

**THE**  
**CRISIS**  
**OF**  
**INDIAN**  
**ECONOMY**

**B.T. RANADIVE**

**SECOND EDITION**

**Revised and Brought Up-to-date**

# THE CRISIS OF INDIAN ECONOMY

B. T. IANADIVE

*With a Preface by E. M. S. Namboodripad*

*Bombay*

PEOPLE'S PUBLISHING HOUSE LTD.

1954

*First Printed : August 1953*  
*Second (Revised) Edition : March 1954*

THREE RUPEES TWELVE ANNAS

PRINTED IN INDIA

---

Printed by J. S. Bhatt, at New Age Printing Press, 190 B Khetwadi Main Road,  
Bombay and published by him for People's Publishing House Ltd., Bombay 4.

## PREFACE TO THE FIRST EDITION

The importance of the subject dealt with in the present book can be gauged from the fact that at the very time when Prime Minister Nehru's personal attention was being drawn to two such significant problems as the Korean Truce and the Indo-Pakistan negotiations, the *Eastern Economist* demanded that the Prime Minister should pay undivided attention to questions of economics even at the expense of these other important problems.

This demand on the part of the mouthpiece of Indian big business is quite understandable. For, every claim which big business has so far made with regard to the "peaceful and democratic solution of India's economic problems" under the leadership of its representatives is being proved to be false in the course of actual developments. The tall claims made at the time of the publication of the Draft Outline of the Five Year Plan, and subsequently at the time of the introduction of the Final Plan in Parliament, have all been falsified by the very "Progress Report" of the Planning Commission issued within six months of the publication of the Final Plan. The Congress Working Committee, and subsequently the A.I.C.C., had openly to admit that, in spite of the vaunted progress of the Plan, unemployment is growing rather than declining. The Planning Commission has now had to come out with a so-called "11-point programme" for the alleviation of distress among the unemployed.

Though the failure of the Plan is thus being admitted by the very organs of the Government and the Congress, they all refuse to admit that the failure is due to the basic character of the Plan itself. All sorts of specious arguments are being advanced to show that there is nothing inherently wrong in the basic premises of the Plan and that the failure is entirely due to certain forces beyond the control of the

Indian ruling classes. On the basis of such an assessment of the causes for its failure, all sorts of ingenious remedies are suggested, as for example, the A.I.C.C.'s suggestion to restrict education in order that the volume of unemployment among the educated may be reduced! Attempts are also made to divert the attention of the people from the real causes of the malady by such movements as Bhoodan, Shramdan, etc., presenting them as solutions for the problem which are in conformity with "Indian traditions".

It is necessary, under these circumstances, that the real cause of the failure of the Government policies is systematically studied and widely broadcast among the mass of the people. Only if the overwhelming majority of the people are made conscious of the fact that the economic malady that is afflicting our society cannot be cured by such tricks as "the Prime Minister paying his undivided attention to the problem", but by radically changing the present policies of the Government. For, the underlying reason for the ever-sharpening crisis of our economy is the fact that British imperialism and feudal elements inside the country are hampering the development of our productive forces.

It is to bringing this out that Comrade Ranadive has devoted his book, *The Crisis of Indian Economy*. The mass of facts which he has arrayed in the book will undoubtedly be of help to the reader in understanding the real causes of the economic crisis and then to broadcast them among the people.

Maybe there are points made in the book with which one may not entirely agree. I, for one, feel that Comrade Ranadive has failed to bring out the fact that the recent intensification of the crisis has pitted Indian big business itself against the British monopolists. It is true he has given some instances of individual representatives of big business expressing resentment against foreign competition (like the speeches of representatives of the soap industry and of such representatives of big business as Mr. G. D. Birla and Mr. Homi Mody), but he has failed to mention such a significant development as the

Memorandum submitted by that organisation of big business, the Federation of Indian Chambers of Commerce, to the Government of India, sharply criticising the competition of foreign capital in general. Nor has he mentioned the conflict which recently manifested itself in the Central Advisory Councils for export, import and industries, between representatives of big business and Minister Krishnamachari on the issue of foreign competition. Failure to mention these developments leads one to an inadequate understanding of the rapidity with which the conflict between the Indian big bourgeoisie and the British monopolists is developing.

This criticism, which I have to make, or other points of criticism which may be made by others, do not, however, detract from the value of the book which, I am sure, will prove of immense help to the readers in understanding the present economic crisis.

Delhi,

E. M. S. NAMBOODRIPAD

*August 6, 1953*

## PUBLISHERS' NOTE

The first edition of this book appeared in August, 1953 and mainly covered developments up to December, 1952. It was soon sold out and the continued demand for it has made this second edition necessary. The author has taken this opportunity to thoroughly revise the book and bring it up-to-date.

*March 25, 1954.*

## CONTENTS

*Preface* by E. M. S. Namboodripad

xiii

I. INDIA AND THE ANGLO-AMERICAN WAR ECONOMIES ..	1
<i>American Stock-piling and Indian Slump</i> ..	3
<i>Reliance on British Imperialism</i> ..	5
<i>Instability of Britain and the US</i> ..	6
<i>Disintegration of the Single World Market</i>	10
<i>British Economy in Crisis</i> ..	11
<i>Anglo-American Contradictions and India</i>	14
<i>Crisis of American Economy</i> ..	15
<i>The Nature of American Aid</i> ..	18
<i>A Case in Point</i> ..	20
<i>Armaments and India</i> ..	21
II. LENGTHENING SHADOW OF THE CRISIS ..	23
<i>The Handloom Weavers</i> ..	25
<i>The Coir Industry in Crisis</i> ..	28
<i>The Plight of Footwear and Engineering Industries</i> ..	30
<i>The Film Industry</i> ..	32
<i>Too Much Sugar</i> ..	33
<i>Government Protects Profits</i> ..	34
<i>Fall in Sugar Production</i> ..	37
<i>Cotton Textile Industry in Crisis</i> ..	38
<i>Effects of Partition</i> ..	41
<i>Is There More Production?</i> ..	44
<i>More Reliance on Exports</i> ..	46
<i>Strong International Competition.</i> ..	49
<i>Impending Attack against the Workers</i> ..	53
<i>Decontrol and Slump</i> ..	57
<i>The Jute Industry</i> ..	59
<i>Stocks Accumulate</i> ..	61
<i>Dependence on America and the U.K.</i> ..	64



<i>Partition Strengthens the British</i>	..	67
<i>Artificial Shortage</i>	..	68
<i>Remedies of the Jute Bosses</i>	..	70
<i>Developments in 1953</i>	..	72
<i>Planning Commission and the Jute Industry</i>		73
<i>The Tea Industry</i>	..	75
<i>Neglect of Internal Market</i>	..	77
<i>Complete Dependence on the UK</i>	..	80
<i>Growing Competition</i>	..	82
<i>Officials Help Tea Magnates</i>	..	83
<i>Government Has No Plan</i>	..	86
<i>Recent Trends</i>	..	88
 III. BEHIND FIGURES OF INDUSTRIAL PRODUCTION	..	91
<i>Industrial Production in 1952 and 1953</i>	..	97
<i>Growing Unemployment</i>	..	104
<i>Middle-Class Unemployment</i>	..	107
<i>Educated Unemployed</i>	..	108
<i>False Charge</i>	..	109
<i>Scope for Manual Labour</i>	..	110
<i>Increase in Industrial Unemployment</i>	..	111
 IV. THE AGRARIAN CRISIS	..	114
<i>Costly Imports of Foreign Food</i>	..	119
<i>Food Prices and National Income</i>	..	122
<i>Food Prices Aggravate the Crisis</i>	..	124
<i>The Veto of Feudal Relations</i>	..	125
<i>Targets of the Planning Commission</i>	..	126
<i>Commercial Crops</i>	..	128
<i>The Plan and Indian Poverty</i>	..	130
<i>Burdens of Landlordism</i>	..	133
<i>Zamindari Abolition Acts</i>	..	140
<i>A Plan to Safeguard the Colonial System</i>	..	142
 V. CAUSES AND RESULTS OF THE FEBRUARY SLUMP	..	145
<i>Manipulation of Credit and Currency</i>	..	146
<i>No Benefit to the Masses</i>	..	149
<i>Agricultural Producer Hit</i>	..	152

# CONTENTS

vii

VI. DEPENDENCE ON BRITISH IMPERIALISM	..	156
<i>Imports of Machinery</i>	..	160
<i>British Investments and Foreign Trade</i>	..	164
<i>British Commonwealth and Sterling Bloc</i>	..	169
<i>Politics of the Sterling Bloc</i>	..	172
VII. AMERICAN PENETRATION	..	174
VIII. NEHRU GOVERNMENT'S POLICY INTENSIFIES THE CRISIS	..	177
<i>The Policy of High Prices and Uncontrolled Profits</i>	..	180
<i>Government and the Slump</i>	..	182
<i>Handloom Weavers and Krishnamachari</i>	..	187
<i>Invitation to Foreign Capital</i>	..	189
<i>New Ventures and Agreements</i>	..	191
<i>The Plan and Foreign Capital</i>	..	194
<i>The Five-Year Plan and the Crisis</i>	..	198
<i>Character of the Industrial Programme</i>	..	200
IX. THE CRISIS IN BALANCE OF PAYMENTS	..	203
<i>Government Measures</i>	..	209
<i>Unequal Exchange</i>	..	210
X. RECENT DEVELOPMENTS	..	213
<i>Falling Imports of Machinery</i>	..	217
<i>Where are the Sterling Balances?</i>	..	218
<i>Balance of Payments Position</i>	..	219
<i>Foreign Trade and the Five-Year Plan</i>	..	220
<i>Prices in 1952 and 1953</i>	..	221
<i>Fall in Raw Jute Production</i>	..	224
<i>The Food Situation</i>	..	226
<i>Lower Food Consumption</i>	..	227
<i>Foreign Competition</i>	..	229
<i>Foreign Exchange Banks</i>	..	231
<i>Federation of Chambers of Commerce Protests</i>	..	232

<i>Plight of Small and Medium Concerns</i>	..	235
<i>New Programme to Meet Unemployment</i>	..	236
<i>Indo-Soviet Trade Agreement</i>	..	239
<i>Big Business Rallies</i>	..	241
<i>Support to Deficit Financing</i>	..	243
 XI. CONCLUSION AND REMEDIES	..	246
<i>Example of China</i>	..	249
<i>End Imperialist Domination.</i>	..	253
<i>Trade with Socialist and People's Democratic Countries</i>	..	256
<i>Mutually Beneficial Trade Relations with Pakistan</i>	..	259
<i>Fight Against the Fiscal Policies of the Nehru Government</i>	..	260

## LIST OF TABLES

1. Growth of Direct Military Expenditure (1937-52)	9
2. Handloom Production (1939-51) ..	27
3. Production of Sugar (1938-52) ..	36
4. Cotton Consumption of Indian Mills (1941-52) ..	42
5. Cotton Textile Production (1938-52) ..	44
6. Cotton Textile Production and Exports (1947-52)	47
7. Indian Cotton Piecegoods Exports to Principal Countries ..	48
8. Production of Jute Manufactures (1938-52) ..	63
9. Export of Hessian Cloth (1948-52) ..	64
10. Burlap Exports to the USA and Other Countries (1946-52) ..	64
11. Exports of Jute Manufactures to Dollar and Non-Dollar Areas (1949-51) ..	66
12. Stocks Position of Jute Manufactures (1948-Aug. 1953) ..	72
13. Movement in Price Indices of Tea (1949-52) ..	75
14. Tea Production (1938-52) ..	77
15. Exports of Tea to Principal Countries ..	81
16. Direct Tea Shipments to Major Markets (1950-51)	81
17. Indian Industrial Production (1938-52) ..	92
18. Jute Goods Production (1948-Aug. 1953) ..	94
19. Indices of Industrial Production (1949-52) ..	96
20. Production Figures for the Chemical Industry (1948-53) ..	98
21. Rated Capacity and Estimated Figures of Chemical Production ..	99

22.	Manufacture of Machinery and Transport Equipment (1948-53)	..	101
23.	Monthly Registration in and Numbers Placed in Employment by Employment Exchanges (1950-52)	..	105
24.	Middle-Class Unemployment (1947-52)	..	108
25.	Vacancies and Percentage of Vacancies to Applicants (1951)	..	110
26.	Occupational Distribution of Applicants to Employment Exchanges	..	111
27.	Number of Persons on Live Registers of Employment Exchanges (1947-52)	..	111
28.	Average Yield of Rice and Wheat Per Acre (1914-39)	..	116
29.	Average Yield of Rice and Wheat Per Acre (1948-52)	..	116
30.	Fall in Foodgrains Yield Per Acre (1936-50)	..	117
31.	Food Supplies Available for Human Consumption		117
32.	Calorie and Protein Content of Food Supplies Available for Human Consumption	..	118
33.	Cost of Imports of Foodgrains	..	119
34.	Price Differentials Between Imported and Internally Procured Cereals	..	120
35.	Expenditure on Food Subsidies (1946-52)	..	121
36.	Foodgrain Prices (1949-52)	..	122
37.	National Income (1931-49)	..	123
38.	Comparative Average Yield Per Acre of Certain Major Crops (1949)	..	137
39.	Fall in Prices Between April 1951 and March 1952		150
40.	Price Indices (1951-52)	..	153
41.	Price Variations Between Post-Korean Peak and Nov. 15, 1952	..	154
42.	India's Exports of Principal Commodities	..	159
43.	India's Imports of Principal Commodities	..	160

# LIST OF TABLES

xi

44. United Kingdom's Exports of Machinery to India	162
45. Total Foreign Investments from Abroad in Certain Important Lines of Business Activity ..	165
46. Jute and Tea Profit Indices (1946-49) ..	166
47. Important Imports from the United States (Apr. 1951 to March 1952) ..	175
48. Important Exports to the United States (Apr. 1951 to March 1952) ..	175
49. Government of India Revenue (1938-53) ..	177
50. Revenue of Part "A" States (1938-53) ..	178
51. Total Revenue of Centre and Part "A" States ..	178
52. Sales Tax Receipts in Part "A" States ..	178
53. Per Capita Revenue and Tax Revenue of Part "A" States ..	179
54. Statement of Industrial Profits Index (1947-49) ...	180
55. Estimates of Net Profits (1948-51) ..	181
56. Price Indices of Manufactured Articles (1949-51)	182
57. Price Indices (1952) ..	184
58. Prices of Cereals and Pulses (1952) ..	188
59. Value of Indian Imports and Exports (1920-45)	204
60. Value of Exports and Imports ..	204
61. Quantum Index of Trade (1946-50) ..	205
62. Balance of Payments (1946-50) ..	206
63. Balance of Payments (1951) ..	207
64. Compensatory Official Financing (1951) ..	207
65. Quarterly Index of Exports & Imports, 1951 ..	210
66. Net Terms of Trade ..	215
67. Trend of Terms of Trade Since 1949-50 ..	215
68. Comparative Figures of India's Foreign Trade ..	216
69. Imports of Machinery of all Kinds, Including Belting ..	217

70. Quantity Index for Machinery ..	217
71. Prices (January-October, 1953) ..	223
72. Food Grains Prices (1952, 1953) ..	223
73. Area and Yield of Commercial Crops (1951-53) ..	226
74. Average Production of Foodgrains (1949-53) ..	227
75. Offtake of Food Grains in Bombay State in April- May, 1952 as Percentage of that of February- March, 1952 ..	228
76. Military Expenditure of the Central Government (1938-53) ..	262

## *Chapter I*

### INDIA AND THE ANGLO-AMERICAN WAR ECONOMIES

WHEN the slump in commodities shook India in February 1952, following a recession which overtook the capitalist world, there were many interested parties who hastened to assure the people that the slump was just a passing phenomenon, that Indian economy was in a very healthy condition. Spokesmen of the Government as well as of industry and trade were one in declaring that what they were passing through was certainly not a crisis, but just a recession, or a minor adjustment to changed conditions. Many assured us that the situation was almost wholly due to the activities of the speculators—the black sheep of the trade—and that but for them the recession would have been seen as an adjustment to new conditions. The ruling circles whose policies brought about the slump and those who thrived on them, both made attempts to screen themselves by pointing their fingers to the speculators who, no doubt, were very active but who certainly were not the sole cause of the slump.

Within a few months of this general assurance about the well-being and health of the economic structure, Indian industry seems to be on the run; its internal market is shrinking, leading to accumulation of stocks; its external markets are shrinking with greater rapidity with the gradual creeping in of the economic crisis that is gripping the capitalist world; some of its products abroad will soon be facing fierce international competition because of this very crisis and the entry of new and powerful rivals. India's foreign trade, which dominates her internal economy, is crushing her under the burden of unequal exchange that goes on between her and the imperialist countries, especially Great Britain and America. The people are directly feeling the effects of these developments through an increase in unemployment. A great number of people are now unable to buy daily rations of food and other necessities of life.



Instead of the optimistic statements of a few months ago, industry and trade now talk of accumulation of stocks and depression. The speculator is no longer held solely responsible. However, the Government, the imperialists and the Indian capitalists do not yet admit that Indian economy has been drawn into the vortex of the capitalist crisis. They hope to exorcise the crisis with the aid of the dollar wonderland. In the meanwhile, behind the facade of controls, the Government of India takes measures and does everything to soften the blow of the crisis for the imperialists and the big bourgeoisie and pass on the burden to the Indian masses. Government controls and decontrols have just this meaning for the Indian masses.

Thus *Capital*, which represents the views of British capital invested in India, wrote the following about the slump in its issue of March 13, 1952:

"The important thing to ascertain about the commodities' slump is whether prices are going to go on falling further and if so whether the fall will lead to a real industrial recession, with restricted production, unemployment and widespread financial failures... Standing back a little from the last fortnight's developments and looking at the long-term prospect, it is impossible to believe that we are now entering an era of continuously declining prices that will bring the wheels of production to a standstill. A moment's consideration of the arms budgets of the Western Powers and the development projects of their Asian friends is enough to exorcise this phantom. But it is quite likely that we have entered an era of lower prices which will necessitate a wholesale scaling down of the fiscal burdens imposed on industry during a period of inflation."

Only relieve the imperialists from taxation—and everything will be all right, such is the panacea proposed.

In its leading article of March 7, 1952, the *Eastern Economist* wrote:

"The spectacular break in prices which has been experienced this week has all the appearance of a crash; ... and yet deeper consideration will show that prices cannot now stay crashed.... This is primarily a recession of the same order as the recession in other countries; it took on the nature of a crash because of the unwise restriction of credit in a country where speculative influences play an undue part in the maintenance of prices. Within a reasonable time—it may be a fortnight—distress selling should cease. Then the crash will reveal itself as the recession which it really is."

These hopes proved to be false and the paper wrote the following sixteen months later:

"The Finance Minister's recent pronouncements certainly raise the issue whether the Government of India is aware, or, if aware,