

**THE DIFFERENT FORMS OF ECONOMIC SYSTEMS IN THE
WORLD VIS-A-VIS THE TRIBAL ECONOMY OF THE
NORTH-EASTERN REGION**

**DISSERTATION
SUBMITTED
IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF
MASTER OF PHILOSOPHY
IN
ECONOMICS**

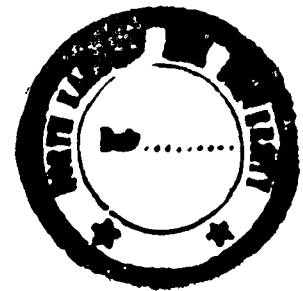
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To



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SUPERVISOR'S CERTIFICATE

This is to certify that this dissertation entitled **Different Forms of Economic Systems in the World ~~vis-a-vis~~ Tribal Economy of North-East India** submitted by Ms. Magdalene Badwar for the award of the degree of Master of Philosophy in Economics, is an original piece of work carried out by her under my supervision. This work or part thereof has not been submitted for the award of the degree of any other University nor has it ever been published anywhere.

The dissertation, in my opinion, is worthy of being considered for the award of the degree of Master of Philosophy in Economics.

December 29, 1990


(P.M. Passah)
Supervisor

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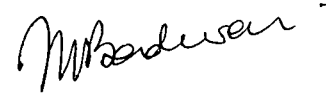
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(MAGDALENE BADWAR)

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INTRODUCTION

Brief Explanation of the Problem

A number of books on Economic Systems were written by different authors both Indian and foreign. Most of these authors wrote more details on the development of Capitalism and Socialism leaving aside other systems. Even those who wrote on other systems as well did not give a detailed account or explanation of the distinguishing features and the specific causes of failure of any system yielding place to new one. Most writers either elaborated or summarized what Karl Marx put forward in his materialistic interpretation of history. Very few, if any, have been able to improve upon the attempts of Marx along with Frederick Engels. Other writers did the same while devoting an entire volume to Karl Marx's materialistic interpretation of history.

In spite of the considerable achievements of Marx which have been universally acknowledged, yet there is a great curiosity to find out the weaknesses in his theory. The major weakness of Marx is his demonstrably wrong predictions of future development of Capitalism. He failed to realise the capitalism's ability to change and to become a far more humane system aspired by all other socialist movements whom he had scorned. Capitalism still persists in

Great Britain, Western Europe and America although extensively reformed without revolution by governmental ownership, taking and spending and by market controls. It has also been realized that complete socialism cannot actually exist. Thus, in most countries a deliberate mid-way between capitalism and socialism is adopted. Thus, there exists no pure socialist economy nor a true capitalistic economy. During certain period of time and in certain countries there occurred extreme forms of socialism like Communism of the Soviet economy.

Marx while writing on the development of Capitalism, confined himself to the European world. He did write on the Asiatic mode of production with incomplete source of information. He was still in the dark about the tribal economic system whether in Asia or in other parts of the world. Tribal economy still persists now in North-Eastern India which could hardly be influenced either by pure capitalistic system or by Marx's socialistic idea.

Objectives and Scope of the Study

An attempt has therefore been made in this dissertation to trace the history of transition and to examine the features of the different forms of the Economic Systems and to enquire into the causes which had led to the breakdown

and the succession of one form of Economic System by the other. The essence of these different forms is not a sudden outcome from any of the early system, but it was a gradual transition.

In enquiring into the causes which have led to the succession of one system by the other, there arose a problem as to the main reasons which have led to the changes. There are different opinions given as an explanation of these changes. One of the opinions given was that the main force of change was the mechanical changes, i.e., the destruction of the old tools of production and the invention of the new techniques of production. When new techniques and new methods of production have been inherited, the old technique no longer suits the existing economic system and this has brought about a change.

But a very strong opinion put forward by Karl Marx was the Historical Materialism by which he explained the evolution of the modes of production. Karl Marx distinguished various economic systems through his concept of the mode of production. We have, therefore, given particular treatment to Marx.

Another objective is to fit in Marx's concept of the mode of production in the tribal economy of North-Eastern India which continues to remain uninfluenced either by

capitalism or by the socialist movement of the western type. To begin the course of our enquiry, the concept of an Economic System has also been defined and elaborated.

Methodology and Collection of Materials

Since our attempt is to make a survey of all the different forms of the Economic systems, the methodology has been both deductive and inductive through extensive reading of books written on economic systems both by Indian and foreign scholars. Extensive library work was undertaken in the project. Hence, our source of information both primary and secondary was mainly obtained from the libraries.

Significance of the Study

The study would reveal a clear picture and significance of the tribal economy vis-a-vis the different economic systems that developed in other parts of the world including India. The work would certainly contribute to knowledge and make another addition to descriptive economic literature.

Chapterization

The dissertation has been divided into the following chapters :

In Chapter I we have made an attempt to define the concept of an economic system as distinct from a social system in general. In other words, we have been making an attempt to identify the elements in a purely economic system. Thereafter, we look at the different aspects of the Marxian analysis of an economic system and take into consideration the forces and relations of production which constitute the mode of production.

Chapter II to Chapter IV give us the different economic systems so far known in the world. In chapter II we deal with the three different pre-capitalist economic formations; namely, (1) the Primitive Mode of Production, (2) the Slave Mode of Production, (3) the Feudalistic Mode of Production and (4) the Asiatic Mode of Production along with the Tribal Economy of North-East India. A section each is devoted to these different systems. We have made an attempt to see whether a tribal economic system can be fitted in any of these economic formations.

Chapter III concentrates on the capitalist mode of production culminating in the emergence of Imperialism. The first part of the chapter discusses the capitalist mode of production while the second part deals with Imperialism.

Chapter IV writes on the socialistic economic system. We have made an attempt in this chapter to trace the origin

of the socialist idea leading either to a moderate type of the economic system or communism.

The concluding chapter summarises the major findings of the study and makes the conclusion thereof.

Chapter I
CONCEPT OF AN ECONOMIC SYSTEM

To have a clear concept of an economic system, it would be wise at the very outset to bring a distinction between a social system in general and an economic system.

A Social System in General

A social system in a general parlance has been understood as a collection of objects, ideas and activities that have been united by a regular form of interaction and interdependence.¹ Two dimensions are involved here (1) what is being organised, objects, ideas or activities and (2) how these components are related to one another.

In a more refined and comprehensive form, a system has been defined as the orders and rules that govern the interaction of the participants.² The participants in a system may be individuals or group of individuals. Through their interaction, the action of one participant affects that of the others. Orders and rules govern these interactions, orders are dated and messages sent calling for a positive response from the participants when addressed. Organisations consist of a set of participants who regularly

1. Morris Bornstein, "An Integration" in Alexander Eckstein (ed.), Comparison of Economic Systems (Oxford University Press), Delhi, 1972, p.339.

2. Ibid.

interact according to rules and orders to accomplish a set of activities constituting the purpose of the organisations. The motivation of a participant is a function which associates with each course of action, the utility of its outcome to him. Such motivation governs responses to orders and rules within organisation. Thus the study of a system involves the analysis of the interaction within organisations, the orders and rules signalling action, and the motivation affecting the participants' responses to this signal. As against this, an economic system has its own different concept.

It was Koopmans, Montias, Simon Kuznet and Bornstein who for the first time, had made an attempt to define an economic system.³

An Economic System

An economic system involves the interactions of organisations of participants engaged according to rules and orders in the production, distribution and use of goods and services. It may be viewed as a set of arrangements by which the community determines : (a) What to produce (b) How

3. Alexander Eckstein (ed.) Comparison of Economic Systems (Oxford University Press), Delhi, 1972, pp.27-78; pp.243-67 and pp.339-55.

it shall be produced, where they will have to determine the institutions and instruments to be used and the pattern of resource allocation (c) How the resulting personal income and claims to goods and services shall be distributed among households.

(a) What to produce :

What to produce means what goods are to be produced and in what quantities. The problem what to produce can be divided into two related questions. First, which goods are to be produced and which not, and second in what quantities those goods which the economy has decided to produce are to be produced. If productive resources are unlimited we could produce as many goods as we like and the question what goods to produce and what not would not arise. But because resources are in fact scarce relative to human wants, an economy must choose among different alternative collection of goods and services.

Wants for those goods which society has decided not to produce will remain unsatisfied. If the society decides to produce a particular goods in larger quantity it will then have to withdraw resources from the production of other goods. In times of war when society decides to produce more war goods like guns and other ornaments, some resources will have to be withdrawn from the production of civilian goods

and services and devoted to the production of war goods. We cannot then have more of both goods but one will have to be sacrificed for the other.

(b) How it shall be produced :

How it shall be produced means the economy has to decide how much resources should be allocated for the production of consumer goods and how much for capital goods. It has to decide the respective quantities of consumer goods and capital goods to be produced. The choice between consumer goods and capital goods involves the choice between the present and the future. If it decides to produce more capital goods some resources will have to be taken away from the production of consumer goods and, therefore, the production of consumer goods will have to be cut down.

Current consumption will be curtailed in order to have more capital goods. But more capital goods would make possible the production of more consumption goods in the future; thus future satisfaction will increase. Therefore, current consumption must be sacrificed for the sake of more consumption in the future.

Once the society has decided what goods and services to be produced and in what quantities, it must then decide how

the selected goods shall be produced. There are various alternative methods of producing a good and the economy has to choose from among these alternatives. Obviously, the problem of the choice of production techniques arises. Different techniques of production would use different quantities of various resources. For instance, production of cloth with handloom would be labour-intensive technique, whereas production of cloth with powerloom would be capital-intensive technique. Therefore, the economy has to choose whether it wants to produce with labour-intensive or capital-intensive techniques of production.

Generally, the problem of how to produce means which combination of resources is to be used for the production of a thing and which technology is to be made use in production. Scarcity of resources demands that goods should be produced with the most efficient methods. If the economy uses its resources inefficiently the output will be less and there will be unnecessary loss of goods that otherwise would have been available.

Obviously, the choice between different methods would depend upon the availability of factors and their prices. The criterion, it is obvious, must be the cost of production. Economic resources are scarce relative to demand, but they are unequally scarce. Therefore, it is for the

society's interest that those methods of production are employed that make the greatest use of relatively plentiful resources or conversely economise as much as possible on the relatively scarce resources.

(c) How the resulting personal income and claims to goods and services shall be distributed among households :

Once the problems of what and how to produce is solved, the third basic economic decision which must be taken is for whom to produce. For whom to produce means how the national product is to be distributed among the members of the society. Distribution of the national product depends on the distribution of national income. Those who have larger incomes would have larger capacity to buy goods and hence will get greater quantities of goods and services. Those who have low-incomes they would have less purchasing power. More equal is the distribution of income, more equal will be the distribution of production.

The main difficulty in the question of distribution of national product or income is how to reconcile the equity and justice aspect of distribution with the incentive aspect. From the point of view of equity, distribution of national product or income on the basis of perfect equality may be the best. But the problem is that perfect equality in the distribution of national product or income may

adversely affect the incentive to produce more. If this incentive is destroyed or diminished as a result of promoting equality, the total national output available for sharing may be so much smaller that the living standards of all may decline.

Hence the interactions of various organisations and participants in arranging the activities indicated in the foregoing explanation result into an economic system. But the arrangement might be automatic and free or deliberate with state intervention according as what system might emerge.

Comparative Aspects of Different Economic Systems

According to Simon Kuznets, economic systems may be compared in regard to three main aspects.⁴ They are :

- (1) What forces influence the system (2) Nature and operation of the system (3) Performance of the system.

We may briefly describe below the three aspects :

(1) Forces influencing the Economic System :

The forces that influence the economic system ~~are~~ are numerous and their relationship is complex, but they have been con-

4. Ibid., p.340.

veniently grouped into three main categories.⁵

- i) the level of economic development
- ii) social and cultural factors
- iii) the environment.

(i) The level of economic development

The level of economic development can be measured and compared by various indicators, including the level of per capita income, the rate of growth of per capita income, the share of investment in G.N.P. and so forth. Whichever measures are used, it is clear that economic growth alters the size and structure of the economy, and that these changes in turn modify the economic system. Economic growth and development in the United States in the last 50 or 100 years has been responsible for many changes in the economic system. For instance, the nature and extent of government intervention to deal with problems of market power arising from the emergence of large firms and trade unions; the problems of external diseconomies such as water and air pollution; and the problem of scientific discovery of a character and magnitude affecting survival such as the utilization of nuclear energy.

This shows that changes in the level of development affect the nature of the economic system, but a given level

5. Ibid.

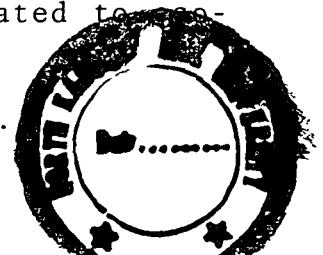
or pattern of economic development is not uniquely associated with a specific economic system. Different countries with same stage of economic development exhibit a great variety of economic systems. Thus it is not satisfactory to classify countries into such groups as West, East and South because some of the communist countries are not more developed than some of the non-communist countries in South.

The level of economic development is also related to the economic system in several other ways. First it is part of the environment in which the system operates and which affects the system's performance. Secondly, it influences the culture, which also shapes the economic system. Finally one of the aims of the system may be to alter the level of development.

(ii) Social and cultural forces

Many aspects of society and culture influence the economic system. One is social stratification based on race, occupation, income, wealth, religion and other factors. Another is the customary laws, traditions, values and beliefs of society. Ideology has, therefore, received considerable attention in the literature of comparative economic system.

An economic ideology is a set of ideas related to



conomic action and affects the economic system in various ways. It influences both the ends and the means of the system, what its goals are including the priorities among them and institutions and instrument of the system as well as the attitude of any changes in them. Thus ideologies may maintain or alter the system and what has been learnt was that ideology more likely favours of maintaining the system than changing it.

A number of difficulties are involved in identifying the influence of ideology on the economic system as Gerschenkron notes.⁶ First, although a single consistent ideology is sometimes ascribed to a pure model of an economic system, which aims at rapid industrialization through comprehensive central planning based on public ownership yet in the actual real world economies, there are various interest groups with different ideologies about the ends and means of the system.

Second, ideologies may be misleading. The ideology may seek to rationalise what is being done rather than constitute its true motivating or its aim may be to deceive or to conceal what is being done by describing it in completely different terms.

Third, there is a time gap between an ideology and the

6. Ibid., 342.

economic system to which it relates. Gerschenkron further pointed out that ideology can lag behind changes in the economy which it is supposed to guide, while others are of the view that ideology may lead the system and its aim to change.

Ideology, therefore, does not determine the economic system in the sense that a single consistent ideology unambiguously and effectively shapes the economic system. Rather different ideologies, some explicit, some concealed, influence economic institutions, policies, actions and results.

(iii) Environment

The natural environment of an economic system includes such element as the size, location and natural resources endowments of the economy. The features affect the nature of the system indirectly in various ways. They help to determine the level and character of an economic development. They also affect ideologies and other aspects of culture, like attitude towards the need to emphasize national unity of geographically diverse and distant regions, the desirability or feasibility of a high degree of self-sufficiency and the like.

Another aspect of environment is the contact with an

economic system which is a source of transmission of ideology and information about alternative arrangement and their results. An economic system may change as a result of its contact with other systems. Thus while an economic system operates in an environment which affects its performance, the system itself may be influenced directly or indirectly by its environment.

To analyse how these various forces influence an economic system is to study how economic systems change. It is an investigation of the dynamic process, as distinct from either inter-spatial comparisons at a given time or inter-temporal comparisons of the economic system of the same country at different times. For some purposes it may be convenient to clarify these forces of change into exogenous factors such as new technology and development in world politics, and endogenous factors such as the effects of increasing affluence in creating new interest groups or ideologies capable of modifying the economic system.

(2) Nature and Operation of the Economic System :

Another aspect that enables the comparison of economic system is the nature and operation of the economic system. This may be analysed in terms of (i) Social preference function (ii) Its institutions and instruments and (iii) Its

pattern of resource allocation and income distribution.⁷ These three aspects are related. The three aspects are briefly dealt with as follows :

(i) Social preference function

The social preference function expresses the community's effective aggregate preferences regarding the ends and means of economic activity. In analysing and comparing the system we wish to consider how decisions are reached either (1) individual preferences expressed through individual choice (consumer sovereignty) or (2) individual preferences expressed through political process either direct or indirect voting and (3) the preferences of a ruling group not selected through electoral process. Then the resulting community's preference is compared in regard to the objectives of economic policy, the choice of institutions and instruments to achieve these aims, and the combination of these institutions and instruments in particular patterns of resource allocation and income distribution. The community's objectives will include goals in regard to the level of employment, price stability, per capita consumption, the rate of growth of national income, the distribution of income and wealth, the balance of payments, etc. These objectives may be expressed more precisely in specific economic policies and in quantitative terms and targets.

7. Ibid., pp.345-46.

(ii) Institutions and instruments

The type of institution we talked about in the study of economic system is concerned with the ownership of the means of production. The variants of private ownership include individual, partnership, co-operative and corporate enterprises. When the means of production are socially owned they may be operated by departments of governments at different levels, e.g. federal, state or local, by autonomous public boards or by the personnel of the enterprise (worker's management). In all of these cases, private and social, the action of the enterprise may be restricted by other institutions using some of the instruments.

Instruments refer to the tools used by the state when it intervenes to achieve social goals in the economic sphere and they are more often subject to quantitative expression. They are more easily and frequently altered and are used only by one kind of institution, i.e. government agencies. At least five instruments⁸ may be distinguished (1) Fiscal instruments which include taxes, subsidies, transfer payments and government purchases; (2) Monetary instrument which involves changes in interest rates, reserve ratios and credit rationing, government lending and borrowing, management of existing debt and control of consumer's credit;

8. Ibid., pp.345-46.

(3) Altering exchange rates; (4) The direct control measures like production assignments, allocation orders, fixing of prices and wages, and allocation of foreign exchange; (5) Changes in the institutional framework, e.g. property rights or rules for the operation of the markets.

Comparison of systems, therefore, involves the study of the prevalence and operation of various institutions, as well as the purposes for which and the manner in which, the state uses the possible instruments of economic policy to direct the economic activity of these institutions towards social goals.

(iii) Patterns of resource allocation and income distribution

The interaction of institutions and instruments generates the pattern of resource allocation and income distribution in the system. Three complementary approaches to the analysis of these patterns appeared in literature.⁹ They are :

(a) Centralisation versus decentralisation

This involves the delineation of different hierarchies and the relationship among and within them including (1) the locus at which different decisions are made on such matters as investment, current production, the decisions, rules

9. Ibid., p.346.

applicable to a given limit and changes in the hierarchical structure; (2) the flow of information, involving the forms, content, purpose and routing of messages. The choices along the centralisation and decentralisation may be related, they need not be identical. For instance, the flow of information could be more centralised than the decision-making process, as when the central authorities collect a great deal of information only in order to make it available to autonomous units which use it for decentralised decisions.

(b) Command versus exchange

This relates to the allocation of resources in physical terms via administrative orders with resource allocation in responses to money flow and prices in markets. Money and prices may be used in a command economy, but they perform only secondary allocation helping to implement plans drawn up through physical planning techniques. Although this is expected to supplement administrative orders, in practice they often conflict with them, inducing violation of the plan.

We, therefore, can understand that an economic system consists of a particular set of arrangements in regard to social welfare function, institutions and instruments, and pattern of resource allocation and income distribution. Any specific economic system whether a mode or an actual case

represents a unique combination of these three related aspects.

(3) Performance of Economic System :

In the light of the social preference function we can find out ways and means of improving the performance of a given system. For this purpose we can compare the results of different systems operating in similar or different environments, in regard to various performance criteria which are considered important.

The criteria commonly considered include¹⁰ :

- (a) the level of output
- (b) the rate of growth
- (c) the composition of output, i.e. the share of consumption, investment and military programme
- (d) single period efficiency (static)
- (e) Inter-temporal efficiency (dynamic)
- (f) stability of output, employment and prices
- (g) economic security of individuals
- (h) equity which involves appropriate degree of inequality of income and wealth and equality of opportunity
- (i) economic freedom

10. Ibid., p.347.

(j) a balance of payment situation which is satisfactory in the light of the country's economic structure and

(k) adaptability to change in the preference function and environment.

Among these objectives sought to be achieved, some are complementary. For instance, the higher the rate of growth, the greater the level of output; whereas other objectives are mutually conflicting for instance, price stability may conflict with the high level of output and high rate of growth.

Thus for an aggregate evaluation of an economic system's performance, it is necessary to have a utility or welfare function according to which the different criteria can be assigned appropriate weights. Different preference functions will assign different weights to the various performance criteria. The function prevailing in one's community may differ from that in another community or in the same community at another time.

The comparative evaluation or ranking of different economic systems will depend on (1) the performance of system in regard to the various criteria considered and (2) the preference functions assigning weights to the several criteria. The latter is essentially a value judgement somehow formulated for the community as a whole, but the

former is nearly subject to objective scientific measurement.

Mode of Production

The prevalence of the different forms of economic systems in the world has created so much of curiosity in the minds of the economists, statesmen and students of economics, as to make them trace the causes of the emergence of these forms of economic system. How an economic system had come into existence will be surveyed in this attempt. A matter takes its different forms and shapes when it is being heated, frozen, or processed, but the peculiar thing that brought about changes in the economic systems is the system of dialectical materialism or what is also called an historical materialism. History has explained that man's need went on increasing and to satisfy this need goods and other materials will have to be produced. Man started to own the means of production. The necessity to satisfy the ever-increasing needs of man led to the invention of the means of production and the hiring of labour for the purpose of production.

Labour power is owned by the labourer himself who utilizes the labour power with the main objective to produce the materials needed for human satisfaction. The existence

of man requires labour. Therefore, it can be said that labour sustains man.

The objects of labour, i.e. the things found in nature or invented by man; to which he applies his labour, and the means of labour which includes the things worked by man to act upon objects of labour together constitute the means of production. The means of production cannot produce anything by themselves unless operated by labour. The means of production and the labour power together constitute the productive forces. Since every invention and innovation is associated with labour, labour is the chief productive force. Productive force forms one aspect of social production, the other consists of social relations of production or economic relations between people. With the change in the nature of the process of the labour, people simultaneously enter into social relations with one another known as relations of production.

The relation between people with respect to the appropriation of material goods are called property relations. They emerged in the process of production. Production is always appropriation of nature by the individuals within and with the help of a definite social organization.¹¹ Property relations may be social or private.

11. Karl Marx, A Contribution to the Critique of Political Economy, Moscow, 1977, p.192.

Property relations determine the way in which labour power is linked with the means of production. Besides property relations, production relations also include the exchange of activity between people in the process of production. In a society based on private ownership, this exchange inevitably involves exploitation and competition in the different forms. In a society based on public ownership, the exchange of labour activity proceeds in a spirit of voluntary co-operation and mutual assistance.

The relations of production also determine the character of relations of distribution. If the means of production are monopolised by certain groups or classes, the latter appropriate the larger share of the material goods, while the working people do not always get even the minimum necessary for the reproduction of the labour power. On the other hand, if the means of production and consequently all the material goods that are produced, belong to the people, these goods are distributed in the interest of the society as a whole.

Another important kind of economic relations consists of relations of consumption. Consumption is the purpose of production and a part of the process of reproduction. The volume of consumption and the nature of requirements depend on production. In exploitative societies, parasitic form of

consumption exists while the working people are obliged to consume the cheapest goods of inferior quality.

A special place belongs to international economic relations. Marx described them as secondary, meaning that they depend on the character of production relations. Their significance is steadily increasing. At present there are many kinds of international economic relations in the capitalist world and with the emergence of the world socialist system, new international economic relations have appeared.

The different aspects of production relations form an integrated system in which all parts influence and are influenced by one another. The relations of ownership of the means of production, however, play a leading role in this system, for they bind all economic relations into a whole, and furnish the main characteristic of the society.

Karl Marx the philosopher and guide of the socialists and communists has distinguished the different types of economic systems through the concept of mode of production. It was through this concept that he distinguished feudalism from capitalism and so on. The concept of the mode of production was defined as a given level of social productive forces (means of production and labour) and their forms of development.

In the process of production people have to come into certain relations with one another, because for the purpose of producing goods they require the means of production which may belong to the individuals, the group of individuals or the society as a whole. These social relations have been called as relations of production. The relations of production between people are primarily determined by who own the means of production. If the means of production is owned by the labour himself the relation would have been a different kind from when the means of production with which he works is owned by other individuals. It is the ownership of the means of production which determines the mode of bringing the worker in contact with the means of production for the production of goods. The owners of the means of production, owns the goods and also pays the remuneration to the workers for their contribution to production. So it is the ownership of the means of production that mainly determine the nature of an economic system whether it is feudalistic, capitalistic or mixed system. This ownership of the means of production does not remain the same. It changes with the development of productive forces at different stages of economic development.

In the early stage of the civilization of man, the productive force - elementary and primitive - and the property were owned by the community as a whole. People had to

struggle hard with nature in order that they could survive and use the available means of production collectively. With the development of the society it became possible to use the means of production on an individual basis and as a result private property in the means of production emerged.

Thus the development of productive forces brings about changes in the property relations in the process of production, and it is on these relations of production that social relations depend. As the productive resources develop, relations of production along with their super-structure of social relations, undergo a change. The sum total of the relations of production constitute the economic structure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual relations in general.

It is not only the productive force that determines the relation of production and property relations. But productive relations also affect the social productive force. When the relations of production are in conformity with the given level of the development of productive forces, they further promote the growth of productive forces. But if the production relations become obsolete relative to the level of social productive forces, they act as a stumbling block to the development of productive forces. With the development

of productive forces, a time comes when the existing production relation ceases to correspond and conform to the level of development of productive forces. Then the necessity arises for a transition to the new social systems. The classes interested in maintaining the old form of ownership of property or production relations resists this transition to a new socio-economic system. Marx, therefore, emphasized on the need for a revolutionary struggle by the classes interested in changing the relations of production against the vested interest who wants to maintain the old production relations and resist any change in them.

Marx has explained the evolution of various modes of production with the help of his philosophy of historical materialism or what he called materialistic interpretation of history. Modes of production like communism, feudalism, capitalism and socialism are chronological sequences in the historical stages of social development. Thus each mode or system grows out from one to another and social change takes place.

So much had been done by Marx and his followers to explain the development of the society, the ownership of the means of production and the evolution of the different forms of economic system, the production relation and distribution that we have in each system. But all the explanation that

has been given by Marx does not have any relevance to the type of ownership that exist among the hill tribals of the North East region of India. The system described as tribal economy and the structural levels at which it operates are vastly different from other economic systems like capitalism and socialism. The peculiarity of the system is that social, political and religious rites are inter-connected with the economic activities that it is even difficult to classify these different activities. It is because of the complications of the system that it was felt unnecessary to categorise the economic system of this region. It is in this sense that we take the tribal economic system in north-eastern India as forming a different system.

The working of the dialectical materialism in the Marxian explanation of social change is that at the very beginning there was the synthesis between social productive forces and the relation of production. The anti-thesis between these two emerged subsequently as the new productive force being dynamic, developed further and went ahead of the existing production relation. Anti-thesis as the new productive force cannot be accommodated in the existing production relation. As a result of the contradiction and conflict, production relation changed so that the new production relations conform to the changed productive forces. Thus new synthesis between productive forces and production

relation is established. However, this new synthesis is also disturbed as productive forces further changed. Through the process of dialectical materialism, we can understand the transition from one system to the other. Let us now see into the concept of an economic system and the different economic systems.

Thus with the development of productive forces, the existing production relation ceases to correspond and conform to the level of development of productive forces leading to a transition to the new social system. This fits in and applies to the economic system that we have attempted to analyse above. To conclude, therefore, there is substantial weight in distinguishing different types of economic systems through the concept of mode of production. We may now look into the different economic systems in the next chapter and the chapters that follow.

Chapter II
PRE-CAPITALISTIC ECONOMIC FORMATIONS

In this chapter we deal with the Pre-capitalistic formations. A section each is, therefore, devoted to each formation. Section 'A' discusses one the Primitive Communal Mode of Production, Section 'B' writes on the Slave Mode of Production, while Section 'C' deals with the Feudalistic Mode of Production. The fourth Section 'D' is devoted to the detailed description of the Asiatic Mode of Production along with the Tribal Economy of North East India.

SECTION 'A'

The Primitive Communal Mode of Production

The earliest socio-economic system known to history was the primitive communal system. It is believed that it existed the longest period in human history.

Productive Forces¹

The development of productive forces under primitive communism can be divided into two stages. The first consisted mainly in the appropriation of natural products. The second marked the transition to a reproductive economy. In the first period a group of men lived together in clans or communes. Various dangers from animals or natural calamities surrounded the primitive men. They lived

1: Karl Marx and F. Engels, Selected Works in Three Volumes, Vol. II, Progressive Publishers, Moscow, 1962.

together and hunted together than living alone. Hence this stage is also known as Primitive Communism. During this stage the means of subsistence were secured mainly by gathering of fruits, grains and vegetable goods and by hunting. Stones and sticks were the main implements of labour, later supplemented by the stone axe and bow and arrow. Then people learnt to make and use fire, which provided them stronger physically.

People improved their skills and accumulated work experience. They were bound to work in common, because the productive forces were poorly developed, and no one could do by oneself. The work of each was direct social labour. People's joint activities in appropriating objects found in nature is called simple co-operation. The natural division of labour by sex and age, which occurred within the framework of simple co-operation made labour more efficient. Hunting and food gathering subsequently led to the rise of stock raising and agriculture which marked the beginning of the second period, i.e. the transition to reproductive economy.

Besides the growth of agriculture and cattle raising, further increase in man's knowledge gave rise to production of various kinds of handicrafts such as pottery, weaving, production of metal tools and weapons, etc. Thus as a

result of the development of agriculture, cattle raising and handicrafts, exchange of goods between classes and individuals increased very much. These development in productive forces had a tremendous effect on man's life. Speaking of the effect of Jawaharlal Nehru writes "Coming of agriculture made a vast difference to life. By improving the methods of getting food, by making it easier to get it, agriculture changed the whole basis of society. It gave people leisure. Different classes grew up. Everybody was not busy in getting food and so some people could take to other work. Various kinds of crafts grew up and new professions were formed."²

The forms of primitive communism may differ from tribe to tribe and from country to country. But irrespective of these differences, the stage of primitive communism shows a good deal of similarity as regards the forces of production and the form of social organisation. Joint ownership of the means of production was the basis of production relation in the primitive communism. Since the means of production were so simple that it cannot be handled individually. Hence by necessity the ownership of the means of production was communal and jointly used for different activities. Since there was no private property, the division of the society into the haves and the have-nots was not in existence. It

2. Jawaharlal Nehru, Glimpses of World History, Asia Publishing House, Bombay.

was only at this stage that class struggle did not exist. Neither did the state come into existence at that time and the distribution of labour and product was made on the basis of customs and traditions. According to the Marxian view, the state came into existence where private property and division of society into classes existed. As there were no private property and no division of the society into classes, the state did not exist at that time. Explaining the Marxian view point, Lenin writes "History shows, that the state is a special apparatus for the coercion of people, coming into being only where and when there has been a division of society into classes, that is division into such group of people, which one can constantly appropriate the labour of others, where one exploits the other."³

Owing to the poorly developed means of production, the labour of man in this primitive stage created no surplus over and above the bare necessities of life, i.e. it created no surplus product. This also involved the non-existence of private property and division of society into classes and exploitation of man by man. It is also to be remembered that the type of social relation that existed here was simple co-operation.

3. V.I. Lenin, Collected Works, Vol.XXIV, Progressive Publisher, p.366.

The first stage of primitive communism experienced an extremely low rate of growth. During hundreds, even thousands of years the condition of man remained quite miserable. But when a transition to a reproductive economy began, a significant change occurred. The discovery of agriculture had greatly changed the life of man. People found it much easier to grow food on the agricultural land than to hunt all the time.

Thus hunting gave rise to livestock breeding and certain animals became domesticated. Farming and cattle rearing required suitable instruments of labour, so instruments of labour continued to be improved. People began to master the production of metal equipments. They also learn how to spin and weave. Both farming and cattle rearing meant living on the land. People could not just wander about as they used to but to remain near their fields. In this way villages and towns grew up.

Relation of Production⁴

The primary cells of society were kindred group that shared a common dwelling and together procured the means of subsistence. These groups consequently gave rise to kindred communities which with times banded into tribes. The

4. Karl Marx, A Contribution to the Critique of Political Economy, Progressive Publisher, Moscow, 1977.

leading role in a clan was played by women. The means of production were jointly owned. The lands, animals, implements and dwellings belonged to the community. Some instruments of labour were allotted to individual members of the community and became virtually the personal property. However, personal property was limited by collective property and the role was strictly subordinate. All means of subsistence that were procured were at the disposal of the community and were usually distributed in equal shares.

The main contradiction inherent in the primitive communal system was that there was a gap between primitive man's vital needs and the low level of productive forces irrespective of communal effort. The main economic law of this system was the provision of vital necessities for the members of the community, the means of production being common property and only primitive instruments of labour being available.

With the development of productive forces, the relations of production underwent a change. As communities began to specialise in the production of agriculture or animal products, the pastoral tribes emerged. This was the first major social division of labour. The pastoral tribes did not only produce more than others, but the very means of livelihood they produced were different. This made a

regular exchange possible for the first time ever. At the beginning it was only sporadic, eventually however, as the specialisation and division of labour between communities increased; exchange was carried on regular basis.

Disintegration of the Primitive Communal Mode of Production

The development of productive forces and the resultant rise in labour productivity made it possible to manage with individual, rather than collective labour. For instance, the invention of the plough sped up the transition from collective to individual cultivation of the soil. Land was still a common property, but gradually, private land ownership was established. Simultaneously, the elders of the tribe were exempted from taking part in common production activities. Now they dealt exclusively with administration, the organisation of exchanges and the conduct of war. These functions were soon used for private gain. Thus alongside private ownership, a division between the rich and the poor emerged. The rise of private ownership was objectively determined by the development of productive forces.

The Rise of Private Property

The production relation of the primitive commercial system ceased to correspond to the new productive forces.

Whereas the collective labour of several persons were required for hunting and for works in the fields, the appearance of the new and better tools and the consequent rise in labour productivity, a single family could not cultivate the land and produce sufficient amount of food for itself. Thus when collective labour was no longer necessary the joint ownership of the means of production could no longer hold any ground and as a result private ownership and private property came into existence. With the growth of private property of the means of production, primitive community system disintegrated. Persons occupying the commanding positions in the primitive community system, such as chiefs, war leaders, priests, took the lion's share of the common property and grew very rich. On the other hand, those who got a little out of common property began to depend on the rich and the noble chiefs for their subsistence.

Besides, as with the growth of agriculture and rise in labour productivity, a man could produce more than what was required for his subsistence and this gave rise to the phenomena of surplus output and surplus labour. This threw up the opportunity for the appropriation of surplus output or surplus labour of the workers by others. It is also worthwhile to note that when in a fight with other tribes or clans, the persons who are detained by the winning clan were

generally killed.

But with the rise of labour productivity and emergence of surplus output, the captives instead of being killed were made slaves and put to work so that their surplus output of labour could be appropriated. With the development of social productive forces, inequality between man and man emerged. The rich turned the people who could not repay their debts as well as the captives into slaves. The society came to be divided into two classes - the slave owners and the slaves wherein the former exploited the latter. Thus, with all this the production relations of the primitive communism came to an end and new relations conforming to the new productive forces came into being. This meant the end of primitive communism and the emergence of a new mode of production - the slavery.

SECTION 'B'

The Slave Mode of Production

Slave-owning society was the first society in human history founded on class antagonism and the exploitation of many by man.⁵ The objective basis on which classes emerged was the growth of labour productivity which reached a level at which a surplus product, i.e. an excess over the minimum

5. Jawaharlal Nehru, op. cit.

of the vital means of subsistence was secured. As a result the society became divided into two classes the exploiter and the exploited. Marx stated that from the beginning of slavery, the history of all human society has been the history of class struggle. Other pre-requisites for slavery were the private ownership of the means of production and the increasing economic inequality, both of which, resulted from the development of productive forces during the disintegration of the primitive communal system.

Under this system, the means of production such as agricultural land, cattle, tools and implements for agricultural work and handicrafts belonged to few rich people referred to as lords, chiefs, nobles and priests. But a distinctive feature of slavery as a mode of production is that even slaves were the private property of their masters. In countries where slavery flourished, slaves had been considered as the talking tools of their master. They did not have any right whatsoever, like animals they could be killed by their masters at any time. The slave-owners used their slaves in different activities which generated a lot of income to them. Slaves had been made to work for cultivation of land, for cattle rearing and various crafts. Slaves were given only what is necessary for their bare-subsistence and their surplus product had been appropriated by the slave-owners who never performed any physical work,

since they considered it to be below dignity, and lavishly spent the appropriated surplus on enjoyment and other sorts of recreation.

The second social division of labour also had taken place during this period, and that was the separation of handicrafts from agriculture. As a result of this expansion of division of labour, there was further growth of exchange. Unlike the cultivation of land, craftsmen produced the bulk of their products not for personal consumption but for exchange. The development of exchange gave rise to the origin of money. So long as exchange was limited, the slave-owners had to use their slaves for the production of their personal consumption and therefore the sector was considered to be a subsistence sector. But with the growth and development of exchange there came a great change in the sense that, the slave-owners eager to produce more goods for the purpose of exchange with other goods, forced the slaves to work harder and longer, this increased exploitation of the slaves had made their life more miserable and intolerable.

Under slavery the dominant class of the society were the slave-owners who owned and controlled the means of production. With the emergence of private property and the division of the society into classes, the state came into

existence. In Marx's view the state and government were controlled by the dominant class who also controlled the means of production and the productive activity, and the main task of the State was to protect the dominant class and its rights.

Therefore, in the slave-owning society the slaves served the interest of the slave owners who compelled the slaves to work and suppressed them when they started to rise. Various forms of State such as the monarchy, the republic, etc. prevailed under slavery. Whatever form it might be, the state was an instrument of exploitation and oppression of the slaves who had no rights whatsoever. They were not regarded as citizens or members of the society, but as personal property of their masters.

The development of the slave mode of production increased the demand for slaves. To meet this demand, there were frequent wars with foreign state. The prisoners as well as a good number of population of the captured land were turned to slaves. There was also the development of the slave market where buying and selling of slaves took place.

During this stage there had been further development of the productive forces. A huge number of slaves possessed by their masters made large scale production based on simple

division of labour possible. Besides the use of vast landed estates for agriculture, slave labour was widely used for constructing dams, irrigation, canals, roads, towns and for mining iron, silver and gold. New tools like plough, looms, etc. were invented during the period of slavery. Under this system there was the growth of arts, science and architecture. Thus, the well-known civilizations, the glory and majesty of ancient Roman empire, Greece and ancient Egypt where slavery flourished the most, were based upon forced labour of the slaves.

Production Relations under Slavery

Under slavery the conditions and means of production belonged to the slave-owners, and there was individual, state and church ownership. Not only were direct producers deprived of the means of production, they were themselves property regarded virtually like so many heads of cattle. Slave labour was compulsory and its results belonged to the slave-owners. They set aside some of the products to feed the slaves, so that they could go on working. This was called the necessary product. The surplus product was used by the slave-owners himself. Some of it found its way to the merchants in the form of profit and interest on capital.

The purpose of production under slavery was to better

satisfy the needs of the slave owners. The means employed for this purpose was cruel exploitation of the slaves. Such was the main economic law of slavery.

Contradictions within the Slave-Owning System

Slavery was more progressive than the primitive communal mode of production. It gave a certain impetus to the development of productive forces and marked the beginning of progress in Arts and Science. Nevertheless, production expanded only slowly. The slaves were not concerned with improving the instruments of labour and their use. As for the slave owners, they did not work themselves, most of them led an idle parasitic life. This shows the historically limited nature of the slave-owning society.

Slave society was characterized by a complex of contradictions, the main one being the antagonistic contradictions between the slave-owners and the slaves. This contradiction found expression in the position of these classes as exploiters and exploited, and the struggle between them. Associated with this contradiction was the anti-thesis between mental and physical work. By far the greater part of society-slaves and small producers had to do physical work, while intellectual pursuits were the exclusive monopoly of the slave owners. The division of labour was self-

contradictory for, while it promoted science and production, it choked the slave intellectual talents turning them into mere machines.

The anti-thesis between towns and country originated under slavery. The towns were slave-owning states, centres of the handicrafts, industries, trade and culture. They were surrounded by rural provinces and conquered colonial territories, in which production was extremely backward. They exploited the villages by selling their high priced goods and buying farm products from them at low prices.

Commercial capital emerged from the development of exchange. The separation of trade and merchants was the third major social division of labour. Trade contributed to the further social division of labour. It also induced the slave-owners to step up the exploitation of slaves in order to have more money to buy goods, especially luxuries. Thus commercial and usury capital tended to aggravate the contradictions in slave-owning society.

The Decay and Fall of Slavery

According to the Marxian thought, slavery is the necessary stage through which a good part of the humanity had passed through at a certain time in the historical development of the society, particularly ancient Rome and

ancient Greece when there was the development of culture and civilization. But this culture was built up in the exploitation of slaves. Because of the contradictions contained in itself which ultimately brought the decline and ultimate end of slavery. This happened when at a certain moment in its development, their existing production relations became shackles on further development of production resources.

The continuous exploitation of the slaves greatly weakened the basic productive forces. Besides, owners with a large number of slaves were not very much interested in improving the tools, for it was possible for them to get the needed production by having more slaves. The slave did not make any effort nor have any incentive to improve the tools. As a result there had not been any improvement of tools nor growth of technology. This clearly shows how the production relations of the slave society acted as fetters on development of the productive forces and this ultimately caused the collapse of slavery.

There were also contradictions between the free-peasants and artisans on the one hand and slave owners who were big landlords on the other. The military basis of the slave-owning states was the small producers, free peasants and artisans. It was from these small peasants and artisans that army for the state was recruited and also the taxes

were collected for financing administrative work and military wars with other states. These small producers, free peasants and artisans were greatly hit by the severe competition from large scale production based on slave labour and the mounting burden of taxes which were frequently levied to finance frequent military campaigns. As a result of this, the free peasants and artisans were impoverished and several of them became slaves.

The growing poverty of the free peasants and artisans and also the reduction in their numbers weakened the military base of the slave owning states. With the weakening of military power, the main source of obtaining new slaves through capturing prisoners and forcing the natives of captured territories to become slaves dried up.

Consequently, the supply of slaves declined and their prices went up. With this the slave owners lost the important economic advantages of possessing a large number of slaves enabling large scale production and also of using cheap slave labour. As a result, there was a decline in slave owners' estates. Slave owners tried to adjust to the new conditions and accordingly adopted new ways of getting their land cultivated and of running their estates. The general way which was adopted by slave owners was to divide their land into a number of plots and rent them out to the

various free peasants and later to slaves for cultivation in return for a share of produce and some other services or obligation. As a result of this the so-called colonates developed which represented the beginning of feudal relations in the society.

By far the most important contradiction which brought about the downfall of slave system was the sharpening of the basic class contradiction present in the slave mode of production. The basic class contradiction refers to the clash of interests of slaves and slave-owners between whom there was class struggle. The slaves were intensely exploited and the degree of exploitation went on rising as the wants of the slave owners increased. The severe exploitation made the lives of the slaves quite intolerable and they often revolted against their masters. The history of slavery is one of bloody struggle between the slaves and slave owners. Of special mention is the slave revolt in Rome under the leadership of a person named Spartacus who mobilised a large army of slaves against the slave owners. The revolt was crushed ruthlessly and thousands of slaves were crucified in Rome. Though this rebellion did not succeed yet it shook the foundation of the slave system. The great Roman empire under which slavery flourished collapsed, not for the mere reason that she was weak, but because she had built up a rich man's civilization on the

misery and slavery of the masses. The frequent revolts which was put down proved of the rotten social structure of the Roman empire.

The Roman peasant was fed up with this miserable lot and welcomed any change. As for the poor labourers and the slaves they were far worse off.⁶ Having been badly mauled by the frequent revolts by slaves, the slave system ultimately collapsed and was replaced by feudalism.

SECTION 'C'

Feudalistic Mode of Production

We now turn to the mode of production prevalent in the western world known as the feudal mode of production. As already mentioned, feudalism was evolved as a result of the sharpening of the contradiction in the slave system in the form of colonates under which dependent peasants called colony, cultivated the land of other lords and handed over a share of the produce to the latter besides rendering other services. The feudalism also emerged because of the disintegration of the primitive community system among the conquering tribes who lived in various parts of Europe. The tribe that conquered Roman empire took away a large part of

6. Ibid.

its land. While the forests and pastures were allowed to remain in common use, the cultivable land was divided into various holdings and given to the peasants for cultivation in return for a share of produce and certain other services. With this the private property in land emerged among the tribes among which community system existed before. Land became concentrated in the hands of chiefs and other rich and influential people of the tribes. The land-owning chiefs became the so-called nobles worthy of respect.

The colonate was an intermediate form in the transition from slavery to feudalism. It was an element of feudalism that existed in the heart of the slave-owning system and that ousted it as the mode of production. In many countries, however, slavery did not develop as a system. In Russia and the Slavonic countries of central and eastern Europe there were only a few elements of patriarchal slavery, which never developed into a classical slavery. In these countries, the primitive communal system was directly replaced by feudalism, which existed not only in Europe, but in the East as well. Its establishment in such countries as China, Babylonia, was prepared for the development of slavery. Everywhere the transition to feudalism implied the formation of a class of feudal landlords, i.e. big land-owners, and a class of dependent and exploited peasants with no lands of their own who ran small individual farms on the

lords' land.

After the downfall of Rome the older Order in the west had collapsed. There was disorder and anarchy and violence and force. The strong siezed what they could and held on to it as long as stronger person did not come to throw them out. Strong castles were built and the lords of these castles went out with raiding parties, harried the countryside and sometimes fought others like themselves. The poor peasants and the workers on the land of course suffered the most. Out of this disorder grew up the feudal system.⁷

The peasants who tilled the land in return for a share of produce and performance of some other services for the landlords are known as serfs and the landlord who received the rent and other services were called feudal lords. Hence, the name of this system is feudalism or serfdom. The process by which the land became the property of feudal lords and by which the peasants became serfs has been different in different countries, but its essential features were present in all of them. With the emergence of feudalism the land came to be owned by a few persons, the feudal lords. The peasants became dependent on them and shared their produce with them.

The basic economic features of feudalism was that the

7. Ibid.

peasant serf produced surplus product for their landlord who owned the land. In a way the working time of the peasants under feudalism is divided into necessary and surplus time. During the necessary time, the peasant works and produces what is required for his own subsistence as well as for his family members. During the surplus time he works and produces for the feudal lord who appropriates the surplus product of the serfs in the form of rent of lord. Three kinds of rent namely, labour rent, rent in kind and rent in cash prevailed in the feudal mode of production since under feudalism a part of the output produced by the actual cultivator who was the self was appropriated by feudal lord. It involved exploitation of man by man. This gave rise to class struggle in the feudal society. The increasing exploitation of serfs or peasants by the feudal lords made their life quite miserable. Such was the extent of social inequality and miserable conditions of serfs that Pandit Nehru had described the feudal period as such that around the stone castle of the lord clustered the mud or wooden huts of the serf. There are two worlds far removed from each other: they are the world of the lord and the world of the serf. The lord probably considered the serf as only some degrees removed from the cattle he tended.⁸

8. Ibid.

It is also to be noted that during the period of feudalism, handicrafts were separated from agriculture and mainly shifted to towns and cities. As a result of this, exchange grew between peasants and craftsmen and also consequently between villages and towns. Craftsmen of the same speciality generally formed their associations called Crafts Guilds. Craftsmen by the very nature of their productive activity mainly produced for sale rather than for self consumption.

Productive Forces

Under feudalism there was a significant growth of the productive forces as compared with slave mode of production. The technology of agricultural production made significant advances, over the slave society. The iron plough and other metal tools increasingly took the place of the wooden ones. New branches of agriculture as vegetable growing, horticulture market gardening developed during the period of feudal society. Stock raising especially horse breeding also recorded good progress.

Feudalism saw the revival of handicrafts, which had fallen into decay during the disintegration of slavery. They gradually shaped into a separate economic branch with its own internal specialization. Crafts guilds began to

form and cities grew.

In the field of handicrafts, there was also a considerable improvement in the tools and techniques of processing raw materials into finished products. A change worthy to note is the improvement in smelting iron, and the appearance and growth of blastfurnaces and iron-founding. Besides, the forging of iron from big iron was invented which had wide applications. The discovery of compass and the growth of ability to prepare geographical maps brought about revolution in the field of shipping and navigation. Above all it was during the feudal period that important inventions of paper making and printing were made, which played significant role in the development of culture.

As a result of the growth of productive forces and the social divisions of labour, commodity production developed, an internal market is formed and external trade increased. It is, therefore, evident that the growth of productive forces during feudal period as mentioned above made it necessary that new production relations in the form of capitalist mode of production were established.

Relations of Production

Feudal society was founded on the feudal ownership of land, the principal means and condition of production. In

Europe, the feudal hierarchy prevailed. A lord granted possession of land in perpetuity to another, on condition of service. In the East, state feudal ownership of the land and water resources was widespread, due to the specific historical conditions. Nevertheless, there too, land was owned exclusively by the class of feudal lords. The peasants who were the immediate producers, had no land. Peasants were granted land by the lord in return for various obligations to him. The feudal lords' ownership of the land was the economic basis for the exploitation of the peasants.

As compared with slavery, feudalism represented the higher or superior form of production relations as under it the peasants had a certain independence and since they had to share the produce with landlord they would also increase their share by producing more through intensive cultivation. So the peasants under feudalism, though exploited, had incentive and interest in working and producing more. Thus when slavery had outlined itself and proved to be a shackle on growth, the further development of productive forces could take place on the basis of new production relations, that is, feudal mode of production under which the peasants, though bonded, had a certain freedom and incentive for work. Feudalism, according to Marx, is a necessary stage in the development of society.

With the development of the means of production, there existed peasant and artisan ownership of means of production such as implements, animals and dwellings. This ownership was based on the producer's own work. Under these conditions, apart from economic dependence non-economic compulsion was required to exploit the peasants. This was expressed in the peasants' personal dependence on feudal lords, the measure and kinds of which, differed from country to country, as well as from one stage of feudal development to another.

The surplus product created by peasants and artisans was gratuitously appropriated by the feudal lord as land rent. The main economic law of feudalism consisted in the production of surplus product by the exploited dependent peasants and its appropriation by the feudal lords as feudal land rent.

Initially, land rent took the form of labour rent, the peasant working for part of the time on his farm to obtain the necessary product, and the rest of the time on the lord's estate to create the surplus product for the latter's use.

A more advanced form of land rent was rent in kind. In this case the peasant worked on his own farm only, giving up a substantial part of the product to the feudal lord for the

use of the land. Rent in kind corresponded to a higher level of productive forces and provided an incentive for the peasants to make their labour more efficient. It was also a sign of growing economic inequality among the peasants. The last form of feudal rent was money rent, the surplus product being handed over to the feudal lord in the form of money, meaning that it had first to be sold and turned into money. Money rent emerged in the period of feudalism's decay, when commodity-money relation had reached an advanced level.

Unlike slavery, under feudal relation of production the producer was to some extent, interested in the result of his work, and that promoted the growth of productive forces.

Collapse of the Feudal Mode of Production and the Emergence of Capitalism

With the progress of agriculture, handicrafts and exchange, feudal relationship became an obstacle to the further development of productive forces. Feudal seclusion hampered the social division of labour and exchange, while the working people's personal dependence on feudal lords obstructed free migration of labour force. All these objectively served to lighten the antagonism inherent in the feudal system. There were the antagonism between the peasants and artisans on the one hand, and the feudal lords on the other; between town and country, between mental and

manual work; and between the feudal subsistence economy and growing commodity production. It was due to these antagonisms that feudalism fell into decay and the capitalist mode of production emerged.

But the disintegration of feudalism and the establishment of new production relations represented by capitalism was not achieved without bloody revolution. As a result of the growing exploitation and oppression of the serfs by feudal lords there were a number of revolts of the peasants against them. The history of several European countries such as England, France, Germany and Russia brings out the fact that a large number of peasant uprisings took place against their landlords during the feudal period. For several decades, civil war conditions prevailed in these countries on account of class struggle between serfs and feudal lords. Since the government was controlled by the feudal lords, the peasant uprising were mercilessly put down by the landlords. But these peasant uprisings shook the foundations of feudalism and ultimately led to its collapse. But the collapse of serfdom did not mean that the serfs became free peasants having ownership rights over land. The place of feudalism was taken by capitalist farming, the previous landlords and free peasants who became rich took to capitalist farming under which land was cultivated and crops raised by using hired labour on wage basis. The rich land

owners, who were popularly known in Russia as kulaks exploited the poor peasants by giving their loans at very high rates of interest and buying their produce and cattle at low prices.

It is worth mentioning that in western Europe the change from feudalism to capitalism in agriculture was made under the leadership of the bourgeoisie. The bourgeoisie led the struggle of serfs against the exploitation and oppression by feudal lords. The bourgeoisie not only took to capitalist production in the industrial field but also encouraged the capitalist farming in agriculture. But under capitalist production, the working classes did not get the full value of the output produced by them; both in agriculture and industry they were exploited by the capitalists. Thus with the transition from feudalism to capitalism one form of exploitation was substituted by another form of exploitation - the capitalist exploitation. In this way feudalism yielded place to capitalism in countries of western Europe.

Vestiges of Feudalism

Vestiges of feudalism survive in many places, especially in the developing countries. One such vestige is the existence of owners of huge landed estates and sharecroppers

who give the landlord a large proportion of the crop in payment for use of the land. Another characteristic vestige of feudalism was payment for the lease of land and use of implements by working the lord's land. Big feudal land ownership persists in some industrialised countries, and the feudal or semi-feudal conditions still prevail in agriculture of the underdeveloped countries like India. All this serves to preserve the semi-feudal rent. All survivals of feudalism play a reactionary role. They hinder the progress of productive forces, expose the peasants to greater exploitation, and plunge them deeper into poverty.

SECTION 'D'

Asiatic Mode of Production and Tribal Economy of North East India

Karl Marx's explanation of the evolution of the different forms of economic system as we have seen, was made with the help of historical materialism, where there is the application of history and dialectics to the development of human society. Considering the changes that took place in Europe in a chronological sequence, Marx was of the view that it could always be predicted that a new system will follow the old one. That is why the most primitive system like the primitive communism and after having fully developed transformed itself into another system, i.e. the slave

mode of production. So one system follows the other in a chronological sequence.

The same process of development which was explained by Marx in the evolution of the systems in the West is not, however, applicable to the Asiatic society. Marx had been very anxious to know about the ownership of the means of production and the economic development that took place in Asia including India. He made a frantic attempt to get information by inquiring and consulting official documents coming from the East as he was so anxious to get some knowledge about the mode of production prevalent in the East. At last he was able to produce a paper entitled as Marx's Asiatic Mode of Production and the Evolution in the Indian Economy.

As could be seen from the discussion made in the earlier section, primitive communism grew and brought about a change. Most of the economies changed and continue to change in the process of growth. But there are some economic systems, however, that change over time but do not grow because the conditions of growth are absent. The changes that occur in these economies in their long historical process of evolution are slow and imperceptible, silent but significant, so that their lack of growth and development is sometimes mistaken as absence of change, and

were looked upon as static, non-capitalist economies which are complete in themselves. Marx's thesis on the Asiatic mode of production stemmed from these types of economies. As a matter of fact, they are stationary economies which with the highly complex ancient civilizations, somehow failed to develop the capitalist rules of the game.

The system of production that were prevalent in the Asian countries during Marx's time totally differed from the system and production relations that were found in the western world. Marx conception of the Asiatic world was that they are static and non-changing economies. This idea seems to be embedded in James Mill's History of India (1820) where he referred to an Asiatic mode of government. In Mill's view, India's past had been that of timeless unchanging society dominated by despotic rulers which was taken up by Hegel in his lectures on 'Philosophy of History' (1837). The basis of the Indian society according to Hegel was the immutable village communities inhabited by people totally unconcerned with political convulsions. Dynasties collapsed, revolution succeeded revolution but the village communities remain the same. This indifference permitted not only despotic rulers but also frequent and continual subjugation.

Karl Marx took up this idea of the unchanging nature of

the Indian past and expanded it into his thesis on the Asiatic mode of production, where he mentioned three pre-modern stages of evolution: tribal society succeeded by tribal antiquity based on slavery and the latter by European feudalism. Later on in his Preface to the Critique of Political Economy presented four stages corresponding to the different forms of property: Asiatic society, antiquity, feudalism and modern capitalistic society. In the said Preface, Marx tried to analyse the problems of pre-capitalist historical evolution.⁹ He believed that it was possible to say how any particular social system was going to develop and, therefore, sought to set out a theory of the laws and evolution of society.

The basis of his theory of social and economic evolution analysed man as a social animal, and social evolution in his opinion is the product of the historical process of interaction between man and nature. The relationship of the labourer to the objective conditions of labour is one of ownership, a natural unity of labour with its material requisites. The growing emancipation of man from nature is called progress which is the content of history.

This emancipation affected not only the forces but also

9. E.J. Hobsbawn, (Ed.), Karl Marx, Pre-Capitalist Economic Transition London, 1964.

the relations of production. Firstly, the relation of man as a social animal brought about the social division of labour. Since it was progressively classified and sophisticated, production increased thereby created a surplus over and above what is necessary to maintain himself and the community. Secondly, the relation of labour to the objective condition of its realisation which is one of ownership is progressively broken up until the workers is reduced to nothing but labour-power, so labour-power got divorced from the labour.¹⁰

Coming to the tribal organisation, Marx was of the view that tribal organisation originally dissolved itself, and this is the source of the subsequent three-fold differentiation into Asiatic, Graeco-Roman and German medieval forms of private and common ownership of the material means of labour.

One of the historically crucial distinction between these systems was one of those which resist and those which favour historical evolution consisting of the ordinance of the social division of labour corresponding to the different forms of property. The first main advance of this social division of labour consisted of the separation of indus-

10. E.J. Hobsbawn (Ed.), op. cit., p.14.

trial and commercial from agricultural labour and therefore led to the distinction between town labour and country labour. This in turn leads to a particular historic phase of property relations, the communal and state property on antiquity. It stems from the foundation of cities by the Union of tribal groups, with slavery continuing to subsist. Communal city property is the main form but side by side private property emerges through time. The ancient Graeco-Roman society is the ultimate development of this phase of social revolution; its basis was the city and it never succeeded in going beyond its limitations.

Another sub-variety of the historical evolution of property relations is the Germanic system which has as its base neither the village community nor the city but each separate household which forms an independent unit of production largely with the subsidiary labour of women. Its crux seems to be scattered settlement in economically self-sufficient family units occasionally for war, religion, dispute settlement or for use of common property like pastures, hunting grounds, etc. The basic unit is thus weaker but potentially more individualistic than the village community, like individual possession here exists in an identifiable form and, therefore, implies a greater potentiality of economic individualisation. This makes the German system through feudalism the direct ancestor of

bourgeoisie society.

Both the Graeco-Roman and the Germanic systems are according to Marx, the product of a dynamic, historical life which tends to produce an expansionist, changing society through time. The Asiatic mode of production in contrast is assumed to be static and unchangeable. History involves dialectical change and development, and man individualises himself through this process which is primarily one of evolving various forms of communal and private property. The different forms of this metabolism of the forces and relations of production correspond to different stages of society among which, according to Marx the Asiatic mode of production is historically closer to man's primitive origin.¹¹

The Asiatic mode of production is different from the Graeco-Roman in so far as there has been separation of commercial from agricultural activities. According to Marx the distinctive character of this system is the self-sustaining unity of the manufacturers and agriculturists within the village commune thereby contain all the surplus production within itself and resisted disintegration and evolution more stubbornly than any other system. Further

11. George Aseheim, Marx and the Asiatic Mode of Production, St. Anthony Papers, No.14, p.105.

the basic unit of this system is the village community which is characterised by the absence of private land ownership. Like the Graeco-Roman system it has the communal ownership to state property of antiquity as its base. The landlord and private individuals have possession of the land, but ownership belong to the state. In Marx's view, Orient is defined as the dominance of the state which is supposed to be the physical embodiment of the supreme, encompassing unity that stands above the self-sufficient village communities.¹²

The small ancient village communities in the Indian economy existed as part of a larger unity devoting part of their surplus product to pay for the costs of the larger community. The chief part of the product is destined for direct use by the community itself and does not take the form of the commodity. It is the surplus alone, and that portion which is paid to the state as rent in kind becomes the commodity. The oriental society is thus a complex society in the sense that it has to do with the despotic government suspended over small communities which had got a complete control over public works, etc. and this had made the state possible to extract all the surplus from the village communities and their complete subjugation. The state has also to deal with the prevalence of self-

12. Karl Marx, Capital, Volume III, Moscow, 1960, p.771.

sustaining union of manufacturers and agriculturists based on the common ownership of land. The closed nature of the village community implies that cities hardly belonged to the community at all, arising only where the location is particularly suitable to external trade or where the rulers exchange their surplus products, and the occasional towns functioning more as a military camp than as a commercial centre.

The Asiatic society according to Marx is not a class, or if it is a class it is in its most primitive form. The need for self-sufficiency of the village unit is the basic economic cause which makes for the simplicity of the organisation of production, and this simplicity provides the key to the secret of unchangeableness of Asiatic societies, an unchangeableness in such striking contrast with the constant dissolution and refounding of the Asia states and the never-ceasing changes of dynasty.¹³

For a long time, the Asiatic mode of production with its emphasis on the village had cast a shadow in Indian history. Only in recent years doubts were raised about the historical validity of the scheme implicit in the Asiatic mode of production. It has been argued that historical events were determined by the interaction of a variety of

13. Ibid.

social and economic forces and the Indian history can best be studied within the framework of a social science discipline.¹⁴ Recent studies in economic history have shown that the Indian economy particularly its agrarian system, is neither static nor unchangeable, in fact its structure and organisation have suffered far-reaching and significant changes in the long period of its evolution. These changes can be analysed in terms of the interaction of two distinct elements, the mode of production and the mode of appropriation of the social surplus. The historical picture of the Indian economy is the slow expansion of the food producing society in a virtually limitless environment very thinly populated by food gatherers. The first food production on a large scale was in the Indus around 3000-1750 B.C. The surplus that could be served not by forces but by religion to support the traders, the artisans and the priests was limited by the primitive mode of production, so that no further expansion was possible.

After another one thousand years, there has been the advancement of the plough-using village economy, over the tribal economy especially in the Gangetic basin. Such an expansion would not have been possible under primitive

14. D.D. Rosambi, An Introduction to the Study of Indian History, Bombay, 1956.

conditions without the use of iron-implements and the plough. The caste-system called the Sudras were the main labour power to clear the land for pasture and the plough in the vast wilderness of the East.

By the seventh century B.C. the Aryans settlements had extended in the long-uneven strip from Punjab to Bihar. The Aryans population settled here had the greatest degree of heterogeneity like in types as well as degree of advancement, but because of the common language and tradition that was carried on, had permitted a considerable development and cultural exchanges. A new class of agriculturists now developed in place of the pastoral class called the Visyas, which had no obligations to share the property in farm animals, in land and its produce. The existence of this free, land-owning class necessarily implies the existence of the over two classes the Srehti and the Gahapati. The Srehti was actually a financier, sometimes the wealthy head of a trade guild, and the Gahapati was the head of a large, patriarchal household who commanded respect because of wealth, whether gained by trade, manufacture or farming.

The traders and the agriculturists suffered from the constant warfare between different tribes. Peace, lower taxes and safe-route were essential for development. But this demand could be met only by the growth of universal

monarchy, a single state that would break tribal exclusiveness, and petty warfare and prevent reversion of tribal law and property rights in common. As a result there had been the emergence of Magadh as the dominant Gangetic state. The Magadh state differed from other antiquity, whether in India or elsewhere, as it was the greatest trader and the supreme monopolist and engaged in commodity production on a large scale. It functioned on a powerful cash economy, where the final product could be sold. It had to convert a substantial part of the gains into commodities to pay for the army and the bureaucracy.¹⁵

Unlike other states which had its base in the division of the society into different classes. The Gangetic state, Magadh did not have any other class-basis except bureaucracy. Neither the farmer nor the trading class which called the powerful state into existence was represented in the ministerial council. The state itself was a monopolist, engaged in large scale production of commodity and look upon the private investors with utmost suspicion. One way of enabling the state to have its monopoly control was by restricting the supply of skilled and unskilled labour to the manufacturing trade. In an economy with limited supply of labour, these restrictions made it impossible to supply

15. Ibid., Chapter 6.

the commodities over the vast empire. The only way, therefore, of supplying the village demand would be for production to move into villages themselves which in course of time were transformed into the standard productive type of virtually self-contained closed economy. Production increased vastly but it was no longer commodity production of exchange. Initially it is profitable but eventually proved fatal to the growth of the economy.

It is obvious, therefore, that cities and guilds would break up as soon as this type of village production became the norm, first in the North and then in the South. The state that emerged out of the fragments of the Great Maurya empire particularly in the Gupta age, sought further expansion of production based, this meant new village settlements in the unclaimed territories pursued not by force but by religion, private trade and lower taxes. Traders profited from increased production as the state augmented revenue, but the towns and cities could not meet the new demand for village essentials.

The main problem was of servicing the village to make it self-contained without commodity production and it was solved by a system of hereditary village artisans. Since there was plenty of wasteland, each of them was assigned a plot of land to till in his spare time. Their duties were

fixed by customs - making and maintaining of tools and ploughs, axes and pots per family per year for small share of the harvest. The village artisans thus become an integral part of a village system whose insularity became unshakable thereafter.

From what we learnt the Indian villages presented the appearance of a closed, custom-based, social and economic unit. The close settlement of peasant households within the framework of clan and caste, served by hereditary artisans and village servants, served the basis for the collective organisation of the Indian village community.¹⁶ This does not imply that the village community owned the land on behalf of the members of the village. There has been no proof of such ownership. The peasant's right to the land was always individual right, the occupancy right which was inviolable. Even in Muslim India, there was a general recognition of the peasant's title to permanent and hereditary occupancy of the land he tilled. The right was not proprietary, because the right to abandon or dispose of the land as its holder might choose, which is an essential feature of modern proprietary right was not there. A peasant simply could not leave or refuse to cultivate his land. If in one sense the land belonged to the peasant, in another sense the peasant belonged to the land. The readiness

16. Ibid., pp.17, 175.

with which the authorities recognised the peasants' right of occupancy and the anxiety they showed to prevent him from leaving the land were both natural, in an age when land was abundant in relation to the peasants. So long as uncleared waste or managerial land was available, land could not be a marketable asset in a community that produces no commodities for exchange. Membership in a community and tenure of land even in the sense of mere right of cultivation went together, expulsion from the community meant the person is in exile. In so far as fresh land was available for settlement, a village community could protect itself from oppression by desertion. There were occasions and spheres in which villagers had to combine when they came face to face with the ruling authorities. The traditional caste system in this case afforded the necessary protection because members belonging to the same fraternity were obliged to help their fellows in rebellion or in distress.

A notable feature of the village economy particularly in Mughal India, was that conditions of the money economy and self-sufficiency exist side by side. A good share of the village produce was taken to the urban market through the payment of land revenue. The villages received hardly anything in return from the towns. Thus the village was largely affected by the requirements of the commodity production for the market and yet had to provide all its own.

needs from within itself. It was the presence of these two contradictory elements that probably accounted for the social dualism manifest in the existence of individualistic mode of production in agriculture, and the closed custom based organisation of the village community. The needs of village self-sufficiency were realised through a hereditary distinction imposed by the caste system between the peasants and the landless labourer, which seems to have worked in its inexorable way to create a fixed labour force for agricultural production and for certain primary crafts in each village. Thus although the separation of trades was originally spontaneously developed, it was crystallised and finally made permanent by the law of the caste system, which while it indicates a certain degree of class differentiation in the countryside is at the same time an example of unalterable division of labour which Marx thought to be indispensable for the formation of the Indian village community.¹⁷

Given the individualistic organisation and the economic stratification that have existed among the population, it is difficult to see how an inner village market could have arisen from any internal development in the village community. The changes that have occurred in the traditional

17. Donna Torr (Ed.), Karl Marx Capital (The Classical Passage), Volume I, pp.350-52.

fabric of the village community, could be attributed to the mode of appropriation of the surplus produce and its distribution among the members of the ruling class in different periods of history. Land revenue represented the bulk of the surplus appropriated and the power, organisation and composition of the ruling class, subordinate to the centralised royal despotism, made possible the realisation of the massive and increasing claim on the rural surplus above the subsistence minimum. Land revenue that was paid was not the assessment of the land held, but the crop they produce. Assessment is made on individual production but the tax is paid by the village collectively contributed by all the individuals. Even though tax was levied on the crops produced but payment was made in cash rather than in kind.

The demand for land revenue increased as the principal claim on the principal increase through the ages. The pressure on the peasants and other revenue payers was further intensified. The fatal cause that was condemned was that the intermediaries between the state and the peasants enjoyed themselves at the cost of the peasant. These increased pressures took two forms firstly an alteration in the substance of the zamindar's economic right, which must have been limited in conditions of land abundance. Secondly, owing to the expansion of the area under zamindari right, the urban merchants did not seem to have found in zamindari

purchase a suitable avenue for investment of their superfluous capital. Rural usurers and a small section of nobles and officials sometimes converted their capital on zamindari rights, which was a saleable commodity during the 16th century.

Such a market in land rights enabled them to organise new peasants settlements or to buy zamindari rights in areas which were previously purely held by peasants without any superior rights. On top of all these were the revenue assignees. It is these assignees who constituted the ruling class, subordinate to a royal centralised despotism. The power organisation and composition of this ruling class made possible the realisation of the massive claim on the entire rural surplus of the country that the land revenue represented.

The collection of land revenue and its increasing pressure upon peasants had two important consequences for the rural economy. In the first place there was enormous drain of wealth from the rural areas. Second, the mechanism by which the bulk of rural surplus was removed led to the monetisation of the rural economy. Most of the surplus whether collected in cash or kind, was put on the market. The market mechanism once established not only implied commodity production in agriculture, but also reacted on the

mode of agricultural production, engendering a shift to high grade crops and cash crops. The increasing demand for land revenue and the consequent monetisation of rural economy also led to pauperisation of the peasantry and this added another means of exploitation in the share of usury which extended rapidly, once the rural market had developed to a certain degree. The subvention of agriculture, as a result of exploitation of different kinds did not, however, lead to a substantial increase of appropriation through control over production. What seems to have happened was an increasing immiserisation of the rural proletariat which led to agrarian uprisings, often under zamindari leadership, bringing about in the end a collapse of centralised despotism.

In so far as the non-agricultural sector is concerned, it would seem that the collection of massive land revenues from the rural sector and its concentration in the hands of a small ruling class enabled the economy to achieve a considerable expansion of its urban sector, particularly during the Mughal period. A high proportion of the urban population was employed in the industrial crafts when merchants capital had developed considerably and had brought artisans under control through forms of putting out system. This merchant capital through its own development did not lead to industrial capital in the Indian economy. Because firstly, given the structure of the Indian village commu-

nity, practically no market existed for urban-crafts in rural areas. Rural monetisation was entirely the result of the need to transfer surplus agricultural produce to the towns, as an established form had to be largely outside the sphere of commodity production. Secondly, merchant capital in the Indian economy had failed to develop an independent basis of its own. The entire commercial structure, particularly in the Mughal economy was largely parasitical, depending on the system of direct agrarian exploitation by small ruling class. When this class collapsed, the merchant capital lost the support and the market provided by it. However, the merchant capitalists were swept off when the British came to rule over India.

Looking over the record, it could be concluded that the dynamics of Mughal system were not conducive to economic growth. By skimming off most of the economic surplus generated by agriculture, the Mughal rulers seriously limited the possibilities of economic development that would have been broken through agrarian order and established new kind of society. The reason for this was that most of the surplus was unproductive accumulation and being turned into display represented wasteful expenditure. There was no landed aristocracy that had succeeded in achieving dependence and privilege against the monarch while maintaining political unity. Instead of their independence had brought

anxiety in its train so that by the middle of the 18th century the Mughal bureaucracy decayed into a system of small kingdoms frequently at war with each other. Therefore, the pre-British Indian economy, inspite of considerable primitive accumulation could not burst through the fetters of an agrarian system into capitalist development of its own peculiar brand of landed bureaucracy and merchant capital.

The peculiarity of unchanging India and her unchangeable Asiatic mode of production does not provide an adequate information of the evolution of the Indian economy. The traditional economic system and its old agrarian structure had undergone considerable modification by the time the British came to India. These modifications along with the dynamic shifts and the agrarian crisis, leading to rebellion and the collapse of the despotic rule are to be studied as such for their economic significance and not to be dismissed as the so-called Marxists sometimes do, as senseless flickers on the surface of an unchanging stagnant sea.

From the analysis of the evolution of the Indian economy made above, it is clear that the concept of the static and unchangeable Asiatic mode of production, the basis of which was the timeless and immutable village communities organised into a matrix of closed self-suffi-

cient economy is no longer tenable in India. In any society the evolution of a particular form of economic organisation is largely determined by the interaction of the forces of production and the relations of production. Each type of economic organisation develops its own relation of production often sanctioned by law or religion. In the non-growing typical societies, the evolution of the economic organisation can be understood better in terms of relation of production which tend to inhibit change in the forces of production. The evolution of the Indian economy tended to conform to this pattern and the changes that occurred in the relations of production, are largely an outgrowth of the different modes of production of the social surplus.

At the time when India was in the process of transition from settled agriculture to organised trade and development, the relations of production were changed by the formation and spread of the self-sufficient village economies which, with the primitive methods of production and de-mechanisation of techniques, represented a retrograde step, a dead end, in the development process of an evolving economy. From then, the evolution was largely due to change in the relations of production, which reduced economic opportunities, restricted freedom of movement, and prevented the growth of the market. Marx's assumption on the unchangeableness of the Asiatic societies was largely based on the

mode of production crystalised in the Indian villages community system stemming from changes in the relations of production introduced by a despotic state to serve its own selfish ends.

Forces of production did not change due to the absence of the development of a market economy, but the relations of production did. These changes introduced complicated development in the super-structure of the society. The structure and development of the society was often affected by changes in the land tenure, inheritance and capital formation. In the course of their evolution, the advanced economies have developed these rules conducive to the growth of the agriculture and industry. In the Indian economy, it had been developed only to enable the ruling class to siphon off the rural surplus for unproductive accumulation. But this increased appropriation of the rural sector and considerable expansion of the commercial sector, indicating a powerful change in the productive base of the economy and beginning of the disintegration of the system of village economies.

Marx's analysis of the Asiatic mode of production has been made on the ground that there existed a static unchangeable society. On the basis of this, Marx tried to explain the changes that took place in the Indian economy.

Throughout the ages, there had not been significant change in the factor of production but production relation did change. This change had resulted because of the despotic rule of the Indian kings and the rule of the British. As realised the system of land tenure, inheritance and capital formation were bound to play a vital role in the determination of the forces of production and the relation of production.

Tribal Economy

However, what is more interesting in the analysis of the evolution of the different systems is the unique character of the North East region of India. Marx explanation of the Asiatic mode of production has failed to touch the segment of the Indian economy in the North-east region which always remains ^{un}affected and isolated by any change that took place in other parts of the country. Therefore, no matter how much had been done to explain the evolution of the systems and the production relations that exist elsewhere, the North East region remains excluded from such explanation.

Keeping in mind the concept of an economic system elaborated in the first chapter, the working of the tribal economy, we have to be familiar with its properties, the rules and laws governing its working, its interrelationship with other systems of social life, etc. An inquiry along

these lines will help us to understand the nature and functioning of the tribal economy.

We may now define a tribal economy as a mode of production governed by a mode of communal appropriation of surplus labour. Two immediate consequences may be deduced. First, there can be no social division of labour between a class of labourers or direct producers and a class of non-labourers. Second, the absence of a political level as understood in the modern political analysis is a condition of existence of the tribal economy. The mode of production then consists of two levels - the economic and the ideological - comprising the cultural, religious, the kinship levels, etc.

The reproduction of the labourer under conditions of a tribal economy is a function of his membership of a redistributive system. At a more primitive level where hunting and gathering and perhaps rudimentary gardening are the dominant forms of production the reproduction of the labourer is no less dependent on his position within the community. The labour process itself need not necessarily involve any co-operative endeavour since individual hunting and gathering are both the low productivity and unreliable character of this labour makes it almost impossible for an individual to survive by himself for any length of time.

Therefore, community labour may emerge where men and women have different technical specializations. They are employed in the production of different food stuffs and depend on each other to sustain a complete and more or less regular food supply.

The tribal social system consists at any given moment, of a number of villages of varying sizes which may be unstable with regard to size and membership.¹⁸ Production is organised at the level of the community, on both technical and social division of labour based on age and sex, and on simple and complex co-operation. The internal organisation of the tribe around specific marriage and kinship relations may vary. Variations at this level govern the precise character of the distribution of the product within the community since that is the result of the intervention of ideological social relations.

From the discussion made above, we could understand that the system of ownership in the tribal economy of India resembles the system of ownership under primitive communism where most of the land belonged to the community. Most of the work done is not on the basis of hired labour but on community labour. Since the region is largely subsisted on

18: T. Mathew (Ed.), Some Aspects of the Economy of Hill Areas of North Eastern Region, North-Eastern Hill University, p.30.

shifting agriculture, supplemented by hunting, fishing and food gathering, there was no private property in the land in the pre-capitalist times. All land was held as common property of the village community or the clan concerned. Individual family had the right to use land, which would automatically lapse with the loss of membership. The pattern of property relations is doubtless conditioned by the prevailing mode of shifting agriculture and held sway in tribes with or without chiefs. Chiefs enjoyed certain privileges but had no private property on land. The community and private rights were regulated by the well-established social institutions, for instance, the village or elders' council or the chief assisted by the committee of elders or a council of clans. The rights were socially sanctioned and behind them lays the force of custom.

Many writers would suggest that the economic system of the tribal people of North-East India would fit in with primitive communism. Their argument was based on the fact that land forms the main factor of production and agriculture their main occupation. It was a well-known fact that in almost all the tribal societies of North East India land was communally owned. But private property can be said to have been in vogue. We may now look at the system prevailing among each tribe.

In Mizoram under normal conditions, the administration of the total land area of a village is controlled by a village council. The land for cultivation was not individually owned, it was collectively owned by the whole village population. Each family were allotted land for cultivation, they continue to enjoy the right over the cultivated land so long as they cultivate. Once they stopped, the land reverts back to the community.

It may, however, be pointed out that there are certain valleys and pockets in the district where the dry and wet lands are individually owned. But such ownership are very few and insignificant to the general picture of the district. Yet there is no denying that fact that property right was in vogue.

In Nagaland, unlike other parts of the country, the land generally belongs to the people. Each tribe has a well-defined territory. Within the tribal territory, every village has a well-demarcated territory. Each family in the village were given land for cultivation but if land is not cultivated the land reverts back to the community like in Mizoram. In the case of chieftainship society, a good portion of the land within the village territory belongs to the chiefs. It is his duty to see that plots are allotted to those persons who have no plot for cultivation.

It may also be mentioned that in all villages individuals have lands either inherited or acquired. The individual has absolute right over his land, he has a right to share the produce of the land. On the principles of succession it was said that the man who turns a jungle or a plot of wasteland into arable land becomes the sole owner of that land. The right of ownership once acquired remains with the man until he himself disposes it freely. In this sense we can argue that to a certain extent, private property was in vogue among the Naga tribes also.

Among the Nagas of Manipur, the land is held under several ownership within each clan and no alienation is permitted under their customary laws. Each village possesses a defined area and within it the villagers enjoy rights of fishing, hunting and development of agriculture either by new terraces or by jhuming.

In the hill areas of Assam, there is no proper land tenure and land holding system particularly in respect of jhum land. Although there are variations in land tenure system in jhum areas, it can be said that as long as the family cultivates a particular piece of land, it enjoys the ownership and possession over the plots. Hence among the Nagas of Manipur as well system of private property existed.

In Arunachal Pradesh, every single village is tradi-

tionally a unit of administration and authority. Its land boundaries are clearly demarcated and time honoured. This includes all classes of land cultivated and non-cultivable land, particularly for shifting cultivation falling within the village authority to the different clans inhabiting the village. The clan then redistributes it amongst the members of the clan. Should a household leave the village and migrate elsewhere its land right reverts back to the clan, which may redistribute it to any other member of the same clan. To this extent private property existed among the tribes of Arunachal Pradesh as well. But the land rights may revert to the village authority which has a right to redistribute it to anyone in the village. Each family acquires rights over the plots which it has cleaned, and in the course of time, each has a number of such plots in different places within the inhabited area. Individual ownership is thus established within the framework of communal possession. Hence it can be said that the institution of private property did exist among these tribes.

Among the Garo tribes of Meghalaya, individual ownership is said to be absent. Traditionally, land belongs to the community, but unlike other societies the communal land has been owned and controlled by the Nokma, or head of the clan, who even has the authority to sell the community land and to earn any revenue therefrom. But at the same time

possessory rights of the households over the pieces of land under their respective occupation are recognised. A plot of land remains in the possession of a household as long as it wishes to raise crops on it. But as soon as the household abandons its claim, the land goes to the joint possession of the community. Practically it goes back to the Nokma. The Nokma who has full control over the community land can re-allot or sell the fallow land of the village. Thus private property rights are also intertwined with the communal rights among the Garos.

Among the Khasi tribe of Meghalaya, land ownership are of two kinds. The first kind is the Ri-Raid, that is land which is communally owned and controlled by the community. The other type is the private land which is called the Ri-kynti. This land has either been acquired by a man or a woman individually or in the case of woman, inherited from her mother.¹⁹ The latter is a clear case of private property right. The Jaintia tribe had perhaps the best instance of private property right institution. The institution of private property among the Jaintias existed due to the practice of wet cultivation.

As has been discussed above, rights of private property

19. Ibid., p.259.

are intertwined with communal rights. And this system was in vogue almost among all the tribes of North Eastern Region. That being so, we cannot class the tribal societies in North Eastern Region along with the primitive communal system. It must be remembered that private property was totally absent under primitive communism. Further it may particularly be pointed out that the institution of the Ri-kynti among the Khasis is a clear indication that the economic system of the tribals of North East India cannot be classified with the primitive communism inspite of the existence of Ri-Raid system. Therefore, to define a tribal economy as a primitive communistic society where the mode of production is governed by the mode of communal appropriation of surplus labour become controversial with the Ri-kynti system.

Considering the slave mode of production, the tribal economy in North East India cannot be incorporated in it either. Though the term slave has been used among the Khasis, but when it is compounded into U Mraw U Dkhar it simply carries the meaning of an 'outsider'. Slave keeping was unknown among the tribals of North East India. In fact, the tribes used to look down upon slave-owning system and it can be inferred therefrom that slave mode of production was never practised among them. Nevertheless, an outsider or a non-member of a tribe might be made to work as a slave. But

that is a rare necessity rather than a rule among the tribes.

As we look at these three different tribes of the region, the Jaintias, the Kukis and the Garos, feudalism of the western nature seems to have prevailed among them. Among the Jaintia tribe, the rights over land are vested in their Raja or king. The Jaintia Raja had full powers over the land and with the termination of the Jaintia kingdom, the land rights of the Raja passed on to the British hands. But it may not be correct to say that the Jaintia Raja occupied a feudalistic position. According to the custom once he gifted the land to some one, it became the private property of the donee. The Raja never shared with the produce of the land.

Among the Kuki tribe of Manipur there is no individual land.²⁰ The chief of a Kuki village is something like a paramount power and the village land is his private property. It is also considered that the villagers hold land as his tenant at will and pay him titles. The rent paid to the chief varies from 3 to 5 times of paddy for every jhum cultivation within the chief's village. This appears to be a semblance of feudalistic system prevailing among the

20. B. Datta Roy, Social and Economic Profile of North East India, B.R. Publishing Corporation, Delhi, p.103.

Kukis even during the primitive stage of their development.

The Nokma - the head of the clan among the Garo tribe has got the full authority to sell or to earn revenue from the community land,²¹ placed at his disposal. Here again a semblance of feudalistic formation appears to have existed among the Garos in their primitive state and even now.

The tribal economic system in the North-East Region appears to possess the features of the Asiatic society. Like the Asiatic society, the tribal society in the region is also a village society, it is a classless society where there is no separation between commercial activity and agriculture. But unlike the Asiatic society, it is characterised by the communal land ownership. Here again it has been discovered that private rights did exist and were entwined with the communal rights.

It may, therefore, be concluded that the tribal society of North East India, contain the elements of primitive communal system where there exists communal land ownership. But private rights cannot be dismissed as being totally absent from the tribal society. There is the co-existence of private property in most of them. Slavery was unknown among the tribal societies of North East India, eventhough

21. Ibid., p.99.

the term 'slave' may be known among them. Feudalistic formation of the Western type appears to have existed among the Kuki tribe and the Garo tribe. The Kuki chief as well as the Garo Nokma were holding their sway over the land while the actual users or cultivators were holding the land as mere tenants.

On the whole, it may be said that the mode of production of the tribal economy of the north east India did not undergo the slave stage nor the feudalistic stage. The nature and functioning of Tribal economy in spite of the jhum system of agriculture were inter-related with other structural levels of every tribal society in the region. Besides, the characteristics of peasantry were witnessed among the tribes. Hence a tribal economy of the north-eastern India cannot be categorised as purely a primitive mode of production. It may be somewhere between the pre-capitalistic system and the capitalistic mode of production. Even capitalism of the west is said to have emerged within feudalism.

Chapter III
THE CAPITALIST SYSTEM

The preceding chapter analyses the pre-capitalist changes in the character of society culminating in the emergence of feudalism. We propose to discuss in this chapter the advent of the capitalistic mode of production culminating in the emergence of imperialism. We would, therefore, discuss the capitalistic mode of production in the first part of this chapter while devoting the second part to the discussion of the concept of imperialism.

PART 'A'

The Capitalistic Mode of Production

Capitalism emerged within the heart of the feudal system. In both town and country, differentiation of the petty producers occurred leading to the appearance of a handful of rich people and the ruin of numerous peasants and artisans, who were obliged to work for hire. Merchants who had amassed large sum of money also became big manufacturers. Coercion played an important role in the speeding up of the emergence of the pre-requisites for capitalism.

Bourgeoisie ideologists point out that those who were industrious and thrifty became capitalists, while those who would not work, became proletarians. In reality, however, the polarisation of society into those deprived of the means of production and the owners of wealth - the future capitalists -

was accompanied by brutal coercion.

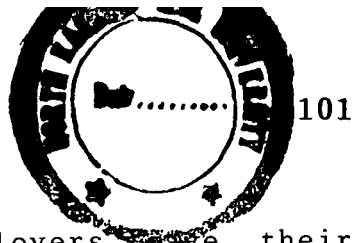
Capitalist mode of production essentially involves a large scale production in the factories where a large number of workers work under a single roof with huge machines to produce commodities for an entrepreneur popularly called capitalist. The substitution of machines for simple tools and implements was a significant step in the evolution of capitalism. The invention of various types of machines has led to what is now called the 'Industrial Revolution'. Industrial Revolution began in England and then spread in other western European countries and the U.S.A. In England, the industrial revolution began in the middle of the Eighteenth Century and was completed by about the year 1830. A series of inventions which have resulted in the making of big and new machines brought about a fundamental change in the mode of production which has produced far-reaching social change.

The industrial revolution gave rise to the factory system of production. In sharp contrast to the handicrafts and cottage industries, in the factory system a large number of workers work together on wage basis under a single roof and under strict discipline of an entrepreneur - the capitalist. The factory system and the new machines have made large commodity production at lower costs possible. This

has also raised the productivity of the workers as compared to the self-employed workers engaged in handicrafts. But the wages paid to the workers were barely equal to the minimum subsistence requirement. The surplus of output per worker over wages or what is called by Marx as 'surplus value' was appropriated by the capitalists.

The violent separation of the immediate producers from the means of production and the concentration of the latter in the hands of only a few is called the primitive accumulation of capital. It is called primitive because as it proceeded, requisites were created for genuine capitalist accumulation which implies the exploitation of wage workers.

The process by which the capitalist mode of production was established was accelerated by what Marx has called the primitive accumulation of capital. The primitive accumulation of capital stands for the forcible measures which were taken to ensure the alienation of small peasants from the land as a result of which huge mass of peasants were rendered propertyless. Without landed property, i.e. the means of production, these peasants lost the means for making their livelihood and so they joined the army of the unemployed and starved. Hunger is the drill sergeant of the factory owners, and it is hunger which ultimately drove the small propertyless peasants to the newly established indus-



trial factories. The capitalist employers gave their employment but at the wages equal to the bare subsistence requirements and thus exploited them. According to Marx the so-called primitive accumulation is nothing else than the historical process of divorcing the producers from the means of production. It appears as primitive because it forms the pre-historic stage of capital and the mode of production corresponding with it. In England primitive accumulation primarily took place through what is called enclosures, that is, forcible eviction of peasants from their land and driving them to the town.

The second aspect of the so-called primitive accumulation was the concentration of wealth of investible funds in the hands of a few capitalists. The concentration of investible funds were created not only by the exploitation of the vast mass of workers who were compelled to sell their labour power for their subsistence but also by the plunder of colonies by the imperial powers. For instance, plunder of India by England played a significant role in the growth of industrialisation and of concentration of wealth in the hands of the British capitalists.

The Development of Productive Forces and Urge to Accumulate

The change from small scale production of handicrafts

by craftsmen to large scale industrial production with the aid of machines in a factory system was without doubt, a big stride forward in the development of productive forces. Machines proved to be powerful means by which man could tame the forces of nature. Machines also lightened labour of workers and considerably raised their productivity. With further inventions and development of science and technology, the machine became bigger and more sophisticated. The exploitation of the workers and plunder of colonies by the capitalist class and consequently concentration of wealth in its hand, enabled this class to invest more and more in machines and factories. This ensured a higher rate of capital formation and industrial growth in the western European countries.

It is worthwhile to note that at that time, the propensity of the capitalist class was not so much to consume as to accumulate. The function of the capitalist, according to Marx, is to 'accumulate' and it is primarily because capitalist system offered stimulus to accumulation of capital that Marx recognised the historical role performed by it in the development of the western economies. Having this propensity to save, the capitalist class invested the surplus value extracted from the workers. To 'accumulate' was a passion for the capitalist in the earlier phases of capitalism. This generated a higher rate of capital forma-

tion and consequently of economic growth. To quote Marx "the capitalists bent upon the expansion of value, relentlessly drives human beings to production for production's sake, thus bringing about a development of social productivity and the creation of those material conditions of production, which can alone form the real basis of a higher type of society, only as the personification of capital is the capitalist respectable."¹ Consequently, rapid accumulation of capital brought about unprecedented economic growth in the western countries. It is because of the economic progress achieved under capitalism that Western European countries and the U.S.A. have become affluent nations today.

Relations of Production

Under capitalism, in the context of private ownership, socialisation of production takes place. The first capitalist enterprises took the form of simple capitalist-cooperation distinguished by the means of production being owned by the capitalist who managed them and controlled the product, the larger part of which, he appropriated. This co-operation was based on manual labour. Nevertheless, it contributed to the growth of labour productivity, facili-

1. Karl Marx, Capital, A Critical Analysis of Capitalist Production, Translated, Swan Souvenschein Lowrey and Co., Pater Noster Square, London.

tated the emergence of the productive forces of joint labour, and promoted the expansion of industry. It also gave rise to competition among workers.

Simple co-operation was replaced by manufactory. Unlike simple co-operation, manufactory involved a division of labour. It emerged either on the basis of an association of artisans of different trades, who together produced some single commodity, or by introducing a division of labour within the framework of one trade. Owing to the division of labour, artisans became operatives each dealing with a part of the production process. On the one hand, this increased labour productivity but on the other, workers could not now resume their handicraft on their own account which made them more dependent on capitalists. Manufactory resulted in an improvement of the instruments of labour, thereby paving the way for machine production.

In the late 18th and early 19th centuries the developed capitalist countries began to change over the large scale machine production. Craftsmen's tools were replaced by machines in a process known as the industrial revolution. Thus, the material and technical base of capitalism was built.

Capitalism is a social system under which all means of production belong to the capitalists, while workers have

none at all and are forced to sell their labour power to capitalists to keep body and soul together. Unlike slavery and feudalism, in capitalist society exploitation is disguised. The relations between workers and capitalists are presumed to be those between equal commodity owners, but the secret of capitalist exploitation was disclosed by Marx.

Stages of the Development of Capitalism

In the first place, free competition predominates. The means of production belong, in the main, to individual capitalists. The second which set in at the turn of the 20th century, is known as monopoly capitalism or imperialism. At this stage the dominant role in economics and politics belonged to the monopolies-corporations of big capitalists. Corporate property became pre-eminent among the other kinds of capitalist property. Intervention by the bourgeoisie state in the economy increased and the system of state monopoly capitalism took shape. Imperialism comes to an end during the general crisis of capitalism, i.e. the era of its collapse. The capitalist mode of production was analysed by Marx in his Das Capital and the ideas he expounded were developed further by Lenin in his book Imperialism : The Highest Stage of Capitalism. Marx's analysis of capitalism begins with commodity production.

Features of Capitalism

Capitalism prevailed and is still prevailing in the now advanced and affluent countries such as the U.S.A. and Great Britain. The industrialisation and economic development of the U.S.A., Great Britain and other Western European countries have taken place under the conditions of capitalism and laissez-faire. But what is capitalism? Capitalism may be called as a "system of economic organisation featured by the private ownership and the use for private profit of man-made and nature-made capital."² From this it is clear that under capitalism all means of production such as farms, factories, mines, transport are owned and controlled by private individuals and firms. Those who own the means of production are free to use them in any manner they like with a view to making profits. Everybody is free to start any enterprise he likes and is free to enter into contract with others. Although all modern states do impose certain restrictions in the interest of general welfare, yet even these restrictions leave much freedom to the owners of the property to use their property in any way they like, to start any business they think profitable to themselves, and to enter into contract they think necessary in their own interest.

2. William N. Loucks and William G. Whitney, Comparative Economic Systems, Harper International Edition, Harper and Row Publisher Inc.

The characteristic features of a capitalistic economy are elaborated as follows :

1. The Absence of Control .

Individual capitalists or firms are free to do what they like, to produce what they choose to produce, to invest their capital where and as they prefer. Thus there is no control in the system. This is what is meant when the term 'anarchy of production' is used for it, implying not necessarily that it operates quite arbitrary, but it goes without any intervention. It is to this that Engels was referring when he spoke of the growing contradictions between the increasingly social character of production and the fact of individual ownership.

These actions of the individuals outwardly look to be independent but are in fact interdependent. There is no central authority as such to co-ordinate these actions. The co-ordinating mechanism of such a system is the market and the price movement on markets.

Since the economic power is concentrated in the hands of private firms, they, through their control on the market, set the prices. This characteristic of a capitalistic economy is in complete contrast to the free market economy where complete freedom of the competition is allowed in the

market. The monopolistic structure of firms and that of market mechanism are an outstanding characteristic of capitalism. These two features emphasized the absence of a central control or authority.

But the absence of control does not necessarily mean a laissez-faire economy. While in a free market economy, the government is not supposed to interfere in the economic affairs of the country, in a modern capitalist country, government has to perform certain important functions. These functions are essential because

(a) Government must look after those wants for which either no direct change can be taken or should be taken. In the first category we include such things as national defence, flood control, internal protection, and in the second category we do include subjects like free education, free health centres, etc. These subjects fall under the category of social interest and no government can afford to neglect them at any cost. These are sometimes called communal wants that must be properly looked after; (b) it is also essential for the government to maintain proper balance in the economy. For this purpose it has to guide and regulate private economy, specially in case of those actions which are likely to go against the social interest. In this respect a government has to perform many functions, most

important of which, are (i) to establish healthy monetary conditions; (ii) to maintain an aggregate demand at equilibrium and (iii) to check the concentration of economic power.

2. The Key-Role of Profit Maximisation

Profit is the difference between receipts and costs and in general sense, the concept of profit motive is a part of free enterprise. While economic man, private property, inheritance, freedom of individual initiative and competition are no doubt important features of capitalism, the profit motive falls in a different category. The existence of private property and freedom of enterprise, assuming no interference from government, presumably leads entrepreneurs to maximise their economic interests as indicated by profits. Entrepreneurs acquire the services of various productive agents and put them to those uses and for the production of those goods, that promise maximum profits. The profit motive is therefore a supremely important force in the operation of a capitalist system. It plays a vital role in directing the organisation and use of productive activity. It is a special phase of the more general concept of free enterprise. The profit motive is an inherent part of capitalism and cannot be separated from the capitalistic economic system.

The profit motive as already described above refers to a monetary or pecuniary difference between receipts and expenditure, and it works as an incentive to action. The profit motive operates when entrepreneurs, as individuals, partnerships or corporations, calculate the expected surplus returns and are thereby moved to some economic action. It is only when the profit and the motive aspects are combined that the important characteristic of a capitalistic economy comes into operation. Profit alone or a motive alone may be a phenomenon of importance in a non-capitalistic society. But capitalism combines both.

Profit motive is thus the guiding factor in making decisions regarding the use of property in a capitalist system. The owners of the means of production enter that field in which their property yields maximum profit. Naturally cost and prices are compared for making decisions. More resources flow into those channels where profits are higher and are withdrawn from those channels where profits are lower. This process continues till adjustments in the allocation of resources have been achieved. Thus profit motive, in conjunction with the pricing system, guides the allocation of resources.

3. The Role of Consumers Sovereignty

Under capitalism consumers express their choice in

terms of price offers. More intense wants leads to high price offers, and higher price yield higher profits. It is, therefore, in the interest of the producers to produce what the consumers want. The consumer occupies the central position in the whole system. The market mechanism revolves around the consumer's choice. Hence consumer is the king reigning over the capitalist system.

The role of the consumers preference must be emphasized with regards to decisions which concern the use of resources desired in response to changing profit opportunities. In capitalistic economies, the wishes of the consumers as a group are reflected in the system of market prices and resulting profit opportunities which prevail at any given time. One of the key questions for any economic system is whether and to what extent the choices of consumers are able to influence the types of goods and services that are actually produced. The final purpose of all productive activity is to produce consumer goods. The earnings of the factors of production come in the last resort from the money paid by the consumers. In this sense every rupee spent by the consumer is a vote in favour of that commodity.

It might in fact be argued that most goods are produced in anticipation of consumers' demand. Entrepreneurs pay the

factors of production in advance. This, however, does not alter the truth of the statement that consumer is the king because entrepreneurs still act upon the anticipations of consumers' demand. The three essential roles of the consumer can, therefore, be enumerated as follows :

(a) It is the preference of the consumers as shown by the ways in which they spend their money, which determines which shall be produced.

(b) Production is controlled fully or rather for the most part, by anticipated demand.

(c) Under capitalism, since the controlling force behind production is the valuation of the consumers as shown by the ways in which they spend their money, consumer is the sovereign. Thus consumer's sovereignty finds its full meaning in capitalism through free choice of consumption.

4. Free Choice of Occupation

Freedom of choice of occupation is in fact, an extension of the concept of private property in productive resources. It gives an individual or group of individuals, the right to freely select the line of economic activity, in which such resources will be employed. In the broadest sense free choice of occupation is not confined strictly to

economic entrepreneurship. It also includes the activities of every individual participating in the operation of a capital system, i.e. wage worker, the owner of the natural productive resources, the owner of the capital, and the holder of liquid financial resources. This freedom may, however, be limited by certain internal conditions such as ability, training or the external conditions, like the extent of the market. Free choice of occupation simply means that labour must be paid where it is needed most and that the wages should be high enough to attract labour.

The individual's freedom and dignity, within the economic system, is in a large measure, a function of the alternatives open to him for his own decisions. Even if his decision is virtually pre-determined by economic circumstances, the mere fact that an individual, however poor he might be, has options to spend money, contributes to the upholding of his individuality.

Freedom of operating one's own business fall in the same category and even if most people in an advanced economy would not and could not do so, the substantial existence of such opportunities in itself adds to the quality of the economic and social order. In any case the tendency towards private enterprise is not easily restricted by any amount of control.

But it must be admitted that most individuals in the advanced economies have to be employed usually by large private or public organisations. They are concerned with other large and powerful organisation in addition to their employers, e.g. the state at its several levels and in its manifestations. Basic protection against risks of economic instability or personal misfortune through private insurance or social security, enlarges the individual's range of effective choice and enables him to assert his individuality. Quoting from Loucks and Whitney, Comparative Economic Systems, "Freedom of enterprise implies that an individual as a part of the labour force, is free to choose that occupation which he desires; the owners of the land is free to choose the use to which he puts it; owner of man-made capital goods or liquid financial assets is free to employ them where he sees fit, finally the entrepreneur who acquires the right to the services of labour, land, capital and goods, and finance through legal contracts may then use these in the manner which he regards as best, serving his interests. Thus every individual has the right to direct the resources he owns in the way he may decide. It is the basic assumption of capitalism that the individual is the best judge of his own interests."³

3. Ibid., pp.23-25.

5. Role of Private Enterprise and of Voluntary Action

A capitalist economy, is a free enterprise economy, where the material means of production are owned by individuals or groups of individuals or associations and institutions. Free enterprise, therefore, means that an individual and firm have the right to own and use property and to earn and spend incomes. With all the privileges the people has the liberty, as an economic entities, to decide in their own various capacities, their own course of action. As borrowers or lenders, as employer of employee and as seller or buyers, it is open to them to decide how they would behave under given circumstances. Hence to say that a capitalist economy is a free enterprise economy implies that capitalism is a system characterised by economic liberty.

However, free enterprise is not confined only to economic entrepreneurship alone since capitalism assumes that an individual is the best judge of himself. While performing his economic activities he will be guided by his own self-interest. In capitalism it means primary economic self-interest. It has significance in both production and consumption activities. Once one accepts the idea of self-interest as consisting primarily of economic interest, it becomes clear that the institution of private enterprise, though working in its own interest, actually has economic

interest in its actions. The institution of private enterprise therefore performs the following functions in a capitalist society :

(a) Through the institution of free enterprise, the agents of production are supposed to be directed into their best uses.

(b) The existence of private property and free enterprise leads entrepreneurs to maximise their economic interest as guided by profit.

(c) The institution of free enterprise presumably enables the capitalist system to maintain the relatively full employment of its available production resources.

(d) Lastly, free enterprise is regarded as a stimulant for invention and innovation.

6. Freedom in Saving and Investment

In capitalism, the right to save is more secured and supported by the law of inheritance and the right to bequeath one's wealth. Thus, within limits of legislation, every individual is free to choose between present consumption and future consumption. Such a law of inheritance is not fully accepted in economic systems, which aims at government ownership of the means of production. The

freedom to save, to inherit, to accumulate wealth and also to choose one's occupation, is the most peculiar feature of capitalism.

The relationship between saving and investment is established by the fact that, if not all the savings, at least some part of community's savings is intended to be invested. This investment is necessary in order to produce capital goods which in due course of time, will be needed to produce consumer-goods.

Theoretically speaking, the community's saving as a whole must ultimately be equal to the community's investment. In capitalism, however, the firms are under no obligation to invest. This freedom to invest is implied in the unplanned character of the capitalist economy. We cannot always be sure that the production of investment goods will always correspond to intended savings during any particular period. At any given time either the investment may be greater than savings or the savings may be greater than investment. It is true that in a free market economy we assume sufficient elasticity of interest rates so that ultimate equality between saving and investment is maintained. But if consumers do not spend their income at all and instead of saving for the purpose of investment, actually hoard it, which they can do in capitalism, the

result will be a decline in investment which in turn will bring a fall in employment leading to reduction of the national income of the country. This is what happens in the unplanned economy like capitalism.

7. The Role of the Government

In the market oriented economy, owners of resources left to their own, will be guided by the signals of the market to put scarce agencies to the most productive uses. Given all the required conditions, resources will be channelled into the areas where demand is good and returns are high. But even if the market system worked thoroughly well, its allocative efficiency would not mean distributive justice. Consumer sovereignty is no guarantee of individual integrity. Thus market is affected by the degree of uncertainty. It is here that the governments' participation in economic activity arises. As Keynes in his General Theory has pointed out, the state is in a better position than private enterprise to calculate long run needs in terms of general social advantage and should assume greater responsibility for directly organising investment.⁴

4. J.M. Keynes, General Theory, Cambridge University Press, p.75.

8. Government and allocation interference

In modern world there is no chance for laissez-faire capitalism. Apart from the presence of democracy, another factor which has facilitated the growth of state-capitalism is the emergence of monopoly in economic organisation. If efficient allocation of resources is most desirable target in any economy and if the private enterprise is not fully qualified and prepared to handle the responsibility, the government interference becomes inevitable.

It may also be pointed out that government interference in the allocation of resources is not always a guarantee of proper and most effective allocation. In this connection, it has been said that the Great Depression of 1929 which did much harm to capitalism reputation, was caused not so much by the fluctuations in prices as public policies which first tempted the economy into over-expansion and forced it into a completely unnecessary contraction. But such mistakes are few and far between. On the whole in all western capitalist countries, government has acquitted itself well by keeping up the spirit of capitalism.

9. Monopoly and Capitalism

Competition is no doubt necessary in a capitalist economy to keep initiative constantly on and to maintain a

sufficiently flexible price system. Capitalism may rely solely upon competition in these respects and yet competition may be far from perfect, because there are tendencies in capitalist economy to give rise to monopolistic combinations. These tendencies are mainly the result of profit motive by the private enterprise and the desire on their part to avoid cut-throat competition. Some writers point out that private monopoly is inconsistent with capitalism as a system of economic organisation. A governmentally owned business unit, according to such writers, can be consistent with a capitalist system only, so long as it is used as a means of accomplishing what competition would have accomplished, had it not been possible to permit it to operate. This means that the more extensive and intensive the non-competitive practices of privately owned and operated business concerns become, the less economy becomes capitalistic in the true sense of the term.

Marxian Economics and Capitalism

Marx analysed capitalism through his various theories which were based on the ideas of the classical writers more specially through the Theory of Value. Here he appropriated the essentials of the Ricardian Labour Input approach. He also began his study with the exploration of exchangeable value. His specific objective in understand-

ding this study was to lay bare the laws of motion of the capitalist society. He wanted to understand in particular, the labour-capital relationship in the capitalist society, and that too occurs in the field of industrial production. But in order to understand how exchange takes place between labour and capital, he thought it necessary to understand the general law governing the exchange of commodities. In the words of Stalin, "Marx wanted to show that the capitalist process is a process of exploitation of one class by another and that the economic consequences of this exploitation will eventually destroy capitalism."⁵

The economic theory which explains the process of exploitation is the theory of surplus value which in turn rests on the labour theory of value. The Labour Theory of Value is so important in the whole set up of Marxian economics but this was derived from the Ricardian Theory of Value. Ricardo had stated that possessing utility, commodities derived their exchangeable value from two sources from their scarcity and from the quantity of labour required to maintain them. Labour was held to be the only productive agent and the source of all value. But Marx while discussing his Labour Theory of Value, went further

5. George N. Halm, Economic Systems - A Comparative Analysis, Oxford and IBH Publishing Co., New Delhi.

than Ricardo where he considered labour as the substance of value whereas Ricardo suggested that goods are exchanged only in production to the labour used in their production. It is, therefore, interesting to take up Marx's Labour Theory of Value and then his idea of surplus value.

The Labour Theory of Value

Marx begins his Labour Theory of Value with an analysis of the commodity and defines the commodity as an article which has utility, as the product of human labour, and as being produced for the market. Since the commodity must be the product of human labour, Marx excludes from commodities such gifts of nature as the soil, water, power, coal beds, etc. The qualities which give a commodity use-value are, in the capitalist system, the material carriers of exchange value. Therefore, we have to consider only the exchange value of a commodity which is nothing but the product of labour.

The difference in the quality of labour did not also present any serious problem to Ricardo or Marx. Ricardo pointed out that the estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the

labourer and intensity of the labour performed. The scale, when once performed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted and placed in its proper position in the scale of value. Marx points out that the labour whose quantity is to govern or regulate values, must be of the quality a labourer normally does in any given time and place, not more or less efficient than that, and that it must be applied according to the prevailing standards of technological rationality, to use Marx's term it must be socially necessary labour. This socially necessary labour involves four proportions :

First, the socially necessary labour time is the time spent by labour possessing average skill and working with average intensity. For this purpose, skilled labour is reduced to unskilled average labour. Marx like Ricardo feels that these adjustments are done in the market, by a social process that goes on behind the backs of the producers and, consequently appear to be fixed by custom.

The second proposition of socially necessary labour is that normal conditions of production must prevail and be supported by modern machinery.

Thirdly, the product must be in demand. Labour could

not be counted as socially necessary if too much of its product has been produced in relation to solvent social demand.

Finally, the labour time concluded includes past labour and present labour. This shows that what Ricardo saw dimly, Marx elaborated and both indicated that the exchange value of commodities was determined by the amount of abstract labour contained in them.

Since Marx's Labour Theory of Value originated from Ricardo's Theory of Value, their theories are more or less similar, but the implication they drew was significantly different :

Firstly, while Ricardo introduced the labour quantity theory of value simply as a hypothesis that was to explain the actual relative prices or rather the long run normals of relative prices, for Marx the labour quantity theory was no mere hypothesis about relative prices nor did the quantity of labour embodied in products merely regulate their value. It was the essence or substance of their value.

Secondly, Marx considered labour as a source of value, because to him labour was at the heart of human relations and it was the only productive factor in the economic system. His was the theory of social relations not of

price like Ricardo.

Thirdly, Marx needed the labour theory of value as a basis for his theory of surplus value to prove the existence of exploitation in the capitalist system and to create alertness in the minds of the reader that capitalist process is a system of piracy preying upon the very life of the workers.

Surplus Value

We turn now to the theory of surplus value which is the key factor in Marxian economics. His theory of surplus value rests on three prepositions : (i) The labour theory of value; (ii) The capitalist system of production in which the material means of production are owned by the capitalists, and (iii) The possibility of purchasing labour power at a value equal to the means of subsistence required for the reproduction of labour power. All these three prepositions are interrelated. As seen above, while Marx elaborated the labour theory of value, he made a distinction between labour and labour power and pointed out that the capitalists, in order to operate the means of production over which they have got full ownership and control, will purchase the labour power of the labourer. But the labourer is paid a wage which has nothing to do with the

exchange value of the commodity he produces. To the capitalist, labour is just a commodity whose value is determined by the number of hours of labour necessary to produce it. Marx thus spoke of the quantity of labour necessary to produce the labour force.

Thus there emerges a difference between what labour produces and what he received. If only labour creates value, the labourer is entitled to the whole product of his labour. Actually he receives only that portion of his labour necessary for his subsistence and reproduction, i.e. the value of his labour power. The remainder or surplus value comprises profits, interest and rent.

The theory of surplus value is peculiar to the capitalist system and not to the primitive economy. Here Marx made a distinction between simple commodity production and capitalist production. Under simple commodity production, each producer owns and works with his own means of production. Under this system, commodity constitutes the beginning and the end of the transactions (C-M-C), barter system of transactions. The only difference between the first C and the last C is that they are qualitatively different from those given up. On the other hand, in capitalist production, ownership of the means of production is in one set of individuals while the work is performed by

another. In this case, the capitalist goes to the market with money, purchases commodities (labour power and the means of production) and then after a process of production, sells them and gets money (M-C-M). Money is, therefore, the beginning and the end of production.

While talking about the productive capacity of the material means of production, Marx points out that surplus value comes only from labour. Capital exists in order that surplus value can be created, but it does not create surplus value. He differentiates capital into two types - constant and variable capital - corresponding broadly to the distinction between machinery and capital represented by labour power, in effect, wages. Machinery is called constant capital, because it does not alter its value in the process of production. It only adds to the commodity that is being produced. The variable capital on the other hand alters its value, it produces its own equivalent and the surplus value which is itself a variable magnitude. This distinction emphasizes the fact that only variable capital gives rise to surplus value.

It is obvious that the capitalists will be interested to increase the rate of surplus value. Since this is the difference of what labour produces and what the capitalist receives, the more the surplus value, the greater will be

the incentive to production. According to Marx, the magnitude of the rate of surplus value is directly determined by three factors : (i) the length of the working day, (ii) the quantity of commodities entering into the real wage, and (iii) the productiveness of labour. According to the labour theory of value, labour is the only factor which produces commodities. For example, if a labour is working for ten hours a day, the exchange value of the product of his labour is ten hours labour or its equivalent. The capitalist sells the commodity thus produced at its real value, but the capitalist buys labour power at its subsistent value, that is, he pays to the workers as wages a sum corresponding to the value of the worker's means of subsistence. It follows, therefore, that the working day can be divided into two parts, necessary labour and surplus labour product of necessary labour accruing to the capitalist. The employers are, therefore, interested to increase the working hours to increase surplus value. Lengthening of the working day increased absolute surplus value.

When it is not possible to increase the working day, the capitalist tried to increase relative surplus value by lowering the real wage or by increasing the productiveness of labour, which is equivalent to decreasing the amount of socially necessary labour time devoted to producing the

workers' means of subsistence. So there is greater mechanisation, improved technology and persistent effort to cheaper food. All three methods will be combined to increase surplus value. The labour is the only commodity that has the capacity of creating more value than it itself contains. As a result, the worker is exploited even when he is paid the full exchange value for his labour.⁶ Therefore, Marx does not blame the individual capitalist for the exploitation of labour. He wanted to show that exploitation did not arise from individual situations occasionally and accidentally, but that it resulted from the very logic of the capitalist system unavoidably and quite independently of any individual intention.⁷

What we can understand and appreciate the spirit behind Marxian analysis is that the labour theory and surplus value proved one thing - that capitalism is a system of production concentrated economic power in the hands of a few who are called capitalists and in their turn, exploited labour, appropriate surplus value and perpetuated economic injustice.

6. The rate of surplus value $\frac{S}{V} = S^1$, S denoting surplus value and V denoting variable capital, is the capitalist form of what Marx called the rate of exploitation - that is the ratio of surplus labour to necessary labour.

7. Joseph Schumpeter, Ten Great Economists, Oxford University Press, New York, p.31.

The Rate of Profit

The analysis of surplus value leads to 'profit'. In the capitalist system, production is organised for the sake of profit and, therefore, it has a crucial role in determining the behaviour of the capitalist. In other words, the continuance and progress of the whole system depend upon the rate of profit. According to Marx, the rate of profit is the ratio of surplus value to total capital outlay, i.e. $P = \frac{S}{C + V}$, where P stands for profit, S for surplus value, C for constant capital, and V for variable capital. But P depends on two variables : rate of surplus value and organic composition of capital. Marx identifies surplus value with profit. Therefore, an increase in surplus value means an increase in the rate of profit. Secondly, the organic composition of capital is a measure of the extent to which labour is furnished with materials, instruments and machinery in the productive process. The materials, instruments and machines help in producing surplus value by cheapening the commodities by which labour subsists and thereby reduces the necessary labour time. This increases the rate of exploitation. The supply of labour increased but the necessaries of life for the whole family can now be earned by the combined effort of several members of the family. It follows from this that the capitalist will employ more and more efficient machinery to increase surplus value. The

capitalist who does not or cannot increase his constant capital as required by the technological progress will soon be unable to compete with others and will have to join the ranks of the proletariat. Pursuit for increasing surplus value will, therefore, lead to (i) greater accumulation of constant capital by a progressive mechanisation of the process of production, (ii) greater concentration of wealth in fewer and fewer hands, (iii) emergence of a surplus population which Marx calls the Industrial Army of unemployed or under-employed created by the mechanisation of the process of production, (iv) production of increased volume of finished goods with the help of less labour, and (v) improvement in the productivity of labour.

Therefore in the capitalist system, the organic composition of capital undergoes a continuous change in favour of constant capital, i.e. the mass of the material means of production grows faster than the mass of labour power employed. But the surplus value springs exclusively from variable capital. Accepting both these propositions and further assuming that the rate of surplus value remains constant and that the Marxist value of capital goods does not fall, we have no difficulty in reaching at the conclusion that the rate of profit has a tendency to fall.

Marx, therefore, points out that the capitalist

production has certain internal barriers to its own expansion. On the one hand, a rising organic composition of capital is the expression of growing labour productivity. On the other hand, the falling rate of profit which accompanies it must ultimately choke up the channels of capitalist initiative.⁸ A rise in the organic composition of capital must mean an increase in labour productivity and we have Marx's own word for it that higher productivity is invariably accompanied by a higher rate of surplus value.

Accumulation, Crisis and Breakdown

Marx never worked out a theory of business cycles, but many remarks about crises and indeed, periodical fluctuations of the economy are scattered throughout his writings. They centre around two distinct lines of argument. Crises in capitalism are seen to result either from the tendency of the rate of profit to fall or from under-consumption caused by the antagonistic conditions of distribution. The cause of the real crisis remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way that only the absolute power of consumption of the entire society would be their limit.

8. Maurice Dobb, The Theory of Capitalist Development, Dennis Dobson Ltd., London, Chapter V.

The falling tendency of the rate of profit leads to an analysis of economic crisis and breakdown. According to Maurice Dobb, this is the primary exploratory principle so far as crisis are concerned. The capitalist increases accumulation in order to increase the rate of profit, but the process of capital accumulation inevitably leads to a declining rate of profit. This is a contradiction in the capitalist system which grows in intensity as a system develops. The decline in the rate of profit removes the incentive to produce. This results in the withdrawal of capital, contraction of circulation and consequent over-production.

It might be asked as to why the capitalists continue to invest at lower rate of profit rather than leave the money idle and in consequence receive no profit at all. The answer is: the capitalist in anticipating a continuance of the profit rate, had made over-investments in so far his own calculations were concerned, and, therefore, when there is a fall in the rate of profit, he promptly revises his decisions and rushes for liquidity to make appropriate readjustments in course of time. This is not an individual reaction, but a general tendency and, therefore, capitalism inevitably leads to economic crisis.

The second cause for economic crisis, according to

Marx, is anarchy of production. The first theory analyses the effect of capital accumulation on the relation of class revenues (falling rate of profit) and represents a theory of over-production. The second refers to the continual tendency to disproportionate development in different sectors of the economy, and hence to relative over-production in certain branches of the economy. This disproportionality in various branches of production has its roots in the planless character of capitalist production. There is no master plan in the capitalist system; each capitalist produces for a market, the size of which he can only estimate on the basis of very incomplete knowledge with the result that 'too little' of some and 'too much' of others, are produced. This results in partial disturbance in the process of production and circulation aggravating the general crisis.

Thirdly, crisis also arises from under-consumption. It is true that Marx never worked out the under-consumption theory in any detail. He only indicated a belief that an interruption of production may result from the capitalist's inability to sell commodities at their values. The trouble is traced to a restricted volume of consumption demand, first because the workers' consumption is held in check by the milestone of unemployment; and second because the capitalists deliberately keep their own consumption down in order to have more accumulation. Lenin speaks, in this

connection, of the contradiction between the limitless striking for expansion of production which is the very essence of capitalism and the restricted consumption of the masses.

Finally, there is another feature in capitalism which spells its downfall, i.e. the increasing misery of the workers. The increasing misery of the workers partly due to the falling rate of profit as already discussed above, would eventually lead the workers to revolt and overthrow the capitalists.

SECTION 'B'

IMPERIALISM

The discussion on the capitalistic mode of production would not be complete unless the concept of Imperialism is also dealt with. We, therefore, propose to discuss the concept of Imperialism in the second part of this chapter. We must take note of the fact that while there are a few people who would treat imperialism as a separate system that had evolved out of capitalism, others would take it as the last stage of capitalism. For our purpose in this dissertation, we are inclined to treat imperialism as the last phase of capitalism.

Concept of Imperialism in Political Economy

Modern capitalism is the result of the historical development of the capitalist system. Capitalism entered a new stage - that of imperialist or monopoly capitalism which was analysed by Lenin in his book Imperialism : The Highest Stage of Capitalism. Writing in 1916, Lenin's immediate aim was to show that the war of 1914 was on both sides imperialist and that imperialism was a direct continuation of the fundamental properties of capitalism itself.

The concept of imperialism has only recently re-entered the arena of social science as a respectable subject of economic study. First, the post-war decolonization and subsequent enthusiasm for international economic co-operation and assistance had relegated the concept of the historians and rendered its discussion as a current problem by social scientists either apparently irrelevant or actually subversive. Secondly, there was the continuing devotion of social scientists to the whole body of liberal classical economic thought. Imperialism together with protectionism strengthened monopoly capitalism which helped imperialism to flourish further.

Imperialism is not a precise economic concept and cannot be reduced to a set of general equilibrium models. It has a long history as a framework for thought in poli-

tical economy from the Mercantilists and Physiocrats through to Lenin and the Neo-Marxists. The use of the word 'Imperialism', like capitalism or mercantilism, implies the need to combine political and economic analysis in explaining the unity of social phenomena. Political theorists can help us understand the nature of inter-government relations by analysing the causes and effects of the pattern of power group and thus estimating their relative strengths and their incorporation in political institution. When economic and political theories are combined in political economy, it is not only economic and political motives and institutions which are considered together but also the economic and political theories that the men and women involved in social activity.

Imperialism as a concept of political economy may thus be regarded as a set of political and economic structures and relations which provide a framework of thought or model to help us in understanding what men have described as empires whenever they refer to the Persian empire, the British empire, and the Roman empire. In Marxist thought, imperialism is used as a technical term for a stage of capitalist development that spans the last hundred years.

At all times the concept of imperialism has been used to encompass the outward drive of certain people to build

empires both formal colonies and privileged positions in markets, protected sources of materials and extended opportunities for profitable employment of labour. The concept has thus been associated with the unequal economic relationship between states, not simply the inequality of large and small, rich and poor trading partners, but the inequality of political and economic dependence of the latter on the former.

In any political economic analysis, we have to use categories like nation state, ruling group, class, firm and plant which inevitably embrace many separate individuals having widely varying aims and interests. In much of economics, we are asked to assume that individuals pursue their own best economic interest in the different markets that make up an economy. In political economy, we have to bring together the impersonal workings of markets and the personal decisions of powerful individuals and groups of men. This does not, however, mean that we are necessarily driven out into a sea of arbitrary decisions. There are economic and political structures to be identified within which decisions are made that may be partly related to the market and partly to the search for power in non-economic field.

If imperialism is a model for elucidating the relations

of nation states, does this necessarily involve the idea of one whole nation or people seeking to dominate another? Many writers on empire have spoken of a general impulse to dominate and start from a review of warlike tribes and warrior nations leading on to a study of nation state where the balance of power among nations is identified as a cause of imperialist ambitions.

The Different Views on Imperialism

Marx's view

Marx saw the social formation of capitalist society as the latest of a number of historical social formations. Each could best be understood by studying their mode of production or the way in which men get their living which he called production relations or economic structure. Upon this base was built the super-structures - past as well as present - including those that need nuclei for the future.⁹

Thus, imperialism in the Marxist view, is to be seen both as a political form and as a set of ideas that emerge from a particular level of technology and from the economic structure that was appropriate to it. This structure in capitalist society, although it appears as a relationship

9. Brief Summary of the Statement of Marx's Vision, 1904, Preface. Progressive Publishers, Moscow.

between things - capital-land-labour and goods in the market - is in reality a relationship between people, between the few owners of capital and the many owners of labour power who had been disposed of their property. The essence of this stage of technology was that machinery could be used continually to cheapen the costs of production, to economise their labour time and to increase output per man. Capital applied to the purchase of machinery, materials and labour power in order to produce goods for sale could be enormously expanded beyond the wildest dreams of merchants whose profit came from the purchase and sale of goods which others had produced. In a competitive market moreover, only those who continuously expanded their capital in order to further reduce their costs could hope to survive. This driving force was the competitive struggle for capital accumulation.

The Marxist theory on Imperialism was, in the first instance, capitalist entrepreneur and his capital arise together with a new kind of technology out of a pre-capitalist exchange economy of handicraftsmen and other self-employed producers who were at a low level of productivity. The capitalist, in building up a stock of capital which he uses to increase his productivity in competition with handicrafts does in effect, by reducing cost, create the possibility of extra purchasing power. Competition

between capitalists to develop new cost-saving techniques then encourages them to go on investing. 'Modern Industry', Marx says 'never looks upon and treats the existing form of a process as final. The technical base of that industry is, therefore, revolutionary while all earlier modes of production are conservative. At the same time, the new class that introduced modern industry cannot exist without constantly revolutionising the instruments of production and with them the whole relations of society.¹⁰

Secondly, the check to investment arises when the process of accumulation comes up owing to the very source of accumulation, that is the profit taken from the workers who have not only to create the profit but purchase the extra goods which new capital makes possible. Hence the periodic booms followed by slumps when labour is dismissed and re-engaged as capital is destroyed and restructured.

Thirdly, while the necessity to employ labour to make profits in order to sustain capital accumulation drives, the capital on the capitalisation of profits becomes increasingly difficult with the larger and larger ratio of capital to labour, unless the cost of capital can be cheapened or the rate of exploitation of labour can be

10. Marx and Engels, 1933, Progressive Publishers, Moscow.

raised.

The contradiction in capitalism is, for Marx, between tendency and aim. The aims of capitalists is to step up accumulation through higher productivity to increase their profit. However, the tendency is not only for accumulation to restrict consumption - their own and their workers - but also for technological changes involved to reduce the labour employed per unit of capital, thereby lower the rate of profit. He insisted on the importance of expropriation of the self-employed craftsmen by the capitalist. Thus Marx saw the development of colonies as an example of the need of industrial capitalism for expropriated labourers. Where new lands were opened up, settlers could buy cheap land and become their own masters. To prevent them from becoming masters the government took over all the land and sold it dear so that an immigrant would have to work for a long time for wages before he could become an independent cultivator.

The resulting colonial societies made up of local capitalists with European ties, settlers cultivators and slavers, were to be found in North and South America, in Southern Africa and Australia. The subsequent tensions between settlers and slaves and between local and European capital have led some critics of Marx and Neo-Marxists to

argue that the main pressure behind imperialism, both in the extension of empire and in the intensity of exploitation, has been that of the colonial settlers.

Imperialism is thus, for Marxists, an extension by industrial capitalists of that form of commodity production in which labour becomes itself a commodity. Capitalist production, therefore, under its aspect of continuous connected and process of reproduction, produces not only commodities, not only surplus, but also it produces the capitalists relations - on the one side capitalist and on the other side the wage labour. The driving force behind the extension of commodity production under capitalism is the competition of capitalists, even under conditions of oligopoly, and their need to find not only new markets and raw material supplies but new sources of accumulation from the profitable employment of labour which is, in effect, the meaning of more euphemistic phrases about opening up investment opportunities.

Bukharin on Imperialism and War

Lenin left it to his ally Bukharin a rising intellectual among the Bolsheviks, who was in Switzerland in 1914-15 to assay first the task of synthesising afresh the floating ideas of Marx about imperialism of proving that the war now raging was the one that its teaching had

foreshadowed. Bukharin did so in 1915 by expanding an article he had written into a treatise, Imperialism and the World Economy.

Bukharin's tittle announced his firm association of imperialism with capitalism. According to him, war was natural in the epoch of concentration and monopoly. Contemporary imperialism was quite distinct, he laid down, from all earlier forms of expansion and conquest though at one point he admitted a likeness by referring to it as a 'new mercantalism'.¹¹

To explain why colonialism had become a veritable mania of all modern capitalist states, Bukharin drew both on Hobson's capital export and Hilferding's finance capital. In doing so, he neglected some incongruities, because he put all types of foreign investment into one and the same category, from German Industrial goods exported on credit to Anglo-French reinvestment of interest. Britain had a net inflow of capital in almost every year between 1875 and 1907. Reinvestment funds floating free above the productive process, had a kinship with the usurer capital of old days or of Asia. Loans to profligate oriental despots, followed by an occupation of Egypt or some other mortgaged

11. Bukharin, Imperialism and World Economy, The Merlin Press Limited, 11 Fitzroy Square London, 1972, p.125.

estates - the sort of transaction Hobson was most concerned to censure - were more congenial to it than to finance capital in Hilferding's of bank money invested in industry. Not all British investments took this direction of course. To clinch the connection between capital export and imperialism, Bukharin cited figures showing half Britain's overseas investment to be within the empire. British investment was healthy drawn away from the carcasses of tropical kingdoms by the lure of vast English speaking regions scattered over the globe, all hungry for development capital.

Bukharin referred summarily to the barbarous, destructive, wasteful activities of imperialism.¹² He shared with Kautsky's view of the rate at which backward land under western rule were being inducted into capitalism. He wrote that all social relations everywhere were being transposed into one uniform pattern, a confrontation of capitalist and workman.¹³

Inside national limits, Bukharin admitted that the coming of trusts and cartels represented a kind of organisation process, but internationally there was still chaos. The anarchic structure of world capitalism is expressed in two facts : world industrial crisis on the one hand and war

12. Ibid., p.167.

13. Ibid., p.27.

on the other.¹⁴ We find an analogy in political history in the discipline imposed on disorderly feudalism by the absolute monarchies of the sixteenth century; and the diversion of its restless energies outward into dynastic wars. Economic life was taking a more and more international character, but this instead of bringing the nation closer, only sharpened competition among national groups of capitalists. Tariff policies, formerly defensive, were now weapon of offence, and tariff wars were preliminary skirmishes leading to wars of gunpowder.¹⁵ He noted that exported capital could overleap custom barriers,¹⁶ but this too, he regarded it as a kind of invasion because it subjugates new territories with the greatest case intensifying rivalries to an extreme where they can be settled only by fire and sword.¹⁷

Capitalism by its nature must at all costs expand, or go to the wall. Imperialist annexation is only a case of the general capitalist tendency towards centralisation of capital.¹⁸ Now that the earth's disposal areas were pre-empted, nothing could be got except at someone else's

14. Ibid., p.53.

15. Ibid., pp.74-83.

16. Ibid., p.97.

17. Ibid., p.103.

18. Ibid., p.120.

expense. Bukharin quoted Marx's adage about all economic history of turning on the antithesis of town and countryside, and observed truly that this was being reproduced on a vaster scale between industrial and undeveloped regions.¹⁹ Spread of industrialisation must mean a relative falling off of agricultural resources, and, therefore, an impetus towards acquisition of agrarian regions to provide industrial economies with an economic supplement.²⁰ But to suppose that agrarian appendages alone were needful to capitalism would be half way to accepting the contention that this war was unnecessary and that imperialism was a manace only to the backlands. Its appetite was not confined to overseas territories, it commenced with these because they were the most accessible, but the time had come for a fundamental revision or tearing up of frontier lines. German seizure of Belgium was on a par with Britain's Egypt, except that the former was an instance of horizontal expansion, the latter of vertical.²¹

For him each nation at any rate was evolving into one great capitalist corporation, an entrepreneurs' company of tremendous power.²² With the war, the bonds between states and finance and industry were everywhere drawn closer

19. Ibid., pp.20-21.

20. Ibid., p.105 and Chapter VIII.

21. Ibid., p.121.

22. Ibid., p.155.

still, bureaucratic capital being said to be joining banking and industrial capital as a third partner. State power has become the domain of financial oligarchy, and exact expression of the interest of finance capital.²³ An unexact expression, rather, fortunately for mankind, its overlords have never succeeded in devising methods of government entirely and exclusively satisfactory to themselves. Directing a state is a different matter from directing a bank on whatever scale and besides the many alien incrustations that clog the pure reason of capitalism, there is the fact that it does not always know any more than its simpler-minded forerunners. It may have to be saved from itself. A state run wholly by and for big business would not be long in capsizing.

Lenin's Theory of Imperialism

At the turn of the 20th century, capitalism entered its imperialist stage. In his work Imperialism : The Highest Stage of Capitalism (1916), V.I. Lenin gave the first ever Marxist analysis of this phase of capitalist development. He disclosed the economic and political essence of imperialism and exposed its incurable social ills and vices and showed the conditions for its unavoidable collapse. Lenin's essay on imperialism was a direct continuation of Karl Marx's capital. He enriched Marxism as a science,

23. Ibid., p.108.

because his doctrine of imperialism and socialist revolution serves as a new stage in the development of the proletariat's political economy.

Lenin proved that imperialism is not merely a socio-economic formation. This is the same old capitalism, and it operates in accordance with the same economic laws and rest on the same foundation which is the capitalist ownership of the means of production and the capitalist production relations. In other words, capitalism has not changed its essence, because its basic law is still the production of surplus value and its appropriation by capitalists through the exploitation of wage labour by capital. Therefore, all the fundamental laws operating under capitalism and all its main features remain unchanged in the epoch of imperialism.

But there are certain features that are typical only of imperialism. These are :

- 1) The concentration of production and capital which is so high that it has produced monopolies which play the decisive role in the economy.

- 2) The merger of banks with industrial capital and the creation of finance capital and a financial oligarchy on this basis.

- 3) The export of capital, in contradistinction to export of goods, which acquires special significance.

4) Formation of international monopoly alliances of capitalists for the purpose of dividing the world.

5) Completion of the territorial division of the world among major capitalist countries.

Lenin saw imperialism not only as arising out of capitalism but as an actual stage of development of capitalism - the highest stage in his view, a so-called monopoly 'stage' which could be dated from the great depression, with increasing inter-connections of industrial and bank capital.²⁴ At this stage competition between capitalists had led to monopolies fighting it out the world over and using nation - state power to control markets and sources of raw material especially markets for export. What Marx had seen as emerging out of the unplanned working of the capitalist system, Lenin saw as the deliberate policy of new national capital groups rivalling those in Britain.

The state of finance industry behind state protected tariff walls in these capitalist economies had created a new combination of natural financial and industrial interests, which Marxists described as finance capital and which led Lenin to speak of the epoch of development of monopoly capital into state monopoly capitalism.²⁵

24. Lenin, Imperialism : The Highest Stage of Capitalism, Progressive Publisher, Moscow, 1933, p.45.

25. Ibid., pp.45-60.

Lenin's conception of finance capital was based on Rudolf Hilferding's study of the role of German and United States banks in extending and controlling industrial capital.²⁶ He saw state protection of the industry in the newly developing European and American capitalist nations moving from the establishment of monopoly positions at home to similar positions abroad.

The export of capital in Lenin's view of imperialism is explained by the decline of profitable uses for capital at home. Here Lenin comes very close to an under-consumptionist theory.

So long as capitalism remains capitalism, surplus capital will never be used for the purpose of raising the standard of living of the masses. For this would mean a decrease in profits for the capitalists. Therefore, it will be used to increase profits by exporting the capital abroad to backward countries. In these backward countries profits are usually high for capital is scarce while the price of land is relatively low, wages are low and raw materials are cheap. The possibility for exporting capital is created by the entry of a number of backward countries into international capitalist intercourse. The main railway lines have either been built or are being built there and hence the elementary conditions for industrial develop-

26. Hilferding's study is entitled Finance Capital - The Latest Phase of Capitalism, Vienna.

ment have been assured. The necessity for exporting capital arises from the fact that in a few countries capitalism has become 'over ripe' and owing to the backward stage of agriculture and the impoverishment of the masses, capital lacks opportunities for profitable investment.²⁷

This statement of Lenin's assumes a surplus of capital and excess saving from profits in conflict with correspondingly reduced purchasing power of the people at home. Without an expansion of purchasing power there can be no new profitable opportunities for investment. But capitalist cannot form the nature of the competitive world in which they operate to raise the standard of living of the people. Workers are both producers and consumers. Lenin assumes with Marx that over time the proportion of capital to labour used in the process of production increases in relative values, so that the profit with the surplus created is reduced. There are counteracting tendencies as Marx indicated. But Lenin assumed that there were limited possibilities for these counteracting forces except for foreign trade and especially the cheapening of raw materials throughout the world in the desperate struggle for the acquisition of colonies.²⁸ Colonial rule makes possible

27. Lenin, op. cit., Chapter 4.

28. Lenin, op. cit., Chapter 6.

both guaranteed sources of materials and also the monopolistic positions to make sure of orders to strengthen the necessary connection.

As already mentioned, Lenin's idea of finance capital originated from Hobson and Hilferding. Their views was that finance capital represented the emergence of a new factor, as it certainly did, and that it was responsible for imperialism. This is doubtful seeing that colonial expansion was no new phenomenon and had accounted for the wars of the seventeenth and eighteenth centuries. According to Lenin, however, imperialism is capitalism in that stage of development in which the domination of monopoly and finance capital has taken shape, in which the export of capital has acquired pronounced importance, in which the division of the world by international trusts had begun and in which the partition of all the territory of the earth by the greatest capitalist countries has been completed.

The first stage of what he calls 'industrial' or 'flourishing' capital has yielded, by reason of its inherent contradictions, to a second moribund stage which had transferred power from the industrialists to the big banks and financial groups. The first stage had been one of free competition but the second, was characterised by monopoly control in the form of cartels, syndicates and trusts.

These began by dividing the world amicably among themselves, but in the end they would start quarrelling until war brought about a redistribution. Imperialism or monopoly capitalism was thus the final stage of capitalism beyond which it could develop no further. It would, therefore, yield dialectically to socialism.

But how did this development affect the class struggle? Lenin argues that from the French Revolution to the Commune, capitalism was on an ascending curve, and the bourgeoisie was a progressive class as compared with the ancient regime which it had displaced. As this period was marked by an extension of democratic institutions and the liberation of nationalities, the proletariat then in the process of formation, was obliged to support the bourgeoisie which was, to a limited extent, fighting in battles. The period from 1871 to 1914, which George Sabine calls, 'the flat top of the curve',²⁹ was the age of capitalist domination and of imperialist expansion in which the class struggle became confused through the illusion that it was possible to conciliate two irreconcilable systems. The first World War brought this period to an end and signalled the beginning of the fall of the curve of capitalism.

29. George Sabine, History of Political Theory, New York, 1937, p.732.

The bourgeoisie had now become a decaying and reactionary force, primarily interested not in production but in consumption. Hence there could no longer be any alliance between the proletariat and the bourgeoisie, and the object of the workers must be the overthrow of international finance capital.

The Historical Place of Imperialism

V.I. Lenin's characterisation of the monopoly stage of capitalism extends far beyond its basic economic elements and also includes a definition of the place that imperialism holds in the history of the world. In a historical place, imperialism is a continuation and development of Karl Marx's teaching about the abolition of capitalism by way of revolution.

Lenin points out the extreme exacerbation under imperialism of all the contradictions of the capitalist mode of production and says that imperialism is a special historical stage of capitalism. This peculiarity can be seen in three dimensions. First, imperialism is a monopoly capitalism, second it is parasitic or decaying capitalism and third, it is moribund capitalism. The parasitism is just another word for the decay of capitalism which is inherent in imperialism, in the domination of monopolies and in the oppression by financial oligarchies. This means that the

capitalist relations of production have stopped being the factor of development of productive forces and have become the biggest ever stumbling block to social progress.

Imperialism has brought the contradictions of capitalism to a head. The old contradictions, characteristic of the epoch of capitalism, have been excaberated as never before. At the same time, new contradictions have emerged on the scene. The basic contradiction of capitalism between the social character of production and the private capitalist form of appropriation is the first to have deepened.

The deepening of the basic contradiction of capitalism has lent further acerbity to the struggle between labour and capital. Finance capital is intensifying the exploitation of workers by setting monopoly high prices on consumer goods and consequently widening the gap between the cost of labour power, on the one hand, and wages on the other. The proletariat responds to this intensification of capitalist exploitation by stepping up its revolutionary struggle and industrial actions. The struggle of the working class is also intensifying in the economic and political spheres.

The conflict between the bourgeoisie and the proletariat is not the only contradiction of capitalism which has been brought it to a near flash point. Imperialism

comes in conflict with the vital interest of people in different walks of life, social strata, nationalities and countries. More and more popular masses, vast social groups and classes, and nations are rising against imperialism. This creates favourable conditions for the unification, under the leadership of the working class, of all democratic forces into one anti-monopoly stream.

The conflict between the imperialist nations and the newly liberated former colonial countries of Asia, Africa and Latin America are growing increasingly acute and their opposition to neo-colonialism is growing.

The clash between the vested interests of the capitalist monopolists has resulted in the exacerbation of contradictions between the imperialist powers. The bitter struggle between them has a debilitating effect on imperialism which is steadily losing ground.

Those are the principal contradictions which tend to turn imperialism into moribund capitalism. This, however, does not mean that capitalism may yet die away on its own, without socialist revolution. By exacerbating to the utmost all the contradictions of capitalism, the system of monopoly capitalism brings the proletariats to the socialist revolution and in fact, makes it virtually unavoidable.

The importance of Lenin's imperialism does not lie, however, in the fact that he pointed out, but in the conclusions that he drew from it which are as follows :

a) Imperialism explained the continued accumulation of capital since the imperialist countries were able not only to sell their products to backward countries, but to obtain raw materials from them at low prices. It also accounted for the current improvement in the lot of the workers in the metropolitan countries which Marx had declared to be normally impossible under capitalism. By exploiting backward peoples, capitalism had created a new proletariat at the expense of which this improvement had been effected. Lenin contended, further, that the improvement in conditions did not apply to labour as a whole but only to one section, i.e. the labour aristocracy, which had been bribed by higher wages paid from super profits of imperialism. Hence the aristocrat labour succumbed into renouncing its revolutionary role in favour of collaboration with the bourgeoisie.

b) Imperialism contained internal contradictions which would hasten the collapsed of capitalism. It involved as struggle for markets of ever increasing intensity, and the division of the world into exploiting and exploited countries. The change which it had introduced into the produc-

tive forces was naturally reflected in the productive relations and had given a new form to the proletariat which now included the toiling masses of the backward countries. Hence the struggle for revolution could no longer be confined to a single country or groups of countries but called for a common front of the peoples of the oppressor countries on the one hand and those of the oppressed on the other.

c) Imperialism intensified the operation of the law of uneven development. Under industrial capitalism, concerned with the export of commodities rather than of capital, some countries had developed more rapidly than others, but their relative strength had remained comparatively static. Under finance capitalism, however, this is no longer so since it was possible for any country which could acquire new markets in undeveloped areas to make rapid progress at the expense of countries unable to do so. In view of this rivalry, there no longer existed any stability within the capitalist camp and world peace was consequently endangered.

d) Imperialism must, therefore, lead to war. Hence Marxists contend, contrary to all evidence, that both the world wars were due to imperialism, in the sense of the struggle for colonial outlets and in accordance with their

central thesis that every conflict must have an economic cause.

Anti-imperialism henceforth became an important part of the communist programme, and was directed to broadening the basis of the proletarian class consciousness, and at the same time to weakening the capitalist system by fermenting or supporting liberation movements on the part of backward peoples who were taught to regard themselves as victims of exploitation.

The Modern View

In the literature that floods the market at present, there prevail two theories of imperialism. One sees in the modern policy of conquest, a struggle of races. The slaves or the teutonic races are supposed to strive for dominations and all virtues and vices are distributed among the 'races' according to the nationality of the author. Old and vulgar as this 'theory' is, it persists with a tenacity of prejudice for it finds a very favourable sort in the growth of national self-consciousness among the ruling classes who are directly interested in utilising the remnants of old psychological stratifications for the interest of the state organisation of finance capital.

A simple reference to fact shatters this theory leaving

not a single stone of the entire edifice. For instance, the Anglo-saxons of the same origin as the Germans, are the German's cruelest enemies; the Bulgarians and the serfs, pure Slave speaking almost the same language, find themselves on different sides of the trenches. The Poles are recruiting among themselves ardent partisans of both Austrians and Russian Orientation. Everyone of the belligerent coalitions combines the most heterogeneous races, nationalities and tribes. Looked at from a racial point of view, what is there common to the English, Italians, the French colonies, whom the glorious republic is driving to slaughter, just as the ancient Romans drove their colonial slaves? What is there common to the Germans and the Czechs, the Ukrainians and the Hungarians, the Bulgarians and the Turks who proceed together against the coalition of the Entente? It is perfectly obvious that not races but state organisation of definite groups of the bourgeoisie are conducting the struggle. It is also perfectly obvious that one or the other grouping of the great powers is determined not by a community of certain racial tasks but by a community of capitalist aims at a given moment. This is why England, formerly an enemy of Russia, is now exercising hegemony over it.

The second very widespread 'theory' of imperialism defines it as a policy of conquest in general. From this

point of view one can speak with equal right of Alexander of Macedonian's and the Spanish conquerors' imperialism, of ancient Rome and modern America, of Napoleon and Hidenburg.

Every policy of the ruling classes (pure policy, military policy, economic policy) has a perfectly definite functional significance growing out of the soil of a given system of production. It seems to reproduce given relations of production either simple or an enlarged scale. The policy of the feudal rulers strengthens and widens feudal production relations. The policy of trade capital increases the sphere of domination of trade capitalism. The policy of finance capitalism reproduces the production basis of finance capital on a wider scale.

It is perfectly clear that the same thing can also be said about war. War serves to reproduce definite relations of production. War of conquest serves to reproduce those relations on a wider scale. Simply to define war, however, as conquest is entirely insufficient, for the simple reason that in doing so we fail to indicate the main thing, namely, what production relations are strengthened or extended by the war or what basis is widened by a given policy of conquest.

Bourgeoisie does not see and does not wish to see this. It does not understand that a basis for the classification

of various policies must exist in the social economy out of which the policies arise. Moreover, it is inclined to overlook the vast difference existing between various periods of economic development, and just at the present time, when all the peculiarities of the historical economic process of our days are so striking to the eye, the Australian and Anglo-American economic school, the last historical of all, has built its next in bourgeoisie economics. Publicists and scholars attempt to paint modern imperialism as something akin to the policies of the heroes of antiquity with their imperium.

It is impossible to confine oneself to the analysis of the forms in which a policy manifests itself. For instance, one cannot be satisfied with defining a policy as that of 'conquest', 'expansion', 'violence', etc. One must analyse the basis on which it rises and which it serves to widen. Imperialism is defined as the policy of finance capital. Therewith we uncovered the functional significance of that policy. It upholds the structure of finance capital, it subjugates the world to the domination of finance capital, in the place of old capitalist production relations, it puts the production relations of finance capital just as finance capitalism is an historically limited epoch, confined only the last few decades. So imperialism, as the policy of finance capital, is a specific historic category.

Imperialism is a policy of conquest. But not every policy of conquest is imperialism, finance capital cannot pursue any other policy. This is why when we speak of imperialism as the policy of finance capital, its conquest character is self-understood; at the same time, however, we can point out what production relations are being reproduced by this policy of conquest. When we speak of finance capital, we imply highly developed economic organisms and consequently a certain scope of intensity of world relations. In a word, we imply the existence of a developed world economy with certain production relations of organisational forms of the economic life, a certain interrelation of classes, and also a certain future of economic relations. The formula 'policy of conquest' defines nothing, whereas 'the policy of conquest of finance capital' characterises imperialism as a definite historic entity.

Necessity of Imperialism

If we approach the question of the necessity of imperialism, we realise that there is no ground whatever to treat its necessity in this sense. On the contrary, imperialism is a policy of finance capitalism, i.e. a highly developed capitalism, implying a considerable ripeness of the organisation of production (finance capitalism is bank capital, i.e. capital in money form which has thus been in

reality transformed into industrial capital.)³⁰ In other words, imperialist policies by their very existence bespeak the ripeners of the objective conditions for a new socio-economic form. Consequently, all talk about the necessity of imperialism as a limit to action is liberalism. It is in itself semi-imperialism. The further existence of capitalism and imperialism becomes nothing more or less than a question of interrelation between mutually struggle class forces.

There exists, however, the danger of another opportunist deviation, which is outwardly opposed to fatalism - a theory now being most assiduously developed in literature by Karl Kaustsky. Starting from the correct notion that the further existence of imperialism depends upon the interrelation of social forces, Kautsky proceeds along the following lines.

Imperialism is a definite method of capitalist politics, the latter can exist even without forcible methods, in the same way as capitalism can exist with an eight-hour work day instead of a ten, i.e. twelve hour day. As far as the work-day is concerned, the proletariat meets the bourgeoisie tendency towards increasing the labour day with its

30. Rudolf Hilferding, Das finanzkapital, Vienna, 1910, p.283.

proletarian tendency to shorten the number of labour hours, doing so within the framework of capitalism. In the very same manner, says Kautsky, it is necessary to meet the bourgeoisie violent tendencies of the proletariat. Kautsky asserts that the question can be solved within the framework of capitalism.

Kautsky and his followers assert that the process of capitalist development is favourable to the growth of elements that can serve as a support to ultra-imperialism. The growth of international interdependence of capital create a tendency toward eliminating competition among the various national capitalist groups. The 'peaceful' tendency, they say, is strengthened by pressure from below and in this way rapacious imperialism is replaced by gentle ultra-imperialism.

Looking in its merit, speaking economically, the point must be formulated as follows : How is an agreement or a merger of the state capitalist trusts possible for imperialism, as we all know, is nothing but the expression of competition between state capitalists trusts. Once this competition disappears the ground for the policy of imperialism disappears also, and capital divided into many national groups is transformed into a single world organisation, a universal world trust opposed by the world proletariat.

Speaking in an abstract theoretical way, such a twist is perfectly thinkable for generally speaking, there is no economic limit to the process of cartelisation. In our opinion, Hilferding is perfectly right when in his Finanz Kapital he says, "The question arises as to where the limits of cartelisation can actually be drawn. The question must be answered in the sense that there is no absolute limit to cartelisation. On the contrary, the tendency towards a continuous widening of the scope of cartelisation may be observed. Independent countries are becoming more and more dependent upon the cartelised ones, and finally join them. As a result of this, a universal cartel ought to emerge. Here all capital producing would be consciously regulated from one centre which determines the size of production in all its spheres. This would be consciously regulated society in an antagonistic form. This antagonism, however, is the antagonism of distribution. This tendency towards creating such a universal cartel and the tendency towards establishing a central bank coincide, and out of their unification grows the great concentrating power of finance capital."³¹

This abstract economic possibility, however, by no means signifies its actual probability. The same Hilferding is perfectly right when he says in another place,

31. Ibid., p.295.

"Economically, a universal cartel, to guide all production and thus to eliminate crises, would be possible. Such a cartel would be thinkable economically although socially and politically such a state appears unrealisable for the antagonism of interests, strained to the last possible limits, would necessarily bring about its collapse."³²

Comparative equality of positions in the world market is the first condition for the formation of a more or less stable compact. Where there is no such equality, the group occupying a more favourable position in the world market has no reason for joining a compact. On the contrary, it sees an advantage in continuing the struggle, for it has grown to hope that the competitor will be defeated. This is a general rule for the formation of compacts.

In the formation of compacts, two series of condition are considered. First of all, purely economic equality, a necessary condition for the formation of stable agreements in equality of economic policies. Capital's connection with the state is transformed into an additional economic force. The stronger state secures for its industries the most advantageous trade treaties, and establish high tariffs that are disadvantageous for the competitors. It helps its finance capital to monopolise the sales markets, the markets for raw materials, and particularly the spheres of capital

32. Ibid.

investment. It is, therefore, easily understood why, when conditions of the struggle are being taken stock of in the world market, the state capitalist trust reckon not only with the purely economic conditions of the struggle but also with the economic policies of the respective states. This is why even where there are relatively equal economic structures but the military powers of the state capitalist trust differ considerably, it is better for the stronger to continue the struggle rather than to enter into a compact or to merge with the others. If we view the situation of the struggling nations from this point of vantage, we realise that there is no reason to expect, at least in the more or less near future, an agreement or a merging of the capitalist trusts and their transformation into a single world trust.

The question of equality must be considered not only statistically, but mainly dynamically. The national group of the bourgeoisie build their plans not only on what 'is' but also on what 'will probably be'. They take into strict account every possibility of development which may allow a certain group to become superior to all the others in due time, although at the present moment it may be economically or politically equal to its competitor. This circumstance makes the lack of equilibrium still more acute. The great stimulus to the formation of an international state capi-

talist trust is given by internationalisation of capitalists' interests in participation and financing of international enterprises, international cartel and trusts. Significant as this process may be in itself, it is, however, counteracted by a still stronger tendency of capital towards nationalisation and towards remaining secluded within state boundaries. The benefits accruing to a 'national group' of the bourgeoisie from a continuation of the struggle are much greater than the losses sustained in consequence of that struggle. By no means we must overestimate the significance of the already existing international industrial agreements.

The actual process of economic development will proceed in the midst of a sharpened struggle between the state capitalist trusts and the backward economic formations. A series of wars is unavoidable. In the historic process which we are to witness in the near future, world capitalism will move in the direction of a universal state capitalist trust by absorbing the weaker formations. Once the present war is over, new problems will have to be 'solved' by a sword. Partial agreements are of course possible here and there. Every agreement of fusion, however, will once reproduce the bloody struggle on a new scale.

The peculiarities in the structure of modern capitalism

and the formation of state capitalist trusts is their dependence on the economic structure. This economic structure, however, is connected with a certain policy, namely the imperialist policy. This is not only in the sense that imperialism is a product of finance capitalism, but also in the sense that finance capital cannot pursue any other policy than an imperialist one. The state capitalist trust cannot become an adherent of free trade for thereby it would lose a considerable part of its capitalist form. Finance capital, expression as it does capitalist monopoly organisations, cannot relinquish the policy of monopolising 'spheres of influence' of seizing scales markets and markets for raw materials or spheres of capital investment. If one state capitalist trust fails to get hold of an unoccupied territory, it will be occupied by another. Peaceful rivalry, which corresponded to the epoch of free competition and of the absence of any organisation of production at home, is absolutely unconceivable in an epoch of an entirely different production structure and of the struggle among state capitalist trusts. Those imperialist interests are of such magnitude for the finance capitalist groups, and they are so connected with the very foundation of their existence, that the government do not shrink before the most colossal military expenditures only to give for themselves a stable position in the world market. The idea of disarmament

within the framework of capitalism is particularly absurd as far as the state capitalist trusts that occupy the foremost positions in the world market are concerned. Before their eyes there also shines the picture of subjugating the whole world, that of acquiring an unheard-of field for exploitation.

One may argue that the bourgeoisie will relinquish its imperialistic methods when it is compelled to do so by pressure from below. The reply is that two possibilities are open in this case either the pressure is weak and their everything remains as before, or the pressure is stronger than the resistance. Then we have before us not a new era of ultra-imperialism, but a new era of non-antagonistic social development.

The entire structure of the world economy in our times forces the bourgeoisie to pursue an imperialist policy. As the colonial policy is inevitably connected with the violent methods, so every capitalist expansion leads sooner or later to a bloody climax. "Violent methods" says Hilferding "are inseparably bound up with the very essence of colonial policy which without them would lose its capitalist meaning; they are so much an integral element of the colonial policy as the existence of the proletariat divorced from all ownership is generally a condition of capitalism. To be in

favour of a colonial policy and at the same time to talk about eliminating its violent methods, is a dream which cannot be treated with more earnestness than the illusion that one can eliminate the proletariat while retaining capitalism.³³

The same thing can be said about imperialism. It is an integral element of finance capitalism without which the latter would lose its capitalist meaning. To imagine that the trusts, this embodiment of monopoly, have become the bearers of the free trade policy, of peaceful expansion, is a deeply harmful Utopian fantasy.

But is not the epoch of ultra-imperialism a real possibility after all, can it not be affected by the centralisation process? Will not the state capitalist trusts devour one another gradually until there comes into existence an all-embracing power which has conquered all the others? This possibility would be thinkable if we were to look at the social process as a purely mechanical one, without counting the forces that are hostile to the policy of imperialism. In reality, however, the war that will follow each other on an ever larger scale must inevitably clash with a socio-political tendency that is antagonistic to the former. Therefore, it can by no means reach its logical end. It suffers collapse and achieves completion

33. Ibid., p.401.

only in a new, purified number of capitalist form. It is for this reason that Kautsky's theory is by no means realisable. It looks upon imperialism not as an inevitable accompaniment of capitalist development, but as upon one of the 'dark sides' of capitalist development. He wishes to eliminate 'dark' imperialism leaving intact the 'sunny' sides of the capitalist order. His concept implies a slurring over the gigantic contradictions which rend surrender modern society, and in this respect it is a reformist concept. It is a characteristic feature of theorising reformism that it takes pain to point out all the elements of capitalism adaptation to conditions without seeing its contradictions. For a consistent Marxist, the entire development of capitalism is nothing but a process of a continuous reproduction of the contradictions of capitalism in an ever wider scale. The future of old economy, as far as it is a capitalist economy, will not overcome its inherent lack of adaptation. On the contrary, it will keep on reproducing this lack of adaptation on an ever wider scale. These contradictions are actually harmonised in another production structure of the social organism through a well-planned socialist organisation of economic activities.

Tribal Economy in North-East India

It is believed that the tribes of North-East India have rudimentary feature of capitalistic system. The right to private property which existed in some pockets³⁴ of most tribes and more prominently among the Jaintias and the Khasis supported the idea that it is capitalistic in nature. While the existence of the communally owned land opposed to the idea, the existence of privately-owned properties support one case. If we take into account the relation of production, it is seen that the tribal economy in the North-East Region of India resembles a capitalistic system, because production is also carried out with hired labour. It can, therefore, be said that tribal economy in the region is an agrarian social structure characterised by the predominance of capitalist production relations. It is found that small and medium farmers are usually engaged in family farming with limited dependence on hired labour. In the large holdings the whole bulk of the production is accounted for by hired labour. In the traditional tribal agriculture, there are only two categories of labour, viz. family labour and exchange or reciprocal labour. The question of exchange labour does not arise in a society

34. B. Datta Roy, Social and Economic Profile of the North-East India, B.R. Publishing Corporation, Delhi 110 052.

where the ownership of the means of production and the appropriation of surplus are communal. But we are of the view that exchange labour emerges even when land is communally owned but the produce of the land is privately appropriated. For instance, under Ri-Kynti system among the Khasis production is done with the use of hired labour. This is purely capitalistic. The use of hired labour and the right to private property like land and houses supported the fact that Tribal economy is somewhat capitalist in nature even though it is not a pure type of capitalism found in Europe as developed by Marx. However, where private property, wage labour and some degree of exploitation exist, it shows that it has the elements of capitalism.

Chieftainship was in vogue among the tribals of North and East India. The intention of most chiefs was to rule over the subjects with justice and not to exploit them. But they did have imperialistic ambitions. Hence they wage wars against other territories. Among the Nagas, their chiefs used to go for head hunting, killing people belonging to other tribe so that he could gain victory over other tribes. If we could kill more people and bring home more heads he became more powerful in extending their territories. The Khasi State of Nongkhlaw acquired several territories by the sword with the result that the kingdom extended from Bardwan in Assam to Rangkhubi in Sylhet. It

colonised and exploited the resources of the conquered territories.³⁵

What was impressing here was that under imperialism, the monopoly capitalists tried to expand their size of the market so that they can sell their goods. Therefore, they tried to exploit the weaker section since the capitalist expand their empire and the tribal chiefs also expand their territories by aggression. The tribal economy is inherent with the nature of imperialism.

It may be said that capitalism and the exploiting spirit of the capitalists under imperialism, can also be talked of among the tribal societies. The existence of private property and the use of hired labour even to a limited extent has manifested the notable features of the capitalist system in a tribal economy. The imperialistic attitude possessed by the chiefs of the different tribes, help us to conclude that the tribal society is also somewhat imperialistic in nature. So eventhough capitalism and imperialism of the western nature may not be found, yet the elements of these systems do prevail in the tribal societies of north-eastern region of India.

35. Hamlet Bareh, The History and Culture of the Khasi People, Second Revised Enlarged Edition, 1985. Kushan Kumar on behalf of Spectrum Publication, Pan Bazar, Guwahati, Assam, p.77.

In the end, we may say that capitalism has survived the collectivist assault. While the extreme socialists had tried to explain the tendency of competitive capitalism to convert itself into imperialism, the staunch capitalists have been thinking of the threat of imperial communism. The 1980s have been witnessing the power and efficacy of the capitalist market system and a corresponding collapse of confidence in the capacity of the socialist "command economies". Let us now look into the working of Socialism in the next chapter.

Chapter IV
SOCIALISTIC ECONOMIC SYSTEM

Socialism is directly connected with the nineteenth century industrial capitalism. It has been, in fact, a movement to reform or displace industrial capitalism. It was begun right at the moment when industrial capitalism was still in its infancy and before the Great Depression of the 1930s made it clear that capitalism had brought certain evils in its train. However, it may be said that a seedling of the socialist future, imaginary though, was already planted by Thomas Moore in his Utopia as far back as 1516 A.D.. Capitalism, no doubt, has brought in its wake a number of benefits to mankind in the form of improved technology, increased output and a high level of economic development. But along with these benefits, have also grown the evils which even the supporters of capitalism have been conscious about.

In this chapter, we would, therefore, discuss the socialist mode of production. The chapter is divided into two parts. In the first part we would discuss the pure socialistic system while in part two, we shall write on the mixed economic system:

PART 'A'

Pure Socialistic Economic System

Introduction

The socialist response to the evils of the industrial capitalism took different forms. There were and are so many different socialists and schools of socialist movements. These movements have been classified as the Utopian Socialism, Ricardian Socialism, Marxian Socialism, German Democratic Socialism, English Democratic Socialism, Christian Socialism and many other socialist schools. But all these movements have several things in common. They all call for social justice and equality. But the term socialism is elusive in that even that infamous Adolf Hitler could claim to have founded a socialist movement which he called the National Socialist German Workers' Party.

Nevertheless, all other socialist movements aspire for a humane society. It was Robert Owen who set out in the 1820s to convert the world to socialism by demonstrating its superiority over capitalism. Several of his ideas and policies became a part of British democratic socialism later in the nineteenth and twentieth centuries. It must be admitted that before him there were socialists who used

David Ricardo's economics to draw socialist conclusions.

Sixty years after the socialist movement started in Britain, a socialist society, well-known as the Fabian Society, was founded in 1883-84 by a small group in London who aimed at 'restructuring society' in accordance with the highest moral possibilities. The name of the society was derived from the Roman General Fabius Cunctator whose illusive tactics in avoiding pitched battles secured his ultimate victory over stronger forces. The early members included Arnold Toynbee, George Bernard Shaw, Beatrice and Sidney Webb, H.G. Wells, Graham Wallas, G.D.H. Cole, Harold Laski and others.

But it was Marx and Engels who developed a scientific theory of socialist revolution and armed the working people with it in their struggle to abolish the dominance of exploiting capitalists and to build a new social system. Marx recognised on historical and social conditions that socialism can be statist or liberatarian revolutionary or gradualists, cosmopolitan or nationalistic.

There is a great concensus about the ends of socialism - a classless society based on the socialisation of property in the essential sectors of production - rather than about the means of achieving it, although both ends and means are inextricably interwoven. The communist dictatorship,

however, perverted in practice was intended only as a transitional stage leading to the 'withering way' of the state.¹ The idea of worldwide human brotherhood and liberty is common to all schools of socialists, by whatever route they attempt to advance towards it.

One major distinction can be drawn between evolutionary socialism (social democracy) and revolutionary socialism. While the former attempts to capture the existing state by democratic methods and uses it, the latter seeks to destroy the existing state, and builds a new one through proletarian dictatorship (Marxism, Leninism or Communism). Within Marxism, the major division is between those who espoused disciplined and centralised proletarian mass action and those who supported 'free communism' or local mass spontaneity, the anarcho-syndicatsists such as Bukharin.²

Naturally, doctrine and emphasis varied from time to time and from country to country. Marxism in its beliefs in the scientific basis of dialectical materialism, tended at the extreme to reject a moral basis, regarding morality simply as a reflection of the forces of economic evolution. In essence, however, what Marxism is opposed is the view that socialist judgement of value can be reached a priori,

1. Encyclopadia Britanica, Volume 20, p.756A, William Benton Publishers, 1968.

2. Ibid.

without taking into account conditions of times and place among which the condition of the 'powers of production' holds a key place.

Socialism is essentially a movement for the promotion of the well-being and happiness of individual men and women akin to utilitarianism in that it seeks the 'greatest happiness of the greatest number and not of any metaphysical entity such as the state, which should exist only to promote the ends of individuals.

But revolutionary socialism as dealt with by Karl Marx, Frederick Engels and Vladimir Lenin relates to the development of a scientific theory of socialist revolution, where the working people are armed to struggle and to establish the dominance of exploiting classes and to build a new social system. So we will now look into the need for and essence of a transition period from capitalism to socialism.

Transition from Capitalism to Socialism

The revolutionary socialists demonstrated that capitalism gives rise, in the course of its development, to the material pre-conditions for the revolutionary transition of mankind to new, communist, social and economic system, the first phase of which, is socialism. Capitalist production attains a high degree of socialisation by concentrating

commodity production in gigantic enterprises and developing the social division of labour. Thus capitalism renders itself into an increasingly social character.

Production that has attained a high degree of socialisation objectively requires a radical change in its goal and the character of its organisation which should be developed on the basis of achievements of science and technology and on the basis of a plan drawn up in advance on a nationwide scale. In capitalism the particular type of production relation which reaches its climax in the era of imperialism, inevitably brings capitalism to a socialist revolution.

Capitalism gave birth to a revolutionary social force, the proletariat which, guided by the Theory of Marxism-Leninism became a grave-digger of the old social system and the creator of a new social system. The transition from capitalism to socialism is a natural historical process, the inevitable result of the development of the society.

The replacement of capitalism by socialism, however, does not occur spontaneously. Capitalism can only be ended through a socialist revolution that deprives the bourgeoisie of political power and the possibility of oppressing and exploiting the working people. A socialist revolution is a

radical smashing of the old capitalist relations and the establishment of new socialist relations.

The Stages in the Rise of Communism and the Essence of the Transition Period

The preparation and the formation of the communist mode of production that is replacing capitalism takes place over a more or less protracted period covering several stages of historical development - the period of transition from capitalism to socialism, the first or lower phase of communism, i.e. socialism, and the higher phase of communist society, i.e. full communism. Only through the consecutive transition from one stage to another without by-passing any one of them, can society reach the higher phase of the communistic mode of production.

The transition period from capitalism to socialism is that stage in the rise of the communist mode of production when the revolutionary replacement of the capitalist production relations by socialist relations takes place before the lower phase of communism, i.e. socialism, comes into existence. Socialism is not a brief stage in the rise of the communist economic system but a long phase, with its own stages differing from each other in the level of development of the productive forces and maturity of production relations.

Defining the task of the proletariat and its vanguard, the communist party in the socialist revolution, Lenin wrote that the proletariat's objective "is to build socialism, abolish the division of society into classes, make all members of society working people, and remove the basis for all exploitation of man by man. This object cannot be achieved at one stroke. It requires a fairly long period of transition from capitalism to socialism".³

The need for a transition period is dictated by the specific features of the socialist revolution and the rise of the communist mode of production.

Unlike earlier social revolutions during which there was merely the replacement of one form of private property and exploitation by another, the socialist revolution brings about a deep, radical change in social relations, putting an end to private property in the means of production, establishing the predominance of social ownership and abolishing all exploitation of man by man. Socialist relations of production which negate private property, only arise as a result of the abolition of the political domination and economic power of the exploiting classes and when the key means of production are made the property of society as a whole which is why they cannot arise within

3. V.I. Lenin, Collected Works : Greetings to the Hungarian Workers, Progressive Publishers, Moscow, Volume 29, p.388.

the mantle of capitalism. A revolutionary overthrow is needed by which the political power passes into the hands of the working people led by the working class.

Whereas the main job of the bourgeoisie revolution was no more than to establish the power of the bourgeoisie, i.e. to bring the state system into line with the capitalist economy that had taken shape spontaneously as an economic mode of production within the womb of feudalism, the main aim of the proletariat in a socialist revolution is to take power into its own hands, to socialise the means of production and to build a socialist economy.

The transition period is a whole historical epoch, an epoch of revolutionary transformation of capitalist production relations into socialist ones, an epoch of a powerful upsurge of the productive forces.

From the very outset of this period, the social role of the working class changes essentially. From a class of oppressed proletarians under the exploitive system it becomes a ruling class directing the construction of a new society. Having founded a powerful state organisation of a new type, it consciously builds a new society according to the scientifically substantiated plan under the leadership of its Marxist-Leninist Party.

The transition period is unavoidable in any country

taking the road to socialism. It cannot be skipped by any country, even in the most favourable conditions of development. Its length, however, varies from country to country and depends primarily on the level of economic development attained in the country in the pre-revolutionary period, a level that also varies by virtue of the operation of the law of uneven development of capitalism. In industrially advanced countries that have built up a powerful production apparatus and attained a high level of socialisation of production the transition period may be shorter.

The general pattern of the transition from capitalism to socialism embraces all the main aspects of social transformation during this period, i.e. politics, economics and the spiritual life of society. At the same time, the pattern is different in each country building socialism, depending on the concrete historical conditions of its development.

The reasons for this are the uneven way in which the objective and subjective conditions of the socialist revolution mature in different countries, the features of the international situation in which the transition to socialism is taking place, specific features of their historical pasts and the national traditions and customs of their peoples.

The diversity of the concrete forms of building socialism thus does not negate the existence of general laws, which find particular expression in the specific conditions of each country. Communist and workers' parties apply the general principles of building socialism creatively to the concrete conditions of their own countries.

The First Revolutionary Transformations

In the political field, the transition period from capitalism to socialism begins with abolition of state power of the exploiting classes and establishment of some form of dictatorship of the proletariat in the economic field, with suppression of private capitalist ownership of the means of production and the establishment of the social ownership and abolition of obsolete capitalist and pre-capitalist agrarian relations. This provides the necessary political and economic conditions for the building of socialism.

In order to set about building socialism, it is first of all necessary to smash the old bourgeoisie state, that instrument of the political domination of the capitalist class and of exploitation of wage labour by capital, and to establish the dictatorship of the proletariat in one form or another. The dictatorship of the proletariat is state

leadership of society by the working class, directed against exploiters and the oppression of peoples, and towards the abolition of exploitation of man by man. Consequently, it expresses the interest of the overwhelming majority of the people of the country, of the working people as a whole. It is the main political condition for the building of socialism. Lenin wrote in this context "forward development, i.e. development towards communism, proceeds through the dictatorship of the proletariat, and cannot do otherwise, for the resistance of the capitalist exploiters cannot be broken by any one else or in any other way."⁴

The state power of the proletariat is employed in the interests of the working people as a whole. The joint struggle of the workers and peasants against the exploiters unites them in an unbreakable alliance and this alliance, with the working people playing the leading role, is the supreme principle of the dictatorship of the proletariat.

The guiding and directing force of the dictatorship of the proletariat is the revolutionary party of the working class armed with Marxist-Leninist theory. Only under the leadership of its own party can the working class, in alliance with all working people, build a communist society.

As a result of the abolition of bourgeoisie power and establishment of the state of the dictatorship of the

4. V.I. Lenin, Collected Works : The State Revolution, Progressive Publishers Moscow, Volume 25, p.461.

proletariat, the revolution is transformed from a force of destroying the old system into a great constructive force forging new relations in all fields of social life.

The transition from capitalism to socialism objectively implies variety in the political forms of the dictatorship of the proletariat.

Socialist Mode of Production

From the first steps as political leader of society, the working class aimed with a scientifically grounded programme for building a new social system, sets about creating the material conditions for revolutionary replacement of capitalist production relations by socialist ones which requires above all, a radical change in the working people's relationship to the means of production, i.e. abolition of private ownership by the exploiters and the institution of social ownership of the basic means of production and their socialist socialisation. All this brings about a radical change in the character of production relations and opens the way to progressive development of the productive forces.

The basis for socialist socialisation of the "exploiters" basic means of production is prepared objectively by the whole course of the development of capitalism". The

monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with an under it. Karl Marx wrote, "summing up the historical tendency of capitalist accumulation, centralisation of the means of production and socialisation of labour at least reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The death-knell of capitalist private property sounds. The expropriator's are expropriated."⁵ It is this task that the state of proletarian dictatorship is called upon to fulfil.

By socialising the means of production in a socialist way the proletariat (1) undermines and later completely wipes out the basis of the economic power of the exploiters and of exploitation of the working people; (2) it puts the dictatorship of the proletariat on the economic basis without which it cannot retain political power and carry out further socialist changes; (3) it creates objective conditions for planned development of the economy with the aim of improving the well-being of the working people.

At the same time, the main contradiction of capitalism, that between the social character of production and the

5. Karl Marx, Capital, Progressive Publishers, Moscow, 1974. Volume I, p.715.

private capitalist form of appropriation, is eliminated. The means of production in enterprise based on social ownership cease to be capital, and labour power ceases to be a commodity. A workers' labour is transformed into work for himself, for society and its product becomes the property of all working people.

The process of socialising production in a socialist way, Lenin taught, is not simply expropriation of the expropriators. The enterprises that become the property of the people have to be really socialised, i.e. their activity has to be subordinated to the interests of society as a whole. To that end the strictest accounting and control of production and distribution of the product are organised in socialised enterprises; new state machinery is to be set up to manage nationalised enterprises; measures are taken to raise labour productively and so on.

The means of production of the exploiters are socialised in various ways in countries that have taken the socialist road, depending on the historical conditions, but all the concrete forms of the process are merely different methods of socialist nationalisation.

Socialist nationalisation is the revolutionary expropriation of the property of the exploiting classes by the proletarian state and its conversion into state, socialist

property, i.e. into the property of the whole people. It was first carried out in Russia.

The Results of the Transition Period

The period of transition from capitalism to the socialist society culminates in laying of the foundation of the first phase of the communist mode of production, i.e. in the victory of socialism. Thus the socialist society was first built in the Soviet Russia and was achieved there in the latter half of the thirties. It was legally consolidated in the Soviet constitution adopted in December 1936.

At the Congress of the communist and workers' parties of a number of countries of the socialist community held in recent years it has been noted that the fundamental task of the transition period have been accomplished and these countries by selfless work of their peoples and that they have embarked on building a developed socialist society.

The victory of socialism in Soviet Russia and a number of other countries has a series of implications namely:

- 1) The mixed economy of the transition period is transformed into a uniform socialist economic system. The issue of "who will beat whom" is fully and irrevocably decided in favour of socialism.

- 2) The revolutionary replacement of capitalist production relations by socialist ones leads to the complete

abolition of the capitalist private property. The new socialist production relations, i.e. relations of comradely co-operation and socialist mutual assistance are established. Parasitic appropriation of the fruits of production is abolished and the whole national income goes to the working people, and only to them. The principle "from each according to his abilities, and to each according to his work, is implemented in society".

3) As a result of socialist industrialisation and gradual socialist transformation of the small peasant farming, large scale machine production based on social ownership of the means of production becomes universal.

4) Victory of socialist system makes it possible completely to overcome the main contradiction of this period, that between developing socialism and capitalism overthrown but still not fully uprooted. Socialist industrialisation and the socialist transformation of agriculture lead to overcoming the contradictions between the most advanced political system and the backward economic foundation and between large-scale socialist industry developing on the principle of extended reproduction and the small scale individual peasant farming.

5) With the triumph of socialism, the exploiting classes in towns and country, capitalist and land-owners, are fully abolished. Two friendly classes, the working

class and the class of collective farmers, remain in society alongwith the new workers peasants intelligentsia. Not only is the class structure altered but also the character of the classes and their position in society. They become classes whose interests coincide in the main decisive fields. The working class having abolished capitalism and converted the means of production from private property into socialist property, ceases to be a class deprived of the means of production and is transformed into a class freed from exploitation but jointly owning the means of production with all working people. The working class acts as the leading and constructive force of the new society marching in the van of the struggle to build communism. With the triumph of socialism, alienation of the working people, the main productive force of the society, from the means of production is ended, and the labour power employed in a branch of the economy ceases to be a commodity.

6) Whereas under capitalism, the town exploits the country, under socialism it renders the country technical, organisational and cultural assistance. The country in turn supplies the town with food and raw materials.

7) Once the exploiting classes with their parasitic consumption have been abolished, the national income becomes wholly at the disposal of the people. Working conditions

are radically altered, housing condition in town and country substantially improved and all the achievements of modern culture made accessible to the working people.

8) Socialism gives all nations and nationalities rapid all-round economic and cultural development and destroys the root cause of the oppression and inequality of nations.

9) With the triumph of socialism, the state of the dictatorship of the proletariat is steadily transformed into a political organisation of the whole people under the leadership of the working class. The function of the state are essentially altered. Its function of suppression of exploiters withers away and its managerial organising and cultural educational functions become enormously developed. The successful exercise of these functions is inextricably involved with broader and broader participation of the masses of the working people in the management of public affairs. The socialist state function of protecting public property and that of defence against aggression are strengthened.

The building of socialist society in Soviet Russia had world historic significance as it proved the possibility of abolishing capitalism and exploitation of man by man and of building a new society. The Soviet people's heroic efforts are an inspiring example to the working people of other

countries in their struggle for liberation from wage slavery and are evidences of successful Marxian socialism.

The Stage of Developed Socialism

The building of the material and technical basis of socialism and establishment of the undivided domination of socialist relations of production in the U.S.S.R. meant completion of the transition period. Socialism had in the main been built, which opened the way forward to communism, since the development of socialism and the building of communism are a single continuous process. But for full-scale advance towards the second phase of communism, socialism had to be fully consolidated. This means that, once socialism has been built in the man, society has to pass through a stage of further consolidation of socialist production relations and development of the productive forces and gradually advanced to a higher stage of maturity.

Developed or matured socialism is a historical stage in which all the necessary objective and subjective pre-conditions are being prepared for the second place of communism. It is based on the same type of relations of production and the same economic laws as those of the first stage of socialism, but it differs from the latter both in regards to the level of the productive forces and the

degree of maturity of the relations of production.

The Basic Economic Law of Socialism

Operating under the conditions of Marxian socialism is the basic economic law of socialism ensuring the fullest possible well-being and free comprehensive development of all members of society through the steady growth and improvement of social production.

V.I. Lenin wrote that "socialism alone will make possible the wide expansion of social production and distribution of scientific lines and their actual subordination to the aim of easing the lives of the working people and of improving their welfare as much as possible. Socialism alone can achieve this. And we know that it must achieve this, and in the understanding of this truth lies the whole complexity and the whole strength of Marxism."⁶

Thus, the basic economic law of socialism is the law of progress of social production. The motive force of socialism is growing public consumption which is achieved through the nation-wide development and improvement of production in a planned systematic way.

6. Lenin, Collected Works, A Speech at the First Congress of Economic Councils, May 26, 1918, Vol.27, 1977.

Correspondence of Producing Relations and Productive Forces under Socialism

Under Marxian socialism, the character of the interplay of the productive forces and production relations is altered. Production relations are brought into line with the level and character of the productive forces. Socialist production relations open up broad opportunities for accelerated growth and development of society's productive forces.

Before the establishment of socialism, production relations were adapted to the productive forces spontaneously through social conflict and revolution. The ruling classes fought bitterly to preserve the old production relations that were the basis of their economic and political domination. Social revolutions were the only way to break their resistance and establish new relations in order to meet the objective requirements for developing the society's productive forces.

Thus, whereas the law of correspondence of society's production relations and productive forces under Marxian socialism and the basic economic law of capitalism begin to operate in opposite directions at a definite stage in the development of the bourgeoisie economy and whereas the immediate aim of capitalist production becomes an obstacle to development of the productive forces in a socialist

society, the basic economic law and the law of correspondence of production relations and productive forces operate in the same direction. Growth of the people's consumption necessitates advance of the productive forces; but the more fully their needs are met, the more society's main productive force, the working man, flourishes and the stronger and more fruitful the production relations of comradely cooperation and mutual assistance become. Improvement of socialist production relations in turn promotes development of both the objective and subjective factors of the productive forces, which provides the most favourable conditions for attaining the aims of socialist production, for which, planned development of the socialist economy is of crucial importance.

Planned Development of the Economy - An Economic Law of Socialism

One of the most important advantages of Marxian socialism is planned development of the economy.

Certain objective pre-requisites for planned regulation of production arise even under capitalism. As the social character of production develops and finds expression in the evolution of the social division of labour and specialisation of production, the concentration of production in very big enterprises and the strengthening of social and

production relations are compromised. Large scale machine industry, Lenin said in this connection "unlike the preceding stages, imperatively calls for the planned regulation of production and public control over it."⁷ But under capitalism, this requirement stands in contradiction to private property in the means of production.

However, as Engels said, "the social anarchy of production gives place to a social regulation of production upon a definite plan, according to the needs of the community of each individual."⁸

Thus, planned development of the economy is a universal law of socialist construction. All countries that have taken the road of socialism are applying it with an eye to the concrete condition and specific features of their national economies and in the course of directing their economies, their peoples are creatively drawing on Soviet experience and on the mutual experience of the socialist states in the field of planning.

The experience of the Soviet Russia and other socialist countries has inconvertably demonstrated the great advantages of the planned socialist economy over the sponta-

7. V.I. Lenin, Collected Works, The Development of Capitalism in Russia, Progressive Publishers, Moscow, Volume 3, p.545.

8. Frederick Engels, Anti Duhring, Progressive Publishers, Moscow, pp.320-321.

neously developing capitalist one. The planned socialist economy does not know economic crises, chronic idle, capacity or unemployment. By its very nature it excludes the parasitic consumption and dissipation of material, manpower and financial resources associated with competition and crisis and affords possibilities for the most rational and rapid development of the productive forces.

One who is familiar with the two social systems which have been confronting each other for more than fifty years, has little doubt that socialism has demonstrated a greater vitality. It has created a new socio-economic order. It has pioneered in the sphere of social justice and accelerated economic growth and it has committed itself to catching up with and outstripping the most advanced capitalist countries.

But the economic weaknesses of Marxian socialism are reflected in limited personal freedom and low efficiency. The productivity of labour, although rising, continues to be disproportionately low by western capitalist standards. The absence of national pricing system and effective competition means that under socialism, to a far great extent than under capitalism, resources are not employed and products are not distributed in accordance with the equi-marginal principle to ensure maximum economic welfare.

Although socialist achievements in Soviet Russia and its statellite countries have been spectacular, they have been attained at tremendous cost in terms of resources and of sacrifices borne by the public. And, the humane aspirations of the nineteenth century socialism were subjected to the economic ones.

PART 'B'

Emergence of Mixed Economic System

Some writers like Halm, go to the extent of saying that today's capitalism and socialism have lost their identity and merged themselves into a mixed economy. In the words of George Halm, "All economic systems in practice are 'mixed' in the sense that the planned systems make use of monetary incentives and monetary accounting procedures."⁹

The concept of mixed economy, which has come to stay in economic organisation is of quite a recent growth. It is the outcome of the compromise between the two widely different schools of thought - the one strongly pleading for the socialisation of the means of production and entire economic activity and the other which champions the cause of laizzez-faire economy. Mixed economy takes the best of the two types of organisation. It takes notice of the fact

9. George N. Halm, Economic Systems - A Comparative Analysis, Oxford & IBH Publishing Co., New Delhi, p.21.

that vice and virtue are two co-existing phenomena.

However, economic literature discusses those economies under mixed economic systems (real or potential) which combine the features of free consumers' and occupational choices with government ownership of at least the strategic industries and a fair amount of central planning.

But the main factor leading to the emergence of mixed economy has been the restoration of the humanist aspirations of the founding fathers of socialism. Since the Second World War the humanist aspirations have again become prominent. Mixed economy is a "modern socialism" influenced by the twentieth century events.

Definition of Mixed Economy

Let us now attempt to define a mixed economic system. Though capitalism is a system of private sector, yet public sector is not completely non-existence in it. Similarly, some small independent producers may be permitted to work on their own in a socialist economy so that a small private sector may exist side by side with the public sector. To define a mixed economy in terms of co-existence of the two sectors, is not enough. The definition lacks preciseness.

It appears from the features of a mixed economy that the distinctive mark of mixed economy is that a well-defined

role is allotted to the public sector, and this allotment is based on ensuring fast development and more equal distribution. It is also a distinctive mark of this system that although the private sector is permitted to base its activities on the profit motive, the exploitative character of this motive is effectively curbed. It is these distinctive marks of the system which would help us to define it.

A mixed economy has, therefore, been defined as a system in which the public sector and the private sector and the private sector are allotted their respective roles in promoting the economic welfare of all sections of the community. This definition brings out clearly that the objective is fast economic development without exploitation and the two sectors are asked to do their best in the achievement of the goal. The relative importance of the public and private sectors may vary from country to country. Mixed economy trend is expected to remedy the short-comings of capitalism, while avoiding those of socialism. This form of economic organisation becomes necessary specially in a developing economy to overcome shortages of enterprise particularly in respect of heavy investment and basic sectors of the economy.

Characteristic Features of a Mixed Economy

Since the mixed economy comes in the mid-way between

capitalism and a socialist economy, it is, therefore, interesting to know the basic features of a mixed economy, and it will be seen that a mixed economic system possess the features of both a capitalistic and socialistic economy.

On the very first ground, it could be pointed out that in the socialistic economy there is the co-existence of public and private sectors. In a mixed economy, while some fields of production are excluded from private sector there are some fields which are exclusively allotted to it. Those fields which are excluded from private sector are allotted to the public sector. In other words, the spheres of activity for both sectors are well-defined.

The duties of the public sector can be roughly summed up as provision of social overheads, of industrial climate and of industrial base. Industrial climate refers to making available cheap and adequate means of transport and communication, etc. Industrial base means provision of basic industries like iron and steel, heavy chemical, etc. In addition, the public sector undertakes the production of all defence requirements, public utilities and also enters those fields where initial investment and risks are large, or where the private sector fails to show rapid progress. The public sector reserves to itself the above fields and leaves the rest for the private sector.

Mixed economy is characterised by various categories of industrial undertaking. The industrial economy in a mixed economic system is categorised in the following ways :

a) Those productive activities which only the public sector can undertake.

b) Second, there are some fields of production which are exclusively allotted to the private sector.

c) Third, certain fields are open to private as well as public units of production.

d) Fourth, there may be fields where private units already exist and the state may permit these to continue, but new units can be started by the public sector only.

e) Lastly, the state may reserve some fields of production for itself, but may start ventures in partnership or in co-operation with private interests.

A mixed system also provides the basis for division of sphere of activity between the two sectors in economic welfare. The purpose is fast economic development accompanied by a sufficiently rapid increase in opportunities for employment. In addition, the public sector undertakes to reduce inequalities by starting industries in the less developed regions and by opening employment opportunities for backward classes.

Market mechanism plays an important role. The output of the public sector has to be sold because there is no question of self-consumption in this case. Even the goods produced in the private sector are largely marketed, the producers sometimes keeping a portion of their output for self-consumption. A mixed economic system, therefore, is known for its commodity production.

Profit motive is at the back of social interest. In a capitalistic economy profit motive serves as a very successful stimulus to capital accumulation and rapid industrial expansion. In mixed economy, profit motive is allowed to play the role within certain limits. The private sector is permitted to function in such a manner that gains are made by an increase in efficiency and not by exploitation.

Public sector is mainly guided by social interests. But an element of profit is also there. Social interest, however, continues to be the dominant consideration so that some works may be run even on a loss, only ensuring that lost incurred is minimum under the circumstances. It is the profit motive which in combination with the price system, mainly determines the allocation of resources. But profit motive is not allowed unrestricted operation.

In capitalism, profit is the only consideration. In socialism profit motive is eliminated. In mixed economy,

profit motive is permitted to operate to the extent that it serves the social ends, i.e. it bears the burden of social costs.

In a mixed economy, the government has to play quite a prominent role in the economic sphere. The public sector covers a substantial field and the government sees to it that it is administered and managed efficiently in the interest of social good. It must step in when and where private enterprise cannot make much progress or unnecessarily restricts the progress. It must see to it that industrial enterprises, public as well as private, are so located that all regions and classes march forward together on the road to economic development.

The success of a mixed economy, therefore, depends much on the policy of the government demarcating the sectors, co-operation of the private enterprise and people's participation. It is quite possible that sometimes owing to a defective policy of the government, overlapping and stagnation may occur in the economic system. It is also possible that the private sector may be so much obsessed with self-interest and profit motive that it may completely sacrifice the social interest. A mixed economy, therefore, needs a constant vigilance on the part of the state.

In addition, the government has to ensure that the

gains of economic development are widely distributed as far as possible. It must take adequate steps to make certain that inequalities between man and man, class and class, and region and region, are reduced to the minimum. Neither are industrialists to be permitted to exploit workers nor are landlords to be allowed to exploit tenants. The wage earners must be assured a reasonable minimum wage, social security, provident fund and unemployment relief.

The Dilemma

The last decade of ~~one~~^{our} century has been marked by a huge resurgence on the power and efficacy of the capitalist market system and a corresponding collapse of confidence in the capacity of the socialist command economies. During the century, large parts of the world have given the collectivist alternative a long, thorough and staggeringly costly trial, and it seems to have failed absolutely everywhere. Many of them are turning back almost in despair, to the despised market disciplines they had rejected.

In the meanwhile, the capitalist world is racing ahead and is creating wealth on a scale never before dreamed of. It is clear that capitalism is modifying or reforming itself all the time and we cannot foresee how it will evolve over the next century. But we cannot doubt about

its wealth-producing capacity which is so considerable as to prevent any opinion that seeks to replace it with something fundamentally different.

We are now witnessing the end of a historical epoch in which capitalism has survived the collectivist assault and is now firmly established as the world's primary way of conducting its economic business. But the trouble with capitalism is that it is morally neutral or indifferent. It is so productive of great miseries as well as great blessings. Hence the socialists of the early nineteenth century, saw it as evil, rejected it and sought to replace it. But capitalism has no effective substitute. As things develop now in the international level, it seems capitalism has to be accepted in spite of its moral neutrality. But the process of using it for moral purposes has actually been taking place for 200 years now. Welfare state capitalism has already been put into practice in Britain, America and Western Europe since 1950. Capitalism has now become guided or managed by government giving rise to what has been called democratic socialism. In fact, wherever industrial capitalism grew in the nineteenth century, socialism of various sorts also grew. In a special sense, we can agree with George Dalton that "we are all socialist now."¹⁰ At any rate, it appears now that it is possible to run capitalism in tandem with public policies that enable a

10. George Dalton, Economic Systems and Society, Penguin Books Ltd., U.S.A., 1974, p.70.

country to have a mixed economy.

Tribal Society of North-East and Socialism

It is interesting to look at tribal economy vis-a-vis the socialist society. The means of production are not in the hands of the ruling authority but under the society's control. No individual person has got any authority over the land owned by the society (community land). The elders or chiefs of the community distribute the land to be used for shifting cultivation to each family. In this way, we can say it is socialistic in character.

The system of land ownership in the tribal economy recognises both private ownership and community ownership. Even though private ownership of land was not that of the extreme form where an individual person does not have control over it, yet the land can be in private hands so long as it is utilised by a certain person. But as soon as that person abandons the land, it reverts back to the community. So private and community ownerships exist side by side in a mixed pattern.

However, socialism as understood in the west, is not found in the tribal society. But when we speak of socialism as the social ownership of the means production, tribal society can be likened to a socialist society. But

the tribal society of the North East India appears to have been following a well-refined form of mixed economy. Both the elements of socialism and capitalism are found to co-exist in the tribal society of North-East India.

Chapter V

SUMMARY AND CONCLUSION

At the end of our analysis of the various economic systems that have emerged in the world's economies, it is now proposed to summarise our findings and record our conclusions :

I

At the start of our inquiry into the different economic systems beginning with the pre-capitalist economic formations, we have made a serious attempt at distinguishing an economic system from a social system that has generally been in use. In the course of this attempt, it has been discovered that an economic system cannot be clearly segregated from the interactions of various human organisations and activities. At the same time the same factors, namely, the forces of production and the relations of production have been responsible for the change of economic systems from the earliest time to the advent of both capitalism and socialism. But inspite of the human interactions through various organisations and activities, still an economic system can be identified. We have recorded three important determinants : (1) What to produce, (2) How to produce and (3) How income should be distributed. It is of course clear that economic organisation is devoid of a spiritual or to put it more vaguely, a moral purpose. In other words, it lacks a moral dimension.

As one economic system changes over to another from one period of time to another the quality of the factors including the forces and relations of production have been changed in quality and technology. Hence the level of economic development takes a higher shape along with the social and cultural changes which are capable of modifying the natural environment of an existing economic system.

Besides the different forces that influence the existing economic system, the nature and operation of the system are also transformed as has been manifested in the social preference function, institutions, and instruments and the patterns of resource allocation and income distribution. Finally, it is the social preference function that has ultimately brought about the improvement in the performance of the given economic system.

Karl Marx had indeed contributed in consolidating the relations and the forces of production into the simple concept of the mode of production. Hence Marx's analysis of a transition of one system to another through the mode of production has to be accepted.

II

In dealing with the pre-capitalistic economic formations, we have found that the three systems, namely, the

primitive society, slave society and the feudalistic society, emerged one after another in most parts of the world. But besides these usually known societies there are other groups that might not have fit in with the mode of production practised by either of the said three societies.

It was the development of social productive forces and the change in production relations that had transformed the primitive community into the new system of slavery. Production relations again was responsible for the decay and fall of slavery. This was manifested in the cruel exploitation of slaves.

Under feudalism, the new production relations and the new forces of production were again responsible for its own collapse. Feudal relationship has been found to be a great obstacle to the further development of productive forces. However, there was a significant growth of productive forces under feudalism as compared to their growth under the slave mode of production. There was no more slave but the peasants who tilled the land which belonged to a land-lord were exploited all the same. The peasants were turned into serfs, who were considered as good as the cattle. Hence the exploitation of man by man continued. The traces of feudal conditions are believed to be found in most countries of the world. However, the feudal condi-

tions that prevailed in Europe were different from those prevailing in other countries of the world. Karl Marx was able, to some extent, to discover the difference in Asia and that was why he gave a different nomenclature to the mode of production that prevail in Asia including India. However, Marx could not penetrate through his analysis, into the tribal mode of production. Tribal society was indeed different from the Asiatic mode of production that was illustrated by Marx. Even his findings about the Asiatic mode of production did not provide an adequate information on the evolution of the Indian economy inspite of his frantic attempt.

In our analysis, we are led to discover that the tribal economy in North-Eastern India resembles the primitive communism where the land belong to the community. This was a common feature of all tribal groups in the region. The tribal society did never undergo the slave mode of production. However, the tribes might look upon an outsider as an enemy. There are some tribes who had practised resemblance of feudalism.

III

With the advent of the capitalistic mode of production when feudalism collapsed, the productive forces have been

further developed. But since capitalism emerged within the heart of the feudal system, the urge to accumulate through exploitation has been further strengthened. In fact, the bourgeoisie of the feudalistic society became capitalists while the labourers became proletarians. The capitalist system offers the necessary stimulus to accumulation of capital. The rapid accumulation of capital brought about unprecedented economic growth in the growth of labour productivity. But on the other hand the workers could no longer sustain their handicrafts and that made them more dependent on capitalists. Hence under capitalism all means of production belonged to the capitalists while the workers are forced to sell their labour power to the capitalists.

In Marx's analysis, exploitation under capitalists society was disguised during the earlier stages of capitalism. But gradually the relations between workers and capitalists resembled those between a commodity and a commodity-owners. This exploitation was subsequently exposed by Marx. For quite some time capitalists could exploit the workers or the proletarians within their own country. But in the second stage of the development of capitalism, the capitalists could afford to extend their exploitative power in other countries dominated by their parent country.

Analysing the characteristic features of the capitalist economy, Marx's theory of surplus value as the process of capitalist exploitation is revealed. Marx classified labour value into 'necessary labour' and 'surplus labour'. It is a 'surplus value' which becomes the key factor in Marxian economics. It is here that Marx made his distinction between primitive accumulation and capitalist accumulation. Thus under the former, simple commodity production took place while under the latter, the capitalists production occurs. In other words, Marx made a distinction between simple commodity production and capitalist production in which the capitalists is interested to increase surplus value.

The capitalist pursuit for increasing surplus value leads to greater accumulation of capital, greater concentration of wealth, emergence of the army of labour, large scale mechanisation, and an improvement in the productivity of labour. Thus the capitalist system undergoes a continuous change in favour of the capitalists. But on the contrary, the rate of profit has a tendency to fall. Therefore, the capitalist production has an in-built barriers to its own expansion. The falling tendency of the rate of profit would lead to the economic crisis and to the ultimate breakdown of capitalism.

As stated earlier, the capitalist extended their spheres of exploitation outside their home-country. This has led to the advent of imperialism as a continuation or extension of the capitalist development. Then begun a movement of capital and the economy is open to foreign trade. But in the course of time, the capitalists colonised in different parts of the world. Along with the export of capital, monopoly capitalism arises which control the industrial structure in all countries.

Whatever may be the different views on imperialism, we must agree with Marx that it is a continuation or extension of capitalism. Lenin and Bukharin shared this view. The imperialist colonisation and annexation is the capitalist tendency towards centralisation of capital. Thus the capital-labour conflict would take an international character and lead to war. At any rate for our purpose, we are not inclined to attach any importance to the second view on the theory of imperialism as being a policy of conquest. Imperialism is but a definite method of capitalist politics. Marx believed that the bourgeoisie will have to relinquish the imperialistic methods and pressure. To him the entire development of capitalism is nothing but a process of continuous reproduction of contradictions in an ever wider scale. Hence there is no escape from collapse of capitalism after it reaches the stage of imperialism.

Imperialism, therefore, under the Marxian view is only a new lease of life to capitalism.

As we turn our attention to our tribal economy in the north eastern India, it is found that as the institution of private property grows and develops among the different tribal societies, the communal ownership of landed property continues. There was some sort of imperialist spirit among certain tribes, yet the traditional "community life" continues with the tribal societies.

IV

Socialism was the response to the evils of industrial capitalism during the 19th century. There have been various schools of socialism yet their common aspirations has been for a humane society. In countries like Britain, socialism remained passive or moderate and became part of democratic socialism. But it was Marx and Engels who developed a scientific theory of socialist revolution to prepare the working people in their struggle against the exploiting capitalists and to build a new social system. Hence Marxian socialism is revolutionary. It believes in a classless society based on socialisation of all factors of production. It was Lenin who implemented the revolutionary character of socialism as developed by Marx and brought about a new

communistic system in Soviet Russia. The bourgeoisie were deprived of their political power and their economic power by which they had become oppressive and exploitative. Their ultimate aim was to smash the capitalist mode of production.

Thus the transition from capitalism to socialism gave rise to the communist mode of production through revolutionary replacement of the capitalist production relations by socialist relations. This was completely implemented in the Soviet Russia under the leadership of Lenin. The bourgeoisie power was completely abolished and the state of dictatorship of the proletariat was established.

As it happened in Soviet Russia and other countries in Eastern Europe and China, the economic power of the bourgeoisie who exploited the working people, was completely wiped out. It also put the dictatorship of the proletariat on the economic basis thereby gaining political power to carry out further socialist changes. It also created the conditions for planned development of the economy. The Marxian socialists believed that the socialist mode of production is going to be adopted everywhere in the world in order to put an end to the bourgeoisie exploiters. Ultimately, socialism will triumph in the world and the exploiting classes including the capitalists and the land owners would be completely abolished.

The experience of the Soviet Russia and other socialist countries has demonstrated the great advantages of the planned socialist economies. But the economic weaknesses of Marxian socialism are reflected in the limitation of personal freedom and low efficiency.

In view of the weaknesses of the Marxian socialism, the mixed economy type emerged in order to restore the humanist aspirations of the founding fathers of socialism. This type of mixed economy has, therefore, been adopted even by highly capitalistic countries in the world like U.S.A. The characteristic feature of mixed economy were indeed attractive to many capitalist countries in order to delay the collapse of capitalism as the Marxian socialists would believe.

The last decade of this century has, however, witnessed a huge resurgent on the power and efficacy of the capitalist market systems and the corresponding collapse of confidence in the socialist "command economies".

CONCLUSION

At the end of our inquiry of the various economic systems that have emerged in the world, it has become clear now to us that one mode of production which was more progressive replaced another which was less progressive.

Hence, a primitive mode was replaced by the slave mode of production which was subsequently replaced by the feudalistic mode of production.

Similarly, the capitalistic mode of production was sought to be replaced by socialism because of the inhumane character of the former during the nineteenth century. But the socialist movements were not successful until Karl Marx came to the scene. Marx was revolutionary. It was the influence of Marx's Das Kapital (1867) that had led to the Russian Revolution in October 1917. The Russian experiment had rather exposed the extreme form of socialism which has converted Soviet Russia and Eastern Europe into the new communist economies. The radical communist leaders of Russia known as the Bolsheviks had instituted harsh economic and political policies. Vladimir Lenin introduced the socialist central planning system in 1928. Marx, however, did not prepare such blue-print for the socialist economies.

On Lenin's death, the Stalinist regime became harsher than Leninism in the furtherance of communism for rapid industrialisation of Soviet Russia. But the Russian people suffered very severe material hardship and material deprivation. To industrialise Russian economy rapidly, the communist aimed at unusually large proportion of national

income. Agriculture in that country was brought under collectivisation. With the introduction of central planning, the 'command economy' came into being in Soviet Russia.

The distinguishing feature of Stalinism consisted in the Soviet system coming under the rule of a single omnipotent leader. Through a complex combination of personal control of the mechanisms of power, the cult of Stalin's personality came as an object of intense fear and respect. Thirty years of Stalin's rule, however, witnessed a profound socio-economic transformation in Soviet society. But there was a high degree of economic and political centralisation as well as a concentration of decision-making power into the hands of a single authority at the Centre. This was indeed the most efficient way for the Soviet Russia to have achieved rapid economic progress during the Stalinist period.

Stalin's death in March 1953 led to the successful emergence of Nikita Khrushchev who condemned the personality cult of Stalin. There was going to be a change in the communist approach of socialism. Under Khrushchev, Soviet Russia moved away from the harsh repressive model of Stalinist's terror to a government with limited popular

involvement. Many of Stalin's policies were discredited and mild criticisms of state policy was tolerated. Khrushchev was not successful but he can in many ways be considered a precursor to Mikhail Gorbachov.

Leonid Brezhnev who succeeded Khrushchev in October 1974, begun his regime by discrediting Khrushchev's policies and cautiously rehabilitating Stalinism. Brezhnev's last years have been considered the period of economic stagnation and popular discontent. On Brezhnev's death in November, 1982, Yuri Andropov succeeded but was replaced by Constantin Chernenko in 1985 who in turn was replaced by Mikhail Gorbachov in the same year. Very little is known of the series of successions that followed Brezhnev's death. But what is certain is that both Andropov and Chernenko were in power for too short a time to leave a significant impact on Soviet society. When Gorbachev came into power in March 1985, he called for 'glasnost', 'perestroika', and democratisation policies, which if successful could prove to be as profound as the October 1917 Revolution.

In the meanwhile, the capitalist countries called for Welfare State Capitalism. This means that there has been a call for economic reform of capitalism. In fact, twelve years after Lenin's New Economic Policy (NEP) was launched a Roosevelt's New Deal was introduced in the United States

of America. Lord Keynes and his General Theory (1936) also proposed a change in the capitalistic approach in order to make it more socialistic.

The 1980s have left us with a considerable dilemma. It was during this decade that huge resurgent on the power and efficacy of the capitalist markets and a corresponding collapse of confidence in the capacity of the socialist command economies. Soviet Russia has been prepared to co-operated sincerely and honestly with the United States in seeking answers to all economic problems. Soviet Russia has recognised that any delay in beginning "perestroika" could have led to an exacerbated internal situation in the near future, which, to put it bluntly, would have been fraught with serious social, economic and political crises.¹ Gorbachov of Society Russia speaks of more socialism and more democracy. Democratisation has become now acceptable to the Soviet people. Democratic Socialism has again been brought into the lime-light.

On the other hand, Western capitalists have now been speaking of a Democratic Capitalism. The western capitalists have now recognised that capitalism must be given a moral dimension. However, some believe that the process of

2. Mikhail Gorbachov, Perestroika - New Thinking for our Country and the World, Fontana/Collins, London, 1988, p.17.

moralisation of capitalism has already been taking place two hundred years ago with the enactment of factories act, monopoly and fair-trading legislation and other laws. But all these laws are negative attempts. The genuine democratisation of capitalism would be to make it run in tandem with public policies while steering it in a moral direction. If "we are all socialists now",² 'tribalism' which reflects the 'community life' of the tribes of North Eastern India would persist in contrast to the macho individualism of the western capitalism. Marx and Engel who spoke of the "community life" would have discovered it among the tribal communities of north-eastern India had they been alive today. Let us hope that a day would come when a "more humane capitalism" emerges as the meeting point of "Democratic Socialism" and "Democratic Capitalism".

2. Quoted in Dalton, George, Economic Systems and Society, Penguin Books Ltd., 1980, p.70.

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