence of the Indian bourgeoisie was demonstrated all too clearly when the Indian bourgeoisie was not allowed to use the sterling balance on its account for the purchase of modern machinery from the Soviet Unoin. The exloans, flow of foreign investments and accounts of imports and exports continued to remain under the vigilant control of the British Bank. How, then, did economic control (slip out to Indian hands?' The Reserve Bank of India Report, published in 1950, quoted before, said that only 10% of foreign remittances from India and into India are financed by the Indian rupee, while 90% mainly by the pound sterling through British banks and trading companies.

The same report says, that foreign firms and banks receive every year Rs 400 million of profit and foreign monopolies receive Rs 600 million in the form of interest on loans and commission on foreign trade operations every year. If the major part of foreign capital in India slipped off following the political 'independence' in 1947, how did the Reserve Bank of India report in 1950 —which must be a report of developments a few years back—such a drain ? The total sum drained away from India every year by foreign monopolies exceeded one billion rupees. Of course, this did not include the profits earned by foreign monopolies by way of unequal exchange i.e., from high prices for goods imported into India and lowering the prices of Indian good exported.

(To be Concluded)