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Capitalism in Post-Colonial India: Primative Accumulation Under Dirigiste and Laissez Faire Regimes

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CAPITALISM IN POST-COLONIAL INDIA: PRIMITIVE ACCUMULATION UNDER *DIRIGISTE* AND *LAISSEZ FAIRE* REGIMES

A Dissertation Presented

by

RAJESH BHATTACHARYA

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DEDICATION

To those active in the most ancient and enduring struggle of mankind—against dispossession

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This thesis is a product of ideas, most, if not all of which, have already been written, talked about or hinted at in academic writings that I have read, public debates that I have listened to and inspired but informal conversations of which I have been fortunate to be a part. I didn't choose those texts, debates and conversations; rather, the social context got me interested in it in a way that made me specifically engage with them. In this sense, this thesis, like any work, is co-written by all those whom I have read, listened to and argued with. Before I acknowledge specific people, I must assert the collective authorship of this work.

I was motivated to write this thesis because of a perceived absence—in the discourses that are a part of the social context I am concerned with—of a particular perspective that grounds this thesis. This perspective—which stresses overdetermination, contingency and inescapable contradictions at the epistemological level and class understood in terms of performance, appropriation and distribution of surplus labor at the discursive level—I owe to the works of Professors Stephen Resnick and Richard Wolff. I am immensely grateful to them for their intellectual guidance and for being considerate and helpful at every single stage of this dissertation. I consider myself fortunate to have the pleasures of conversing with them and exchanging my half-baked ideas with them, to which they always responded with utmost seriousness and genuine encouragement. Without their sympathetic understanding of the difficult circumstances under which I wrote this thesis, this dissertation would simply not have materialized.

Professor Augustin Lao-Montes brought to my dissertation a breadth of perspectives, to which I have hardly been able to do justice in this dissertation, but which have opened up

avenues of creative extension of this thesis in future. The notion of a radical constitutive "outside" of capital and the political implications of the contradictions that inhere in capital's relation with its "outside" was impressed on me during my graduate education at Calcutta University by Professors Ajit Chaudhury, Kalyan Sanyal, Arup Mallik, Pranab Basu and Anjan Cahakrabarty. That unique perspective is the source of much of the creative energy behind this work. I am grateful to Pranab Basu and Kalyan Sanyal for listening to and responding to my numerous and often wayward intellectual digressions during the writing of the thesis. Their comments and suggestions often helped me get back on track. I am deeply indebted to Professor Sharmila Banerjee of Calcutta University, who, like a true well-wisher, helped me get through some difficult circumstances during the writing of this thesis.

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Finally, I must thank my wife, Amrita, for being a patient companion through the tensed and uncertain days of working through the fog of ideas, the moments of desperation and lassitude and the final days of feverish writing. I am deeply indebted to her for her compassion.

ABSTRACT

CAPITALISM IN POST-COLONIAL INDIA: PRIMITIVE ACCUMULATION UNDER *DIRIGISTE* AND *LAISSEZ FAIRE* REGIMES

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In this dissertation, I try to understand processes of dispossession and exclusion within a class-focused Marxian framework grounded in the epistemological position of overdetermination. The Marxian concept of primitive accumulation has become increasingly prominent in contemporary discussions on these issues. The dominant reading of "primitive accumulation" in the Marxian tradition is historicist, and consequently the notion itself remains outside the field of Marxian political economy. The contemporary literature has de-historicized the concept, but at the same time missed Marx's unique class-perspective. Based on a non-historicist reading of Marx, I argue that primitive accumulation—i.e. separation of direct producers from means of production in non-capitalist class processes—is constitutive of capitalism and not a historical process confined to the period of transition from pre-capitalism to capitalism. I understand primitive accumulation as one aspect of a more complex (contradictory) relation between capitalist and non-capitalist class structure which is subject to uneven development and which admit no teleological universalization of any one class structure. Thus, this

dissertation claims to present a notion of primitive accumulation theoretically grounded in the Marxian political economy.

In particular, the dissertation problematizes the dominance of capital over a heterogeneous social formation and understands primitive accumulation as a process which simultaneously supports and undermines such dominance. At a more concrete level, I apply this new understanding of primitive accumulation to a social formation—consisting of "ancient" and capitalist enterprises—and consider a particular conjuncture where capitalist accumulation is accompanied by emergence and even expansion of a "surplus population" primarily located in the "ancient" economy.

Using these theoretical arguments, I offer an account of postcolonial capitalism in India, distinguishing between two different regimes—1) the *dirigiste* planning regime and 2) the *laissez-faire* regime. I argue that both regimes had to grapple with the problem of surplus population, as the capitalist expansion under both regimes involved primitive accumulation. I show how small peasant agriculture, traditional non-capitalist industry and informal "ancient" enterprises (both rural and urban) have acted as "sinks" for surplus population throughout the period of postcolonial capitalist development in India.

Keywords: primitive accumulation, surplus population, postcolonial capitalism

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CHAPTER 1

INTRODUCTION

This dissertation is an intervention in the contemporary debate on the "violence" of capitalism—a debate animated by concerns over dispossession, exclusion and marginalization of poor and vulnerable laboring people all over the world, but especially in developing countries. The present work is an attempt to understand whether these processes of dispossession, exclusion or marginalization can be theoretically analyzed within a class-focused Marxian framework. Therefore, this dissertation constitutes — partly, of course—a Marxian response to the questions posed before Marxian theory in these debates[1]. Such a response is generally to be expected in the context of all debates in the society in which Marxists participate or are drawn into, but more so in the present case, since many of the participants in the debate specifically make use of certain Marxian concepts. One such concept, the Marxian concept of "primitive accumulation", is the theoretical object of analysis in this work. The dissertation originates in the claim that a new meaning and a new significance, different from those in circulation, can be attached to the Marxian notion of "primitive accumulation, if we employ a different epistemology (overdetermination) and a distinct Marxian entry point (class) for theoretical analysis.

[1] Questions are not always *posed* before theoretical traditions, as *open critiques*. Often, the theoretical tradition rises up to the questions that it wants to face, in other words, poses the question before itself, for itself. The contemporary debates I refer to have not generally questioned the relevance of Marx in understanding the phenomenon under study. On the contrary, participants in the debate have often invoked Marx to offer interesting analyses. It is the use of Marxian theoretical categories that makes it easier for one to enter the debate via formulation of specific questions to which one claims to provide specific Marxian answers in contention with non-Marxist as well as other distinct Marxist theoretical positions.

The traditional understanding of Marx's notion of primitive accumulation is that of a historical process—or more precisely, a convergence of many different processes— that results in the dissolution of the unity of direct producers with means of production. This history of dispossession precipitates an encounter between owners of money capital on the one hand and dispossessed, i.e. "free" laborers—"freed" of means of production and of non-capitalist class relations—on the other hand, and thus the basic conditions of existence of the capitalist class process are created. Once the capitalist class relations come into being, the capitalist class structure can secure its conditions of existence through economic processes (market mechanisms, real subsumption of labor, alienation etc.) without involving primitive accumulation. Therefore, in the dominant reading of Marx, primitive accumulation belongs to the pre-history of capital; it ceases to exist once the capitalist class relations are born.

One of the major contributions of the contemporary literature on primitive accumulation is a reformulation of the concept as a process constitutive of the capitalist class process rather than as a historical process related to transition from feudalism to capitalism[2] Those writers who put forward this view argue that capitalism relies on primitive accumulation for securing/renewing its conditions of existence (market, accumulation, supplies of labor power, means of production etc.) and hence primitive accumulation is a continuous process central to the reproduction of capitalism. My point of departure is this new theoretical problematic, a conceptual terrain waiting for new questions to be posed. To pose these questions is, however, not a simple act. It raises numerous conceptual problems and remains open to epistemological overhauling. On epistemological grounds,

[2] In Chapter 2 of this thesis, I discuss the contemporary literature on primitive accumulation

this new problematic invites a notion of primitive accumulation that breaks away from functionalist and essentialist explanations. A Marxian theory grounded in the overdeterminist epistemology and employing class as an entry point offers such an alternative and unique understanding of primitive accumulation. Yet, while a class analysis enables a new meaning of primitive accumulation to emerge, at the same time, the introduction of this new concept of primitive accumulation in the class-focused theoretical space induces changes in the meaning of other established concepts like transition, social formation, dominance of capital and interaction between class structures. In short, the ontology of capitalism gets reconstructed. This dissertation thus belongs to the new problematic that recent rethinking of primitive accumulation has opened up to the discerning (class-trained) eyes.

In this dissertation, I accept overdetermination. I accept Althusser's reading of Marx that Marx's *Capital* is seared through by contradictions between an essentialist and a non-essentialist mode of theorizing (Althusser, 2006). Althusser opposes two distinct possible readings of Marx's Capital—one which he variously refers to as idealist, philosophical or teleological and the second which he calls aleatory materialist. Althusser argues that the *organization* of the text of *Capital* exemplifies the former (semi-Hegelian and hence idealist) position of Marx while the *exposition* of Marx's theory forces him to "take into account what the *order of exposition* requires him to bracket out" (Althusser, 2006: 39). Here, Althusser mentions the chapters on working day, the labor process, and primitive accumulation—those chapters, which, according to him, "stand *outside* 'the order of exposition'." (Althusser, 2006: 40). It is in these chapters that aleatory materialism creeps into or forces itself into Marx's analysis.

> They have confronted commentators with a formidable problem: why this leap from theory to history, from abstraction to the concrete, without the least justification? And, ultimately: what is Marx's real object? 'The capitalist mode of production and exchange in its ideal average', as *Capital* incessantly repeats, or the concrete history of the conditions of class struggle that precipitate the Western bourgeoisie into capitalism? But if it is the latter, then we are at the very heart of 'the concrete', for primitive accumulation and the expropriation of (rural and urban) workers' means of production and conditions of reproduction, which produced the capitalist mode of production, have nothing to do with any abstraction or 'ideal average' whatsoever" (Althusser, 2006: 40).

The distinction between the two readings should not be thought in terms of a simplistic abstract/concrete opposition; rather the distinction Althusser draws attention to, is one between the *given-ness* of the abstract versus the *openness* of the concrete, or in other words, between essentialism and overdetermination as alternative epistemological positions.

The historicist understanding of primitive accumulation, following from the teleology of historical materialism and the assumption of "full or closed totality", has the following theoretical implication—the theory of capitalist accumulation is constituted by the analytics of capital that Marx lays out in the three volumes of Capital whereas primitive accumulation lies beyond — i.e. behind, in so far as it constitutes the pre-history — the theoretical plane of Capital. As, Perelman observes, "Marx's presentation of primitive accumulation had the unfortunate consequence of divorcing primitive accumulation from political economy" (Perelman, 2000: 32). Thus the theoretical categories of Marxian political economy seem to enable an understanding of *capitalist accumulation*. It is otherwise with *primitive accumulation*, which is related to the coercive state, force and violence. *But "force" and "violence" are not categories of Marxian political economy.* Thus, in the dominant reading of Marx, the theoretical (class) categories of Marxian political economy can make sense of *capital*, but not the *arising* of capital.

I argue that this particular understanding of primitive accumulation suffers from the "origin" problem. The British physicist Stephen Hawking (1988) wrote that the origin of the universe cannot be explained by the laws of Physics, since the laws of Physics came into existence at the moment of origin of the universe. The origin is the pre-history of the *being* and therefore also belongs to the pre-analytic history of the being—i.e. it lies beyond the analytics of the present, the being. Thus, the class-based theoretical categories related to the production, appropriation and distribution of surplus labor can explain the capitalist social formation, but when it comes to the moment of transition to the capitalist social formation, class-based categories are replaced by non-Marxian categories like violence and force ("extra-economic processes").

In this dissertation, I differ from the dominant reading in the following sense. The notion of transition is understood from a non-teleological, i.e. aleatory materialist perspective. I understand any social formation to be comprised of multiple class structures. A capitalist social formation is one where capitalist and different non-capitalist class structures are present and where the capitalist class structure is dominant, where dominance itself is theorized in class (i.e. surplus) terms. Class structures in a social formation are always changing—the change being overdetermined by all other processes occurring in the society. One possible direction of change in a social formation is transition to the dominance of a different class structure—and this possibility is always present. Dominance of any class structure in a social formation—in my understanding—is a provisional and contingent outcome, always threatened by its own unraveling. If Marxian categories can capture the provisional dominance of a class structure in a social

formation, they can also be used to construct the history of that dominance, including the arising of that dominance.

The different class structures are forever changing, being subject to the contradictory pulls and pushes exerted by all other processes in the society which are themselves continuously changing. In particular, a class structure changes because i) its fundamental and subsumed class processes interact to produce those changes, ii) its interaction with other class structures produces those changes and iii) ever-changing non-class processes in the society produce changes in each class structure. Since these class structures overdetermine each other, changes in any one also imply changes in the others—but in a contradictory way, in the sense that, each class structure supports and undermines the conditions of existence of other class structures at the same time. Thus, the capitalist class structure reproduces and expands itself by providing conditions for expansion and destruction of non-capitalist class structures at the same time. I offer a very thin definition of primitive accumulation to refer to only one aspect of this overdetermined relation between capitalist and non-capitalist class processes.

If we recognize the play of the aleatory at the heart of a social formation, there is no notion of an "origin" that stands outside the theorized process of overdetermined change in each of the existing class structures, including the dominant one. The same Marxian theoretical categories employed in theorizing a capitalist social formation can also be used to account for its emergence. Therefore, to understand history beyond history, i.e. history beyond the analytic history of the being, we must question history itself, its lawfulness, its rationality and its telos. We must ask why we take teleological, law-driven change as the only intelligible history available to us. Only by questioning the *Reason*

that drives our dominant writing of history can we bring back the "unthinkable" into the domain of theory. This dissertation, therefore, accepts a different historiography—a writing of aleatory history that recognizes contingency as an intelligible form in which history can be written. *Primitive accumulation becomes a Marxian theoretical category in this realm of contingencies*.

In this dissertation, I seek to establish primitive accumulation as a theoretical category, rather than a concrete historical account. There is discursive *violence* to capital's "others" when one form in which capital and non-capital interact—i.e., primitive accumulation—remains un-theorized. There is a devalorization of capital's "others" when they are also relegated to the outside of theory. Marxian theory has to learn to negotiate "violence" associated with primitive accumulation on the calm surface of the Marxian theory and not banish it outside its theoretical field. By historicizing "violence" and thereby not theorizing it in terms of Marxian categories, Marxists end up valorizing capital, rather than its victims.

In this dissertation, I claim to make the following contributions to the Marxian tradition. First, I will try to offer a new understanding of primitive accumulation based on the epistemology of overdetermination and employing class-as-surplus-labor as the entry point. I claim that through this theoretical move, I introduce primitive accumulation as a theoretical category in Marxian political economy. Specifically, I will use my formulation of the notion of primitive accumulation to identify it as one aspect of a more complex (contradictory) relation between capitalist and non-capitalist class structures with no teleological outcomes. I will present a new understanding of primitive accumulation as a *condition of existence* of the capitalist class process and hence a

continuous-constitutive process. Second, I will develop the theoretical distinction between primitive and capitalist accumulation as distinct processes that secure conditions of existence of the capitalist class structure. In doing this, I claim to provide an answer to the thorny problem of the distinction between capitalist and primitive accumulation that plagues contemporary interventions. Third, I will use this new notion of primitive accumulation to problematize and present a new notion of the dominance of capital. I pursue the theoretical implications of this new understanding of the dominance of capital in a social formation with heterogeneous class structures and a surplus population. In the process, I will also advance a theoretically precise class-based notion of surplus population, using the theoretical insights offered by the existing literature. Fourth, I will present a Marxian theory of a *capitalist* social formation where I show how capitalist accumulation and primitive accumulation may lead to a proliferation of ancient class structures along with an expanding capitalist class structure and how the two class structures may support and constrain each other. Finally, I will offer an account of postcolonial capitalism in India using the simple "model" of a social formation with ancient and capitalist class structures. I will show how a surplus population emerged in the course of expansion of the capitalist class structure in India and how it has been partly confined to the "ancient" economy at the same time that capitalist class structure expanded in India. I will argue that the ancient economy effectively acted and still acts as the "sink" of surplus population in India and further, that the dominance of capital in the Indian social formation is supported and undermined at the same time by the specific social outcome of primitive accumulation that provides one condition of existence of the capitalist class structures.

I end this introductory chapter with an outline of the dissertation. In Chapter 2, I discuss Marx's understanding of the process of primitive accumulation, how it exemplifies his use of class as an entry point, even though he presents a teleological-historicist notion of primitive accumulation. I also engage with the contemporary debate to show how the contemporary debate attempts to de-historicize the concept and admits an inescapable "outside" of capital. But, at the same time, I argue that contemporary interventions largely remain trapped within an essentialist problematic, particularly in the capitalocentric notions of the "outside" that dominate contemporary debates. I further argue that Marx's unique class perspective is also lost in contemporary debates.

In Chapter 3, I advance a new notion of primitive accumulation using a new reading of Marx produced by Resnick and Wolff (1987) and specifically building on the notion of "encounter" and the epistemology of "aleatory materialism" (which, I identify as overdetermination) presented in Althusser (2006). I attempt to make a clear distinction between primitive and capitalist accumulation and show how they overdetermine each other and how they both act as conditions of existence of the capitalist class structure. I problematize the notion of dominance of the capitalist class structure in a heterogeneous social formation in surplus terms and in presence of a re-theorized surplus population.

In Chapter 4, I analyze the dynamics of a social formation with only two class structures—ancient and capitalist—where primitive accumulation and capitalist accumulation produce a surplus population. I argue that conditions of production and appropriation of surplus in the two class structures are transformed in the presence of a surplus population. I also explore the contradictory effects on capitalist and ancient

surplus in such a social context. This chapter also provides theoretical tools to make sense of much of the struggles around dispossession of land.

In Chapter 5, I offer a new account of the postcolonial development of capitalism in India. I distinguish between two different regimes or social contexts in India—identifiable in terms of their unique economic, political and cultural conditions—the *dirigiste* planning regime dominated by state capitalist enterprises and the *laissez-faire* free-market regime dominated by private capitalist enterprises. I argue that both regimes had to grapple with the problem of surplus population, as the development of both state and private capitalism involved primitive accumulation. I also argue how agriculture, traditional non-capitalist industry and informal "ancient" enterprises (both rural and urban) have acted as "sinks" for surplus population—enabling and undermining capitalist accumulation at the same time. I end with a concluding Chapter 6, where I briefly articulate the political implications of the present work as well as future directions of research based on the theoretical arguments advanced in the present dissertation.

CHAPTER 2

PRIMITIVE ACCUMULATION AND THE "OUTSIDE" OF CAPITAL: A CRITIQUE OF CLASSICAL AND CONTEMPORARY READINGS

Introduction

Marx's sparse writings on primitive accumulation contain elements of a unique Marxian historiography that stands in sharp contrast to the dominant tendency—within classical political economy—of writing *universal* history. Marx engaged with the notion of primitive accumulation to contest the dominant "bourgeois" history of his times, which sought to naturalize, eternalize and legitimize the emerging and consolidating capitalist economy. Marx contested this "bourgeois" history from the perspective of class—emphasizing the distinctiveness of the capitalist class process and arguing that the latter's rise to dominance in the West European social formations constituted a historical *discontinuity* discernible as a class-transformation within those societies. This transition required the dissolution of one type of economy based on the dominance of feudal mode of production and the emergence of a different type of economy dominated by the capitalist mode of production. Marx showed how contradictory developments within the West European feudal social formations led to this transitional conjuncture.

However, Marx also argued—in his writings on primitive accumulation—that this historic transition from pre-capitalism to capitalism was neither spontaneous nor was it achieved by ethical means; this entire reorganization of society required a protracted period of violence, robbery and coercive state power to undermine existing non-capitalist modes of production. Having historicized capitalism, Marx could then posit the possibilities of historical transcendence of capitalism. Thus, Marx's critique of the

bourgeois notion of primitive accumulation is animated by his political vision of a future beyond capitalism.

Marx's Critique of the "Bourgeois" Notion of "Primitive Accumulation"

"Primitive accumulation" is a "bourgeois"[3] notion and it was through his critique of the notion that Marx produced an entirely new history of the rise of capitalism. Just as Marx took the category of "capital" from classical political economy and invested it with a radically new meaning in terms of *class relations*, in the same way, he engaged with the bourgeois notion of primitive accumulation—frequently referring to the "secret of the "so-called" primitive accumulation"— and uncovered the history of class struggles that remain invisible in the dominant texts of political economy. What Marx refers to as the secret of primitive accumulation is the repressed narrative of class.

In classical political economy, the historical emergence of capitalism was never posed as an object of theoretical analysis. There are vague references in Smith (1776) to a prior accumulation of stock that enabled capitalists to employ workers in production.

> As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure. (Smith, 1776: 48)

Theories that explained profit as a return to abstinence[4] implicitly or explicitly argued that capitalists emerged out of people who saved money they earned with their labor and

[3] I use the adjective "bourgeois" to refer to those views in Marx's time, which provided ethical justification of the class-position of the capitalists.
[4] See Senior (1836)

hence there is no exploitation when such capitalists employ workers out of the capital (i.e. money) they have previously accumulated[5].

At the abstract-theoretical level, Marx criticized this view for failing to understand the distinctive class nature of capitalism.

> Thus e.g. while the process in which money or value-for-itself originally becomes capital presupposes on the part of the capitalist an accumulation—perhaps by means of savings garnered from products and values created by his own labor etc., which he has undertaken as a *not-capitalist*, i.e. while the presuppositions under which money becomes capital appear as given, external presuppositions for the arising of capital—[nevertheless,] as soon as capital has become capital as such, it creates its own presuppositions, i.e. the possession of the real conditions of the creation of new values without exchange, by means of its own production process…..That is, individual capitals can continue to arise e.g. by means of hoarding. But the hoard is transformed into capital only by means of the exploitation of labor. The bourgeois economists who regard capital as an eternal and *natural* (not historical) form of production then attempt at the same time to legitimize it again by formulating the conditions of its becoming as the conditions of its contemporary realization; i.e. by presenting the moments in which the capitalist still appropriates as non-capitalist—because he is still becoming—as the very conditions in which he appropriates *as capitalist*. (Marx, 1973: 460, Italics in the original)

Marx clearly argued that primitive accumulation must be understood as a process that produces conditions of existence of a very specific class relation—the productive capitalist class relations—in which the capitalists' profit originates in the sphere of production through appropriation of the surplus value produced by wage-laborers. One of the conditions of existence of the productive capitalist class structure is therefore the presence of dispossessed laborers who are compelled to sell their labor-power as a commodity in return for wages. Marx argued that capitalism could not have been born

[5] Marx ridiculed the bourgeois view in the following words. "This primitive accumulation plays in Political Economy about the same part as original sin in theology. Adam bit the apple, and thereupon sin fell on the human race. Its origin is supposed to be explained when it is told as an anecdote of the past. In times long gone by there were two sorts of people; one, the diligent, intelligent, and, above all, frugal elite; the other, lazy rascals, spending their substance, and more, in riotous living. The legend of theological original sin tells us certainly how man came to be condemned to eat his bread in the sweat of his brow; but the history of economic original sin reveals to us that there are people to whom this is by no means essential. Never mind! Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work. Such insipid childishness is every day preached to us in the defence of property" (Marx, 1912: 784-785)

only with people with prior accumulation of wealth "who will naturally employ it in setting to work industrious people". For capitalist class relations to emerge, it was necessary that there should exist a sizable population dispossessed of all property so that they are compelled to accept wage-employment. Marx therefore emphasized the forceful dispossession and proletarianization of the peasants and artisans as the central moment of primitive accumulation. Further, the same processes of dispossession also implied concentration of wealth and property in the hands of emerging capitalists.

At the concrete-historical level, Marx also contested the view that hoarding, saving or abstinence explain the original accumulation of the capitalists. He argued that a whole range of economic processes were responsible for the emergence of the capitalists. Colonial plunder, the national debt, international credit system, taxation policies and the protectionist trade policies were all instrumental in "manufacturing the manufacturers"(Marx, 1912: 830). Similarly, Marx lays special emphasis on "enclosures" in accounting for the creation of free wage-laborers. "Enclosures" refer to forcible private or state acts of expropriation of the agricultural producers from their land, which was also their chief means of production. The dispossessed laborers were then whipped into factories through "bloody legislations" against vagabonds, beggars and robbers. Eradication of holidays, game laws that closed hunting grounds to people for self-provisioning, the attack on the "sloths" and wage-legislations were pressed into service for the consolidation of the capitalist class-structure[6]. The nation-states played a crucial role in the so-called primitive accumulation by adopting policies that facilitated the

[6] See Perelman (2000)

destruction of non-capitalist production units[7] and consequent proletarianization of independent producers and by helping the ascendant bourgeois amass massive wealth. Thus, Marx located *violence* right at the heart of the historic process through which capitalism was born out of feudalism.[8]

Critics of Marx explained the "industrial revolution" in Britain in terms of several "exogenous" factors. For example, the European discovery of America and the subsequent flow of precious metals (gold and silver) from America to Europe in the sixteenth century led to a high rate of inflation and a consequent "profit-inflation" to the advantage of the emerging capitalist class, to the extent that money wages grew at a slower rate than commodity prices and the landlords' rental claims remained relatively fixed in nominal terms[9]. On the other hand, some critics of Marx pointed out that the most important source of the industrial proletariat In England was rapid population growth due to early marriage and larger families in the 18th century[10].

For Marx, the rise of capitalism was a complex socially overdetermined process and hence it was important to identify the social context within which capitalism emerged. Marx argued that capitalist class structures emerged within a feudal social formation whose contradictory developments led first to a disintegration of the feudal class structures and the expansion of "ancient" production and then further dissolution of both feudal and ancient class structures to give way to the prevalence of capitalist class structures.[11] That is why Marx laid greater emphasis on the process by which capitalism

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[7] See Marx (1912)
[8] "Force is the midwife of every old society pregnant with a new one" (Marx, 1912: 824)
[9] See Dobb (1947) for a discussion of this view
[10] See Lazonick (1974) for a discussion of this view.
[11] "Capitalism arises and develops historically amidst a non-capitalist society. In Western Europe it is found at first in a feudal environment from which it in fact sprang—the system of bondage in rural areas and the

arose by dissolving other non-capitalist class processes—thus releasing means of production and labor power employed in the latter—than on exogenous supplies of laborers and money capital.

> The essence of this primary accumulation is accordingly seen to consist, not simply in the transfer of property from an old class to a new class, even if this involved concentration of property into fewer hands, but the transfer of property from small owners to the ascendant bourgeoisie and the consequent pauperization of the former. This fact, which is so commonly ignored, is the justification of Marx's preoccupation with the phenomena like enclosures as the type-form of his "primitive accumulation": an emphasis for which he has often been criticized on the ground that this was one among numerous sources of bourgeois enrichment. Enrichment alone, however, was not enough. It had to be enrichment in ways which involved dispossession of persons several times more numerous than those enriched. Actually, the boot of criticism should be on the other leg. Those various factors in the process on which many writers have laid stress, such as indebtedness, windfall profits, high rents and the gains of usury, could only exert a decisive influence to the extent that they contributed to the divorce of substantial sections of small producers from the means of production… (Dobb ,1947:185-186)

The emergence of the capital-labor relation requires both concentration of wealth in the hands of emerging capitalists (transformed into money capital for investment as productive capital) on the one hand and separation of a significant portion of the labor force from means of production on the other hand. In Marx's account of primitive accumulation, therefore, there is an element of *redistribution* as well as *separation*. While the classical Marxist writings on primitive accumulation have mainly emphasized the aspect of separation, the contemporary debate—which I take up in the next chapter— on primitive accumulation emphasizes the aspect of redistribution. Things get even more completed when Marx includes within his notion of primitive accumulation processes as diverse as wage-legislations, protectionist trade policies and public debt. This has resulted in an extraordinarily varied application of the notion of primitive accumulation

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guild system in the towns – and later, after having swallowed up the feudal system, it exists mainly in an environment of peasants and artisans, that is to say in a system of simple commodity production both in agriculture and trade. European capitalism is further surrounded by vast territories of non-European civilisation ranging over all levels of development, from the primitive communist hordes of nomad herdsmen, hunters and gatherers to commodity production by peasants and artisans. This is the setting for the accumulation of capital." (Luxemburg, 2003: 348)

in latter Marxian literature. In our understanding, for Marx, "separation" of direct producers from means of production constitutes the focal point of primitive accumulation—but not because separation "explains" the emergence of capitalism. Marx's historical account clearly points to the many different processes that converged to produce capitalism in England. Marx's emphasis on separation is however consistent with his unique focus on class relations in theorizing society—dispossession leads to dissolution of existing non-capitalist class structures and the possible emergence of the capitalist class structure.

> In the history of primitive accumulation, all revolutions are epoch-making that act as levers for the capitalist class in course of formation; but, above all, those moments when great masses of men are suddenly and forcibly torn from their means of subsistence, and hurled as free and "unattached" proletarians on the labour-market (Marx, 1912: 787)

At the same time, Marx's use of class is non-essentialist, since class-effects of dispossession alone cannot account for the rise of capitalism. That is precisely why Marx refers to so many processes in accounting for the rise of capitalism. We understand his extraordinary list of the "moments of primitive accumulation" as indicative of the complexity of the overdetermined process of emergence of capitalism. It is regrettable, however, that in referring to all the different identified processes—whose overdetermined outcome was the emergence of English capitalism—as moments of primitive accumulation, Marx sometimes appears to use the notion as standing for the process of overdetermination itself rather than processes of dispossession which form only a subset of the overdetermined totality.

Marx's Secret of the "So-called" Primitive Accumulation

Marx's critique of primitive accumulation is centered on the notion of "dispossession"—i.e. separation of direct producers from any property or control over means of production. For Marx, this rupture of the unity of direct producers with means of production, under certain conditions, precipitates an encounter between owners of capital on the one hand and dispossessed, i.e. "free" laborers—"freed" of means of production and of non-capitalist class relations—on the other hand. This encounter is crucial for the emergence of the capitalist fundamental class relation[12]

There are two sources of the proletariat—*expropriation* of direct producers from the material conditions of independent production and *differentiation* among "ancient" producers into wage-laborers and capitalists. The dispossession of direct producers could take place due to market forces which lead to differential outcomes across a society of "ancients" such that some lose out and turn into wage-laborers and others win and emerge as capitalists. However, Marx focused more on dispossession due to forcible acts of *expropriation* or *separation*, e.g. establishment of private property across commons, eradication of customary rights or access to means of subsistence or creation of artificial barriers to the union of direct producers and means of production. These instances of expropriation or forced separation could be legal or illegal, backed by the state or purely private actions. It could be also a direct or indirect, intended or unintended outcome of economic policies of the state like taxation, public debt, protective trade policies etc. It

[12] "The process, therefore, that clears the way for the capitalist system, can be none other than the process which takes away from the labourer the possession of his means of production; a process that transforms, on the one hand, the social means of subsistence and production into capital, on the other, the immediate producers into wage-labourers. *The so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production*." (Marx, 1912: 786. Italics mine)

will be wrong to say that Marx considered "enclosures" as the only form of primitive accumulation. Marx analyzed many different economic events and state policies in terms of their effectivity on dispossession. For example, in the context of protectionist trade policies, Marx writes that the "system of protection was an artificial means of manufacturing manufacturers, of expropriating independent labourers, of capitalizing the national means of production and subsistence…."(Marx, 1912: 830). The point is further substantiated in the following quote from Marx where he discusses public debt and taxation.

> The public debt becomes one of the most powerful levers of primitive accumulation. As with the stroke of an enchanter's wand, it endows barren money with the power of breeding and thus turns it into capital, without the necessity of its exposing itself to the troubles and risks inseparable from its employment in industry or even in usury….. As the national debt finds its support in the public revenue, which must cover the yearly payments for interest, &c., the modern system of taxation was the necessary complement of the system of national loans. The loans enable the government to meet extraordinary expenses, without the tax-payers feeling it immediately, but they necessitate, as a consequence, increased taxes. …. Modern fiscality, whose pivot is formed by taxes on the most necessary means of subsistence (thereby increasing their price), thus contains within itself the germ of automatic progression……*The destructive influence that it exercises on the condition of the wage-labourer concerns us less however, here, than the forcible expropriation, resulting from it, of peasants, artisans, and in a word, all elements of the lower middle-class.* (Marx, 1912:, 827-829)

The centrality of dispossession to Marx's understanding of primitive accumulation is however best understood in the last chapter of Capital Vol.I, titled "The Modern Theory of Colonisation" where Marx talks about the "secret discovered in the new world by the Political Economy of the old world" (Marx,1912: 848). By colonies, Marx here refers to USA, Australia etc. where immigrants colonized land, rather than people. In these colonies, land was plenty and "every settler on it therefore can turn part of it into his private property and individual means of production, without hindering the later settlers in the same operation."(Marx,1912: 842). Thus what was absent in the colonies was a steady and secure supply of wage-laborers. New wage-laborers brought in as immigrants

often quickly escaped the wage-relation and established themselves as ancient producers. Thus, in the colonies, "property in money, means of subsistence, machines, and other means of production, does not as yet stamp a man as a capitalist if there be wanting the correlative—the wage-worker, the other man who is compelled to sell himself of his own free-will"(Marx, 1912: 839). Secondly, just as the separation of laborer from land is incomplete, so is the separation of agriculture from industry. Social division of labor cannot develop and neither can the internal market for capitalist products. Moreover, the capitalists cannot depend on the production of the industrial reserve army to control wages and impose discipline on the workers, since the laid-off worker, or even the ill-paid worker may simply leave the labor market and establish his own private and independent production. Thus a viable self-exploitative or ancient economy imposes limits to the expansion or even emergence of capitalist production.

To ensure the supply of wage-laborers, this easy union of the laborer with the means of production has to be dissolved or at least deferred. The "secret" of primitive accumulation, suppressed in classical political economy[13], is seen in all its nakedness in the colonies, when, by Acts of the British parliament, the economy of the ancients in the colonies is undermined by imposing an artificially high price on abundant land, defying all laws of demand and supply. The high price of land forced the immigrant laborers to work as wage-laborers for a long time before he could save enough money to buy a piece of land and establish himself as an independent peasant. Thus the supply of wage-laborers was finally secured by undermining the non-capitalist mode of production.

[13] "It is the great merit of E.G. Wakefield to have discovered, not anything new about the Colonies, but to have discovered in the Colonies the truth as to the conditions of capitalist production in the mother country". (Marx, 1912: 839)

Dispossession and the Conditions of Existence of the Capitalist Class Structure

Dispossession alone does not guarantee that the capitalist class structure will take hold. Many other natural, economic, political and cultural conditions of existence are required to stabilize capitalist production.[14] For example, Marx argued that protectionist trade policies were instrumental in securing the domestic market for emerging capitalists and protecting it from competition with non-capitalist products in the market. But this point is best substantiated with Marx's discussion of legislations pertaining to conditions of wage-labor in Britain during the emergence of capitalism. For capitalist production to be viable, it is not only necessary that there exist dispossessed laborers, but that laborers are subjugated to the extent that they yield surplus value for the capitalist.

> It is not enough that the conditions of labour are concentrated in a mass, in the shape of capital, at the pole of society, while at the other are grouped masses of men, who have nothing to sell but their labour-power. Neither is it enough that they are compelled to sell it voluntarily……. The bourgeois, at its rise, wants and uses the power of the state to "regulate" wages, i.e. to force them within the limits suitable for surplus-value making, to lengthen the working day and to keep the labourer himself in the normal degree of dependence. This is an essential element of the so-called primitive accumulation. (Marx, 1912: 809)

Hence, Marx devotes considerable space to bloody legislations against labor including laws related to wages as well as laws related to vagabondage. Perelman (2000) mentions "Game Laws" in Britain that prevented the common people from hunting in the woods

[14] "[E]xploitation cannot be reduced to the extraction of surplus value; it can be understood only if the whole set of its concrete forms and conditions is treated as determinant. The whole set of these concrete forms does indeed include the extraction of value, but it also includes the implacable constraints of the labour process embedded in the process of production and, therefore, exploitation: the socio-economic division and organization of labour; the length of the "working-day", a notion peculiar to the capitalist system, and therefore nowhere to be found before it; speed-up; compartmentalization; the material conditions of the centralization of labour (the factory, the workshop); work-related accidents and illnesses; the practice of forcing people to take jobs below or above their level of competence; and so on. And the process of production must in turn (less one remain abstract) be conceived as a decisive moment in the process of reproduction: the reproduction of the means of production, but also the reproduction of labor-power (family, housing, children, child-rearing, schooling, health, problems faced by the couple, by the young people, etc.)—to say nothing of the other moment of the process of reproduction of labor-power, which brings the state and its apparatuses (repressive, ideological, etc.) into play." (Althusser, 2006:43-44)

and thus securing any means of subsistence. E.P.Thompson (1967) brilliantly chronicles the cultural interventions in the life of working people to orient them to the new work regime under capitalism— symbolized in the 'clock' as the regulator and the measurer of a new concept of work. While dispossession destroys alternative modes of subsistence for the laborers and keeps them crucially dependent on wage-employment for securing their necessities of life, yet further social processes are required for the creation of the new class of wage-workers who could sustain the developing forces of production under capitalism. A new subjectivity of labor has to be constructed such that alienated/dispossessed labor not only accommodates the conditions of his alienation/dispossession, but also over time, tend to view them as naturalized conditions of labor, submitting to the compulsions of the same labor market which was created by their expropriation from land.[15] It is only then that the conditions for *real subsumption of labor*[16] are created.

Yet, dispossession has multiple effects in securing the conditions of existence of the productive capitalist circuit, $M - C - C' - M'$—one of the reasons why dispossession figures so prominently in Marx's account of the rise of capitalism.

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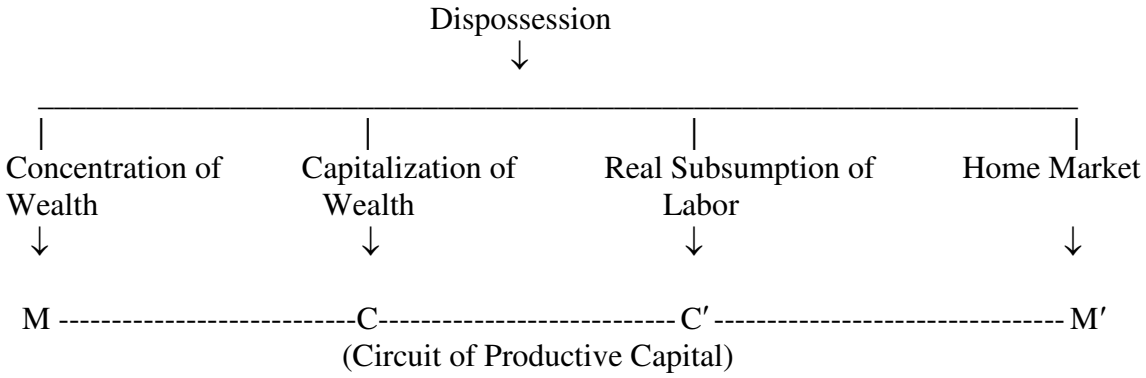
[15] "Indeed living labour itself appears as *alien vis-à-vis* living labour capacity, whose labour it is, whose own life's expression [*Lebensaussserung]* it is, for it has been surrendered to capital in exchange for objectified labour, for the product of labour itself. Labour capacity relates to its labour as an alien, and if capital were willing to pay it *without* making it labour, it would enter the bargain with pleasure. Thus labour capacity's own labour is as alien to it—and it really is, as regards its direction etc.—as are material and instrument. Which is why the product then appears to it as a combination of alien material, alien instrument and alien labour—as *alien property*, and why, after production, it has become poorer by the life forces expended, but otherwise begins the drudgery anew, existing as a mere subjective labour capacity separated from the conditions of its life." (Marx, 1973: 462-463, Italics in the original)

[16] Marx makes a distinction between formal and real subsumption of labor. The immediate consequence of primitive accumulation is formal subsumption of labor—separation allows the capitalists to unite dispossessed labor power and means of production in an essentially unchanged labor process, but a different fundamental class process. Real subumption of labor takes place when capitalists revolutionize existing labor processes, requiring reorientation of the subjective relations of the workers to the conditions of work. Marx identified formal subsumption with production of absolute surplus value and real subsumption with production of relative surplus value and considered the latter to be the "true" capitalist form.



Dispossession—expropriation of peasants from their lands, establishment of private property over commons, acquisitions of Church land etc.—directly enriched the emerging capitalists through *concentration of (landed) wealth*, which could be converted into profitable investment in capitalist industries. As a result of dispossession, direct producers (peasants) divorced from means of production (land, primarily) become sellers of that special commodity—labor power. On the other hand, once the peasants are expropriated from the land, the agricultural raw materials which once served as means of *independent* production now flow into the market as commodities sold by capitalist farmers to the manufacturing capitalists. Thus, there is development and *polarization* of the market for means of production and the market for labor power, which enables *transformation of capitalists' money into constant and variable capital*. Again, dispossession directly creates the home market for V-goods produced by the capitalist enterprises by robbing the direct producers of control or ownership over means of production and hence means of independent subsistence. The subsistence of "freed" laborers now depends on their employment in capitalist factories where they receive a wage with which to buy their means of subsistence. The food items produced on land from which they have been expropriated are now capitalist commodities, which they

must purchase in the market. On the other hand, agriculture partly absorbs the products of capitalist industry as C-goods in agricultural production. Thus emerges the *home market* for the commodities produced in capitalist enterprises. Finally, dispossession creates the dependence of the worker on the capitalist for subsistence. This dependence allows the capitalists to impose their controls and disciplinary mechanisms on the workers, transform the labor process and create conditions for *real subsumption of labor*.

> The results of enclosures in England, which took place throughout the transition process, were according to Marx, not only the creation of purely private property in agriculture, but also the creation of a landless labour force, an expanded food supply to feed this labour force, a home market for agricultural and manufacturing products, and the concentration of landed wealth" (Lazonick, 1974: 5)

However, it needs to be emphasized, at the risk of repetition, that dispossession remains central to Marx's critique of primitive accumulation not because he thought it was the only process by which the conditions of existence of the capitalist class process were created, but because dispossession—though itself not a class process[17]— enables Marx to inscribe class at the heart of primitive accumulation. This is of course a specific reading of Marx, which animates the present work. Other readings are possible and exist within the Marxian tradition. In later sections of this chapter, I will contrast my reading with some of those alternative readings of Marx's idea of primitive accumulation. Partly, the proliferation of different readings is facilitated by the extraordinarily rich account of primitive accumulation one finds in Vol.I of *Capital*. In contrast, the notes on "original accumulation" in *Grundrisse* are restricted almost entirely to a *theoretical* elaboration of the conditions of existence of capitalist production. Marx hardly deals with the concrete history of primitive/original accumulation in *Grundrisse*, while he devotes considerable

[17] By "class process", we understand production, appropriation and distribution of surplus labor. See Resnick and Wolff (1987).

space to conditions of existence—primarily forms of property relations—of non-capitalist production, which have to be dissolved for capitalist production to prevail in any society. I argue that if one reads Marx's chapters on primitive accumulation in *Capital* in conjunction with his notes in *Grundrisse*, Marx's own class-reading of primitive accumulation emerges all the more clearly. Once we recognize class as the entry point for Marx's theoretical analysis, we can then understand how the complex interaction between many different class and non-class processes—which Marx refers to as so many moments of primitive accumulation in *Capital*—produced conditions of existence of capitalist production on a considerable scale, while dispossession itself—partly determined by those processes and partly determining them—constituted the moment of class-transformation.

An Essentialist Reading of Primitive Accumulation

I argued in the previous section that in his critique of the notion of primitive accumulation, Marx contested the eternalized and naturalized representation of capitalism in classical political economy. He achieved this by a) emphasizing the specificity of the capitalist class process, distinguishing it from other non-capitalistic class processes (ancient, feudal, communistic etc.) and b) historicizing and locating the rise to dominance of the capitalist class process in a particular social formation, i.e. Britain, in the sixteenth through the nineteenth century. In so doing, he criticized classical political economy for failing to 'see' this *transition from non-capitalism to capitalism* in Western Europe[18] and

[18] "Political economy confuses on principle two very different kinds of private property, of which one rests on the producers' own labour, the other on the employment of the labour of others. It forgets that the latter not only is the direct antithesis of the former, but absolutely grows on its tomb only. In Western Europe, the home of Political Economy, the process of primitive accumulation is more or less accomplished……..To

the class effects of primitive accumulation in such a transitional conjuncture. However, several related epistemological issues can be raised in the context of an essentialist reading of Marx.

The Teleology of Historical Materialism and the Universal Dominance of Capital

In historicizing primitive accumulation, Marx unfortunately also prepared the ground for the subsumption of primitive accumulation to the Marxian *theory* of transition. The latter is a product of essentialist Marxian historiography—which we know as "historical materialism"—that periodizes history in terms of the dominant mode of production of a society. In its most essentialist version, historical materialism claims that auto-development of the forces of production provides the motor force of history, forcing those changes in relations of production and corresponding changes in the superstructure that are best suited to the development of the forces of production. In its most teleological version, historical materialism presents a certain law of linear succession of modes of production culminating in communism—each succeeding mode of production being more technologically advanced than the one before.

The dominant understanding of Marx's notion of primitive accumulation, grounded in historical materialism, runs as follows. Primitive accumulation precipitates an encounter between owners of capital on the one hand and dispossessed laborers on the other hand. Once created, capital reproduces this separation/ dispossession on an expanded scale. The teleology inherent in the historical materialist framework leads to the conclusion that

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this ready-made world of capital, the political economist applies the notions of law and of property inherited from a pre-capitalist world with all the more anxious zeal and all the greater unction, the more loudly the facts cry out in the face of his ideology". (Marx, 1912: 838)

primitive accumulation has a singular, irreversible outcome—it prepares the path for the emergence of capitalism and the inevitable destruction of non-capitalist production based on petty private property as well as communal property[19]. With the development of capitalist production based on exploitation of wage-labor, with the *real subsumption of labor*, the radical transformation of the labor process in capitalist production and introduction of machinery, capitalist production creates the conditions for its final victory.

> Under these conditions the factory rules, and the days of handicraft, of independent production, are numbered. What remains is carried on chiefly by unfortunates who cannot find places in the factory system. (Kautsky, 1910: 17).

The assumption of continuous and irreversible development of forces of production dictates that *lower* forms of production must yield to *higher* forms.[20] Unlike an open-ended history of capital—which must recognize the contingency of any social conjuncture—historical materialism presents a *logical* history of capital in which a) the capitalist mode of production is superior to pre-capitalist modes in terms of the development of the forces of production and therefore b) history is fated to unfold in

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[19] According to Marx, at the time of writing of Capital, in "Western Europe…the process of primitive accumulation is more or less accomplished. Here the capitalist regime has either directly conquered the whole domain of national production, or, where economic conditions are less developed it, at least, indirectly controls those strata of society which, though belonging to the antiquated mode of production, continue to exist side by side with it in gradual decay." (Marx,1912: 838)

[20] "This [petty] mode of production pre-supposes parceling of the soil, and scattering of the other means of production. As it excludes the concentration of these means of production, so also it excludes co-operation, division of labor within each separate process of production, the control over and the productive application of the forces of Nature by society, and the free development of the social productive powers. It is compatible only with a system of production, and a society, moving within narrow and more or less primitive bounds. To perpetuate it would be…. " to decree universal mediocrity". At a certain stage of development it brings forth the material agencies for its own dissolution. …….but the old social organization fetters them and keeps them down. It must be annihilated; *it is annihilated*. Its annihilation, the transformation of the individualized and scattered means of production into socially concentrated ones, of the pigmy property of many into the huge property of the few, the expropriation of the great mass of people from the soil, from the means of subsistence, and from the means of labour, this fearful and painful expropriation of the masses of the people forms *the prelude to the history of capital*." (Marx, 1912: 835, italics mine)

favor of capitalism so long as it supports the continuous development of the forces of production. The historical journey through modes of production—rationally ordered by developing forces of production—endows capital with a *universal* face. As a higher form of production, capital is pre-destined to enfold the entire space of production by dissolving the pre-capitalist "outside".

If and whenever non-capitalist production appears within a capitalist social formation, the dominant tendency within the Marxian tradition has been to treat it as a i) resilient pre-capitalist residue (in a conjuncture of 'blocked' transition), ii) a transitional feature or iii) a non-capitalist articulation of the circuit of productive capital (for example, non-capital as source of cheap labor-power and raw materials). Historical materialism does not recognize radical *differences* at the level of the economic, or in other words, does not admit any intrinsic *limits* of capital.

The Being-Becoming Distinction and the "Metaphysics of Full Presence"

In the scheme of historical materialism, primitive accumulation plays a very distinct role. Primitive accumulation refers to those processes *within a non-capitalist social formation* that produced the conditions of existence of the capitalist mode of production and thus belongs to the pre-history of capital, or in Marx's words, forms "the prelude to the history of capital". In so far as primitive accumulation is the condition of the *arising* or *becoming* of capital, i.e. the historic *presupposition* of the capitalist class relation, it ceases to exist once that relation has arisen.[21]

[21] This Hegelian being-becoming distinction has dominated latter Marxist writings on primitive accumulation. Marxists have generally tended to treat primitive accumulation as a concrete historical process that has no theoretical bearing on the ontology of capital. The concept of "primitive accumulation" has thus long come to be confined to the field of economic history, except occasional application in studies

> The conditions and presuppositions of the *becoming*, of the *arising*, of capital presupposes precisely that it is not yet in being but merely in *becoming*; they therefore disappear as real capital arises, capital which itself, on the basis of its own reality, posits the conditions for its realization. (Marx 1973: 459)

According to this Hegelian understanding, primitive accumulation is the *becoming* of the capitalist mode of production, which once become, can secure its conditions of existence by itself, in accordance with its immanent laws. That is, *capital-as-being* is *self-positing* (the profits of capital constitute new funds for investment), *self-reproducing* (expanded reproduction based on mutual interaction between Departments I and II) and *self-subsisting* (its natural, economic, political and cultural conditions of existence are secured through payments out of the expanded surplus value possible in capitalist production). Marx's treatment of primitive accumulation is thus fraught with what Cullenberg and Chakrabarty calls the "metaphysics of full presence", i.e. a notion of capital as a "closed totality" fully comprehensible in and by itself. Capital can exist and reproduce itself independent of its "outside"—i.e. non-capital has no constitutive determination on capital. Let me give two examples from Marx.

In the chapter titled "The General law of Capitalist Accumulation" in Vol. I of *Capital*, Marx introduces the notion of relative surplus population and industrial reserve army and these concepts help him develop a "law of population peculiar to the capitalist mode of production" (Marx, 1912:692-693). Marx argues that the industrial reserve army provides a crucial condition of capitalist accumulation by securing additional supplies of wage-laborers when accumulation leads to a sudden increase in demand for laborers. Capitalist accumulation does not have to depend on natural population growth for its supply of

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of capitalism in developing economies, and that too only because it is assumed that the history of the rise of capitalism in the West is replicated in the developing countries experiencing capitalist development.

laborers[22]. Neither does it have to depend on external supplies of laborers, i.e. it does not require dispossession to "free" laborers from non-capitalist class processes. The industrial reserve army makes available for capitalists any additional supplies of workers needed for rapid accumulation. The industrial reserve army itself is periodically replenished by a rise in the organic composition of capital, which in turn is related to capitalist accumulation and competition among capitalists. Thus *capital-as-being* secures its labor power in accordance with its immanent laws of self-expansion. It is in this sense that the industrial reserve army belongs "to capital quite as absolutely as if the latter had bred it at its own cost" (Marx, 1912: 693). It is otherwise during the transitional conjuncture. *Capital-in-arising* secures its supplies of "free" proletariat from the "outside"—by dispossessing direct producers in non-capitalist class structures.

Similarly, the "metaphysics of full presence" also pervades the distinction between primitive accumulation and capitalist accumulation in the Marxist literature. Capitalist accumulation is the capitalization of surplus vale created in the capitalist fundamental class process. In terms of the productive capitalist circuit $M - C - C' - M'$, the profit of the capitalist is equal to $M' - M$. When a part of this profit is converted into additional constant and variable capital—thus leading to expansion of capitalist production—capitalist accumulation takes place. Primitive accumulation, on the other hand, is *appropriation* of existing means of production (say, land) previously employed in non-capitalist production. Thus, *capital-as-being* creates its own wealth once it is born, while capital arises by appropriation of wealth outside it, i.e. by fraud and robbery.

[22] "Capitalist production can by no means content itself with the quantity of disposable labor-power which the natural increase of population yields. It requires for its free play an industrial reserve army independent of these natural limits" (Marx, 1912: Pg 696).

One consequence of this essentialist reading of Marx is that the notion of primitive accumulation is exorcised from Marxian political economy, since Marxian theoretical categories are not deployed in producing an understanding of the notion. In so far as primitive accumulation belongs to the pre-history of capital, it has no bearing on the ontology of capital. It belongs to the dark realm of *force*, which is not a category of Marxian thought. Though the notion of primitive accumulation was deployed by Marx to bring in class in the writing of a history of capitalism, the notion itself is not constituted by the categories of class. This is the symptom of an essentialist reading—the *cause* is always untainted by the *effect*.

The Return of the Primitive: Contemporary Debates, Contested Meanings

In this section, I engage with the contemporary debate on primitive accumulation, which, I argue, makes significant theoretical departures from the classical Marxian position on primitive accumulation. To identify the theoretical significance of the contemporary debate, I strategically engage with the *essentialist* Marx, portraying it as *the* Marx. In this section, I emphasize the distinctiveness of contemporary positions vis-a-vis the essentialist Marxian position on primitive accumulation and articulate the theoretical issues posed in the contemporary debate *within the essentialist problematic* of primitive accumulation. However, the very formulation of the problems—the way I formulate it, even if within the *essentialist problematic*—is purposive. It is meant to produce nothing less than a rupture in the essentialist problematic, making way for the emergence of a non-essentialist understanding of primitive accumulation, which I put forward in the next chapter.

The contemporary debate[23] on primitive accumulation has rescued the notion from its marginal position in the Marxian discourse and placed it right at the heart of contemporary capitalism. But more importantly, the contemporary debate has also displaced the notion from its familiar terrain and posed new theoretical problems—partly articulated, partly latent—before the Marxian tradition. Let us take a last look at the classical terrain of primitive accumulation before we leave it. Primitive accumulation belongs to the transitional conjuncture that produces capitalism. It is a historical convergence of many different processes, out of which emerges the system of capitalist production—most importantly, the incipient social classes of capitalists and wage-laborers themselves. The crux of primitive accumulation—what Marx referred to as the "secret" of primitive accumulation—was the processes of dispossession that produced "free" laborers on one side and enriched the ascendant capitalists on the other. By dissolving the unity of direct producers with the means of production, by enabling the transformation of means of production and labor-power into commodities and finally by enabling the transformation of these commodities into elements of constant and variable capital, dispossession created the essential conditions of existence of the "productive" capitalist class relation. Once capitalist production has socially consolidated itself, it

[23] My engagement with the contemporary literature is selective. See Footnote 26. I leave out some traditions of critical thought that have direct or indirect bearing on the Marxist discourse on primitive accumulation. For example, I leave out—given the scope of the present essay—the feminist deployment of the concept of primitive accumulation. Feminist critics have pointed out the transformation of women into house-wives as an act of primitive accumulation by which women are "separated from their work and production means, their culture, their knowledge, and their skills, and from control over their own labor and even their bodies because of their reproductive capacities" (Werholf, 2000: 731). See Mies (1986), Federici (2004) and Glassman (2006). Another critical tradition—the post-development school (Sachs, 1992; Latouche, 1993; Escobar, 1995; Rahneman and Bawtree, 1997)—has increasingly brought attention to what they call *development-induced displacement*. Escobar (2004) equates "displacement" with modernity per se and identifies "development" as the exemplary project of modernization. Development projects in the third world, including construction of dams, highways, power plants etc. by the government involved large-scale displacement and eviction of traditional communities. See Perspectives (2008) for such displacement in India.

maintains and expands the "separation" of the direct producers from means of production, by dissolving the pre-capitalist outside and conquering the terrain of social production. The notion of "primitive accumulation" applies to the *initial*[24] separation of direct producers from means of production on a scale large enough for *capitalism* to emerge and involved private and state acts of violence and coercion. Primitive accumulation thus belongs to the pre-history of capital in so far as it secures "initial" conditions of existence for capitalist production, while the latter, once born, can secure the same conditions through normal economic processes peculiar to capitalism itself, without involving force or any extra-economic state power.

Marx—as well as those after him, who more or less confined themselves to the classical context of primitive accumulation[25]—bequeathed a notion of primitive accumulation that is historicist (primitive accumulation belongs to the pre-history of capital) and a notion of self-subsistent capital that is autonomous of its "outside" (capital can fully secure its conditions *within* itself). The contemporary debate on primitive accumulation[26] breaks new grounds within the Marxian tradition in two ways. First, some of the contemporary Marxists view primitive accumulation as an ongoing process and not as a process limited to the transitional conjuncture leading to the establishment of capitalism. According to these Marxists, primitive accumulation is a process that secures crucial conditions for the reproduction and expansion of the capitalist mode of production. Second, some of the Marxist authors explicitly reject the idea of a purely *internal* reproduction of the capitalist

[24] De Angelis (2001) calls it *ex novo* separation.
[25]See Kautsky (1910, 1925), Lenin (1967), Dobb (1947), Lazonick (1974).
[26] See Niggle (1995), Perelman (2000), Werlhof (2000), De Angelis (2001), Harvey (2003, 2006), Arrighi (2004) Glassman (2006), Andreasson(2006), Sanyal (2007), Basu(2007), etc.. In particular, see the September, 2001 issue of The Commoner (available at http://www.commoner.org.uk/index.php?p=5). Also see *Historical Materialism*, 14(4), 2006, especially the contributions by Robert Brenner, Sam Ashman, Alex Callinicos and David Harvey.

system. Instead, they argue that capitalist production requires a non-capitalist space outside it for its reproduction—an "outside" that is marked by the violence of primitive accumulation. Despite these important theoretical contributions, in my reading, contemporary interventions largely fail to escape the essentialist logic or to retain the class-perspective that Marx uniquely brought to bear on the study of capitalism.

The contemporary literature on primitive accumulation can be read in many different ways. The reading I offer is of course motivated by the theoretical objective of this dissertation—to produce a non-essentialist (class) focused Marxian notion of primitive accumulation. This purposive reading enables me to identify the two distinct 'departures' mentioned above—namely, the understanding of primitive accumulation as an ongoing process and the recognition of an "outside" of capital. Once we accept primitive accumulation as an ongoing process within capitalism, we have to further specify how primitive accumulation is related to the process of accumulation of capital. Similarly, once we recognize an "outside" of capital, we must investigate how capital is related to this theoretical "outside. Therefore, I locate various contributions to the contemporary debate as distinct theoretical positions on these two questions.

Accumulation and Dispossession

The first departure constitutes a novel intervention in Marxian political economy because it locates primitive accumulation right at the heart of the dynamics of capitalism. The contemporary debate constitutes a "break" from the Marxian tradition which understands primitive accumulation as a historical process and which, therefore has, so far, restricted all reference to primitive accumulation to capitalist development in the third world where, it was argued, the transition to capitalism is yet to be "completed". In contrast,

contemporary critics argue that primitive accumulation takes place even in social formations where the capitalist class process has long been dominant.[27] To substantiate their view, these authors draw from Marx's rich analysis of primitive accumulation in Capital Vol. I. In particular they draw attention to the many different processes Marx referred to as moments of primitive accumulation and conclude that '[a]ll the features of primitive accumulation that Marx mentions have remained powerfully present within capitalism's historical geography up to now' (Harvey,2003: 145).

According to these authors, privatization—which has been vigorously unleashed in developed as well as developing countries in the last three decades of "neoliberal" capitalism—is considered an outstanding example of primitive accumulation. The significant presence of the state in production and distribution of economic goods and services, supported by particular political institutions and cultural norms that were erected in welfare-states of richer countries, had created social "commons" that are now being destroyed by commoditization and privatization under what is referred to as "neoliberal capitalism" (De Angelis, 2001; Harvey, 2003, 2006)[28]. Outside the developed world, the integration of former Soviet Bloc countries and China to global capitalist relations constitutes an act of "primitive accumulation" in the classical sense in so far as huge assets are transferred from the state sector to the (global) private capitalist sector (Harvey, 2003). Basu (2007) draws a direct parallel between English enclosures of the

[27] "The disadvantage of these assumptions [in the traditional understanding of primitive accumulation] is that they relegate accumulation based on predation, fraud, and violence to an 'original stage' that is considered no longer relevant or, as with Luxemburg, as being somehow 'outside of' capitalism as a closed system." (Harvey, 2003: 144)

[28] "The rolling back of regulatory frameworks designed to protect labour and the environment from degradation has entailed the loss of rights. The reversion of common property rights won through years of hard class struggle (the right to a state pension, to welfare, to national health care) into the private domain has been one of the most egregious of all policies of dispossession pursued in the name of neoliberal orthodoxy. All of these processes amount to the transfer of assets from the public and popular realms to the private and class-privileged domains". (Harvey ,2006: 153)

17th and 18th century and forcible acquisition of farmland by the Indian government for setting up of Special Economic Zones in the last decade[29]. However, Harvey (2003, 2006) argues that novel forms of privatization emerged and consolidated under neoliberalism.

> The corporatization, commodification and privatization of hitherto public assets has been a signal feature of the neoliberal project. Its primary aim has been to open up new fields for capital accumulation in domains hitherto regarded off-limits to the calculus of profitability. Public utilities of all kinds (water, telecommunications, transportation), social welfare provision (social housing, education, health care, pensions), public institutions (such as universities, research laboratories, prisons) and even warfare (as illustrated by the 'army' of private contractors operating alongside the armed forces in Iraq) have all been privatized to some degree throughout the capitalist world (Harvey, 2006: 153)

Similarly, Andreasson (2006) points to an expanding sphere of dispossession based on an extension of private property regimes not only by traditional means, but also, and increasingly so, by more sophisticated and novel means like "intellectual property rights"[30].

Harvey's influential and provocative account of "accumulation by dispossession" —a term he prefers to "primitive accumulation"— remains at the center of the contemporary debate. In Harvey's understanding, the operations of "accumulation by dispossession" exceed the sphere of privatization. For example, the operations of financial markets—characterized by speculation, fraud and predation—facilitate large-scale redistribution of wealth in favor of global corporate capital.

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[29] These SEZs are literally described as "foreign territory" outside the purview of the laws of the country. Business enterprises in SEZs are exempt from tax and other financial payments to the state in the same way that owners of enclosed land in England were spared all their obligations to the state. Further, labor laws are relaxed in these SEZs to allow increased exploitation of labor—enhancing coercive power of the capitalists vis-à-vis workers and constituting new versions of "bloody legislations" against labor. According to Foreign Trade Policy (2004-09) of India,, 'SEZ is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations, duties and tariffs' (Government of India, 2004: §7.1).

[30] Also see Harvey (2006), Basu (2008). Boyle (2002) refers to "the enclosure of the intangible commons of the mind" as the "new kind of enclosure movement".

> Stock promotions, ponzi schemes, structured asset destruction through inflation, asset stripping through mergers and acquisitions, the promotion of levels of debt incumbency that reduced whole populations, even in the advanced capitalist countries, to debt peonage, to say nothing of corporate fraud, dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapses) by credit and stock manipulations – all of these became central features of the capitalist financial system (Harvey, 2006: 154)

Further, the "neoliberal" state itself engages in redistributive policies— from lower income to upper income social classes as also from public to private domains—through privatization but also through tax incentives and subsidies to business coupled with a reduction in social expenditure. Internationally, carefully manipulated debt traps (Latin American countries in the 1980s and 1990s) and financial crises (Asian crisis in 1997-1998) have resulted in transfer of wealth from poorer to richer countries. Crises lead to devaluation of assets, which are subsequently seized by corporate capital. Nation-states and international organizations like World Bank, IMF etc. work in tandem to enable "accumulation of dispossession" through careful management of crises.

These authors, who argue that primitive accumulation is an ongoing process integrated to the processes of accumulation of capitalism, have taken up a variety of theoretical positions. Marx's notion of primitive accumulation combined both the aspects of redistribution (enrichment) and dispossession (separation). However, for Marx, in the context of classical transition, the emphasis was on *enrichment as a means of separation*. Contemporary positions can be distinguished on the basis of relative emphasis placed on either of these two aspects of primitive accumulation. De Angelis (2001), for example, argues that "separation" of the direct producers from the means of production is a central category of Marx's theory and pervades the entire space of capital. According to De Angelis, both capitalist accumulation and primitive accumulation can be understood in terms of the category of separation. Primitive accumulation is the *ex novo* production of

the separation while capitalist accumulation is the reproduction of separation on a greater scale. The crucial point De Angelis emphasizes is that capitalist accumulation is, in the final analysis, a reproduction of capital-labor relation itself—on an expanded scale. For capitalist accumulation, it's crucial not only to maintain initial "separation", but also raise it to a higher degree. De Angelis goes on to say that "the difference between accumulation and primitive accumulation, not being a substantive one, is a difference in the conditions and forms in which this *separation* is implemented" (De Angelis, 2001: 5). Harvey's concept of "accumulation by dispossession" focuses more on the "enrichment" aspect than on the "separation" aspect—prompting Brenner (2006) to argue that Harvey's position is closer to Smith's ("enrichment" or previous accumulation of stock) than Marx's ("separation" or creation of "free" labor power). In fact, Harvey seems to focus more on *separation as a means of enrichment*, contrary to Marx.

> If the main achievements of neoliberalism have been redistributive rather than generative, then ways had to be found to transfer assets and redistribute wealth and income either from the mass of the population towards the upper classes or from vulnerable to richer countries. (Harvey, 2006: 153)

A position somewhat similar to Harvey's but with a rather distinctive theoretical articulation is found in Basu (2007, 2008). Basu argues that through primitive accumulation, global capital acquires exclusive control over markets, resources of production etc. By virtue of these exclusive property rights, global capital occupies the position of a landlord (or any monopolist owner of conditions of production) who earns "ground rent" by providing access to such monopolized item. Dispossession does not necessarily imply an expansion of capitalist class structure. Capital might well leave production outside itself while securing ground rent from such a non-capitalist production space by providing access to monopolized means of production used in it.

Sanyal (2007) articulates a third position in the context of postcolonial capitalist development. He argues that capitalist accumulation includes the moment of primitive accumulation. But primitive accumulation may not lead to an exploitative relation—capitalist class exploitation based on appropriation of surplus value from wage-laborers—but to the emergence of a "surplus" labor force dispossessed yet excluded from the capitalist class relations. Political conditions for continued capitalist accumulation then require that the "surplus" population be addressed in terms of welfarist governance—which takes the form of specific interventions to ensure livelihoods for the excluded labor force and requires a flow of surplus from the domain of capital to its outside to re-unite excluded labor with means of production in subsistence economic activities. Thus conditions of existence of capitalist accumulation are secured through two simultaneous and contradictory processes—primitive accumulation, which enables a flow of means of production from the non-capitalist space to the capitalist space, and welfarist governance that necessitates a flow of surplus[31] in the reverse direction. In Sanyal, both the aspects of enrichment and separation are important because together they account for a basic inescapable dualism in the postcolonial economy—the dualism between the capitalist and the non-capitalist sub-economies. However, both enrichment and separation are contradictory moments in Sanyal. Redistribution of means of production in favor of capitalists—the substance of primitive accumulation— is contradicted by the transfer of surplus value from the capitalist to the non-capitalist economy enabling the latter to gain

[31] From a class-analytic point of view, strictly speaking, there cannot be a flow of *surplus* from one class-structure to another. What Sanyal means is that surplus value appropriated by the capitalists may be taxed by the state to provide some of the conditions of existence of non-capitalist class processes and the non-capitalist appropriators of surplus then receive such benefits from the state as non-class revenues. Alternatively, the capitalists may themselves use a part of the surplus value appropriated within the capitalist fundamental class process to provide certain conditions of existence of non-capitalist enterprises without involving the state.

some access to means of production. The dispossession of non-capitalist producers—the effect of primitive accumulation—is contradicted by the subsequent re-unification of dispossessed producers with means of production, within the non-capitalist economy, under welfarist governance.

The dominant[32] tendency in the contemporary literature on primitive accumulation is to emphasize the predatory as opposed to the (class) exploitative face of capital. *Predatory* capital seizes the resources that act as means and conditions of non-capitalist production, whereas *(class) exploitative* capital seizes the dispossessed non-capitalist producers and transform them into wage-laborers in order to pump surplus value out of them. According to the classical Marxian position, primitive accumulation creates the institution of wage-labor market, which is a condition of existence of the capitalist fundamental class process. The contemporary literature points to a new problematic—how primitive accumulation can be understood independent of its labor-market effects.

The Limits of Capital

Let us now turn to the second critique of the traditional notion of primitive accumulation thrown up in the contemporary debate. What emerges in the contemporary debate is recognition of the "limits of capital"—the constraints on the self-reproduction of capital. Central to the contemporary debate on primitive accumulation is the notion of the "outside"[33]. The "outside" is the non-capitalist social space (economy, politics and culture) in a capitalist social formation. There are at least three different notions of the "outside" in the contemporary literature. *First*, there is the *given* "outside" of capital—for

[32] Exceptions are De Angelis (2001), Kawashima (2005), Chandra and Basu (2007) etc.
[33] Harvey (2003), De Angelis (2006), Sanyal (2007)

example, non-capitalist production spaces based on surviving traditional community rights over means of production and subsistence, the peasants' continued attachment to land etc. *Second*, there is the "outside" that is a product of resistance to capital. This notion of a *resistant* "outside" includes state welfare institutions created under public pressure to provide direct use-values to the citizens, "commons" created by radical communities, squatter settlements or slums in urban metropolises that are also production hubs of mainly self-employed producers, legal barriers to exploitation achieved through militant workers' movements etc[34].

The *third* notion of "outside" is more complicated—since it requires us to recognize that capital may actively produce this outside as a result of its own development. Capital may not be able to secure its conditions of existence internally. Capital may require a facilitative "outside" to stabilize itself, particularly in moments of crisis of reproduction. In this sense, capital may even manufacture it, "create" the "outside" at one point only to destroy it at another point when capital hits its own limits. As Brenner observes, " what makes the primitive accumulation and accumulation by dispossession such essential concepts is precisely the implied recognition that *capital is powerfully limited in the degree to which it can create the conditions for its own expansion*"(Brenner,2006: 99-100, Italics mine). This "outside" itself provides conditions for capitalist accumulation. According to Harvey (2003),

[34] "The entitlements and rights guaranteed by the post-war welfare state for example, can be understood as the institutionalisation in particular *forms* of social commons. Together with high growth policies, the implementation of full employment policies and the institutionalisation of productivity deals, the welfare state was set to accommodate people's expectations after two world wars, the Soviet revolution, and a growing international union movement. Therefore, the global current neoliberal project, which in various ways targets the social commons created in the post war period set itself as a modern form of enclosure, dubbed by some as "new enclosures" (DeAngelis, 2001:19).

> capitalism necessarily and always creates its own 'other'. The idea that some sort of 'outside' is necessary therefore has relevance. But capitalism can either make use of some pre-existing outside…….or *it can actively manufacture it*…….capitalism always requires a fund of assets *outside of itself* if it is to confront and circumvent pressures of overaccumulation. If those assets, such as empty land or new raw material sources, do not lie to hand, *then capitalism must somehow produce them* (Harvey (2003: 141,143), italics mine)

In Harvey's analysis, capitalism in advanced countries has been undergoing a crisis of profitability since the 1970s. The dominant strategy to overcome the crisis, according to Harvey, has been primitive accumulation because "[w]hat accumulation by dispossession does it to release a set of assets (including labour power) at very low (and in some cases zero) cost. Overaccumulated capital can seize hold of such assets and immediately turn them to profitable use" (Harvey, 2003: 149). In contrast, Sanyal argues that Marxist theorists have generally located the articulation of capital with its "outside" at the level of the *economic*. Instead, he argues that the "outside" may simply be non-functional for the economic reproduction of the capitalist economy. The logic of the articulation of capital and its "outside", in that case, has to be located at the level of the *political* and the *ideological/cultural*.

There is a long lineage of all three notions of "outside" in the Marxist literature.[35] Rosa Luxemburg's under-consumptionist theory of the capitalist mode of production famously argued for the necessity of a non-capitalist space for the realization of the surplus component of the value of a capitalist commodity. Though her theoretical arguments have been challenged and contradicted by latter Marxists, her idea that a purely internal reproduction of capital is impossible remains influential. Lenin's theory of imperialism provided another role of the "outside" as the absorber of 'surplus' capital of the

[35] See Bradby (1975) for a detailed discussion of the various Marxist positions mentioned here.

imperialist countries— where 'surplus' capital refers to a situation where it is relatively unprofitable to invest within the capitalist economy due to a falling rate of profit, thus necessitating an outward flow of capital to non-capitalist colonies[36]. Some writers like Meillassoux (1972) and Wolpe(1972) argued that a non-capitalist "outside" is required to cheapen the value of labor power in so far as a part of the reproduction costs of labor power is borne by the "outside".

Irrespective of whether the "outside" is resistant, facilitative or both at the same time, the resilience of the "outside" gives primitive accumulation its enduring character. Primitive accumulation is unleashed either i) to overcome the resistance the "outside" poses to the reproduction of capital or ii) to secure the conditions of reproduction and expansion of capitalist class processes by appropriating the space of the "outside", whenever it is impossible to do so internally. It is in this sense that primitive accumulation is crucial not only for the emergence of the capitalist mode of production, but also in securing the conditions of its reproduction. The recognition of a resilient "outside" forces the Marxian theorist to accept the inescapable and indissoluble heterogeneity of the economy. At the same time, the notion of *universal* capital that underpinned classical Marxian ontology of capital makes way for a notion of capital that must negotiate with its "outside" in order to secure its conditions of reproduction. The theoretical challenge before the Marxian tradition is, therefore, to produce an understanding of primitive accumulation that accounts for the reproduction of *both* capital and its "outside".

[36] Harvey's use of the notion of "outside" takes as a point of departure the Luxemburg thesis, though he locates the problematic of the "outside" in the context of over-accumulation of capital rather than the under-consumption problem. In this sense Harvey's argument is closer to Lenin's.

The contemporary literature has helped clear a new theoretical field for situating the problem of primitive accumulation, even if the delineation of the field remains ambiguous. I have so far placed and pitted contemporary positions against the classical Marxian view, showing how the boundaries of the essentialist Marxian problematic are stretched and strained by contemporary interventions and how the cracks in the walls allow us a peek into what lies beyond. In this section I offer a critical reading of the debate from a non-essentialist Marxian standpoint. Specifically, I try to identify the elements of continuity and discontinuity between the classical and the contemporary views on primitive accumulation.

The Essentialist Trappings of the Contemporary Debate

The contemporary debate brings together quite a number of disparate theoretical positions on primitive accumulation. Given the limits of the present dissertation, it is not possible to bring out the nuances of all the different theoretical positions. What is of interest to us, however, is to understand to what extent contemporary interventions break away from the essentialism of the classical view of primitive accumulation. Some of the positions, Harvey's and Sanyal's in particular, problematize the process of reproduction of capitalism. In my understanding, their main contribution is the foregrounding of the notion of an *inescapable* "other" or "outside" of capital, which allows them to theorize primitive accumulation as a process constitutive of capitalist production. Does this theoretical move—the recognition of an inescapable "outside" of capital—constitute an exit from the essentialist ontology of capitalism? Before I answer this question, I must make clear what I mean by an essentialist ontology of capitalism.

As I have already argued, the essentialist framework of historical materialism consists of a chain of reductionist arguments. All non-economic aspects of the society are reduced to the economic, the economy itself is reduced to the class structure and the class structure is reduced to the forces of production—which, in the last instance, is the *essence* of all processes. Particular manifestations of reductionist arguments abound in the essentialist Marxian literature. In Chapter I, I have already uncovered strains of essentialist thinking in Marx's own writings. Here I try to understand how the "outside" is accommodated within the essentialist problematic.

Historical materialism breeds an image of *universal* capital. Since the capitalist mode of production enables and pre-capitalist modes of production constrain further development of forces of production, the former is pre-destined to dissolve the latter on the basis of its economic superiority. Historical materialism thus predicts a teleological dissolution of the pre-capitalist "outside".[37] Marxian theories, when they do recognize the heterogeneity of the economy, often tend to view such heterogeneity as functional to the reproduction of the prevalent (capitalist) class structure. In these capitalocentric[38] theories non-capitalist class relations may be reproduced alongside capitalist class relations within a social formation, where the reproduction of the non-capitalist "outside" is *explained* by the particular roles it plays in the reproduction of capitalist mode of production. For example, it is argued that the non-capitalist "outside" exists *because* it cheapens the value

[37] It is often assumed that such dissolution has been completed in developed countries. Thus developed countries (Japan, West European countries, North American countries etc.) are predominantly represented as fully capitalist. Societies in developing countries, on the other hand, are yet to achieve full and universal capitalism even where capitalist mode of production is dominant. It is quite possible that non-capitalist modes of production may survive or even emerge in these social formations. However the existence of non-capitalist production is explained by lower rates of accumulation of productive capitalist accumulation in these societies (Baran (1957). In course of time, if capitalist accumulation picks up and continues long enough, the developing societies will also achieve universal capitalism. Thus, the development of the economy is reduced to the development of the forces of production.

[38] See Gibson-Graham and Ruccio (2001) for a critique of "capitalocentrism".

of labor power, reinforces the "reserve army of labor", acts as vent for over-accumulated capital etc[39]. In this view, the capitalist mode of production is not constituted by its "outside"—it unfolds according to principles of change internal to it, i.e. the development of the capitalist mode is purely endogenous. However, the capitalist mode of production constitutes the "outside"; i.e., the "outside" develops in response to 'capital's needs'.[40] The capitalist class structure then serves as the essence of a social formation and other class structures in the social formation are "explained" as its *effects.* Capital serves as the cause of itself and its "outside", in other words, the social formation itself. These theories often also admit the theoretical possibility—even the inevitability, in the long run—of a "full" capitalism[41]. Any deviations from "full capitalism" are then explained as effects of the capitalist mode of production itself. What is important for us to note is that the economy, in this case, is reduced to the prevalent capitalist class structure.

I have argued before that the essentialist logic of historical materialism endows the capitalist mode of production with its self-subsistent character. Self-subsistent capital is explained by the essence of history—the developing forces of production. If developing forces of production render pre-capitalist modes of production obsolete and their dissolution inevitable, then capitalist mode of production has to be self-subsistent in order to supersede pre-capital. Thus, full transition logically requires that capital be self-subsistent. This logocentric notion of capital—an image of capital untainted by its

[39] The "outside", according to this theoretical position, exists because capital "needs" it, either to secure markets for final products or sources of means of production (Luxemburg, 2003), or new fields of profitable investment (Lenin, 1916; Harvey, 2003), or a reserve army of labor (Kawashima, 2005; Chandra and Basu, 2007), or sources of cheap labor power (Wolpe, 1972; Meillasoux, 1972).
[40] See Sanyal(2007) for a critique of 'capital's need'-based arguments.
[41] See the discussion of Pierre-Philippe Rey in Bradby (1975).

outside, the idea of capital as a pure and full category—holds that capital can secure its conditions of existence by itself, independent of its "outside".

The argument that capital needs an "outside" for its reproduction does not undermine the notion of self-subsistent capital. It is important to recognize that the notion of self-subsistent capital is compatible with the notion of a resilient "outside" as long as the "outside" is structurally subsumed to the needs of capital. *Self-subsistent capital can secure its conditions of existence in a world of difference.* For example, capitalocentric Marxian theories hold that non-capitalist modes of production are created, maintained or dissolved by the capitalist mode of production in accordance with its specific needs. Such an "outside" is a derived "other" of the capitalist mode of production and hence belongs fully to the latter. A classic example of such an "outside" is the reserve army of labor, which is outside the capitalist class structure and yet fully subjugated to the rhythms of the latter. As I have argued in Chapter I, the "reserve army of labor" is considered by Marx to be the product of self-subsistent capital.[42] In fact, it is the "reserve army of labor" that makes capital self-subsistent with respect to its requirements of labor-power, since capital does not have to depend on natural increase in labor force or non-capitalist economies for its requirements of labor power. Capitalocentric theories retain the notion of self-subsistent capital. Going further, I argue that the notion of self-subsistent capital serves as the basis of capitalocentric explanations of the social totality.

A stronger version of self-subsistence holds that the capitalist mode of production, once it has taken hold, can reproduce itself entirely at the economic level, independent of extra-economic (political or cultural) interventions. Reproduction and expansion of the

[42] Sanyal (2007) argues this point extensively.

capitalist mode of production are fully secured in and through economic processes like production and distribution of surplus value, exchange processes, investments in new technology, accumulation and competition, etc. Neither force nor coercion, particularly that exercised by the state, are required for expanded reproduction of self-subsistent capital. It is otherwise during the arising of capital, when violence and coercion was instrumental in securing the ascendance and prevalence of capital. Thus, it is fairly common among Marxists to distinguish primitive accumulation (which applies to the arising of capital) as an extra-economic process and capitalist accumulation (which applies to self-subsistent capital that has already arisen) as an economic process.

I now take up three different authors who, in their contemporary works on primitive accumulation, have offered the notion of an inescapable "outside" of capital. An inescapable "outside" resists any final dissolution and is thus a constitutive site of capitalism. This notion of the "outside" stands in contrast to the historicist notion—*pre*-capitalist modes of production—prevalent in the Marxian tradition. Secondly, the inescapability of the "outside" also signals the impossibility of universal capital. I now pose the following question—how far does this theoretical move go in inscribing radical differences on the economic?

Harvey's notion of the "outside"—as I have already pointed out—belongs to the strand of Marxian thought that stresses the inherent obstacles to a purely internal reproduction of capital[43]. For Harvey, the impossibility of internal reproduction of capital stems from what he considers the fundamental problem of capitalism—the tendency towards overaccumulation of capital (Harvey (2003). For valorization of overaccumulated capital,

[43] See Luxemburg (2003) and Lenin (1916).

new areas of profitable investment have to be secured. This is where "accumulation by dispossession" comes in. Accumulation by dispossession enables overaccumulated capital to secure "cheap" assets from the "outside" and use them as productive or unproductive capital to generate profits. But since surplus capital can be *profitably* employed only by producing/appropriating greater surplus, the problem of overaccumulation keeps coming back. This is because, "if surplus capital moves from A to B in a desperate search for profitable outlets, then at some point B will become a producer of surplus capital"(Harvey, 2006:162). Therefore, capitalism continuously needs to *create* its "outside" in order to overcome the problem of overaccumulation. There are two instances of reductionist arguments here. First, the contradictory process of reproduction of the capitalist class process is reduced to a single aspect of the contradiction—namely, overaccumulation. Second, Harvey contests the idea of universal capital, but presents a capitalocentric notion of the "outside" and hence retains the notion of self-subsistent capital, in the sense I have discussed before. Capital creates its "outside" in order to dissolve it in moments of overaccumulation. Thus the "outside" is subsumed to the laws of capitalist mode of production. Therefore, the far-reaching theoretical implications of positing an "outside", which is constitutive of the capitalist class process, are lost on Harvey as soon as he subscribes to a capitalocentric concept of the "outside". The centered social totality in Harvey's analysis—centered on the notion of self-subsistent capital—ultimately reinforces the hegemonic representation of capitalism as a social system fully subsumed to the imperatives of capital; what gets suppressed is that other notion of capitalism as a social formation fractured by the

contradictions between a capitalist economy and its radical outsides[44]. Hence, in Harvey's analysis, anti-capitalist resistance becomes an external intervention, bereft of any materiality in the body economic.

Sanyal (2007) dislodges the notion of primitive accumulation from the transition framework, confronting, in the process, the underlying Hegelian categories of *being* and *becoming*. Sanyal argues that in the Hegelian reading of Marx, capital in *being* is self-subsistent capital. However, Sanyal criticizes the Marxian tradition for embracing an economistic notion of self-subsistence—i.e. the notion that capital becomes self-subsistent when it can secure its economic conditions of existence internally. Sanyal argues that political and cultural conditions of existence[45] are left outside the definition of self-subsistence—the implicit assumption being that "when capital's economic conditions of existence are created and can be reproduced, the political and ideological conditions of existence are automatically ensured" (Sanyal, 2007:59). According to Sanyal, it is quite possible that capital is self-subsistent at the economic level and yet fails to be so at the political and cultural levels. Postcolonial capital in India can secure its political-cultural conditions of existence only by positing a non-capitalist "outside" and thus "ceases to be self-subsistent even though it is capable of creating and reproducing its economic conditions of existence on its own" (Sanyal, 2007:59) [46]. However, as soon as the "outside" is constituted, as soon as means of production get 'locked' in non-capitalist

[44] See Gibson-Graham, J.K. and David Ruccio (2001) for the politics of decentering capitalism.

[45] Sanyal poses the question in the context of postcolonial India, where he argues that the political and cultural conditions of existence of capital have to be secured within a functioning formal democracy and within a cultural space dominated by discourses of "human rights" and "basic needs".

[46] In Sanyal's understanding, the non-capitalist "outside" emerges in order to meet political-cultural exigencies of primitive accumulation. To distance his position from capital's needs-based arguments, Sanyal makes a careful distinction between those non-capitalist production units tied to the circuit of capital through subcontracting and putting-out relations ("informalization within the accumulation economy") and those that are constituted by "developmental governmentality". He considers the latter to be the "outside" of capital.

production, the economic conditions of existence of capitalist production are constrained. This necessitates fresh bouts of primitive accumulation and the whole process is repeated. The lack of self-subsistence at the political-cultural level gives rise to its lack at the economic level, necessitating primitive accumulation, which in turn destabilizes the political-cultural conditions of existence and so on. Primitive accumulation reflects the endless *becoming* of capital. Thus, in Sanyal's analysis, the process of becoming of capital forecloses the possibility of its self-subsistent being—"*the postcolonial capital never becomes in the Hegelian sense*" (Sanyal, 2007: 61). He urges Marxists to go beyond the Hegelian categories of being and becoming and understand that capital's "arising is never complete, its universality never fully established, its *being* is forever postponed" (Sanyal, 2007: 61).

In Sanyal's understanding, the non-capitalist "outside" of capital is a product of welfarist governmentality, deeply anchored in the problematic of the political and cultural reproduction of capital's dominance.[47] Sanyal, like Harvey, retains a capitalocentric notion of the "outside". Harvey subsumes the "outside" to economic reproduction of capital, while Sanyal subsumes it to its political-cultural reproduction. Contrast this with an alternative non-essentialist reading, in which the very process of becoming of capital is also the process of becoming something other than capital; the latter overflows and exceeds the reach of governmentality. What gets suppressed, in Sanyal's reading, is the possibility that the reproduction of capital may engender non-capital as a pure *externality*,

[47] This has led Basu (2008) to argue, with some justification, that Sanyal's characterization denies the "outside" its anti-capitalist political face. To be fair to Sanyal, his objective is to problematize the social reproduction of capital in a decentered economic space—to show how capital negotiates differences in a way that neutralizes or appropriates such anti-capitalist resistance through governmentality.

it being impossible for capital to contain within itself or internalize fully, economically or politically, the contradictory effects of its own development. It is unfortunate that, in Sanyal's otherwise highly complex, innovative and illuminating analysis, non-capital is reduced to the political conditions of existence of capital and hence to a capitalocentric "outside".

Though I have so far presented Sanyal's arguments in terms of the Marxian categories of capital and non-capital, he himself uses a pair of distinct but related categories—the "accumulation-economy" and the "need-economy" respectively. The "accumulation-economy" is roughly equal to the "formal" capitalist sector in developing countries consisting of relatively larger capitalist enterprises. It is governed by the logic of accumulation and engages in primitive accumulation to secure its conditions of accumulation. The "need-economy" refers to that part of the "informal" or "unorganized" economy—de-linked from the "accumulation-economy"— which "holds" the victims of primitive accumulation in different fundamental class processes (non-accumulating ancient and tiny capitalist enterprises) and is mainly driven by the economic motive of self-sustenance. The "need-economy" is a product of exclusionary expansion as well as governmentalized intervention of the "accumulation-economy".

Behind any capitalocentrism lurks the centered notion of capital. In Sanyal, accumulating capital is reduced to productive capital; other unproductive forms of capital and their effectivity on class processes—particularly noncapitalist class processes—are ignored. This centered notion of capital then acts as the centering notion of the entire economy. In a chain of causal relations, accumulation of productive capital necessitates primitive accumulation; primitive accumulation requires welfarist governance to address the social

problem of exclusion; governmentalized interventions create an "outside" of capital. The entire economy gets structured by the accumulation of productive capital.

In my understanding, accumulation of capital cannot be reduced to accumulation of productive capital and hence primitive accumulation is not the only form of expansion of the "accumulation-economy". In a capitalist social formation, merchant-capitalists and money-capitalists may be subsumed to both capitalist as well as fundamental class processes. Unproductive capitalists may provide conditions of existence of non-capitalist fundamental class processes, irrespective of the economic, political and cultural requirements of productive capitalist class process. Accumulation of unproductive capital may take place on the basis of non-capitalist production. Thus the "accumulation-economy" may both support and destroy the non-capitalist economy *at the economic level*. While Sanyal's contribution is important because he departs from the economism of Marxian theories, his analysis suffers from an insufficient theorization of the economy due to his deployment of a centered notion of capital.

De Angelis's notion of the "outside", contra Sanyal and Harvey, is a non-capitalist space constituted by radical social practices and political struggles[48]. De Angelis avoids the capitalocentrism of both Harvey and Sanyal in so far as his "outside" is not subsumed to the economic, political or cultural conditions of existence of capital; rather, De Angelis's "outside" is brought into life by "value practices" in opposition to and distinct from that which sustains the capitalist economy and as a social alternative to it. Like Sanyal, De

[48] "When we reflect on the myriad of communities struggles taking place around the world for water, electricity, land, access to social wealth, life and dignity, one cannot but feel that the relational and productive practices giving life and shape to these struggles give rise to values and modes of doing and relating in social co-production (shortly, value practices). Not only, but these value practices appear to be *outside* correspondent value practices and modes of doing and relating that belong to capital" (De Angelis, (2006: 1).

Angelis (2006) argues that primitive accumulation may produce a mass of dispossessed producers who are excluded from the capitalist class relations—De Angelis calls it the *detritus*, a term he picks up from Chari (2005).

> The outside thus turns from the object of expropriation into, to use Chari's term, the *detritus*, which I understand to be a space in which the problematic of social reproduction is uniquely in the hands of the dispossessed, and dramatically depends on the effectiveness, organisational reach and communal constitution of their struggles and ability to reclaim and constitute commons (De Angelis, 2006: 6-7).

This *detritus* is also the site of the flowering of Deleuzian desires, and some of these desires "do not reproduce the reality of the circuits of capital" (De Angelis, 2006: 13). Instead, they produce the reality of "social commons" and communities as subjects. De Angelis essentializes politics in theorizing his "outside"[49].

> The "outside" created by struggles is an outside that emerges from within, a social space created by virtue of creating relational patterns that are other than and incompatible with the relational practices of capital. This is *our* outside that is the realm of value practices outside those of capital and, indeed, clashing with it. The value practice of Indian women defending an African's family (and thus contributing to the creation of a common and the reformulation of identities) versus the value practices of a debt collector evicting another African family in the name of "respect of property, rule of law and contract." *Our* outside is a process of *becoming other than capital*, and thus presents itself as a barrier that the boundless process of accumulation and, in the first instance, processes of enclosures, must seek to overcome. (De Angelis, 2006: 3-4)

Implicitly, De Angelis also seems to accept an essentialized notion of capital, dominated by the drive to maintain the "separation of the direct producers from the means of production"—of which capitalist accumulation and primitive accumulation are only two forms—and hence always destructive of any "outside" which supports association of direct producers with means of production. Thus, De Angelis, like Sanyal, reduces capital to its productive form. His "outside" is a pristine outside of capital—forged in radical

[49] "Thus, struggles against intellectual property rights opens up the questions of knowledge as commons. Struggles against privatization of water, education and health, opens the question of water, education and health as commons. Struggles against landlessness open up the question of common land. Struggles against environmental destruction open up the question of environmental commons. In a word, struggle against actual or threatened enclosures opens the question of commons. . . ." (De Angelis, 2003: 7-8)

opposition to it and resisting any determination by it. De Angelis pits two autonomous and independent social spaces against each other, without any mutual determination or constitutivity[50]. In effect, he pits two essences against each other—the essence of capital, i.e. separation of direct producers with means of production, versus the essence of the "outside", i.e. the communitarian ethics and politics constitutive of the "commons".

A Class-Critique of the Contemporary Debate

In preceding sections, I argued that, despite the essentialist and historicist strains in his writing, Marx maintained a class-based understanding of primitive accumulation. Contemporary Marxist interventions, on the other hand, have generally avoided Marx's historicism, but have often failed to retain the class perspective in their analyses. Marx applied the notion of primitive accumulation to an extraordinarily wide range of processes and, at the same time, focused the notion on the process of "separation". I argue that this apparent contradiction can be resolved if we understand the *expanse* of the notion to be indicative of the complex overdetermination of the process of emergence of capitalism and its *focused-ness* to reflect the partisan class-standpoint of Marx. In rethinking primitive accumulation as an ongoing process, the contemporary literature has often seized on the expanse rather than the focused-ness of Marx's notion. The

[50] Commons and communities do not necessarily designate a space that is free of class-exploitation, capitalist or non-capitalist, in the Marxian sense of the term. Communist class relations, on the other hand, may thrive on commons and communities, but do not necessarily follow from the latter. Similarly, non-separation of direct producers from means of production may be a condition for communist class process, but is not a necessary condition. On the other hand, unity of direct producers with means of production may be a condition of existence of exploitative class relations. It should be clearer from the next chapter how my understanding of primitive accumulation and "outside" differs from De Angelis's. .

consequent broadening[51] of the notion of primitive accumulation has the unfortunate consequence of foreclosing its class-based understanding.

This is most clearly seen in the way primitive accumulation or accumulation by dispossession is so often identified with the great drive towards privatization that accompanies the current (neoliberal) regime of capitalism. From the class point of view, this leads to unfortunate results when, for example, privatization of public sector enterprises and destruction of independent (ancient) farmers are both clubbed together as accumulation by dispossession in Harvey's influential analysis (Harvey, 2003). From a Marxian class standpoint, privatization of state capitalist firms in many countries is a transfer of property rights, not a change in the class process, which remains capitalist through the change of property regime. This has been noted by several authors.

Ownership doesn't indicate the nature of class process in enterprises and similarly all forms of dispossession do not constitute primitive accumulation.

> Another instance of the same phenomenon of restructuring is provided by the privatisation of what used in Britain to be called the nationalised industries. British Steel and Telecom and Rail and the National Coal Board were organized as large capitalist enterprises, with managerial hierarchies, multi-branch structures, and workforces largely composed of subordinate wage-labourers, despite being publicly owned. Their financial autonomy from the Treasury varied; some competed in national and global markets (for example, the first and last corporations listed), others enjoyed national monopolies (that, in the case of telecommunications and rail in Britain, have still only partially been dismantled). Whatever has changed with such corporations' privatisation, it is not that they have moved from being 'outside' capital to becoming part of it. They have moved from being state to private capitals. As such, this is a sideways move, from one form of capitalism to another, as with the collapse of the former USSR. (Ashman and Callinicos, 2006: 122-123)

In a similar way, dispossession occurs within the capitalist economy as a consequence of capitalist accumulation. For example, in the process of monopolization, capital gobbles up smaller firms or drives other firms out of business. However, that is within the space

[51] Ashman and Callinicos note "how broadly Harvey casts the net of accumulation by dispossession, to the detriment of more precise analysis" (Ashman and Calllinicos, 2006:121)

of capital and releases means of production and labor power from smaller capitalist units to larger capitalist units. This kind of dispossession is distinct from primitive accumulation, which destroys non-capitalist class processes, as in the case of destruction of independent farmers who are employed in ancient class processes. It is interesting to note that Part VIII of *Capital Vol I*, which contains Marx's chapters on primitive accumulation, also includes a chapter where Marx writes about concentration and centralization of capital. He argues that while expropriation of ancients leads to the emergence of capitalist enterprises, capitalist accumulation in turn may lead to the expropriation of many small capitalists by a few large enterprises—a process which he refers to as the centralization of capital. However, this chapter is titled "Historical Tendency of *Capitalist* Accumulation" (Italics mine) and he is clearly distinguishing the processes of centralization of capital from primitive accumulation. Thus not all redistributive processes are considered as primitive accumulation by Marx. Contrast Marx's position with Harvey's when the latter argues that "speculation, predation, fraud and thievery" (Harvey, 2006: 154) in financial markets—which constitutes a large-scale redistributive process—is one of the more prominent acts of primitive accumulation in recent times. Yet, as some critics (Brenner (2006), Ashman and Callinicos (2006) etc.) pointed out, such redistribution, to a significant degree, takes place between capitalists themselves and to refer to it as primitive accumulation would erase the class-specificity of the concept.

I would like to emphasize two aspects of contemporary interventions of Harvey's kind. First, class is often understood in property terms. Thus, privatization of state or public sector enterprises—those that are, in our understanding, state capitalist enterprises—is

often understood as a movement from the "outside" to the interior of capitalist production. This is distinct from the surplus-based concept of class—put forward most clearly in Resnick and Wolff (1987)—which I use in this dissertation. Second, primitive accumulation is understood more in terms of *enrichment* than *separation*. To the extent *separation* matters to this understanding, it matters as a *means* to *enrichment*. This is in sharp contrast to Marx's understanding, which I have argued, focuses on *enrichment* as a means to *separation*, where separation itself is understood in its class-transformative aspect. Theoretical positions leaning on the "enrichment" aspect tend to emphasize the redistributive role of primitive accumulation, rather than its class-transformative role. One particular form of "enrichment" through primitive accumulation, that has been emphasized in the contemporary literature, is based on "enclosures" as a means of earning (ground) rent.[52] We will engage with Basu (2008) as the representative work. Primitive accumulation creates private property rights over resources required for production; wherever such privatization creates monopolized access to those resources, it generates ground rent. Basu calls this "global capital's "feudal plunder"(Basu, 2007: 1283). The feudal character of capital is manifested in its ability to secure a part of the surplus produced in the society solely on the basis of exclusive control over "scarce" resources for production. Rent is a type of subsumed class payment. Like merchants and banks that get a share of the surplus produced within a fundamental class process, monopoly owners of certain conditions of production earn ground rent by providing

[52] See Basu (2007, 2008) who uses the Marxian category of ground rent in offering a new understanding of primitive accumulation. See Resnick and Wolff (1987:127-128) for a discussion of the Marxian notion of ground rent and its general applicability covering monopoly. Also, this form of primitive accumulation is most often associated with intellectual property rights; See Boyle (2002), Evans (2005), Andreasson (2006), Harvey (2003, 2006).

access to them. When capitalist enterprises earn ground rent by "enclosing", they act like landlords.

Rent-extracting enterprises may be subsumed to capitalist as well as non-capitalist fundamental class processes. Basu (2008) clearly recognizes this.

> [F]or extracting rent using the ownership of these resources it does not matter whether these inputs are employed in capitalist enterprises or cooperative enterprises or peasant agriculture.
> The point to be underlined is that there is no reason why global capital should invest in the project of expanding the borders of capitalist production to include all productive activity, when it can well appropriate surplus from other forms of production organization (Basu, 2008:82).

Basu talks of peasant agriculture, cooperative enterprises and self-employed as non-capitalist forms of production from which rent is extracted by "global capital". This is an illustration of *separation as a means of enrichment*. In fact, separation is not even the rationale of primitive accumulation in Basu's analysis. According to him, it might be in capital's interest—in certain conjunctures—to co-exist with the unity of direct producers with means of production in non-capitalist enterprises as long as "capital dominates non-capitalist enterprise and uses such dominance to extract part or whole of the surplus produced by them as rent" (Basu, 2008:83). Thus separation is followed by its reversal, i.e. *union*, but under transformed conditions, such that "free" union gives way to "conditional" union, where rent payments are necessary to secure the conditions of union.[53] The fundamental class process may even stay the same, while its conditions of existence are altered, requiring a new kind of subsumed class payment that didn't exist

[53] Both Basu and Sanyal view capitalism as a complex social formation whose reproduction does not involve teleological dissolution of non-capital. Basu's position is different from Sanyal's in two respects. First, Basu posits the articulation of non-capital with capital at the economic level whereas Sanyal locates it at the political-ideological level. Second, Basu emphasizes the extractive role of capital, while Sanyal highlights its exclusionary face.

before.[54] This form of primitive accumulation does not constitute a moment of transition from non-capitalist to capitalist fundamental class process; rather, it facilitates the transformation of a fundamental (capitalist) class position into a subsumed (landlord) class position. In Basu's definition, primitive accumulation is any process of dispossession that enables extraction of ground rent by otherwise capitalist enterprises—hence, he talks of rent disguised as profit.[55] In his analysis, "separation" does not indicate a moment of transformation in fundamental class processes, i.e. of class exploitation. This is different from Marx's understanding of primitive accumulation as a process that enables capitalist class-exploitation of labor.

Basu's intervention is very important since it criticizes the theoretical tradition within Marxism for privileging productive capital in its representation of capitalism. He does this by highlighting the position of the "landlord" contra the productive capitalist. Yet, since the position of the "landlord", i.e. the extractor of ground rent, is not class-specified, Basu's use of the notion of primitive accumulation is also not class-specified,

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[54] This is different from Marx's notion of primitive accumulation where separation is understood in its class-transformative aspect. In fact, Resnick and Wolff make this point in the very context of ground rent.

> Marx argues that exclusive private ownership of land effectively denies to proletarians the access that would enhance their option to cease being proletarians; second, that exclusive ownership also limits capitalists' access to land……
> To gain access, that is, *to induce the subsumed class [landlords] to control access in particular ways*, capitalists distribute a portion of their extracted surplus value to landlords in the form of capitalist rent payments" (Resnick and Wolff, 1987:127, Italics mine)

Thus, according to Resnick and Wolff, the function of the landlord—as induced by the subsumed class payments by the capitalists—is to constrain the possibilities of *non-capitalist* union of direct producers and means of production, even if that involves constraints on capitalists' own access to its conditions of existence. Here is the contradiction. Rent is a deduction from the surplus value appropriated in capitalist enterprises and, in that sense, there is a conflict between the interests of the landlord and productive capitalists. At the same time, landlords maintain the separation of direct producers from their means of production and thus ensure the existence of dispossessed wage-laborers for the capitalists.

[55] "But to my mind, any extension of private property rights which furthers future (capitalist rent extraction disguised as) profit accumulation through the working of the market, warrants being treated as primitive capital accumulation" (Basu, 2008:100). For example, Basu considers the establishment of monopoly control over market as a process of primitive accumulation (Basu, 2008:42).

in the Marxian sense. The "landlord" may occupy a subsumed class position with respect to both capitalist as well as non-capitalist enterprises as well as a non-class position vis-à-vis individuals. The revenues that accrue to the "landlord" in his non-class position do not constitute ground rent since the "landlord" does not provide any conditions of existence of production in a fundamental class process. For example, when monopoly-capitalist enterprises charge a price above the value of wage goods, they extract non-class revenue from productive and unproductive workers. Such non-class revenue is, however, considered by Basu to be a form of ground rent. According to Basu, the securing of exclusive control over markets, land, knowledge etc. is considered as primitive accumulation, irrespective of the varied class and non-class implications of such monopoly. [56]

Conclusion

Let me now conclude this section by noting that the contemporary literature goes a long way in displacing the notion of primitive accumulation from the classical narrative of transition. To the extent it succeeds, contemporary interventions release the notion from the grip of the telos that informs historical materialism. By arguing against any teleological dissolution of non-capitalist production, contemporary interventions problematize the reproduction of capital by acknowledging a resilient "outside" of capital. Yet, contemporary positions often retain essentialized notions of the "outside",

[56] Contrast Basu (2008) with Resnick and Wolff (1987) who also provide a decentered notion of the profits of a capitalist firm. According to Resnick and Wolff, the profits of a capitalist commodity-producing firm may include not only the surplus value appropriated from its productive laborers net of its subsumed class payments (rent, interest etc.) but also subsumed class receipts from other capitalist and non-capitalist firms as well as non-class receipts. For example, if a capitalist commodity-producing firm sells monopolized means of production commodity to other capitalist or non-capitalist firms, the board of directors of the firm enjoying monopoly power receives ground rent as a subsumed class payment. If the same firm sells monopolized wage commodities to workers, the board of directors receives a non-class revenue. See Resnick and Wolff, 1987: 156-158, 207-216, 326, n. 53.

including its capitalocentric versions. The problem of a resilient “outside” of capital lends to primitive accumulation its enduring character. Primitive accumulation belongs to the relation of capital to its “outside”, but primitive accumulation itself is underspecified with respect to class. Thus, the contemporary literature creates possibilities for, even as it itself falls short of—for its essentialism and lack of surplus-based-class notion—a Marxian intervention—that is non-essentialist and class-focused—in the emerging theoretical problematic.

CHAPTER 3

PRIMTIVE ACCUMULTION AND THE (CONTINGENT) DOMINANCE OF CAPITAL: A NEW THEORETICAL PROBLEMATIC

Introduction: The Two Readings of Marx

The great transformations in West European societies over the long period from twelfth to the nineteenth century involved a series of political, economic and cultural changes. Marx's unique contribution lies in tracing the class-dynamics through those changes. Of particular importance was the so-called transition to capitalism—however incomplete or localized it was. Marx broached the problem of dispossession in the context of class-transformations that produced capitalism. In other words, his objective was to identify the *class-effects* of dispossession; in fact, he focused on dispossession only to the extent its class-effects can be ascertained. I retain this distinctive focus on class throughout the essay.

However, I argue that Marx's understanding of primitive accumulation carries marks of essentialist thought. According to Althusser, Marx's chapters on primitive accumulation in *Capital* are exemplary instances of anti-essentialist philosophy that Marx brought to the study of political economy—and thus stand outside the *formal* essentialist architecture i.e. outside the "fictitious unity", of *Capital*. Yet, I argue that those chapters of Capital are split through by the same contradiction between an open-ended historical analysis on the one hand and a teleological historiography on the other hand— or in

Althusser's words, between "an historico-aleatory" position and an "essentialistic and philosophical[57]" one—which characterizes the rest of Capital. [58]

A Historico-Aleatory Reading of the Colonial Problem in *Capital*

In the last chapter, I pointed out the historicism in Marx's writings on primitive accumulation. However, a different, non-essentialist philosophical position can be read *into* Marx's chapter titled "the modern theory of colonization", to which we have already drawn attention in the last chapter. Marx's application of the notion of primitive accumulation to the problem of capitalist development in the colonies has far-reaching theoretical consequences. First, in the colonies, primitive accumulation is dislodged from its traditional context of historical transition from feudalism to capitalism. In the colonies, capitalism emerges not in a social formation dominated by a non-capitalist class process, but in a social "vacuum" created by conquest of land and annihilation of original inhabitants. Into such a social "vacuum", the capitalist class process is literally imported from the mother country. But the conditions of the "vacuum" are such that the capitalist process falls to pieces as abundant land is easily converted into private plots for "ancient" production by wage-workers who easily leave the labor market.[59] It is the viability of the

[57] Althusser uses the adjective "philosophical" here to refer to those writings motivated by the philosophical quest for the Origin (and the End) within a model of rational abstraction. This is what he refers to as "traditional philosophy of the idealist tendency, the 'philosophy of the philosophers'". (Althusser, 2006:271).

[58] "Thus, Althusser draws a line of demarcation within Marx's corpus not between the early and late Marx, as he so famously did earlier, but between two divergent materialisms at work in Marx's writing: a materialism of the event or the encounter versus a materialism of teleology and necessity." (Read, 2002: 30)

[59] "Mr. Peel, he [Wakefield] moans, took with him from England to Swan River, West Australia, means of subsistence and of production to the amount of £50,000. Mr. Peel had the foresight to bring with him, besides 3,000 persons of the working class, men, women, and children. Once arrived at his destination, "Mr. Peel was left without a servant to make his bread or fetch him water from the river." Unhappy Mr.

"ancient" economy that undermines one of the conditions of capitalist class process—the existence of a wage-labor market. But, this "ancient" economy is not a pre-capitalist mode of production; rather it emerges simultaneously with the arrival of capitalist production to the colonies. Thus, the teleology of historical materialism, which predicts a fated journey from ancient to capitalist via primitive accumulation, is suspended in the colonies and is replaced by a more open-ended dynamics between ancient and capitalist class processes.

> [In the colonies] the capitalist regime everywhere comes into collision with the resistance of the producer, who, as owner of his own conditions of labour, employs that labour to enrich himself, instead of the capitalist. *The contradictions of these two diametrically opposed economic systems, manifests itself here practically in a struggle between them* (Marx, 1912: 838, italics mine).

It is obvious that, in the colonies, the development of the forces of production cannot impose its iron laws on historical development. The "dull compulsions of economic relations" cannot guarantee the dissolution of non-capitalist class processes or the automatic dominance of the "higher" mode of production. In fact, capitalist production dissolves in the presence of ancient production. The *inevitability* of a pre-destined historical journey is replaced by the *contingency* of a transitional conjuncture where different class processes are vying for dominance in an emerging social formation. Second, the epistemological notion of self-subsistent capital, which underlies the being-becoming distinction in Marx, falls apart too. With it falls the idea that primitive accumulation is confined to the pre-history of capital. Capital that has already arisen, has already fully assumed its being in the mother country, is transplanted in the colonies. Yet, the immanent laws of capital fail to assert themselves; "being" relapses into "becoming".

Peel who provided for everything except the export of English modes of production to Swan River!" (Marx, 1912: 839-840).

It would appear that the "self-sufficiency" of capital is provisional and open to subversion. When capital cannot create its own supply of labor-power, it turns *primitive*—it resorts to dispossession; for example, in the colonies, exclusionary land regulations were passed to enforce the separation of direct producers and means of production. Primitive accumulation is not limited to the origin of capitalism; it comes into play whenever the conditions of existence of capitalism start unraveling. Extending it further, we can say *primitive accumulation is constitutive of capitalism.*

The colonial problem points to the possibilities of a non-essentialist notion of primitive accumulation. It is this possibility that is explored in this essay. Marxian tradition has been overwhelmingly dominated by the first, i.e. the essentialist reading of *Capital*. I now turn to those works within the Marxian tradition that self-consciously break away from this essentialist reading of primitive accumulation in Marx.

"Encounter of Contingencies": Social Conjuncture and Primitive Accumulation

In the rest of this chapter I explore the new ontology of capital that a non-teleological, non-logocentric notion of primitive accumulation promises to produce. To catch a glimpse of this new theoretical terrain—the sight of which is obstructed by the essentialist architecture of prevalent Marxian theories—I turn to those authors (Althusser, 2006; Negri, 1996, 1999; Deleuze-Guattari, 2004)[60], who have located the problem of primitive accumulation in the realm of radical contingency, beyond any history governed by telos.

[60] See Read (2002)

The Contingency of the "Encounter"

Primitive accumulation is a concept born out of retrospective gaze[61]. It is the present, i.e. capital, that fixes the meaning of its past, i.e. its primitive accumulation—the present projected backwards, beyond its *history as presence*, to another history, a history of its non-being, its absence—i.e., its pre-history.

> The analysis [of primitive accumulation] is therefore retrospective…….. insofar as it depends on knowledge of the *result* of the movement. ……The analysis of primitive accumulation is therefore, strictly speaking, merely *the genealogy of the elements which constitute the structure of the capitalist mode of production* (Althusser and Balibar, 1970: 279, Italics in the original).

Within an essentialist (and hence teleological) problematic, this history of primitive accumulation becomes what Sanyal (2007) calls the "immanent history of capital"— read backwards along the arrow of time, each moment circumscribing the ontology of the last moment, by discursively limiting the historical possibilities of any process— by limiting, for example, the outcome of *overdetermined* class contradictions in the pre-capitalist social formation to the *necessary* emergence and victory of capitalist production. The significance of this observation is best understood in the context of the distinction Althusser draws between two different readings of *Capital*—a distinction between historical materialism and aleatory materialism. The *being-becoming* distinction—which ofzten underlies Marx's concept of primitive accumulation— belongs to the first reading of *Capital*. According to historical materialism, the auto-development of the forces of production allows only one possible historical outcome—the emergence of that mode of production conducive to further development of forces of production and the dissolution

[61] Also see Read (2002) and Sanyal (2007) who make the same point. "These elements of dissolution, such as usury, often stem from the margins and pores of the old society, and only begin to occupy center stage in terms of their effects—the effects of constituting a new economy and a new mode of production. Whatever intelligibility or unity they have is produced after the fact when they retroactively become the conditions of the capitalist mode of production." (Read, 2002: 32).

of those modes of production which act as fetters on the free development of the same. In this view, primitive accumulation is the necessary moment in the transition from lower (non-capitalist) to higher (capitalist) modes of production. The notion that *becoming* (primitive accumulation) is governed by historical laws of necessity (auto-development of forces of production)—the necessity which dictates its fruition into the *being* (capitalist mode of production)—implies that the *being* is already assumed in the *becoming*. This is a mark of any teleological reading—that becoming already presupposes its result, the being. Contrast this with Althusser's own reading grounded in aleatory materialism.

> If we must therefore say that there can be no result without its becoming (Hegel), we must also affirm that there is nothing which has become except as determined by the result of this becoming—this retroaction itself (Canguilhelm). That is, instead of thinking contingency as a modality of necessity, or an exception to it, we must think necessity as the becoming-necessary of the encounter of contingencies. (Althusser, 2006: 193-194)

As, according to aleatory materialism, there is no notion of being prior to its becoming, there can be no telos that governs the becoming, i.e. becoming must be thought instead as a series of "encounters" with all their attendant possibilities and uncertainties. An "encounter" is the coming together of elements of a formation. We can think of the "encounter", in the context of society, as a social process (e.g. the capitalist class process) in formation, a social process *becoming* as a convergence of the various determinations of all other social processes. An encounter takes place in a "*void"* in the sense that nothing from the past pre-figures the "encounter"—i.e. in a "void" created by the absence of any telos. The notion of the encounter emphasizes the inherent openness of any social process in terms of its possible historical developments, i.e., the encounter itself, having occurred, in turn pre-figures nothing of its possible future. The encounter may not take place, may

not "take hold" even if it takes place, and may subsequently come undone even if it has "taken hold".

Thus, for example, the rise to dominance of the capitalist mode of production in Western Europe from sixteenth century onwards was neither pre-destined to occur nor survive. This historical event required a coming together of many elements necessary for the capitalist class process to "take hold"—an "encounter" or a series of "encounters" leading to a capitalist social formation that happened to stabilize itself, however provisionally. However, this coming together of elements must be thought of as a historical contingency itself. These elements were not fated to come together, since they "do not exist in history so that a mode of production may exist, they exist in history in a 'floating' state prior to their 'accumulation' and 'combination', each being the product of its own history, and none being the teleological product of the others or their history" (Althusser, 2006: 198). As opposed to the *necessity* or *inevitability* of the encounter, Althusser emphasizes its contingency[62].

In Althusser's reading, the historical processes that produced the conditions of existence of the capitalist class structure constitute parallel and plural histories[63]; parallel, in so far as they are not united by any governing telos; plural, because each process is *uniquely* overdetermined by all other processes and cannot be reduced to any other process. The parallelism, in our understanding, does not preclude overdetermination; rather, it emphasizes the contradictions unique to each overdetermined process such that none can

[62] See Deleuze and Guattari (2004). "The only universal history is the history of contingency." (Deleuze and Guattari, 2004: 244). Negri, too, makes the same point. "A fundamental feature of aleatory materialism is the destruction of every teleological horizon—therefore, the positive assertion of a logic of the event" (Negri, 1996: 61).

[63] Althusser (2006:168-169) draws analogy with the Epicurean rain of "atoms falling parallel to each other in the *void*"—prior to the infinitesimal *swerve*—the clinamen—that breaks the parallelism and brings forth the "encounter" or the chain of encounters which results in the formation of the world.

be collapsed into others. In Altusser's reading, therefore, the pre-*history* of capital fractures into multiple and particular *histories*.

Let us take the "encounter" between owners of money and dispossessed laborers, the principal process at the heart of Marx's class-reading of primitive accumulation. The emergence of the industrial capitalist was a complicated process spanning several centuries and undergoing several temporary as well as long-term reversals[64]. Marx mentions at least two different paths of this transition in the English context.. The "revolutionary" path is the transformation of petty producers into capitalists through a process of differentiation such that accumulation of capital by some and pauperization of others leads to capitalist production based on wage-labor. The second path is the transformation of merchant or money-capitalists into productive, i.e. industrial capitalists by accumulation of money through colonial plunder, monopoly rights over long distance trade, government debts, taxation etc. (Marx, 1909:393)

The dispossession of the laborers in England, on the other hand, was partly a result of the process of differentiation of the peasantry, but more importantly was related to an entirely different set of processes including "disbanding of feudal retainers, the dissolution of the monasteries, the enclosures of land for sheep-farming and changes in methods of tillage" (Dobb, 1947: 224).

The historical *independence* of the processes, whose mutual effectivity on each other produced the capitalist social formation in England, also implies that the 'encounter' between owners of money and dispossessed laborers is not a *necessary* outcome of history.

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[64] See Dobb (1947) for an account of the thwarted rise of capitalism in Netherlands, Germany and Italy.

> The encounter might not have taken place, with the free workers and the money-capital existing "virtually" side by side (Deleuze and Guattari, 2004: 245).

Althusser emphasizes the non-teleology of the process that produces the 'encounter', exemplified in the English case by the 'diversion' of a peculiar development *within the feudal social formation to a capitalist outcome*. For, the immediate result of expropriation of rural peasants was great landed proprietors and not capitalists per se. Neither was the expropriation intended to create wage-laborers for capitalist enterprises. The most ostensible reasons for the great expropriations in England were creation of pasturage for sheep farming or else, for creating extensive domains of hunting. The end–result of the process—a mass of dispossessed laborers—"was promptly diverted from its possible, presumed end by 'owners of money' looking for impoverished manpower" (Althusser, 2006: 199).

> *This diversion is the mark of the non-teleology of the process* and of the incorporation of its result into a process that both made it possible and was wholly foreign to it. (Althusser, 2006: 199, italics in the original)

Moreover, the "encounter" between dispossessed laborers and owners of money is not sufficient to give rise to the capitalist class process unless other conditions are present. Althusser himself argues that such an encounter might have taken place elsewhere and in earlier times— he mentions thirteenth and fourteenth century Italy— yet the encounter didn't "take hold" in the absence of other conditions (e.g. domestic markets for capitalist products). Dobb (1976:195) argues that the "sweets of foreign trade and foreign loan business" diverted Dutch capital into unproductive uses, thus thwarting the process of emergence of capitalist industries in Netherlands, "[despite] the precocious flowering of Capitalism in this early stronghold of the cloth industry". A significant part of the accumulated merchant-capital and money-capital in Netherlands was invested in

speculative activity in the London stock market in the eighteenth century, while Dutch foreign trade merchants subverted the conditions for emergence of Dutch industries in the face of British competition—by resisting any protective industrial policies. Similarly, in the English context, even when provincial merchant capitalists showed signs of transformation into productive capitalists—with merchants engaging in production and effecting a change in the methods of production—this did not automatically guarantee the consolidation of the capitalist class structure. This section of merchants-turned-productive capitalists along with ancients-turned-capitalists had to struggle against another class of merchants—namely, those with monopoly powers over trade, especially foreign trade, who exploited both producers and consumers, restricted the volume of trade for a higher profit margin and hindered the extension of market for capitalist commodities (Dobb, 1947: 161,193). Here lies the contradiction. The great monopolistic trading companies opened up the foreign markets for the products of capitalist factories and yet at the same time restricted the volume of trade in search of favorable terms of trade. Hence, one of the historical conditions for the arising of capitalist manufactures in England was that the power of the monopolistic merchant companies be undermined. Secondly, the existence of dispossessed laborers may not lead to the emergence of capitalist manufacturing units unless the monopoly of urban craft guilds is undermined (Dobb, 1947: 161). Thus, various other economic conditions—even as we leave out of discussion crucial political and cultural conditions— have to be created before capitalist production based on wage-labor establishes its dominance in the economy[65].

[65] On other occasions, the encounter may simply end in its own negation, as in the case of 'second serfdom' in East Europe—"these free servants [*Knechte*] can also emerge, as e.g. in Poland etc. and vanish again, without a change in the mode of production taking place" (Marx, 1973: 469).

What therefore is required is not simply an encounter between owners of capital and dispossessed laborers, but an entire social context (the political, cultural and economic conditions) where such an encounter, when it takes place, leads to the consolidation and prevalence of the capitalist class process. Deleuze and Guattari (2004:246) appreciate the complexity of the encounter in the following words.

> So many encounters for the formation of the thing, the unnamable!

The Stability of the "Encounter"

A second issue has to be confronted at this point. If the *being* is nothing more than the *result* of the process of becoming, i.e. there is no notion of a being prior to its becoming, what can we say about the result itself? Is it justified to speak of a "being" as opposed to becoming, i.e. can we assume that the becoming as a process is suspended in what has become? Can we assume that change governed by laws will finally take over and replace the indeterminacy of the 'encounter'? In other words, does the 'encounter' resolve itself into an 'essence' that henceforth governs the process of change? The answer, according to aleatory materialism, is no. Since the "encounter" takes place in a "void", i.e. in the absence of any governing telos, the existence, reproduction and stability of an "encounter" is always provisional.

> It will be granted that no law presides over the encounter in which things take hold. But it will be objected, once the encounter *has* 'taken hold'—that is, once the stable figure of the *only* existing world (for the advent of a given world obviously excludes all the other possible combinations), has been constituted—we have to do with a stable world in which events, in their succession, obey 'laws'. …….Well, we are going to resist this temptation by defending ….the idea, therefore, that the necessity of the laws that issue from the taking-hold induced by the encounter is, even at its most stable, haunted by a *radical instability*, which explains something we find it very hard to grasp (for it does violence to our sense of 'what is seemly'): that laws can change—not that they can be valid for a time but not eternally……, but that they can change at the drop of a hat, revealing the aleatory basis that sustains them, and can change without reason, that is, without an intelligible end. (Althusser , 2006:194-96)

If we recognize the contingent and overdetermined nature of the "encounter" that produces the capitalist class process, it follows that "the different elements of a mode of production—the social, technological, and political conditions—have independent histories and relations, and this independence threatens any mode of production with its dissolution or transformation" (Read, 2002: 29).

The development of many conditions of existence of the capitalist class process took place as a by-product of class struggles (as well as other non-class economic, political and cultural processes) within the feudal social formation. For example, the complex struggles among fundamental and subsumed feudal classes created conditions, in Western Europe, for development of non-feudal class processes. Initially, ancient class processes rapidly expanded. A typical example of the contradictory development of the feudal social formation is related to the peculiar role played by the merchants, one of the subsumed feudal classes who supplied credit to feudal lords as well as engaged in long-distance trade. However, these merchants also provided crucial conditions of existence of ancient producers like commuted peasants and craft producers struggling to free themselves from the feudal relations. In towns, petty producers and merchants aligned themselves against urban guilds, feudal lords as well as monopoly merchant houses controlling foreign trade. These complex struggles in turn created conditions for the emergence of an entirely new class structure-the capitalist class structure. [66]

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[66]The ancient "enterprises", in securing their conditions of existence, enabled the development of the conditions of existence of a different class process—capitalist, in this case— which in turn changed the pattern of development of ancient class processes, by hastening the process of differentiation among the ancients and ultimately undermining the possibility of an ancient social formation.

> [T]he very particular struggles of the petty producers and merchants against the feudal lords eventuated in a social differentiation within each from which, in turn, emerged

> In general terms, the very moment of the initial conjuncture in Western Europe when the feudal class process became dominant was also the very moment of its own set of contradictions and thus changes toward, among several possibilities, a fundamentally different class process and different class structure. (Resnick and Wolff, 1979: 15)

In general, when we talk of a social formation, we talk of a contradictory totality whose development is overdetermined by the different fundamental and subsumed class processes as well as non-class processes in the society. Once born, the capitalist social formation unleashes its own particular set of contradictions and is subjected to the process of ceaseless change which produced it in the first place and which may in turn, as a possibility, undermine it. In the capitalist social formation, the capitalist class process coexists with other non-capitalist class processes. The particular contradictions of a capitalist social formation, like its feudal counterpart, emerges out of the following inescapable effect of overdetermination— in securing its conditions of existence, the capitalist class process both undermines as well as creates conditions of existence of other non-capitalist class processes. In this sense, capitalist class process does not unidirectionally destroy rival class processes as in the classical narrative of transition; it

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> capitalist class relations. As noted previously, within the countryside some petty producers (commuted to money rents) began to gain control over new lands, raised the productivity of labor, and produced for exchange. Within the towns petty producers and merchants sought new ways to invest their money in new forms of production. Here a non-capitalist class process and a non-capitalist subsumed class process were transferred into capitalist class processes. The vagaries of climate and market and tensions with the feudal lords operated to intensify the intrinsic tendencies of the ancient class process to separate large numbers of producers from their means of production. Increasingly, petty producers in the countryside and even in the towns were dispossessed of the very means that they had struggled, one way or another, to gain some control over. Dispossession from the mean of production and the consequent concentration of those means in other hands was itself one of the economic processes necessary for—i.e. a condition of existence of—the capitalist class process. (Resnick and Wolff, 1979: 18-19).

It's the "aleatory at the heart of a mode of production", rather than the relentless pressure of the developing forces of production, that *always* threatens a mode of production it with its dissolution.

might even support non-capitalist class process[67]. The reproduction of conditions of existence of the capitalist class process alongside the development of the conditions of existence of other non-capitalist class processes yields a contradictory totality and the reproduction of any class process including the dominant capitalist class process becomes problematic from the very beginning. Thus the material basis of the dominance of the capitalist class structure in a social formation is itself always subject to the play of the aleatory.

If we recognize the contradictory nature of change in a social formation, it becomes meaningless to speak of the *laws of capitalist development*[68] one so frequently encounters in the essentialist Marxist literature—e.g. the final destruction of non-capitalist class processes, the distinctive 'capitalist' law of population growth, the inevitable transformation of competition into monopoly, the necessary emergence of the state as a mere functionary of capitalists, the steady decline of feudal institutions, especially religious ones and so on. These laws only make sense when we posit a *being* extricated from the process of *becoming*, hence transcendental to the latter, standing above it and even governing it. Instead, we must think of *becoming* as an endless process and "not a simple transition from contingency to necessity" (Read, 2002: 29). Therefore we cannot speak of the *being* even in the ex post sense, as an accomplished fact, a final product. The

[67]One can point to the large and even growing presence of ancient class processes in capitalist social formations like contemporary Germany, USA and Japan. This is also a very well-recognized phenomenon in all developing countries, including those experiencing rapid capitalist growth, e.g. India.

[68] "In untold passages, Marx—this is certainly no accident—explains that the capitalist mode of production arose from the 'encounter' between 'the owners of money' and the proletarian stripped of everything but his labor-power. 'It so happens' that this encounter took place, and 'took hold', which means that it did not come undone as soon as it came about, but *lasted*, and became an accomplished fact, the accomplished fact of this encounter, inducing stable relationships and a necessity the study of which yields 'laws'—tendential laws, of course…….What matters about this conception is less the elaboration of laws, hence of an essence, than the *aleatory character of the 'taking-hold' of this encounter, which gives rise to an accomplished fact* whose laws it is possible to state" (Althusser, 2006: 197).

capitalist social formation as a product of history is no more stable, no more governed by laws than the historical process itself, whose product it is. The radical instability that haunts capitalism—and all totalities provisionally structured or stabilized to the extent that their reproduction is possible—also underlines the impossibility of any representation of capital as a self-sufficient entity. To argue that capital is capable of securing its reproduction internally—i.e. by itself and in accordance with its immanent laws—is to deny the overdetermined nature of capital. According to the logic of overdetermination, the reproduction of the capitalist class structure depends on all other processes occurring in the society; the conditions of reproduction are literally brought into existence by all other processes in the society, including the non-capitalist class processes. Thus, capital is overdetermined, in a contradictory way, by its "outside"—non-capital. From the epistemological standpoint of overdetermination, we also have to reject the position that capital-as-being can secure its conditions of reproduction and expansion internally, by economic means, whereas capital-in-arising requires extra-economic force to secure its conditions *externally* from within the space of non-capital. The traditional Marxian view which holds that primitive accumulation and capitalist accumulation are historically separated—the former belonging to the pre-history and the latter to the history of capital—can no longer be sustained once we recognize that the "encounter" never escapes the original realm of contingency. The reproduction of capitalism requires that the "encounter" take place continuously in a heterogeneous social formation whose contradictory development always stands to threaten the dominance of capital. Hence, we understand primitive accumulation as a process constitutive of capitalism.

The New Understanding of Primitive Accumulation

The following theoretical problems confront us at this stage. How can we think of primitive accumulation as a category of Marxian political economy rather than a historical event? What theoretical significance can be attached to the notion of primitive accumulation, once it is extricated from the context of transition and further, the notion of transition itself is released from its historicist, teleological trappings? What are the consequences of such a theoretical move, given that the introduction of a new category in a theoretical field necessarily induces changes in the meanings of other established categories? How will the new *theoretical* concept of primitive accumulation relate to other categories of the Marxian political economy, specifically the Marxian concept of capitalist accumulation? In the rest of this chapter I seek to present a new class-based understanding of primitive accumulation and its theoretical significance in Marxian political economy.

A Non-Essentialist Notion of Primitive Accumulation

The new non-essentialist notion of primitive accumulation that is advanced in this thesis retains Marx's emphasis on separation of the direct producers from means of production. Primitive accumulation is defined as the set of processes associated with the reproduction and/or expansion of the capitalist class processes by which the direct producers in non-capitalist class processes are effectively separated from means of production.

Our definition differs from both the traditional Marxian notion of primitive accumulation as well as some contemporary reformulations of the concept. In the traditional understanding of the notion, primitive accumulation is the historical process of the rise of

the capitalist fundamental class relation. According to our interpretation, primitive accumulation is a process associated with the reproduction and/or expansion of the capitalist fundamental class relation. This theoretical move, more than anything else, displaces the notion of primitive accumulation from the terrain of historical analysis and into the realm of Marxian political economy. Secondly, our definition, at the same time, reasserts the class-character of the Marxian theory by directly identifying the moment of primitive accumulation with dispossession of the direct producers engaged in non-capitalist class processes. Thus, our concept of primitive accumulation belongs to the theoretical space of interaction *between* capitalist and non-capitalist class processes and emerges as a Marxian category particularly useful in theorizing *capitalist* social formations. This second element of our definition contrasts with some recent reformulations where the notion of dispossession has been expanded to include a host of economic phenomenon related to transfer or redistribution of property rights *in general*. Several qualifying comments are required at this point to bring out the substantive content of our concept of primitive accumulation. First, effective possession includes private proprietary rights, usufruct as well as private but not exclusive access to communal means of production and even illegal access to means of production. Such access may be juridically i.e. legally protected or customarily enforced by conventions. For example, in European feudal formation, though the feudal lords had property rights over lands, the peasants enjoyed various degrees of effective possession ("titles" of use) of means of production due to the particular cultural and political conditions of existence of the feudal class process which often made it difficult to estrange peasants from means of production. Similarly, numerous petty production activities in today's urban slums in

developing countries are not based on proprietary rights over means of production—often they involve illegal encroachment on public land— but they enjoy moral sanction of the society as sources of livelihood of the poor.

Effective possession of means of production is not however a *necessary* condition for either non-capitalist or capitalist appropriation of surplus labor. The processes of production, appropriation and distribution of surplus labor are distinct from processes by which producers gain or lose effective possession of means of production. However, presence or absence of effective possession of means of production does affect class processes. For example, dispossessed non-capitalist producers, who have lost their possession of means of production can still continue to engage in the same non-capitalist fundamental class process, but only by gaining access to such "separated" means of production by making various new subsumed class payments—ground rent, interest, license fee etc. The introduction of such subsumed class payments does affect the conditions of accumulation or even reproduction of labor power of the direct producers in non-capitalist class processes. In so far as access to means of production—with or without involving effective possession—is a general condition of existence of all fundamental class processes, conditions of access to means of production have important consequences for the production, appropriation and distribution of surplus labor.

Primitive accumulation, as defined above, refers to processes that alter conditions of access to means of production for non-capitalist class structures through effective dispossession of non-capitalist producers from their means of production.

Primitive accumulation has traditionally been understood as a process that dispossesses and "frees" direct producers from the non-capitalist class processes for exploitation by

capital. However, I want to emphasize that dispossession may not necessary lead to capitalist exploitation of the dispossessed—i.e. proletarianization of the dispossessed—rather, dispossession may alter the conditions of existence of the non-capitalist class processes with such consequences as may undermine non-capitalist class structures even as they expand and secondly, may simultaneously enable and undermine the dominance of capital in such a heterogeneous social formation.

In essentialist and teleological readings of history in the Marxian tradition, developing forces of production make final dissolution of non-capitalist class structures historically inevitable and this telos makes Marxists blind to the real heterogeneities that inhere in the social formation. However, when we step outside the teleological narrative of historical materialism—outside the fated journey through the stages—we uncover a different problematic in which primitive accumulation is an important process that has consequences for the way a social formation changes over time—with heterogeneous class structures unevenly developing and in a contradictory manner. More specifically, I want to explore how primitive accumulation affects the non-capitalist class processes by modifying their conditions of existence, specifically access to means of production, without assuming the necessity of any final dissolution of non-capitalist class structures, and how the changed conditions of existence of non-capitalist class structures in turn influence capitalist class structures. The purpose of this study is to introduce primitive accumulation into Marxian studies of social formations that emphasize heterogeneity and eschews all teleological dissolution of such heterogeneity.

Our definition of primitive accumulation does not include processes like centralization of capital (dispossession of small capitalists), privatization of nationalized state-capitalist

industries (transfer of property rights from the state to the private capitalists) or redistribution of wealth among capitalists as well as from working class, state and other economic groups to the capitalist class (inequality-enhancing processes) that are often emphasized in the contemporary debates on primitive accumulation. We locate primitive accumulation in the space where *capital* meets *non-capital*.

We also conceptually differentiate primitive accumulation from dispossession taking place due to other reasons. For example, differentiation among petty producers may lead to separation of large number of producers from means of production; competition between communities over limited economic resources may erupt in 'clan' warfare leading to the separation of a whole community from their means of production; natural calamities may destroy means of production and dispossess direct producers. Such processes do not count as primitive accumulation for us.

Contrary to the traditional reading, our notion of primitive accumulation does not involve functionalist arguments that seek to *explain* primitive accumulation by the conditions of existence it presumably secures for the capitalist class process. For example, we do not see primitive accumulation as *functional* to the existence of the capitalist class process because it creates free propertyless wage-laborers for capitalist factories. Rather, we understand primitive accumulation in terms of its disruptive effect on the unity of direct producers with means of production, irrespective of whether separated direct producers are exploited by capital or not. Further, primitive accumulation is not the only outcome of the interaction between the capitalist and non-capitalist class processes. As I have argued before, the adequation of the conditions of existence of the capitalist class process may both support and undermine those of the non-capitalist class processes at the same time.

The capitalist social formation is a contradictory totality. By the Marxian notion of contradiction, we understand the inescapable "unity of opposites", such that primitive accumulation represents just one side of this opposition. The other side is represented by the creation or expansion of non-capitalist class processes resulting in a reversal of dispossession. Therefore, a Marxian analysis of a capitalist social formation involves a concrete analysis of the particular forms of the primitive accumulation occurring in the given context as well as the creation and/or expansion of specific forms of non-capitalist class processes.

Reproduction of Capital and Primitive Accumulation

Since we have dissociated our notion of primitive accumulation from the "origin" problematic in which it has been traditionally located, we must offer a notion of primitive accumulation that is i) constitutive of and *constituted by* productive capital and ii) distinct from the concept of capitalist (value) accumulation.

We will first seek to show how productive capital and primitive accumulation mutually constitute each other. Let us revisit the circuit of productive capital.

$$M - C - P[LP, MP] - C' - M'$$

Each constituent part of the circuit has natural, economic, political and cultural conditions of existence. Securing such conditions of existence may involve processes that lead to the separation of direct producers from means of production in non-capitalist class processes. The capitalist begins the circuit by securing means of production and labor power. The capitalist may purchase means of production and labor power as commodities in the market. Means of production may be capitalist as well as non-capitalist commodities; in

the latter case, the capitalists create a market for and hence provide a condition of existence of non-capitalist production. But capitalists may also acquire such non-capitalist means of production as use-values through extra-economic means—such as forcible acts of expropriation—which lead to a dissolution of non-capitalist production. Primitive accumulation becomes particularly significant when some means of production (land) are presumedly in 'limited' supply to the society as a whole. In such a case, reproduction of productive capital may involve appropriation of non-capitalist means of production. Capitalists may secure supplies of commoditized labor power from the natural increase of the labor force, from labor force retrenched by capital itself or by dispossessing non-capitalist producers. What is essential for productive capital is a supply of labor power without access to means of production; primitive accumulation is only one mode of securing such supply. Further, whenever primitive accumulation is involved, capitalists may secure labor power minus the means of production from which it has been separated or secure means of production minus the labor power separated from them.

Let us now enter the realm of capitalist production. We have already seen how separation is one condition of existence of capitalist surplus value. Separation from means of production forces direct producers to produce surplus value for the capitalists. Conversely, the performance of surplus labor in the capitalist fundamental class process may lead to separation of direct producers from means of production in non-capitalist fundamental class processes. Dispossession is simultaneously the cause and effect of the production of capitalist surplus value and thus they mutually constitute each other. One such mechanism involves "production externalities"—e.g. ecological changes including pollution and depletion of natural resources (DeAngelis (2004)). Production of "industrial

waste" may lead to devaluation and/or destruction of means of production of direct producers outside the capitalist enterprises. The numerous natural processes (chemical, biological, geological etc.) occurring together with the labor process in the capitalist class process may erode means of production in non-capitalist class processes. This conceptually amounts to a transfer of means of production from non-capitalist to capitalist class process *to the extent* that capitalist enterprises do not pay non-capitalist enterprises for such "use" of their means of production. The rate of surplus-value may be positively related to the rate of such unrecorded "dispossession".

Further, recognition of the ecological impact of capitalism in the face of a growing environmental movement leads to legislations that legally ban certain methods of production. Many production units have to be shut down if they do not conform to the environmental standards. In the changed situation, many small non-capitalist production units who are unable to make such expensive transformations in the labor process are shut down, even when their net contribution to such ecological damage is insignificant and even when the means of production causing pollution may themselves be capitalist commodities. This has the peculiar effect of "gentrification" of production and consumption—akin to the "clearing of the estates" in 18th century Britain. The point is not to deny the environmental problem, but to add a particular class-perspective to the effects of such desirable environmental legislations. Conservation of forests and wildlife has in fact been one of the biggest instances of primitive accumulation all over the world involving the abrogation of community rights over forest products[69].

[69] In India, perhaps the single biggest act of primitive accumulation was not an act of privatization but rather its opposite—the establishment of state control over forests—first in the name of "scientific forestry" during the British rule and later in the name of "wildlife conservation" in independent India. Forests comprise one-fourth of the geographical area of India—and ninety-five per cent of the forest area is legally

The sale and consumption of capitalist commodities requires certain natural, economic, political and cultural conditions. Advertisement of capitalist products may erode the market of non-capitalist commodities through cultural devaluation of the latter. Similar cultural devaluation of non-capitalist commodities may occur in other ways too. For example, one of the cultural conditions of existence of capitalism is the exalted status of "science" in popular imagination maintained through the educational system, media and the state. One of the hallmarks of modernism is the idea of a sharp divide between the "age of science" and the "age of faith"—the divide coinciding often with the historic divide between pre-capitalism and capitalism. According to this idea, for example, traditional non-capitalist health commodities are *devalued* because they do not involve "scientific" analysis standardized by modern educational institutions and giant corporate health enterprises. One effect of such a cultural discourse is to destroy the market for non-capitalist health products leading to the progressive devaluation and "erosion" of non-capitalist means of production. It is altogether a different story that traditional non-capitalist products may subsequently reappear as capitalist products—in the wake of a growing criticism of modern medicines and appreciation of traditional solutions to health problems. It is much like the weavers' spindles Marx talks about—the weavers having lost their spindles find the same waiting for them inside a capitalist factory (Marx, 1912) The consumption of capitalist commodities—the process of consumption itself—may have "consumption externalities" which have similar effects as production externalities. The proliferation of capitalist commodities—whose consumption produces "waste"— has

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owned by the state (Perspectives, 2008: 37). This act of appropriation of the forest land resulted in the loss of traditional livelihood of forest dwellers and local communities who were crucially dependent on the forests for their means of subsistence and production.

negative ecological outcomes including those that erode the means of production of non-capitalist enterprises. The particular culture of consumption associated with capitalism accelerates the production of such waste. Consider the peculiar cultural process of individuation of entertainment under capitalism—the same TV program is watched privately by millions of individuals involving millions of separate electrical connections and TV sets etc. The individuation of consumption—which is the same as expansion of the market for capitalist commodities—also expands the production of consumption "waste". Moreover, the multiplication of capitalist commodities require a particular expansion of the *space* for consumption—shopping malls, residential spreads, exclusive private parks and resorts, gated communities, roads for geographically dispersed consumption. All these require infrastructure and power, the expansion of which may lead to expropriation of direct producers from their means of production, most importantly, land.

At this point, I must hasten to point out, at the risk of repetition, that a commitment to the Marxian notion of contradiction forces me to recognize that each of the constituent parts of the productive capitalist circuit might as well support the conditions of existence and even expansion of non-capitalist production. The point of the preceding analysis is not to prove that the reproduction of the capitalist class process necessarily involves dispossession, but rather to identify the moments of dispossession, when it does—having accepted at the very outset that reproduction of capital is a contradictory process involving both expansion and destruction of the non-capitalist outside.

Capitalist Accumulation and Primitive Accumulation

The distinction between the Marxian concepts of primitive accumulation and capitalist accumulation has been the bone of much contention in the contemporary debate. In our understanding, both primitive accumulation and capitalist accumulation are conditions of existence of the productive capital, yet a conceptual distinction exists between the two. At the very outset, we reject any distinction that harks back to any of the following traditional oppositions between

i) being of capital versus becoming of capital

ii) economic versus extra-economic forces

iii) market versus state

In the dominant reading, the first and the second terms in each of the oppositions serve as the markers of capitalist accumulation and primitive accumulation respectively. In contrast, in my understanding, each term can be identified with both primitive and capitalist accumulation and hence the dichotomy cannot be sustained. Let us take the first opposition. In the dichotomous understanding, primitive accumulation belongs to the becoming of capital, whereas capitalist accumulation comes into play when capital has arisen. However, capitalist accumulation itself hastens the conditions of the arising of capital. For example, in Marx's "revolutionary path to transition", the initial process of differentiation of petty agricultural producers into capitalist farmers and the agricultural wage-laborer leads to accumulation by the nascent capitalist farmer with further dissolution of petty agricultural production and the final emergence of capitalist agriculture. On the other hand, capitalist class structure—fully arisen in England— falls

apart when transported to the settler-colonies and requires primitive accumulation to reproduce itself.

Let us consider the second opposition between economic and extra-economic processes. Capitalist accumulation implies capitalization of surplus value produced in a capitalist class process involving increase in constant and variable capital. But, securing additional means of production may involve primitive accumulation when, for example, means of production are diverted from non-capitalist enterprises by force involving the state and secured through SSCP payments to the state. Conditions of capitalist accumulation may involve big infrastructural projects like power plants, dams and highways etc. which involve dispossession of non-capitalist producers. Political processes like legislations (Industrial Acts) may be required for capitalist expansion projects—e.g. Land Acquisition Acts may be invoked by the state to acquire land under the "eminent domain" clause for the industrial project. Economic processes of distributing surplus value to the state are undertaken to secure these extra-economic (i.e. political) processes of dispossession. Similarly, cultural processes like advertisement, which introduce new lifestyles by displacing existing modes of consumption (thus, possibly undermining the markets for non-capitalist commodities) are necessary for capitalist accumulation. Therefore, conditions of capitalist accumulation are secured in many different ways, possibly involving extra-economic processes of dispossession. On other hand, economic processes may themselves lead to dispossession. Consider land as a scarce means of production. If the capitalist surplus is higher than the non-capitalist surplus, the capitalists can pay higher ground rent to the landlord and thus bid away land from non-capitalist producers and block their access to an essential means of production. These arguments also show

why the third opposition between the state and the market is similarly not sustainable when drawing the distinction between primitive accumulation and capitalist accumulation. The state provides certain conditions of existence/expansion of the capitalist surplus value and is thus involved in capitalist accumulation. The market may devalorize non-capitalist means of production and thus facilitate primitive accumulation. Our commitment to overdetermination forces us to recognize that both capitalist accumulation and primitive accumulation, like all other process in the society, are overdetermined by all other economic, political, cultural and natural processes occurring in the society. They cannot be distinguished by the prevalence of any particular type of process. Moreover, capitalist accumulation and primitive accumulation are not to be thought in isolation but in terms of their mutual effectivity on each other. The task of the Marxist theoretician is to posit the conceptual distinction between primitive accumulation and capitalist accumulation precisely to ascertain and identify the instances of their mutual constitutivity.

Primitive accumulation and capitalist accumulation cannot be distinguished by the nature of processes involved (economic or extra-economic etc.), unless a class-angle is imposed on it. Capitalist accumulation is one condition of existence of the capitalist fundamental class process, involving investment of appropriated surplus value. Primitive accumulation is another condition of existence of the capitalist fundamental class process, involving the separation of non-capitalist producers from means of production. While capitalist accumulation belongs to the internal conditions of existence of the capitalist enterprise (production of surplus value and its distribution for accumulation), primitive accumulation belongs to the external conditions of existence of the capitalist enterprise

(involving interaction with non-capital). Capitalist accumulation leads to a *scaling up* of the productive capitalist circuit and hence *accelerates* all those processes of dispossession that are associated with securing the conditions of the circuit in general.

Dominance of Capital and Primitive Accumulation: A New Theoretical Problematic

To inaugurate a new theoretical *problematic*—in the Althusserian sense—is to pose questions which cannot be articulated within the old *problematic*. The question that is invisible in the old Marxian problematic, and therefore the posing of which also signals the emergence of a new Marxian problematic, namely reproduction of capitalism, is itself called forth by the new understanding of primitive accumulation developed in the present essay. We can present the question in the following form—how does the capitalist class structure prevail in an economy with a resilient and autonomous non-capitalist "outside"? In historical materialist interpretations, the prevalence or dominance of capital is ensured by the teleological dissolution of capital's "outside". In capitalocentric views, such dominance is a non-problem since the existence of the "outside" is an effect of capital's dominance itself. If, in contrast, we admit a radical "outside" of capital, which is a product of contradictory and uneven development of the capitalist social formation and which is not subsumed to the reproduction of capital, we must, then, theorize capital's dominance over such a social formation where everything is possible, including the dissolution of capital's prevalence. The theoretical problem of dominance emerges as soon as we recognize the *uniquely* overdetermined nature of the non-capitalist "outside"—the overdetermination of capital being different from the overdetermination of its "outside"—which makes the latter relatively autonomous and independent of

capital and hence potentially subversive of capital's dominance. If primitive accumulation belongs to the relation between capital and its "outside", that relation needs to be further specified in terms of dominance of capital over its "outside" in the context of a *capitalist* social formation, i.e. in a social formation where the capitalist class structure prevails.

Capital, and not *capitalism*, constitutes the traditional Marxian *theoretical* problematic. The historical rise, durability and eventual demise of capitalism are fore-ordained by the auto-development of the forces of production. The latter is the essence of historical materialism and thus, like all essences, stands outside the theoretical problematic itself. Within the traditional Marxian problematic, there is no theory of a capitalist social formation[70]—i.e. a theory of the dominance of capital in a social formation. The teleology of historical materialism forecloses the emergence of the problematic by positing pre-destined dissolution or subsumption of non-capital by capital. The moment we reject historical materialism, we must lay bare what we mean by a capitalist social formation. Not only do we need a Marxian theory of capital, we need a Marxian theory of the dominance of capital in a social formation.

In our understanding, a *capitalist* social formation is constituted by many different class structures—capitalist as well as non-capitalist (feudal, ancient, communist and so forth), each with its associated conditions of existence. The capitalist social formation is a contradictory totality with each class process—overdetermined by all other processes in the society—subjected to "pushes and pulls" in contradictory directions. Further the

[70] Capitalism is identified with the *fullness* of capital. Whenever such fullness or universal expanse of capital does not exist, the social formation is considered to be less than capitalist. USA is capitalist since non-capital is the "insignificant other" of full capital, while India is yet to be capitalist since non-capital presents an obstacle to the fullness of capital. Such is the traditional understanding of capitalism. But see Sanyal (2007) for an elaborate discussion and critique of this traditional understanding.

development of any class structure has contradictory effects on other class structures—undermining and supporting them at the same time. One effect of the contradictory and overdetermined dynamics of a capitalist social formation is the "uneven development" of different class structures.[71] Such uneven development may take the classical form in which capitalist production expands by dissolving spaces of non-capitalist production. On the other hand, it's quite possible that non-capitalist class structures proliferate faster than capitalist class structures within a *capitalist* class formation. Moreover, such proliferation of non-capitalist production may occur together with low as well as high rates of capitalist accumulation. Furthermore, such social conjunctures may be transitional as well as *non*-transitional.

Our notion of a capitalist social formation as a contradictory totality, characterized by uneven development, recognizes the irreducible heterogeneity of any social formation and does not "explain" such heterogeneity as an effect of any particular process—say, the capitalist class process—which therefore acts as the essence of the social formation. Neither does such a non-essentialist Marxian theory admit any teleological dissolution of such heterogeneity. The act of naming such a contradictory totality is a theoretical gesture by itself. Specifically, what do we mean by a "capitalist" social formation? Is this naming conjunctural, in the sense that it is justified wherever we find overwhelming masses engaged in the capitalist class process?

> A conjuncture is the social formation at a specific time and place. When a conjuncture involves the overwhelming masses of the population in one type of class relation, say feudal, then the entire formation takes the name of the primary relation: a feudal social formation. (Resnick and Wolff, 1979: 10)

[71] "Overdetermination implies uneven development" (Resnick and Wolff, 1979: 10).

Yet a different, more theoretical stance by the same authors makes use of the notion of "prevalence" of a class process in a social formation.

> What we call prevalence will be constructed differently depending on the analyst's theoretical framework. For us, it is possible for the majority of people in a social formation to be engaged, say, in a noncapitalist fundamental class process and yet for a capitalist fundamental class process to be prevalent by virtue of its effectivity upon the non-class processes of that formation." (Resnick and Wolff, 1987: 310).

If we accept prevalence/dominance as "effectivity" of a class structure, we can attach a theoretical significance to primitive accumulation hitherto unarticulated in Marxian theory and which at the same time provides a theoretical understanding of such "effectivity". The contradictory nature of the social formation is what we understand by the play of the "aleatory". Just as the "encounter" that produced capitalism was complexly overdetermined by the entire historical context of the encounter, so is "dominance" itself subject to the aleatory effects of its overdetermination. In other words, both the "encounter" and the "dominance" such an encounter apparently resolves into, are contradictory processes, always threatened by their own possible unraveling. Just as the encounter may not have happened and may not have lasted, so is dominance itself a provisional position forever open to subversion and reversal. The *contradictory* development of a heterogeneous social formation may have the effect of creating conditions for dissolution of the dominance of one class structure and the possible ascendance of a different class structure. In our understanding, dominance itself is a complexly overdetermined "encounter" between the dominant and other class structures. In a capitalist social formation, primitive accumulation secures the "effectivity" for the capitalist class structure in the face of this radical contingency. In other words, primitive accumulation secures the conditions of the "dominance" of the capitalist class structure through a series of non-teleological "encounters". This, we emphasize, is a radically new

understanding of primitive accumulation we present here. Contrary to the dominant reading, we do not understand primitive accumulation as the process that enables the rise to dominance of the capitalist class structure, while such dominance, once secured, is self-reproducing by virtue of the essence of capital. Primitive accumulation, in our understanding, is continuous processes that *reproduces*—and may simultaneously undermine— this dominance of productive capital in a heterogeneous social formation. Consider a capitalist social formation where the majority of the labor force is engaged in non-capitalist class structures. The adequation of the conditions of reproduction of the capitalist class structure may be constrained by that of non-capitalist class structures, resulting in social tension that threatens to undermine the prevalence of the former. Since each class structure has its unique conditions of existence and since in any *given* context, the *social space* of reproduction of class structures is finite, there is always a conflict between class structures over means of production, labor power, markets, credit etc.; over the political space for power over formation of state policies; and over the cultural space for construction of meanings and world-views. I hasten to add that development of conditions of existence of the capitalist class structure may have the peculiar effect of creating conditions of expansion of non-capitalist class-structures—and hence the adequation of the conditions of existence of the capitalist class structure invariably leads at the same time to the contested nature of such adequation .

> *Furthermore, the conditions of existence are arenas for, as well as targets of, class struggles.* This is part of what overdetermination means. Within and between all the fundamental and subsumed classes of any social formation, complex contradictions emerge and class struggles ensue over their respective economic, political and cultural conditions of existence. Class struggles swirl around each aspect of the social formation. Class struggles involve the taking and defending of economic and political positions as well as religious, artistic and scientific positions. (Resnick aand Wolff, 1979: 11, italics mine)

How can we understand effectivity of the capitalist fundamental class process over other class and non-class processes in such a social formation? By "effectivity" of a class structure, we understand its ability to secure the conditions of its reproduction in a contested social space. Such effectivity has to be secured at the economic, political and cultural levels. At the political level, legislations are to be secured that favor the reproduction of the capitalist class structure at the cost of other class-structures whenever such a conflictual situation arises—e.g. land acquisition acts, intellectual property rights etc. At the economic level, fiscal (taxation, subsidies etc.), monetary (interest rate, inflation-targeting etc), trade (exchange rate regulation, protectionist or laissez faire policies, etc) and infrastructure policies (highways, dams, power plants, railways etc.) are manipulated to the advantage of the capitalist class processes and against rival non-capitalist class processes. At the cultural level, advertising, public as well as public education, research and development, media discourses, state welfare projects help create a representation of life that valorizes the capitalist class structure as the forces of "Progress".

Partly, these conditions of dominance are secured through subsumed class payments out of the surplus produced in the capitalist class structure. From a class standpoint, the dominance of the capitalist class structure depends crucially on the surplus commanded by it *relative* to other class structures. While a theory of capital focuses on surplus produced and appropriated within the capitalist class structure, a theory of capitalist social formation must take into account the *distribution* of surplus between contesting class-structures. The magnitude of surplus commanded by the capitalist class structure determines its ability to secure prevalence over contested political, economic and cultural

spaces. The different fundamental class structures struggle over conditions of existence and their ability to succeed depends on the surplus produced and or secured by them. For the dominance of the capitalist class structure in a social formation, what is required, therefore, is a particular (unequal) distribution of surplus across class-structures such that conditions of existence of the capitalist class structure are ensured at the expense of others. This particular unequal distribution of surplus may obtain in many different ways. First, capitalist production may enable a faster growth in technical and/or value productivity of labor—and consequently higher rate of exploitation and possibly a greater mass of surplus—compared to non-capitalist production. Such presumed superiority of the capitalist fundamental class process vis-à-vis its non-capitalist counterparts is premised on continuous and radical transformations in the labor process under capitalist class relations, generalized commodity production leading to specialization under capitalism, competition between capitalists, accumulation of productive capital that such competition may occasion etc. This view underlies the classical belief in the inevitable victory of capitalist over pre-capitalist forms relations of production.

Second, the capitalists may secure a flow of value from non-capitalist class processes through unequal exchange and monopoly pricing. Variants of this view have dominated the Marxian discourse on underdevelopment. When capitalist commodities meet non-capitalist commodities, the terms of trade may deviate from *equal exchange* price ratios. Equal exchange between capitalist and non-capitalist commodities takes place when terms of trade are such that each class structure as a whole exactly retains its appropriated surplus. However, terms of trade may differ from such ideal exchange ratios, depending on the bargaining power of capitalists vis-à-vis non-capitalist surplus appropriators. In

case of unequal exchange, there may be a flow of value as subsumed class payments to the capitalist enterprises from non-capitalist enterprises.[72] A similar situation arises when capitalist C-goods enterprises are monopolistic while non-capitalist enterprises buying those capitalist C-commodities are competitive. Again, a part of the labor process involved in the production of a capitalist commodity may be sub-contracted out to non-capitalist enterprises. Such non-capitalist enterprises may or may not be *dependent*, i.e. tied to the parent capitalist enterprise, depending on whether the latter is the sole purchaser of the non-capitalist product or not. In case of dependence, the capitalists may be able to obtain value-flows from non-capitalist enterprises to which they subcontract parts of their production process as subsumed class payments through unequal exchange. Third, conditions of existence of non-capitalist enterprises may be so modified *within capitalism* and *as a result of reproduction of capitalist production itself* that the (expanded) production of surplus within the non-capitalist fundamental class processes may be thwarted. This third case exemplifies the role played by primitive accumulation in securing the dominance of the capitalist class structure in social formations. Primitive accumulation leads to the separation of labor power from means of production in non-capitalist fundamental class processes. But such separation may not imply dissolution of the non-capitalist class structures. Such separation may primarily take the form of a flow

[72]This was the basic idea behind Preobrazhensky's (1926) notion of "primitive socialist accumulation" in the context of industrialization in Soviet Russia. Resnick and Wolff (2002) argue that industrial enterprises in Soviet Union were state capitalist enterprises. In the 1920s, when Preobrazhensky presented his arguments, agriculture was largely ancient in Soviet Russia. In that context, the transfer of already appropriated value from agriculture to industry constitutes a transfer of value from non-capitalist to capitalist class structures as subsumed class payments. Also see Chaudhury, Chakrabarti and Das (2000) for a theoretical model of how the "ancient" economy may actually end up losing its value to the capitalist economy via the pricing mechanism. Further, see Chakrabarti and Cullenberg (2003)—a work that belongs to the "overdetermination" school of Marxism—who define primitive accumulation as the transfer of labor time from non-capitalist to capitalist class process. Although the present dissertation belongs to the same school of Marxism, my differences with Chakrabarti and Cullenberg should be obvious.

of means of production from the non-capitalist to the capitalist class processes, whether or not capitalist accumulation absorbs the separated labor power. One effect of primitive accumulation is thus a more difficult and precarious access of non-capitalist producers to means of production. Hence, in so far as access to means of production is one condition of production/expansion of surplus labor, primitive accumulation depresses non-capitalist surplus. At the same time, by enabling capitalists to gain access to means of production, primitive accumulation enables a higher production of capitalist surplus. Thus primitive accumulation secures an unequal distribution of surplus across class-structures.

It is this significance of primitive accumulation that places it right at the heart of reproduction of capitalism. This understanding of primitive accumulation is explored in greater details in the rest of the thesis. It is clear that Althusser's notion of the "encounter" looms large in this particular understanding of primitive accumulation. Reproduction of capital requires an "encounter" of elements in their constitutive capacities—i.e. a coming together of constitutive processes—that reproduces the conditions of existence of capital. Such "encounter" is contingent and open to subversion by other "encounters" constitutive of something other than capital, i.e. non-capital. Primitive accumulation is the process that partly contributes to the "encounter" constitutive of capital by subverting "encounters" constitutive of non-capital—in other words, primitive accumulation contributes to the "encounter" constitutive of the *dominance of capital*.

The arguments presented so far in this chapter contribute to the production of a new understanding of primitive accumulation that is very different from what prevails in the Marxian tradition. In Chapter III, I will present a more elaborate exposition of the basic

theoretical position presented here. However, I emphasize the following points regarding this new understanding of primitive accumulation. First, primitive accumulation is displaced from the context of transition and is re-conceptualized as a continuous process constitutive of capitalism. Second, the problem of primitive accumulation is situated within a theoretical framework that accepts overdetermination as the basic ontological principle. Finally, we retain the unique Marxian perspective by focusing on the class-effects of dispossession and by problematizing the notion of primitive accumulation in the context of class-dominance of capital in a social formation.

Capital, Primitive Accumulation and Labor

I have argued, in chapter I, that the contemporary literature on primitive accumulation poses the following theoretical problem before the anti-essentialist Marxian tradition. It is clear that to understand primitive accumulation as a continuous process, one must posit a resilient "outside" of capital. Hence, one must identify the problem of primitive accumulation, not as a moment of teleological dissolution of the "outside", but as a process that occurs alongside the reproduction of both capital and its "outside". Of course, the problem is not posed as such in the contemporary literature. What we read in the contemporary literature is the difficult and uncertain emergence of the problem. Let me emphasize what in my understanding constitutes the fundamental discontinuity between the classical and contemporary views on primitive accumulation.

In the final analysis, Marx's emphasis on dispossession/separation stems from his specific views of labor (as a source of surplus value) and non-capital (as antithetical to capital). First, for Marx, labor power in capitalist production is the source of surplus

value. The capitalists purchase labor power as a commodity in the market and appropriate surplus labor of the wage-workers as surplus *value*. This is the specific form of class exploitation in capitalist production. The conditions of existence of the specifically capitalist form of exploitation include i) commodity-producing labor and ii) commodification of labor power itself. Second, the antithetical nature of non-capital is understandable once we recognize that non-capital presents possibilities of decommodification of labor-power, particularly when the non-capitalist space allows re-unification of the laborer with means of production. For example, the ancients' economy in white settler-colonies (North America, Australia etc.) prevented the consolidation of the wage-labor market.

In a specific reading of the contemporary literature—aligned with the theoretical objective of this dissertation—I argue that contemporary thoughts on primitive accumulation have *displaced* the notion of primitive accumulation from this classical theoretical context. I have argued in the previous chapter that several of prominent contemporary interventions have emphasized the "enrichment" aspect of primitive accumulation. In doing so, they have often posited the non-capitalist "outside" as a source of non-capitalist surplus labor—to be extracted as rent or other kinds of subsumed class revenues by otherwise productive capitalist enterprises—or as a condition, in the sense Luxemburg, Lenin, Harvey etc. understand it, for realization of expanded capitalist surplus value. At the same time, the classical objective of primitive accumulation—the creation of dispossessed proletarians—drops out of the picture. As my reading of Sanyal, Basu and De Angelis shows, the social outcome of primitive accumulation, in certain social conjunctures, is not the class of capitalist wage-workers, but a "surplus population"

(Sanyal) or the *detritus* (De Angelis). The "surplus population" gets engaged in non-capitalist class structures—either as a result of welfarist interventions or through their own political struggles. However may the non-capitalist space emerge, its emergence at the same time makes it a target of primitive accumulation with similar consequences. What we have, then, is a ceaseless dissolution and creation of a non-capitalist space while the "surplus population" itself traverses the entire history of change. The problem before the Marxian tradition is to present a new ontology of labor in capitalism that does not essentialize its role as the producer of surplus value for the capitalists. In short, we have to face the condition of the laborer in circumstances of her possible redundancy vis-à-vis the capitalists.

The Reserve Army of Labor

Marx had a very specific approach to the problem of overpopulation in capitalism, distinct from the popular Malthussian view on the subject. Contrary to Malthuss's universal and natural *law* of overpopulation, Marx asserted that, "[i]n different modes of social production there are different laws of the increase of population and of overpopulation" (Marx, 1973: 604). Marx's writings on the problem of overpopulation or surplus population—more precisely, his notion of a reserve army of laborers—subsequently had an enormous impact on Marxian analyses of capitalism. For Marx, the reserve army of laborers is a form of surplus population historically specific to capitalism. In later Marxist theories, however, the reserve army came to be interpreted as *the only* rather than *a specific* form of surplus population in capitalism. One consequence of this theoretical displacement was an extremely capitalocentric notion of labor in

capitalism. Marxists tended to subsume the labor force as a whole to capital. According to this capitalocentric view, the active part of the labor force is exploited by capital, while the inactive part of it—the reserve army of labor—provides certain conditions of existence of such exploitation, by depressing wages to the level of the value of labor power. Thus, the entire labor force is subsumed to the capitalist exploitative class relations.

In *Capital* Vol. I, Marx's use of the concept of surplus population or reserve army of labor presupposes a steady dissolution of all non-capitalist class relations and the universal spread of capitalist class relations over the social formation, so that Marx could then talk of the labor force as entirely subsumed to capital in its active and inactive forms. When such universalization of capitalist class relations is absent, the concept of surplus population—in the specific manner Marx used it in Capital Vol.I—should be understood *in its abstractness in relation to capital* and not *in its concreteness in the context of a social formation*. In a capitalist social formation, both capitalist and non-capitalist class structures are present. The conceptualization of a surplus population—i.e. a part of the labor force that is "surplus" relative to capital—becomes more difficult in such a context. One dominant tendency within the Marxian tradition has been to subsume a part or whole of the non-capitalist economy—along with the usual unemployed—to the reserve army of labor. However, I argue that such a characterization of non-capital robs the latter of its radical otherness, *unless* we transform the very meaning of surplus population in the given context.

Marx considered three forms of surplus population—latent, stagnant and floating. The "latent" relative surplus population is typically associated with capitalist transformation

of agriculture. A part of the traditional non-capitalist agricultural labor force is rapidly transformed into a redundant labor force in capitalist agriculture. This redundant labor force is always looking to migrate to non-agricultural, primarily urban, employment. The steady migration of laborers from rural to urban areas "pre-supposes, in the country itself, a constant latent surplus-population, the extent of which becomes evident only when its channels of outlet open to exceptional width" (Marx, 1912: 705). The "floating" form of the relative surplus population is really the *industrial* reserve army of laborers—periodically repelled and attracted by capitalist factories. Both the latent and floating forms of surplus population exist as unemployed or under-employed labor force. As unemployed, they are dependent for subsistence on the wages of the proletariat as well as other subsumed class-incomes of the capitalist class-structure. As under-employed, they may find occasional unproductive or productive employment in capitalist economy or they may temporarily sustain themselves as ancients.

The "stagnant" part of the relative surplus population forms a part of the *active* labor force. This labor force is typically active as home-based workers under sub-contracting or putting-out relationship with capitalist manufacturers. Typically, a part of the labor process in which capitalist commodities are produced, is contracted out to laborers working outside the factory, within their household premises. Marx refers to "domestic industry"—characterized by extremely irregular employment and inhuman work-conditions—as the chief form of the stagnant part of the relative surplus population[73].

[73] See Kay (1989). "This modern so-called domestic industry has nothing, except the name, in common with the old-fashioned domestic industry, the existence of which pre-supposes independent urban handicrafts, independent peasant farming, and above all, a dwelling-house for the labourer and his family. That old-fashioned department has now been converted into an outside department of the factory, the manufactory, or the warehouse. Besides the factory operatives, the manufacturing workmen and the handicraftsmen, whom it concentrates in large masses at one spot, and directly commands, capital also sets

Marx talks about domestic industries as the "last resorts of the masses made "redundant" by Modern Industry and Agriculture" (Marx, 1912: 505).

> The third category of the relative surplus-population, the stagnant, forms a part of the active labour army, but with extremely irregular employment…….We have learnt to know its chief form under the rubric of "domestic industry". It recruits itself constantly from the supernumerary forces of modern industry and agriculture, and specially from those decaying branches of industry where handicraft is yielding to manufacture, manufacture to machinery. (Marx, 1912: 705).

In class terms, domestic industry may include i) dependent labor force in putting-out relationship with capitalist manufacturers ii) ancient producers in sub-contracting relationship with capitalist manufacturers and iii) capitalist units in sub-contracting relationship with parent capitalist manufacturers. All three cases are instances of production within the household premises[74].

Under putting-out relationship, the homeworker may or may not be required to provide for her own instruments of labor while the capitalist supplies raw materials, specifies the design and volume of the product, and pays an amount to the homeworker sufficient to reproduce her labor power.

> In the outside department of the factory, of the manufactory and of the warehouse, the so-called domestic workers, whose employment is at the best irregular, are entirely dependent for their raw material and their order on the caprice of the capitalist, who, in this industry, is not hampered by any regard for depreciation of his buildings and machinery, and risks nothing by a stoppage of work, but the skin of the worker himself. (Marx, 1912: 524)

The homeworker in the putting-out relationship is neither a wage-laborer supervised by managers within a factory nor is an ancient who has independent access to means of production as well as the market for the final products and who thus can appropriate her surplus value. The laborer in putting-out relationship is a hybrid of an ancient and a

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in motion, by means, of invisible threads, another army; that of the workers in the domestic industries, who dwell in the large towns and are also scattered over the face of the country". (Marx, 1912: 504).

[74] Sanyal (2007) discusses all these three cases as *informalization within the circuit of capital* and which therefore, for him, belong to the accumulation-economy.

capitalist wage-worker and is often commonly referred to as “disguised proletariat”. In the putting-out relationship, the capitalist appropriates the entire surplus product of the home worker.

In case of ancient and capitalist sub-contractors, we have ancient and fundamental class processes articulated to a third (parent) capitalist fundamental class process.

> The lace finishing is done either in what are called “mistresses’ houses, or by women in their own houses, with or without the help of their children. The women who keep the “mistresses’ houses” are themselves poor. The workroom is in a private house. The mistresses take orders from manufacturers, or from warehousemen, and employ as many women, girls, and young children as the size of their rooms and the fluctuating demand of the business will allow.(Marx, 1912: 510-511)

In case of ancient and capitalist sub-contractors, the parent capitalist enterprise often secures a part of the surplus value appropriated by ancient and capitalist sub-contractors as subsumed class revenue through unequal exchange, depending on the bargaining power of the parent capitalists vis-à-vis ancient and capitalist sub-contractors. The ability of the parent capitalist enterprises to secure subsumed class revenues from ancient and capitalist sub-contractors depends on the nature of the sub-contracting relationship itself. If the ancient and capitalist sub-contractors are dependent on orders from the parent capitalist enterprises and do not have independent access to commodity markets and hence the power to negotiate prices, they have to make a subsumed class payment to the parent capitalist enterprise by selling their commodities below their values. It seems that Marx did consider the dependent form of sub-contracting where employment was extremely irregular and wholly subjugated to the “business model” (degree of vertical integration, nature of technology, contracts with workers’ unions etc.) followed by the parent capitalist enterprises. Other than these three categories of surplus population, Marx mentions paupers and the “dangerous classes” of the society. The paupers include able-

bodied adults, adults whose labor power are no longer suitable for capitalist employment, "orphans and pauper children", widows etc. The "dangerous classes" include vagabonds, criminals etc.

Ignoring natural growth of labor force, there are two major reasons for the emergence of a relative surplus population—the nature of capitalist accumulation and primitive accumulation. Usually, capitalist accumulation with an increasing average organic composition of capital (i.e. with technological improvement) reduces[75] and capitalist accumulation with a constant average composition of capital (i.e. on the same technical basis) expands the productive labor force. On the other hand, primitive accumulation dissolves non-capitalist enterprises and releases dispossessed producers who may swell the ranks of the surplus population. It should be obvious that, for Marx, surplus population is not equal to the unemployed or inactive part of the labor force. It also includes a part of the active labor force in both agriculture and industry. Further, the surplus population may be located in a variety of class and non-class processes. But, in Marx's presentation of the subject, the surplus population as a whole and in all its heterogeneity is subsumed to capital.

First, the relative surplus population is subsumed to capital in the sense that it provides a mass of laborers at disposal of the capitalists. The "floating" part of the relative surplus population is directly subjugated to the dynamics of capitalist accumulation—being recruited and retrenched periodically by the capitalist industries engaged in competition and accumulation. The "latent" part of the relative surplus population is a product of both

[75] "The positing of a specific portion of labor capacities as superfluous, i.e. of the labour required for their reproduction as superfluous, is therefore a necessary consequence of the growth of surplus labor relative to necessary. The decrease of relatively necessary labour appears as increase of the relatively superfluous labouring capacities—i.e. as the positing of surplus population" (Marx, 1973: 609).

capitalist accumulation and primitive accumulation in agriculture and is "therefore constantly on the point of passing over into an urban or manufacturing proletariat, and on the look-out for circumstances favourable to this transformation" (Marx, 1912: 705). The stagnant part of the surplus population, mainly homeworkers in "domestic industries", is, in effect, a *dispersion* of capitalist production and has no autonomous conditions of existence other than that of the 'parent' capitalist industries. In this sense, the stagnant segment of the relative surplus population "furnishes to capital an inexhaustible reservoir of disposable labor-power" (Marx, 1912: 705). Finally, even the paupers are exploited by capital at times of rapid accumulation[76].

Both the latent and the segment of the relative surplus population have often been assumed to be transitional in nature[77]. Industrial capitalist accumulation absorbs the rural surplus labor power in the long run and the productivity of labor power under the factory regime finally makes sub-contracting to "domestic industries" an inefficient business model for capitalists. However, there is no necessity to assume that latent and stagnant segments of the relative surplus population are transitional forms. Latter Marxian scholarship on the so-called informal or unorganized sector in both developed and developing countries has documented how domestic homeworkers and surplus rural labor-power may co-exist and even expand with capitalist accumulation in the long run.

[76] "One need only glance superficially at the statistics of English pauperism to find that the quantity of paupers increases with every crisis, and diminishes with every revival of trade. Second, orphans and pauper children. These are candidates for the industrial reserve army, and are, in times of great prosperity….speedily and in large numbers enrolled in the active army of labourers……pauperism forms a condition of capitalist production, and of the capitalist development of wealth." (Marx, 1912: 706-707)

[77] See Nun (2000), Kay(1989) etc.

The second sense in which the relative surplus population is subsumed to capital is that it is maintained directly or indirectly by class and non-class incomes generated in capitalist production[78].

> If the latter [the surplus population] is supported, then this comes not out of the labour fund but out of the revenue of all classes. It takes place not through the labour of the labour capacity itself—no longer through its normal reproduction as worker, but rather the worker is maintained as a living being through the mercy of others; hence becomes a tramp and a pauper; …..secondly: society in its fractional parts undertakes for Mr. Capitalist the business of keeping his virtual instrument of labour—its wear and tear—intact as reserve for later use. He shifts a part of the reproduction costs of the working class off his own shoulders and thus pauperizes a part of the remaining population for his own profit (Marx, 1973: 609-10).

This aspect of subjugation of the surplus population to capital—i.e. its maintenance through charity—becomes most visible in latter-day welfare-states, in which all class and non-class incomes in the capitalist economy are taxed by the state to maintain and reproduce the labor-power of the unemployed.

The subsumption of surplus population to capital *presupposes* either the ultimate dissolution of non-capitalist fundamental class processes in the process of capitalist accumulation or their subsumption to capitalist class processes. Once the surplus population is thus subsumed to capital, its movements are solely determined by the dynamics of capitalist accumulation.

> The law, finally, that always equilibrates the relative surplus population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the labourer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. (Marx, 1912: 709)

In these conditions, the reserve army of laborers and the surplus population are synonymous—since the entire surplus population is maintained by capital as a reserve for

[78] This is not true for all categories of surplus population. For example, the ancient sub-contractor may earn his subsistence through performance of labor. But in so far as her performance of labor is at the mercy of the (parent) capitalist enterprise, she is dependent on capital for the maintenance of her labor power.

use during rapid accumulation. The reserve army of labor is redundant at one point of time and necessary at another point of time, for reproduction of capitalist fundamental class processes. Strictly speaking, the reserve army of labor is not redundant / superfluous with respect to capital—its redundancy at one point of time being a condition of its necessity at another point of time. The reserve army of labor is thus *a condition of existence* of the capitalist fundamental class process.

Surplus Population *vs.* the Reserve Army of Labor

The condition of redundancy of labor power with respect to capital implies that the redundant surplus labor power is a condition of existence of something other than capital, i.e. non-capital. *This* notion of a surplus labor power is more adequate in the context of a capitalist social formation in which capitalist and non-capitalist fundamental class processes co-exist. In such a social context, the reserve army of labor has to be distinguished from surplus population and the latter has to be invested with a new meaning. Such a distinction already exists—though not widely used—in the Marxian tradition.

The Latin American "marginalist" school of thought[79] has argued that developing countries, particularly in Latin America, are characterized by a "marginal mass" of laborers that is quite distinct from the traditional reserve army of labor. This distinction has been most consistently held by Jose Nun (2000), according to whom the reserve army of laborers is that part of the surplus population which is functional to the accumulation

[79] See Nun (2000), Quijano and Westwell (1983). See Kay (1989) for a discussion of the "marginalist" theory.

of productive capital, while the "marginal mass" is the "non-functional" part of the surplus population.

> [M]y marginal mass thesis was meant to question a left hyperfunctionalism, wherein even the last landless peasant in Latin America (or Africa) was considered to be functional to the reproduction of capitalist exploitation. On the contrary, I tried to show that in many places a surplus population was growing that in the best of cases was simply *irrelevant* to the hegemonic sector of the economy and in the worst of the cases endangered its stability. This presented the established order with the political problem of managing such nonfunctional surpluses to prevent them from being *dysfunctiona*l (Nun, 2000: 12, italics mine)

By the "hegemonic" sector, Nun refers to the technologically dynamic monopolistic capitalist sector in developing countries while the marginal mass is composed of "(1) part of the labour employed by competitive industrial capital; (2) the majority of the workers who take refuge in low income activities in the service sector; (3) the majority of the unemployed; and (4) all the labour force which is secured by commercial capital, thereby lacking mobility" (Kay, 1989: 103).

Anibal Quijano's earlier position closely resembles Nun's, though in his latter writings he regarded marginal mass as a particular form of reserve army of labor[80] (Kay, 1989: 110). Closely following Nun, Quijano maintains a distinction between the hegemonic and marginal 'poles' of the economy. According to Quijano, the competitive industrial capitalist sector will decline in the long-run due to the operations of monopoly capital and the "marginal pole" will expand through an increase in the number of "marginal petty bourgeois" (the self-employed) and the "marginal proletariat" (who get temporary and irregular productive and unproductive employment in the lower circuits of the capitalist sector). The marginal mass is not directly functional to the expanded production of

[80] Both Kay (1989) and Nun (2000) argue that Quijano's use of the notion of marginal labor force in his latter writings is close to Marx's categories of stagnant surplus population.

surplus value in the hegemonic sector, though they may play a role in the realization of surplus value—i.e. as a market for commodities of the hegemonic sector.

Similarly, Sanyal (2007) argues, in the Indian context, that surplus population should be emphatically distinguished from the reserve army of labor. The latter is internal to accumulating capital, while the former constitutes the outside of accumulating capital. The surplus population belongs to the "need-economy" in Sanyal's analysis and they are the victims of primitive accumulation and exclusion by the "accumulation-economy". Sanyal's "need-economy" consists of both ancient and small non-accumulating capitalist enterprises. The "need-economy" is redundant as far as the economic conditions of the "accumulation-economy" are concerned, though it is crucial—in its role as a space for rehabilitation of the surplus population—for political and cultural conditions of existence of the "accumulation economy".

It is interesting to see that two different theoretical positions, developed independently and in the context of different social formations, converge so closely on a basic dualistic understanding of the social formations in developing countries—the dualism captured either in terms of a hegemonic/marginal or accumulation/need distinction. However, the dualism in both cases is not class-specified. The marginal mass and the need-economy are locations of heterogeneous class and non-class positions of the surplus population, including those specific to capital. In my understanding, in both these theories, the surplus population is defined in relation to accumulation rather than capital. One probable reason for this is that these theoretical positions stress the non-functionality of the surplus population with respect to accumulation in contrast to its functionality as stressed by Marx.

But, more importantly, what these theoretical positions point to is a non-capitalist—predominantly ancient—location of the surplus population. Hence, one outcome of both accumulation of productive capital and primitive accumulation is the emergence of new non-capitalist fundamental class processes. The emergence of surplus population captures the contradiction that inheres in the reproduction of the capitalist class structure—the contradiction being that the reproduction of capital is at the same time the production of conditions of existence of non-capital. In order to identify such contradiction, we however need to understand surplus population in relation to capital rather than its accumulation. Furthermore, in so far as we are concerned with the "outside" of capital and the problematic of the "dominance" of capital in the presence of such an "outside", we define surplus population as that part of the labor force—rendered surplus by capital relative to itself, i.e. in excess of a "notional" or "real" reserve army of laborers, through both labor-saving accumulation of capital and primitive accumulation—which inhabits a non-capitalist "outside" of capital.

The moment we posit a non-capitalist outside of capital, the problematic of primitive accumulation arises. Surplus population is subsumed to capital in Marx and hence does not constitute an "outside" of capital. Surplus population is literally a reservoir of labor power *maintained* by the value created in the capitalist class structure and therefore doesn't belong to an autonomous non-capitalist production space

However, as soon as we understand non-capitalist class structures as locations of surplus population, we admit that the surplus population is maintained by value (or use-values in case of non-commodity production) created in non-capitalist class structures. Hence, we have means of production united with labor power outside the domain of capital. But this

is precisely the moment of the emergence of the problematic of primitive accumulation. In Marx's conceptualization, the surplus population belongs to the problematic of capitalist accumulation, primitive accumulation having completed its historic role of dissolving non-capital. In our understanding, the surplus population, by inhabiting a non-capitalist "outside", inscribes primitive accumulation at the heart of the problematic of capitalist accumulation. This is the difference between Marx's notion of the surplus population and the notion deployed here.

In the context of non-capitalist locations of surplus population, we can still talk of a reserve army of laborers subsumed to capital, i.e. a part of the surplus population directly maintained by capital as an inactive reserve army for its accumulation. This is possible at particular conjunctures in capitalist social formations in richer societies, where a reserve army of unemployed is maintained through official welfare policies, while the surplus population—that is a part of the labor force rendered redundant by capital relative to itself, i.e. in excess of the reserve army—belongs to the non-capitalist class structures. Certain economic conditions must prevail for this social conjuncture to emerge. First, the size of the capitalist surplus value must be such relative to the inactive unemployed labor force as to make possible the maintenance of the latter through welfare policies[81]. Second, the non-capitalist class structures must have a certain viability and hence pose a certain barrier to capitalist accumulation, so that securing additional labor power or means of production from non-capitalist class structures in times of rapid accumulation becomes uncertain, thus forcing capitalists to maintain a reserve army at their own expense. However, the subsumed class payments required to maintain the reserve army

[81] We make the simplifying assumption that unemployment benefits are funded by taxing surplus value.

may be quite high in the presence of prosperous non-capitalist class structures, thus threatening one or several conditions of existence of the capitalist class structure. In such a situation, the capitalists may get rid of the welfare mechanisms and with it the subsumed class payments associated with it. This action by capitalists gives birth to new contradictions and problems for the capitalists, as discussed below.

In capitalist social formations of certain poorer societies—the kind considered by Nun or Sanyal—the reserve army of laborers is purely "notional". The *potentially* inactive labor force is too large relative to the capitalist surplus value to be maintained as an *actually* inactive labor force. Secondly, the potential size of the inactive labor force is larger than the portion of it required as reserve laborers for accumulation. The costs of maintenance of the potential inactive labor force exceed what is required to secure the conditions of accumulation. This cost—to be defrayed as a subsumed class payment—will jeopardize other conditions of existence of the capitalist class structure, including accumulation itself. Therefore, it makes sense for capitalists to get rid of such costs by shifting the weight of the inactive labor force to the non-capitalist class structures. Such an action by capitalists has contradictory implications for their own reproduction. On the one hand, the capitalists get rid of the subsumed class payments required for maintaining the inactive labor force and thus expand the part of the surplus value available for accumulation. On the other hand, the expansion of non-capitalist class structures as a result of an influx of surplus population expands at the same time non-capitalist claims on means of production and labor power and this may undermine the conditions of expansion of capitalist surplus value, including the capitalists' access to labor power and means of production.

Therefore, reproduction of the capitalist surplus value via the production of a surplus population has contradictory effects on the conditions of reproduction.

As my reading of Marx's "colonial" problem illustrates, the presence of a prosperous non-capitalist economy may deny the capitalists access to commodified labor power and, I may add here, means of production (say, land). Just as the development of towns within the feudal social formation led to a flight of serfs from the country-side, so might the development of non-capitalist class structures—particularly of the non-exploitative type—allow workers to escape capitalist exploitation. This is particularly possible if workers see an opportunity in non-capitalist class structures to appropriate and control the surplus they themselves produce. Hence, the reproduction of the capitalist class structure in the presence of expanding non-capitalist class structures is possible and secure only if the *conditions of expansion* of the latter are such as to depress the surplus produced *relative* to the magnitude of subsumed class payments necessary for the existence of such surplus, so that the reproduction of the entire non-capitalist class structure, including the reproduction of the labor power of the direct producers, may be threatened. In such circumstances the non-capitalist space ceases to present any effective barrier to the commodification of labor power that is so crucial to the existence of the capitalist fundamental class process. It is precisely here that primitive accumulation acquires theoretical significance as one among several processes that may have such effectivity on the non-capitalist surplus and hence may play a crucial role in securing the dominance of capital.

As I have argued before, primitive accumulation may take the primary form of appropriation of means of production from non-capitalist class structures without a

proportionate absorption of the "separated" labor power, producing a surplus population in the process. If we add to it labor-saving modes of capitalist accumulation, then non-capitalist class structures may expand at the same time that their access to means of production is undermined by primitive accumulation. This is probably what prompts Quijano to define the "marginal pole" of the economy as "a set of occupations or activities established around the use of residual resources of production" (Quijano quoted in Nun, 2000: 26). Thus the conditions of existence and prosperity of the non-capitalist class structure are undermined by the very processes of primitive accumulation that secure conditions of expansion of the capitalist class structure on the one hand and produce a surplus population on the other hand. The surplus population itself continues to belong to non-capitalist class structures with a more precarious access to means of production than before, as a result of primitive accumulation. The pressure of the surplus population on the non-capitalist class structures has the effect of depressing the appropriated surplus relative to what is necessary for their reproduction and hence undermines the ability of the non-capitalist appropriators of surplus to contest the capitalists over political, economic and cultural conditions of existence.

The notions of primitive accumulation and surplus population thus enable us to theorize, in class terms, the dominance of capital in social formations where expansion of capital occurs alongside an expansion of non-capital, i.e. the dominance of capital over a resilient "outside".

Conclusion

To sum up, I claim to make the following contributions to Marxian theory with the new understanding of primitive accumulation advanced in this chapter. First, the notion of primitive accumulation is de-historicized, defined in a new and precise sense (in class-terms) and introduced to the field of Marxian economic *theory*. I claim that the new notion addresses the conceptual problems, encountered in the contemporary literature, in positing it as a continuous process constitutive of capitalism. Second, the distinction between capitalist accumulation and primitive accumulation—a thorny problem in the contemporary debate— is clearly etched out in the new understanding. The idea that capitalist accumulation and primitive accumulation mutually constitute each other is a departure within the Marxian tradition which has so far treated them as alternate modes of expansion of capital. Third, the dominance of capital in a social formation is introduced as a theoretical problematic and a new significance of primitive accumulation is uncovered within this problematic. Fourth, a new perspective is developed for the study of certain social formations with significant presence of non-capitalist class structures and surplus population. In the process, a conceptual distinction between the surplus population and Marx's notion of the reserve army of laborers is delineated. The concepts of surplus population and primitive accumulation are deployed together to account for the dominance of capital in such a social formation.

CHAPTER 4

PRIMITIVE ACCUMULATION, SURPLUS POPULATION AND THE CONTRADICTIONS OF CAPITALISM: A MARXIAN ANALYSIS OF A SOCIAL FORMATION WITH CAPITALIST AND ANCIENT CLASS STRUCTURES

Introduction

Reproduction of capitalism is reproduction of dominance of the capitalist class structure over a heterogeneous social formation. In Chapter II, I presented a new theoretical understanding of primitive accumulation as a process, among others, that secures such dominance. Primitive accumulation—itself not a class process—has crucial *class-effects* that secure such dominance. There are as many forms of such dominance as there are kinds of capitalism. Consequently, primitive accumulation itself takes different forms in different capitalist social formations. Hence, the determinate class-effects of primitive accumulation can be specified only in a concrete social context. I presented a general theoretical analysis of the class-effects of primitive accumulation in a particular class of social formations (e.g. certain postcolonial societies) characterized by a "surplus population". I argued that in such a social formation dispossession may not lead to any final dissolution of non-capitalist class structures; rather, it may entail their ceaseless destruction and creation. In such a scenario, the class-effects of primitive accumulation can be theorized in terms of the latter's peculiar effectivity on the surplus produced in capitalist and non-capitalist class structures, namely, a skewed distribution of surplus between class structures and in favor of the capitalists. Further determination of the class-effects of primitive accumulation requires specification of such a social formation in

terms of its determinate class-structures, the specific class and non-class locations of the surplus population and the particular modes of articulation of different class-structures. In this chapter, I make an attempt to theorize, i.e. concretize further, the class-effects of primitive accumulation in a social formation characterized by capitalist and ancient class structures, and where the surplus population predominantly inhabits the ancient economy. I consider the scenario where the ancient economy dominates in terms of labor force, but the capitalist economy dominates in terms of surplus. Such a specification still rests at a relatively abstract level, in so far as it assumes away other non-capitalist class structures (e.g. feudal, communist, slave etc.) as well as other possible class and non-class (e.g. state and non-state welfare) locations of surplus population. This abstraction enables me to theorize a social conjuncture that has some general relevance in studying many developing societies.

Once again Marx's analysis of the "colonial problem" haunts and inspires the theoretical endeavor in this chapter. To repeat, in my understanding, Marx's colonial problem points to the theoretical problematic of the dominance of the capitalist class structure over a heterogeneous economy. For Marx, the prosperity of the ancients in the settler-colonies undermined the conditions of dominance of the capitalist class structure. Primitive accumulation played a crucial role in undermining the conditions of existence of ancient enterprises and in the development of capitalism.

More generally, in surplus terms, the prosperity of the ancients depends on the production and use of their surplus. In this chapter I theoretically argue how primitive accumulation may undermine the prosperity of the ancients without their final dissolution. Like the colonial problem in Marx's *Capital*, here, I try to understand how the dominance of

capital is reproduced in the presence of an economy of the ancients. Unlike the colonial problem, I consider how such dominance is secured without any dissolution of the ancient class structures. Thus the kind of capitalism I consider is different from that in the colonies Marx talks about. Hence, the determinate class-effects of primitive accumulation are different too. Despite such differences, Marx's basic theoretical insight carries over to the specific social context I choose to study.

A Capitalist Social Formation with Surplus Population

We consider a simple 'model' of a capitalist social formation with capitalist and ancient enterprises embedded in an exchange economy. The ancient economy dominates in terms of labor force. The capitalist economy dominates in terms of surplus value. We consider a closed economy—i.e., international exchange of commodities as well as movements of labor power and means of production is assumed away. To begin our analysis, let us assume that the labor force or the total mass of labor power in the economy is constant, i.e. growth rate of labor force is zero. Further, some indispensable means of production are presumed to be in fixed supply to the economy as a whole. Let us give the name 'land' to such scarce means of production. Expansion of the capitalist output may require additional supplies of either or both of labor power and means of production separated from each other. Primitive accumulation takes place when the expanding capitalist economy secures additional labor power or additional quantities of land by dispossessing the ancients.

At this point, I distinguish between the terms "class structure", "economy" and "social formation" as they will be used in this study. A class structure is an ensemble of a

specific fundamental class process and its unique set of subsumed class processes. A social formation consists of different class structures subjected to uneven development, ceaseless transformations and ubiquitous contradictions both within and between class structures. When one class structure dominates in a social formation, the social formation derives its name from the dominant class structure. In this model, the capitalist class structure is dominant.

An "economy" is defined around a specific class structure, yet it is a broader concept. An economy is a sub-set of the social formation organized around the value created in a particular class structure. More precisely, an "economy" is the entire set of class and non-class processes that are sustained by the total value-added in a particular class structure. In our model, for example, the total value-added in all ancient enterprises sustains a certain share of the total labor force in ancient fundamental and subsumed class positions as well as non-class positions. Likewise, we can think of a capitalist economy. Therefore, the simplified 'model' of the capitalist social formation we study here consists of a capitalist and an ancient economy.

The value-added in an enterprise is the value of the commodities produced in the enterprise minus the value of means of production used up in the production of the commodities. When we aggregate the value-added of all enterprises with a specific class-structure, we get the total value-added in the specific class-structure.

For the ancient economy,

$$VA(A) = \sum VA(A_i) = \sum [W(A_i) - C(A_i)] = \sum [V(A_i) + S(A_i)] = V(A) + S(A).$$

For the capitalist economy,

$$VA(K) = \sum VA(K_i) = \sum [W(K_i) - C(K_i)] = \sum [V(K_i) + S(K_i)] = V(K) + S(K).$$

The value-added sustains, first of all, the producers of value—the wage-workers in capitalist enterprises and the ancients in ancient enterprises. Second, the value-added sustains people in various subsumed class positions specific to each class structure—the landlord, the money-lender, the shareholders, the managers etc. Indirectly, subsumed class payments also sustain unproductive workers engaged in non-class processes securing the conditions of the particular fundamental class process—for example, clerks in merchant enterprises and banks. Third, the recipients of non-class and class payments arising out of the value-added in the class-structure may in turn sustain other people—e.g. receivers or appropriators of private value transfers within and outside family. Therefore, an "economy" refers to a sub-group of the labor force sustained out of the value-added in a particular class structure.

The distinction between class structure and the economy is useful to underline the social effects of primitive accumulation and capitalist accumulation in our 'model'. For example, when ancients are dispossessed, along with them, some unproductive laborers also lose a part of their economic sustenance secured out of the value-added in those ancient enterprises. The social effects of primitive accumulation are greater than the dispossession of the ancients. At the same time, it is possible that productive capitalist accumulation takes place without a corresponding expansion of the labor-size of the capitalist economy. Coupled with the effects of primitive accumulation on the ancient economy, such *implosive* growth of the capitalist economy may lead to the emergence of what we understand as surplus population.

The Location of Surplus Population

Let us now conceptually locate surplus population in such a social formation. Let the total labor force be L. The labor force secures livelihood in various fundamental and subsumed class as well as non-class processes. In this 'model', we consider four main categories of livelihood. A part of the labor force is employed as productive workers in capitalist enterprises. A second segment of the labor force is the unproductive labor force in the capitalist economy. A third part of the labor force consists of ancient producers. The remaining part of the labor force is constituted by other categories of unproductive labor force in the ancient economy, excluding the ancients themselves.[82] Let L_{KP}, L_{KU}, L_A and L_{UA-A} be the size of the labor force in the four categories respectively.

$$L = \underline{L_{KP} + L_{KU}} + \underline{L_A + L_{UA-A}}$$

$$L = \quad L_K \quad + \quad L_A$$

L_K is the part of the labor force sustained out of the value-added in the capitalist fundamental class processes VA (K). L_A is the part of the labor force sustained out of the value-added in the ancient fundamental class processes VA (A).

The absence of the category of "reserve army of labor" in the above equation reflects the specificity of the social conjuncture analyzed here. As argued in the Chapter II, the presence of a sizable non-capitalist economy allows the capitalists i) to shift the major part of the economic burden of maintaining the reserve army of labor on to the former and ii) thus undermine the conditions of accumulation and/or prosperity of the latter. *In these circumstances, the entire ancient economy acquires the character of the surplus*

[82] Here I adopt the definition of productive and unproductive labor presented in Resnick and Wolff (1987: 132-141). Productive laborers are workers in capitalist fundamental class processes. All other kinds of labor are defined as unproductive. Unproductive laborers may occupy other (non-capitalist) fundamental, (capitalist and non-capitalist) subsumed class positions and non-class positions.

population. The ancient labor force acquires the character of the "latent surplus population" Marx talks about in connection with agricultural labor force. Like the latent surplus population, the labor force in the ancient economy is always on the point of migrating to the capitalist economy whenever opportunities arise. It is not however any intrinsic desire to be employed in the capitalist economy or any perceived superiority of employment in the capitalist economy that drives such migration. Rather, the combined processes of primitive accumulation and creation of surplus labor power undermines the conditions of prosperity of the ancient class structure and thus destabilizes the reproduction of labor power in various social processes in the ancient economy. Hence, a significant part of the labor force in the ancient economy is always seeking secure reproduction of their labor power in the capitalist economy.

In representing the ancients as surplus population, it appears that the present essay espouses an extremely capitalocentric view of the ancients as victims of capitalist accumulation. It might be argued that the growth of ancients is partly fuelled by the desire of the producers to be independent and reject wage-slavery under capitalism. Yet, such desires and class-consciousness are precisely what undermine the dominance of the capitalist class structure in a social formation. What I propose to show is how primitive accumulation secures the dominance of the capitalist class structure *by undermining the prosperity of the ancients and the formation of such desires*.

In such a context, the category of the "reserve army of labor"—i.e. the unemployed labor force maintained by the capitalist economy through poverty management—must give way to the notion of surplus population. Let me restate the significance of the concept of reserve army of labor in Marx's theory. The reserve army is the mass of dispossessed and

unemployed labor power which allows accumulating capitalist enterprises to secure additional supplies of labor-power without being dependent on either the natural growth of the labor power or primitive accumulation of labor power from non-capitalist economy.[83] The cost of maintaining a reserve army is a particular subsumed class payment by the capitalists as a whole (generally through a state policy of unemployment management, financed by taxing capitalist surplus value), each individual capitalist shouldering a portion of the cost proportional to his or her profits. On the one hand the reserve army of labor enables accumulation and hence acts as a condition of existence of the capitalist class structure. In conditions of high rate of accumulation, as the reserve army is exhausted, the direct costs of maintaining the labor power of the reserve army vanish, though other costs persist, like the administrative costs of maintaining unemployment bureaus, salaries of the personnel of the welfare state etc. In conditions of low rate of accumulation, the costs of maintaining the reserve army may rise so much— depending on the political and cultural context as well as the absolute size of the reserve army— as to reduce the surplus value available for other subsumed class payments and thus threaten one or several conditions of existence of the capitalist fundamental class process.

In the present context, the capitalists either do not maintain a reserve army of labor so as to unburden themselves of the costs of its maintenance out of their surplus value or the capitalists cannot maintain it if the cost is prohibitively high relative to the capitalist surplus value. In this case, the costs of maintenance of the reserve army are either borne

[83] The reserve army of labor also has a disciplinary effect on the capitalist work force and a depressive effect on their wages and is thus a condition for expanded reproduction of the capitalist fundamental class process.

by the workers in the capitalist class structure—when reserve army is maintained by taxing the wages—in which case the reproduction of their labor power is threatened. We ignore this possibility assuming that workers in the capitalist enterprises are unionized and thus are able to avoid such costs[84]. The other possibility is that the economic burden of the surplus labor power falls on the non-capitalist economy (ancient, in this case) whose conditions of existence are consequently threatened. We assume that the surplus population enters the ancient economy as an *active* labor force. A part of the surplus population sets up ancient enterprises and the remaining part populates other categories of unproductive employment in the ancient economy. Thus, in our model, there is no category of the labor force called "unemployed". Rather we have what is commonly referred to as the "working poor" in developing countries with surplus population. Later in this chapter, we will try to understand how the ancient economy accommodates the surplus population as an active labor force and what the consequences of such accommodation are for both the ancient and the capitalist class structures.

Since the capitalists no longer have a reserve army of labor, how do they secure additional supplies of labor power for accumulation? Either the capitalists have to depend on the natural increase of labor force or secure additional labor power from the ancient economy, with or without dispossession. We have assumed away the natural increase of labor force at the very beginning. Therefore, the ancient economy is the only source of

[84] Historically unionized workers have pushed the state for unemployment insurance programs for the reserve army through taxation of wages, profits as well as subsumed class incomes flowing from capitalist surplus value. However, I am considering a situation where the size of the surplus population is so large that state welfare programs funded by taxes on profits or wages are resisted by both capitalists and unionized workers. Presumably the standard of living of the unionized workers in capitalist industries is above that given by the average value of labor power in the economy. The presence of a large surplus population poses constant threats to a reduction in the standard of living of the unionized workers to the average level, thus prompting them to resist taxation of their incomes for any large-scale state welfare programs for the surplus population.

additional labor power in our model. The justification for such an assumption is provided by the very understanding of the ancient economy as a location of surplus population. I have argued that in such circumstances, the conditions of prosperity of the ancient economy are undermined. The precarious and unstable reproduction of the mass of labor power in the ancient economy implies that a portion of this labor power is always available for employment in the capitalist economy.

But there is one more justification for assuming away natural rate of growth of the labor force. Capitalist accumulation requires additional land which is presumed to be in fixed supply. The supply of additional land to the capitalists as a whole must come from the ancient economy. This requires separation of ancients from land. Such separation may be voluntary or forced. For example, the poor peasant—unable to reproduce herself as an ancient— may give up his land for immediate reproduction of her labor power. The same peasant might also cling tenaciously to her land as the last means of independent production and subsistence, however minimal the latter may be. In this case, force is applied, which implies a certain cost of primitive accumulation for capitalists—"enclosure" costs of expropriating the peasant, fencing and guarding the enclosed land etc. The "enclosure" costs are a kind of subsumed class payments that secure one of the political conditions of existence of the capitalist fundamental class process, namely private property rights over means of production. Whatever the case may be, acquisition of additional means of production for accumulation at the same time creates additional supplies of labor power, irrespective of any demand from the accumulating capitalists. Hence, reproduction of the capitalist economy, which requires primitive accumulation, produces additional supplies of "separated" labor power, independent of the natural

growth of the labor force. For all these reasons the ancient economy acts as a source of additional labor power for accumulating capitalists. Therefore, to keep matters simple, I have assumed a constant labor force in my 'model'.

If labor force is constant, the sum of the growth rates of employment in all categories must be zero. That is, $\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt} + \frac{dL_{A}}{dt} + \frac{dL_{UA-A}}{dt} = 0$. Let the rate of primitive accumulation, i.e. the rate of dispossession of the ancients be P. The rate of primitive accumulation is positive when the rate of accumulation of productive capital (Ω) is positive. In the traditional teleological understanding of primitive accumulation, P>0, $\frac{dL_{KP}}{dt} > 0$ and $\frac{dL_{A}}{dt} < 0$ (also $\frac{dL_{KU}}{dt} > 0$ and $\frac{dL_{UA-A}}{dt} < 0$)—i.e. the ancient economy is dissolved and unproductive laborers sustained by the ancient economy are transformed into productive and unproductive laborers sustained by the capitalist economy. The particular social conjuncture I study, however, is one characterized by following conditions—P>0 and $\frac{dL_{A}}{dt} \geq 0$. This is a situation where primitive accumulation and hence accumulation of productive capital is taking place without, however, a decline in the number of ancients. This implies that new ancient enterprises are set up at an equal or greater rate than that at which existing ancient enterprises are dissolved. Let us consider the situation where this happens along with a stagnant or falling capitalist share of the labor force, i.e. $\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt} \leq 0$. Therefore, we have a particular kind of capitalist accumulation associated with a stagnant or declining capitalist share of total mass of labor power.

Many Forms of Capitalist Accumulation

Let us look closely at capitalist accumulation itself to identify when such specific conditions may prevail—i.e. $\Omega > 0$ and $\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt} \leq 0$. Capitalist accumulation is an expansion of productive capital $\Delta K = \Delta(C+V)$. The rate of capital accumulation is defined as $\Omega = \frac{\Delta K}{K} = \frac{\Delta(C+V)}{(C+V)}$. An increase in total capital may or may not involve a change in the organic composition of capital $q = \frac{C}{C+V}$. We may consider accumulation under conditions differing with respect to organic composition of capital, productivity of labor and intensity of labor. The technical productivity of labor (a) is the number of units of use-value produced per labor hour. More productive labor power produces a larger number of units of use-value per hour compared to less productive labor power. On a daily basis, let UV be the number of use-values produced per day, h be the length of the work-day and L_{KP} be the number of productive workers.

$$a = \frac{UV}{L_{KP}.h}$$

When technical productivity rises, the same quantity of living labor is distributed across greater number of units of commodities. As a result, generally, unit values of commodities fall[85].

Intensity (I) of labor—or the value-productivity of labor— is defined as value-added per labor hour.

[85] Whether unit value of commodities falls with rising technical productivity of labor depends on what happens to the quantity of means of production (embodied labor) needed to secure such increase in productivity (e.g. new machines, enhanced use of raw materials etc.). When, total (socially necessary abstract) labor— the sum of living and embodied labor— rises less than proportionately with the number of units of commodities produced, then unit value of the commodity falls.

$$I = \frac{(V + S)}{L_{KP}.h}$$

Intensity can be increased by drawing more labor out of a given labor power in a given work-day (through close monitoring, incentives, 'speed-ups' etc.). Intensification of labor is similar to the lengthening of the work-day and is related to the production of absolute surplus value. Intensity of labor has no effect on the unit-values of commodities. More intensity leads to more units of use-values produced per labor hour, but also more expenditure of living labor per labor hour and proportionately more quantity of embodied labor (means of production). Thus, more units of use values incorporate more labor and hence unit values remain same.

The distinction between technical or value productivity of labor can also be specified in terms of their effect on value-added and the rate of surplus value. The total income, in value terms, that sustains a class structure, is given by the value-added across all enterprises with a specific fundamental class process. Capitalist value-added VA (K) is the total living labor incorporated in capitalist commodities, divided between variable capital and surplus value.

$$VA\ (K) = V\ (K) + S\ (K) = I.L_{KP}.h$$

Value-added increases when either intensity, number of productive laborers or the length of the work-day increases. If s_k denotes the rate of capitalist surplus value and v denotes hourly wage rate, then, we may rewrite the relation in the following way.

$$V(K) = v.L_{KP}.h$$
$$S\ (K) = s_k.V\ (K)$$
$$VA\ (K) = (1+s_k)\ v.L_{KP}.h$$

When intensity increases, other factors remaining constant, the increased depreciation of labor power requires more means of subsistence per unit labor power and hence hourly wage rate increases. But the rate of surplus value may nevertheless increase if the greater subsistence basket of the workers requires an increase in necessary labor, but the increase in necessary labor is less than the increase in surplus labor.

$$\uparrow VA\,(K) = (1 + \uparrow s_k)(\uparrow v.\,\bar{L}_{KP}.\bar{h})$$

Conversely, when intensity, number of productive laborers and the length of the work-day remain constant, value-added remains constant, irrespective of changes in productivity. If productivity increases, other factors remaining constant, nothing happens to the value added. If productivity of labor increases in the wage-goods industry, the rate of surplus value may increase (relative surplus value) if the necessary labor time is shortened relative to surplus labor time, the length of the work-day remaining constant. This is a change in the relative magnitudes of variable capital and surplus value—i.e. an increase of surplus labor time relative to its necessary counterpart, the total living labor and hence value-added remaining constant.

$$\overline{VA}\,(K) = (1 + \uparrow s_k)(\downarrow v.\,\bar{L}_{KP}.\bar{h})$$

$$\text{Or, } (1 + s_k)\left(\frac{dv}{da}.\frac{da}{dt}\right)(L_{KP}.h) + \left(\frac{ds_k}{da}.\frac{da}{dt}\right)(v.L_{KP}.h.) = 0$$

We can capture the effects of increases in technical and value productivity of labor on value-added, hourly wage rate, productive labor force and rate of surplus value and see how capital accumulation may affect these variables under different conditions related to technical or value productivity of labor.

Case I: Accumulation with Constant Organic Composition of Capital, Technical Productivity of Labor and Intensity of Labor

With accumulation, the organic composition of capital remains constant when production is expanded on the same technical basis (e.g. replication of factories). Technical productivity of labor is constant and consequently the rate of surplus value and the unit values of commodities remain constant. If intensity and the length of the work-day remain constant too (i.e. there is no increase in absolute surplus value), value-added in the capitalist economy increases in proportion to an increase in the number of productive workers.

$$\frac{dVA(K)}{dt} = (1 + s_k)(v.h)\frac{dL_{KP}}{dt}$$

This is typically the Smithian vision of capitalist accumulation[86]. Marx, however, provides a more complicated analysis of capitalist accumulation.

Case II: Accumulation with Constant Technical productivity and Increasing Value-productivity

There is another way in which the capitalist value-added may be increased and capital can be accumulated on the same technical basis—by increasing the intensity of labor. Intensification of labor requires an accumulation of both constant and variable capital—the former because more living labor needs more means of production and the latter because higher intensity involves greater wear and tear of labor power and hence more means of subsistence for reproduction of labor power. Here, technical productivity and unit values of commodities remain constant. The capitalist value-added increases because

[86] Adam Smith (1776) envisaged a process of capital accumulation where the demand for laborers rises faster than the supply, causing real wages to rise.

intensification of labor generates more living labor. Also, as we have seen before, higher intensity implies higher rate of surplus value and a higher hourly wage rate—the latter varying inversely with the former.

$$\frac{dVA(K)}{dt} = (1 + s_k)(v.\frac{dL_{KP}}{dt} + L_{KP.}\frac{dv}{dI}.\frac{dI}{dt})h + (\frac{ds_k}{dI}.\frac{dI}{dt})(v.L_{KP}.h.)$$

The organic composition of capital may increase when additional means of production required by more intense labor is greater than additional means of subsistence required for compensating the laborer for the higher intensity of labor[87]. More importantly, capitalist value-added may increase in this case while the number of productive laborers may remain constant. In fact, the latter may well *decline* along with a *rise* in variable capital—the decline in the number of workers being more than compensated by a more intense performance of living labor by the remaining workers[88].

Case III: Accumulation with Rising Organic Composition of Capital, Increasing Technical Productivity and Constant Value-Productivity of Labor

The most frequently discussed case of capitalist accumulation involves a rising organic composition of capital[89], a rise in the capitalist rate of surplus value, a change in technical

[87] Intensification of labor does require an increase in means of production but some elements of fixed capital (e.g. the factory building itself) need not increase.

[88] "The number of labourers commanded by capital may remain the same, or even fall, while the variable capital increases. This is the case if the individual labourer yields more labour, and therefore his wages increase, and this although the price of labour remains the same or even fall, only more slowly than the mass of labor rises. Increase of variable capital in this case, becomes an index of more labour, but not of more labourers employed. It is the absolute interest of every capitalist to press a given quantity of labour out of a smaller, rather than a greater number of labourers, if the cost is about the same. In the latter case, the outlay of constant capital increases in proportion to the mass of labour set in action; in the former that increase is much smaller. The more extended the scale of production, the stronger this motive. Its force increases with the accumulation of capital" (Marx, 1912: 696-697).

[89] A rise in the organic composition of capital occurs with accumulation, if i) both constant capital and variable capital increase, the former increasing more than the latter, ii) constant capital increases while variable capital remains same, iii) constant capital increases while variable capital declines, the decline

productivity of labor and a fall in the unit values of either or both C-commodities and V-commodities[90]. If unit values of wage-goods fall, the value of labor power decreases and the rate of surplus value increases in all industries. Change in capitalist value-added is strictly proportional to the change in the number of productive laborers, intensity of labor and the length of the work-day remaining constant.

$$\frac{dVA(K)}{dt} = (1+s_k)(v.\frac{dL_{KP}}{dt} + L_{KP.}\frac{dv}{da}.\frac{da}{dt})h + (\frac{ds_k}{da}.\frac{da}{dt})(v.L_{KP}.h.)$$

$$\text{Or, } \frac{dVA(K)}{dt} = (1+s_k)(L_{KP.}h)\frac{dv}{da}.\frac{da}{dt} + (\frac{ds_k}{da}.\frac{da}{dt})(v.L_{KP}.h.) + (1+s_k)(v.h).\frac{dL_{KP}}{dt}$$

$$\text{Or, } \frac{dVA(K)}{dt} = (1+s_k)(v.h)\frac{dL_{KP}}{dt}$$

$$[(1+s_k)(\frac{dv}{da}.\frac{da}{dt})(L_{KP.}h) + (\frac{ds_k}{da}.\frac{da}{dt})(v.L_{KP}.h.) = 0]$$

Capital accumulation with rising organic composition of capital will lead to an increase in value-added only if there is an increase in the productive labor force, intensity and hours of labor remaining constant. Therefore, capital accumulation may take place and the organic composition of capital may rise with an increasing, decreasing or constant value-added and number of productive laborers.

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being smaller than the increase and so that total capital increases. Rising organic composition of capital with accumulation implies that $\Delta C > \Delta V$, where ΔV can be of any sign.

[90] A rise in technical productivity of labor in C-goods industries may even lead to a fall in the organic composition of capital if unit-values of means of production fall more than the increase in the volume of means of production.

Case IV:Accumulation with Rising Organic Composition of Capital, Increasing Technical Productivity and Intensity of Labor

Intensity of labor may also increase along with productivity—for example, when new machines that increase technical productivity of labor also enable intensification of labor[91]. Value-added will increase *relative* to Case III, because intensification leads to more living labor spent on producing more values. However, the productive labor force may be constant, declining or rising with rising value-added[92].

$$\frac{dVA(K)}{dt} = (1+s_k)(v\frac{dL_{KP}}{dt} + L_{KP.}\frac{dv}{da}.\frac{da}{dt} + L_{KP.}\frac{dv}{dI}.\frac{dI}{dt})h + (\frac{ds_k}{da}.\frac{da}{dt} + \frac{ds_k}{dI}.\frac{dI}{dt})(v.L_{KP}.h.)$$

Or, $$\frac{dVA(K)}{dt} = (1+s_k)(L_{KP..}h.\frac{dv}{da}.\frac{da}{dt}) + (\frac{ds_k}{da}.\frac{da}{dt})(v.L_{KP}.h.) + (1+s_k)(v.\frac{dL_{KP}}{dt} + L_{KP.}\frac{dv}{dI}.\frac{dI}{dt})h + (\frac{ds_k}{dI}.\frac{dI}{dt})(v.L_{KP}.h.)$$

Or, $$\frac{dVA(K)}{dt} = (1+s_k)(v\frac{dL_{KP}}{dt} + L_{KP.}\frac{dv}{dI}.\frac{dI}{dt})h + (\frac{ds_k}{dI}.\frac{dI}{dt})(v.L_{KP}.h.)$$

$$[(1+s_k)(\frac{dv}{da}.\frac{da}{dt})(L_{KP.}h) + (\frac{ds_k}{da}.\frac{da}{dt})(v.L_{KP}.h.) = 0]$$

Exclusionary Capitalist Accumulation

As the preceding analysis shows, accumulation of capital may take place with constant, rising or even falling capitalist value-added, organic composition of capital and number

[91] "[M]achinery becomes in the hands of the capital the objective means, systematically employed for squeezing out more labour in a given time." (Marx, 1912: 450).

[92] The effect on the hourly wage rate is complicated. The hourly wage rate is determined by the historical context. But here we will consider only two of the determinants of the hourly wage rate, holding all other factors constant. The productivity and the intensity of labor have opposite effects on the hourly wage rate. If the productivity of labor increases (in V-commodities department), the unit-values of V-commodities decline and the hourly wage rate goes down (rate of surplus value increases), the quantity of means of subsistence required to reproduce unit labor-power remaining constant. When intensity of labor increases, the quantity of means of subsistence required per unit labor-power and hence the hourly wage rate increases, unit-values of wage-goods remaining constant. When both productivity and intensity of labor increase, the net effect on the hourly wage rate depends on the relative strength of the two determinants. The hourly wage rate may decline, remain constant or even increase.

of productive workers. The rate of accumulation, the rate of change of organic composition of capital, the rate of technological change and the rate of change of total income (equals total value-added) are all related but conceptually distinct variables. There is no necessity for any of them to move in any specific direction with any other. Let us consider the possibility that with a positive rate of accumulation there is a decrease in the number of productive workers. This may occur as a result of an increase in technical productivity or intensity of labor. In fact, except for Case I (the Smithian case), such a possibility exists in all the other cases. It is further possible that not only total capital, but total income, i.e. value-added, increases with a decline in the number of productive laborers.[93] This happens when intensity increases along with productivity. Even as the productive labor force declines, more labor is squeezed out of each worker in a given work-day so that more living labor and hence more value-added is secured with less number of workers. The mass as well as the rate of surplus value increase with decreasing productive labor force. It is perfectly reasonable for the capitalists to engage in such types of accumulation where the productive labor force declines, as long as surplus value increases.

In all cases of accumulation, social wealth, i.e. the total mass of different use-values, increases. Therefore, the capitalist class structure enables increased production of social wealth at the same time that the number of workers producing that wealth decreases,

[93] The number of productive laborers may fall with rising accumulation when, for example, machines replace workers. Total capital increases while variable capital falls absolutely—i.e. organic composition rises very rapidly—not only because the hourly wage rate falls due to increase in productivity of labor in V-goods industries, but also because the number of productive laborers falls. Value-added actually falls with accumulation in this case! When intensity increases, variable capital may rise because the wage rate increases, but the number of productive workers may actually decrease. In this case, the value-added will increase, if the effect of a rise in intensity outweighs the effect of fall in number of laborers.

i.e. $\frac{dL_{KP}}{dt} < 0$. However, even though accumulation may require less number of productive laborers, it might still require greater number of unproductive laborers. Increased capitalist output requires more merchanting, insuring, banking and advertising, as well as more managerial supervision, more clerical activity, more research and development, more tax collection etc. Therefore, unproductive laborers may increase in the capitalist economy at the same time that productive laborers decline. However, unproductive labor processes may themselves be subjected to labor-saving innovations. ATMs and credit card technology decrease the labor force in credit and banking enterprises; electronic surveillance systems reduce the demand for security personnel in capitalist enterprises; e-mails reduce the demand for courier personnel within capitalist enterprises etc. We consider the social conjuncture where the growth rate of total labor force sustained by the capitalist value-added is non-positive, i.e. $\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt} \leq 0$.

In contemporary dissident discourses on capitalism, one often hears of the phenomenon of "jobless growth". This is also relevant to the study of Indian economy, which we present in the next chapter. This is a new kind of unemployment scenario that is seriously disruptive of social cohesion in any society—rising wealth and rising joblessness. This problem is "new" because previous analyses of unemployment focused on lack of accumulation or growth as the cause of rising unemployment. As I tried to show, in the preceding analysis, the strict proportionality between accumulation and employment is a Smithian idea. Marxian value theory can account for rising accumulation with rising, stagnant or declining size of the total labor force sustained out of the capitalist value-added. I argue that in many economies, including India, "jobless growth" may be

occurring because increased rate of capital accumulation is accompanied by rising organic composition of capital and increasing mass and rate of capitalist surplus value due to increasing technical productivity and intensity of labor. Capitalist value-added is increasing with a declining size of productive labor force and total social wealth is increasing with a declining size of the labor force with claims on that wealth.

But there is another dimension of accumulation that assumes particular significance in this scenario. Along with the mass of use-values, the total means of production used in capitalist industries, including land, increases with accumulation. As the capitalist claim on 'scarce' land increases with accumulation, additional land is secured by expropriating ancients and enclosing the ancients' land. Here lies the crux of the problem of surplus population. Capitalist accumulation involves primitive accumulation in so far as expanded reproduction of capital requires greater share of the 'scarce' means of production. However, such primitive accumulation releases dispossessed ancient producers along with enclosed land and the former stands in relative excess to the "average needs for the self-expansion of capital" (Marx, 1912: 691). Therefore, accumulation of capital is also accumulation of means of production on its side and accumulation of 'separated' and surplus labor power on the other side, i.e. outside[94]. Moreover, if the capitalist share of the labor force declines with accumulation of capital, then surplus labor power expands not only because of dispossession, but also because of

[94] "The law by which a constantly increasingly quantity of means of production, thanks to the advance in the productiveness of social labour, may be set in movement by a progressively diminishing expenditure of human power, this law, in a capitalist society—where the labourer does not employ the means of production, but the means of production employ the labourer—undergoes a complete inversion and is expressed thus: the higher the productiveness of labour, the greater is the pressure of the labourers on the means of employment, the more precarious therefore, becomes their conditions of existence, viz., the sale of their own labour-power for the increasing of another's wealth, or for the self-expansion of capital" (Marx,1912: 708).

"repulsion" of labor power by capital. Primitive accumulation, in such a context, plays a role very different from that in the classical context of transition. The objective of primitive accumulation is the freeing of means of production rather than securing "freed" labor power.

It should now be clear that the assumption of constant labor force was merely an initial theoretical step to highlight the basic processes at work in the production of surplus population. We now relax the initial assumption and let the labor force grow— say, at the rate N.

$$N = \frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt} + \frac{dL_{A}}{dt} + \frac{dL_{UA-A}}{dt}$$

Even if the labor force in the capitalist economy grows at a positive rate, i.e. $(\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt}) > 0$, as long as $N > (\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt})$, the labor force of the ancient economy will grow too at a positive rate.

We may now relax some of the more restrictive conditions under which surplus population is produced. No restrictions on the types of capitalist accumulation need to be assumed here as long as total labor force grows in excess of the "average needs for the self-expansion of capital", i.e. $N > (\frac{dL_{KP}}{dt} + \frac{dL_{KU}}{dt})$. Further, let us relax the assumption of a fixed supply of land. Instead, let the availability of land grow at some positive rate μ. Corresponding to a rate of capitalist accumulation Ω, let the capitalist claim on land as a means of production increase at the rate α. If $\alpha > \mu$, the capitalists engage in primitive accumulation, usurping ancient land at the rate $(\alpha - \mu)$. This implies a dispossession of the ancients at a rate P. The rate of establishment of *new* ancient enterprises is therefore

equal to $(P + \frac{dL_A}{dt})$. Let β be the rate of growth of the ancient claim on land as a means of production sufficient to sustain the growth of ancient producers at the rate $\frac{dL_A}{dt}$, which implies that ancient economy falls short of its required land at the rate $\beta + (\alpha - \mu)$.

The dispossessed ancients as well as the additional labor force turn to the ancient economy for their sustenance. Dispossession occurs with an increasing number of the ancients. The expansion of the ancient economy masks the flow of scarce means of production from the ancient to the capitalist economy. The ability of the capitalists to engage in primitive accumulation in this form is of course determined by the entire social context. If and when such a conjuncture arises, we can say that the ancient economy acts as a residual sector that absorbs the "surplus" population on residual means of production. Therefore, the ancient economy accommodates a part of the labor force in excess of employment in the capitalist sector. Since the growth of this "excess" labor—surplus population, in our terminology—is partly due to dispossession of ancients, we have the paradoxical result that dispossessed ancients in one branch of commodity production may be transformed, not into wage-labor, but ancients in another or even the same branch of commodity production. When, in the 1970s, economists first took notice of the explosion of urban petty producing activities in developing countries despite rapid capitalist growth, the urban petty producers came to be referred to as "peasants in the cities" (McGee (1973). The paradox for the economists lay in the transformation of agricultural petty producers into urban manufacturing petty producers and not into capitalist laborers as conventional wisdom till then made us believe. It is this kind of social conjuncture that the present study addresses.

Contradictions of Capitalist Accumulation

The setting up of ancient enterprises by the surplus population requires access to means of production which may be provided by money-lending capitalists. As far as land is concerned, the additional ancients are accommodated mainly through fragmentation of existing land under the ancients. This is for example the case with ancient farmers whereby the family plot gets fragmented through inheritance into smaller plots—often too small for farming to be economically viable. A second strategy for the ancients involves transforming land as means of subsistence into land as means of production or using land as both. This is the case of household production of commodities in both rural and urban areas but more strikingly observed in urban slums. Another strategy for the dispossessed is illegal encroachment and sharing of land under capitalist production. In this case, the capitalists are directly affected since encroached land is their means of production. In case of private capitalists, examples of certain encroachment include piracy of books, DVDs, music CDs, branded clothes, electronic products etc. In case of state capitalist enterprises (i.e. public enterprises), such encroachment may often take the open form of occupation of geographical land—e.g. invasion of railways land. In the first case, conditions of existence of ancient production are threatened. In the second case, not only the conditions of reproduction of ancient enterprises, but also those of reproduction of ancients' labor power are threatened. In the third case, conditions of existence of both capitalist and ancient class processes are undermined, to different degrees. It is obvious that absorption of the surplus population as ancient producers requires that a part of the means of production flow from the capitalist to the ancient economy in the form of land

forcibly shared by or encroached on by the ancients—thus constituting a reversal of primitive accumulation. Here is the contradiction for the capitalists. To secure their conditions of existence, the capitalists need to engage in primitive accumulation and yet the social outcome of such primitive accumulation is a surplus population whose sustenance requires a reversal of primitive accumulation and which poses a threat to the reproduction of the capitalists. Let us spell out the contradiction in terms of surplus. Surplus value is disposed of in myriad ways—as subsumed class payments under different headings— to secure the conditions of existence of the capitalist class structure. A part of the SV(K) is used for accumulation of capital (Ω). The reserve army of labor is one condition of accumulation and hence of reproduction of the capitalist fundamental class process. The cost of maintaining the reserve army of labor is a separate cost and involves a subsumed class payment, $SSCP_{RA}$. The cost of primitive accumulation belongs to the broader cost of securing a particular (politico-legal) condition of existence of the capitalist surplus value—namely, a social pattern of private ownership of means of production that exclude a section of the population from access to such means of production. $SSCP_{PA}$ is singled out as the cost of expansion of such a regime of private property rights over means of production. $SSCP_{others}$ is the sum of all other kinds of subsumed class payments.

$$SV(K) = \Omega + SSCP_{RA} + SSCP_{PA} + SSCP_{others}$$

$SSCP_{RA}$ and Ω are inversely related. While the presence of an ancient economy allows the capitalists to get rid of $SSCP_{RA}$, at the same time it increases $SSCP_{PA}$. This is because the ancients "invade" the private means of production under capitalist control and thus undermine some of the conditions of existence of the capitalists. Further, the

reproduction of ancients requires "locking" some "scarce" means of production (land) in ancient labor processes. Both outcomes require increased expenditure on behalf of the capitalists to either defend or expand their exclusive access to means of production.

It is precisely here that David Harvey misses the contradiction of the whole process. Harvey acknowledges an inescapable "outside" of capital, but he sees the "outside" as a condition of existence of capital. In my understanding, the "outside" both enables and undermines the reproduction of capital at the same time. This contradiction, which places the reproduction of capital in a climate of radical contingency, also inscribes the aleatory at the heart of society.

Primitive Accumulation and Ancient Surplus

Throughout the last section we have repeatedly hinted that the reproduction of the ancient economy is threatened by primitive accumulation and the consequent production of a surplus population. In this section, I will try to show how an expansion of an ancient economy may go hand in hand with the undermining of the conditions of prosperity of the ancients. We will however choose to focus exclusively on primitive accumulation and its impact on the ancient economy, fully aware that all other processes occurring in the society may add to or reverse the effects of primitive accumulation. More precisely, we will seek to establish the following theoretical positions in the context of the specific social conjuncture we are studying.

i) Primitive accumulation enables a skewed distribution of surplus between capitalist and ancient class structures.

ii) Such skewed distribution, in turn, enables primitive accumulation.

In other words, primitive accumulation and the resulting social distribution of surplus and labor power across class structures overdetermine each other. This process of mutual constitutivity further works as one condition of the dominance of the capitalist class structure.

At the outset, I distinguish my position from two contending positions concerning surplus in the ancient economy. One view holds that ancients are subsistence producers who produce no surplus. This view is strongly held in the modernist theories of development[95]. But even in the Marxian theoretical tradition, simple commodity production is often represented as *production for consumption* as distinct from *production for profit*[96]. A second view holds that simple commodity production is characterized by production of surplus, but the production of surplus renders the simple commodity production unstable, in so far as there is no rule of distribution of surplus in the ancient economy analogous to the capitalist rule of distribution of surplus according to a uniform rate of profit[97]. Therefore, the ancient economy can only reproduce itself by *losing* its surplus to some external social sites—e.g., as tributes to the *Asiatic* state or outflow of surplus to the capitalists through unequal exchange in the market (ancient commodities selling at less than their values against capitalist commodities).

The position held in this essay is different. Processes related to surplus, i.e. class processes, constitute the very entry point in the Marxian theoretical discourse and the

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[95] The entire literature on "dual economy" in development economics builds on this view. See Lewis (1954) for the most well-known formulation of a dualistic underdeveloped economy consisting of a small, capitalist modern sector and a large, traditional, non-capitalist subsistence sector.

[96] This view is often substantiated by reference to Marx's well-known distinction between the circuits of simple commodity production (C-M-C) and capitalist production ($M - C - C' - M'$). See the clearest formulation of this view in Sweezy (1942).

[97] See Chaudhury, Das and Chakrabarti (2000). The problem emerges in the context of heterogeneous labor—i.e. different subsistence needs in different branches of ancient production. For homogeneous labor, a uniform rate of self-exploitation is a sufficient rule for the distribution of surplus in the ancient economy.

present essay, which is located within the former, is no exception. Class structures are distinguished not by the production or non-production of surplus, but by the specificity of the processes of production, appropriation and distribution of surplus. Having chosen class—i.e production of surplus—as the entry point, Marxian theory further recognizes that production of surplus in any class structure as well as the stability of any class structure is conditioned by the entire social context, i.e. overdetermined by all other processes occurring in the society. I understand stability of a class structure as its contingent and provisional reproduction. Specific conditions must prevail if surplus is to be produced and the class structure within which surplus is produced is to be reproduced, the conditions themselves being specific to each class structure. The conditions for reproduction of the capitalist class structure are different from those of the ancient class structure.

Therefore, the present essay understands both ancient and capitalist production in terms of surplus and focus rather on the different conditions governing surplus in the two cases. Further, surplus and subsistence are seen as conditions of each other, rather than independent goals in themselves. Production of surplus—and possibly also accumulation—is crucial to the securing of subsistence by the ancients. In fact, conditions of existence of ancient production and hence subsistence of the ancients, are secured through distributions of surplus produced by the ancients. If sufficient surplus is not produced, the subsistence of the ancients is undermined. The ancient class structure is encapsulated in the following relation pertaining to ancient surplus—$SV(A)$ can be greater than, equal to or less than $\sum SSCP(A)$. We have deliberately ignored other sources of subsumed class (SSCR) and non-class (NCR) revenues obtained by the

ancients and consequently expenditures (X and Y respectively) to secure them are ignored.[98]

From the relation, we cay say the following.

1) The ancients perform and appropriate surplus labor. Surplus labor is appropriated in the form of surplus value ($SV(A)$), i.e. ancients are commodity producers.
2) The ancients have to make a variety of subsumed class payments ($\sum SSCP(A)$) to secure the conditions of production of their surplus value.
3) The sum of subsumed class payments may be greater than, equal to or less than the surplus value appropriated by the ancients. Whenever, $SV(A) \geq \sum SSCP(A)$, the conditions of existence of the ancients are secure. The reproduction of the ancients is threatened if $SV(A) < \sum SSCP(A)$.

Let us now try to understand how primitive accumulation—as a process considered in isolation—may affect both sides of the relation and hence the reproduction of the ancients.

Primitive Accumulation and the Production of Ancient Surplus

Class, i.e. surplus, constitutes the entry point in the Marxian discourse. But overdeterminist Marxian theory does not essentialize surplus, i.e. it recognizes that surplus itself is overdetermined in its production, appropriation and distribution. The production of surplus has certain conditions relating to the technical nature of production, the productivity of the laborer, the availability of means of production, the social demand

[98] See Fried and Wolff (1994) and Gabriel (1990).

for the commodity etc. First, labor with a certain level of productivity must be combined with means of production to produce specific use-values, which are sold as commodities. In a given working-day, the laborer adds certain hours of living labor, i.e. value, to the product. The production of surplus value assumes that the productivity of labor is such that the laborer can produce the value of the means of subsistence customarily required to reproduce his labor-power in less than the full length of the work-day. Whether the laborer actually produces or realizes the potential surplus given by the productivity of labor depends on several factors—e.g. the availability of required quantity of means of production as well as the level of social demand for the commodity. Let us suppose the work-day is 8 hours long and the productivity of labor is such that the value of the means of subsistence required to reproduce unit labor power is 4 hours of socially necessary abstract labor time (SNALT). Therefore, surplus value per laborer per work-day is 4 SNALT. This is the *potential* surplus per work-day of the ancient producer. Actual surplus is less than or equal to this potential surplus. Let us consider two situations—where actual surplus may fall below the potential surplus. Both these situations exemplify the effectivity of primitive accumulation on the ancient surplus.

Access to Land and the Production of Ancient Surplus

We have noted how primitive accumulation involves a transfer of "scarce" means of production—land—from the ancients to the capitalists. The expanded production of a surplus labor force that accompanies primitive accumulation requires that the surplus labor force be united with the dwindled mass of land in ancient class processes. In agriculture, for example, this leads either to "fragmentation" of geographical land into

smaller private allocations usually through inheritance or to "overcrowding" on the same plot. In the first case, land commanded by an ancient on average is so small that actual surplus is less than potential surplus. The production of surplus, i.e. the performance of surplus labor, is conditional upon the availability of sufficient means of production. With given technology and availability of means of production other than land, the size of land may constrain the *full* performance of surplus labor time. Actual surplus falls below potential surplus, if for example, the ancient farmer works with lower than the average intensity of labor, given the length of the work-day or— which is another form of the same thing—works with average intensity for less than the average length of the work-day[99] or both. This is equivalent to a shortfall of the *absolute surplus value below* its potential level given by productivity. The rate of self-exploitation, i.e. the rate of ancient surplus value, is less than what would have obtained if size of land was sufficient to absorb the expenditure of surplus labor time for the average length of the work-day with average intensity. In this case, we may have a situation—quite common among peasants in developing societies—where $\mathrm{SV(A)} < \sum \mathrm{SSCP(A)}$, which implies that the ancient is unable to make subsumed class payments to secure conditions of existence of her surplus. In such a situation, the ancient is often forced to forego a part of her customary subsistence to meet the subsumed class payments.

[99] In this case, the means of subsistence required to reproduce labor power of the ancient farmer may be less than when the farmer works for the whole work-day with average level of intensity. Yet, there is a minimum below which subsistence requirements cannot fall in a given historical context. This minimum may be taken to be unemployment benefits decided by the welfare state, the minimum wage for agricultural laborers or the official rural poverty level of income, whichever may be relevant in the specific context. What this means is that there exists a certain floor to the necessary labor time, given the technology and the historical context. If the surplus labor time is less than what is possible given the necessary labor time, then the rate of self-exploitation is less than its potential level.

This problem is not, in any sense, specific to agriculture or social scarcity of means of production. This problem emerges whenever the ancient producer lacks access to some means of production in sufficient quantity to fully absorb the ancient's surplus labor at the potential level, irrespective of whether those means of production are available to the society in abundance or scarcity. The ancient manufacturer of garments may lack access to clothing material; the ancient manufacturer of leather goods may lack access to raw or tanned hide and so on. Hence, an almost universal complaint of the ancients, particularly in developing countries, is the lack of credit for buying means of production.

Alternatively, we can see the problem of fragmentation as "overcrowding" on scarce land. Overcrowding takes place when the size of land is too little compared to the size of the labor force dependent on it. This is typically the situation, when, in the absence of alternative livelihood opportunities and social security institutions, the family harbors unemployed relatives. Suppose the plot of land can be farmed by one member of the family. Then members of the family take turn at being unemployed. This phenomenon is referred to, in the literature on development economics, as "disguised unemployment" or "underemployment" characteristic of many populous poorer societies. In Marxian terms, "disguised unemployment" exists when a laborer works with less than the average level of intensity or less than the average number of hours per year.

> Disguised unemployment thus normally takes the form of smaller number of working hours per head per year; for example, each of three brothers shepherding the sheep every third day…..It might also take the form of lower intensity of work with people "taking it easy", e.g. the peasant having time to watch the birds while working. If a number of labourers went away, the others would be able to produce about the same output working *longer* and *harder.* Sen, 1968: 5) [100].

[100] See Nurkse (1957)

In effect, only one person of the family may be considered to be working the average number of hours per year with average intensity. The rest of the extended family members may be considered as dependent unemployed. Even if the size of land is adequate to bring forth a surplus sufficient to reproduce ancient farming, the presence of a dependent labor force requires that a part of the surplus value be distributed as subsistence to effectively unemployed members of the extended family. This "payment" may even be considered a subsumed class payment to secure access to the family plot of land and avoid its fragmentation. In such a case, it is possible that $SV(A) < \sum SSCP(A)$. One category of subsumed class payment—the amount that goes in reproducing the labor power of the effectively unemployed family members, $SSCP_{family}$—may be so large that other subsumed class payments cannot be met and hence other conditions of existence of ancient farming may be undermined. Whether we look at the problem as fragmentation or as overcrowding is a matter of choice. In the former case, the effect is on the left hand size of the inequality, i.e. on the production and appropriation of surplus value; in the second case, the effect is captured by the right hand side of the inequality, i.e. subsumed class payments out of appropriated surplus value.

Social Demand and the Production of Ancient Surplus

Let us consider the opposite situation where the ancients have easy access to means of production. However, the level of social demand for use-values contained in ancient commodities constrains the production of ancient surplus value. Here, instead of overcrowding on means of production, we have overcrowding of the market. Too much social labor is expended in a branch of production, regardless of the social demand for the

particular use-values. This is possible when difficult access to the "scarce" means of production drives ancients to those production activities where the "scarce" means of production are minimally required, leading to overcrowding of the market.

Let us assume that dispossessed ancients—the victims of primitive accumulation—shunned by capitalist industries, secure access to some means of production and set up new ancient production units. The pressure of surplus labor force may lead to a proliferation of ancient enterprises to such an extent, relative to the market demand, that the resulting supply of use-values exceed market demand. Marx clearly mentioned that one of the conditions of existence of surplus labor is that there must be a social demand for the products of surplus labor.

> But the use-value of the social mass of products depends on the extent to which it satisfies in quantity a definite social need for every particular kind of product in an adequate manner, so that the labor is proportionately distributed among the different spheres in keeping with these social needs, which are definite in quantity.....The social need, that is, the use-value on a social scale, appears here as a determining factor for the amount of social labor which is to be supplied by the various particular specific spheres.…This point has any bearing upon the proportion between necessary and surplus labor only in so far as a violation of this proportion makes it impossible to realize the value of the commodities and the surplus-value contained in it.(Marx, 1909: 745)

Due to excess supply of commodities in the market, market price deviates from unit values and ancients can't realize their "potential" surplus value when they are forced to sell at lower market prices. This is often the case, for example, with pavement food-stalls in urban areas in developing countries. Dozens of food-stalls selling the same commodity are located side by side at the same street corner. Further well-known examples can be mentioned—the line of shoe-shine boys, the row of typists with their type-writers outside government offices etc. The effect in this case is same as in the case of fragmentation of land—a lowering of realized rate of ancient surplus value below its potential level.

In the first case, means of production were the limiting factor. In the second case, the extent of the market is the limiting factor. Still other cases are possible. But the point is made. The production of a surplus labor force and the consequent competition in the ancient economy denies the ancients the ability to produce and/or realize potential surplus, thus depressing the rate of surplus value.

It is thus that primitive accumulation enables such a skewed distribution of surplus and labor force between the ancient and the capitalist economies. The capitalist economy produces a larger share of surplus but sustain a lower share of the society's labor force while it is just the obverse for the ancient economy.

Primitive Accumulation and Distributions of Ancient Surplus

Let us now understand how primitive accumulation affects the right-hand side of the inequality, $SV(A) < \sum SSCP(A)$—i.e. how primitive accumulation affects the structure and magnitude of subsumed class payments. Even though access of direct producers to means of production is a condition of the ancient fundamental class process, the conditions of such access have a crucial effect on the distribution of surplus value. Let us consider the situation when ancients own their means of production or have direct, 'free' or'open' access to means of production. Primitive accumulation may take the form of forcible separation of ancients from means of production without compensation. This is frequently the case when ancients have insufficiently defined property rights—e.g. usufruct rather than ownership rights—over means of production. Secondly, primitive accumulation may take the form of an extension of the property rights regime by bringing into its domain previously 'free' means of production—e.g. patenting traditional seeds in

agriculture, enclosure of "wastes" etc. When dispossessed ancients engage in ancient production *after* primitive accumulation, they have to gain access to the same means of production—now privatized and of limited access—by making a new subsumed class payment, ground rent. Thus, primitive accumulation introduces a subsumed class payment where none existed before even though all other conditions of existence of ancient production remain exactly the same. Nothing changes except that the intervening moment of dispossession makes way for a new subsumed class payment to emerge. It is this kind of process that Basu (2008) emphasizes.

On the other hand, for all the reasons mentioned before, the surplus value produced by the ancients may be very low making standard subsumed class payments infeasible. One way the ancients manage to survive is by forcefully evading certain subsumed class payments, often with formal or tacit social consent. For example, in many cases ancients may not pay ground rent for access to land. This is most common in urban areas where ancients encroach on public and even private lands, e.g. slums, squatter settlements by railway tracks etc. They often do not pay taxes or mandatory fees to the government. Sometimes they are unable to pay back their loans. It is not uncommon for the state-owned banks to write off peasant loans. Sometimes they do not pay for use of electricity, water or copyright fees. In poor countries, ancients belong to what is known as the "informal sector" that survives on "tolerated" illegality resulting from society's acceptance of their right to survival. However, the ancients have to make other kinds of subsumed class payments to secure their conditions of existence—like membership and/or entry fee to trade associations, payments to political parties to secure policies that protect the ancients against eviction and dispossession, bribe to police to allow them to

secure illegally their conditions of existence, payments to the mafia for protection etc. The balance of all these forces—the relative strength of each being determined by the entire social context—determines the quantitative relation between appropriated surplus value of the ancients and the sum of the subsumed class payments on the other. The reproduction of the ancient class structure assumes a complex form and primitive accumulation has a direct bearing on the reproduction of the ancients through its effectivity on production and distribution of surplus value.

For all of these reasons, it is likely that net surplus of ancients is non-positive, i.e. $SV(A)-\sum SSCP(A) \leq 0$. Net surplus is the discretionary fund of surplus value in the hands of ancients—after making all kinds of subsumed class payments—which may be used either for accumulation of means of production or additional "luxury" consumption to raise individual standard of living above the customary level. If net surplus is zero, then the distribution for accumulation may become zero or the prosperity of the ancients may be undermined. Thus primitive accumulation not only supports a skewed distribution of surplus value and surplus labor power between the two class structures, but also differential rates of accumulation. Indeed if net surplus is negative, then it is possible that the ancient will reduce personal consumption to increase the gross surplus so as to meet subsumed class payments. In this case, not only conditions of prosperity but conditions of existence of the ancient may be undermined.

The Distribution of Surplus across Class-structures and the Conditions for Primitive Accumulation

Let me turn to the second theoretical problem which is to show how such a skewed distribution of surplus and labor force—between capitalist and ancient class structures—in turn, enables primitive accumulation. In the Marxian literature on primitive accumulation, *force*—particularly as embodied in the coercive stance of the state—is identified as the main instrument of dispossession. This is one of the reasons why primitive accumulation has so often been identified as an "extra-economic"—more precisely, political—process in the Marxian literature. As we have argued earlier, I depart from the classical Marxian understanding of dispossession as a purely "extra-economic" process. In my understanding, dispossession of ancients may also accompany the reproduction/expansion of the capitalist class structure as an outcome of economic processes. The distribution of surplus and labor force between class structures enables such economic outcome of dispossession without any coercive involvement of the state. We understand "enclosures" not as the definitive form of primitive accumulation, but as the limiting case of a more general process by which direct producers' access to means of production is dissolved. It is quite possible that economic conditions are such that economic processes dissolve the unity of direct producers and means of production and enable a flow of the latter from the ancient to the capitalist economy without involving any coercion. In the next two subsections, I first show how such a skewed distribution of surplus and labor force allows the capitalist class structure to engage in dispossession via force (often involving the coercive apparatuses of the state). Then, I show how the same processes of dispossession may take place through economic mechanisms—without

involving force—as a result of differential conditions governing capitalist and ancient surplus.

State and Primitive Accumulation

A Marxian theory committed to overdetermination would admit that the political process in which state actions facilitate dispossession is itself overdetermined by all other processes in the society. Specifically, one goal of the Marxian theory is to show how one particular set of economic processes—class processes—affects the political process of policy formation in question. Our argument that the skewed distribution of surplus and labor force between class structures enables primitive accumulation is precisely one answer to the problem thus posed in Marxian theory.

According to Marxian theory, the state, like any other social site, is overdetermined by all the different processes occurring in the society. The state relates to class structures in a social formation by providing certain natural, cultural, political and economic conditions unique to each class structure. A part of the cost of provision of such conditions is defrayed from subsumed class payments—in the form of taxes, fees and other mandatory payments by business enterprises to the state—out of surplus produced in each class structure. To the extent that a skewed distribution of surplus emerges across class structures, the class structures have differential effectivity in securing their conditions of existence in general and state policies in particular. Wherever there is conflict between conditions of existence of different class structures, the class structure with command over greater surplus and hence capable of greater subsumed class payments to the state

are in a better position to secure state policies in its favor. In our case, the capitalist class structure has this relative effectivity vis-a-vis the ancient class structure.

In particular, in every social formation, ancient and capitalist class structures contest over state policies—related to tax, production subsidies, credit, environment, property regimes etc.— which may have the effect, intended or unintended, of dispossessing the ancients. When the expansion of the capitalist class structure involves the process of dispossession, the social conflict over dispossession is often resolved in favor of the capitalist class structure when the subsumed class payments by the capitalist class structure secure state policies in favor of dispossession. The ancients' opposition to such policies is undermined by their inability to produce *potential surplus* and influence state policies through subsumed class processes. Moreover, subsumed class payments by the capitalist class structure also secure cultural conditions of primitive accumulation through production and dissemination of economic discourses that devalorize petty production and represent capitalist class structure as the vehicle of economic progress.

Of course, the outcome of the social conflict over dispossession is only partly determined by the subsumed class payments to the state. Many other processes have their own effectivity over state policies which may modify, slow or even reverse the process of dispossession. Direct political agitation by ancients against such state policies may erect effective barriers to primitive accumulation. Moreover, cultural discourses emerge—particularly in social formations with a large surplus labor force—that assert and support moral rights to livelihood of the people in the face of predatory capitalist accumulation.

Market and Primitive Accumulation: Ground Rent

Land as a scarce means of production yields ground rent to its owner, the landlord. Ground rent is a payment out of the produced and appropriated surplus value to the landlord for access to a monopolized means of production—land. The size of ground rent is determined by competition among appropriators of surplus value and between them and the landlords. But since ground rent is a payment out of the surplus value, its size is constrained by the mass of surplus value. As surplus value increases, so does rent as a component of it. Marx makes this point in the context of capitalist production.

> To the same extent that the production of commodities develops as a capitalist production, and as a production of value, does the production of surplus-value and surplus-products proceed. But to the same extent that this continues does property in land acquire the faculty of capturing an ever increasing portion of this surplus-value by means of its land monopoly. Thereby it raises its rent and the price of the land itself (Marx, 1909: 747-748)

We have already seen how primitive accumulation has the effect of depressing the rate and mass of ancient surplus value. It follows then that rent on land on which a capitalist enterprise stands will be higher than the rent on land on which an ancient enterprise stands. Suppose both capitalists and ancients are vying for access to "scarce" land as a condition of existence of their respective surplus values. Since, the rate and mass of surplus value is higher for the capitalists compared to the ancients, the anticipated rent from capitalists is greater than the anticipated rent from ancients, other things being equal. The price of land is anticipated rent capitalized at some "notional" rate of interest. The price of land is higher if it is sold to the capitalists than the ancients. At the same time, the capitalists can outbid the ancients in purchasing land.

Thus the class structure has its own peculiar effectivity on the determination of the price of land. The price of land under ancient production is reflective of the conditions of ancient production—actual surplus being less than potential surplus—, which in turn is

an effect of ceaseless dispossession due to capitalist accumulation. The same pricing process yields a higher price for land under capitalist production due to the production of greater surplus value in the capitalist enterprise. This has the further implication that capitalist accumulation has contradictory effects on the price of land in the two economies. On the one hand, capitalist accumulation—by enabling production of greater surplus in capitalist enterprises—leads to a steady increase in the price of land under capitalist production. The same process of capitalist accumulation, through dispossession, continues to depress ancient surplus value below its potential level and devalorize land under ancient production. The price of land in the capitalist economy continues to increase vis-à-vis land in the ancient economy. Thus, the skewed distribution of surplus and labor power results in a cheapening of land in the ancient economy vis-à-vis land in the capitalist economy, thus making the latter an easy target of primitive accumulation. Consequently, capitalists accumulate by *bidding out* ancients from access to "scarce" land.

The Contradictory Effects of Surplus Population on Capitalist Surplus Value

We have so far seen how primitive accumulation and the production of a surplus population affect the conditions governing ancient surplus. But the same processes also affect production and distribution of capitalist surplus value. We have already noted one such contradiction in terms of the "enclosure" costs of primitive accumulation. Let us explore further contradictions in this context.

It is an immediate consequence of overdetermination that conditions governing ancient surplus will affect capitalist surplus. We have seen how primitive accumulation may have

the effect of driving down the net surplus of the ancients to zero. This means little or no accumulation by the ancients and hence insignificant growth of productivity of ancient labor. The most dominant view of the ancients in developing countries is that they are technologically stagnant. Suppose, ancients produce the chief means of subsistence, food. Unless unit values of food articles decline, the value of labor power cannot be cheapened to any significant degree in capitalist enterprises. Expenditure on food will continue to dominate the workers' budget and hence workers' demand for capitalist means of subsistence (non-food items) will be constrained. Thus the expansion of capitalist V-goods production will be undermined, or what is the same thing, the emergence of the "great consuming middle class" will be thwarted. Moreover, the most important of the capitalists' strategies to increase the rate of surplus value—the cheapening of the value of labor power—will be constrained. Thus capitalist surplus value and hence rate of accumulation of productive capital may be adversely affected by the low accumulation and low productivity of ancient farmers. Capitalist accumulation maybe severely hampered if rising demand for food against a stagnant supply pushes up the food prices above their values and hence raise the value of labor power, thus reducing the appropriated surplus value of the capitalists and hence the amount of that surplus value available for accumulation. This has always been a major concern for strategists of economic development in developing countries.

In such a case, the capitalists may have to take actions to increase the productivity of ancient farmers. Capitalist C-commodities specially produced to improve productivity of ancient farmers may be introduced. These include laboratory-produced high-yielding variety of seeds, chemical pesticides and fertilizes etc. While an increase in productivity

of ancient farmers and a fall in unit-values and hence prices of food articles are secured, this strategy of productivity improvement might further deteriorate the condition of the farmers. While originally the ancient farmers would use traditional seeds, manure and irrigation methods which they procure as use-values by themselves, the new production methods require farmers to purchase produced means of production as commodities in the market. Suppose, the increased outlay on means of production is secured by the ancients through credit obtained from banks. This introduces a new subsumed class payment of the ancients—interest on loans. While the ancient surplus increases because rate of ancient surplus value increases—along with rate of capitalist surplus value—the new subsumed class payment nevertheless may rob the ancients of the benefits of a rise in rate of surplus value. If market price suddenly drops below the values, so that ancients do not realize their surplus value, the ancients may in fact get caught in the "debt trap"—hence, the widespread indebtedness of the peasants in developing countries.

In general, if the ancients do not accumulate, then the market for some capitalist C-goods cannot expand either—e.g. the market for agricultural machinery and equipment manufactured by capitalists cannot expand if the ancient farmers do not accumulate. Thus accumulation in some capitalist C-goods industries may be arrested because of a lack of market. We have already seen that the market for capitalist V-goods (non-food means of subsistence) cannot expand unless unit-values of food items fall. In such a situation, it is not unusual to find a "luxury" goods sector develop within the capitalist economy, the market for the luxury commodities being provided by a class of unproductive laborers in both capitalist and ancient economies—e.g. landlords, managers, merchants etc.

There are other effects of the ancient class structure on capitalist surplus that may help capitalists raise the rate of surplus value above what they would otherwise obtain in the absence of the ancients. The customary means of subsistence, according to Marxist theory, is determined by the historical context. One of the determinants of the customary means of subsistence is the class structure itself with its particular political, cultural and economic conditions of existence. For ancients with a stagnant and often precarious standard of living over a considerable time and a cultural discourse of poverty which shape their world-view, the notion of what constitutes a customary standard of living may well be lower than that of the workers in capitalist enterprises[101]. This is particularly true in case of ancient farmers who belong to a rural society with distinct social organization of life.

We assume that there is a single labor market in the economy. Therefore, there is a single average value of labor power of workers in the capitalist enterprises. Due to the existence of a surplus population, there is always a mass of potential migrants—ancients whose reproduction of labor power is threatened and who seek entry into the capitalist economy with a lower private customary standard of living— to the capitalist labor market. The average value of labor power of the workers in the capitalist economy will be determined partly by their own notion of a customary standard of living and partly by the ancients' customary standard of living. Thus the average value of labor power of the workers in the capitalist economy will be lowered in the presence of ancients under the specific conditions considered here. Further, in the presence of a surplus population, there is always an oversupply of laborers in the labor market—thus lowering the price of labor

[101] See Safri (2006) for how private notions of value of labor power may differ between workers coming from different cultural background.

power below the lowered average value of labor power. All of these factors may increase the rate of surplus value of the capitalists. On the other hand, workers in capitalist industries may get unionized to resist any fall in the price of labor power below its value. It is obvious that such a social formation will be ridden with inequality, possibilities of social disintegration, crime and violence. Particular political and cultural processes are bound to emerge that work to minimize these tendencies towards instability and disintegration. The state in particular may be forced to address the conditions of the ancients in welfarist terms. The state may tax the capitalist profit and subsumed class incomes to subsidize health, housing and education to the ancients. This may lower the cost of reproduction of labor power of the ancients and allow a larger ancient surplus to emerge. Even capitalist C-goods used in ancient production may be subsidized by the state. Thus a non-class revenue may accrue to the ancient enterprises. Further certain subsumed class payments to the state may be waived for the ancients—e.g. bank loans by state-owned banks to farmers may be written off, license fee and other taxes applicable to business may be waived for ancients etc. All these expenditures may leave the state with less money to finance infrastructure projects crucial for capitalist accumulation. This is often the reason why chambers of commerce and corporate media are so vocal against fiscal imprudence and populist policies of the state in poorer societies.

Conclusion

The kind of social formation considered here is typical of many developing countries. In analyzing the complexity of the interaction of different class structures at a most abstract level, I have introduced several simplifying assumptions at various stages. If we relax

those assumptions, other constitutive processes with their unique determinations will come into being, reversing, reinforcing or modifying several outcomes considered here. The idea has been to assume away many such determinations precisely to isolate and trace the effects of primitive accumulation and the production of a surplus population through the social formation. Even in such a simplified model and with such a narrow focus, we have been able to uncover many sides of a contradictory totality which is what a social formation is. The analysis in this chapter can only claim to outline a general approach to the study of social formations where a particularly exclusionary form of capitalist accumulation is going on. Any concrete analysis has to take into account the specificity of the social formation. I will offer such an analysis in the next chapter, choosing Indian capitalism as the object of study.

However, the analysis presented in this chapter carries elements of a Marxian theory of poverty that is applicable to the kind of social formation considered here. Needless to say, there are as many forms of poverty as there are forms of capitalism. Here a specific form of poverty associated with the proliferation of a particular class structure under specific conditions is considered. The proliferation of the same class structure under different conditions—for example, in the absence of the dominance of capital—may be a solution to poverty! The proliferation of ancient class structures under the dominance of capital may lead to poverty, but poverty in this context takes the form of a social response to the problem of surplus population. Only by sharing poverty, can the surplus population subsist in the face of exclusionary capitalist accumulation.

CHAPTER 5

CONTRADICTORY DEVELOPMENT OF CAPITALISM IN POSTCOLONIAL INDIA: PRIMITIVE ACCUMULATION AND SURPLUS POPULATION

Introduction

In many ways, economic development in India constitutes the stylized economic hi(story) of many Third World countries in the discourse of development. According to this story, Third World countries embarked on a rapid process of industrialization after the WWII in an effort to "catch up" with the advanced industrial economies of the West. In the initial decades of development—roughly till the end of the 1970s—the 'developmentalist' nation-states of these countries followed an autarkic development policy based on import-substitution in a more or less 'planned' economy with regulated markets and significant state ownership of the means of production in the economy. This *dirigiste* regime ran out of steam and encountered serious crises in the 1970s, which led to its abandonment, for good or for bad. Industrialization now proceeded under a different (and a competing) policy regime characterized by reliance on free international and domestic trade, non-interventionist state and unregulated private capitalist enterprises—the regime popularly referred to as the neoliberal regime (Bhagwati (1993).

In the context of economic development in India, two distinct policy regimes are identified—the first one covering the period since independence to the end of the 1980s and the second inaugurated by the New Economic Policy of 1991. Import-substitution was one of the main components of the first regime, while a greater reliance on exports marks the second policy regime. The first policy went much beyond conventional import-substitution in promoting industrialization in India. It supported an overwhelming

presence of the government in the Indian economy—the nature and degree of which was remarkable outside the so-called socialist economies of the time. It suppressed markets and regulated private economic decision-making to a significant extent and sought progressively to replace private sector with the state capitalist sector. On the other hand, despite the emphasis on free international trade in the new economic policy, India's contemporary economic policy is much broader than what is known as export-led industrialization. Hence, the distinction between the two regimes has to be drawn based more on the three features of an economy—a) the nature of markets, b) ownership of means of production of the society and c) the scope of private decision-making. The *dirigiste* regime is characterized by a) a heavily regulated market with economic planning determining to a large extent the flow of means of production, commodities and capital b) significant and steadily enlarging state ownership of means of production of the economy and c) an elaborate policy framework that guided, circumscribed and directed private decision-making. The *laissez faire* regime is characterized by a) free markets as the main institution for allocation and distribution of means of production and capital b) privatization of means of production of the economy and c) a policy framework that facilitates rather than directs private decision-making.

The distinction between the two policy regimes also supported a popular view that the political ideology of the state and the nature of the economic organization under the *dirigiste* regime were influenced by socialism and that under the neoliberal laissez faire regime by capitalism. To a Marxist, however, industrialization under both regimes is an attempt to expand the productive circuit of capital (industrial capitalist class

processes)[102]. The difference lies in the relative strength or domination of various forms of capitalist enterprises under the two regimes—more precisely, the relative strengths of state-capitalist versus private capitalist enterprises and within private capitalist enterprises, between monopolistic and competitive markets. The debate on the relative merits of the two regimes boils down to debates on 1) public vs. private capitalist industries and 2) free market vs. planning. This debate on the relative merit of the two regimes is not a Marxian debate in so far as it fails to acknowledge the uniquely Marxian insight that expansion of the productive circuit of capital, whichever form it takes, is also the multiplication of capitalist class exploitation and the choice between its forms is not a Marxist's choice. Yet, neoliberalism has also forced Marxists to get involved in the debate and make their targets of criticism not class relations, but unfortunately, markets and private property.

Critics of neoliberalism often emphasize certain desirable social outcomes of the dirigiste regime—a better provision of public goods and a relatively more egalitarian distribution of income. A case in point is the debate over the role of the state in promoting employment, reducing poverty and keeping inequality in check. The roll-back of the state from the economic space in the neoliberal era—starting as a policy stance in 1991—was seen by many as an abandonment of these social objectives by the Indian state. The Indian state has increasingly been described as a stooge of global corporate interests—submissive to the dictates of International Monetary Fund, World Bank, World Trade Organization and US-led global geo-political strategies. In comparison, it is argued, the Indian state had greater flexibility to respond to domestic economic problems in the

[102] See Patnaik and Chandrashekhar (1998), Sanyal (2007), Chakrabarti and Cullenberg (2003),

dirigiste regime (Swaminathan, 2000; Chandrashekhar and Pal, 2006; Patnaik, 2007; Selvaraj and Karan, 2009). On the other hand, critics of the *dirigiste* regime point out the inefficiency of the state in running the economy, the failure of the regime to engineer sustained high growth of the economy, the dismal performance of poverty-eradication policies and the stifling of domestic business and hence domestic livelihoods-creating opportunities (Kruegger, 1974; Bhagwati, 1982, 2001; Bardhan, 1984; Ahluwalia, 1985). Both adherents and critics of the *dirigiste* regime focus on similar sets of economic problems—growth, employment, poverty etc., but they differ on the relative effectiveness of the state and the market in achieving those objectives.

Within Indian Marxism, class[103] has been replaced by concerns with poverty, livelihoods, macroeconomic performance and growth[104]. The famous "modes of production" debate had petered out by the 1980s and the neoliberal turn in state policy has riveted the Indian Marxists' attention to the state rather than class. In this chapter, I intend to bring class back into the discourse on Indian capitalism. I claim that the theoretical arguments presented in the preceding chapters can be used to construct not only a unique history of capitalist development in India, but also a Marxist analysis of enduring poverty and unemployment in India cutting across different regimes. More precisely, I argue that a focus on surplus-based notions of class and primitive accumulation can account for the specificities of Indian capitalism in general and poverty and crisis of subsistence in India in particular. In this chapter, I only present a broad outline of how such a history and understanding of Indian capitalism may be constructed. A full and detailed account will

[103] It must be stressed that class as surplus labor (Resnick and Wolff, 1987) rarely informed Indian Marxist discourse on capitalist development in India.
[104] See Bagchi (1999), Patnaik (2007), Ghosh and Chandrasekhar (2002).

require a separate work by itself. My purpose here is to underscore the contradictions of Indian capitalism and add to the exploitation-focused critique of capitalism another political critique in terms of dispossession.

If capitalist development was the raison d'être of both regimes, they were both haunted by the specter of surplus population. Even as both regimes struggled to facilitate capitalist development in India, they had to grapple with the problem of surplus population that was often expanded by the same policies undertaken to facilitate capitalist development. The existence of surplus population is generally attributed by Marxists to insufficient rate of capitalist growth and consequently attention has been given to imperialist and feudal relations that obstruct capitalist development in postcolonial societies like India. What is absent in the Marxian literature is the recognition of how capitalist growth itself thrives on primitive accumulation and may in turn exacerbate the problem of surplus population and how the latter in turn may peculiarly constrain capitalist accumulation. In general, the discourse on economic development in India has portrayed capitalist accumulation as a *solution* to the problem of surplus population. I argue that once we take into account primitive accumulation as a process constitutive of reproduction of capital, the problematic of surplus population gets complicated—capitalist growth may have contradictory effects on the surplus population, incorporating and excluding it at the same time, the net outcome being crucially dependent on the social context in which capitalist development occurs. In India, surplus population has expanded along with capital accumulation through both regimes. Hence, as we argued in Chapter III, non-capitalist class structures proliferated along with the expansion of surplus population. The

postcolonial history of India is a history of the unstable dominance of capital in a social formation with a large non-capitalist economic space.

Political, Cultural and Economic Conditions of Postcolonial Capitalist Development in India

India at the time of independence in 1947 was, in many ways, the product of the great transition in Europe and particularly, England. Primitive accumulation had ravaged both India and England and prevalent pre-capitalist class structures have been largely dissolved or modified by the transition to capitalism in England and class-transformations under its impact in India. However, at the end of the colonial period, the English and Indian social formations also differed in significant ways—first, capitalist class structures had developed to a far greater degree in the English compared to the Indian social formation and second, the surplus population in England had taken the form of a "reserve army of labor" by the early twentieth century, while India, in 1947, harbored a surplus population, the size of which dwarfed the working class in India's capitalist industries or any 'notion' of a reserve army of labor[105]. The nature of colonial relations imposed unique conditions on the dynamics of social formations in the two countries and lies at

[105] Surplus population emerged in both England and India in the course of transition to capitalism in the former and class-transformations under colonial impact in the latter. The British experience illustrates the classic and the most visible form of primitive accumulation. The social context in which primitive accumulation took place in England enabled the most virulent forms of "enclosures" in the history of capitalism—matched only by the annihilation of indigenous populations in some colonies like North America and Australia. Not surprisingly, surplus population emerged in England even as it was emerging as the factory of the world and the most powerful and the richest imperial country in the world. In rapidly industrializing England, the prisons were overflowing with incarcerated unemployed, vagabonds and petty criminals. Even trade unions were assisting emigrating laborers to the settler colonies of USA, Australia, New Zealand, South Africa etc. (See Clements, 1955; Richards, 1993, 2004; Robinson, 2002. Along with the emigration of the surplus population, the process which produced it in the first place—primitive accumulation—was exported to the colonies, as the emigrants 'cleared' lands for settlement. In nineteenth century England, the surplus population subsisted much in the same way as the working poor subsist in the informal economy in India today—in small, "ancient", barely remunerative economic activities (Benson, 1983).

the heart of this great divergence. To understand the evolution of Indian capitalism in the postcolonial period, we must begin by specifying the particular economic, political and cultural conditions that prevailed in India at the time of independence and how they changed over time.

The Social Context at the Time of Independence

The historical experience of colonial rule and the nationalist movement shaped the views of the new sovereign Indian state in matters of economic policy. The idea behind economic planning was to reverse the effects of colonial rule—namely, to industrialize the Indian economy and reverse the long process of deindustrialization under colonial rule, to develop an indigenous capital goods industry and thus reduce dependence on Western countries for technology and capital goods and to break out of the colonial pattern of trade. Jawaharlal Nehru, the first prime minister of India, and a Fabian socialist, was greatly influenced by the experience of Soviet industrialization[106]. While choosing not to take sides with either the Soviet or the Western camp during the Cold War, he nevertheless adopted Soviet economic planning as the vehicle of economic development in independent India. The role of the state would be to directly undertake capitalist industrialization to achieve social objectives like eradication of poverty and generation of employment opportunities. In fact, the state could and did replace, restrain, regulate and circumscribe private capitalists in order to achieve its goal.

It must be remembered that it was Gandhi rather than Nehru who was the iconic leader of the struggle for independence; Gandhi mobilized the passion and energy of the Indian

[106] See Guha (2007) for an account of the making of the Indian nation-state.

masses against British rule by privileging tradition over modernity and by explicitly rejecting the modern Western industrial future for India. Gandhi's economic views were the exact opposite of Nehru's; Gandhi was an anti-modernist, liked Ruskin, Thoreau and Tolstoy, shunned modern capitalist industries and labor-displacing technology, favored decentralized economically self-sufficient village republics and was a quasi-anarchist in his opposition to the strong state[107]. Planning was initiated against these divergent and opposed views of economic development, which threatened to undermine the possibilities of any consensus on economic development.

Certain effects of the colonial rule shaped Gandhi's views and in turn helped him harness popular energy in the struggle for independence. First, the colonial rule severely dislocated the traditional economy of India consisting of stable, self-sufficient village economies, with its population ordered by the caste system and a village-level division of labor, largely dominated by non-market production and allocation of goods and services and a unity of agriculture and industry that had previously shielded them from the corrosive impact of trade. Second, the introduction of private property rights in land by the British led to erosion of many of the customary rights enjoyed by the peasants as well as the traditional social security systems that alleviated the misery of the peasants in times of crises in the pre-colonial social formation of the Indian sub-continent[108]. On the other hand, the nationalization of forests in the name of scientific forestry and declaration

[107] See Bhattacharya and Basole (2009)

[108] The characterization of the prevalent class structure in pre-colonial Indian social formation has been a contentious issue among Marxists. Much of the controversy swirled around the concept of the Asiatic mode of production—a name Marx gave to the prevalent mode of production in India as well as much of the Orient and which he distinguished from the feudal mode of production that prevailed in Western Europe. See Sen (1982). The controversy surrounding the notion of the Asiatic mode of production (See Wittfoegel, 1957; Melotti, 1977; Bailey and Llobera, 1981) is not relevant to the subject of this dissertation and hence I will refrain from engaging with the debate. See Guha (1962) for the intellectual history of the British attempts at introduction of private property in colonial India.

of ‘wastes’ and ‘commons’ as state property for raising state revenues unleashed processes of primitive accumulation that undermined many traditional economic activities (Gidwani, 1992; Guha and Gadgil, 1989). Third, the very processes that led to the emergence of capitalist industries in Britain also led to destruction of Indian industries—for example, protective tariffs in Britain enabled capitalist industries to develop there while free imports of British manufactured goods undermined traditional non-capitalist and capitalist products of India. India was gradually inserted into the colonial pattern of trade—a supplier of raw materials and an importer of manufactured goods. This phenomenon is most starkly illustrated in the case of textile industries in the two countries. This colonial pattern of trade was further strengthened by the development of the railways. Fourth, with the fall of the pre-colonial surplus appropriators and subsumed classes, urban Indian industries patronized by them also declined (Habib, 1975, 1984). Luxury consumption by the Mughal imperial court and the maintenance of the army supported a large urban craft industry. With decline in the royal power, such demand for the whole range of urban manufactures declined leading to urban unemployment. Palace-factories (*karkhanas*) which were established to cater to the demand for the royal court and the urban nobility were closed down (Bhattacharyya, 1972). The new Indian elite during the colonial period—including the new agrarian feudal class emerging after the Mutiny of 1857 and the end of the Company rule in 1858—tried to emulate the British lifestyle and consumed imported British goods. On the other hand, the new middle class, a product of English education, developed a taste for British goods.

The colonial period had left a large population dependent on agriculture and an extremely low land-man ratio that hampered productivity of agricultural labor. By the last quarter of the nineteenth century, deindustrialization of India under colonial rule was complete. Modern capitalist industries were set up by both Indians and British starting from the second half of the nineteenth century. However, if we look at the occupational structure of India over the period 1901-1931, we find that industrial growth made little or no inroads into aggregate employment of the country[109]. In fact, from Table 1, we see that agricultural share of the labor force increased between 1901 and 1931 and total industrial labor force in modern industries increased only marginally, much less than required to offset the decline of labor force in traditional industries.

The pressure of labor force on agriculture lead to a steady decline in land-labor ratio and agriculture became the reservoir of surplus population as poor peasants desperately held on to rapidly fragmenting land as their only means of production in conditions of surplus population. At the time of independence, therefore, "there was much scope for further primitive accumulation" (Byres, 2005: 84).

[109] Tirthankar Roy arrives at the following conclusions based on the existing literature on occupational structure of colonial India.

1. In the period of the censuses, the proportion of male workers engaged in industry declined, from about 10.6 per cent in 1881 to about 8.4 per cent in 1931.
2. The proportion of women workers in industry declined somewhat more rapidly.
3. If industry and trade are considered together, the proportion of male workers engaged in these sectors fell from 15.5 per cent in 1881 to 14.1 per cent in 1931. Thus, while trade and commerce did employ an increasing proportion of workers, the increase was not sufficient to offset the fall in industry.
4. In absolute numbers, the male industrial workforce fell between 1881 and 1901, was constant between 1901 and 1921, and rose between 1921 and 1931.
5. The number of women industrial workers was in continuous decline.
6. Between 1901 and 1931, both relative share of industry and absolute numbers engaged in industry changed very little. (Roy, 1999:16).

Three years before independence, in 1944, seven leading Indian capitalists, aided by an economist, prepared "A Brief Memorandum Outlining a Plan of Economic Development for India"—a document that came to be known as the Bombay Plan. The Bombay Plan unequivocally called upon the sovereign Indian state (foreseeable in the very near future) to intervene in the economy in promoting industrialization (Chibber, 2003). Though wary of state ownership and management of business, big business nevertheless asked the state to have rigorous and extensive control over the economy. India was probably the first country outside the Soviet Bloc to experiment with comprehensive and extensive economic planning and it is interesting to note that economic planning—usually associated with socialist economies— was actually asked for by business houses in India (Sen, 1982: 92)[110]. At the same time, two alternative plans of national development were drafted by the Gandhians and the Communists (Patnaik, 1998). The pre-independence National Planning commission furiously debated the nature of economic development in independent India. Heated debates led to the resignation from the Commission of the sole Gandhian voice—J.C.Kumarappa—who questioned the authority of the Commission to debate future industrialization of India when the country was evidently galvanized into the struggle for independence by the Gandhian critique of British rule and modern industrialism. It is in this context that economic planning emerged as a solution to ideological differences.

> [T]he very institution of a process of planning became a means for the determination of priorities on behalf of the "nation". The debate on the need for industrialization, it might be said, was politically resolved by successfully constituting planning as a domain outside "squabbles and conflicts of politics. (Chatterjee, 1995: 202).

[110] In a recent book, Vivek Chibber comments that "virtually all commentators also agree that there is a direct line of continuity from the Bombay plan of 1944-45 to the First Five-Year Plan in 1950" (Chibber, 2003: 88).

Chatterjee's very influential neo-Gramscian account of the Indian state and economic planning singled out the most important and socially disruptive process associated with capitalist development—primitive accumulation—and that too in a poor country that had recently rode on mass popular movement to independence. The problem was that of legitimation of capitalist accumulation and hence primitive accumulation in a representative democracy and with a colonial history of unconstrained dispossession[111]. According to Chatterjee, planning was the instrument of 'passive revolution' by the Indian state, ideologically representing capitalist interests.

The notion of 'passive revolution' captures the nature of class–transformation in transitional societies where the classical revolution has failed to materialize. Instead of historical change by which the capitalist class takes over power and establishes its hegemonic rule and order, passive revolution refers to the case, where capitalist class manipulates the transformation in its favor through 'molecular' or incremental change. In the process, the capitalist class has to incorporate many non-capitalist elements in its social order. The hegemonic ideology is not the ideology of the bourgeois extended over the civil society, but rather the construction of a new ideology that represents the social order as standing for the entire society or nation. The socialist rhetoric or economic planning in India is seen as an exercise in 'passive revolution' by the Indian bourgeoisie,

[111] Chatterjee (1995: 205-208) quotes the noted Indian economist Chakravarty (1987) to uncover the contradiction in the process of planning.

> These two objectives—accumulation and legitimation—produced two implications for planning in India. On the one hand, planning had to be "a way of avoiding the *unnecessary rigours* of an industrial transition in so far as it affected the masses resident in India's villages". On the other hand, planning was to become "a positive instrument for *resolving conflict* in a large and heterogeneous subcontinent".

where interests of different class structures in the Indian society were sought to be balanced in order to secure the conditions of slow yet advancing capital accumulation[112]. While appreciative of Chatterjee's insights, this dissertation rejects any essentialized notion of the state as the agent of any particular class interests. The state, like any other social site, is an overdetermined and ever-changing entity. The specific economic, political and cultural conditions prevailing in India determine the concrete manifestation of the state in terms of economic policies. The policy documents of the Indian state are fraught through with contradictions and tensions that promoted and inhibited capitalist and non-capitalist class processes at the same time. To understand the policies of the Indian state in class-terms, one must look at the existing class-structures of India at the time of independence and their transformations over time. However, economic, political and cultural conditions did impose a particular contradiction on the nascent sovereign Indian state—a contradiction between accumulation of productive capital as the main engine of economic growth and the promotion of livelihoods for India's surplus population—a contradiction that resulted in the accommodation of capitalist and non-capitalist class structures in national plans. Indian planning was an exercise in selective accommodation of different class structures—a utopic adventure in promoting harmonious economic growth by balancing different class structures. The failure of planning is testimony to the inescapable contradictions that beset it from the very beginning. Marxian theory can account partly for such failure by pointing to the absence

[112] "The specific form in which this twin problem of planning—accumulation and legitimation—was initially resolved, especially in the Second and Third Five-year Plans, is well known. There was to be a capital-intensive industrial sector under public ownership, a private industrial sector in light consumer goods, and a private agricultural sector. The first two were the "modern" sectors, which were to be financed by foreign aid, low-interest loans, and a taxation of private incomes mainly in the second sector. The third sector was seen as being mainly one of petty production…" (Chatterjee, 1995: 211).

of class in the official discourse on planning. Despite the best of intentions, planning failed in India, partly because it did not take into account class contradictions in visualizing a future for India.

The Two Regimes of Capitalist Development in Postcolonial India

A useful way to construct a history of postcolonial India is to distinguish between two different "regimes" with markedly different economic, political and cultural conditions—in effect, two different social contexts within which capitalist development proceeded in India. Economists agree that the New Economic Policy, announced by the central government in 1991, is a watershed in India's economic history. It marked the transition from almost four decades of an uninterrupted "planning" regime to an increasingly liberalized, globalized and privatized economic regime. While, in class-terms, in both regimes, there was an expansion of capitalist class structures, important economic, political and cultural changes after 1991 required a reorientation of the Indian society to a new life under private capitalism as opposed to state capitalism. Such transformations had important consequences for non-capitalist class structures too.

At the political level, significant changes distinguish the period since the late 1980s from the earlier period. The most important of these changes was the erosion of the hegemonic one-party rule of the Indian National Congress (hereafter, simply Congress) and the birth of an era of coalition politics—with shifting and unstable alliances between many smaller regional and major national political parties. For the first twenty five years after independence, a relatively patient electorate remained politically loyal to the Congress whose political morality and legitimacy, derived from its role in India's independence

movement, went largely unchallenged. Congress represented a "rainbow political philosophy"—i.e. a political philosophy that accommodated political views on the right, left and center under a single umbrella, displaying all the colors of the political spectrum (with the notable exception of the Communist Parties of India). Congress's rainbow politics was an effective barrier to political crystallization around issues like caste, religion, ethnicity, autonomy etc. *Congress was the parliament.* The heady days of Nehruvian planning coincided with the overarching ideological stance of the Congress founded on socialism, modernization, secularism and development.

In the late 1960s and the 1970s, the regime of economic planning and the political hegemony of Congress faced a series of crisis. After two decades of impressive growth, the five-year planning strategy ran out of steam in mid-60s with resulting industrial deceleration, food crisis and soaring unemployment. Politically, the Congress hegemony faced parliamentary as well as extra-parliamentary challenges in several states[113]. The Congress Prime Minister Indira Gandhi responded by launching a nation-wide poverty eradication program in 1971. In 1975, she declared national emergency—for the first and the only time—in India and tried to crush opposition. During the emergency, in 1976, the constitution of India was amended and the words "socialist" and "secular" were added to the Preamble. None of these could save the Congress. In the elections of 1977, after Emergency was lifted, Congress is routed in the national elections and the first non-Congress coalition government is formed in India.

[113] The Maoist leftist movements in West Bengal, Bihar and Andhra Pradesh and the social justice movements in Tamil Nadu shook the Congress in late 1960s. Further, there was an internal split of the Congress into Right Congress and Left Congress in 1967. By 1974, there was nationwide mobilization, led by one of the most respected political leaders, Jay Prakash Narayan against the Congress Prime minister Indira Gandhi.

Though Congress and Indira Gandhi returned to power in 1980, the small interregnum of coalition rule changed Indian politics forever. The breakaway fractions from that coalition developed into many of the smaller regional and national parties of India that secured political importance over succeeding decades. Early 1980s saw the first attempts at deregulation of the Indian economy leading to an economic environment for private capitalists to become economically powerful vis-à-vis state capitalist enterprises. Furthermore, growth rate of the economy picked up after a decade of slowdown.

Since 1991, neoliberal policy has actually helped the fracturing of politics. The fact that the central government no longer allocates capital investment between states or control private capitalist investment through licensing and other regulations as before means that states have to compete with each other to attract domestic and foreign investment. As a result, regional aspirations often provide the material motives to formation of regional parties. Moreover, the weak economic role of the center means a single hegemonic party is not an essential political condition of local development. More important is strategic alliance with one of the major Parties to form a coalition government at the center in order to secure for the region a larger share of Central funds. However, this could happen with whoever emerges as the major party in the elections and hence is the best choice to enter into a coalition with. The shifting allegiance of smaller parties, often viewed as "opportunism" and portrayed as a decline of ideology and morality in Indian politics is in fact partly explained by two phenomenon—the neoliberal policy and the fractured political space.

Two significant political and cultural developments in the 1980s changed the Indian society in radical ways—the rise of lower castes as a particular political force and the rise

of Hindu nationalist Right. One of the most significant events under the coalition government of 1977-1980 was the setting up of the Mandal Commission in 1979 with the mandate to "identify the socially or educationally backward". The Commission's report, submitted in 1980, recommended "a positive discrimination" in favor of lower castes with a certain percentage of government jobs and educational seats reserved for them. This immediately led to a controversy as upper caste people protested against reservations which took away some of their social and economic privileges. Over the next decade, the lower caste people mobilized around new political parties who focused on the caste issue. The implementation of Mandal Commission's recommendations in 1990 was a watershed event that brought caste into the center of Indian politics and it has remained central after that.

The rise of Hindu Right in the 1980s and the communal tension that it created through its aggressive assertion of Hindu nationalist identity and its attacks on the Muslim minority provides another traumatic experience in India. The Hindu right combined aggressive military posturing with laissez faire economic policies favoring private capitalists and at the same time promoted a conservative culture that asserted Hindu identity in an increasingly Westernized middle class. Even as they asserted the Indian identity at the cultural level, their economic policies undermined the same through rapid spread of global consumerist culture across Indian middle classes which undermined many of the traditional Indian cultural norms.

In the words of Yogendra Yadav (1999), the period since the 1990s has been dominated by three Ms—Mandal (caste), Mandir (temple, in English, i.e. religion) and Market (globalization). At the same time, class-based politics have weakened in India over the

last two decades. This is surprising, since movements against loss of livelihoods, dispossession through markets and displacement of traditional communities by state and private capitalist industrial projects have increasingly come into prominence over the same period.

If one has to demarcate the regimes—always at the risk of oversimplification—one can highlight the following differences. The period from 1947 to 1991 was a regime that combined centralized economic planning with one-party hegemonic rule of the Congress and social cohesion based on relatively controlled inequality of income and an inclusive culture of accommodation and appeasement of religious, ethnic, caste and class contradictions. The period since 1991 is a regime of free-market private capitalism with a fractured, uncertain and contested political space, cultural ambivalence due partly to the clash of global consumerism with an assertive Hindu chauvinism and a society in general torn apart by rising inequality, jobless economic growth and clashes around caste, religion, ethnicity and autonomy[114].

The period since 1991 is also unique in the sense that the contradictions of capitalist development are brought into sharp relief since an economically powerful, paternalistic and populist state is replaced by a state subjected to all the contradictory pulls and pushes of capitalist and non-capitalist class structures as well as other non-class processes, even as it increasingly loses its economic power to intervene in the society to maintain social cohesion. One particular manifestation of this contradictory development of the society is what is often referred to as a "radical disjuncture" between economics and politics in

[114] These changes were gradual, rather than discontinuous and hence the choice of the year 1991 as the point of discontinuity is purely arbitrary—being significant only to the extent that the formal change of policy regime was a "statement" of how things were to move in the coming decades, an official acknowledgement of a new vision of capitalist development.

India today, pulling the population in opposite directions. In the sphere of economic life, more and more people are excluded from the benefits of economic growth under the neoliberal regime—with jobless growth, increasing inequality and widespread dispossession brought about by accelerated capitalist accumulation—yet the same marginalized groups are included in the political processes of electoral democracy. "The rich dominate the economy now more than earlier, but the poor have a strong voice in the polity more than earlier. And there is a mismatch." (Suri, 2004: 5405).

More and more people are voting and participating in the broader electoral processes in India in the recent times. Interestingly, oppressed and marginalized groups are voting in increasing numbers[115]. Despite state-level differences, at the national level, participation of women, dalits (lower castes), and adivasis (tribals) has increased. As Palshikar and Kumar (2004) observe, "in spite of all the limitations of the electoral process, people have succeeded in instituting their own democratic meaning in this process." (Palshikar and Kumar, 2004: 5417). Given the fractured political space since 1990s, the deep tensions that threaten social integrity and the fundamental uncertainty of global markets, it is surprising that both a vibrant democracy as well as rapid capital accumulation have characterized the new regime—providing one of very few examples of capitalist development within a democratic regime in world history. The current regime also lay to rest the long-standing idea that capitalist class structures are too weak in India to develop independently without state assistance or that a strong state is necessary to manage the contradictions of capitalist development in a heterogeneous society like India or for that

[115] Rural participation exceeds urban, and hence poorer sections of Indian society are voting in greater numbers than the richer. In the 1991 national elections, 61 % of the rural and semi-urban electorate voted as against 53% of the urban electorate. In 2004 national elections, 60% of *dalits* (lower castes) voted as compared to 56% of upper-caste voters. (Palshikar and Kumar, 2004)

matter, the idea that premature democracy is bad for development. When Prime minister Nehru laid the foundation stone, in 1948, for the Hirakud Dam, one of the earliest large dams built in postcolonial India he addressed the villagers displaced by the dam in the following words—"if you are to suffer, you should suffer in the interest of the country"[116]. And they did! When we come to 2006, in the same state of Orissa, tribal people demonstrated, with bows and arrows, against the setting up of a giant steel plant by a multinational company—the largest FDI project in the world in that year. The plant is yet to take off.

The *Dirigiste* Regime: The Dilemma of Planning

The economic history of postcolonial India is often written around the dominant theme of capitalist development—its failures, successes and reversals. Scant attention is paid to non-capitalist class structures in the process of transformation of Indian economy. Yet, once we take our gaze away from the dominating image of capital, we uncover a new history of postcolonial India—how different class-structures existed and continue to exist in Indian society and how non-capitalist class structures shaped and continue to shape the Indian society as much as the capitalist class structures. In fact, the moment we recognize this, we will find that the characterization of economic development in India as *capitalist* becomes problematic—it rather appears as a representational strategy that privileges certain processes over others and hence suppresses certain kinds of political responses to the emerging contradictions of the Indian society.

Yet, economists and planners were always forced to accommodate non-capitalist class structures in their plans of economic development, even as these plans were meant to

[116] See Bhattacharya and Basole (2009: 117, n. 20).

promote capitalist production in India. The Industrial Policy Resolution (1948) presented the first outline of the allocation of production between state and private capitalist enterprises. Certain industries were reserved for the exclusive monopoly of the state enterprises. In certain industries all *new* enterprises would be established *solely* by the state. While existing private enterprises were allowed to function, it was emphasized that the state had the right and could exercise it to acquire any private enterprise in these industries. In the rest of the industries, business was normally left to private initiatives, though the state enterprises were supposed to progressively participate in those industries and the state could intervene in any industry if the performance of private business was unsatisfactory. The Second Industrial Policy Resolution of 1956 expanded the sphere of state ownership and categorically declared that all industries of basic and strategic interest and public utilities, should be in the public sector. More significantly, it declared that the industrial policy goal is to create a "socialistic pattern of society".

The Soviet-style Five-Year Plans went into effect in 1951, but it was with the second Five-Year Plan covering the period 1956-1961, that the distinct path of capitalist development in India was laid. [117]The second Five-Year Plan—based on the Mahalanobis model—was a ground-breaking project that radically shaped the future of Indian economy; it put *industrialization through rapid capital accumulation* at the heart of the process of economic development in India. Yet, there were Gandhian challenges to modernist industrial paradigms from the beginning. We have already seen how the freedom struggle was animated by the misery heaped on India's working people by the

[117] The architect of the second plan was Prashanta Chandra Mahalanobis, an eminent statistician from Calcutta and the founder of the Indian Statistical Institute. The second Plan is often referred to as Nehru-Mahalanobis-Feldman model. See Bhagwati and Chakravarty (1969).

destruction of traditional industries in India under the impact of British transition to capitalism and colonial relations. One way the Gandhian opposition was neutralized was through the setting up of the Khadi and Village Industries Commission to protect handicraft and traditional industries (Tyabji, 1984b). But more importantly, the protection of village and handicrafts was deemed important for providing livelihoods in labor-intensive production and the supply of non-agricultural wage goods, so that the state's investment of productive capital could be concentrated in capital-goods industries. In these maneuvers emerges an enduring contradiction of postcolonial India's experiments with capitalist development—the contradiction between capital accumulation and employment generation, or in other words, the contradiction between capitalist accumulation and surplus population that the particular social context produces. This contradiction cuts right through the entire Planning process. The Mahalanobis model was opposed by some economists[118], who presented an alternative development model focused on employment and expansion of wage goods. The protection of urban and rural handicrafts was a response to these mounting criticisms of the Mahalanobis model.

> To counter criticism from all quarters, the Second Five Year Plan document deviated from the Mahalanobis framework, but only by sweeping the problem under the carpet. It was said that the cottage and village industry sectors would be responsible for supplying the non-agricultural wage goods. Since these were labor-intensive, i.e. low productivity, by a miracle the problem of unemployment was also thereby solved (Ahluwalia and Little, 1998: 44-45).

Village and cottage industries were pre-dominantly characterized by ancient class structures. Whenever family labor was utilized in these industries, ancient class processes

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[118] See C.N. Vakil and P.R. Brahmanand (1956). Bhagwati (1998 :25) argues, however, that accumulation in the Plans was conceived not in opposition to employment, but rather as the only possible way to eradicate poverty and create employment.

> The *key* strategy that defined the resulting developmental effort was the decision to target efforts at accelerating the growth rate……Accelerated growth was thus regarded as an *instrumental* variable; a policy outcome that would in turn reduce poverty, which constituted the true objective of our efforts. (Bhagwati, 1998: 25. Italics in the original)

were articulated with household feudal class processes. The (male) head of the family appropriated not only his surplus labor but also the surplus abort performed by members of his family and made subsumed class payments to the merchants, moneylenders or banks, etc. Thus, non-capitalist class processes figured very prominently in the national plans otherwise designed for rapid capitalist accumulation, though they were hardly understood and debated in class terms.

Along with village and cottage industries, relatively modernized small-scale industries—both capitalist as well as ancient—were also promoted because of their capacity to generate livelihoods. Certain industrial products were specifically reserved for production in the small-scale industrial sector[119]. The number of products reserved for small scale industries rapidly increased over time, particularly under the non-Congress coalition government during 1977-1980[120].

It will not be an exaggeration to say that under the *dirigiste* regime, the overall state policy was to promote state-capitalist enterprises and small-scale competitive capitalist enterprises at the cost of oligopolistic capitalist enterprises[121]. The vision of the state in curbing large, powerful business houses in India was not to restrict capitalist

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[119] The Karve committee on small-scale and village industries proposed in 1956 a policy of reservation of certain products for small-scale units.

[120] "The policy of reserving items for production in the Small Scale Sector taken as a whole had begun with the reservation of dhotis and sarees of specific kinds for handloom units in the early nineteen fifties. In the case of those industry groups which lay within the purview of' the Central Small Industries Organisation, reservation had been made by 1967, for 46 items. By 1977, this had increased to 504 items. In 1980, the number was apparently increased to a total of' 807, but closer scrutiny shows that in the majority of cases, the existing items had been more carefully defined at the level of eight and nine digit national industrial classification codes" (Tyabji, 1984b: 1426).

[121] Oligopolistic enterprises yielding some degree of monopoly power in the market would be able to price their commodities above their values and would thus secure either non-class revenue from consumers or subsumed class payments from both state capitalist and small competitive private capitalist enterprises as well as ancient enterprises, thus undermining accumulation in these enterprises. Such an outcome was deemed undesirable for a broad-based capitalist development. On the other hand, a check on the growth of corporate power would establish the image of the new independent postcolonial state as the guardian of its people—workers, capitalists and ancients—against private corporate "greed" and "manipulation".

development, but rather to facilitate capitalist transition “from below”, i.e. the emergence of competitive capitalism relying on individual entrepreneurial capitalist. It was expected that such broad-based capitalism, will balance the economic power of large oligarchic business houses on the one hand and at the same time facilitate a differentiation of the ancients into capitalists and wage-workers. According to the 1951 census, more than 58% of the industrial labor force was ancient producers (Tyabji, 1984b). It was expected that protection for small scale industries would actually help capitalist class structures to develop through a process of differentiation of the ancients and in the absence of monopolistic strangulation of the incipient capitalist initiatives. It must be remembered that by the time of independence, there had already emerged large business houses—both productive and unproductive capitalists—which controlled the lion’s share of society’s total productive and unproductive capital. The concentration of economic power in the hands of a small group of business houses meant that while “while independence meant the transfer of "political" power to the Congress, it also meant the transfer of "economic" power to the big Indian industrialists and agricultural landlords” (Tyabji,1984a:36). Popular desire for democracy stirred up by the freedom struggle meant that such concentration and inequality of wealth and income would destroy social cohesion in an emerging nation-state. The growth and expansion of small capitalist class structures would sustain the democratic image of capitalism—i.e. small property holders and freedom and opportunity of enterprise.

> What is of interest in the Indian case, however, is that these requirements could be skillfully matched to the popular support for small industrialists and small enterprises which had been generated by democratic currents within the Congress itself in the pre-Independence period (Tyabji, 1984 a: 37)

On the other hand, the development of state capitalist industries in areas where massive doses of initial capital investment and long "gestation" periods are involved actually helped the growth of large private enterprises—by providing crucial C-commodities as well as market for private capitalist products (Patnaik, 1979; Desai, 1975) [122]. On the other hand, the compulsions of rapid growth of capital-goods industries meant that actual Plan expenditure on village and traditional industries and small-scale industries was insignificant compared to that on modern industries. As we can see from Table 2, starting from second Five-Year Plan, the plan outlays on modern industries has dwarfed that on village and traditional industries, clearly illustrating the bias of the planners towards modern versus traditional industries. Therefore, the Nehruvian policy regime had contradictory implications for large as well as small private capitalist enterprises as well as traditional and modern ancient enterprises.

Of course, the leading business houses asked for government intervention in the economy to secure certain conditions of their existence and expansion as productive and unproductive capitalists. But they never liked the nationalization of society's means of production or reservation of products for state capitalist and small capitalist and ancient enterprises. Squeezed between these two "sectors" of the economy, the oligopolistic productive and unproductive capitalists had "either to remain where they were in terms of industrial assets, or to subvert the strategy, by making inroads into the sphere either of the

[122] In terms of Keynesian macroeconomics, public investment doesn't "crowd out "private investment, rather, it "crowds in" private investment in the Indian context.

> Public Investment, therefore, was effectively to play a dual role: it was to eliminate to some extent the serious gaps in the production structure which the private sector, would have been reluctant to overcome on its own and to provide a stimulus to private investment by extending the markets of private industrialists directly and indirectly (Patnaik,1979: 6).

public sector or of the small scale sector" (Tyabji,1984b:1427). They tried to systematically subvert the policy regime by encroaching on both the reserved sectors. It was found by the Report of the Industrial Licensing Policy Inquiry Committee (1969) that economic concentration and degree of monopoly has increased among the private capitalist sector throughout the planning period. Specific anti-monopoly laws were brought into effect; foreign exchange and foreign investment were put under strict control; banks, insurance companies and coal mines were nationalized.[123] These moves had often led private capitalists to accuse Indian state of destroying capitalism and promoting socialism[124]. Nationalization of means of production on a significant scale was equated with socialism. The Marxists criticized the Indian state for not destroying private capitalism fully or for being complicit with private capitalist interests despite socialist rhetorics. Class understood in terms of production, appropriation and distribution of surplus labor—as opposed to class-as-property-relations—did not inform Marxist debates on India's economic development.

The expanding control and regulation of the state of private capitalist enterprises provoked a response of the latter in terms of a severe critique of Nehruvian planning in terms of economic performance (e.g. ridicule expressed by reference to a "Hindu rate of

[123] Indira Gandhi nationalized major banks in 1969, the insurance sector in 1972 and the coal industry in 1973. The Monopolies and Restrictive Trade Practices Act went into effect in 1969. The Foreign Exchange Regulation Act (FERA) was passed in 1973, which put into place numerous restrictions for foreign investment and the operations of foreign companies in India.

[124] Till that period, Indian National Congress was the hegemonic political party at the national level. In the 1967 elections, the Congress party received a major setback in the centre and particularly in the states. Prime Minister Indira Gandhi took a radical stance which led to a split within the Congress. India turned more towards Soviet Russia in international relations and internally the congress under Indira Gandhi moved closer to Communist parties of India. By that time, the Indian political landscape was getting fractured into slowly emerging regional political parties. At the same time, radical agrarian movements threatened the legitimacy of the central government. In 1971, Dandekar and Rath's (1971) study showed that after 3 five-year Plans, poverty had not decreased in India. If one looks at per capita expenditure, poverty appeared to have increased over that period. Indira Gandhi launched the *Garibi Hatao* (eradicate poverty) slogan and adopting socialist rhetoric, got a landslide victory in 1971.

growth") and inefficiency of state-capitalism in India as well as state-regulation of private capitalism in India[125]. Therefore, by the early eighties, a reversal of the earlier policy regime was gradually but steadily under way leading to its formal abandonment in 1991 and adoption of private capitalism as the privileged engine of economic growth in India. Four decades of planning had generated significant growth of capitalist industries in India, most notably in domestic capital goods and basic goods industries supplying C-commodities to both state and private capitalist industries. The Nehruvian regime was successful in installing state capitalist industries at the commanding heights of the economy. Table 3 shows that in terms of net capital formation, the public sector and private sector were close in 1950-51, but by 1990-91 the public sector clearly dwarfs the private corporate sector. Table 4 shows that the share of the public sector in the GDP of different sectors of the economy increased continuously over the entire planning regime. However, if we look at the occupational structure of Indian labor force, we find the striking result that it had hardly changed since the beginning of the century under colonial rule. Industrial employment continued to be stuck at a very low percentage of the labor force and agriculture continued to hold on to a very high share of the labor force. In 1991, 66.7% of the work force was still employed in agriculture, 3% in modern industry, 7.2% in traditional industry and construction and 20.5 % in services (Roy, 1999). The growth of industrial output and expansion of industrial state and private capital was not matched

[125] The Nehruvian policy regime is referred to as the license *raj*, where industrial expansion or investment required a formal license from the state. A vast literature exists on the resources spent by private capitalists in obtaining those licenses (a scarce commodity under restricted imports and regulated investment regime). In the Indian case, these expenditures of business have been termed as "directly unproductive, profit-seeking activities (DUP) by Bhagwati (1982) or competitive rent-reeking activities (Krueger, 1974). The cost of such bureaucratic control of private capitalists emerged as a major category of subsumed class payment to the state or political parties—as formal license fees as well as informal bribes—by private capitalists to secure conditions of accumulation. The reaction of private capitalists was partly fueled by their desire to get rid of such subsumed class payments to the state. For an overview of debates on liberalization in India, see Ghosh (1998).

by the growth of industrial employment. Therefore, there is a disjuncture between capitalist accumulation and employment generated by such accumulation. As Table 5 shows, per capita GDP in agriculture continuously declined relative to that in non-agricultural sectors over the entire planning period. This is reflected in the overall decline in employment elasticity in the Indian economy.

> Employment elasticities, measured as the ratio of employment growth to the growth of value-added have declined from around 0.65 in the 1960s to 0.55 per cent during the 1970s and around 0.38 during the 1980s. This decline has occurred due both to the technology and composition effect. Changes in technologies of production in industrial sectors, subsectors and products have tended to reduce the labour requirement per unit of output. At the same time, the share of products and sectors with high labour-output coefficients in total output has declined and that of products and sectors with high capital-output coefficients has increased (Papola, 1992: 308-309).

In class terms, we find that the surplus population continued to be engaged as ancients in agricultural as well as non-agricultural production after four decades of planning. Hence, the vision of the planners that capitalist class structures would slowly replace non-capitalist class structures did not materialize and contradictory effects of the planning regime were felt not only by the state and private capitalists, large and small capitalist enterprises, but also by non-capitalist class structures, whose conditions of existence were simultaneously undermined and strengthened by the state policies. For example, state subsidies on capital equipment as well as underpricing of domestically produced state capitalist C-goods allowed both state and private capitalist industries to adopt higher organic composition of capital.

Meanwhile, expansion of capitalist production destroyed conditions of existence of other non-capitalist production units—leading to dispossession of direct producers from their means of production on a massive scale. One of the major forms of dispossession was the development of infrastructure, including dams, highways, but also through acquisition of

natural resource base for growth and expansion of new industries. The dispossessed people are often referred to as the "internal refugees" (Cernea, 1990) or "development refugees" (Mahapatra, 1991). According to Fernandes (2007), over the period 1947-2000, more than 60 million people have been deprived of their customary access to means of production by "development"—i.e. infrastructural and industrial—projects. Majority of the displaced persons are tribal and lower caste people (ibid). One of the main instruments of dispossession is the colonial Land Acquisition Act of 1894 which did not allow for "rehabilitation of the displaced" (Guha, 2005). The colonial Act was used by independent Indian state to engage in primitive accumulation with as much impunity as the British colonizers[126].

State interventions as well as rising pressure of population on land have led to depletion of "commons" and "wastes". The commercialization and monetization of the economy has eroded traditional natural and common property resources. Technological changes in agriculture have created massive environmental degradation of natural resources and with it the means of production for many non-capitalist class processes. As agricultural inputs came to be industrially produced with intense application of science, many of the traditional modes of agricultural practices have vanished. Rao and Storm (1998: 235)

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[126] The Land Acquisition Act of 1894—which was legislated into existence during the colonial era—is an infamous example of how the concept of "eminent domain" is misused by the state, whether colonial or postcolonial. The government can acquire any land—privately or communally owned—in the name of "public purpose".

> Once the government notifies any land for acquisition under the Act, the acquisition itself or its purpose cannot be challenged in court. Projects like dams, mines, private industries and SEZs can always be interpreted as being in "public purpose" since they are considered imperative for development and industrialization. There is no mechanism to determine whether this "public purpose" actually translates into "public interest" or not. Only compensation amount for the land can be urged upon and decided in such cases in courts" (Perspectives, 2008: 7).

In independent India, no central government has made any serious attempts at amendment of the Act until 2004, though certain sate governments did come up with some rehabilitation laws since the 1980s (See Guha, 2005)

claim that 30 to 50 percent of common property resources have been depleted in the last four decades[127].

Primitive accumulation and capitalist accumulation with sluggish rates of growth of productive workforce have expanded the surplus population of India throughout the planning regime. The classic location of surplus population in India has always been agriculture. Let us now look at the dilemma that agriculture posed for the planners in such a context.

Surplus Population and the Agrarian Dilemma

Surplus labor power was trapped in agriculture since colonial times, when destruction of Indian industries and the erosion of traditional social security mechanisms forced people to fall back on land as the last means of production and subsistence. A rapid increase in population in the twentieth century led to a steep fall in per capita availability of land. Due to the pressure of population on land, rents increased and ate away most of the peasants' surplus where ancient class structures existed. Money-lenders and traders also dominated ancient farmers through exorbitant claims on surplus. Under feudal class relations, feudal exploitation intensified under absentee landlords who had no personal ties with land and often claimed rent that exceeded the surplus produced by the serfs, thus threatening serfs' subsistence. At the time of independence, agriculture was stagnant with peasants immersed in deep misery and economic crisis.

Writing in 1961, Sundaram estimated that "about 40% of India's population now engaged in agriculture should be removed from farming so as to make cultivation more economic"

[127] See NSSO (1999), Jodha (1985, 1989, 1990, 2000).

(Sundaram, 1961: 131). The guiding model of economic growth in poor countries with large surplus labor power was that provided by Arthur Lewis (1954) who argued that capital accumulation can proceed by withdrawing surplus labor power from agriculture at subsistence wage. At the end of the process, expanding capitalist economy will absorb the entire surplus labor power and both the traditional pre-capitalist economy and surplus labor power will disappear. [128]

However, deep doubts persisted in the minds of even those economists who believed in the Lewisian growth process. Let us read a neoclassical text to uncover contradictions that plagued the modernist vision of capitalist transformation of agriculture and accumulation and expansion of industrial capital in the presence of surplus population. I will use a single text in illustrating the dilemma—an article by V. M. Dandekar in 1962. Dandekar writes this article on the issue of appropriate agrarian reforms in the context of an economy undergoing capitalist industrialization in the presence of over-population or "superfluous" population (Georgescu-Roegen, 1960:12). Consider a Lewis-type process occurring in the non-agricultural sector. A small capitalist nucleus is expanding, by reinvesting its profit and drawing laborers from the agricultural sector. The agricultural sector is overpopulated with labor whose marginal productivity is zero or at least much below subsistence level. What should be the appropriate agrarian reforms in such a context? The dominant view, in those days, at least in the non-communist countries, was that individual peasant holdings was the best choice. This, in fact, led Georgescu-Roegen to argue for a "double negation"—not capitalism, not socialism—in agrarian reforms.

[128] The Lewis model provided the intellectual vision for the planning models in India. See Chakrabarti and Cullenberg (2003).

Dandekar analyzes the merit of this argument. While the Lewis-type process is occurring in the modern industrial sector with growth in investment and output, employment growth in the industrial sector is constrained by the principle of capitalist profit-maximization whereby labor is employed up to the point where marginal product of labor is equal to the real wage rate. In conditions of over-population, the entire residual labor force is thrown onto the agricultural sector to absorb and feed them while the Lewis process is occurring. Moreover, agricultural output has to be maximized, too, in order to siphon a food surplus to the industrial sector to feed the industrial proletariat[129]. Capitalism in agriculture cannot be a solution to this problem, since it would introduce the capitalist employment principle (MP_L = Real wage rate) into agriculture and would thus fail to absorb the surplus labor. Can co-operatives be a solution? Not the way they are usually operated, because once individual peasant holdings are put in the form of a cooperative, the marginal productivity principle comes into play and even family members of the peasant families in the cooperatives may not be employed. This is because the managers of cooperative farms, trained in modern economic theory and coming mostly from the urban educated literate classes, will have imbibed the capitalist-entrepreneurial spirit. Moreover, the cooperatives will function in an economy where the modern non-agricultural sector is run on capitalist principles and hence the efficiency calculus of the capitalist firm will inform any evaluation of the performance of the

[129] "Conceived as a part of the problem of economic growth, the agrarian problem consists in holding on to this population until an increasing part of it is withdrawn to the non-agricultural sector and in the meanwhile in employing it usefully so as to maximize the total output of the agricultural sector". (Dandekar, 1962: 70).

cooperatives.[130] Hence, there will be a pressure on the managers to run the cooperative on capitalist principles.

If neither capitalism nor socialism can provide a solution to the agrarian problem, can the traditional agrarian mode of production, feudalism, provide a solution? Georgescu-Roegen and Dandekar argue that traditional feudalism did provide a solution to the problem of employment of the surplus population. The feudal landlord does not receive profit-rent, but a tithe, which is a fixed share of the output of land. Given a constant share of the tithe in output, the landlord's tithe can be maximized by maximizing employment and output, i.e. by employing labor up to the point where its marginal product is zero, beyond what capitalism would permit. However, in contact with capitalism, feudalism changes its character. Feudal lords become more interested in non-agricultural activities and try to leave traditional societies. This leads to absentee landlordism, rack-renting and all the horrors of rural exploitation. Hence feudalism doesn't work either.

The solution is to be found in individual peasant holdings. In conditions of surplus labor, opportunity cost of labor is zero and family labor will be employed to the full extent of zero MP_L. Labor will be employed without any reference to marginal productivity and output will be maximized. Thus the surplus labor is employed and fed by sharing of the total produce within the family. Agrarian reforms, according to Dandekar, which attempt

[130] This fear is not unfounded. We have seen this in the debate over reforms of the public sector in the 1990s in India. The critics of the public sector policy have incessantly pointed out the dismal performance of the public sector in terms of profitability, productivity and quality of goods and services. The defenders have in vain fought back arguing that the public sector enterprises were not run according to private business criterion, but had several "social objectives" to achieve in addition to productivity and profitability. The critics seem to have won, since today public sector units either have to prove themselves to be competitive with the private sector or else they suffer privatization or disinvestment. Consequently, the public sector follows the same cost-cutting, productivity-raising competitive strategies as the private sector.

to break up feudalism and redistribute land to individual peasant families, actually restore the old feudal formula in a better form.

Note, that this agrarian arrangement is only for a temporary period, until the non-agricultural sector sufficiently weans away the surplus labor in agricultural. Also, note that the Lewis-type process and the strategy of rapid capitalist growth are never questioned. But, when it comes to ensuring the employment and livelihoods of the people, the same capitalist principles are rejected. In effect, non-capitalist class structures—mainly ancient—are promoted precisely to tackle the problem of surplus population while enabling expansion of capitalist class structures.

This is not the end of the story, however. Dandekar realizes the limitations of individual peasant holdings in generating rapid growth and capital accumulation in agriculture. Individual peasant holdings work as a solution only up to a point. Beyond that they hinder economic growth. This nagging contradiction between requirements of growth and requirements of livelihood now pushes Dandekar in a new and opposite direction. Dandekar finally argues for large land-holdings "feudal in theory, modern in technology and oriented to a socialistic purpose". The entire paper of Dandekar takes you through a dizzying sequence of negations. Dandekar arrived at individual peasant holdings by negating socialism, capitalism and feudalism-in-presence-of-capitalism as all of them failed to employ the surplus population. Then he negates individual peasant holdings because they fail to generate growth in agriculture and fail to maximize output and release enough food to fuel the growth of the industrial sector. Therefore, individual small plots of land are to be consolidated into large holdings under a "feudal overlord who will collect the tithe and hand it over to the non-agricultural sector" (Dandekar,

1962: 80). He argues against any redistribution of land to landless laborers or permanent settling of farmers on lands with proprietary rights, since they must be available for withdrawal when the expanding industrial sector needs them. People are to be loosely settled on the large tracts of land and the feudal overlord has to ensure that output is maximized using all the resources, but most importantly using all the labor resources, while waiting for the industrial sector to absorb the rural surplus labor. Thus, the only way Dandekar can find a solution to the problem of over-population in the presence of capitalist development, without hindering the latter, is to revert to a feudal type of arrangement. Also, what is interesting in his analysis is the idea that surplus population should not have secure access to means of production—i.e. there should not be a reversal of primitive accumulation by the policies undertaken to manage surplus population. "Free" labor power must be available for withdrawal by the capitalist industries.

Land Reforms and Surplus Population in Agriculture

Of course, Dandekar's ideas were never put into practice. But, to a certain extent, the state undertook land reforms with varying degrees of success. While no radical redistribution of land took place in India and peasants continued to be subjected to feudal class exploitation in various pockets of India, Indian agriculture was transformed from its late colonial feudal form to a predominantly ancient form with some capitalist and feudal farms. The idea of the planners was to get rid of feudalism in agriculture and promote ancient class structures (peasant family farms) with the hope that capitalist agricultural entrepreneurs would emerge through the process of differentiation of the ancients and accumulation of capital. On the other hand, agriculture had also to act as a "sink" for

surplus labor power. Therefore, processes of dispossession or differentiation cannot be allowed to destroy the "sink". These led to same contradictory policy interventions in agriculture as in industry. The following rather long quote admirably captures the contradictions and the compulsions that drive state intervention in agriculture.

> Indeed the problem of India's agriculture lies outside agriculture, namely that the other sectors did not grow fast enough to withdraw sufficient population out of agriculture. ……The non-agricultural sector is in part an 'organized' sector and entry into that sector is highly restricted. That sector does not take in any more people than it can remunerate at the relatively high level. All the rest must stay behind in agriculture and share whatever may grow there. *Agriculture is a parking lot for the poor.*
>
> Underlying this fact is the agrarian reform and policy pursued in the last four decades. It failed to make a distinction between abolition of feudal elements and elimination of enterprises. For instance, not only were intermediaries abolished but lease and sale market in land also abolished. Ceiling limits on landholdings were imposed with the ostensible purpose to distribute the surplus land to the landless. Whatever the success of these measures, they tended to freeze the situation in agriculture and inhibit movement in and out of agriculture. Special agencies were created called Small Farmer Development Agency (SFDA) and Marginal Farmer and Agricultural Labourer (MFAL) development agency to administer programmes initiated to make essentially non-viable small and marginal farmers and agricultural labourers viable by providing them with credit. Subsequently, thee were supplemented by the Integrated Rural Development Programme (IRDP) to provide them with additional self-employment. There were also programmes providing additional wage employment, such as the Cash Scheme for Rural Employment (CSRE), Pilot Intensive Rural Employment Programme (PIREP) and the Food for Work programme. *The intention had been to give to the surplus population, which agriculture could not support, some succour, without withdrawing it from agriculture* (Dandekar, 1992:54-55, Italics mine).

Land reforms in India had the following components—

i) Abolition of intermediaries, i.e. the *Zamindars* (who had developed into a feudal class by late colonial period), so that the state could directly collect revenue from the cultivators.

ii) Reforms aimed at tenancy relations—security of tenure, reduction of rent, conferment of ownership rights to tenants.

iii) Ceilings on the size of landholdings

iv) Cooperativization of agriculture

Only the first component of land reforms was implemented with relative success. The second and third components were only partially successful, while the fourth never really took off. The peasants' anger against the *zamindars*, the anti-nationalist role of the *zamindars* in the freedom movement and their alienation from the rural community made the abolition of *zamindari* politically feasible and desirable. The *zamindars* as a class, however, fought back, delayed and obstructed the process through endless litigations. But their power as a class was broken by the mid-fifties. The abolition of *zamindari* transformed twenty million erstwhile tenants into landowners (Chandra, Mukherjee and Mukherjee, 1999). This directly transformed former tenants into ancient farmers, though the richer strata of these peasants also became landlords in turn. Tenancy declined after reforms, partly as a result of increase in self-cultivation and partly as a result of evictions of existing tenants by landowners at the time of reforms. Loopholes in the legislation were used by the *zamindars* to resume land by claiming to perform 'personal cultivation' on land. Even "absentee landlords" made a show of labor expended in direct cultivation and assumed large areas of land under personal cultivation. At the same time, they also resorted to eviction of tenants on a large-scale in order to keep for 'personal cultivation' as large a proportion of their lands as possible. A section of the erstwhile rent-earning *zamindars* turned to capitalist farming. And the evicted tenants became landless proletariat. Large feudal 'estates' were gone, except in some pockets of India.

The second part of land reforms—concerned with tenancy reforms—had three basic objectives—1) security of tenure, 2) reduction in rent and 3) ownership rights over land cultivated by tenants, subject to certain restrictions. The reforms had a legal provision for the resumption of entire land-holding by small landowners—who were no better off than

their tenants—for self-cultivation. This legal provision was manipulated by large landlords who transferred lands in the name of number of their relatives as "small landowners" and evicted existing tenants on a large-scale. Thus the very reforms aimed at protecting tenants and small landowners were used by landowners as an instrument of primitive accumulation. Delays in implementation of land reforms offered ample opportunity for such acts[131].

Tenancy reforms were carried to its farthest in states where Communist Parties were in government, e.g. West Bengal and Kerala. But, even in these states, the pressure of population on land was so high that egalitarian distribution of land beyond a point became infeasible.

> As it has been noted that in West Bengal, where over time the overwhelming majority of the cultivators were small cultivators controlling less than five acres, a further redistributive thrust was difficult. 'The "class enemy" [the feudal landlords] had dissolved into a sea of small landholdings'. The dilemma was the same as the one that was faced in other parts of India. (Chandra, Mukherjee and Mukherjee, 2000:382)

The pressure of population on land was such as to push up the rent and eat away a large part of the surplus of the direct producers. Legal 'fair' rents in such a situation could only be enforced in case of tenants with occupancy rights. The partial success stories like Kerala and West Bengal notwithstanding, the practice of unsecured and underground tenancy continued, partly fueled by the high rents.

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[131] "Even after the tenants got legal protection against eviction, large-scale evictions occurred. For example, the Planning Commission's Panel on Land Reforms noted in 1956 that between 1948 and 1951 the number of protected tenants in the State of Bombay declined from 1.7 million to 1.3 million, i.e. by more than 23 per cent; in the State of Hyderabad between 1951 and 1955, the number declined by about 57 per cent. Another detailed study of Hyderabad showed that out of every 100 protected tenants created in 1951, after four years, i.e. by 1954, only 45.4 per cent maintained that status; 12.4 per cent became landowners by exercising their right to acquire land; 2.6 per cent were legally evicted; 22.1 per cent were illegally evicted and 17.5 per cent 'voluntarily' surrendered their claims to the land. Voluntary surrenders by tenants was really an euphemism for illegal eviction as most often the tenant was 'persuaded' under threat to give up his tenancy rights 'voluntarily'. So common was the practice that the Fourth Plan was constrained to recommend that all surrenders should only in favor of the government, which could allot such lands to eligible persons. However, only a handful of states acted upon this recommendation." (Chandra, Mukherjee and Mukherjee, 2000:380).

Another component of land reforms was the imposition of ceilings on the size of land holdings with the objective of attaining an equitable distribution of land. The limited political consensus on this issue and the legal provisions of exemptions allowed many to manipulate the laws and avoid ceilings. In the wake of political and economic crises of the mid-sixties, agrarian radical movements in late sixties and early seventies—spearheaded by communist parties—took the form of 'land grab' by the landless in many parts of the country. The movement was itself was brutally crushed. But it forced the government to implement ceiling laws more strictly. More than four million landless peasants did receive some land, however small its size may be. But more importantly, the ceiling laws, by restricting concentration of landholdings, had killed the land market. The law prevented "the possible dispossession of numerous small and marginal holders which would probably have occurred through a competitive process in the land market in the absence of a ceiling on landholdings" (C.H. Hanumantha Rao quoted in Chandra, Mukherjee and Mukherjee, 2000:391). Thus, while conditions for development of capitalist class structure in certain branches of production were being created, the management of surplus population required that the same conditions be prevented from emerging in other areas of production. We have already seen how reservation of commodities for traditional non-capitalist industries prevented private and state capital to make inroads into the production of those commodities. In the same way, land reforms policies led to a "freezing" of agriculture as a sector dominated by small "ancient" farms. Tables 6 and 7 show the steadily increasing preponderance of small and marginal farms in Indian agriculture. Marginal and small operational holdings (i.e. for land holding sizes less than 2 hectares) constitute 85.9 % of all holdings in agriculture in 2002-2003

compared to 61.7% in 1960-61. Marginal and small farms command 42 % of total operated area in 2002-2003 as compared to 19.2 % in 1960-61. On the other hand, large and medium land holdings command 35.6 % of total operated area in 2002-2003, a large decline from 60.2 % in 1960-61. Despite continuing inequalities in land holdings, it is clear that the trend is towards fragmentation and subdivision of land and Indian agriculture has increasingly come to be dominated by small and marginal farms by numbers[132]. Extreme fragmentation of landholding is captured by the steadily declining average size of operational landholding in India. As Table 8 shows, from 2.63 hectares in 1960-61, the average size of landholding has declined to 1.06 hectares in 2002-03.

This freezing of agriculture constrained accumulation of industrial capital in other ways. First of all, ancient farmers cultivated small landholdings with primitive technology and hence technical productivity of labor was very low. Secondly, the high rents to landlords, usurious interest charged by money-lenders leading to perennial indebtedness of the peasants and the exorbitant "merchant fee" left the peasants with little or no surplus to accumulate and invest in productivity-enhancing techniques and inputs. Thus, food prices could not fall enough and hence continued to dominate the budget of not only the peasants, but also the industrial workers. Hence, the market for capitalist non-agricultural wage goods could not expand. Thirdly, capitalists could not cheapen labor power and hence increase rate of surplus value because conditions of ancient farming erected absolute barriers to cheapening of the main wage good, food. Fourth, markets for capitalist C-goods could not expand either because peasants continued to farm with

[132] "Also, though the opportunity to acquire large areas of surplus lands for redistribution was missed because of defective and delayed ceiling laws, in the long run the high population growth and the rapid subdivision of large holdings over several generations (in the absence of the practice of primogeniture for inheritance in India) led automatically to little land remaining over the ceiling limits" ((Chandra, Mukherjee and Mukherjee, 2000: 391).

traditional implements and could not afford costly capitalist commodities as inputs or machines.

By the mid-sixties, a food crisis had developed in agriculture as the thrust on industry in the Five-year plans and neglect of agriculture took its toll on agricultural output and productivity. The state had to respond with a massive program for increasing agricultural productivity—an initiative that came to be known as Green revolution in agriculture. It consisted of the application of laboratory-produced High-Yielding Variety seeds, chemical fertilizers and pesticides to Indian agriculture and mechanization on the larger farms. This led to a significant increase in yield per unit of land, initially in wheat, but later in other crops too and India achieved self-sufficiency in food. However, by the end of the eighties, the effect of the green revolution petered out and productivity once again came to a standstill. Meanwhile, in the north-western state of Punjab, where Green revolution was most successful in wheat, capitalist agriculture emerged and was facilitated by Green revolution.

Despite these efforts, productivity of agriculture remains very low in India even in comparison with other developing countries and Indian agriculture is still dominated by "ancient" farms. It is fair to say that by the end of the Planning regime, agriculture was exhausted as a "sink" of surplus labor power. There was no more land to distribute to the landless and industrial growth was unable to absorb the landless rural labor force. The only viable option was to distribute homestead land, encourage animal husbandry that required minimal land and ancient production of non-agricultural wage goods[133].

[133] "Perhaps the only viable programme left for the landless was the one which has been to some extent taken up in recent years, of distributing homestead lands or even just home sites, ensuring the payment of minimum wages, as well as providing security of tenure and fair rents to sharecroppers and tenants. Other answers are to be found in increasing off-farm employment in rural areas, in increasing animal husbandry

The Neoliberal Regime

In 2001, one of the foremost social scientists of India wrote that "inside every thinking Indian, there is a Gandhian and a Marxist struggling for supremacy" (Guha, 2001:6). This observation may be an exaggeration, but it does reflect a turn among radical thinkers in India today. Yet, postcolonial India had attempted to get rid of Gandhi's ideas in its discourses on nation-building and economic development as soon as it became independent. Then, how can we understand the resurgence of Gandhian ideas in the late twentieth century? I argue that the political economy of India's capitalism has something to do with that. We have seen how capital accumulation and rapid industrialization have been paralleled by the enduring problem of surplus population and crisis of subsistence for the majority of the population confined to a non-capitalist space whose conditions of existence and prosperity are subverted by the thrust of capitalist accumulation, including primitive accumulation of social means of production. It is this disappointment with capitalism in independent India that have made radical thinkers increasingly interested in the Gandhian critique of modern industrialism, machines and the resulting unemployment of laborers and the virtues of traditional handicrafts and agriculture in providing livelihoods for the surplus population throughout the period of capitalist expansion. The neoliberal regime has exacerbated all those contradictions that had plagued the planning regime and unleashed new contradictions that derive from the ascendance of private capitalism over state capitalism, freer international trade and a more enhanced role of market-driven economic decisions. In one sense, the neoliberal regime has

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and other activities associated with cultivation but not requiring land." (Chandra, Mukherjee and Mukherjee, 2000: 391-392).

brought visibility to the problem of surplus population and the limits of capitalist development in the Indian economy. The existence of surplus population was always attributed to low rates of growth and the weakness of the Indian bourgeoisie and/or the inefficiency of state capitalism. Starting from the 1980s, India has achieved high rates of growth and capital accumulation: Indian private capitalists are becoming increasingly powerful domestically as well as globally. Yet at the same time, job-creation in both state and private capitalist industries has slowed down markedly, even as productivity is increasingly rapidly (Kannan and Raveendran, 2009)**.** It is this social conjuncture that prompted thinkers to finally locate surplus population *within* capitalism rather than *outside* it (i.e. as a pre-capitalist residue that survive obdurately).

Under the neoliberal regime, previous allocation of production spheres among state capitalist, large private capitalist, small competitive capitalist enterprises and non-capitalist (i.e. ancient) enterprises were uninstalled. Large business had the opportunity to expand, as the roll-back of the state meant fresh areas of investment and de-reservation opened up new areas for expansion of large capitalist enterprises at the cost of state capitalist enterprises and small scale capitalist and ancient enterprises. So, the new economic policy reverses the trends in the structure of the industry established by the *dirigiste* regime. On the other hand, there were new opportunities for expansion of small capitalist industries and ancient enterprises under sub-contracting relations with larger capitalist enterprises. The entire discourse on informalization is testimony to the phenomenal expansion of subcontracting and outsourcing of production to small capitalist, ancient and even feudal enterprises by larger capitalist enterprises. Even independent ancient and small capitalist enterprises could and did expand by exporting its

cheap commodities in the international markets. The expansion of ancient enterprises is also partly due to expansion of surplus population who set up ancient enterprises to sustain themselves, failing to get jobs as wage-workers. Several factors lead to an explosion of surplus population in the neoliberal era. First, globalization and liberalization of trade means both private and state capitalist enterprises in India have to compete in both domestic and international markets with capitalist enterprises from other countries. Since, there are no protected domestic markets, competition forces them to raise productivity and lower prices or face the threat of extinction. Cost-cutting measures have increasingly taken the form of massive labor retrenchment through rationalization of production and labor-serving technology. As a result, intensity and productivity of labor is increasing, while number of productive labors is either stagnant or only sluggishly growing. In the state sector, productive and unproductive workforce as a whole is actually declining. From Table 9, we can see that organized sector employment (which includes public sector productive and unproductive employment and employment in large corporate private sector) has actually declined in absolute numbers between 1999 and 2004. On a longer time span, Ghosh and Chandrashekhar (2007) show that total employment in the organized sector has declined between 1981 and 2003, while labor productivity (net value-added per worker) has almost tripled over the same period. Secondly, neoliberalism has undermined those barriers that protected non-capitalist enterprises from capitalist competition. The dissolution of these non-capitalist units released fresh waves of laborers to the already tight wage-labor market, forcing them to return to some form of self-employment. Thirdly, rapid capital accumulation has also unleashed new forms of primitive accumulation and accelerated the existing forms.

The liberalization of trade in agricultural commodities, the long-run ecological impact and the short-run economic impact of capitalist commodity inputs (new varieties of seeds, fertilizers and pesticides) have pushed the "ancient" farmers of India to the edges of an economic disaster (Patnaik, 2003). On the one hand, because of unequal subsidy structures in the world—developed countries subsidize their agriculture much more than developing countries—and differences in productivity, free trade in agricultural commodities leads to falling unit prices domestically. At the same time, farmers are forced to replace traditional non-capitalist inputs by agricultural inputs sold by multinational giants like Monsanto and Cargill which raise the cost of production. At the same time, productivity on land is declining, requiring more fertilizers and more expenses. New varieties of seeds are more prone to pest attacks requiring more expenses on pesticides. Similarly, the new varieties of HYV seeds require more irrigation and hence higher costs of production. As a result, in the event of any crop failure or adverse market outcomes, farmers are trapped in indebtedness. They are forced to sell their land at throwaway prices. In many cases, farmers are committing suicides. Between 1993 and 2003, 100,000 indebted farmers committed suicide in India, often consuming the same pesticide they used on their fields[134].

Another prominent form of primitive accumulation is through the *establishment and extension of private property rights*. The most controversial form of this is the new Patent regime or Intellectual Property Rights Regime that seeks to impose private property over world's bio-diversity or gene pool (Shiva, 1997, 2001). In many instances, use-values that have been procured directly and freely from nature for thousands of years are sought

[134] Newman (2006). Also see Vaidyanathan (2006), Mishra (2006), Jeromi (2007) etc.

to be converted into industrial commodities protected by patents. This patent regime will prohibit traditional uses of these natural resources in production and consumption and constitute a unique moment of primitive accumulation.

At the same time, intense international competition leads the capitalists to evade or dismantle all the social regulations that may constrain its competitiveness or accumulation—this capitalist response has taken its most spectacular form in the concept of SEZs (Special Economic Zones) which are literally described as "countries within a country". These SEZs are created by the state for capitalist industries with specific tax exemptions, subsidized infrastructural support, absence of labor laws and cheap land. These are literally foreign lands within the boundaries of a nation in the sense that the laws of the land do not apply here (Samaddar (2009), Basu (2007)). In the name of job creation, the capitalists are able to get rid of or substantially reduce many of the customary subsumed class payments to the state. The insane rush to set up hundreds of SEZs all over the country has unleashed a spectacular drive towards acquisition of land, in the process dispossessing many non-capitalist (predominantly "ancient" farmers) producers. The first decade of the twentieth century has seen numerous such projects announced by the government and resisted by the peasants and tribals[135]. Rapid industrial expansion, construction of highways, dams and power plants, expansion and gentrification of metropolitan cities etc, have translated into a frenzied conversion of agricultural lands into industrial lands or residential lands (Perspectives (2008). In many cases, such acquisition of agricultural lands is done by force or through market by land speculators at cheap prices because of the agricultural crisis.

[135] Basu (2007), Chandra and Basu (2007).

The political instability, the democratic assertion of the poor and the absence of hegemonic political parties at the center mean that the people are often able to force the state to roll back its industrial projects. Democracy and capitalism are fighting out a bitter battle in contemporary India. The accelerated process of dispossession and the furious resistance to it inscribe a bloody moment in the history of postcolonial India.

The Dilemma of the Informal Sector

If we look at the labor force of India, a striking fact emerges, which is increasingly dominating official, academic and radical discourses. Of the total labor force of India, more than 90% work in the so-called "informal" or "unorganized" sector, which covers enterprises outside the regulatory framework of the state. Almost the whole of agriculture belongs to it. The dominant class nature of "informal" production is self-employment. In the neoliberal regime, the rapid expansion of the informal economy casts doubt on the assertion that whatever is happening in India is capitalist development. Let us focus on a recent report by a Commission set up by the Central Government (NCEUS (2007))[136]. From Table 10, we can see that employed labor force in India increased from 396.8 million in 1999-2000 to 457.5 million in 2004-2005. The informal sector absorbed 86% of the increase in employed labor force. Given the preponderance of self-employment, we can say that "ancient" class structures are the fastest growing class structure in terms of share of the labor force. "Ancient" producers constitute 56% of the total workforce—64% of the agricultural workforce and 46 % of the non-agricultural workforce in 2004-2005 (Sanyal and Bhattacharya, 2009). In agriculture, after a steady decline in the 1990s,

[136] Also see Sanyal and Bhattacharya (2009).

the number of self-employed farmers has increased between 1999-2000 and 2004-2005. As neoliberal policies begin to have their impact on agriculture, self-employment seems to be on the rise in agriculture. Over the same period (1999-2000 to 2004-2005) the agricultural wage-labor force has actually declined. India is home to the largest mass of surviving small farmers in the world (Sanyal and Bhattacharya, 2009).

Given the dismal conditions of Indian agriculture, the labor force in agriculture is desperate to get out of agriculture. This is reflected in the steady decline in the share of agricultural workers in the rural workforce. Agricultural has finally hit its limits as a "sink" of surplus population, forcing workers to set up "ancient" non-agricultural enterprises in the rural areas or migrate to urban areas where they are predominantly employed in the urban informal sector (Sanyal and Bhattacharya, 2009).

Within the informal non-agricultural sector, there are two kinds of enterprises—own-account enterprises (OAEs) where production is done by the owner-operator, largely assisted by family labor but without any hired workers and "establishments" where the owner-operator works along with family labor and "hired" workers. In case of OAEs, we have predominantly ancient enterprises as well as enterprises where ancient fundamental class processes are often combined with feudal class processes (whenever labor of members of feudal household are used). This situation is similar to the dominant form of peasant farming in India. In case of "establishments" ancient, feudal and capitalist fundamental class processes are often combined. OAEs constituted 87% of all non-agricultural informal enterprises and 73% of the informal non-agricultural labor force in 1999-2000 (Sanyal and Bhattacharya, 2009). This clearly shows the preponderance of non-capitalist class structures in the "informal" sector.

It is evident that the so-called "informal" sector has always been and is, at present, the major source of livelihoods. Yet this presents a new dilemma for capitalist accumulation. Being outside the regulatory framework, the informal production units often operate on the borders of illegality—by encroaching on land, by illegal producing and selling cheap copies of capitalist commodities violating all copyright laws, illegally using public utilities, violating environmental norms etc. In order to ensure the conditions of capitalist accumulation, the informal sector have to be brought into the regulatory framework of the state for policing, surveillance and disciplining. However, the legal framework will "kill" these production units and thus destroy the source of livelihoods of the surplus population. This dilemma is most eloquently articulated in the now-famous Report to the International Labor Conference, 1991, by the Director-General of International Labor Organization (ILO).

> The dilemma, put simply, is whether to promote the informal sector as a provider of employment and incomes, or to seek to extend regulation and social protection to it and thereby possibly reduce its capacity to provide jobs and income for an ever-expanding labor force (quoted in Schlyter, 2002: 2).

There is a striking similarity between the agrarian dilemma during the planning regime and the dilemma of the informal sector as it has come to be formulated in recent times. Both illustrate a social contradiction between the hegemonic/ privileged sector in the economy (the "formal" capitalist sector) and the livelihood of a large number of people. In case of the agrarian dilemma, we have seen how the contradiction results in an abandonment of the class structure of the hegemonic capitalist sector in agriculture. In case of ILO, the entire regulatory framework (economic, political and cultural conditions of existence of capitalist class process—including the sanctity of private property rights)

corresponding to capitalist development has to be evaded, avoided or suspended in order to secure the conditions of livelihood of people [137].

In the context of contemporary political fragmentation, where political parties face uncertain electoral outcomes, it is fairly easy for these informal producers to find some political party taking up their cause. "Vote bank" politics allows these informal producers some leverage in resisting dispossession. The mass of people engaged in informal activities constitute a huge electoral constituency and hence important to all political parties in their politico-electoral calculations. Strict enforcement of property laws (for example, eviction of hawkers from city pavements or demolition of illegal squatter settlements on public or private lands), is often strongly resisted by political parties. Moreover, many civil society organizations offer resistance to such state programs on grounds of human rights, right to livelihood etc. Nationwide alliances and associations of informal labor force in particular trades are powerful pressure groups that apply pressure on state and central governments through political mobilization and legal battles. In the

[137] Typically, for "informal" ancient enterprises, $SV \pm NCR \leq \Sigma SSCP$. The terms included in the left and right hand sides differ significantly between "formal" capitalist enterprises and "informal" ancient enterprises. Ancient enterprises are often set up on encroached land or within the household premises, for which the ancients do not pay ground rent. Similarly, in case of pirated products, the ancients routinely violate copyright and patent laws and thus avoid payments of ground rent. Similarly, they do not pay license fees and other taxes to the state and thus these terms characteristic of subsumed class payments of the "formal" capitalist enterprises do not apply to the "informal" ancient enterprises. Further, managerial salaries as subsumed class payments do not exist for the latter. They often use water, electricity etc. without paying for them, which may leave a non-class revenue term on the left hand side. On the other hand, ancient commodities, for reasons discussed in Chapter 4, often sell at prices les than values and thus lose NCR to consumers. The "informal" ancients have to pay bribes to the police for tolerance of illegality, payments to the mafia for protection and monetary contributions to political parties and organizations to fight for them against eviction by the state—all of which are important components of subsumed class payments featuring on the right hand side. Furthermore, they have to pay the merchants exorbitant merchant fees and they are most often charged usurious interest by "informal" money-lenders, since the ancients are excluded from the "formal" banking system. All these subsumed class payments may exceed the left hand side, thus threatening the reproduction of the ancients' labor power. In general, even if reproduction of the ancients' labor power is ensured, very little is left for accumulation by the ancients. Very often ancients have to accumulate and invest by depressing their consumption below the customary standard of living.

Indian political system, where no single political party could claim absolute majority of seats in recent parliamentary elections and many different political parties carve out the electorate among them, a huge vote-bank like the informal labor force can have significant bearing on the electoral outcome. The following rather long quote captures the complexity of the social context in which "informal" street vendors in Mumbai secure their conditions of existence. Its shows how religion, regional chauvinism, political calculations and class overdetermine the conditions of existence of "ancient" food stalls on Mumbai's pavements.

> Given the limited scope of jobs in the organized sector and the decline of industry in the Mumbai region, the Shiv Sena concentrated on politically mobilising the poor in the unorganized sector. A few years back, as a part of this localised politics, it decided to set up 'regularised' food stalls on the footpaths of BMC lands, ostensibly to provide cheap food to the city poor. Regular pucca shops – measuring 60 to 80 sq ft or more – were constructed on the footpaths. This involved removing those already using the space, and not unexpectedly, many were non-Maharashtrian hawkers…….
>
> The control and direction of land use in Mumbai, or any other economically strategic city in the country, vests with the capitalist class with the state pitching in as a facilitator. However, it is also true that local political power operates with its own logic. This is well illustrated by the 'zunka-bhakar' politics of hawking space in Mumbai city. The Shiv Sena has for years played the 'sons of the soil' card to mobilise the local population as its support base. It has openly advocated a policy of restricting jobs and other economic opportunities in Maharashtra to the 'local' population. This paid dividends when poor Maharashtrians seeking relief from deprivations, as also middle class Maharashtrians in search of better prospects, voted the Shiv Sena to power. Since then, the party has consolidated its hold in Mumbai by openly discriminating against non-Maharashtrians…….
>
> The proposal of the BMC to create 'hawking zones' is another example which illustrates the contradictions faced by the state in allocating space for social consumption vis-a-vis its role in serving monopoly capital. Be it the collection of illegal money (hafta) by local politicians and concerned public officials (including the police), or the occasional 'eviction' operations against hawkers from public lands – both actions can be explained by the same logic, of the state catering to multiple interest groups in the city. In such a situation, who supports the cause of hawkers and who doesn't often become irrelevant……
>
> Today, hawking in high growth cities like Mumbai is no more confined to a struggle for survival by the 'lumpen proletariat' but involves multiple actors, including bureaucrats, local politicians and muscleman. Their struggle for a share of urban space has to be understood in a proper perspective (Sharma, 2000).

Moreover, the social crisis of survival of the surplus population often promotes cultural responses that recognize human being's inalienable right to livelihood that has moral primacy over all other rights[138]. Such a social context constrains the conditions of existence of capitalist class structures by creating barriers to primitive accumulation and enabling non-capitalist class structures to survive on humanitarian grounds.

The contradictions of capitalist development in India are such that securing the conditions of existence of capitalist class structures unleashes processes—primitive accumulation and the expansion of surplus population—which in turn undermine the very conditions of existence and expansion of capital. The particular social context has contradictory effects on all class structures, including capitalist class structures. In capitalocentric notions of non-capital, essentialism precludes the visibility of this contradictory nature of a particular social conjuncture.

The Contradictions of "Inclusive Growth"

India's 11th five-year (2007-2012) plan presents a vision of "inclusive growth" for India—an official response to processes of economic exclusion underway in the Indian

[138] Consider the following Supreme Court verdict in the Sodhan Singh Vs. NDMC case, 1989[138]. Sodhan Singh used to sell garments at Janpath in New Delhi and was evicted by New Delhi Municipal Corporation. Sodhan Singh filed a Public Interest Litigation that this act of NDMC violated his fundamental right, namely his right to carry on trade.

> In a very significant judgement, the Court ruled that, "if properly regulated according to the exigency of the circumstances, the small traders on the side walks can considerably add to the comfort and convenience of the general public, by making available ordinary articles of everyday use for a comparatively lesser price. An ordinary person, not very affluent, while hurrying towards his home after a day's work can pick up these articles without going out of his way to find a regular market. The right to carry on trade or business mentioned in Article 19(1)g of the Constitution, on street pavements, if properly regulated cannot be denied on the ground that the streets are meant exclusively for passing or re-passing and no other use." (Bhowmick, 2003: 1544).

economy. For the official discourse, exclusion is about poverty and the unequal sharing of the expanding wealth of the society. In class terms, we can discern a different meaning of exclusion—the expansion of a non-capitalist "outside" that can always and already does, in many different ways, though hardly in class-terms, threaten the dominance of capital.

This concern with inclusive growth reminds one of Polanyi's "double movement"[139] in capitalist market economies. Polanyi interprets the history of industrial society in the 19th and 20th centuries in terms of a pendulum-like "double movement". One side of that movement was toward free and flexible markets that enabled the material and technological gains associated with the Industrial Revolution. The other side was a reaction to the disruption that these markets imposed on people's lives, threatening nature and society on a large scale and prompting the society to take steps towards self-preservation. The current era of globalization mirrors that of the late 19th and early 20th centuries in many ways. Markets are being established, liberalized, and deregulated throughout the world. Commodities, capital and means of production are moving within and across frontiers at an ever-accelerating pace. And people's lives are caught in the anarchy of the market. Severe dislocations, real and potential, urge people to look for alternatives to their increasingly chaotic and insecure lives. Neoliberalism and inclusive growth, therefore, constitute the two halves of the pendulum's oscillation[140]. "Inclusive growth" is an emerging discourse specifically to address the contradictory development of capitalism that threatens to dissolve it.

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[139] Polanyi (1944)

[140] See also Resnick and Wolff's argument about oscillation between state and private forms of capitalism in capitalist as well as so-called "socialist" economies like Soviet Union (Resnick and Wolff (2002).

As Samir Amin pointed out[141], three billion peasants exist in the world today with the ratio of productivity of large, mechanized capitalist farms to that of those peasant farms with lowest productivity—i.e. those farms who have not benefited from green revolution technology—being 2000:1. The entire economy of three billion peasants can be replaced by twenty million large and efficient capitalist farms. Then why does petty commodity production exist? I argue that they exist partly as "sinks" for surplus population. Agriculture in India has always acted as one such "sink". So did cottage and village industries and urban and rural non-agricultural "informal" sector enterprises.

There is continuity of a particular contradiction across the two economic policy regimes in India – the planning regime and the neoliberal era—articulated as a contradiction between employment and accumulation, but which in Marxian class-terms, is a result of uneven and contradictory development of different class structures which provide and undermines each others' conditions of existence at the same time.

The deplorable economic conditions of the Indian labor force—with its gigantic size of surplus population—subsisting in a predominantly ancient economy whose conditions of existence are threatened by the pressure of surplus population and the forces of primitive accumulation—have always been a concern for economists and policy makers. Poverty alleviation programs and protection to small industries, including reservation of products for small scale industries have been staple components of economic policy during the planning regime.

How does the discourse of "inclusive growth" differ from these earlier attempts? Firstly, the problem of poverty in the 1960s and the 1970s were formulated in the context of

[141] Mentioned in Sachs (2004: 1807)

inadequate economic growth. The persistence of these conditions in a handsomely growing economy since the 1980s is what makes the problem of exclusion theoretically challenging. Secondly, in the days of planning, the state was in a better position to influence the direction of the economy than today. The notion of inclusive growth becomes significant if we consider the problem as one of devising economic policies that try to achieve certain targets that are not automatic outcomes of a free market economy, yet where the state is committed increasingly to a non-interventionist stance with respect to the same free-market economy. Thirdly and most importantly, in the context of the contradictions between livelihoods and capital accumulation, one major constraint on any strategy of inclusive growth is posed by the preservation of the 'sinks' for surplus population of the economy. The objective of inclusive growth, in this context, is to achieve capitalist growth and increase the standard of living of the masses keeping the 'sinks' intact, at least for the foreseeable future. This is the new utopic vision of the neoliberal development discourse.

Let us consider then the model of market-led inclusion advocated by the World Bank. One of the major campaigns of the Bank is aimed at labor market reforms. The following quote summarizes well the arguments of the Bank.

> Restrictive labor laws thus end up creating a bias to protect already employed formal workers at the expense of creating more and better jobs for workers outside the formal manufacturing sector or encouraging firms to enter the formal sector. These laws create massive inequality. They divide a tiny enclave of relatively better-paid salaried formal sector workers, who have good job security and benefits, from the vast majority of informal or unorganized sector workers, who work for much lower wages and with little or no social protection. (World Bank. 2006: 123)

This is an argument for a single labor market. The argument seems to rest on the assumption that capitalist accumulation will lead to rising demand for labor power which

will lead to increase in real wages and employment. This is the Smithian vision of capitalist growth and increasing prosperity of a society. But this vision, of course, misses the Marxian insights on the many forms of capitalist accumulation, with very different implications for the size of productive labor force, as well as the insights offered by the particular notion of primitive accumulation developed in this dissertation. Specifically, the World Bank approach rests on the assumption that the capitalist sector expands by drawing labor from the "ancient" economy—obviously by offering a wage higher than the average income in the latter (and more decent conditions of work). But in order for this process to work, the workers will have to be withdrawn incrementally leaving the whole "ancient" economy intact during the process of withdrawal. This is similar to how the "traditional" sector plays outs its role in the Lewis model. But, and this is important, capitalist class structures do not expand in vacuum. We have argued that primitive accumulation is constitutive of the capitalist class processes and thus capitalist accumulation may often involve dissolution of the "ancient" economy and dispossession of large numbers of "ancient" producers. This may happen either due to market competition as capitalist commodities destroy the markets for "ancient" commodities or due to processes of primitive accumulation involving appropriation of "scarce" means of production. This will dissolve the 'sink' and more people will join the labor force than can be absorbed by the capitalist sector. This will depress wages and work conditions and defeat the very policy of raising the standard of life of the workers. Given that the employment generation in the capitalist economy has been lagging behind its rate of accumulation, the dissolution of the "ancient" economy means that number of people 'dispossessed' of their means of subsistence in the latter will be many times the number

of people absorbed in the capitalist sector. This process will have the effect of increasing the "dependency ratio" of the economy since dispossessed petty producers will simply live on charity adding to the beggars, vagabonds and the criminals.

A second strategy might be to preserve the "ancient" economy, i.e. to restrict the spread of capitalist economy and to engage in redistribution of income (partly financed by taxes on capitalist surplus value) as non-class revenues to ancient producers or by using the subsumed class receipts from capitalist enterprises to provide certain conditions of existence of non-"ancient" enterprises and thus secure political and cultural conditions of existence of capitalist enterprises in an otherwise explosive social context. Alternatively, the state could provide for "free" or "subsidized" housing, education and health for "ancients" by using the subsumed class payment from capitalist enterprises, thus reducing the necessary labor time of the ancients and allowing a larger "ancient" surplus to emerge. This surely would complete the "double movement", but go against the fundamentals of neoliberal capitalism. Moreover, given the size of the "ancient" economy, this will seriously undermine some of the conditions of existence of capitalist enterprises, including capitalist accumulation.

A third possibility involves strategies that increase productivity of "ancients" and hence raise the "ancient" rate of surplus value. The policy of inclusive growth, in this case, may require provision of subsidized credit, technological services, establishment of secure markets, etc. Firstly, a particular class structure requires many conditions of existence—not simply credit or technology; what is required is an entire social context that provides particular economic, political and cultural conditions for the expansion of surplus in a class structure. These economic, political and cultural conditions that favor "ancient"

surplus must exist alongside a dominant capitalist class structure. But most importantly, again, the expansion of "ancient" surplus will raise the possibilities of accumulation and differentiation within the "ancient" economy and the policy will have to ensure that productivity growth and accumulation of "ancient" surplus does not dissolve the "ancient" economy. Differential outcomes across many different producers with varying talents and personal circumstances are only natural in a market economy. The processes that lead to some winning and some losing out in the game have to be arrested such that the ancients do not differentiate into capitalists and workers. In the latter situation, the problem of exclusion will reassert itself with full vigor.

These are only a few of the contradictions that unsettle the utopian vision of "inclusive growth". A Marxian overdeterminist perspective, building on the notion of "contradiction", recognizes that such management of contradictions is epistemologically ruled out. The new experiment with inclusive growth is riddled with as many contradictions as the planning experiment and which therefore threaten it with its possible failure from the very beginning.

CHAPTER 6

CONCLUSION

This dissertation develops a notion of primitive accumulation that unmasks the violent face of capitalism and at the same time points to its fragility—the fragility of a social formation where the dominance of a class structure (capitalist, in this case) is always provisional and vulnerable to revolutionary transformations. It is unfortunate that this fragility is often lost to the Marxists. The essentialist and teleological framework of historical materialism has crippled Marxian politics in many ways. The telos of historical materialism posits an inevitable—even if delayed—destruction of pre-capitalist class structures. This telos underlies the two-class image of capitalism—the bourgeoisie and the proletariat being the two great antagonistic classes in "mature" capitalism—that informs much of Communist politics. This enduring image of capitalism makes Communist activists and thinkers ambivalent about other class structures—for example, ancients and communist class structures (self-employed peasants and manufacturers, tribal and primitive communist societies). They are devalorized as pre-capitalist residues in an "immature" capitalist social formation. Yet, all over the world, ancients (peasants as well as urban "informal" producers like slum dwellers) and primitive communist societies are at the forefront of the most spectacular mass resistance movements against capital. Yet, the Communists have hardly any theory of class struggle that can enable them to engage in Marxist interventions in these struggles that continuously threaten the hegemony of capital—even more than the much more prominent "crises" of capitalism.

I argue that this lack is theoretical—a blindness of the Communist activities and Marxist thinkers to the inescapable heterogeneity of class in a capitalist social formation—in *any* social formation. It's not a matter of "delayed" transition—it's a basic ontological view that accepts heterogeneity and ubiquitous contradictions between different class structures in any society and understands the development of any social formation as an uneven development of different class structures constituting it.

The present work is emoted by the ethical questions that many societies are currently facing and struggling to resolve, in the wake of large-scale threats to stable livelihoods—i.e. to reproduction of life in general— for majority of the world's population living within global capitalism. In the last three decades, starting with the Reagan-Thatcher era, the hegemonic representation of capitalism is not that of a social system more "efficient" or more "promising" than the alternative "socialist" society—as used to be the case during the Cold War days. Rather, the capitalist system has secured a representation for itself as a system *that has no alternative*[142]. I do not mean to say that those social systems that were represented as alternatives to capitalism—the "really existing socialisms" —during much of the 20th century, can be regarded as an alternative to capitalism in the Marxian sense[143]. However, *at the level of representation* in dominant discourses, there was a strongly perceived alternative to capitalism in the "really existing socialist" societies. With the fall of those "really existing socialist" societies, the last three decades have witnessed a unique process of expropriation of all alternatives at the level of representation in discourses on economic development and future of societies.

[142] Many would remember Thatcher's famous little acronym—TINA which stands for "There Is No Alternative".
[143] See Resnick and Wolff (2002).

For those who are trapped in this hegemonic representation of capitalism-without-an-alternative, the "inevitability" of capitalism calls for a social sanction of the violence that accompanies growth and expansion of capitalism. More specifically, for many in developing countries, this brings to mind the violence associated with capitalist development in 17th and 18th century Britain and the uncomfortable realization that developing societies will still have to pass through similar "rigors of transition"—something, these societies admittedly have always been doing since colonial times. Thus, we face the following dilemma—capitalism is represented as the *only* solution to poverty and yet, to have capitalism is to reenact the entire bloody history of pauperization, dispossession and expropriation of millions of peasants, petty producers and communities in developing societies. This history has been eloquently sketched in Marx's chapters on "primitive accumulation" at the end of Volume 1 of *Capital*. It is not therefore surprising that a long-buried concept like "primitive accumulation" suddenly acquires such eminence, in this peculiar world-historical context.

This dissertation argues that we should appreciate the (non-exploitative) "others" of capital if we are to imagine the alternatives—i.e. make capital's "others" a part of our lived experience and an object of our theoretical concerns. We must rescue capital's "others" from *history*—i.e. de-historicize them, break the theoretical mold that can make sense of capital's "others" only as pre-modern residues (pre-capitalism) or futuristic visions (socialism) borne out of the perennial Hegelian "unhappy consciousness". The concept of primitive accumulation, as worked out in this dissertation, brings into the domain of Marxian political economy an understanding of how capital's "others" are subjected to violence and devalorization at the level of the

economic and how that economic process sustains the expropriation of the alternative at the ideological-cultural level.

By presenting a disaggregated picture of the social formation and by emphasizing the contradictory nature of development of such a social formation, this dissertation claims to unsettle the dominant representation of such a social formation as undergoing *capitalist* development. As my account of the development of Indian capitalism shows, Indian social formation is dominated by the capitalist class structure in terms of surplus, accumulation and growth, but it is dominated by the ancient class structure in terms of livelihoods of the labor force. Such a representation opens up the space for anti-capitalist interventions by highlighting the *limits* or fragility of the dominance of capital. I argue that this dissertation contributes to a new approach to writing history of economic development of developing countries—a new approach that eschews any kind of telos in favor of contingencies, dissolves all stable outcomes into provisional "encounters" and recognizes uneven development at the heart of the process of change of a social formation. In the process, this dissertation dissolves the notions of transition and the dominance of a particular class structure inherited from the essentialist structure of historical materialism.

I would like to point out some political implications that flow from this dissertation. Marxists had always been interested in the problem of poverty. But in the absence of a sustained class theory of poverty, the urgent problem of poverty in certain societies has often compelled Marxists to engage in struggles around poverty from a non-Marxian perspective—involving the debates on state versus market or private versus state capitalism. Thus, for example, neoliberal policies are often blamed for the increasing

poverty of the majority of the population while enabling rising wealth of a minority. Even when the notion of primitive accumulation is employed by the Marxists to account for the processes of dispossession, exclusion and marginalization, they place undue emphasis on neoliberal policies to account for the onslaught of primitive accumulation. In emphasizing one particular form of capitalism, namely free market private capitalism—which is what "neoliberal" capitalism stands for—many writers in recent times seem to imply that state-guided or state-regulated capitalism is not guilty or less guilty of the crime of primitive accumulation. This, I strongly assert, is at variance with the Marxian class-focused understanding of the concept. In fact, such an identification of primitive accumulation with neoliberalism invites the dangers of a possible interpretation of primitive accumulation as a policy problem and a target of capitalist governance. Hence, one objective of the present work is to dissociate and distance my understanding of the notion of primitive accumulation from those associated with the critics of globalization and neoliberalism, despite the many useful contributions of the latter to an understanding of contemporary capitalism and even primitive accumulation itself. I believe that this work will add to the Marxian exploitation-focused critique of capitalism, another political critique in terms of the contradictory relations between capitalist and non-capitalist class processes—captured in the Marxian notion of "primitive accumulation"— which is germane to the ethical concerns of the society over threats to reproduction of life for majority of population living within or alongside capitalism. Thus, one purpose of the present work is to show that not only is labor within the capitalist fundamental class process exploited in the Marxian sense, but even labor outside capitalist class structures, in other non-capitalist class processes like ancient and communistic class processes, are

threatened with systematic disruption of their conditions of existence, as a result of the expansion of capitalist class structures. The reformulation of primitive accumulation, presented in this work, is the crucial concept that unmasks the latter process.

Further, the analysis presented here allows the Marxists to intervene in struggles around dispossession as well as class struggles around capitalist exploitation of workers. I have tried to show, in the Indian context, that despite rapid capitalist accumulation, the size of the productive labor force in capitalist industries is growing only sluggishly or may even be declining. For the Marxists, the shrinking size of the "only revolutionary class"—the industrial proletariat—makes them despair of revolutionary possibilities in such a society.

Moreover, in such a social context, the balance of power in the class struggle between capitalists and workers often tilt in favor of the capitalists. This leads to a decline of the strength of workers' movements. I argue that the analysis presented above presents a new understanding of how the dynamics of the social formation benefit the capitalists in their class struggles against their workers. Specifically, I have argued that, in a social conjuncture, where the surplus population expands along with the capitalist class structure, the following peculiar situation may prevail—the dissolution of non-capitalist class processes through primitive accumulation and a simultaneous expansion of the same—in fact, almost as a parallel movement. This is because dispossessed people would secure their subsistence, however precariously, in non-capitalist (mainly ancient) class structures, if they do not get employment in the capitalist factories. The simultaneous expansion of capital and non-capital has the following implications for Marxists interested in class struggles in the society. First, emergence of these new spaces of non-

capital also and at the same time implies that they may become targets of fresh waves of primitive accumulation. Conditions of existence of these non-capitalist class processes are therefore continuously subverted by the primitive accumulation of capitalism even as they are simultaneously expanded through the expansion of the surplus population. Hence, livelihoods of labor in alternative non-capitalist class processes are continuously destabilized. Second, continuously expanding "ancient" class structures under conditions of depressed "ancient" surplus enable capitalists to tap the former for their requirement of labor power, which in turn, allows capitalists to be unscrupulous, in many different ways, with respect to workers they employ and exploit—by denying them secure contracts, by depressing their wages, by increasing exploitation or breaking up workers' resistance movements etc. Thus, for the majority of the laboring population and cutting across class processes, reproduction of life remains insecure and uncertain. However, I must hasten to add, that such a social conjuncture may benefit capitalists vis-à-vis their workers, but they constrain capitalists in other ways—for example, capitalists have to struggle against the ancients to secure their conditions of existence, including access to "scarce" means of production like "land". The analysis presented in this dissertation allows Marxists to understand how capitalist and non-capitalist class structures overdetermine each other—particularly how the condition of "ancients" affects the workers in capitalist class processes.

To be fair, Marxists have always recognized such problems posed by non-capitalist class processes for workers' movements. But, they have always taken an essentialist view of the interaction between capital and non-capital. First, they have assumed that the presence of non-capitalist class structures can be explained by inadequate rates of

expansion of capitalist class structures (i.e. low rates of growth or capital accumulation). Hence, with faster capital accumulation, the non-capitalist class structures would disappear and hence the problem itself would disappear. In this dissertation, I have argued why it is perfectly reasonable to expect an expansion of non-capitalist class structures with rising capitalist accumulation once we take into account primitive accumulation as a condition of existence/expansion of capitalist class structures and when the forms of capitalist accumulation are such that, in conjunction with primitive accumulation, a surplus population expands along with capitalist accumulation. Thus, the Marxists have to rethink their class politics in a social context where non-capitalist class structures proliferate alongside a rising, stagnant or even declining proletariat. Second, Marxists have assumed that non-capitalist class structures adversely affect only the workers in the capitalist factories while the capitalists benefit from such a situation by increasing the rate of exploitation of their workers. I have argued that expansion of ancient class structures both benefit and harm capitalists—for example, enabling the capitalists to increase the rate of exploitation while constraining their ability to accumulate capital. Thus, capitalist accumulation itself is overdetermined by the ancient class structures. One cannot posit capitalist accumulation as a process independent of whatever is happening to the ancient economy—the conditions governing ancient surplus both enable and constrain capitalist surplus, as I have argued in Chapter IV.

Thus, this dissertation points to the complexity of the working class struggles, even as the analysis builds on a highly simplified "model" involving only two class structures—and thereby ignoring others—and focusing on only primitive accumulation, which is just one

process belonging to the space of a complexly overdetermined interaction between capitalist and ancient class processes.

In the process of such a reformulation and application of the concept of primitive accumulation, I claim that the present work faces the possibility of transcending the current boundaries of the dissertation. Though I restrict myself to a discussion of postcolonial India and a simplified representation of class structures in postcolonial India, I believe the theoretical arguments presented in this dissertation will break new grounds in understanding the class-dynamics of developed countries as well and offer an entirely new perspective on the question of historical transition to capitalism. Primitive accumulation is not specific to developing countries and its class-effects can be similarly ascertained in the context of developed societies. In fact, one of the main contributions of the contemporary literature is to locate primitive accumulation not at the peripheries of capitalism, but within the metropolitan centers of capitalism. One possible extension of the current work consists of applying this analysis to developed societies and mark out the similarities as well as differences in the social conjunctures in developed and developing societies.

Secondly, the arguments presented in this dissertation offer elements for a Marxian class-theory of poverty. Poverty has so far been theorized *within* capitalist class structures in terms of Marx's notions of reserve army of labor, rising rate of exploitation coupled with stagnant or falling real wages and crises. This dissertation allows a peek into the possibilities of a theory of poverty associated with non-capitalist class structures and how the latter overdetermines the poverty associated with capitalist class structures and how

both forms of poverty support and undermine capitalists at the same time. Such an analysis enables Marxists to engage in struggles around poverty from a class-perspective.

APPENDIX

TABLES

TABLE 1

Occupational Structure in India, 1901-1931 (in Percent)

	1901	1931
Agriculture and allied Activities	67.8	71
Modern Industry	0.4	1.2
Traditional Industry and Construction	10.1	7
Services	14.4.	15
Others (Mining and Unspecified	7.3	5.8

Source: Sivasubramonian (2000, Table 2.4), *Statistical Abstracts of India*, various years. Reproduced from Roy (2002:113).

TABLE 2

Plan Outlay on Industry 1951-1990 (in Percent)

Plan/Year	Village and small industries	Industry and minerals
First Plan (1951-1955)	2.1	2.8
Second Plan (1956-61)	4	20.1
Third Plan (1961-66)	2.8	20.1
Annual Plans (1966-69)	1.9	22.8
Fourth Plan(1969-74)	1.5	18.2
Fifth Plan(1974-79)	1.5	22.8
Annual Plans (1979-80)	2.1	19.6
Sixth Plan (1980-85)	1.8	13.7
Seventh Plan (1985-90	1.5	11

Source: Kapila (1993: 245)

TABLE 3

Net Capital Formation (at Current Prices in Rs.Crores)

Item	1950-51	1960-61	1970-71	1980-81	1990-91
Net Capital Formation	511	1665	4648	15228	86520
Public Sector	203	973	2106	8057	32507
Private Corporate Sector	207	469	726	2176	17163

Source: CSO, Government of India 2010, Statement 11.

TABLE 4

Share of Public Sector in the GDP of Different Sectors of the Economy (Per Cent at Current Prices)

Item	1960 - 61	1970 – 71	1980 - 81	1988 – 89
Administration and defence, railways and communications	100.00	100.00	100.00	100.00
Other services, mainly, health and education	21.12	33.62	39.09	46.46
Mining and quarrying, manufacturing (reg.), electricity, gas, etc., Construction, banking & insurance	11.29	23.68	39.99	53.42
All other sectors	1.41	2.12	4.15	4.57
All sectors (Total GDP)	9.99	13.84	19.74	27.12

Source: Dandekar (1992:57)

TABLE 5

Per Capita GDP in Agricultural and Non-Agricultural Sectors (Rs. at Constant 1980-81 Prices)

Year	Proportion of Population in Agriculture	Per Capita GDP			
		Total	Agriculture	Non-Agriculture	Ratio of (5) to (4)
1	2	3	4	5	6
1950-51	67.5	1194.18	860.83	1886.52	2.19
1960-61	69.5	1449.40	956.17	2573.32	2.69
1970-71	69.5	1671.46	955.60	3302.69	3.46
1980-81	66.5	1800.09	940.48	3506.47	3.73
1989-90	64.9	2430.84	1117.69	4858.87	4.35

Source: Dandekar (1992:53)

TABLE 6

Changes in the Size Distribution of Operational Holdings Shown by Different Land Holding Sizes

Category of Holdings	Percentage of Operational Holdings					
	60-61	70-71	81-82	91-92	2002-03	
					Kharif	Rabi
Marginal (< 1.000 hectares)	39.1	45.8	56.0	62.8	69.7	70.0
Small (1.001-2.000 hectares)	22.6	22.4	19.3	17.8	16.3	15.9
Semi-medium (2.001-4.000)	19.8	17.7	14.2	12.0	9.0	8.9
Medium (4.001-10.000 hectares)	14.0	11.1	8.6	6.1	4.2	4.4
Large (> 10 hectares)	4.5	3.1	1.9	1.3	0.8	0.8
All Sizes	100.0	100.0	100.0	100.0	100.0	100.0

Source: NSSO (2006: 18)

TABLE 7

Changes in Percentage Distribution of Operated Area by Category of Operational Holdings

Category of Holdings	Percentage of Operated Area					
	60-61	70-71	81-82	91-92	2002-03	
					Kharif	Rabi
Marginal (< 1.000 hectares)	6.9	9.2	11.5	15.6	22.6	21.7
Small (1.001-2.000 hectares)	12.3	14.8	16.6	18.7	20.9	20.3
Semi-medium (2.001-4.000)	20.7	22.6	23.6	24.1	22.5	22.3
Medium (4.001-10.000 hectares)	31.2	30.5	30.1	26.4	22.2	23.1
Large (> 10 hectares)	29.0	23.0	18.2	15.2	11.8	12.5
All Categories	100.0	100.0	100.0	100.0	100.0	100.0

Source: NSSO (2006:20)

TABLE 8

Average Area Operated per Holding (in Hectares)

Year	Area
1960-61	2.63
1970-71	2.2
1981-82	1.67
1991-92	1.34
2002-03	1.06

Source: NSSO (2006: 16)

TABLE 9

Organized Sector Employment:
Estimates of Employment in Organized Public & Private Sectors

Year	Lakh (=100,000) Persons on March 31		
	Public	Private	Total
1999	194.15	86.98	281.13
2000	193.14	86.46	279.60
2001	191.38	86.52	277.89
2002	187.73	84.32	272.06
2003	185.80	84.21	270.00
2004	181.97	82.46	264.43
2005	180.06	84.52	264.58

Source: Planning Commission, Government of India. 2009.

TABLE 10

Employment by Sector (in Millions)

	1999-2000	2004-2005
Informal	342.6	394.9
Formal	54.1	62.6
Total	396.8	457.5

Source: NCEUS (2007:3)

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