Political Economy of Contemporary India: Some Comments

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Two of the most important characteristics of contemporary Indian reality are primary accumulation of capital and the continued existence of a huge pool of surplus labour. Partha Chatterjee’s attempt (EPW, 19 April) at explaining these important features, though insightful, is fraught with numerous theoretical and empirical problems.

Sifting through the divergent viewpoints thrown up by attempts to make sense of the recent political history of West Bengal, one is led to the conclusion that the tumultuous events have taken many, if not most, by surprise. With the benefit of hindsight one can probably say this much: a combination of an insensitive state power, an arrogant ruling party, lapping-it-up corporate interests, and cheerleaders-of-corporate-sector-doubling-up-as-media orchestrated a veritable assault on the peasantry – a perfect storm. Yet, the peasantry, initially without the guiding hand of a political party – indeed at times against the writ of the party – fought on. Through this episode Indian political economy seems to have stumbled upon the peasantry, while looking for a short cut to economic growth through special economic zones (SEZs).

At the level of political practice, this serendipity demonstrates lack of an organic link between representatives of the people and those they claim to represent. The Trinamool Congress, whose manoeuvrings range from rightist alliances at worst to unprincipled populism at best, was slow to react; but it learnt the ropes quickly. Nagging doubts remains though, as to whether it would not, at the end of the day, appropriate the movement of the peasantry and sell it off to the highest bidder. The charge is of course more serious against the communist parties. If confusion of politics was not bad enough, the largest party of the state failed to gauge the pulse of the people, whose land it was taking. The Congress Party has perhaps been the most rudderless of the lot – veering towards resistance at one moment, getting pulled back by the central leadership at the very next.

At the level of theorisation too, things are in a flux. A case in point is noted political scientist Partha Chatterjee’s article “Democracy and Economic Transformation in India” (19 April 2008) which tries to present a novel reading of contemporary Indian reality and a new framework to comprehend it with. Borrowing Sanyal’s (2007) theoretical framework, Partha Chatterjee (PC henceforth) organises his discourse on contemporary Indian reality around the notion of the primary (or primitive) accumulation of capital. According to PC, the primitive accumulation of capital that is underway in India today is very different from the classical variety of the same process that ravaged Europe in the several centuries before the development of capitalism. One of the major differences is that the dispossessed, forcibly separated from the means of production, can no longer find gainful employment in industry due to limitations of present day capital-intensive technology (Sanyal 2008). This seems to be bad news for the ruling dispensation as possibilities of social unrest multiply. But the old tactics of armed repression is ruled out because the globally accepted norm is to provide succor to the victims of primitive accumulation and not shoot them down. Compulsions of electoral democracy, which demands that even voters bereft of livelihood be heard, is an additional constraint. Thus, caught between the pressures of the global discourse on development and the demands of electoral democracy, the State, according to PC, takes to transferring resources from the accumulating economy of corporate capital to the dispossessed masses, thereby reversing the effects of primitive accumulation.

We are therefore left with a curious situation. While corporate capital is disposing millions through primitive accumulation, the dispossessed are neither getting absorbed into industry nor getting socially transformed, as they were supposed to, through proletarianisation. This floating mass of labour, an enormous but shifting population of potential workers, have instead become a constituent of what PC calls “political society”, as opposed to civil society; other important constituents of political society are small and marginal peasants, artisans, vendors and petty producers. Civil society is constituted in the main, according to PC, by the middle class, a section of the population that has been...
effectively hegemonised by corporate capital; middle class support for pro-capital policies is unstinting. Demands for civil and democratic rights define its political agenda. Political society; on the other hand, is a quasi-constitutional entity. Its constituents do not enjoy the rights due to citizens; hence they are not part of civil society. The economic precariousness of political society, accentuated by primitive accumulation, forces it to use various ploys to negotiate with the State. Due to electoral compulsions of representative democracy, the State often looks the other way when negotiations with political society violate established civil society rules: urban squatters and street vendors are cases in point, as PC mentions.

In the agrarian economy, large parts of which are part of “political society”, the degree of political consolidation is lower; therefore, dependence on the handouts of the State is more pronounced. This does not however imply, PC hastens to add, that these sections are incapable of rallying on emotive issues, and thereby, nullifying the government’s machinations to divide and break. It is in the dynamic interaction between civil and political society – which often coincides, respectively, with corporate and non-corporate capital for PC – and in the success of the State in holding the two together through measures of “governmentality” that PC identifies the fate of the present political regime.

PC’s analysis, though insightful, has two major problems that we would like to highlight: a flawed theoretical framework and a gross neglect of the neoliberal turn in social and economic policy.

Flawed Theoretical Framework

The Indian economy has been characterised by surplus labour for the past two centuries, it is not a phenomenon that has emerged over the past few decades; the primitive accumulation of capital was initiated under the long shadow of colonialism and ever since that time dispossession has been going on without commensurate absorption of the displaced labour in industry. Some scholars would go even further and assert that the presence of the caste system in the Indian subcontinent meant that the process of dispossession was in operation even before the advent of the British; colonialism only exacerbated the process.

In either reading the current scenario is understood as having a historical dimension that PC misses when he (a) locates the beginnings of this process somewhere in the recent past, and (b) identifies the supposed ameliorative interventions of the State in reversing the effects of primary accumulation in the current conjuncture as one of the crucial factors to reckon with.

To be sure, PC identifies three factors that are different today from the time, when western Europe underwent primary accumulation of capital. First, there were opportunities for international migration of the surplus labour that are totally absent today; second, the technology of the early industrial period was far less capital-intensive than current technology, and hence, had the capacity to absorb far more of the surplus agricultural labour than is possible today; third, the State did not intervene in western Europe to reverse the effects of primary accumulation as it is doing today in India.

Though the first two factors were present in western Europe and contributed to mitigating the problem of surplus labour, they are not necessary for industrialisation. Japan and the Soviet Union had taken care of primary accumulation, and had industrialised, without having to export surplus labour to its colonies and using much more capital-intensive technology that was used during the industrial revolution in western Europe; South Korea had, similarly, taken care of primary capital accumulation, and had industrialised, with much more capital-intensive technology than Britain had used during its own industrialisation and without the assistance of international out-migration of its surplus labour. Therefore, the absence of opportunities for international migration and the use of technologies with relatively higher capital-intensity per se cannot explain the absence of industrialisation and the continued existence of surplus labour in India. The answer, to our mind, lies somewhere else; it lies in the domain of capital accumulation. In a dynamic context, the rate of absorption of labour, i.e., the growth rate of the demand for labour, depends on the rate of accumulation of industrial capital. A sufficiently rapid rate of accumulation of industrial capital over a reasonable period of time would effectively counteract both the lack of international migration and the increasing capital-intensity of technology, and would absorb the surplus labour into industrial activities; therefore, it seems to be the absence of a sufficiently rapid rate of growth of industrial capital for a sufficiently long period of time in India that is primarily responsible for the continued existence of surplus labour. This crucial factor, which was referred to in the path-breaking work on underdevelopment by Paul Baran (1957), is missing in PC’s analysis.1

The primacy of capital accumulation becomes obvious once we look back at history and realise that dispossession without proletarianisation is not a novel phenomenon. One just needs to recall that one of the principal issues raised by the “mode of production debate” (Patnaik 1990) was why India did not make the transition to capitalism despite being sucked into the global network of trade and commerce with the onset of colonialism. The answer, of course, is now well known. As colonial incursion wilfully destroyed the socio-economic fabric of the country, peasants were evicted and deindustrialised, facilitated by the trade policy of the colonial State, exacerbated the pressure on land. The economic surplus which was being generated in the process was largely siphoned off to the metropolis, facilitating the process of capital accumulation there. In the colony, on the other hand, processes leading up to the formation of productive capital were conspicuous by their absence. Thus, petty producers who were getting forcibly alienated from the means of production were joining the ranks of paupers, and not those of the working class. Without a strong capital accumulation process, the excess labour could not be absorbed into profitable industrial activities; that is the historical basis of “surplus labour” in the Indian economy. One may refer to the mode of production in India using any term one wishes, as pre-capitalist, or semi-feudal, or semi-capitalist, or post-colonial, or something else, but the main characteristic remains beyond dispute: absence of the growth of domestic industrial capital and a concomitant growth of the industrial working class.

Blindness to Neoliberalism

To move on to the second major problem in PC’s analysis recall that one of the crucial links in PC’s chain of argument relates to
the supposed ameliorative interventions of the State in reversing the effects of primary accumulation; there are both theoretical and empirical problems with this link.

PC’s whole analysis seems to be curiously oblivious of the neoliberal turn in the global economy, a fact that is amply reflected in policy changes in India too; we feel this is one of the biggest lacunae in PC’s analytical framework. The fact that radical scholars and activists have spent so much time and effort studying neoliberalism, understanding its genesis, structure and functioning must surely be known to a scholar of the stature of PC; the fact that he has ignored this vast scholarship, experience and political practice (for instance, see Dumenil and Levy 2004; Harvey 2005; Saad-Filho and Johnston 2005) and has instead advanced the thesis of ameliorative state intervention is very significant and points towards a deep problem in his theoretical framework. After all, one of the defining characteristics of the State under neoliberalism is its gradual retreat from the provision of public goods and social services, especially those services that might benefit the poor and dispossessed. In the face of this well-known and well-documented fact, when PC asserts that the State has stepped in to do exactly the opposite, i.e., reverse the deleterious consequences of primary accumulation, one is more than surprised. Let us look at some empirical evidence on this matter.

(1) Distribution of subsidised food through ration shops is an old institution – not a device to make the pain of the poor bearable in the era of neoliberalism. During the last couple of decades – the decades of neoliberalism – the universal public distribution system (PDS) in India has been systematically dismantled; that is the hallmark of post-liberalisation India, not the strengthening of the PDS and increasing its reach. Priority sector lending, another device built by the Nehruvian state to help finance farming and related activities, is in an equally sorry state. In the last 15 years, for instance, 4,750 rural bank branches have been closed down: at the rate of one rural bank branch each day. During the year 2006 one branch was shutting down every six hours (Sainath 2008)!

(2) The tale of microcredit institutions is not as straightforward as it apparently seems, and holding it up as an example of the State’s supposed ameliorative intervention is fraught with numerous problems. Many have questioned the supposedly positive impact of microcredit on economic development and poverty alleviation (Mohanty 2006). Some have noted that the interest rates charged by microcredit institutions are often almost usurious. The motivation to harvest the middle ground between low interest rates of public sector banks (which are vanishing) and the exorbitantly high ones of village mahajans seems to be working behind the coming together of corporate banks and non-governmental organisations (NGOs) in the microcredit venture, rather than any positive thinking on poverty alleviation. Microcredit institutions serve two purposes, both unrelated to poverty alleviation and State’s attempt to provide succour to the displaced and dispossessed. First, banks getting into microcredit earn as much as a 25% return on their investment, much higher than the organised sector return (Mohanty 2006), and this comes with an excellent repayment rate. Thus, microcredit opens up a lucrative arbitrage channel for financial capital. Second, the model of microcredit is peddled as people-oriented, and opposed to a bureaucratic public sector model. This is then used to justify withdrawal of the State from its basic responsibilities towards socially and economically vulnerable sections of the population. That someone as perceptive as PC has fallen for the microcredit argument signals that the powers that be have been largely successful.

(3) Contrary to the claim of the article, “social sector expenditure” has nosedived over the past few years. In 1996, rural development expenditure as a proportion of net domestic product was 2.6%. During the pre-liberalisation Seventh Plan (1985 to 1989) the corresponding figure was much higher at 4% (Patnaik 2008). From the mid-1980s to fiscal year 2000-01 public development expenditure as a percentage of the gross domestic product (GDP) fell from 16% to 6%. The effects have, of course, been disastrous, especially in the farming sector, where strong crowding-in effects of public investment is a well known fact. The growth rate of all crops fell from 3.8% in the 1980s to 1.8% in the 1990s, while total agricultural investment expenditure as percentage of the GDP fell from 1.6% to 1.3% (Patnaik 2003). Using a constant calorie norm of 2,200 calorie per day, headcount poverty ratio has risen from 56.4% to 69.5% between 1973-74 and 2004-05.

(4) Guaranteed public work for the rural poor was attempted to be scuttled from the very beginning and from the very top, i.e., by the officials of the State at the very highest levels. Social democratic proclivities of official communist parties, rather than the tactical calculations of the bourgeoisie, saw it through to some extent. To this day, the corporate media loses no opportunity in tarnishing the National Rural Employment Guarantee Act (Drèze 2008) as useless, wasteful and distortionary.

In short, any evidence of the State taking steps to make primitive accumulation bearable, to reverse its effects by providing alternative means of livelihood to the dispossessed population, seems to be totally missing. PC seems to be oblivious of the fact that the phase of neoliberalism is characterised precisely by the opposite movement: withdrawal of the State from the economy and social sectors, not its intervention in favour of the dispossessed.

NOTE

1 In his survey of the theories of development and underdevelopment, Sanjay (2007) curiously omits all references to the works of Paul Baran even though, by all accounts, Baran (1957) was one of the most important theoretical works to inaugurate the Marxist analysis of underdevelopment.

REFERENCES