Agrarian Relations and Accumulation

The 'Mode of Production' Debate in India

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Published for
SAMEEKSHA TRUST
by
OXFORD UNIVERSITY PRESS
BOMBAY DELHI CALCUTTA MADRAS
1990

Introduction

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THE discussion, which developed into a wide-ranging debate, on the growth of capitalist production in Indian agriculture, began in the early sixties with a few papers by authors of a broadly Marxist persuasion, in diverse journals some of which are now defunct. The debate gathered momentum towards the end of the decade and reached its most intensive phase in the seventies, with a large number of participants writing in *Economic and Political Weekly*. The decade of the eighties saw a number of reviews of the debate, while further contributions have been in the nature of discussion and development of its specific aspects.

The need has been long felt for a volume which would encapsulate the main trends of the early discussions, which had soon acquired the appellation of 'the mode of production' debate. Contemporary interest was aroused amongst scholars of development problems in a number of countries and, unknown to the participants, translations of the papers in various languages circulated in their universities. There have been several abortive proposals to edit a volume, and one early selection in a pirated edition was brought out from Lahore but was little circulated. Surveys of the debate continue to appear, the most detailed and comprehensive being that by Alice Thorner.[1] Finally, some two decades after the inception of the debate in the pages of *EPW*, we have ventured to put together this edited selection of contributions over the decade 1968 to 1978. The objective has been to cover the main themes of the discussions during this period mainly for the benefit of the new reader. This has been a difficult task and doubtless the critical reader will find much to cavil at both in the selection of papers and in the editing; no matter how sincerely an editor tries, a subjective element is bound to be present. Particularly after 1978, a large number of papers dealing with specific topics such as tenancy and labour relations have appeared, which probably require a second volume to do them justice.

Looking back after fifteen years, what are the salient features of the debate that one can identify? Occasional exasperation with the apparently sterile semantics should not obscure the substantive and basic conceptual issues which underlay it: what is agricultural 'capitalism' particularly in an ex-colonial country? How is 'feudalism' and 'semi-feudalism' to be conceptualised? In what way if any do prevalent landlord-tenant relations constrain productive investment? And how do they shape the contours of capitalist accumulation in the post-independence period?

The discussion had started with certain specific questions addressed by economists: what was meant by capitalist production in agriculture, and how could its growth be captured statistically when carrying out empirical surveys of farming households? Clearly the appropriate statistical methods of aggregation and analysis depended in turn on the theoretical approach to the question of capitalist development in the agrarian sector. Seeking the answer to these specific questions soon raised broader issues concerning the nature of the colonial impact on India and in particular the character of colonial commodity production and its differences from the development of commercialisation in the post-independence period. The starting point of the broader debate lay in a dual dissatisfaction as far as this author was concerned: first, with the idea that the mechanisms and trajectory of development of an ex-colonial country like India were in their essentials the same as those for the western capitalist countries; and secondly, with the idea that India was part of a world capitalist 'periphery', a mere appendage integrated through exchange, with the western world.

From the beginning broadly two approaches or points of view emerged. The first did not see any major qualitative 'break' between the colonial and post-independence periods with respect to the growth of capitalist relations of production, other than perhaps one of varying speeds of transition. According to this interpretation, colonial exploitation involved the growing commercialisation of agriculture and growth of wage-paid labour, and such commodity production inevitably implied also that capitalist production relations were developing. If these relations did not take the pervasive form of direct employment of hired labour for profit, this was sought to be explained by invoking Marx's distinction between the 'formal' versus 'real' subsumption of labour under capital, with the argument that peasants

indebted to merchants and moneylenders were 'formally subsumed under capital'. (Whether this was a correct application of Marx's distinction, is a question we do not go into here.) The landlord-petty tenant relation was also interpreted by some as a 'capitalist' one, i e, the analytical distinction between profit and rent was considered unimportant. Post-independence developments, on this view, continued the same trends, only at a much faster pace.

The second approach, to which this author subscribed, on the other hand identified a definite qualitative 'break' between the colonial and subsequent period with respect to the growth of capitalist production in agriculture, and related this break primarily to the question of accumulation. It argued that colonial revenue-cum-rent exploitation promoted not the proletarisation of peasants so much as their pauperisation, since a substantial share of economic surplus was transferred abroad to finance metropolitan industrialisation; and that the forms of capital which found the colonial economic environment particularly congenial were landlord, trader and usurer capital. Consequently these forms mediated a process of 'forced' commercialisation of agriculture ('forced' because peasants had to sell to pay rent-cum-revenue), marked by a relative absence of transformation of the productive base and structural deformation of the economy. The post-independence agrarian structure carried the legacy of this process in the form of endemic underemployment and unemployment. While the new economic environment of state investments and encouragement of capitalist production initiated a new phase of agrarian accumulation, it was constrained by inherited production relations and in particular by petty tenancy.

Accepting the argument regarding the specificity of the colonial experience and the inadmissibility of an analysis which was merely a homologous transform of that applied to sovereign industrialising countries, some authors sought a solution by advancing the novel concept of the 'colonial mode of production'. A little reflection convinced most of those taking part in the debate that this concept was a theoretical non-starter. Not only were there great variations in the initial socio-economic conditions and in the trajectories of subordination among the colonised countries: a corollary was that it was impossible to identify any specifically colonial 'social existence—form of labour power' (to use Takahashi's lapidary phrase in the 'Transition' debate). The concept of a mode of production, theoretically an analytical concept, could not be cavalierly treated as one might an elastic glove, stretching it here and there to fit varying empirical reality. Such a procedure would logically imply as many 'modes of production' as there were historically existent social formations; and represent therefore a subversion of the analytical concept of 'mode of production' itself.

Subsequently, the discussion veered back to the original questions of class formation and class differentiation in agriculture. Without further empirical investigation it was not possible to determine a priori what was the extent and impact of ongoing capitalist accumulation; on the other hand, the proper investigation of existential social reality itself required the application of theoretical categories of class. The resolution of this dilemma was attempted by this author by formulating a general index of exploitation of labour which did not presuppose either capitalist or other types of relations but subsumed both. Other authors on the other hand emphasised class formation in terms of class-for-itself rather than class-in-itself.

We will not enter here into a further disquisition on the unresolved issues of the debate; the contributions are before the readers, who has only to remember however that they relate to a time-frame whose terminal date is over a decade ago; contributors may well have developed and changed their views. We would only like to indicate briefly what, in our view, constituted the main shortcomings of the discussions, from a perspective gained from further reflection.

The main drawback in our view was an inadequate appreciation of the specific macroeconomic processes entailed in India having been a colony for so long, and the way in which this has altered the problematic of development in the post-independence period. A general lack of clarity on these questions led to an excessive emphasis on the somewhat textual and philological aspects of concepts as against any attempt to hone them against the touchstone of real historical development. For example, the distinction this author was wont to stress, between capital in production and capital in circulation—in the context of the argument that there was an independent development of the latter relative to the former—was important and not in itself incorrect; but it was certainly inadequate. What really mattered was that colonial exploitation entailed an overall economic environment

of relative retardation and structural shifts towards tertiarisation of the economy. Even when capital did flow into financing agricultural production within such an environment—as in the case of exportable commercial crops—the process represented more often than not a relative displacement of domestic consumption. This is an entirely different scenario from the dynamic expansion of commodity economy experienced by sovereign industrialising countries. The successful drive for exports combined with domestic famines; growth of industry combined with tertiarisation of occupations; achieving the second largest merchandise export surplus in the world combined with import of capital; such were the paradoxes of this type of 'development', unknown in the history of the countries following an independent path of industrialisation.

The project of analysing the macroeconomic impact of colonialism and imperialism on the Indian economy, and in particular its rural segment, is far from over; indeed it has hardly begun.[2] At the heart of the analysis must lie the question of *unilateral transfers* from the colony to the metropolis; and as a corollary to this, the commoditisation of production involving in particular the drive to expand exportables. Between one-sixth and three-tenths of the total taxation revenues of British India was transferred abroad every year over an unconscionably long period of some 175 years beginning in 1765. In short, a surplus budget was operated by the colonial state, with a substantial part of revenues not being spent for either developmental or non-developmental purposes within the country, but being earmarked for 'expenditures incurred abroad'. If there is a balanced-budget multiplier, the working of this 'surplus budget depressor' needs to be quantified in its different phases.

The unilateral transfer to Britain of a part of the revenues collected in rupees in India entailed the transformation of this part into forms useful to the metropolis, viz, either commodities directly usable in Britain as raw materials and wage-goods, or exportables to third countries which earned foreign exchange for British use. The unilateral transfer thus required an export surplus of commodities from India, against which no claims in foreign exchange accrued to the Indian producers of this export surplus. (The producers were paid in rupees out of that portion of the taxation revenues set aside for this purpose: analytically speaking, a portion of total taxation thus took the form of taking away exportables without payment.) As total revenues rose in the course of the 19th century, the effecting of a steadily increasing real transfer entailed a corresponding rise in India's export surplus. Whereas before the 1820s exports had consisted mainly of manufactured goods, subsequently with the opening up of the colonised economy to free trade in British textiles and the emergence of net imports on this account (marking the inception of deindustrialisation), the drive was for increasing exportables production in the primary sector—drugs, industrial raw materials and high-grade foodgrains. Ample evidence exists that this drive for increased primary sector exportables production, essential for affecting the transfer, rested mainly on a combination of physical coercion, and economic duress imposed on cultivators by the necessity of paying revenue and rents. The process of *commoditisation under colonial conditions* was thus qualitatively quite distinct from the commercialisation of agriculture in sovereign capitalistically developing countries (where a reciprocal exchange between town and country could develop determined by considerations to producers of profitability and mutual advantage.)[3] One aspect of the forced nature of this distinctive process was that increase in exportables in India took place very substantially at the expense of domestic consumption, being marked by a high incidence of famines in the 19th century and falling per capita availability of foodgrains in the 20th century.

Whereas unilateral transfers implied that the colonial Indian economy had an excess of domestic saving over domestic investment year after year, at the other end Britain, the recipient of the transfer from its tropical colonies, enjoyed an excess of domestic investment over domestic savings, without external indebtedness. The magnitude of the unilateral transfers was very substantial relative to British gross domestic product and gross domestic capital formation. During the crucial period of industrial revolution from 1770 to 1820, on the basis of historical time series data on trade, I estimate that the transfer from Asia and West Indies together amounted in 1770 to 43 per cent of GDCF in Britain, rose to 86.4 per cent by 1801 and remained at a similar high level of 85.9 and 74.6 per cent in 1811 and 1821 respectively.[4] In subsequent decades the drive to expand primary products exports, supplemented by simple manufactures by the end of the century, made India by 1910 the largest producer

of merchandise export surplus in the world after the US. In the age of imperialism and capital exports from 1870, India's enormous and increasing foreign exchange earnings financed a substantial part of the deficit arising in the British balance of payments as a consequence of its investing in profitable developing areas *vis-a-vis* which it lacked any, or a sufficiently large, current account surplus. Yet, paradoxically, despite rising export surplus, India had to import capital itself in order to sustain the even more sharply rising unilateral transfer to Britain.[5]

'Export-led retardation' in India would be an apt characterisation of this scenario. Measuring economic well-being in terms of conventional indices of per capita income becomes particularly misleading in such a situation, where a substantial part of domestically produced income did not accrue to domestic nationals at all.

Conversely, a striking aspect of the industrialisation experience of both Britain and Japan—the pioneers of capitalist industrialisation in Europe and Asia respectively—is their very high order of dependence on external sources of food and raw materials on the one hand, and on external markets for their manufactured goods on the other hand. Looked at through the prism of contemporary growth experience, the performance of the agricultural sector in both countries was quite poor; the increasing food needs of an expanding economy could not be wholly met out of domestic production during the crucial phase of industrialisation. In Britain, the 'agricultural revolution' of the 18th century based on enclosed capitalist farming evidently could not raise productivity to a sufficient extent to meet domestic demand, for an intensive agitation for free food imports emerged and remained the crucial political economy issue for three decades starting at the turn of the century. Grain imports averaged around 7 per cent of domestic production during 1800 to 1820, while imports of all items of final consumption as a percentage of domestic production (both relating to the primary sector) rose from 18.3 per cent in 1801 to 42.6 per cent by 1830 and to as high as 60.3 per cent by 1850. The transfers from the tropical colonies provided these consumption items directly and were also exchanged through re-export against temperate region products.[6]

In Japan rice imports relative to domestic rice production was below 4 per cent before its drive to acquire colonies; but it rose from just above 5 per cent in 1895-99 to around 19 per cent by

1935-37, even though per capita consumption rose little. This is seldom interpreted, as it should be, as the failure of Japanese agriculture, under the pervasive landlord-tenant system, to meet the challenge of industrial expansion. Such a substantial order of total food imports (rice and sugar from Korea and Formosa) posed no problems of financing as the colonies were simultaneously turned into sources of taxation and captive markets for Japanese manufactures.[7] Similarly for Britain, the overwhelmingly important role of external markets for its secondary sector products is well documented and needs little reiteration.

The inference we would draw is two-fold: firstly, that the part played by internal capitalist accumulation in transforming the domestic agricultural productive base and meeting the needs of industrial expansion, has been grossly overestimated historically in the case of both these industrial pioneers, with a corresponding underestimation of the role of colonial unilateral transfers. In both cases the basic failure of domestic primary sector production was masked by virtually costless transfers from the colonies. Clearly, the international conjuncture in the post-war era of decolonisation, facing the large Asian countries like China and India, is quite different, precluding such an important role for the external sector. The rate of domestic primary sector growth required to sustain a given rate of industrial expansion has to be far higher for these countries today than was ever achieved historically by today's capitalistically advanced countries in their phase of transition. For India, the path of private capitalist accumulation which it has been following for the last four decades appears to hold out little hope of long-term solution of its specific problems, which involve not merely the achievement of higher agricultural growth but also the elimination of unemployment and poverty.

Secondly, another inference we would draw from the study of history is that the agriculture-industry linkage has to be conceptualised in a radically different manner today. It will not do to think of agriculture as an arena of primitive accumulation for industrialisation alone; its role as the main segment of the home market for manufactures is far more important than was historically the case with the countries which could batten parasitically on captive external markets. From the point of view of rapid expansion of the home market, too, private accumulation in agriculture is less than satisfactory. It necessarily takes

place through processes of class concentration as well as regional concentration of the gains of growth, leaving out of its ambit major sections of the rural population distributed over a major part of the country. India's experience during the last four decades shows that while an adequate degree of commoditisation of output may be achieved within a fair overall growth rate, this process does not necessarily raise the employment and incomes of the mass of the rural population and tends to perpetuate a relative stagnation of the mass market for consumption goods by perpetuating relative poverty. This proposition is strikingly borne out by the fact that per capita foodgrains production has been either constant or falling in eleven out of the fifteen largest states of the Indian union during the quarter-century beginning in 1960, while it has trebled in the northern region of the country. The areas of fastest growth have seen a dramatic fall in labour-use with mechanisation, and this is reflected in the overall rise in the incidence of unemployment in the rural economy.[8]

All this points to the necessity of a new and serious debate; after divesting itself of some of the a priori propositions of development theory which have proved to be untenable, such a debate must address itself now to the concrete question of viable alternative strategies.

NOTES

1 A Thorner, 'Semi-Feudalism or Capitalism? Contemporary Debate on Classes and Modes of Production in India', *Economic and Political Weekly*, December 4, 11 and 18, 1982.

2 One can hardly think of any contemporary name in the Indian context other than that of Amiya K Bagchi who over the last two decades has both pioneered studies in this area and made innumerable contributions to our understanding of the multi-faceted phenomenon of the colonised economy.

3 Some aspects of this mechanism have been explored in my 'The Process of Commercialisation under Colonial Conditions: A Hypothesis', 1975, unpublished; also presented to Seminar on Commercialisation in Agriculture, Trivandrum, November 1981, but not given for publication in the subsequent seminar proceedings.

4 A pioneering estimate was made by Sayera Habib, 'Colonial Exploitation and Capital Formation in England in the Early Stages of the Industrial Revolution', Indian History Congress Proceedings, Aligarh Session 1975, Section IV; following basically the same

method but without adjustment for smuggling, an estimate was obtained for 1770 in U Patnaik, 'India and Britain: Primary Accumulation in Relation to Industrial Development', Seminar on Karl Marx and the Analysis of Indian Society, New Delhi, 1983. This work was subsequently extended in U Patnaik, 'India's Agricultural Development in the Light of Historical Experience', Seminar on State and Industrialisation in India, SOAS, London, April 1989.

5 See S B Saul, *Studies in British Overseas Trade, 1870-1914,* Liverpool University Press 1967; also T Morison, *The Economic Transition in India*, Murray, 1916.

6 For Britain, these proportions are calculated from P Deane and B R Mitchell, *Abstract of British Historical Statistics*, DAE, Cambridge, 1971.

7 For Japan, the basic data are from Statistical Appendix to J C Allen, *Short Economic History of Modern Japan,* Allen and Unwin, 1972 and J I Nakamura, *Agricultural Production and the Economic Development of Japan, 1873-1922,* Princeton University Press, 1960.

8 These estimates are from U Patnaik, 'India's Agricultural Development in the Light of Historical Experience', op cit.

September 1989