

Trend of industrialisation



By IANS, New Delhi : Industrialisation may throw up challenges like alienation of the working class, environmental damage and displacement of people, but is necessary for social transformation and economic development, Prime Minister Manmohan Singh has said. " It is only through rapid industrialisation that we can find meaningful solution to the problem of mass unemployment, underdevelopment," the prime minister said, inaugurating the campus of the Institute for Studies in Industrial Development.

The think tank, that focuses on the problems faced because of industrialisation, has been founded by former prime minister Chandra Shekhar. " Concerns will be expressed, especially by those who may see themselves as losers in the process of industrialisation. We must learn to address their concerns and assuage them to the extent possible," Manmohan Singh added. " Industrialisation ought to be a win-win process for social transformation and economic development.

A developing country like ours just cannot afford to view industrialisation as a negative phenomenon. " The prime minister said he was struck by recent comments in the media that most of the billionaires among India's top business leaders operated in oligopolistic markets and in areas where the government conferred special privileges on a few. " This sounds like crony capitalism. Are we encouraging crony capitalism? Is this a necessary but transient phase in developing modern capitalism in our country?

Are we doing enough to protect consumers, small businesses? " he queried. He asked research institutions to come up with solutions on how to prevent such crony capitalism, inject greater competition in the industrial sector and tackle concerns faced by domestic enterprise. Three decades ago, the prime

minister said, there was palpable concern and worry over multinational corporations overpowering Indian companies, but the situation today has changed when one only heard of opportunities on hand. Today Indian companies are going global, becoming multinationals. The process may yet be incipient, but the change is visible and here to stay. The nature of competition has changed and so has the nature of regulation," he said. This, he said, required efforts to ensure that markets remained competitive, monopolistic practices were curtailed and the growth became more balanced, inclusive and more tuned towards employment generation.

The prime minister also spoke about his other concerns and said he was puzzled by the persisting regional imbalances in industrial development and urbanisation in India. " We need credible solutions to help reduce imbalances. Industrial development must spread to new regions, especially in the northern and eastern India. What are the lessons we can learn from the experience of western and southern India? "

Industrialization is a process that starts with the establishing and developing the industry for production of means of production and completes when the whole economy is transferred to the industrial methods of production. The most pressing problems of economic development of India could be solved only on the basis of industrialization. In the long run, the aim should have been (and in fact, it was, at least on ideological level) to eliminate heterogeneous structure, integrate the economic system, ensure extended production on a national basis, eradicate unemployment and raise the nation-wide labor productivity.

All these factors were, in turn influenced by the approach of the government and the various groups of the propertied classes to the problems of industrialization and possibly of subordinating interests of the various groups to those of the ruling class as a whole. Eliminating the heterogeneous economic structure meant that industrialization could not be implemented on a selective basis. Instead, the old methods of productions had to be replaced with the modern industrial methods.

This required, among other things, two major transformations: one, changing the old feudal property relations in the rural landscape and two, introduction of modern means of production and technology into the lower socioeconomic structure so that they too would be brought within the commodity-money and market circulation. However, as we have seen above, after independence, feudal landlord class was quick enough to ally itself with the ruling elite. The state, rather than curtailing its power, strengthened the class. Unsurprisingly, with support from the bourgeoisie, landlords successfully thwarted the land-reform program.

Not only this, the interests of the bourgeoisie lied in hindering the emergence of new market forces, something that was inevitable, once the old base of artisans and other tiny producers would have been transformed along new lines. As expected, feudal landlords and the bourgeoisie were once again hands in glove to stop this from happening. In effect, industrialization was reduced to a process, which transformed only the modern sectors of the economy. Thus was the focus of the Second Plan. The men from FICCI had no doubt as to the character of the economy: it was capitalism, added by a strong public sector.

They were preparing for it long ago. When Nehru became Prime Minister he had already discussed the future economy of the country at length with J. R. D. Tata and Birla. Tata and Birla were in complete agreement with Nehru, as early as 1938, that economic planning was crucial in order to modernize the country. They agreed that the scale of investment was beyond the capacities of the entire FICCI membership, and that the country needed a healthy dose of state capitalism to put the economy on its feet. There was no talk of a€? socialisma€™.

Nehru had realized, in his sub-conscious if not explicitly, that when he agreed to the 1935 Act and power sharing exercise of 1937, the game was virtually over. Indiaa€™™s political trajectory had determined its economic future, and it was by then impossible for Nehru to pursue a€? scientifica€™ or a€? full-bodied a€™ socialism and expropriate the a€? kings of industria€™, even if he had been so inclined. A serious attempt on his part to do so would have led to his instant removal from Congress leadership. He moved ahead with a€? Bombay Club Plana€™ prepared by Industrialist in veil of socialism. and G. D.

Quite a large number of industries was set up in public sector mainly in basic and capital goods industries like electricity, steel and machine-making etc. These were the industries where private sector was not interested as these were long gestating i. e. yielded fruit after a long time. The government also took planning to ensure these, and other industries in private sector, develop according to pre-determined aims. Although little was provided in First Five Year Plan (1951-56) for industries, there was much by way of industrial

development in Second Five Year Plan (1956-61) and the Third one (1961-66).

The amount of resources too was stepped up from a meager 3 percent in total outlay of the First Plan to as much as 30 percent in Second Plan, and to about 35 percent in the Third Plan. During this period, profitability of industries, identified as a€? private sectora€™ increased by leaps and bounds. Restriction on imports enabled private capital to tap the domestic market. Oddly though, in capital scarce country, interest remained low, keeping cost of investment low. India that reaped the fruits of the government-supported financial sector.

Tax concessions and availability of large funds by the new financial institutions set by the government enabled the private capital to make large profits. It will not be over-statement to say that it was the private capital of also had a share in the decision making and resource allocation. However, as time passed, congress came totally in the grip of monopoly, which would use the former to restrict competition via unfair means, get undue favors in terms of reduction in import duties and excise and In this period, the capital acquired the character of monopoly.

Tata, Birla, and Mafatlal etc. were sufficiently strong from the days of independence struggle itself, but they did not have monopolistic influence over Congress; other classes would ultimately go to the extent of corrupting the basic institutions of democracy e. g. parliament, electoral process, youth politics and so on. As feudal and imperialist classes came in alliance with the ruling elite after the transfer of power, their interests were also promoted.

The number of foreign companies with branches in India increased considerably.

Many Indian industrialists collaborated with foreign capital in setting up industries. Industrial policy of India permitted the entry of such capital under reasonable conditions. The sole purpose of these plans was to create a favorable environment for growth of private capital at the cost of public capital. The sin of ruling elite was two-fold. One, it crushed the national aspirations of economic growth and prosperity in bud by its highly retrograde steps, as described above.

Two, it did so despite the fact that there was a well-established knowledge about the consequences. Western countries' experience of various stages of capitalist development had clearly offered a lesson, which could be ignored only at the cost of Indian masses to serve the class interests of powerful classes. In the phase of industrial capitalism for example, the masses suffered enormously in those countries where capitalism grew naturally. Anyone who knows the history of Germany, for example, knows of the miseries of German people in the nineteenth century.

While, on one hand, the bourgeoisie was rapidly developing, and insistently demanding every kind of assistance and support from the German government, on the other, the destruction of old economic foundations had left the German people defenseless in relation to capitalism. The peasants and handicraftsmen were already experiencing the disadvantages that accompany the natural transition period. Here is how one of the most advanced organs of the time, *Der Gesellschafts-Spiegel* described the position of the working mass:

One hundred thousand spinners in the Ravensberg district, and in other places of German Fatherland, can no longer live by their own labor, and can no longer find an outlet for their manufacture (it was a question chiefly of handicraftsmen). They seek work and bread, without finding one or the other, because it is difficult if not impossible for them to find employment outside spinning. There exists a vast competition among the workers for the most miserable wages. Way back in 1860s Marx had said that Germany was suffering simultaneously both from the development of capitalism and from the insufficiency of its development.

The statement applies equally well to India of 1950s, where the old structure of feudal landlords and new emerging forces of capitalism, both were inflicting damages on the masses, and significantly, in connivance with the socialist state of Nehru. The fledgling capitalist was promoted to the status of monopoly to extract maximum from the state and millions of artisans and handicraftsmen were left to be wiped away by the growth of modern capitalism, thus perpetuating the rule of poverty and deprivation in the rural and semi-urban landscape.