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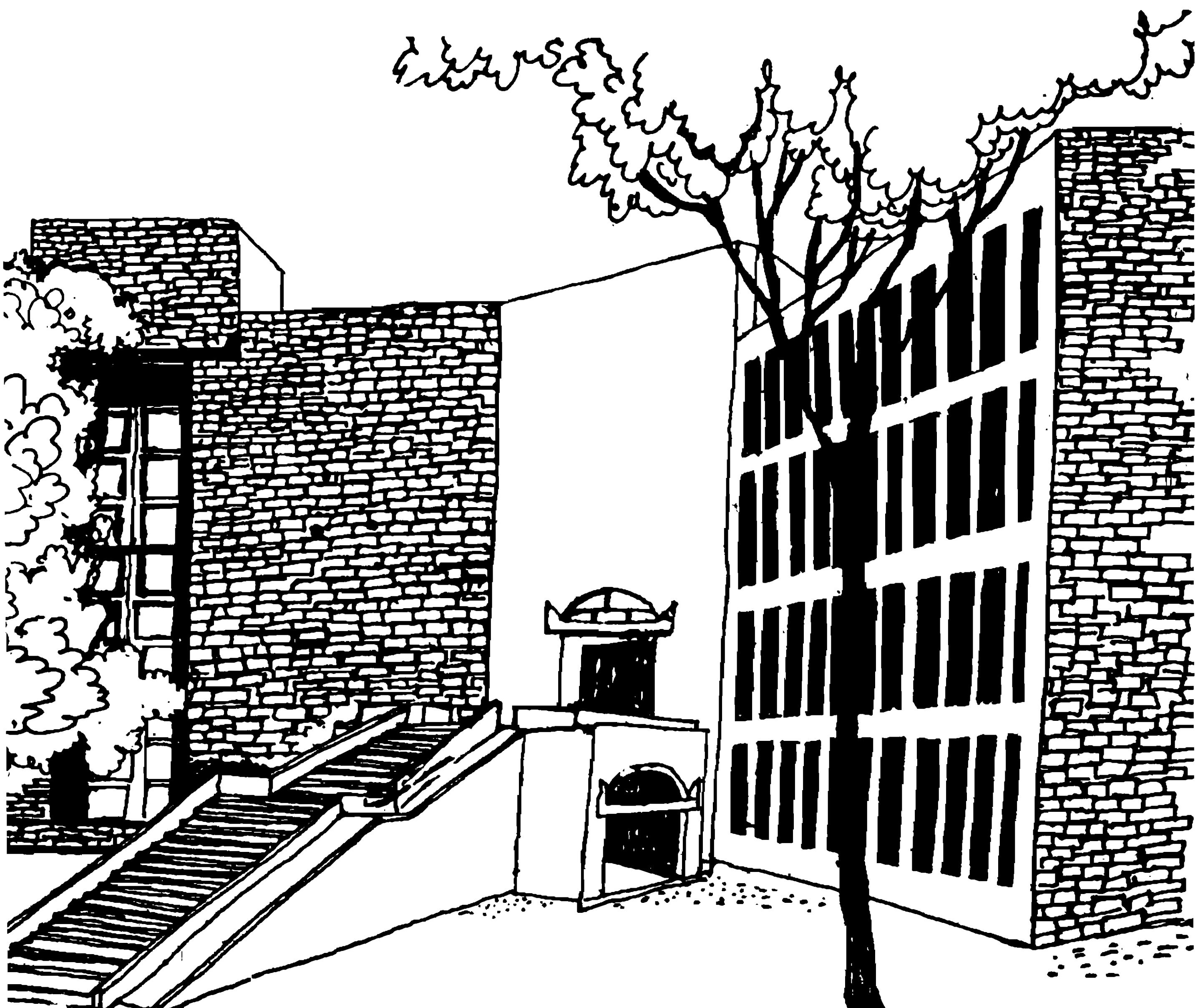

State, private sector and labour: the political economy of jute industry modernization, West Bengal, 1986-90

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Abstract

In the decades since independence, the jute industry underwent a sharp eclipse as exports and profits declined, technology remained stagnant, mills closed and workers were thrown out in large numbers. In 1986 a Jute Modernization Fund was created by the central government in order to revive the industry. Additionally,the government sought to sustain and expand domestic demand for jute by making jute packaging compulsory for certain sectors such as cement, sugar, etc.

Almost all of jute manufacturing takes place in West Bengal. The Left Front government has been in power in West Bengal since 1977. As leader of the leftist coalition, the CPI(M), in order to reinvigorate West Bengal's ailing industrial scene,has sought to encourage private business in general and to some extent, neutralize labour.

This paper examines the state's relationship to jute mill owners and to the industry's workforce in the context of the attempted restructuring of the jute industry. The paper does not present an economic analysis of jute restructuring; it locates the halting pace of jute industry modernization in the emerging presence of raw jute traders in the industry, and in the state's vulnerabilities both to mill owners and to workers. The dynamics of these relationships set the limits to the restructuring efforts that had begun in the mid 1980s.

In the context of these findings, the paper ends with some reflections on received theories of the developmental state.

Author's Note:

The data used in this paper was collected on a field research trip to India in the summer of 1990 when I was a graduate student at Princeton University. This trip was in connection with my dissertation research. The trip was funded by the American Institute for Indian Studies, Chicago. The material used in this paper was not used in my dissertation.

Introduction

The jute industry is one of the oldest of manufacturing industries in India. By the time of the first world war, jute and cotton textiles had emerged as the two leading factory industries in India. The growth of the jute industry had occurred mainly on the basis of exports. In the period after independence, the industry has undergone a very clear decline, brought on primarily by the gradual loss of the export market. In the domestic arena, the demand for manufactured jute goods has shown some increase; and in recent years there have been attempts to reinvigorate the industry through a Jute Modernization Fund and to sustain and expand the domestic market for jute goods by making jute packaging compulsory for certain industries, such as cement.

The restructuring of this industry poses certain dilemmas. On the one hand, the loss of the export market is a function of broader structural factors in the international economy, (such as the development of cheaper synthetic substitutes, or increased competition posed by other exporting countries) and seems irreversible; in the domestic market, in the long term, with the development of the petrochemical industry, synthetic bags are likely to emerge and to displace jute as had occurred in the overseas market. From this perspective jute restructuring would appear to be a potentially lost cause. On the other hand, jute remains one of the largest employers in the eastern region, particularly in West Bengal which is an industrially backward, heavily populated state, with a high rate of unemployment. The jute industry employs about 200 thousand workers and supports about four million families dependent on jute cultivation, the chief commercial crop of the region. The attempt to revive and rejuvenate the industry therefore makes sense from a socio political, and possibly humane,if not from a purely economic point of view.

What makes jute modernization of particular interest from a broadly political economy perspective is the industrial politics of West Bengal under the CPI(M)-led Left Front government that has been in power since 1977. The decline of the jute industry occurred in the context of the economic and industrial decline that had set in in the country in general and in West Bengal in particular from the mid 1960s onwards. This decline was compounded in West Bengal by the extreme instability that marked its politics from the 1960s onwards. In the 1967 assembly elections, the United Front, a coalition of leftist and left leaning parties came into power. The United Front ordered the police not to "interfere" in labour-management strife. Industrial unrest reached a climax at this time with almost daily gheraos, sit-ins and strikes. Industrial production reached an all time low and there was general flight of capital to other parts of the country. The powerful emergence of the Naxalite party at this time brought a particularly radical rhetoric and an environment of political violence that further disrupted the climate for industrial growth and stability. The subsequent five years of Congress(I) rule in this state (1972-77) were also industrially unproductive years. Severe power shortages and labour militancy were two of the crucial problems that obstructed industrial progress at this time.

Significant changes began with the Left Front government's rule in 1977. Led by the Communist Party of India (Marxist), the Left Front inaugurated a positive approach towards industrial regeneration. The government began serious efforts to woo private capital for investment purposes both in industry and in infrastructural development. The practicalities of running a government appeared to dictate a labour policy that was much less agitational, and the economic rationale of industrial regeneration implied positive incentives for the private sector and a general toning down of the party's erstwhile anti capitalist rhetoric.

The government's reconciliatory tone towards the private sector led to some positive results in terms of the investment climate in West bengal from the mid 1980s onwards. As of March 1990 there were 26 newly sanctioned projects representing a total of Rs. 186 crores. The Left Front government has promoted joint ventures in cement, filament yarn, electronics and petrochemicals. Large joint sector projects, representing a total of Rs. 1,780 crores including the Rs. 1,479 crore Haldia Petrochemicals project, are now in various stages of progress.

The CPM's positive approach towards private capital has been matched by changes that have occurred in its labour policy over the last decade. The militancy of its trade unions that had completely disrupted the state's industrial climate in the 1960s and 1970s gave way to a significantly more moderate and cautionary approach towards labour-management relations. This change was reflected in the declning number of industrial strikes in West Bengal.

In attempting to revitalize industrial development, the CPM has thus made some definite efforts to provide positive signals to private entrepreneurs and to neuralize, to an extent, its former labor militancy. In what ways have these policy shifts restructured the relationship of the state towards different social groups? Further, in what ways have the state's relationship to different social groups - private sector and labour- facilitated or obstructed its objective of industrial regeneration?

Table 1

	Strikes	No. of workers involved
1970	678	454,000
1975	277	370,000
1980	78	153,000
1986	25	112,000

Source: *Labour in West Bengal*, Government of West Bengal, Ministry of Labour, 1989.

These questions will be addressed in this paper in the specific context of the jute industry in West Bengal. The share of jute exports in the country's total export trade was 28.6% in 1950-51; this share declined to 20% in 1960-61, 15% in 1970-71 and to 4% in 1986-87. In the course of the last two decades, the jute industry has shown visible signs of decay as profits have declined, technology stagnated, mills closed down, wages became stagnant, and large numbers of workers were thrown out of work, setting forth some of the bitterest industrial disputes in the state. Both the Left Front government and the major trade unions have repeatedly demanded nationalization of the industry. The 1986 Jute Modernization Fund can be seen as a choice made by the central government against the option of nationalization in favour of attempting to rejuvenate the industry through greater support to the private owners of industry. What occurred in the next few years, however, was incomplete and halting execution of the fund, increase in the number of closures, deteriorating labour conditions and declining productivity. This paper highlights that despite the substantial Jute Modernization Fund, state efforts to rejuvenate the industry became stymied by an ambivalent approach towads labour, and captured in acquiescence towards the existence of a speculative and unproductive trader-entrepreneur class.

Background

The British government encouraged the commercial cultivation of jute fibre and its export primarily to England. The first jute spinning mill was set up in Calcutta by a Scottish entrepreneur in 1859. As jute growing was a virtual monopoly in Bengal,the manufacture of jute benefited from the competititve advantage provided by cheap raw material. The basis of the growth of the industry was an elastic supply of cheap coal and rural labour, the avalability of finance from British managing agents as also shipping facilities at Calcutta port. The industry grew rapidly during the early years of the 20th century, and particularly during the two world wars(Gadgil:1974; Morris:1984). At partition in 1947, 75% of the jute producing area growing about 80% of the crop, was lost to East Pakistan (Bangladesh). The decline of jute in India began from this time onwards, with the loss of the source of its raw material. In fact, the number of jute mills in West Bengal came down from 111 in 1947 to 106 in 1948.

The story of the decline of the jute industry has been retold many times. Here only some broad patterns are indicated. Throughout the post independence period, production of jute goods in India did not demonstrate any significant growth.

Table 2

Annual category wise production of jute goods in India

(thousand tonnes; financial year)

Year	Hessian	Carpet backing	Sacking	Others	Total
1976-77	329.6	112.8	616.1	127.1	1185.6
1977-78	361.1	136.5	528.7	151.8	1178.1
1978-79	279.2	112.9	511.0	143.9	1047.0
1979-80	365.9	144.5	654.8	171.6	1336.8
1980-81	402.0	67.0	732.0	191.4	1392.4
1981-82	348.9	84.1	725.1	175.5	1333.6
1982-83	323.4	56.2	782.9	175.3	1337.8
1983-84	227.5	30.4	658.1	172.9	1088.9
1984-85	325.5	46.6	805.6	192.0	1369.7
1985-86	310.9	30.5	823.4	186.9	1351.7
1986-87	348.5	53.5	831.1	160.9	1384.0

Source: Gautam Sarkar, *Jute in India: an economic analysis*, OUP, Calcutta, 1989

Profits did not show any marked rise during these years. The industry recorded relatively high profits in the years 1971-72, 1974-75, 1979-80 and 1980-81 because of favourable demand conditions in both overseas and domestic markets along side comfortable raw jute positions, and registered losses in the years 1973-74, 1975-76 to 1978-79 mainly owing to adverse export demand. In other years over this period, the industry experienced low to moderate profitability (Sarkar:1989).

The decline of the industry was most apparent in the number of closed and locked out mills and in the number of workers laid off. During the Emergency years, around 40,000 workers in the industry were laid off without compensation. As of June 1990 there were in West Bengal 15 closed mills and the number of affected workers was 38,950.[1] There have been several important strikes in the industry during these years, the jute mill workers' strike in 1970, the 33 day strike in January 1974, the 50 day strike in January 1979 and the 84 day strike in 1984, which was the longest in the history of the industry. A repeated demand in these industrial unrests has been for nationalization of the industry. While Indira Gandhi, after her return to power in 1980 had verbally indicated that nationalization was a possibility, this was entirely removed from the agenda after Rajiv Gandhi became Prime Minister in 1984 and the liberalization programme got underway.

The state, private sector and labour

With a view to restructuring the jute industry, the central government, initiated a number of measures in 1985: the Jute Modernization Fund Scheme (JMFS) of Rs.150 crore was introduced with the Industrial Finance Corporation of India (IFCI) as the nodal agency. The Special Jute Development Fund (SJDF) of Rs.100 crore was introduced for the implementation of various identified programmes in the jute sector. The government also issued a reservation order for mandatory use of jute goods in certain specific areas, such as, food grains, cement, fertilizers and sugar. In addition the Internal and External Market Assistance Schemes was launched to provide subsidies on diversified jute products, such as carpets, decorative fabrics, felts, blankets, yarn handicrafts etc. The central government, further, took a decision to allow duty free import of certain machinery of improved technology for a limited period. The government of West Bengal also agreed to grant reliefs or concessions to jute mills undertaking modernization, by way of granting sales tax loan against overdues in respect of interest bearing sales tax or raw jute tax and interest free deferment of non-interest bearing sales tax or raw jute tax. These measures were clearly designed to energize the jute industry by providing a set of incentives to private entrepreneurs.

The JMFS was introduced by the Industrial Development Bank of India (IDBI), and Industrial Credit and Investments Corporation of India (ICICI) with effect from 1st November, 1986 for providing financial assistance to eligible jute mills for undertaking need based modernization of plant and machinery.[2] Under this scheme, provision was made to sanction special loans upto 80% of the promoter's contribution carrying concessional interest of 6% per annum to be repaid over a period of

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1 Information obtained from Indian Jute Mills Association, Calcutta

2 Information regarding the JMFS was acquired from Annual Reports of the Indian Jute Mills Association,(IJMA) Calcutta, and in conversation with IJMA officials.)

12 years. The modernization/rehabilitation loans were provided at concessional interest of 11.5% p.a. with a flexible approach with regard to the schedule of repayment.

To start with, the special loans were sanctioned to such concerns whose net worth was negative or there had been erosion of 50% or more of the peak net worth during the preceding five years. The eligibility criteria was subsequently liberalized and such special loans were made available to mills whose aggregate cash accruals in the preceding year and the current year was likely to be lower than 20% of the project cost. The criteria for grant of assistance under the scheme was also liberalized to provide financial assistance for acquisition of modern equipment and personnel training.

The JMFS gained momentum from the middle of 1987, and until 31st March 1990, the IFCI received 37 appliations for assistance under the scheme. The pace of disbursement of funds was, however, astonishingly slow. The status of processing of these applications as on 31st March, 1990 is given below:

1)	Number of applications received	37
2)	Number of applications withdrawn	5
3)	Net number of applications	32
4)	Number of cases sanctioned	17
5)	Number of applications not found support worthy	7
6)	Number of cases forwarded to BIFR for approval	6
7)	Number of applications under scrutiny	2

Source: *Ministry of Textiles, Government of India, Report on the Progress of the Jute Modernization Fund Scheme, (1990)*

Thus until 31st March, 1990, a total amount of only Rs.64.40 crores had been disbursed by the JMFS. A further amount of Rs.2.40 crores had been approved under the SJDF together aggregating Rs.66.80 crores.

At the time of the introduction of the scheme, it was anticipated that the amount of Rs.150 crores would be utilized by the jute industry over a period of five years at Rs.30 crores per year. Most of the jute mills had gotten into large cash losses on their past operations, which had been financed out of extended trade credits from the market, non-payment of statutory dues, default in respect of existing terms loans, large irregularities in the cash credit accounts of banks etc (Ministry of Textiles, GOI: 1990). According to the guidelines of the JMFS it was provided that the Industrial Finance Corporation of India may grant Special Loans not exceeding 80% of the promoter's contribution, carrying concessional interest of 6% p.a.

A monitoring committee for JMFS headed by the Union Textiles Secretary was set up to review the slow progress of the JMFS. The committee was of the opinion that since most of the jute mills were sick, the modernization programme needed to be combined with rehabilitation plans which call for large infusion of interest free funds on the part of the promoters (Ministry of Textiles, GOI,: 1990). In the normal course, the entire promoters' contribution, with a minimum of 20%, for modernization/rehabilitation of such jute mills is required to be brought in by the promoters and in such a situation the individual jute mill is not eligible to get Special Loan at a concessional rate of interest. The committee suggested that because of the extreme financial debilitation of some units, a provision might be made under JMFS for sanction of Special Loan and the interest for this would be subsidized by the Central Government.[3]

At the time of the introduction of the JMFS, it was recognized that a large number of jute mills had defaulted in payment of their statutory obligations by way of provident fund (employee's contribution to retirement benefits) and ESI (employers' contribution to retirement benefits). This meant that a large part of the funds reserved for retirement benefits of employees had been used up by the management. An amount of Rs.16 crores was earmarked out of the Special Jute Development Fund of Rs.100 crores for sanction of Special Loans to eligible concerns to meet the initial requirement of the fund, representing 20% of the provident fund overdues. According to the existing scheme, the Special Loan was to carry concessional interest of 6% p.a. to be repaid in the subsequent six years along with the current or accumulated interest in equal instalments.

However, in the course of the implementation of JMFS during the period 1987-90, it was found that the total term labilities of most of the sick jute mills were substantial and payment of even 80% of the balance provident fund and ESI dues out of their own funds was not possible for a number of jute mills. The committee therefore suggested that the quantum of Special Loan to be sanctioned to eligible jute mills for meeting the downpayment of PF/ESI dues should be increased from 20% of overdues to 50% of overdues so that the balance 50% could be repaid out of the internal funds of the respective jute mills. Therefore while the initial allocation with regard to assistance in the payment of provident fund and ESI had been Rs.16 crore, this was subsequently raised to Rs.25 crore. These facts underline that not only was the pace of disbursement of the modernization fund slow, but an increasing amount of money had to be allocated for essentially unproductive purposes such as settling of past dues.

Table 3 shows that during the period of the implementation of the JMFS, the industry recorded negligible growth rate.

The situation of sickness, strikes and lockouts in jute mills revealed more closely that the modernization drive had borne meagre results. The number of strikes and/or lockouts in mills in West Bengal during 1980-89 and the consequent loss of mandays is indicated in Table 4.

[3] Interview with Mr LV Saptarishi, Joint Secretary, Ministry of Textiles, Government of India, New Delhi, April 20, 1990

Table 3						
Jute goods production (lakh tonnes)						
	1986-87	1987-88	1988-89	1989-90	Rise(+)Fall(-) During	
					1988-89 compared to 1987-88	1989-90 compared to 1988-89
Production						
Hessian	3.48	3.16	3.14	3.47	(-)0.02	(+)0.33
Sacking	8.31	6.80	7.92	6.71	(+)1.12	(-)1.21
Carpet backing	0.54	0.41	0.36	0.34	(-)0.05	(-)0.02
Others	1.61	1.56	2.46	2.52	(+)0.90	(+)0.06
Total	13.94	11.93	13.88	13.04	(+)1.95	(-)0.84
Internal Consumption						
Hessian	1.43	1.46	1.60	1.78	(+)0.14	(+)0.18
Sacking	8.01	6.69	7.64	6.84	(+)0.94	(-)0.80
C.Backing	0.03	0.03	0.04	0.06	(+)0.01	(+)0.01
Others	1.43	1.39	2.19	2.41	(+)0.80	(+)0.22
Total	10.90	9.57	11.47	11.09	(+)1.90	(-)0.38
Export						
Hessian	1.79	1.73	1.36	1.71	(-)0.37	(+)0.35
Sacking	0.25	0.06	0.09	0.05	(+)0.03	(-)0.04
C. Backing	0.49	0.34	0.34	0.27	-----	(-)0.07
Others	0.24	0.28	0.24	0.33	(-)0.38	(+)0.33
Total	2.77	2.41	2.03	2.36	(-)0.38	(+)0.33
Source: *Compiled from Indian Jute Mills' Association, Annual Reports, several years.*						

Industrial disputes in the jute industry in West Bengal have a long and tortuous history (Chakravarty:1989). The trade union movement in this industry is dominated by three unions, the Indian National Trade Union Congress (INTUC) which is affiliated to the Congress (I), the All India Trade Union Congress (AITUC) and the Bengal Chatkal Mazdoor Union (BCMU), both of which owe allegiance to the CPM. In the post independence period, there have been several organized strikes in this industry, directed at wage rise, permanency of badli (temporary) workers, protesting labour retrenchment etc. During the United Front government's rule (1967-70), the BCMU and the AITUC jointly sponsored an 8 day strike which led to a Rs.30 wage increase. Another successful strike in 1970 secured the workers' demand for bonus and gratuity. Under further pressure, a tripartite agreement in 1972 saw a further wage rise of Rs.45 over the basic minimum monthly wage. The 1972 agreement laid down that on the basis of the labour compliment as in May 1971, 90% of workers in each mill would be permanently employed and 20% of the badli workers would be made Special badlis who would have to be provided with work at least 220 days in a year and would be entitled to provident fund. The rest would be casual badlis (Commission on Labour,GOI:1973). This tripartite

Table 4		
Strikes and Lockouts, 1980-89		
Year	No. of strikes and/or lockouts	Mandays lost
1980	10	4,02,023
1981	17	42,00,709
1982	16	68,06,197
1983	12	37,26,988
1984	4	11,04,183
1985	14	56,49,239
1986	10	3,39,727
1987	7	39,57,163
1988	14	82,09,716
1989	7	38,65,836
Source: *Indian Jute Mills' Association, Annual Report, 1990*		

agreement was ratified in 1984 and made valid until 1988. Despite this agreement, however, there has occurred over these years a significant decline in the labour force employed in the jute industry in West Bengal, as shown in table 5.

Table 5		
Showing depletion of labour force in 10 mills from 1984-90 (not due to natural causes such as retirement or death)		
Name of Mill	No. of daily compliment as per industrywise settlement of 1984	No. of workmen in March 1990
Baranagar Jute Mills	4657	3730
Soorah Jute Mills	1399	1120
Calcutta Jute Mills	930	698
Hooghly Jute Mills	3455	3110
Fort William	3198	2567
Kanoria Jute Mills	2529	2285
Delta Jute Mills	4529	3171
New Central Jute Mills	10930	8207
Budge Budge Jute Mills	3372	3035
Caledonian Jute Mills	3075	2775
Source: *Interviews with managers of mills, and corroborated by information gathered at the Indian Jute Mills' Association, Calcutta.*		

There also occurred during this period a large number of closures, displacing many thousands of workers. Interestingly, most cases of closures of jute mills in the mid 1980s were due to lock-outs rather than to strikes. As mentioned above, the number of strikes had declined in West Bengal in the 1980s as the Left Front government sought to create a more harmonious industrial environment in the state than had existed in the past under the CPM's more militant labour policy. The following table shows the number of closures due to lockouts in the period 1987-90.

Table 6

Lockouts in jute mills in West Bengal, 1987-90

Name of mill	No. of workmen
Kanoria Jute Mill	3000
Eastern Manufacturing Co Ltd	2000
Nuddea Jute Mill	5400
Budge Budge Jute Mills	3400
Gourepur Jute Mills	5500
Calcutta Jute Mills	1200
Shree Hanuman Jute Mills	3500
Prem Chand Jute Mills	900
Titagarh Jute Mills	4000
Delta Jute Mills	5000
Angus Jute Mills	4000
Agarpara Jute Mills	3000
Shree Goure Shankar Mills	1800
Tirupathi Jute Industries	1200
Victoria Jute Mills	5500

Source: *Indian Jute Mills Association, Report on Closures and Lockouts, May, 1990 (Confidential)*

Between 1987 and 1990,then, about 38,000 workmen had been displaced, frequently without compensation. Many of these mills were closed down by their proprietors without due payment of provident fund and ESI to erstwhile employees. In many cases, the number of workmen had been reduced.

Table 7 gives an indication of the nature of default on workers' payments.

Table 7		
Default on workers' payments		
Name of mill	Amount of PF default (Rs. in lakhs) as on 3-31-89	Amount of ESI default (Rs. in lakhs) as on 3-31-89
Angus Co Ltd	609.27	199.35
Nuddea Mills Ltd	426.80	191.34
Eastern Manufacturing Co Ltd	174.24	92.79
Hanuman Jute Mills	13.67	2.05
Delta Jute Industries Ltd	670.88	104.67
Gouri Shankar Jute Mills	180.67	68.03
Agarpara Co Ltd	265.39	83.05
Gouripore Co Ltd	425.07	172.16
Titagarh Jute Mills	485.09	138.14
Budge Budge Jute Co Ltd	202.63	--
Nasarkarpara Jute Mills Ltd	32.60	12.58
The Calcutta Jute Manufacturing Company	38.60	22.24
Source: *Indian Jute Mills Association*		

Against this backdrop of an escalating crisis, the Industrywise Tripartite agreement of 1984 was terminated after its expiry. Following this, some of the trade unions submitted charters of demands and workers employed in the central government-owned National Jute Mills Corporation announced an indefinite strike from December 1987. A few trade unions submitted demands for payment of interim relief and revision of rate of neutralization for payment of Dearness Allowance. Most of the Trade Unions operating in the jute mills served, along with their charter of demands, notices for an indefinite strike from February, 1988. Their general demands were for nationalization of the industry, total ban on use of synthetics, ban on introduction of circular looms and adherence to the 1984 agreement on maintaining the number of workers at 2.5 lakhs.

The Labour department of the government of West Bengal initiated conciliation proceedings. Finally, after protracted discussions between the government, mill owners and trade unions, on 25 February 1988 a settlement was reached in respect of all the jute mills with the exception of the nationally owned mills. By the terms of the settlement there was an increase in basic wages of Rs.40 per month for all categories of workmen, and the rate of neutralization of Dearness Allowance was made Rs.1.65 per point rise or fall in the consumer price index instead of the previously prevailing Rs.1.50. (The minimum wage of a jute mill worker as in February 1990 was Rs.1335.28, inclusive of dearness allowance.) Although no settlement was reached on the other demands made by the

unions, all the federations of Unions and the Central Trade Unions agreed to withdraw the scheduled strike.

Following the announcement of the settlement, about 18 jute mills which had been under lockout since around 1986 reopened and resumed production. But ironically,in several mills the process through which the mills were reopened worked against the labourers. During the period of lockouts, ownership of several such mills changed hands. This phenomena was widely noted and criticized in jute industry circles. In most cases the new owners were traders who used their enormous profits in raw jute trading to buy up mills. Traditionally, jute has been an area where larger business houses had considerable interests. In recent years, particularly in the 1985-89 period, following large scale sickness, strikes and closures, erstwhile owners have demonstrated a tendency to sell off their business and divert their capital. A set of persons, most often with backgrounds in jute trading, have moved in in their place as manufacturers. (It should be mentioned here briefly that commerce in raw jute has traditionally been associated with profiteering traders who deprive jute growers, on the one hand, of fair prices, and on the other, sell raw jute at artificially high prices.) Industry circles frequently described them in terms such as "shadow owners" or "fly-by-night" operators.

The general consensus seemed to be that this new genre of traders-turned-entrepreneurs were characterized primarily by the desire for quick profits on the basis of speculation, labour deprivation and other practices that departed from any minimal standards of business ethics. Most trade union leaders as also important ministry officials identified this development as a major constraint to the government's efforts to rejuvenate the jute industry. It seemed that in most of these cases the new owners' primary economic activity remained in the trading of raw jute and that was where their profits came from. They looked upon their ownership of jute manufacturing units as sources of additional quick profits, rather than in terms of investment and development of the industry. In many cases the owners failed to pay the minimum wage, withheld payment of provident funds and bonuses, diverted funds, sold the land in the factories. The structural problems that beset the jute industry -- decline of the export market, increasing competition in the domestic market from synthetics - must be seen in the context of this tendency where established business houses have withdrawn to be replaced by a new set of owners who demonstrate a lack of entrepreneurial behaviour, however defined.

As far as the work force was concerned, this new development in the ownership pattern of jute mills frequently meant lower wages and deteriorating working conditions. In several of the closed jute mills which were sold, the new owners offered significantly lower wages to the workforce as a condition for reopening the mills. Faced with the prospect of unemployment, workmen frequently accepted such offers and mills were reopened. Thus the terms and conditions of the 1988 tripartite settlement were largely ignored in these cases. In the following we provide details of a few mills which were paying less wages than the Tripartite Minimum Wages, (Rs.1335.28 as on February 1990).

Table 8		
Mills paying less than stipulated minimum		
Name of the mill	No. of employees	Wages paid
Northbrooke Jute Mills	3500	Rs.8900 p.m.
Empire Jute Mills	2000	Rs.900 p.m.
Shri Hanuman Jute Mills	3800	The mill was closed on June 1987 and reopened in December 1989 without any wage increase over the 1987 level.
Shri Ambica Jute Mills	3800	Rs.807 p.m.
Nasarkarpara Jute Mills	1000	Rs.525 p.m.
Premchand Jute Mills	1500	Rs.910 p.m.
Source: *Indian Jute Mills' Association, Confidential Report on Wages, 1990*		

The government of West Bengal, supposedly a pro-labour one, played a complex role in this process. The option, for the government, often was between "turning a blind eye"[4] to these under-the-table-wage deals struck up by management, and insisting on the stipulated wage, in its role as protector of labour. In opting for the former role, i.e., in playing a neutral role with regard to these wage deals, the state obviously made a choice. Labour officials justified this choice on grounds of wanting to assure employment to workers even at lower wages.[5] This may indeed reflect the unenviable dilemma of a government faced with providing a choice of unemployment or abysmal wages; what surfaced also, however, was that in following this policy the government ended up supporting situations where labour continued to be significantly compromised.

In a related development, around 24 mills, in which ownership had changed hands, withdrew from membership of the Indian Jute Mills Association. This had two implications: in the first place, the Tripartite Settlement of 1988 was enacted through the offices of the IJMA; by the terms of the settlement, however, the IJMA would not be responsible for the implementation of the settlement for those mills which were not or had ceased to be members of the Association (IJMA:1988) Workmen and unions in such mills thereby no longer had an organized association, such as that provided by the Industrial Relations Department of the IJMA, with which to hold dialogues in case of disputes; in the face of the state government's apparently neutral approach towards wage deals that fell below the minimum wage settlement, a large part of the workforce was left entirely at the mercy of the new trader-owners who had made their entrance into the jute industry.

[4] Interview with TK Ghosh, Secretary, Ministry of Labour, Government of West Bengal, Calcutta, 25 July 1990

[5] Interview with TT Kumar, Labour Commissioner, Government of West Bengal, Calcutta, 24 July 1990

In the second place, the withdrawal of more than a quarter of the mill management from membership of the Association confirmed the impression of industry circles regarding the changing nature of entrepreneurship in this industry. The Association, which had been founded in 1890, has a long history of interaction with labour and frequently, through its Industrial Relations Department, acts as mediator in industrial disputes and works closely with the state government's labour department. Although essentially representative of the sectional interests of mill owners, many trade union leaders described the structure of the IJMA's Industrial Relations Department as both fair and humane.[6] The withdrawal of more than a quarter of mill management from membership of the IJMA essentially meant the emergence of a new set of entrepreneurs who did not share in the behavioural codes that had been developed over the decades in management-labour interactions in the jute industry and were prepared to ignore stipulations arrived at by way of negotiations through established structures. The state government's acquiescence to illegal wage deals signalled the tacit support being provided by the state to the emergence and consolidation of the new breed of entrepreneurs.

Jute cultivation and trading

It is in this context of the appearance of a set of raw jute traders into the field of jute manufacturing industry that we must also attempt to understand the complex reality of jute cultivation and trade. A vast literature has grown around the semi feudal conditions that exist in India's agriculture and the continuing structures of dependence that bind small agricultural producers to a complex network of creditors and traders(Bardhan: 1979, Rudra:1981, Thorner:1982,). The focus of this study is not primarily on the structure of jute production and trade; the central focus is on the relationship between the state and the private sector in a context where the state has sought to revive the industry by providing the private sector with greater support and incentives. As outlined above, the pattern of entrepreneur-ship in the jute industry has undergone certain changes, so that established business houses have sold out to admit the entrance of a new set of owners whose primary interest is in jute trading. In the following we take a closer look at the process of raw jute trading in an attempt to throw some light both on the nature of the trading interests that have emerged in jute manufacturing and on the role of the state in controlling such interests.[7]

Jute is a commercial crop and about 95% of its output is marketed. Jute is cultivated predominantly on the basis of small farming, most of the area under the crop being covered by holdings below two hectares.

In comparison with other crops, jute has recorded one of the lowest growth rates as will be evident from table 9.

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[6] Interview, Madhu Gupta, All India Jute Workers' Federation, July 19, 1990, Calcutta; interview, Niren Ghosh, Bengal Chatkal Mazdoor Union, July 19, 1990, Calcutta

[7] The present study is not a comprehensive analysis of the structure of the raw jute market which would entail detailed field research in jute growing areas of rural West Bengal; this study has drawn from government reports, interviews and other secondary material.

For the present purposes, these figures provide the background for a discussion of the market in raw jute trade which is particularly relavant in the context of this study. In the raw jute market, there is usually a sharp difference between farm gate prices and prices ruling at primary markets. Table 10 shows the price differential between farmgate and primary market prices in the case of one particular variety of raw jute from 1980-81 to 1985-86.

Table 9

Growth rate of the yield of principal crops, 1968-69 to 1984-85

Jute	1.2
Paddy	1.3
Wheat	2.5
Pulses	1.3
Groundnut	1.3
Cotton	2.8

Source: *Gautam Sarkar, Jute in India, An Economic Analysis, OUP, 1989.*

Several classes of traders operate in the raw jute market. At the village level there are the *farias* who sometimes act as the liaison between the farmer and traders in districts, towns and cities. *Arhatdars* operate from district towns; they usually buy raw jute cheap from producers and stock large quantities for trading purposes; finally, there are commission agents who come from the cities and have close ties with jute mills. The average jute farmer is frequently pushed into distress sales or forced marketing at farm gate prices. Jute growers often secure loans in the informal money lending market against their crop and are forced to sell their crop at low prices to the money-lender. The structure of the jute market is made particularly complex by severl layers of trading interests. Nevertheless, the low producer share in the final value (as shown in Table 9) indicates that a large portion of the profit in jute marketing goes to traders operating at various levels in the raw jute market. In the complex network of intermediaries, commission agents of mills play a crucial role,[8] and it was here that the mill-trade nexus was revealed. Frequently, in a year of bumper crop, (such as in 1982-83, 84-85, 89-90), a large number of lockouts were announced just before the beginning of the jute year. While this phenomena artificially pushed up the prices of raw jute for the benefit of traders, lockouts and subsequent reopenings on the basis of significantly lower wages enabled trader-turned manufacturers to run mills profitably.

The Jute Corporation of India (JCI) was formed in order to ensure minimum supportive prices to jute growers and to prevent the speculative role of traders in the raw jute market. However,the market coverage of the JCI, barely covers 28% of the market arrivals(Sarkar:1989). Therefore farmers continue to sell to private traders frequently at prices lower than the stipulated support price. The JCI has been unable to penetrate to remote villages and primary markets where distress sales take place. Frequently, farmers and middlemen sell lower grade jute to the JCI and superior grades directly to mills, because the JCI, operating within a price stipulation, is prevented from buying high quality jute. Thus procurement levels of the JCI have remained low and thereby the scale of public intervention in the structure of jute trading has remained minimal(Sarkar:1989).

[8] These findings are essentially impressionistic and interpretative, collected primarily from interviews with personnel at the Indian Jute Mills Association. There is no hard data to support these observations.

These facts underline the continuing presence and power of raw jute traders and their emerging presence in jute manufacturing.

Table 10		
Price of TD/5 variety of jute at farmgate and Calcutta market prices		
		Rs. per quintal
	Average farmgate prices	Calcutta market prices
1980-81	120	220
1981-82	126	240
1982-83	N A	N A
1983-84	145	260
1985-86	160	300

Source: This information was collected from the Indian Jute Mills Association, Calcutta. Given the remoteness and physical inaccessibility of many jute growing villages, the average in farmgate prices is a rough approximation.

Conclusion

During its 13 years in office the Left Front government has attempted to offer incentives for the private sector's expansion in order to revitalize West Bengal's ailing industrial economy. In this sense, the case of West Bengal provided an useful microcosm of the larger shifts towards industrial liberalization that are taking place as a result of federally initiated policies. The case of the jute industry in West Bengal provided some interesting insights into the process of industrial regeneration attempted on the basis of a closer relationship between the state and the private sector. The introduction of the Jute Modernization Fund was designed to inject necesary capital for the revitalization of the largely private owned industry in West Bengal. The process of implementation revealed, however, both that the impact of this measure was negligible in terms of growth in productivity, and that in many cases funds could not be disbursed either because mills were not in a position to provide the promoter's contribution, or such funds had to be used for paying off existing credits on provident funds and other workers' dues. The slow pace of fund disbursement and of modernization indicated that the industry's response to the state's financial incentives were essentially lukewarm.

To a great extent the halting pace of restructuring of the jute industry was due to structural causes, such as the loss of the export market both to synthetics and to competitors such as Bangladesh, the competition from synthetics within the domestic market etc. Our concern here, however, is more with the politics than with the economics of jute. In other words, we are interested primarily in the nature of the state-private sector-labour relationship within the context of the revitalization that was attempted in the mid 1980s.

The broad parameters of this relationship were set first, by the central government's choice of providing fresh capital and incentives to the private sector rather than respond to the demands for nationalization of the industry, and second, by the perceived need of the Left Front government in West Bengal to woo private capital and to neutralize labour militancy. Within the specific context of the jute industry, as the above account has shown, the introduction of the Jute Modernization Fund was followed by a period of indifferent growth accompanied by a great many lockouts, change in mill ownership and labour displacement. From the viewpoint of the state's relationship both to the private sector and to labour, this period saw the state in remarkably compromising situations in its relationship with both. In a state where the ranks of the unemployed have swelled, the state government has tacitly supported both the emergence of a breed of traders as new owners of jute mills and their operation of mills on the basis of lower than minimum wages. The unholy role of traders in the jute market has remained ostensibly a matter of concern for the government; but the failure of the JCI to make any significant dent in the complex structure of the market dominated by traders, signified the inadequacy of the state's intervention in controlling monopolistic trade practices. On the other hand, the appearance of traders into the realm of jute manufacturing heralded, as indicated above, both compromising wage deals for labour and the passing of the industry into the hands of entrepreneurs whose primary interest was in raw jute trade and the profitability thereof rather than in reinvigoration of the industry. Under-the-table wage deals executed by such management as also the negligible impact of the modernization drive on expansion, technological upgradation etc indicated that the attempted restructuring of the industry had borne meagre results. Thus if the state's objective had been to support the growth of the industry via the development of a vigorous private entrepreneurship, actual developments showed the state's capitulation to a class of new owners who were largely uninterested in industry modernization. In effect the period of jute modernization had seen the twin retrogade development of the emerging control of profiteering traders upon the manufacturing sector and the exclusion of large numbers of workers from the stipulated minimum wage which had been secured earlier.

The "relative autonomy" of the capitalist state

These findings help reconsider some current theoretical perspectives on the nature of developmental states in the third world. What kind of a state is best equipped to lead economic development? This question has shaped much of social science enquiry in the latter half of this century as economic development became a consciously pursued goal of governments in the third world and the practitioners of the social sciences defined themselves as contributing to the theory and practice of the developmental experience. The state has been a major focus of enquiry in the developmental literature as in most developing country situations, given the weakness of private capital, governments took on the central role in providing capital, infrastructure and large public sector enterprises leading development. In the decade of the 1980s and the 1990s the focus has shifted from a near exclusive concern with the state to the relationship between the state and private business. As most third world economies have entered a period of economic stabilization and structural adjustment, the role of the state has been sought to be limited and the private sector and markets have been increasingly defined as the engines of economic growth. In so far as governments have attempted to scale back their participation in the economy and to create greater space for the growth of private business, the relationship between the state and the private sector has become the focal point of understanding the dynamics of development. In particular, the East Asian experience with industrialization has drawn a great deal of attention to the role that states can play in the construction and emergence of a vigorous private sector and the symbiosis between the state and private business in the process of industrialization.

These developments in the political economies of developing countries provide a basis for viewing received theories of the state from fresh perspectives. Neo Marxist theories of the state underline that the "relatively autonomous" capitalist state does not act directly as an instrument of the capitalist class; nevertheless such states ultimately work to ensure capitalist accumulation, and the promotion of a capitalist class (Poulantzas:1980). This perspective draws from the experience of advanced industrial states where private business frequently does not play an active role in governing, or even in controlling or influencing the state; the state, moreover, may appear to play an autonomous role when it mediates, for example, between capital and labour to grant certain concessons to labour. But in doing so it ensures ultimately the survival and promotion of private capital.

This perspective has been adapted to the context of capitalism in developing (Alavi:1974; Bardhan:1984; Baru:1985). The state in such a context may be directly engaged in capitalist accumulation and in providing the capital and infrastructural bases for the emergence of a capitalist class. This is known as state capitalism, and in the neo Marxist perspective would be seen as the "relatively autonomous" state working for the promotion of the capitalist class. Neo Marxism thus sees a certain symbiosis between the state and private business even though the latter may not be directly involved in controlling the state (as in advanced capitalism) or may be nascent/emergent (as in the developing world). In any case, this persective assumes the existence, actual or potential, of a private sector actively engaged, in cooperation with the state, in industrial development.

The findings presented above seem to go against the grain of this perspective. The state in this context may be said to have made a conscious choice to encourage private enterprise by providing capital and other supports to owners of jute mills. However, the pursuit of this project seemed to be stymied by the state's capitulation to a class of trader/entrepreneurs who had emerged as jute mill owners and who were out of tune with the state's vision of the industry's modernization. One is therefore led to doubt, in this context, deeply structuralist interpretations that attribute state action primarily to the interests of capital. It seems important to underline, rather, the heterogeneity of the capitalist class and their conflicting response to the state's vision.

The case of the jute industry does not enable one to generalize regarding the nature of the Indian private sector. Indeed, the rationale for recent economic liberalization in India has been provided by a section of private enterprise which is confident, outward looking, impatient of the state, and modernization-driven. The case of the jute industry may be atypical in this context; nevertheless, it possibly provides in a microcosm a view of the nature of state-private sector relations that pertains in certain pockets of the political economy. It throws light on sections of the economy where capital, representing conflicting interests and tendencies, as between trading/merchant capital and entrepreneural capital poses certain constraints in the state's drive to modernization.

The second currently popular theoretical perspective on the nature of the state is subscribed to by a wide range of scholars who take the state as their central analytical and empirical category. In such analyses the state is said to be capable of framing and implementing goals in relative distance and independence from societal actors. This view of the state is predominantly Weberian; for Max Weber, administrative, legal, coercive and extractive organizations were the core of any state. The

Weberian view of the state requires us to see that states may pursue goals that are not simply reflective of the demands and interests of social groups. An important line of scholarly thinking on the state in India has used this notion of state autonomy (Rudolph and Rudolph: 1987; Kohli: 1987; Encarnation: 1989). A seemingly strong state presence combined with relatively weak formation of societal groups provided the basis for such conceptualizations.

The findings in this paper would seem to indicate that the state in fact is vulnerable to conflicting pressures from social groups. The central government's intervention through the JCI to curtail the activities of jute traders has been largely ineffectual; the government of West Bengal has also yielded to the ongoing process of the jute mills being taken over by traders who are largely uninterested in the industry's modernization. In doing so, state officials have frequently acquiesced to mills being run on below legal wages. Thus the government has given way both to mill owners who are more keen on striking illegal wage deals than on the industry's modernization and to workers who are interested in the preservation of their employment. In the process the objective of reviving the jute industry has been largely lost. The dynamics of the state's relationship to both mill owners and the workforce have thus defined the limits to the state's objective of industry restructuring in this context.

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