Rethinking Capitalist Development: Primitive Accumulation, Governmentality And The Post-colonial Capitalism/ Kalyan K. Sanyal; LONDON: Routledge, 2007. (104-188 p.)

Chapter 3

Accumulation as Development: The Arising of Capital

Making Development Happen

It was H.W. Arndt who first made this illuminating observation. In exploring the semantic history of the term "development", he observed that the publication of the British Development Act of 1929 marked a radical change in the perception of development (Arndt 1981). Instead of a concept capturing the process of economic transformation that a society undergoes (the economy develops), the Act posited development in the colonial context as a discrete structural change in the economy to be brought about by purposeful intervention (the economy has to be developed). In Arndt's apt characterization, development was now derived not from the intransitive but the transitive verb.

For the classical political economists, development was an all encompassing, macro-level process of change that an economy experiences—a process to be described, analyzed, dissected, and studied, and its implications investigated, enumerated, and evaluated. Adam Smith located this process of change in the new order that was emerging in Europe and portrayed it as an order organized around contractual relations between self-seeking individuals with a passion for material wealth. It was also an order that constituted the economy as a disembedded, autonomous domain of social life with internal laws of its own. He saw the network of markets regulated by the working of the invisible hand as creating an environment that encouraged productivity-enhancing division of labor. The expansionary thrust of the new system came from the class of manufacturers who invested their surplus as capital to set *productive labor* in motion rather than traditionally using it like the feudal lords to maintain an army of unproductive laborers. However, the process of change that Smith was trying to describe—the process of economic growth resulting from the shift from unproductive to productive labor—was for him a process that was already at work; he sought to comprehend the dynamics of the process, describe, and analyze it, highlight its immense potential and identify possible hindrances that might impede it.

In Ricardo, the story of economic growth was further consolidated in terms of social classes (capitalists, workers, and landlords) and their distinct roles in the accumulation process. Ricardo was mainly concerned with the constraints on this process, and he located the inelastic supply of land as the ultimate factor in setting a limit to capitalist accumulation. Scarcity of land, he argued, would ultimately lower productivity and therefore the rate of profit in capitalist agriculture. That in turn would cause the terms of trade to move against industry, reducing the overall rate of profit on capital and therefore dampening the accumulation process. But like Smith, Ricardo also viewed economic growth through capitalist accumulation as a process that was at work out there, waiting to be described, analyzed, and investigated.

The classical economists, it is true, also dealt with the question of intervention. Although they understood economic growth as a process that the society was experiencing, they were aware of the need for intervening into the process in order to facilitate it by removing the factors that might act as impediments. For Smith, the most appropriate form of intervention was non-intervention into the working of the market. His advocacy was for a minimalist state that, instead of meddling with the free market, would confine itself to law and order, defense, and essential public works. Ricardo went a step ahead and saw the need for the state to act directly and take measures that would enhance capitalist accumulation. His strong advocacy against the Corn Law in the British Parliament was premised on the claim that free import would cheapen corn in the domestic market, which in turn would reduce the product wage-rate the industrial capitalists had to pay, and thereby jack up the rate of profit and therefore the rate of accumulation. But for both Smith and Ricardo, not to mention Malthus, Sismondi, and a host of other classical political economists, the interventions were nothing more than piecemeal social engineering. Put differently, in the view of the classical economists, the process of economic growth could be influenced, facilitated, and enhanced by appropriate interventions, but the systemic shift from stagnation to growth was perceived as a transformation that was independent of the intention of

the subject who intervened. Thus, the role of the political economist as a mere observer and analyst of the development process was deeply inscribed in the theoretical field of the classical political economy.

Marx's theoretical system was rooted in a fundamental departure from the classical political economy. Yet in a broad sense, he shared the classical view of development as being derived from the intransitive verb: development and progress is a process that a society undergoes. But unlike that of his predecessors, Marx's vision of social transformation was premised on the working of the inexorable Hegelian dialectic. History is the journey of the *spirit/consciousness* toward *freedom* as its destination, a process of dialectical unfolding in which the lower moments of the idea are superseded by its higher moments. Marx departed from Hegel by characterizing the successive moments of history not as stages in the development of the *idea* but in terms of the materiality of the modes of production, and by locating the source of the dynamics in the contradictions inherent in them. Social classes and conflicts, among them, are central to the Marxian understanding of progress—progress as freedom from both scarcity and domination—but economic and social transformation, in the Marxian paradigm, from primitive society to socialism and communism, is ultimately grounded in a logic of inevitability of historical change with class struggle as nothing more than the vehicle of that inescapable trajectory of development.[1]

It is true, as Arndt argues, that this notion of development underwent a change in the colonial context and the term development came to be understood as a process that had to be introduced/initiated: the colony had to be developed. But it was not until the emergence of the development discourse after the formal decolonization of Asia and Africa in the late 1940s and 1950s that development in the sense of being derived from the transitive verb became universally established with all its material effectivity. It was only then that the classical notion of development as a process of change that the society inevitably passes through was entirely replaced by the claim that development was the result of conscious, rational action on the macro level, rather than piecemeal intervention into an ongoing process. It was no longer a process to be observed, described, and analyzed, it was a process to be initiated, sustained, and monitored. *Development was perceived as a systemic change that was to be brought about by purposeful, rational action, a task* *to be performed, a goal to be achieved and a mission to be carried out.* It was posited as a task for which plans had to be prepared, programs designed, and calculations made. And finally, the programs had to be implemented to radically transform the conditions that constituted underdevelopment.

There is however a crucial difference between the conceptualization of development in the colonial context and development as a discursive construct that emerged in the 1950s. In the case of colonies, development was seen as purposeful action to change the material conditions of life, but the responsibility of bringing about the change lay with the imperial power and its agencies. Development of the colonies was presented as a concern of the colonizer, as a mission to change the life of the native, and as a specific domain of exercising the colonial power. Backwardness of the colony was, of course, a part of the discursive construct produced by the colonizer but the materiality of that discourse, the interventions that it called into play, flowed from the agency of a concrete, centered, and visible form of territorialized, imperial political authority and its attendant organs of power. The post-colonial development discourse differs fundamentally from its colonial precursor in the strong sense that *its materiality does not emanate from the political authority* of the state. Development is a body of techno-scientific knowledge, produced and disseminated from specific institutional sites such as universities, research institutes, and developmental organizations. Although these institutional sites legitimize the statements made about development, the real power of the discourse derives from the supposed neutrality and universality of knowledge itself. The interventions and actions that it brings into play are part of the discursive practice whose practitioners are "experts and professionals", acting as trustees of rationality rather than agents of political power. It is true that post-colonial states are often significant actors in developmental programs, but what is important is that their role as an agent of change derives not so much from their political authority as from the truth effects produced by the discourse. The realm of development is the realm of reason, a realm beyond and above the state as a political authority. It is in this sense that development in the post-colonial scenario is truly a discursive formation with its own specific and unique technology of power. It is a technology of power that works, not through the political authority of the state and its attendant institutions, but through the material effectivity of the discursive formation. The relations of power that the technology produces "cannot themselves be established, consolidated nor implemented without the production, accumulation, circulation and functioning of [the] discourse". (Foucault 1980: 93)

The most important effect produced by this technology of power is the depoliticization of development. The technology of power, and the modalities in terms of which it works, requires, as Escobar has forcefully argued, that the development process be professionalized and beaurocratized; in other words, depoliticized. The specificity of development as a discourse in the post-colonial context lies not merely in the shift from the classical idea that *the economy develops* to the claim that *the economy has to be developed;* the uniqueness of the discourse derives also from the representation of development as a politically neutral process of social change.

A comparison with the classical vision of development brings out this point sharply. Adam Smith (1975) locates at the core of the process of economic transformation the drive to amass wealth, a drive whose root he argues is in the human psyche, in the desire of bettering our condition. But in his depiction, the process of development is ultimately a *political process, a process fraught with* conflicts between social groups. For him, the feudal order is an encumbrance on the pursuit of wealth and he sees the commercial society as the outcome of social conflicts between the merchants and the feudal lords. The dominance of the manufacturing class as employers of productive labor—and of competition among them that spurs investment and accumulation—is established only after winning the battle against the mercantile oligarchies. Thus development as envisaged by Smith is a process that involves contradictions and conflicts, and the agent of change at a particular stage has to win the political battle to successfully bring about the new order. And even after the manufacturers have emerged as the dominant class, their confrontation with the landlords in the domain of politics continues to be at the heart of the growth process, as Ricardo's battle against the Corn Law demonstrates. Although Ricardo was not concerned with the question of transition from the pre-capitalist to the capitalist system of production, the political dimensions of the capitalist accumulation process are far more explicit in the Ricardian story than in Smith's in the sense that it seeks to describe the process entirely in terms of social classes (capitalists and landlords) as actors with specific class interests and the conflicts that arise between them. Ricardo's capitalism is a class divided system in a far more direct and concrete sense than Smith's commercial society, and seen in this light, Ricardo, not Smith, was the true precursor of Marx.[2]

The political nature of the development process and the role of class contradictions are far more fundamental in Marx than in either Ricardo or Smith. In the Marxian view, each epoch of the development trajectory is characterized in terms of the dominance of a specific mode of production, i.e., a specific articulation of productive forces and relations of production. The specificity of the articulation implies a particular mode of generation and distribution of surplus and therefore of a given configuration of social classes with their definite positions in the matrix of social production. Although the process of change from one mode of production to another is the outcome of the contradictions inherent in the articulation itself, conflicts between social classes and the dynamics of class struggle is seen by Marx as a crucial factor precipitating those contradictions and influencing the trajectory of change. Transition from one mode to another is facilitated or held back by the relative power of different social classes and their ability to act as agents of change at that particular juncture. Thus, class politics is an inescapable moment of the inexorable dialectical process of unfolding of the consciousness through the successive stages of history.

The post world war II discourse turned development into a matter of rational planning, appropriate programing and efficient implementation, and in doing this it also purged development completely of its political content. It adopted a representational strategy in which development is understood as a matter of economic and social engineering, as a process governed by, as it were, the politically and socially neutral laws of mechanics; it involves no political and social conflicts, contradictions or active agency. It is these twin aspects—understanding of development as a change to be brought about by purposive action rather than as an ongoing process to be analyzed, and stripping development of its social and political dimensions by reducing it into an engineering exercise—that mark the radical departure of the post-colonial development as discursive construct from the classical approach to the question of social change.

Different Stage but the Same Script

Writing on the early post world war II theories of modernization and development, B.S. Cohn remarked:

> "These theories say to Asians, Africans or Latin Americans: what you are today we have been in the past; you may become what we are today, but by that time we, of course, will be something else because we will have gone on. The modern developmental model as it was worked out by economists and political scientists in the 50s borrows this structure by trying to identify or scale aspects of third world societies in relation to the history of Europe. It assumes a lineality in European history.... That is both a prerequisite for modernization and an indicator of change." (1980: 212 quoted in Rosen 1985: 229)

The early development discourse was premised on this lineality of European history and it inscribed onto the third world a specific identity: that of being behind the West, an undeveloped form of what developed West was. And development meant that the third world would have to chase the West, follow the same trajectory of change and traverse the same route to the same destination. Thus, the notion of development around which the discourse in its early stage organized itself was one of a systemic transition: transition from the traditional to the modern, from the stagnant to the dynamic, but at the very core of it was *inscribed the idea of transition* from pre-capital to capital. This idea of transition and change was totally divorced from the possibilities that the economic, social, and cultural formations of the third world might have carried within themselves possibilities that could point toward an entirely different imaginary of economic and social change. It was not an idea of transition in the sense of being an open ended set of alternative possibilities, a space in which different ways of actualizing human potentialities could be mapped. On the contrary, it was a predetermined, unidirectional trajectory derived from the ex-post, immanent history of capitalist development in the West and its presumed lineality.

In the specific domain of economic transformation, the discourse saw the third world as the stage on which the drama of capital's arising in the West was to be acted out once again. In order to develop, the underdeveloped economies will have to experience the process of transition in which pre-capitalist economic forms will wither away, and the post-colonial capital will arise, be self-reproducing and *become* in the Hegelian sense. "On approaching development problems," writes Gerald Meier, "the early development economists first thought of what 'obstacles' to development had to be overcome .... If the underdeveloped economy bore some resemblance to the classical stationary state, then the positive forces that classical economists had emphasized as delaying the advent of the stationary state—namely, capital accumulation and technical progress—could now also be emphasized as forces to accelerate development. From the classical tradition, a major obstacle to be overcome was capital deficiency" (1984: 135–36).[3] A program of rapid capital formation was prescribed for the third world and the discourse structured itself around the single question of accumulation. What I seek to demonstrate in the following sections is that underlying the narrative of development produced by the discourse—a narrative of how an underdeveloped economy by engaging in the process of capital accumulation gradually develops—is the case of primitive accumulation creating the initial conditions of the self-sustained process of capital formation. It is a narrative of estrangement of direct producers from their means of production and of appropriation of the latter within the system of capitalist production. Put differently, what lies invisible in the early discourse of development is how the unity of labor with the means of labor within the pre-capitalist system is destroyed and the means of labor are transformed into *capital, an alien power confronting labor—a* narrative so vigorously told by Marx.

The early vision of accumulation-based development, I shall argue, is a depoliticized narrative of primitive accumulation. It extricates the Marxian account entirely from the political terrain of conflicts and contradictions among social classes, and displaces it onto an "as if" politically neutral field of developmental planning. A process involving the onslaught launched by a rising bourgeoisie on all pre-capitalist forms of production, the exercise of coercive power through the state as well as through the institutions of civil society, the legitimized violence, and the usurpation of the entire economic space within the expanded reproduction of capital, is thus exorcized of all its political dimensions, sanitized and disinfected, and then

presented as a process defined solely in terms of the saving–investment–accumulation sequence; a sequence that can be planned for, programed and then triggered.

In what follows I shall offer a reading of the early texts of development economics with Marx's narrative of primitive accumulation in mind. It is a symptomatic reading that deconstructs the discourse to make visible what it keeps in the dark; to make explicit, loud and clear what it leaves unsaid; to reclaim what it expurgates. The purpose is to unsettle the construct by delineating and foregrounding the contours of a narrative that remains repressed, stifled, and hidden in the imaginary of development the discourse disseminates. *And demonstrate that the representation of the economy and the development process in that imaginary constitutes a specific form of post-colonial capital's hegemony. In short, the purpose is to politicize development.*

But in order to do that we first have to grasp the structure of the process of primitive accumulation and the specific modalities of power that are associated with it. While in *Grundrisse*, Marx offers the concept, in *Capital* Volume 1, he provides a detailed account of primitive accumulation in England. It is the last part, part viii, of the volume, and it is interesting to note that he discusses the conditions of capital's emergence at the end, rather than in the beginning, of a volume devoted to the analysis of the capitalist mode of production. But the logic of the order follows from the very concept itself, that it is the immanent history, a past flowing from the present that can be grasped only from the structural logic of full-fledged capital after it has *become.* And it is only after arriving at an understanding of its *being* that we are in a position to probe the *becoming*, the arising, of British capital. In the following section, I delineate the dynamics of the relation between capital and pre-capital in the process of primitive accumulation from Marx's discussion on the specific case of England.

Structure of Primitive Accumulation and the Modalities of Power

"In the history of primitive accumulation," writes Marx, "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 labor market. The expropriation of the agricultural producer, of the peasant from the soil, is the basis of the whole process...... In England alone has it the classic form." (1954: 669)

Three interrelated aspects of the process can be identified from Marx's detailed account of the English case:

(1) Accumulation of money by merchants;
(2) Conversion of the accumulated money into capital (means of production) and transformation of direct producers into free wage-laborers; and
(3) Creation of an external market for the product produced under the capitalist mode of production.

Mercantile Accumulation

In order to understand mercantile accumulation, we need to consider the two forms of circulations—of commodity and money—and their interrelation. The circulation of commodity takes the form of C ~ M ~ C where commodities are exchanged for money (M) in the market which in turn is used to purchase commodities. An independent producer who owns his means of production produces C as use value but in the presence of division of labor, his consumption bundle is different from the one he produces. Exchange with the mediation of money is the means with which the first C is transformed into the second C. Thus the circuit of commodity begins and ends with use value.

The flip side of the circulation of commodity is the circulation of money. The circuit C ~ M ~ C implies the corresponding circuit M ~ C ~ M' of the merchant. While the producer sells in order to buy, the merchant buys in order to sell. The merchant spends M to purchase C with the sole aim of selling it for a larger amount of money, M' (M' minus M is greater than zero). Unlike the producer's circuit that has use value at its two ends, the merchant's circuit begins and ends with money. When one round of circulation is completed, the initial quantity of money increases which then is used to purchase commodity for the next round. Mercantile accumulation is entirely in the form of money; its source lies in the sphere of circulation. The merchant buys cheap and sells dear and therefore his

profit arises from unequal exchange, what Marx calls a *profit on alienation*. The producers receive the full value of their product in the form of M, but the merchant sells the product to the buyer at a higher price.

The question of merchant's capital has received very little theoretical attention in the Marxist analysis—Kay (1975) being to the best of my knowledge the only exception—and as a result there is a certain amount of confusion about the specific nature of mercantile accumulation. Therefore an elaboration on the accounting side of the two circuits of commodity and money may be rewarding. Imagine a community of direct producers where the means of production are owned either by the individual producers or by the community as a whole. Producers in the community produce goods for subsistence consumption and also a luxury good (muslin!) denoted by C. The merchant buys C from the producers for M, and this M in turn is used by those producers of C to obtain their subsistence consumption and raw materials for production from the rest of the community. Suppose C* is the amount of consumption goods and raw materials produced by the rest of the community. A part of this C*, call it S*, is purchased with M by the producers of the luxury good as raw materials and goods for their own subsistence consumption. *The surplus S* is the same as the C at the end of the* C ~ M ~ C circuit. So, the surplus of consumption goods and raw materials produced in the community is exactly equal to M. Thus the community as a whole has produced C and C*, but it has consumed only C*, and there has been an inflow of money, M, into the community from outside. We could also say that the community has been monetized to the extent of M. The total production therefore is equal to the total consumption plus the inflow of money implying that the exchange between the community and the merchant is an equal exchange, and the merchant's profit arises from the fact that the buyer is made to pay a price that is higher than the price (that is equal to the value of the product) received by the producer. It is in this sense that the mercantile profit (i.e., the difference between M' and M) is entirely a profit on alienation.

The point to be noted here is that exploitation of the direct producer is *not* the source of mercantile accumulation: producers get full value of their product and there is no unpaid labor. And here lies the distinction between merchant's capital and industrial capital. In the capitalist mode of production, the producer sells his labor power to the capitalist and the quantum of labor extracted from labor power is larger than its cost of reproduction. The worker does not receive any payment for this surplus labor, and therefore it is unpaid labor. This excess of labor performed over and above the necessary labor is the source of the capitalist's profit. In contrast, the merchant's profit does not arise from any unpaid labor in the sphere of production; it arises from unequal exchange exclusively in the sphere of circulation.

From Money to Capital, from Direct Producer to Wage-Laborer

Accumulation by the merchant is the first condition of primitive accumulation. But mercantile accumulation is in the form of money, and to become capital the money must be transformed into means of production. This constitutes the second aspect of primitive accumulation. Under the capitalist mode of production, circulation of money takes the form of M ~ C ~ C' ~ M'. Although this circuit begins and ends with money, it is different from the circuit M ~ C ~ M' in that here M is used to purchase means of production including labor-power (C) which then is transformed into C' within the sphere of production, and finally sold in the market to obtain a larger amount of money (M').

Thus the circuit of money in the case of capitalist production, instead of being confined within the sphere of circulation as in the case of mercantile accumulation, penetrates the sphere of production. In order to understand clearly the difference between the two circuits, let us consider once again the community of direct producers described in the preceding section. The community produces a surplus S* consisting of consumption goods and raw materials for the producers of C, and within the community there is a unity of labor and means of production in the sphere of production. Circulation of money as capital requires that this unity be broken and labor be estranged from the means of production in the activity in which the luxury (C) is produced. Once laborers engaged in the production of the luxury good are divorced from the raw materials and consumption goods that served as their means of labor, the circuit of capital now begins with M purchasing S* and labor power of those separated from their means of labor. The materials and labor-power are now brought together within the capitalist mode of production

to produce C' which is finally sold in the market for M'. (The C in the second step of the circuit M ~ C ~ C' ~ M' is not the same as the C in the merchant's circuit M ~ C ~ M'; in the circuit of capital C consists of S* and labor-power that is sold as a commodity.) It is in this sense that capital moves beyond the domain of circulation and penetrates the domain of production. Labor power receives its subsistence but more labor is extracted from labor power in the interior of production than is necessary to produce the subsistence basket, and it generates a surplus of labor for the capitalist which is reflected in the difference between M' and M. In other words, unpaid labor in the interior of production is the source of capitalist's profit, and it is fundamentally different from the merchant's profit on alienation arising from unequal exchange in the sphere of circulation.

Therefore the condition under which merchant's accumulation can be transformed into capital is the separation of labor and means of labor in the sphere of production. The unity of labor and the means of labor in the pre-capitalist system must dissolve to create the conditions of emergence of the circuit of capital. Primitive accumulation is the story of this process of dissolution. The process on the one hand frees the means of production so that they can enter the circuit of money and turn into capital; on the other hand, it turns direct producers into wage-laborer who have nothing but their labor power to sell to the capitalist.

> The capitalist system presupposes the complete separation of the laborers from all property in the means by which they can realize their labor. As soon as capitalist production is once on its own legs, it not only maintains the separation, but reproduces it on a continually expanding scale. The process therefore .... can be none other than the process that takes away from the laborer the possession of his means of production; a process that transforms .... the social means of subsistence and of production into capital [and] the immediate producers into wage-laborers. The so-called primitive accumulation is, therefore, nothing else than the historical process of divorcing producers from their means of production. (Marx 1954: 668)

What is important is that it is not a natural or evolutionary process but one that is marked with the exercise of coercive power in a variety of forms. In the case of the arising of the English capital, the eviction of the peasantry from land resulting from the enclosure movement served to divorce direct producers from their means of production. The peasantry was forcibly driven by the feudal lords out of the land to which they had enjoyed the same feudal rights as the lords, and the common lands to which they had access were usurped, creating a vast army of proletariat with nothing to sell other than their labor-power (Ashton 1948, Hill 1985). The laborers became "free" in the double sense that they were no longer considered as a part of the means of production as in the case of slavery, nor were they the possessors of the means of production as in the case of peasant proprietor; they were "therefore, unencumbered by any means of production of their own."[4]

While peasant cultivators were driven out of their land, in a parallel process in England, a class of capitalist farmers emerged that were eager to produce a surplus of agricultural product for the market. What had earlier been produced by peasant cultivators and used as means of production by them was now generated by capitalist farmers and sold in the market to become capital on which the "free proletariat" could be made to work as wage-workers within the capitalist enterprise. "The spindles and looms, formerly scattered over the face of the country, are now crowded together in a few labor-barracks, together with the laborer and the raw material. And spindles, looms, raw material, are now transformed from means of independent existence for spinners and weavers, into means of commanding them and sucking out of them unpaid labor."[5] (Marx 1954: 698)

Agriculture as a Home Market

The third aspect of primitive accumulation is the emergence of agriculture as a home market for the products of the capitalist industries. In the pre-capitalist system, the surplus of materials and means of subsistence produced remained with the peasant cultivator that they worked upon to produce goods for their use-value. When peasant cultivators are expropriated from their land, these materials, produced by large farmers, are sold to the capitalist industry as commodity. Seen from the other side, capitalist industry now finds a market for its product in agriculture.

The emergence of capital through the process of primitive accumulation thus inevitably results in the destruction of rural industries

and handicrafts. For example, the raw cotton and wool were earlier used in activities of spinning and weaving within agriculture carried out in peasant households. In terms of our example in the preceding section, the surplus produced by the community, S^* was used by the members of the community to produce C within the communal system of production. The non-agricultural, petty manufacturing activities were thus embedded in the agricultural sector constituting an integrated system of production of use value. The agricultural surplus, S^*, now flows to the capitalist manufacturing centers to be used as capital, and the activity in which C was produced earlier withers away. Instead, C' is now produced within the capitalist sector a part of which finds a market in agriculture where it is sold for S^*.

In other words, primitive accumulation results in the separation of industry and agriculture. The separation, an inevitable consequence of primitive accumulation, however is not brought about once and for all. Until the capitalist sector comes entirely on its own, it has to rely from time to time on rural handicrafts and petty production for processing the raw materials up to a certain point. "If it destroys [the handicrafts] in one form, in particular branches, at certain points, it calls them up again elsewhere, because it needs them for the preparation of raw material up to a certain point."[6] Only when industry is sufficiently modernized that it is capable of bringing about the entire transformation of raw material within the system of capitalist production, that the rural domestic industry finally disappears and the industry–agriculture separation is completed.

The point that we need to take note of, and this is in a sense the central message of the discussion on primitive accumulation, is that primitive accumulation refers to the process of capitalization of the means of production. There is a tendency among both political economists and the historians of capitalism to interpret primitive accumulation solely as the process of expropriation of the peasantry from land. But that process alone is not what constitutes the idea of primitive accumulation. It is the loss of access suffered by the peasantry to means of production other than land (i.e., means of subsistence, raw materials)—an estrangement that results from their expropriation from land—that the idea of primitive accumulation tries to grasp. It is a process that alienated producers from the entire set of conditions within which they had existed as direct producers.

Modalities of Power

The primitive accumulation is a process marked with the exercise of power in its various forms and strategies; an inquiry into the history of the process brings them within sight. As stated in the preceding section, my purpose is to interpret development as a regime of power and the early phase of development as a depoliticized version of primitive accumulation. In order to do that, it is essential to delineate the forms and modalities of power that are integral to primitive accumulation.

In the entire process of dispossession of the peasantry and capitalization of the means of production, the state acted as an explicit power organ of capital. The juridical power of the state—the power to restructure property relations and entitlements, and to act as the fiscal authority—was deployed to bring about the structural changes that were necessary for the inauguration of the capitalist system of production. In the sphere of fiscal policy, the state exercised its power in terms of three instruments that served as the levers of primitive accumulation: taxes, public debt, and protection provided to the domestic capitalist sector. The structure of taxes imposed by the state was biased against the pre-capitalist sector, which undermined its economic viability, leading to its bankruptcy. Public debt promised annuity that was financed out of the revenues of regressive taxation and the consequent redistribution of income in favor of the new bourgeoisie led to further dissolution of the artisan sector. And finally, the state provided protected markets to the domestic capitalist industry by using tariffs and other import restrictions to keep the foreign competitors away. Put together, these three instruments created the conditions for estrangement of labor and capitalization of the means of production.

In the sphere of property relations, it was by using the juridical power that the state restructured rights and entitlements to create the new regime of private property. Not only was the peasant denied the right over land that he had traditionally enjoyed, the state sanctified the private property right over the means of production by explicitly exercising its coercive power against encroachment. While it helped to establish the regime of bourgeois property as the precondition for the system of capitalist production, at the same time, it served another important purpose: by ruling out the various ways people could acquire subsistence in the earlier regime, it created conditions under which they could subsist only within the capitalist system of production. The newly emerged proletariat had double freedom: freedom from feudal bondage and freedom from property. But while the first was a real freedom, the flip side of the second was unfreedom: subjugation to capital.

Destruction of all forms of self-provisioning was as important a purpose of primitive accumulation as the capitalization of the means of labor. In the *Ancien Régime*, there were common properties to which people had right of access (right of free pasture, wood-collecting, hunting) and these accesses allowed the poor to provide for themselves and their families for subsistence. In addition to this, property rights were somewhat fuzzy at the borderline and there was a certain degree of non-applications of rules and non-observance of legal rights at the margin. In other words, there was a certain degree of "tolerated illegality" that was a condition for the "political and economic functioning of the society" (Foucault 1979: 82). The space provided by this illegality of rights allowed the lower strata of the society to acquire subsistence by transgressing the rights to property.

The new regime of property rejected all these illegal practices, viewing them simply as theft and therefore punishable crimes. Protection of private property—with its clearly defined boundary and the right to exclude—by the coercive power of the state now meant the usurpation of the entire space of self-provisioning by transgression and encroachment. Foucault in *Discipline and Punish* offers a fascinating account of this restructuring of the economy of illegality with the emergence of the capitalist production economy.

The story of primitive accumulation in England is usually told against the backdrop of the Enclosure. However, it was not the eviction of the peasantry from their land that alone constituted the process of primitive accumulation. It was a process in which an entire ensemble of structural changes, encompassing every sphere of the economic and social life, was brought about by the systematic exercise of the juridical power of the state with the aim of positing capitalist production as the only sphere where the material conditions of life could be reproduced. In other words, it was a process of ruling out the myriad ways of ensuring subsistence that the pre-capitalist order permitted.

An interesting example of this application of the juridical power to rule out alternative ways of self-provisioning is the case of game laws in England. Hunting had always been a source of food for people and their families, but in the middle of the 18th century, England made the then existing game laws more severe, and their enforcement harsher. The new law prohibited everybody except the nobility—which accounted for only one percent of the population—from hunting and thus denied people an important means of subsistence. The bourgeoisie too, despite its wealth, was subjected to the same prohibition, but the new law ultimately served the purpose of the bourgeoisie by negating one of the conditions of acquiring subsistence outside the sphere of capitalist production. As Perelman puts it:

> Although their(*sic*) origin of the game laws was indeed feudal, they evolved with the changing class structure of British Society. In the end, one of the most hated institutions of feudalism, long remembered in the legend for leading Robin Hood onto a path of crime, became an important ingredient of capitalist development. (1983: 52)

The Poor Law was another example of entitlement to subsistence that allowed the poor to a certain level of consumption if his income fell short of the standard that was considered the minimum. The Law was now seen as a fetter on the movement of labor because each person was entitled to the assistance only within the parish he/she was domiciled in. If he/she was absent for more than a year, he/she was to lose his entitlement in the old parish and to claim it in the one he/she had moved in. This acted as a disincentive on the one hand for the worker to leave his/her own parish, and on the other for the employer to employ someone for a year or more. The Law was changed to severely restrict those entitlements and the austerity of the new Poor Law forced workers to move in search of employment.[7]

An entire system comprised various forms of entitlements to subsistence, both legal and illegal, was thus withdrawn to goad people towards wage-employment for capitalist production. Primitive accumulation is not the story only of driving direct producers out from their land. It was a process that extracted people, through the coercive power of the state, from their life-world. It was the world, the known environment, in which they had traditionally lived and subsisted, not merely by producing articles of use value but also by

gleaning and garnering in the fuzzy zone of law and property right. In this process, the character and modality of the sovereign power also underwent a fundamental change, from its pre-capitalist form to a new form of control and punishment that was in consonance with the emergent bourgeois order. In the old regime, power exercised by a multiplicity of authorities was marked with inertia, and punishment of violation of property and rights was spectacular but at the same time selective, discontinuous, and haphazard. With the emergence of the new regime, " [it] became necessary to define a strategy and techniques of punishment in which an economy of continuity and permanence would replace that of expenditure and excess" (Foucault 1979: 87). In other words, it was a new technology of power based on continuous policing and surveillance.

Destruction of the entire structure of pre-capitalist entitlements and closing of the channels through which people could gather subsistence were, however, not enough to ensure that the dispossessed of the earlier regime would turn into wage-laborer. Although bereft of all means of subsistence other than the sale of their labor power, the dispossessed refused to surrender to the rule of capitalist production by shunning wage-employment, and instead resorted to beggary, crime, and vagrancy. It was a peculiar but an extremely powerful form of resistance to the rule of capital. The shadowy and fearsome figure of the tramp, the vagabond and the beggar, who lived on the borderline of casual employment and petty crime, invaded the social space that the new bourgeois regime was seeking to organize, structure, and bring under its own command. It constituted a distinct domain for the deployment of the juridical power. Nowhere were the coercive instruments of the state more explicitly and more brutally used than in the case of coercing these inhabitants of the fringe of the economy and society, the limbo space between the old and the new regimes. A series of draconian laws were passed in Europe, that Marx termed "the bloody legislations against the proletariat", prohibiting beggary and vagrancy and subjecting those engaged in them to severe punishment. According to a legislation in England under Henry VIII in 1530, beggars unable to work received a beggar's license but "sturdy vagabonds" were to be whipped and imprisoned and forced to put themselves to labor. In 1572 during Elizabeth's reign, unlicensed beggars were to be severely flogged unless someone was willing to take them into service for two years. "Thus were the agricultural people, first expropriated from the soil, driven from their homes, turned into vagabonds, and then whipped, branded, tortured by laws grotesquely terrible, into the discipline necessary for the wage system".[8] Capital's claim that it liberated these people from feudal bondages and opened for them the doors of the "free world of capital" sounds ironic in view of the fact that they were literally whipped into the that new world of "freedom".

Of no less importance was the fact that there was also an ethico-moral justification of this coercive power of the state. The violence of the state against those who refused to accept wage-slavery was sanctioned by a new discourse that extolled "labor" and berated "idleness". Work, in the sense it is understood in today's modern society, was an invention of this period, an invention of capital; it was the new ideology of the bourgeoisie and its ethic of work that posited labor as the expression of a man's worth and honor, and idleness as degrading and demeaning (Gorz 1989). Never before capital's emergence had labor been given the status of being the center of social integration. It was the bourgeoisie that sought social integration around the concept of labor—the capacity of the human body to produce goods by acting upon nature—that at the same time was the source of profit for capital. Thus idleness was the negation of the very basis of capital, and it had to be demolished ideologically by positing labor as moral in opposition to indolence as immoral. The role played by the houses of confinement was primarily one of inculcating this ideology. The houses, apart from suppressing beggary, idleness, and vagrancy, also forced the confined to work, to engage in manufacturing activities such as weaving and knitting, although it was in most cases economically unprofitable. But despite the lack of economic viability, it served to establish a certain ethic of work.

> ...[In] this very failure, the classical period conducted an irreducible experiment. What appears to us today as a clumsy dialectic of production and prices then possessed its real meaning as a certain ethical consciousness of labor, in which the difficulties of the economic mechanism lost their urgency in favor of an affirmation of value. (Foucault 1988: 55)

This ethical consciousness of labor was central to the ideology of the ascending bourgeoisie, of the capital in arising. Viewing labor

not merely in terms of the wealth it produced but in terms of an ethical transcendence actually served to establish the conditions of capitalist production by providing an ideological justification of the coercive methods adopted to turn the dispossessed into wage-laborer for the capitalist system of production. The ideology of work espoused by the bourgeoisie was an integral element of primitive accumulation.

The state power in its juridical form, however, was not the only form of power that made primitive accumulation and the emergence of the capitalist mode of production possible. Parallel to the coercive power of the state, a regime of what Foucault calls the "capillary form of power" was at work that sought to discipline the society by subjecting the human body to a network of continuous surveillance at various micro sites: school, hospital, and workshops. It was a non-sovereign, disciplinary power that operated outside the domain of the sovereign–subject relation, and this disciplinary mechanism combined with legislations and juridical controls to form the entire field where power was to be exercised for ensuring the conditions of the emergence of capital and produce "docile bodies" as the source of surplus value.

In sum, the entire process of primitive accumulation and the emergence of capital in England in particular and Europe in general was marked with the explicit and brutal exercise of power in both its macro-juridical as well as its micro-capillary forms. An array of instruments of coercion were deployed to divorce direct producers from their means of production and entitlements to subsistence, and to force them into the space of capitalist production as wage-laborer, as producers of surplus value. The nature and modalities of power were essentially prohibitive and restrictive: it excluded, suppressed, silenced, and denied. It was power in its negative form, power that worked by saying "no".

An understanding of the nature and forms of power associated with primitive accumulation is particularly important for us. When I presented the contours of my story of the third world capital and the trajectory of its post-colonial developmental experience—a story that I seek to unfold in the rest of this book—I claimed that there has been a shift in the development discourse since the 1970s that can be interpreted as *a strategy of political management of the wasteland by having recourse to a reversal of primitive accumulation.* I will detail it in the following chapters but what I want to take note of at this point is that the notion of development as provision of basic needs involves the deployment of a form of power whose techniques are fundamentally different from the ones that primitive accumulation was based on. It is a different mode of power that does not operate in terms of denial and suppression; it is a power that is productive and creative, it constructs and enlivens subjectivities rather than impede them. This is a mode of power that Foucault in his *History of Sexuality* calls "bio-power". It operates in terms of two modalities. The first modality, the capillary form of power that we have already mentioned, disciplines human multiplicities through their spatial distribution and continuous surveillance at micro-sites such as prison, hospital, etc. And the second modality involves governmentalization of the social life by bringing the entire population under the panoply of disciplinary techniques and production of subjects that interiorize the disciplinary mechanism and rearticulates it from within, animating thoughts and practices that conform to the socially sanctioned norms. In other words, bio-power is a form that applies itself on life in its en-tirety, organizing, and reproducing it from within.

The basic need-based approach to development rests on this productive mechanism of power in contrast to its prohibitive and restrictive mechanism. The purpose of developmental interventions in this case is to create and extend, rather than destroy and withdraw as in the case of primitive accumulation, entitlements outside the capitalist space for the excluded and the marginal. For example, efforts on the part of the international developmental organizations to partially revive subsistence farming for the African peasants, which shrank in the face of cash-crop production, are aimed at ensuring food security and self-provisioning where capitalist development fails to deliver in terms of employment and entitlements. Similarly, the employment strategy currently promoted by these organizations is highlighting the prospect of "self-employment" as distinct from wage-employment in the capitalist sector, and the dominant argument is in favor of providing resources to the unemployed in order to enable them to "fend for themselves". While the "bloody legislations" forced the dispossessed into capitalist production by denying him any other subjectivity or means of subsistence, here in the post-colonial scenario, power is operating in terms of the elaborate apparatuses of development management to keep the poor away from the factory gate by producing the "self-employed" and "subsistence peasant" as the subjects of bio-power. And here lies the complexity of development as a regime of power. It is productive in that it produces subjectivities, but at the same time it confines these new subjects to a peripheral space outside the space of capital. It is a regime constituted by an implosion of the restrictive and productive forms of power. But let us postpone this discussion till Chapter 5 and get back to the story that we are trying to build up step by step.

In what follows, I engage in a symptomatic reading of the core of the literature on economic development produced in the early phase of the emergence and consolidation of the discourse. As I said at the beginning of this chapter, my purpose is to interpret the initial moment of the discourse as an attempt to de-politicize primitive accumulation and present it as the development process. Despite their many differences in emphasis and orientations, the entire body of writings by the early architects of development economics in the 1950s and 1960s, I argue, converged to exorcise the process of capitalist accumulation of the conflicts and contradictions that inhere in it, to obliterate from the discursive field the fierce political battle that must be fought to clear the space in which the initial conditions for sustained capitalist accumulation can be ensured. In other words, the early vision of development sought to efface the stamp of power and coercion that the Western capital carried in the era of its arising and re-inscribed the same story in the third world landscape as a politically neutral project for the latter's emergence from economic backwardness and poverty. I will interpret the early form of the development discourse as a hegemonic articulation, in the sense of Laclau and Mouffe (discussed in Chapter 2), with surplus, accumulation, and growth as the chosen set of privileged nodal points. In terms of these nodal points, the meaning of the otherwise decentered and floating elements that constitute the economy (labor, production, market, the state, etc.) are provisionally arrested to produce the "economy" as a contingently stable totality. Our purpose is precisely to demonstrate that the notion of the economy, of underdevelopment and of the development process in the early development literature are all products of a particular discursive articulation, a hegemonic representational strategy, and it is this very strategy that depoliticizes primitive accumulation and presents it as a politically neutral process of developmental planning.

Inauguration of the Discourse: De-politicization as a Political Strategy

Development as a Political Project

Escobar asserts at the beginning of *Encountering Development* that the development discourse that emerged in the 1950s was not a moment of an epistemic trajectory but a historically specific project of the Western powers in general and the US in particular in the post world war II scenario. The aim of the project was to once again establish the dominance of the developed capitalist countries of the West over the once colonized regions of the world after their formal decolonization. The discursive constitution of the third world and the idea of development marked a "cognitive colonization" of imagination about society and change, a novel form of control very different from what the colonial world had experienced. The inauguration of the discourse of development was in this sense a political project of extending the dominance of the West over the non-Western world, and also an important constituent of the Cold War politics.

If we take a quick look at what was happening in the green room before the curtain was raised for the development drama, we would see that the discourse of development was driven by concrete and explicit political concerns of the Western powers at the particular historical conjuncture of the 1950s. George Rosen in his *Western Economists and Eastern Societies*, a documentary history of the Ford Foundation's role in inaugurating development planning in South Asia in the period spanning 1950 to 1970, brings to our notice the report of the committee formed in 1949, headed by Rowan Gaither. The purpose of the committee was to examine what the Ford Foundation could do in the interest of the underdeveloped regions of the world. The report in its introduction expressed deep concern about the threat of another world war and suggested that the US must act to eradicate the widespread poverty and deprivation in those regions, the factors that constituted the threat.

> Half the people of the world are either starving or lack adequate food.... Such conditions produce unrest and social instability, and these, when aggravated by ignorance and misinformation, produce acclimate conducive of conflict.

> The comparative good fortune which favors this country enables it to help mitigate these conditions. (Quoted by Rosen 1985: 3)

More specifically, the purpose of developmental intervention was to fight the spread of communism:

> As the tide of communism mounts in Asia and Europe the position of the United States is crucial. We are striving at great cost to strengthen free people everywhere. The need of such people, particularly in underdeveloped areas, are vastly and seemingly endless, *yet their eventual well-being may prove essential to our security*. To improve their living standard they must import and use knowledge, guidance and capital. The United States appears to be the only country able to provide even a part of the urgently needed assistance. (Quoted by Rosen 1985: 4, my emphasis)

This is an unconcealed, overt admission that the concern about development of the third world stemmed, not so much from an altruistic, humanitarian concern, as from the urgency to launch a battle against communism and establish political control over the newly decolonized countries. If President Truman's speech at the UN inaugurated the discursive construction of the third world as "poor and underdeveloped", and prepared the conditions for its subjugation to a network of developmental interventions brought into play by knowledge–power, there is little doubt that this inauguration of development as a regime of power was animated by a historically specific, concrete political concern. It was primarily driven by the political imperatives of the struggle for dominance, given the international configuration of power at that particular historical juncture. In short, developmentalism was a political project from the very beginning.

To avoid misunderstanding, let me clarify here that the understanding of development as a political project does not mean that purposeful interventions in the economic sphere for the betterment of people's lives are any less desirable. The point that is being made here is that developmental practices cannot be separated from the logic of the politics in which they are embedded. If this "embeddedness" is kept out of sight, and the practices are posited as an independent object of analysis, we cannot grasp the dynamics of the development discourse because the shifts within the discourse—the changes in the statements made about development and the practices they animate—are inextricably related to the question of power, dominance, and hegemony. It is only by locating development, however benevolent and welfarist it may be, in the political terrain that we can understand why developmental practices are what they are. That precisely is our purpose.

The idea of strategically deploying the paradigm of development in the struggle for global hegemony, however, did not dawn on the architects of the international capitalist economic order until the beginning of the 1950s. Only a few years earlier, in 1944, the Bretton Woods Conference had been organized by the US and Britain, under the intellectual leadership provided by Keynes, in which the three international organizations—the International Monetary Fund, the World Bank (then known as the International Bank for Reconstruction and Development) and the International Trade Organization—were proposed, and their modalities and areas of operation deliberated. These organizations were conceived by both the US and Britain entirely as ones that would ensure smooth functioning of a world monetary system and the availability of finance for post war reconstruction. And development was nowhere on the agenda of the two organizations. As Gerald Meier (1984) informs us, Keynes vehemently opposed the inclusion of twenty-one less developed countries among the invited because in his opinion they had "nothing to contribute" and would "merely encumber the ground" (p. 11). Not surprisingly, no attention was paid to the issue of development in the discussions on the role of the Bank and its areas of operation. The Mexican delegation was the only one to strongly argue in favor of having a developmental perspective in the Bank's agenda and, with the support of Cuba and Columbia, submitted a draft amendment to the Bank's charter; it included the amendment but only after watering it down to the point of insignificance. "For those providing the major contribution to the Bank", writes Meier, "the immediacy and urgency of reconstruction effort clearly dominated the more distant vision of development" (p. 14).

It is interesting to note that even Lord Keynes with his proverbial wisdom and foresight failed to anticipate the shape of things to come; in only five years following the conference, the priorities for the architects of the international economic order changed radically. In President Roosevelt's Bretton Woods, concern for reconstruction

of the war ravaged Europe stubbornly prevailed over the urgency of development of the LDCs, but one only had to wait until 1949 to hear President Truman reversing the priority by placing development at the center of the agenda with all the international organizations perceived as vehicles of the development mission. The story of Ford Foundation told by George Rosen was not an exception; it was the general trend.

The inauguration, consolidation, and dissemination of the development discourse were thus deeply implicated in the global politics of power from the time of its very inception. Although it seems somewhat paradoxical, the primary concern of this political project was to present development as a totally depoliticized process. It is this attempted depoliticization of economic and social transformation in the third world that constituted the very politics of global hegemony throughout the entire period of the Cold War. In the following sections, I will critically engage with the early theories of development economics with the aim of demonstrating how the discourse exorcized economic development of its political dimensions to reduce it almost to a problem of classical mechanics to be solved by the "politically neutral" apparatuses of planning.

Capital Formation and the Mechanics of Development

The emergence of development economics in the early 1950s as a distinct field of inquiry was premised on the consensus among economists about the inadequacy of the then existing framework of economic theory for grasping the phenomenon of underdevelopment. It was widely felt that the mainstream theories of micro and macro-economics, public finance and economic growth, designed and developed to address problems of developed economies, lacked explanatory power when faced with the task of characterizing economic formations of the less developed countries. A different theoretical framework with its own set of concepts and categories was needed to analyze the state of underdevelopment, identify its structure and the elements that constitute it, and to formulate strategies for triggering off the process of economic growth to enable the underdeveloped economies to break with their present state.

Among the early architects of development economics were Nurkse, Rosenstein-Rodan, Hirchman, Leibenstein, and Lewis; they together produced a body of writings that constituted the early discourse.

Although there were differences in their approaches and emphases, their writings on development shared one common characteristic: extrication of the process of development from the problematic of power, i.e. the political process in which it is embedded. This embeddedness was something that the classical economists were deeply aware of and which they in fact highlighted. In contrast, the early development economics portrayed economic development as a politically neutral exercise of rational calculation and planning. Leibenstein introduces his book *Economic Backwardness and Economic Growth,* by stating that his purpose is:

> "[To] look at the matter as a purely intellectual problem .... This approach may lead not only to a formulation in highly abstract terms but also to one that *abstracts the intellectual problem from its broader social and political setting.*"
>
> "The abstract, non-empirical and non-historicist approach is specially congenial to the individual worker who is interested in the development problem as a whole. The problem of explaining the disparities in per capita income is an historical as well as an analytical one. [It] would certainly be convenient if we could frame our problem in such a way as to *take intellectual question out of its historical context*" (p. 3, my emphasis)

The early theories strove to understand economic backwardness in terms of a "low level equilibrium trap" or "vicious circle of poverty" in which low income generates low savings and investment, which in turn reinforces low productivity and therefore reproduces the initial low income. The state of underdevelopment is the result of this circular causation. The argument that follows is that only a "critical minimum effort" or a "big-push" in terms of a massive dose of investment can extricate the economy from the bog of backwardness and place it on a path of self-sustained growth (Leibenstein 1957, Rosenstein–Rodàn 1943). The root cause of underdevelopment therefore is the lack of capital and the only solution to the problem is rapid capital formation.

It is interesting to note in this context that Rosenstein–Rodan's seminal article addressing the question of industrialization in Eastern and South Eastern Europe was written in 1943, in the middle of the world war II and several years before the Warsaw Pact. It began with the explicit recognition of the need to chalk out a strategy

for industrialization for those regions, a strategy that would be fundamentally different from the Soviet model of self-sufficient, heavy industry oriented growth. More specifically, the purpose was to integrate the Eastern European economy into the global capitalist order dominated by the US because "the existing heavy industries in the US, Great Britain, Germany, France, and Switzerland could certainly supply all the needs of international depressed areas" (p. 247). The urgency to posit a development trajectory that was not only an alternative but actually opposed to the trajectory followed by the Soviet Union only betrays the political nature of the development discourse. Its primary purpose was to resist the spread of communism, and development economists, as the vehicle of the discourse, in effect acted as functionaries of this political project.

Let us return to the notion of the "low-level trap" and "big push" and the need for rapid capital formation. In this formulation, the entire problem is reduced to relations among quantitative variables such as income, consumption, saving, investment, and the growth rate of population. The forces that result in economic backwardness are represented solely in terms of a set of relationship among these variables, and self-sustained economic growth is a matter of an arithmetic involving saving, investment, and the capital–output ratio (Singer 1952). The mode of production, distribution, and utilization of economic surplus in the underdeveloped economic formation, and the configuration of property and power relations on which it rests, appear nowhere in this formulation. Almost in the spirit of classical mechanics, development economics focused on a set of apolitical, asocial, as if natural forces, acting against each other, producing a state of stagnation as a self-perpetuating equilibrium. And only an exogenous force, a big-push, from outside could unsettle the inertia generated by the existing constellation of forces and catapult the system onto a trajectory of self-sustaining economic growth. The task of development economics was to calculate the size, intensity, and the mode of application of the exogenous shock. It is almost like calculating how much force is required, and how to exert it, to provide the push to a spaceship in order to enable it to escape earth's gravitational pull.

The "shoe factory problem", presented originally by Rosenstein–Rodan (1943) and later by Nurkse (1952), now a part of the folklore of development economics that can be seen as an illustration of the exorcism of development of its political content. An entrepreneur decides to set up a shoe factory by hiring wage-laborers, and he/she faces a problem. The problem is that the workers will naturally spend an insignificant fraction of their wage-income on the shoes they produce, spending most of it to acquire other articles of consumption. But the owner of the factory must be able to sell the entire output if he is to realize the profit. Therefore, the factory can be set up only if there is demand for shoes from people who do not earn their income from the shoe factory. In other words, a fraction of the income generated in the rest of the economy must be spend on shoes produced in the factory to make the factory a viable project; it can not emerge in isolation entirely on its own. The inevitable conclusion then is that investment decisions must be made simultaneously in different industries so that they can act as complements of each other by mutually providing each other's market. Thus there is a strong case for "balanced growth".

Development economists have spent a significant quantum of analytical energy trying to characterize the shoe-factory problem as a case of "no–industry–Nash–equilibrium", an explanation of continued reproduction of the state of underdevelopment. We have already discussed in the preceding sections how the destruction of direct production and self-provisioning served as the precondition for the emergence of the social division of labor associated with the capitalist mode of production. In an economy inhabited solely by direct producers who can produce their own consumption articles, there can be no capitalist production because the value produced in the capitalist enterprise will remain unrealized. No capitalist factory, shoe or umbrella, is viable under this condition. Proletarianization of the direct producers, their estrangement from the conditions of production, rules out self-provisioning and creates the market for the capitalist sector. In the case of Russia, this precisely was the issue, i.e., the decline of petty production in the old *obschina* in the face of capitalist development over which Lenin and the Narodniks so fiercely debated.

Of course, once a capitalist sector has already emerged, a problem of disproportionality can arise within the capitalist sector itself due to over-investment in one branch of production and under-investment in another. Rosenstein–Rodan's shoe-factory problem can be interpreted as referring to such disproportionality.[9] But it cannot serve as an explanation of underdevelopment and the non-emergence of the capitalist system of production. Development means

the initiation of the self-reproducing and self-expanding process of (private/state) capitalist production. It requires as a precondition the reconfiguration of the relations of power that constitutes underdevelopment and restructuring of its property relations so that capitalist production becomes viable, and these are the inescapable political conditions that must be met if the development process is to be unleashed. The formulation of the development problem in terms of the forces of mechanics and their static and dynamic balances and coordination keeps the politics of systemic change completely out of sight and presents it as a problem to be solved by "experts". No political or social agency has any role to play in this project.

However, it is precisely these formulations of the development problem that underscore the point that we are sparing no pains to make. The construction of development as a discourse began in the middle of the last century and development economics served as the center around which the discourse organized itself. The discourse was animated by the political imperatives of the Cold War, by the need to subject the "third world" to the control of the developed West. But the strategy adopted in this game of power was to present developmental interventions as benign, apolitical, and ideologically neutral. The stated purpose of the discourse was, as indicated at the beginning of this chapter, to re-enact the development trajectory that the West had already experienced, but with a crucial difference. Capitalist development in the West, its journey from the *Ancien Régime* to an industrial society, from tradition to modernity, was to be purged of its political dimensions and presented as a matter of techno-bureaucratic planning exercise. The depoliticization of development was the very strategy of the new regime of power, and a reading of development economics as a discourse brings this new modality of power into visibility. In what follows, I am going to concentrate on Arthur Lewis' seminal article of 1954, titled *Economic Development with Unlimited Supply of Labor*—which probably is the most celebrated and frequently cited article in the writings on economic development—interpret it as a discursive construction and then interrogate its representation of the economy.

The reason I choose Lewis is that in his work one gets a fully-blown picture of the early vision of economic development as a process of transformation and my purpose is to demonstrate that the Lewis model is a discursive construction with *accumulation* as nodal point (in the sense of Laclau–Mouffe) that produces the economy as a contingent totality by provisionally fixing the meaning of its instances and places capital and pre-capital in a hierarchy. And we can characterize this as the first of the three moments, as stated in the end of Chapter 2, of the hegemony of development as a discourse. An interrogation of his representation of the economy also brings to light that the particular representational strategy adopted by Lewis allows him to present the process of primitive accumulation as a politically neutral process of development in a dual economy. In short, the purpose of our discourse analysis is to politicize the Lewis' narrative of (capitalist) development.

Accumulation as Development: the Dual Economy of Lewis and the First Moment of Hegemony

The vision of the economy marked by dualism can be traced back to the writings of J.H Boeke on the colonial economy of the Dutch Indonesia. Boeke (1953) observed that the Indonesian economy consisted of two distinct sub-economies, with different structures, organized by different calculations and motivations. There was a modern Western economy driven by individualism, rationality, and capitalist calculations, and a traditional economy characterized by limited needs, backward bending supply curve of labor, and unresponsiveness to market incentives. This dualism, Boeke argued, was not so much a creation of colonialism *per se* as of capitalist penetration in a traditional economic formation.[10] On a more general level, the concept of cultural and social dualism was quite prevalent in the representation of the colonial history. As Meier informs us, a history of nineteenth-century Jamaica, entitled *Two Jamaicas,* highlighted the simultaneous presence of two cultures, two ways of life in the African Jamaica and the Western Jamaica (1984: 151). Early reports by international developmental organizations also emphasized that the most important feature of the African economies was the coexistence of a traditional economic system and a modern exchange system. Development of these economies, the reports stressed, meant an expansion of the "money economy", its encroachment on the traditional sector and the eventual withering away of the latter.

The strength of Lewis' 1954 article, and the reason why it is still regarded by development economists as the pioneering treatise on

economic dualism, consists in the fact that it offers a comprehensive and detailed description of the dual economy, theoretically far more rigorous than what these reports present. Instead of conceptualizing dualism in terms of the presence or absence of monetization and exchange, Lewis, in the spirit of Boeke's anatomy of the Indonesian economy, goes beyond the sphere of circulation and locates the basis of dualism in the sphere of production, in the forms, organizations and conditions of production. For him, the dual economy is marked by the simultaneous presence of a "subsistence/traditional" sector and a "capitalist/modern" sector. In his characterization,

> The capitalist sector is that part of the economy which uses reproducible capital and pays capitalists for the use thereof. This coincides with Smith's definition of the productive workers, who are those who work with capital and whose product can therefore be sold at a price above their wages..... [The] use of capital is controlled by capitalists, who hire the services of labour." (1954: 407)

The capitalist sector is thus one in which the capitalist, who controls capital, hires laborers to work with that capital and to him accrues the surplus, i.e., the difference between the value produced in the activity and the wage-bill. The surplus takes the form of profit and the guiding principle for this sector is the calculation of profit and its maximization. Labor is employed only up to that point where the maximum surplus (or profit) is obtained. The specificity of the capitalist sector lies, Lewis asserts, not just in the production of surplus but also in the mode of its utilization. The capitalist uses the surplus to create new capital, both of the fixed and circulating variety, so that a larger number of laborers can be employed in the next round of production. Put differently, production of surplus in the capitalist sector is for accumulation of capital and the specificity of this sector is grounded in the drive for accumulation.

Lewis' capitalist/modern sector thus has two distinct features that distance it from the rest of the economy: production of surplus by workers employed on the basis of capital, and utilization of that surplus to create additional capital. It is a sector defined in terms of wage-labor, profit and the expanded reproduction of capital.

Here we should also take note of the fact that by "capitalist" Lewis means not just private capitalist but state capitalist as well. When the modern sector is state-owned, profit takes the form of surplus generated in the state sector, however, the rationale and the dynamics of the sector remain the same. In fact, "[t]he state capitalist can accumulate capital even faster than the private capitalist, since he can use for the purpose not only the profit of the capitalist sector, but also what he can force or tax out of the subsistence sector." (1954: 419)

In contradistinction to the capitalist sector, Lewis posits the rest of the economy as the subsistence/traditional sector:

> "[the] subsistence sector is by difference all that part of the economy which is not using reproducible capital. Output per head is lower in this sector because it is not *fructified by capital*. This is why it was called 'unproductive' the distinction between productive and unproductive labor had nothing to do with whether the work yielded utility, as some neo-classicists have scornfully but erroneously asserted." (*ibid.*: 408, my emphasis)

The distinguishing feature of the subsistence economy is the absence of reproducible capital. This, however, does not mean that the producers use no instruments in their production activities. What is absent is capital as the basis of employment of wage-labor as in the capitalist sector. When Lewis uses the phrase "fructification by capital", he is referring to the production of surplus that capital extracts from wage-labor, and the subsistence sector is one in which such extraction is ruled out.

What then is the distinguishing feature of this sector? According to Lewis, it is the presence of *surplus labor*. A significant fraction of those inhabiting this sector, although apparently working, have no contribution to the production at the margin. Inhabitants of this sector share the total labor required for production and also the income that is generated. This means that every worker is underemployed, but he receives the average income that allows him to subsist, and if some of these underemployed workers are withdrawn from the sector, the remaining ones can work more and easily perform the same amount of labor so that the output will not suffer any decline. In other words, it is a sector marked by the presence of latent surplus labor that can be siphoned without causing any contraction of the sector in terms of output.

Thus, the dual economy, on the one hand, has a self-expanding, dynamic capitalist sector where accumulation of capital can continuously expand the employment of surplus-producing workers, and a subsistence sector serving as a pool of surplus labor that can potentially be transferred to self-sustaining, capital-based employment in the former. In this scenario, Lewis describes the process of development as one in which the capitalist sector expands, drawing labor, and resources from the subsistence sector. If capitalists offer a wage rate that is a little higher than the subsistence income, laborers will respond to it and move to the capitalist sector. The migration causes no reduction in the output in the subsistence sector, but since those who move had entitlement to their subsistence income, the transfer entails a marketable surplus of wage goods for those employed in the capitalist sector. The dynamic capitalist sector expands without causing any strain on the subsistence sector until the pool of surplus labor is exhausted.[11] However, the process of development is also the process of withering away of the subsistence sector. When the entire pool of surplus labor is withdrawn, the subsistence sector ceases to have the characteristics that distinguished it from the capitalist sector and ultimately gets transformed after the image of the latter.

Economy as a Provisional Totality

Having delineated the contours of Lewis' dual economy, we are now in a position to explore how his narrative of transition and development "produces the economy" through discursive articulation. We recall that in our conceptualization of hegemony, economic entities acquire provisional fixity only within a totality produced by discursive articulation around privileged nodal points, and the act of producing the contingent totality is what we have defined as hegemonic practice. Being contingent and provisional, the meanings and the hegemonic totality within which they are articulated, are always susceptible to subversion.

How is the *economy*, in which Lewis' development process occurs, constituted? The entire narrative of transition, of the process of transferring surplus labor from the subsistence to the capitalist sector, is presented around the notion of surplus, investment, and accumulation. Accumulation is the privileged nodal point around which the other elements of the economy are organized, and their meanings fixed. For example, *production* as such does not have one fixed meaning; it may be seen as an act of material transformation for the direct satisfaction of needs; it may also mean production for market where the sole purpose of exchange is consumption; and of course it may be seen as an activity with the purpose of producing a surplus for accumulation. When Lewis chooses accumulation as the nodal point and posits the capitalist sector as *productive* in contrast to the *unproductive* subsistence sector, the meaning of *production* is discursively fixed; it is understood as the activity in which a surplus is produced for accumulation. The other possible meanings are not entirely obliterated but devalued and demoted as characteristics of production in the subsistence sector. In a similar vein, *labor* is posited as productive only if it is estranged from the means of labor and produces an additional value, over and above its own maintenance, for the employer. Purposive labor-producing use-value is a feature of the subsistence economy and therefore associated with stagnation and underdevelopment. *Market* as a process through which labor, raw materials, and wage-goods are made to flow from the subsistence to the surplus-producing capitalist sector is accorded a privilege by the discourse while its role as a site where direct producers exchange their use-values is pushed out of focus.

The discourse thus organizes the *economy as a totality* around accumulation by positing the various instances of the economy in terms of their capacity to support and facilitate the accumulation process. It is a provisional totality in the sense that the other meanings of these instances are relegated to the subsistence sector that constitutes the outside of this totality. The representational strategy adopted by Lewis structures the space of development in a way that places capital and pre-capital in a hierarchy. Accumulation is seen as taking place only within the capitalist mode of production. The sole purpose of labor and production is to produce surplus (in the form of profit) for accumulation and therefore production activities undertaken, and labor performed, in the capitalist sector alone are in the interest of development. In short, capital is synonymous with development; it is the sector that contains all the developmental potentials. It is posited as a sector that is modern, advance, and dynamic, with an innate capability of expanding its ambit to ultimately subsume the entire economic space. Pre-capital, in contradistinction, is identified with underdevelopment; it is traditional, backward, stagnant, and incapable of retaining its own economic space in the face of capital's expansionary thrust.

Production in the traditional sector serves development only in so far as it makes available cheap wage goods for the advanced sector. The fact that non-capitalist production satisfies consumption needs carries negative implications for development since it does not generate surplus for accumulation. Exchange between the two sectors is only a channel through which labor and other resources can flow from the subsistence to the capitalist sector and also the product of the latter can be sold to the former for realization of the surplus as profit.

The identification of development with capitalist accumulation also fixes the meaning of the state, its role in the development process. A developmental state, Lewis argues, ought to use its instruments of coercive power for creating condition conducive to accumulation. For example, power of the state to create high-powered money is to be used to provide money capital to the organizers of capitalist production, or to create inflation that redistributes income in favor of profits, and therefore, of accumulation. With accumulation as the overarching logic of development, the discourse foregrounds the state as a facilitator of accumulation, and obliterates its other possible role as a provider of entitlements for consumption. In fact, systemic redistribution for the purpose of generating consumption entitlements is seen as a feature of the subsistence sector where the average subsistence income exceeds marginal productivity, and such redistribution is identified as unproductive utilization of surplus condemning the pre-capitalist economy to a state of stagnation.

The discursive articulation of the economy and the structuring of the space of development in relation to accumulation as the nodal point is what we can interpret as the first of the three moments of the hegemony process we identified at the end of Chapter 2. It is the case of simple hegemony in Gramscian sense when capital rules by its own agenda. When the development discourse conflates development and capitalist accumulation, the narrative of development coincides with the narrative of capital's arising, although the assumed political neutrality of the space of development depoliticized the arising of capital. The story of capital's arising is displaced from the politically contested terrain to the politically neutral terrain of development.

The hegemony in this case takes the form of explicit dominance of capital over pre-capital. In the discursive construct, capital and pre-capital are locked in a hierarchical predator–prey relation in which the former is strong, powerful, and permanent while the latter is its negation: weak, powerless, and transitory. Much like Edward Said's *orient* as the "other" of the *occident*, the pre-capitalist subsistence sector is constituted as the "other" of the capitalist sector, as what capital is not. The representation denies the subsistence sector any rationality of its own, subjects it to capitalist profit accounting and thereby renders a section of its inhabitants "redundant and surplus". The presence of surplus labor marks the "irrationality" of the subsistence sector, the reason why it is backward and stagnant. And development means the inevitable withering away of the stagnant and the backward in the face of the vigorous expansion and spread of the dynamics and the modern. The representation of development thus has a particular regime of capital inscribed in it—a regime in which the relationship between capital and pre-capital conforms to the notion of dominance that informs Gibson–Graham's work referred to in Chapter 1. It is a "capitalocentric" discourse in which the dominance of capital works through suppression, silencing, and demotion of pre-capital; capital here is characterized in terms of its strength and fullness in contrast to pre-capital's weakness and lack. (Gibson–Graham 1996)

The interpretation of capitalocentrism as hegemony calls for at least two clarifications. First, when we present the early development discourse as a hegemonic formation, we are interpreting hegemony as hegemony of a discourse and not of a class as in Gramsci. Chapter 1 began with the Gramscician notion of hegemony in which hegemony means persuasion as distinct from coercion. Let us recall that in the Gramscian conceptualization, the ruling class is hegemonic when it succeeds in projecting its own sectional interest as the universal interest and is able to elicit active consent of the subaltern classes; the ruler and the ruled are seen as particulars flowing from the same universal. Put differently, the Gramscian notion of hegemony is the dominance of one essence over another; the subaltern identifies with the essence of the ruler and sees himself after the ruler's image. And hegemony takes a complex form when the projected universal has to incorporate, besides the ruling class's own essence, some elements of the subaltern space. However, in both cases, hegemony serves to legitimize the order by hiding its inherent hierarchies. But in our framework, hegemony is a discursive practice that provisionally fixes the meanings of economic entities;

it is not the dominance of one essence over another as in Gramsci, but a provisional fixation of identities by arresting their floating character. It is by definition hegemony of a discourse, and not hegemony of any particular class with an essence of its own. But it is important to note that the hegemony of the discourse creates conditions within which a particular class-rule can reproduce itself. When we identify development as a hegemonic discourse, we do not reduce the space of development to the space in which the story of modes of production is inscribed. Development is an independent space and the structuring of that space around a particular set of nodal points allows capital to exercise its dominance over pre-capital. When the early development discourse articulates the economy in relation to accumulation, the two spaces apparently coincide and this is what we call the first moment of the hegemony process. But the implications of viewing development and capital as two distinct yet articulated spaces will be apparent as our analysis proceeds to consider the other moments of hegemony. We will then see that the conditions for capital self-reproduction can be ensured only if development asserts itself as an independent discourse with its own agenda.

Second, hegemony of the capitalocentric discourse of development does not hide hierarchies and dominance; on the contrary, it organizes the economy precisely in terms of the relations of dominance and subordination and legitimizes the hierarchy in the name of progress. Centrality of accumulation produces the economy as a provisional totality around the capitalist sector while the pre-capitalist subsistence sector is marked off as a dark zone that constitutes the outside of that totality—an outside that must be squeezed, bled, and ultimately allowed to wither away in the interest of capitalist accumulation. It is "simple hegemony" in the Gramscian sense since the dominance of capital is expressed in terms of its own agenda (accumulation) but hegemony here means legitimation of the predatory expansion of the domain of capital and the harnessing of the state and other institution of civil society for facilitating the process. Annihilation of the pre-capitalist formations is the goal that is set before the society and the discourse of development is hegemonic in that it is able to elicit consent to this project of annihilation. In other words, the first moment of hegemony is legitimized violence against pre-capital—violence backed by persuasion.

A specific technology of power, and an ideology legitimizing its deployment, accompanied the arising of capital in Western Europe, and the conditions of existence of the *Ancien Régime* were undermined in a systematic and concerted way. In the post-colonial context, the development discourse brings into play a similar technology of power to annihilate pre-capital, and the legitimation of this process of annihilation is ensured by truth effects produced by the discourse.

Dual Economy and Primitive Accumulation: What Happened to z-goods?

Although the representation of the economy posits the two sectors in terms of an explicit hierarchy, with one assigned the role of supplying resources and labor for the expansion of the other, the process of development in the dual economy as described by Lewis is a benign process in the sense that it involves frictionless transfer of "surplus labor" from unproductive to productive employment. When laborers in their present occupation contributes nothing to output are transferred to the productive capitalist sector, output in the latter increases with no concomitant reduction in output elsewhere. It involves no conflicts of interest, no political contradictions as long as the supply of labor at the given wage-rate, and of wage-goods and raw materials at given prices are unlimited. We will now interrogate this narrative of development to reveal the contradictions inherent in the process of industrialization in a dual economy, the politics of development that the narrative keeps out of sight. To do that, we first critically engage with the productive/unproductive binary used by Lewis.

Lewis is quite explicit about the fact that in envisaging the dual economy he is drawing upon his classical predecessors rather than the then prevailing neo-classical paradigm premised on efficient allocation of resources. More specifically, he invokes Adam Smith in making the distinction between the two sectors in terms of the concept of productive and unproductive labor. But while his modern sector is indeed "productive" in the sense in which Adam Smith used the term, his interpretation of the subsistence sector as "unproductive", despite the claim, is not exactly Smithian. And this is an important point that we should explore because it will provide us with the clue to an understanding of the specificity of the development discourse as distinct from the process Adam Smith described.

In *The Wealth of Nations*, Smith makes the distinction between productive and unproductive labor thus:

> There is one sort of labour which adds to the value of the subject upon which it is bestowed; there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive labour. Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon,......*[t]he labour of a menial servant, on the contrary, adds to the value of nothing*. Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. (1975: 294–295)

Productive labor, for Smith, works on the basis of capital—but is alienated from it in terms of ownership and control—reproduces the conditions of production and produces a surplus. The surplus can be used to augment the initial stock of capital so that more labor can be employed in the next period. Thus productive labor is capable of self-expansion. In contrast, unproductive labor, the menial servant, is maintained out of revenue, therefore its employment cannot be increased unless there is an increase in revenue; in other words, expenditure on the menial servant cannot be restored from the labor performed by the servant. The distinction has nothing to do with the nature of the use value of what the two types of labor produce.

Productive labor, according to Smith, is the source of capital accumulation and growth, while unproductive labor, being a drain on revenue, is a drag on it. In Smith's vision of the pre-capitalist economy, the feudal landlords maintain an army of menial servants out of the revenue extracted from agriculture. The size of the unproductive employment cannot be increased unless there is an increase in the revenue. The process of capitalist transformation therefore is envisaged as one in which unproductive workers are transferred from revenue-based employment to capital-based employment and thereby transformed into productive workers. Capital sets productive labor in motion, and the surplus produced by labor is used to create additional stock, thus making accumulation and growth a self-sustaining process.

Lewis' capitalist sector is one in which labor produces an additional value over and above the wages paid, which accrues to the owner of capital as profit. This profit is used to create new capital, leading to expansion of output and employment. It clearly coincides with Smith's definition of productive labor. But his subsistence sector does not quite agree with what Smith called unproductive labor. The crucial difference is that for Smith, the phenomenon of unproductive labor maintained out of revenue is embedded in the feudal order of the economy, an order with its own structure of political authority. But Lewis' unproductive laborers reside within the peasant household, and who, despite the fact that their contribution to production is nil receive the average subsistence income as an entitlement ensured by the institution of pre-capitalist extended family. Thus, the transfer of these surplus laborers to the capitalist industry does not depend on the outcome of a political battle for radically altering the existing configuration of power and property. For Smith, transformation of unproductive labor into productive labor signified the transition from a feudal to a commercial society and the rise to dominance of the capitalist class against the feudal authority. By reducing the subsistence sector to self-employed peasant households, Lewis extracts the story of accumulation from the political terrain in which Smith located it. It is a passive sector, a reservoir of surplus laborers, and once the capitalist offers a wage that is a little higher than the subsistence income, laborers respond to it and, as if in a Newtonian frictionless world, move freely towards the capitalist sector. And those who remain in the subsistence sector happily put in more labor (since earlier there has been work sharing) and bring the surplus that accrues to them to the market so that it can be used as wage-goods for the capitalist sector. Once unleashed, the process will work itself out; the point is to give the ball the initial push.

Even if we take Lewis' characterization of the traditional, pre-capitalist sector on its own terms as a collection of passive, self-employed peasant households, one feature of this sector strikes us. It is a feature constituted by an absence rather than a presence. In describing the subsistence sector nowhere does Lewis mention even the possibility of non-agricultural production activities. Non-agricultural, non-leisure activities such as manufacturing or processing of agricultural raw materials always existed in backward agrarian economies and constituted an important aspect of their

economic and social life. These are activities that Stephen Hymer and Stephen Resnick (1969) called z-goods: "We shall denote these non-agricultural activities", they wrote, "whether carried on in the household or in small scale service and artisan establishments in the village, as z, a purposely vague title to indicate the heterogeneity of the group."[12] (1969: 493) Lewis' dual economy does not recognize the existence of any such activity and therefore when the capitalist sector sells its product to the subsistence sector, it does not face any market problem caused by self-provisioning within the subsistence sector. In fact, the obliteration of non-agricultural production from the economic space of the traditional formations is a general feature that marks the entire body of writings of the early development economists. When Rosenstein–Rodan was referring to the existence of surplus labor in the agricultural sector of Eastern and South Eastern Europe, and formulating his program for planned industrialization, he was also silent about non-farm activities in the rural economy.

For us, this is a point of immense importance because by exploring the implications of this silence we can reveal how the development discourse sought to depoliticize the process of the emergence of capitalist production and present it as a process of development free from any contradiction. Once we consider z-goods production as an important element of the subsistence sector, we can interpret the development process in Lewis' dual economy in a very different way, as a depoliticized narrative of primitive accumulation. Production of z-goods is based on the unity of labor and means of labor, and as the development process begins, the very wage-goods and raw materials that served as the basis of z-goods production now flow out from the subsistence sector in the form of marketable surplus. The conditions under which z-goods were produced disappear and the means of labor are transformed into capital. On the other hand, laborers who had enjoyed pre-capitalist entitlements to subsistence are turned into wage-workers that sell their labor power to the capitalist employer. And they are made to work upon the means of production, which has now become capital through market exchange, to produce a surplus for the employer. Development in the dual economy thus entails an industry–agricultural separation, and the withering away of z-goods creates the market for the product of the capitalist sector within agriculture. This is precisely the process that Marx described as primitive accumulation. By effacing z-goods from the story of transition, Lewis (in particular and the early development economists in general) presents the development process as one in which the expansion of the modern capitalist sector does not cause destruction of any alternative forms of non-agricultural production. The process of capitalist industrialization, a process fraught with conflicts and contradictions, is thus presented as a politically neutral process of transfer of surplus labor based on "rational accounting" and laws of classical mechanics.

That the destruction of z-goods production is essential for the emergence of capitalist production has been widely recognized by the analysts of concrete cases of capitalist development. In the context of development of capitalism in Russia, when the Narodniks complained that capitalist industries were destroying small-scale manufacturing activities in the rural economy, Lenin celebrated the phenomenon and wrote:

> The growth of small production among the peasantry signifies the appearance of new industries, the conversion of new branches of raw material processing into independent spheres of industry, progress in the social division of labor, while the swallowing-up of small by large establishments implies a further step forward by capitalism, leading to the triumph of its higher forms. (quoted by Perelman 1983: 222)

For Lenin, the "swallowing-up" was an inevitable moment of capitalist development and he welcomed it as a change in favor of a "higher form" of production, a form that was more advanced in terms not merely of social division of labor but also of its innate potential for the development of productive forces. He even applauded the fact that the peasantry was switching its consumption from goods produced within the rural economy to better and more attractive commodities offered by capitalist industries. Let me quote at length:

> As industrial occupation spreads, intercourse with the outside world...becomes more frequent....They buy samovars, table crockery and glass, they wear neater cloths. Whereas at first this neatness of clothing takes the shape among men, of boots in place of bast shoes, among the women, leather shoes and boots are crowning glory.... Of neater clothing; they prefer bright, motley calicoes and kerchiefs, figured woolen shawls and similar charms...
>
> In the peasant family it has been the custom for ages for the wife to clothe her husband, herself and the children.....As long as they grew their own flax, less money had to be spent on the purchase of flax, less money had to be spent on the purchase of cloth and other materials required for clothing, and this money was obtained from the sale of poultry, eggs, mushroom, berries, a spare skein of yarn, or a piece of linen. All the rest was made at home. (quoted by Perelman: 223)

Here Lenin sees the substitution of z-goods by products of the capitalist sector in a very positive light, as a sign of progress. The classical political economists, from Adam Smith to James Stuart, took the same view of this change (Smith described the small manufacturing units in rural areas as indolent and sauntering). It is even truer about Marx. In the discussion of primitive accumulation, Marx is at pains to draw our attention to the brutality and coercion associated with the process, but he is quite explicit in asserting that despite the pains and sufferings, it is an inescapable condition for capitalist transformation which for him is big leap towards progress from the "idiocy of village life". It is the same spirit in which he sees imperialism as the "unconscious tool of history' for the colonies.[13] The difference between Marx and his classical predecessors is that the latter underplay and gloss over the harsher aspects of the transformation and saw capitalism as the ultimate form of progress and freedom, while Marx relentlessly reminds us that capitalism savagely dismantled the old order and rose on its tomb, and it is an exploitative system which will eventually be superseded by socialism as the higher moment of progress. But the emergence of the capitalist system as a negation of the pre-capitalist order is for Marx, and also for Lenin, an unambiguous movement in the direction of progress. The dual economy model is premised on the same presumption of capitalist industrialization as progress; only by effacing z-goods from the discourse, it keeps the costs associated with transition, which Marx or Lenin explicitly, and the classical economists implicitly, recognized, out of visibility.

One however can argue that Lewis *et al.* were writing on industrialization in economies of Asia and Africa that were emerging from colonial rule, and their z-goods sectors had already been wiped out by penetration of commodities from the metropolis. The phenomenon of de-industrialization in the colonies, as economic historians prefer to call it, forced people previously engaged in rural non-agricultural production to go back to land for subsistence and thus created the army of the underemployed which Lewis' concept of surplus labor refers to. Therefore the question of destruction of the rural manufacturing sector in the face of industrialization in the post-colonial dual economy does not arise.

From our perspective, we can respond to this argument at two levels. First, despite de-industrialization to a considerable extent during the colonial period, many of the newly independent backward economies still had a significant level of traditional manufacturing activities (Ranis and Stewart 1993). When in the 1950s India was formulating plans for industrialization, planners kept referring frequently to the existence of what they called small and cottage industries in the rural economy as an important provider of employment. When Hymer and Resnick presented the concept of z-goods, it was based on the observations they made in the 1960s on the rural economies of Ghana and Philippines. Thus the absence of rural non-agricultural activities in the dual economy does not square with the facts.

On a different level, we can argue that even if we assume that non-agricultural activities are absent and conceive the subsistence sector as consisting only of peasant households engaged in agriculture, capitalist industrialization in this scenario means that surplus laborers and the means of labor (that flow to the capitalist sector as marketable surplus of wage goods and raw materials) can be united only on the basis of capitalist relations of production, where the means of labor turned into capital confronts labor as an alien power. This subverts any other alternative forms of unity of labor and means of labor. It is only by selling his labor power to the capitalist and producing a surplus for him that the worker can acquire the wage-goods necessary for his subsistence. In other words, the program of capitalist development in a dual economy rules out other potentially feasible forms for organizing non-agricultural production. The capitalist sector in this case emerges and expands by annihilating non-capitalist production in the sense that it prevents their possibility from turning into actuality.

The development discourse justifies the ruling out of non-capitalist production by the implicit assumption that the expanding capitalist sector will be able to absorb the entire pool of surplus labor. When Marx and Lenin welcomed capitalist transformation of the economy and the withering away of rural manufacturing, their enthusiasm was also premised on the same presumption: that the advanced and dynamic capitalist sector will eventually bring the entire economy within its own ambit. Our point of departure from the traditional Marxian imaginary of capitalist development, as explicated in Chapter 2, is the recognition of the existence of a wasteland of the dispossessed created by the arising of post-colonial capital—a space inhabited by those who are expropriated from their traditional activities and entitlement but not allowed entry into the space of capital. Seen from that perspective, legitimation of capital requires that the dispossessed be rehabilitated and non-capitalist forms of production turn out to be important and effective means for achieving that end. Fifty years after Lewis' work inaugurated the development discourse, a consensus now seems to be emerging that the trajectory of capitalist development envisaged by Lewis has failed miserably to transfer the entire pool of surplus labor to productive employment in the capitalist sector. The international developmental organizations that once embraced the accumulation-centric approach are increasingly recognizing the existence of production activities in the "informal sector" that constitutes an outside of the capitalist sector. ILO's insistence on the importance of the informal sector as a source of employment and on the need to provide support to it, and World Bank's concern about non-farm rural employment, are re-inscribing z-goods into the space of development, albeit in a displaced and reconstituted form. In the subsequent chapters we will explore in detail how the development discourse has struggled to negotiate the phenomenon of exclusion and reconstituted the discursive space to produce hegemony in its complex form.

Materiality of the discourse lies in the practices it calls into play; it is these practices that we must focus on if we are to understand how the discourse works. In the following section, I will consider the early experience of development planning in post-colonial India, a process that was animated by the then emergent discourse of development economics. I will now attempt to bring to visibility how the early moment of industrialization in post-colonial India served to accomplish the task of primitive accumulation in the guise of a depoliticized, be-nevolent process of development in a dual economy.

Industrialization in Post-Colonial India: Planning as the Realm of Reason

A long drawn and intense political battle against foreign rule made possible the emergence of India as an independent nation state and thus created the ground for planned industrialization; yet, curiously, the idea of planning from the very beginning sought to distance itself from the world of politics by premising itself on a dichotomy between the "realm of politics" and the "realm of rational economic calculations". The nationalist movement saw a huge mobilization of the peasantry and other sections of the toiling masses behind the demand for the end of colonial rule, a demand that was based on the claim that the Industrial Revolution in England and the resultant dominance of the large scale machine-based production had led to the impoverishment of the Indian masses under the British rule. But immediately after decolonization, the newly born Indian state embarked on planning by extricating the question of industrialization from the rhetoric of nationalist politics in which it had been embedded earlier. The essentially political nature of the question was pushed out of sight and the regime of planning was presented as a politically neutral regime committed to rationality and progress.

Jawaharlal Nehru, the first Prime Minister of India and the chief architect of the Indian Planning Commission, was the personification of this new paradigm of development. In *The Discovery of India* written in 1946, he probed the causes of economic backwardness of colonial India and strongly recommended that modern industrialization was the only means to liberate the Indian economy from the bog of poverty and underdevelopment. His analysis shows that he was aware of the fact that capitalist development necessitates the withering away of the traditional economy, as it did in England, but he was also convinced that the dispossessed will ultimately find a place in the modern economy although the period of transition is marked with immense human suffering. India's poverty and economic backwardness, he argued, was due entirely to the fact that while import of cheaper manufactures from

mechanized British factories had led to the destruction of the traditional handicrafts, the dispossessed Indian masses never had a chance to be rehabilitated in the new industrial economy that thrived in Britain. India had paid the price of capitalist development in Britain without the chance of enjoying its fruits.

> The transition from pre-industrialized economy to an economy of capitalist industrialism involves great hardship and heavy cost in human suffering borne by masses of people...... There was this hardship in England during the period of transition but, taken as whole, it was not great as the change over was rapid and the *unemployment caused was soon absorbed by the new industries.* But that did not mean that the cost in human suffering was not paid. It was indeed paid, and paid in full by others, particularly by the people of India.... It may be said that a great part of the cost of transition to industrialism in western Europe were paid for by India, China and other colonial countries.[14] (Nehru 1981: 300, my emphasis)

Clearly what Nehru here is referring to, although in a different language, is the process of primitive accumulation. He explicitly recognizes the possibility that the dispossessed may be permanently deprived of the benefits of capitalist industrialization whose foundation is laid by primitive accumulation, and locates the cause of India's poverty in this deprivation. But for him, it is the colonial relations that lie at the heart of the problem, producing this perverse outcome. Had India not been a colony, the process of primitive accumulation would have led to the development of modern industries in India. Industrial development would have encompassed the entire population and the price paid by the dispossessed would have been rewarded with the benefits flowing from that development.

The inescapable implication of Nehru's argument is that the Western experience can be replicated in post-colonial India. Now that India is an independent nation state in a position to build its own economy, it can have a program of massive industrialization that will transform the entire economy from a traditional to an advanced one. It would traverse the same trajectory of development that the West has experienced. "We are trying to catch up", Nehru said in his speech in Parliament on 15 December, 1952, "as far as we can, with the industrial revolution that occurred long ago in Western countries". And in this process of catching up, the specificity of the Indian situation demanded that the state play an active and decisive role in the economic sphere.

Thus in Nehru's vision, the arising of the Western capital can be acted out once again on the post-colonial Indian stage. We have already characterized, following Marx, the story of this arising as the immanent history of capital. The Western capital in its fully developed form has suspended in its *being* its immanent history, its *becoming*. For Nehru, the real history of post-colonial India will replicate the journey of the Western capital's *becoming*, with the active intervention of a "developmental state".

Nehru's vision, however, did not go unchallenged. Gandhi, the man who rallied the entire country behind the nationalist cause, had very different things to say about industrialization. "When I read", he wrote in *Hind Swaraj*,

> "Mr Ramesh Dutt's *Economic History of India*, I wept; and as I think of it again my heart sickens. It is machinery that has impoverished India. It is difficult to measure the harm that Manchester has done to us. It is due to Manchester that Indian handicraft has all but disappeared."[15]

This apparently echoes Nehru's critique of the colonial rule and its devastating impact on the Indian economy. But Gandhi then takes the issue far beyond the question of colonial rule when he says:

> "Mechanization is good when hands are too few for the work intended to be accomplished. It is an evil when there are more hand than required for work, as is the case in India...........spinning and weaving mills have deprived the villagers of a substantial means of livelihood. It is no answer in reply to say that they turn out cheaper, better cloth, if they do so at all. For, if they have displaced thousands of workers, the cheapest mill cloth is dearer than the dearest khadi woven in the woven in the village."[16]

Clearly, Gandhi here is holding machine-based large scale industrialization itself, rather than its form in the specific context of colonialism, responsible for dispossession, loss of livelihood and poverty. While Nehru was convinced that industrial development in independent India would encompass the entire toiling masses left impoverished by colonial rule, provided of course that the Indian state commits itself to social equity and justice, Gandhi was equally convinced that the impact of industrialization would be no different than what it had been during the colonial period. Seen from our perspective, Gandhi in his own way arrived at the conviction that the arising of capital inevitably causes permanent dispossession, irrespective of whether it is imperialist or national. And also, regardless of whether it is private capital or state capital in the form of public sector, the outcome will be the same.

> Pandit Nehru wants industrialization because he thinks that, if it is socialized, it would be free from the evils of capitalism. My own view is that evils are inherent in industrialism, and no amount of socialization can eradicate it.[17]

And he further argues that

> Industrialization on a mass scale will necessarily lead to passive or active exploitation of the villagers as the problems of competition and marketing comes in. *Therefore we have to concentrate on the village being self- contained, manufacturing mainly for use.*[18] (My emphasis)

Here Gandhi finds the solution in what we have already called z-goods: goods that are produced within the agrarian economy for satisfaction of local needs. While reading the Gandhi–Nehru debate, one does have a feeling of *déjà vu*, for despite fundamental differences both in the contexts and the ideologies in which they are grounded, the difference between Gandhi and Nehru on the question of industrialization reminds one of the Lenin–Narodniks debate we have already referred to in the preceding section. In both cases, the question is one of destruction of z-goods production and loss of entitlements resulting from the arising of capital. At this dawn of the 21st century, we can now see the irony that the past century held in store. Nehru's vision prevailed over Gandhi's concern, and Lenin's over the Narodniks', but by the end of the century the same concern seems to have returned with a vengeance, with governments and developmental organizations struggling to cope with problem of jobless growth and exclusion by carving out a space for z-goods production within the network of capitalist circulation and exchange.

The Gandhi–Nehru debate continued for quite some time, with followers on both sides, and generated considerable tension within the Indian National Congress until the formation of the National Planning Committee. The Committee was overwhelmingly dominated by experts, scientists and industrialists who shared Nehru's vision of a modern industrialized India. J. C. Kumarappa, a staunch Gandhian, tried to remind the Committee of the Gandhian position on the small versus large industries, but the Committee almost unanimously endorsed the view that planning in India must give highest priority to the program of large scale industrialization. And several years before the first Five-Year Plan started, a confident Nehru wrote,

> Any argument as to the relative merits of small-scale and large-scale industry seems strangely irrelevant today when the world, and the dominating facts of the situation that confront it, have decided in favour of the latter. Even in India the decision has been made by these facts themselves, and no one doubts that India will be rapidly industrialized in the near future.[19]

The question that had energized the entire nationalist movement was finally "resolved" in favor of a modern, industrialized, independent India after the image of the West.

To follow the trajectory already charted by the West was only one part of the Nehruvian vision. There was another part that is important for us: the strict separation between the domains of developmental practices and politics. Our claim has been that the discourse of development in the post world war II period depoliticized development and presented it as a techno-bureaucratic project embedded in a power–knowledge nexus. And as a part of that project, development economics sought to portray primitive accumulation as an apolitical process of saving, investment and income growth. Nehru's vision of planned industrialization in postcolonial India from the very beginning surrendered to the hegemony of the development discourse and embraced the idea that the program of industrialization only involves making of plans by experts on the basis of "scientific and rational" calculations and their implementation by the bureaucratic apparatus of the state. The state was to take an active part in the industrialization process and

exercise its power wherever necessary, but the legitimacy of these interventions was derived not from the claim that the state had its own justification for the use of its political authority and coercive power to achieve developmental goals, but from the universality of the "truth effects" produced by the development discourse—from a "regime of truth" grounded in the knowledge–power rather than in the centered authority of the state. The developmental state with its Planning Commission and techno-bureaucratic apparatuses was a vehicle of the discourse and its "politically neutral" practices.

The early 1950s witnessed the process of integration of the Indian planning into an international program of development; it was also the process of its acquiring the status of a discourse. Foucault has told us that whether an ensemble of statements can form a discourse depends on the status of the speakers, the sites from which they speak and the manner in which the statements are made. In those years, the discourse of development was consolidating itself on an international level in terms of these conditions and while the Indian economy was turned into an object of developmental knowledge, efforts were made to create the same conditions in the local Indian context. As described by George Rosen, the most important role in this context was played by the Center for International Studies at the MIT in the US.[20] It was established in 1951 as a place where experts, primarily economists, would engage in intensive research on the development prospects of South Asia, especially India and Pakistan. Although initially funded by the US government, the center soon distanced itself from the state by resorting to private funding from the Ford Foundation. Its stated purpose was to get involved in the Indian planning process with its experts providing advice to the planners. There were three important aspects of this involvement. First, they funded new research institutions in India—the Institute of Economic Growth in Delhi, the Delhi School of Economics and the Gokhale Institute in Pune—and closely interacted with the Indian Statistical Institute in Calcutta, so that these Indian institutions could emerge as sites, integrated into a network of Western institutions, from which experts would speak about development. Second, Indian students and researchers were encouraged to go abroad for training and return as experts with the stamp of a Western institution. And third, the Indian research institutes were persuaded to shun economics that was then taught in Indian universities—an economics that belonged, following the classical

British academic tradition, to the history–politics–sociology nexus—and adopt a new vision of economics grounded in mathematical techniques, statistical calculations, and econometric tests. These three aspects together meant that authorized "experts" would now make statements from recognized institutional sites on development on the basis of inferences drawn from statistical and econometric exercises. The way nationalist thinkers, from Bal Gangadhar Tilak and Dadabhai Naoroji, or even Ramesh Chandra Dutt, to Gandhi and Nehru, had spoken about the Indian economy in the colonial period was no longer accepted as the manner of making meaningful statements; the "idealist visionary" was now entirely replaced by the "development professional", and the Indian economy was conceived as a knowledge object, a diseased body waiting to be cured by doctors equipped with the modern science of medicine and techniques of surgery. In other words, with the creation of the conditions from which flows the power of the discourse, Indian planning from the very beginning found itself subjected to the discursive surveillance of "development".

The reason I want to highlight how the power of the discourse was at work behind planning practices in India, or for that matter in many other newly born nations after decolonization, is that it allows us to have an understanding of the complex relationship between the notion of development and post-colonial capital in the course of its arising. I will now demonstrate that the early Indian plans took up the task of primitive accumulation—a task that the Indian bourgeoisie was then not in a position to accomplish on its own—in the guise of development in a labor surplus economy.

The Early Plans

Although the industrialization debate had already been resolved in favor of large scale, modern industries, Indian planning had to wait for a few years before it could bring large-scale industrialization to the center of the agenda. Although it stated the creation of a modern industrial base as the main objective of planning, the overall approach of the first Five-Year Plan was still dominated by the question of employment, and the important role of the small scale and cottage industries in that context. Out of a total plan outlay of Rs. 2356 crore, a meager 6 per cent was allocated to the large scale industrial sector in comparison with agriculture and rural development

(15 per cent), irrigation (16 per cent) and transport and communications (23 per cent).[21] The draft outline of the first plan is quite explicit in its recognition of mass unemployment as the main problem facing the economy, and the importance of small and cottage industries as the source of employment:

> In the reduction of unemployment and underemployment, cottage and small-scale industries have an important part to play. In a country where labor is plentiful relatively to capital, preference must be given, wherever technical conditions permit, to labor-intensive rather than to capital intensive processes. Cottage and small-scale industries have certain advantages. They do not involve the use of elaborate techniques; if raw materials are locally available, these industries can cater effectively to local markets. ...The individual worker is ... often unable to find the necessary finance to purchase the raw material or to adopt efficient techniques or to market his products on advantageous terms. These handicaps have to be removed through cooperative organization and well-planned state aid.[22]

The draft also makes an important distinction within the sector: between the part of the sector that can serve as an ancillary to large industries and the part whose products compete with the products of large industries. And it is recognized that when competition arises, the large is likely to compete out the small and therefore, those goods should be reserved for the small-scale sector in the form of quotas.[23]

Interestingly, here the planner recognizes that in the conflict between the small and the large, the Indian modern industry would have the same impact as Manchester and Lancashire had on the Indian handicrafts, and advocates measures to shield the small through reservation. This did not quite reflect confidence in the claim that those who would lose their livelihood as a result of the withering away of the small will find employment in the large-scale sector. This ambivalence—the drive for modern industries and reservation for the small on the employment ground—remains in the rhetoric of planning in its early years, although it started becoming clear from the second plan that there was a huge gap between the rhetoric and the actual allocation of outlays. One only had to wait till the third plan to see the planner ultimately identify the large as the "vehicle of progress" and the small as "transient".

The massive drive for industrialization began in second plan, with the allocation of outlay to industry jumping from 7.6 per cent to 18.5 per cent.[24] The plan was based on the well-known Mahalanobis model—inspired to a large extent by the success of the Soviet pattern of industrialization—that argued in favor of allocating the major part of the investible surplus to the capital goods sector. The attempt to strike a balance between the large and the small, however, continued for two reasons. First, it was admitted that the new large industries will not generate sufficient employment and the small must be allowed to continue as employment provider; and second, it was thought to be in a better position to mitigate the anticipated shortage of consumer goods resulting from the proposed pattern of investment, thus serving the twin purposes.

A closer look at the division of the total allocation for industry between large and the small, however, reveals a different picture: only 4 per cent of the total plan outlay went to the small-scale sector while the large-scale sector received 13 per cent.[25] In the third plan, the small's share further dropped to close to 3 per cent while the share of the large went up to more than 23 per cent.[26] Thus, far from reflecting the importance attached to the small in the planning rhetoric, the actual allocations demonstrate that in terms of resource flows, the large grew at the expense of the small.

The Indian planning ultimately resolved this contradiction when in the third plan our planner asserted, and I quote at length:

> The remedy [of unemployment] would be a continuing expansion of the national economy at a high enough rate to create adequate employment opportunities in the urban areas and to provide conditions for a continuing growth of agricultural production .... *Sustained programs over a period of years for the rapid development of agriculture and expansion of modern industries will be the only solution to the problem of unemployment. In the transitional stage*, it is necessary to maintain and indeed to promote labor-intensive methods of production to the fullest extent so long as this does not lead to a smaller aggregate production in the economy.[27] (My emphasis)

The phrases "expansion of modern industries" and "in the transitional period" are important. They suggest that in the ultimate analysis, the solution to the problem of unemployment and underemployment lies in the expansion of the modern industrial sector, and also in an expanding (modernized) agriculture. The entire production economy is thus divided between these two and whatever is there at present in the in-between space is transitory, it will disappear as the modernization process is completed. The planner must try "to maintain and indeed to promote" the activities that reside there, but it is a mere strategy to make the process of transition less painful.

Thus Indian planning finally frees itself from the ambivalence in its rhetoric and describes planned industrialization as the process that will ultimately bring the entire economy within the fold of the modern sector. The continued existence of the non-modern, traditional, labor-intensive sector is only a transient phenomenon, a moment of the trajectory of development, an object of strategic manipulation by the planner to generate employment in the period of transition. It will ultimately wither away, dissolving into the expanding modern sector of the economy. Although the process of reorganizing the economy to actualize this vision was already underway in the earlier plans, it is at this point that the discourse of planning—the representation of the economy adopted and the ensemble of statements made about its "development"—consolidates itself by coming in consonance with the planning practices. The realm of discourse and the realm of practice thus implode to produce a regime of truth in which planning becomes "discursive practice" in the Foucauldian sense.

Depoliticization

In 1987, Sukhomoy Chakraborty—an eminent Indian economist and an internationally acclaimed expert on development planning—in assessing the achievements and failures of planning in India, wrote:

> [I]t is quite inadequate to deal with the ....story [of Indian planning] in terms of the logic of primary accumulation of capital. ....Marx may have been justified in writing the history of the development of productive forces in seventeenth and eighteenth-century England as a story of *Ursprung liche Akkumulation,* misleadingly translated as 'primitive accumulation' ...... the post-independence experience of India has a basic structural difference. ....[Nehru] viewed planning as a way of avoiding the

unnecessary rigors of an industrial transition in so far as it affected the masses resident in India's villages. (Chakraborty 1987: 3)

We already know about Nehru's views on development, that he was convinced that industrialization was possible without going through the pains and sufferings of primitive accumulation. (I keep the issue of the quality of translation aside and continue to use the adjective 'primitive' rather than 'primary'). What I find interesting is that writing in 1987—after having witnessed the outcome of three-and-a-half decades of planning in which he himself had been actively involved for a considerable period of time, and more than fifty years after Nehru articulated his view, Chakraborty still affirms the Nehruvian claim that planning in India is to be seen as a way to achieve industrialization by avoiding the stage of primitive accumulation. He then interprets the Indian experience in the language of development of economics:

> From our vantage point today, the Indian development model of the mid-fifties is probably *better viewed as a variant of the Lewis model.* The variation relates to the two-sector disaggregation introduced by Mahalanobis, as well as to the active role allotted to the state. In the original Lewis model, the principal actors were the capitalists in the 'modern' sector, but in the Indian case a development bureaucracy was also assigned a major role. (*ibid.*: 14, my emphasis)

And he uses this interpretation to distance the Indian case from the Soviet experience in the 1920s. In the Soviet Union, he argues, the program of rapid industrialization required a transfer of surplus from agriculture. Soviet agriculture was still dominated by small and medium private producers, and in that context theorists like Preobrazhensky and Bukharin engaged in a debate over how best to ensure this surplus extraction. The idea of "primitive socialist accumulation", presented by Preobrazhensky, claimed that the maximum possible amount of surplus should be squeezed from the pre-socialist agriculture in order to finance socialist industrialization; and the coercive power of the Soviet state should be fully used to that end. Chakraborty acknowledges that the Mahalanobis strategy of industrialization was inspired by the Soviet experience but at the same time claims:

> But I believe that Indian planners were not principally thinking in terms of extracting surplus from agriculture for financing investment in industry.
>
> In actual fact, the [Indian] planners' strategy boiled down to the traditional thesis, upheld by several contemporary scholars of economic development, that during the early stages of industrialization it was necessary for agriculture to contribute to the building up of a modern industrial sector by providing cheap labor and also cheap food. (*ibid.*: 21)

Thus for Chakraborty, it is not extraction of surplus but supply of labor and wage goods from the traditional sector that created the conditions for the emergence and expansion of the modern industrial sector in India, and it fits in well to the Lewis scenario. Indian planners never sought to engage in primitive accumulation.

Nothing could serve as a better illustration of what I argued in my discourse reading of development economics in the preceding section. That the Lewis story keeps primitive accumulation out of sight and depoliticizes development by describing it as a process of frictionless transfer of surplus labor. Chakraborty here echoes the voice of the development discourse, the discourse that seeks to displace the question of transition from the terrain of politics and power to one of planning and management. And I would further argue that the obliteration of primitive accumulation from the discourse goes unnoticed because of a failure to grasp the nature of this accumulation, a failure that has profound implications. In Chapter 2, I had a brief section where I claimed, and let me iterate, that there is a widespread misperception about the concept of primitive accumulation of capital, a misperception shared by Marxists and non-Marxists alike: it is understood as a process of extraction of economic surplus (i.e., production minus consumption) similar to capitalist accumulation in the form of surplus value. Interpreted thus, *primitive accumulation is the transfer of an excess of production* over consumption from the pre-capitalist sector to the capitalist sector. The transfer, whether it is in the form of taxation or of a flow of savings from one sector to the other, must be reflected in a trade surplus between the two sectors: the pre-capitalist sector will inevitably run a trade surplus vis-à-vis the capitalist sector. The implication is that if the inter-sectoral trade is balanced, there is no extraction of surplus and therefore no primitive accumulation.

The claim that the Lewis story is not a story of primitive accumulation is rooted in this misperception. As I have demonstrated in the preceding chapters, the Marxian concept of primitive accumulation refers to the process of estrangement of labor from the means of labor and the transformation of money into real capital. The means of labor were previously united with labor; the unity dissolves and the same means of labor, used within the capitalist system of production, now confronts labor as capital, an alien power. In other words, it is a process that refers to the transformation of relations between labor and means of labor. The means of labor may flow to the capitalist sector through market exchange and the exchange may be balanced, but that does not mean that there is no primitive accumulation; all it means is that no surplus is being extracted. Put differently, there is no economic surplus in this case; there is only marketable surplus. But the fact that the constituents of this marketable surplus, i.e., the means of labor (wage-goods and raw materials) are extracted from their earlier unity with labor and made to flow into the domain of capitalist production, where they will relate to labor as capital, makes it a case of primitive accumulation of capital.

In the Lewis scenario, wage goods and raw materials flow from the traditional to the modern sector in the form of marketable surplus—it is not a transfer of economic surplus—but since this flow means the destruction of actual and potential non-capitalist production, primitive accumulation is, to be sure, at work. Chakraborty from his vantage point in the late 1980s claims that India's development strategy was significantly different from the Soviet model because Indian planners saw agriculture as a source of cheap labor and food, and not as a source of extractable surplus as the Soviet planner did; but from our early 21st century vantage point we can argue that he fails to see that despite the apparent differences both were instances of primitive accumulation. In the Soviet case the question of power was explicitly posited, the essentially political nature of development was recognized, and the project of economic transformation was placed on a politically contested terrain with the coercive power of the state seen as essential for bringing about economic transformation. In short, far from "depoliticized", development was an unambiguously and vibrantly political project in the Soviet Union. India, from the very beginning, embraced the Western discourse in which development was presented as a sanitized techno-bureaucratic project grounded in rationality, far removed from the messy world of politics. When the industrialization strategy of the early plans is identified with the Lewis model, and by that token posited in opposition to the Soviet model, it reflects how deeply our thinking about development is implicated in the knowledge-power of the discourse.

Once we see planning as discursive practice and go beneath its rhetoric, we find that whatever was done in the early years together constituted the conditions for primitive accumulation. The state's monopoly power of taxation, of printing money, and floating public debt ensured its access to money capital that was invested in modern industries. Means of labor, wage goods, and raw materials, had to be transferred from the agricultural sector and transformed into capital. From the allocation figures already cited, one can see that the first plan, when the emphasis on industry was yet to come, allocated a considerable amount to transport and communication, and it remained more or less the same in the subsequent plans. This paved the way for the movement of food and wage goods from rural to urban areas. As the means of labor took the form of marketable surplus to be channeled to the modern industrial sector, conditions of existence for manufacturing activities outside the modern sector were destroyed. Products of the modern sector filled the vacuum, providing further impetus to the process. And in sectors that enjoyed protection from reservation, the lack of access to the means of labor and credit severely constrained capacity expansion, condemning them to a state of atrophy. In sum, what the post-colonial Indian economy experienced in the first two decades was primitive accumulation under "non-coercive and politically neutral development planning".

But things did not exactly turn out the way Nehru had thought. The modern sector grew at an impressive rate and established itself as a technologically advanced, dynamic sector, but it also found itself surrounded by poverty and surplus labor. The outcome of planned industrialization in independent India turned out to be no different from the colonial experience, except for the fact that modern Indian industries had taken the place of steel and textile mills of Manchester and Lancashire. The story was more or less the same for the entire post-colonial world. Development sought to re-enact the drama of Western capital's arising on the third world stage—arise it did, but in its wake it produced a wasteland of the dispossessed. This wasteland was not so much a residue of the initial condition that development had failed to transform, as it was the result of capitalist development itself.

And the messy world of politics started encroaching upon the neat, orderly, and rational world of development planning. The issue of persistent absolute poverty made its way into the discourse of development and unsettled the centrality of "accumulation" in the representation of the economy. It questioned the conflation of accumulation and development and sought to invest economic entities with new meanings. A shift occurred within the discourse in the early 1970s, calling into play a different set of practices and interventions, and these new practices turned poverty into a direct target of techno-bureaucratic management, an object of governance. The realm of development embraced the realm of governmentality.

Notes

1. Marx's idea of transition is different from Smith's in that Smith was not dealing with transition and change in the dialectical sense.
2. Ricardo focused on the conflictual roles of capitalists and landlords, but he did not consider the possibility of any contradiction within the capitalist system, namely, between capitalists and workers, and its implications for the accumulation process. In contrast, Marx's emphasis was on the second contradiction and how it constitutes the dynamics of the capitalist system and the possibility of its supersession.
3. Although, as claimed by Meier in the above quote, the vision is informed by the classical tradition, it never refers to, or even mentions, the role of primitive accumulation in the context of capitalist transition. So far as its classical lineage goes, it is only Smith and Ricardo and none of them were concerned about question of origin of capital. Ricardo was dealing with full-fledged, self-reproducing capital, albeit with the issue of rent as a pain in its neck, and therefore the question did not arise for him. And Smith, although he was addressing the question of transition, was strangely silent about the source of early capital (Perelman 1983).
4. Marx (1954: 668).
5. *Ibid.*: 698.
6. *Ibid.*: 700.
7. Ashton (1948); Hill (1985).
8. Marx (1954: 688).
9. The shoe-factory problem has been stretched beyond what Rosenstein-Rodan and Nurkse meant it to be. When the shoe-factory problem is presented as a case of coordination failure and the consequent low-level-no-industry trap, we find underdevelopment represented in terms of a toy-economy and the multi-faceted, complex question of development reduced to a mere riddle plaguing this caricature of an economy. The toy-land is inhabited by ahistorical, apolitical, omnipotent "entrepreneurs", fabricated within the development economics itself, whose decision to abstain from setting up factories is the outcome of a "game" defined solely in terms of calculations of atomistic individuals. And thus the need to understand development as an all encompassing, discrete systemic change, from a self-perpetuating stagnant state of the economy to a self-expanding, dynamic one, is sacrificed for the pleasure of playing with a toy-economy which in the ultimate analysis is little more than a barren pursuit of logical rigor.
10. See Bhattacharya (2002).
11. Average product in the traditional sector increases as labor moves to the advance sector. If the wage rate in the advance sector is set equal to the average product, then the labor supply curve becomes upward sloping from the very beginning. Lewis presented his story in flowing prose but later attempts at formalization of his story struggled with this problem. The problem in a way points to the fact that the source of unlimited supply of labor is primitive accumulation an dispossession rather than a reservoir of surplus labor within the family.
12. Hymer and Resnick's analysis, in terms of methodology, belongs to the mainstream development economics, in fact more to the neo-classical paradigm compared to Lewis' work. However, it is curious that it took more than a decade after the publication of Lewis' article for the question of z-goods to be raised. It is even more curious that the article was totally ignored in the subsequent writings on the dual economy; it does not figure in the bibliography of even the most comprehensive recent textbooks on development economics such as Ray (1998).
13. Marx however expressed skepticism about this view later in *Ethnographical Notebooks*.
14. Nehru (1981: 300).
15. Gandhi (1958: 18).
16. *Village Industries*, *ibid.* vol. 59, p. 356.
17. Interview to Francis G. Hickman, *ibid.* vol. 73, p. 29–30.
18. Discussion with Maurice Frydman, *ibid.* vol. 63, p. 241.
19. Nehru (1981: 408).
20. A detailed account of the MIT Center's involvement in the Indian planning process is available in Rosen (1985).
21. See Frankel (2005: 132).
22. *The First Five Year Plan: Draft Outline* p. 19–20.
23. *Ibid.*: 162–164.
24. Frankel, op. cit. p. 132. Table 1.
25. *Ibid.*: 132.
26. *Ibid.*: 188.
27. *The Third Five Year Plan, A Draft Outline*, p. 85.

Chapter 4

De-essentializing Development: Capital and Governmentality

If President Truman's speech in 1949 inaugurated the era of development, it was Robert McNamara's Nairobi speech in 1973 that marked the first shift within its discursive field. It can be seen as a turning point, the beginning of a new era in which the development project underwent displacement and transmutation bringing into operation an entirely new set of techniques and practices. In the two decades that followed, the received notions that had constituted the foundation of the project were subjected to intense critique and the idea of development was invested with new meaning; new goals were set, new strategies designed, and new practices defined. The realm of development increasingly embraced the realm of governmentality. The purpose of this chapter is to trace out and highlight this change and interpret it in terms of the dynamic of the discourse: how the discourse restructured its own space in response to the changing extra-discursive conditions.

The Nairobi speech was an address to the Board of Governors of the World Bank in which McNamara, the then president of the Bank, questioned the effectiveness of the accumulation-centric approach in eliminating poverty and deprivation, and stressed the need for an alternative strategy. He called attention to the fact that although many developing economies had grown in the preceding two decades at impressive rates, the growth process had bypassed a large section of the population of those countries, condemning them to a desperate state of poverty. There was therefore a strong case for redefining the objective of development by incorporating the alleviation of absolute poverty as the goal of developmental interventions. Instead of relying on the trickle-down effect—which evidently had failed—he emphasized the urgent need for designing policies to launch a direct assault on absolute poverty without the mediation of growth, and for redirecting the flow of development assistance for that purpose.

The speech was a turning point in the sense that this new orientation of development with alleviation of direct poverty as a goal distinct from accumulation and growth gained considerable ground within the Bank in the years that followed. The poverty-oriented approach defined two sets of new targets for the development planner. In so far as rural poverty was concerned, it focused on the different aspects of rural development including the productivity of subsistence farming. Alongside, the provision of health care, education and housing for the urban poor, and creation of productive employment for them, were seen as crucial for the alleviation urban poverty. Pursuing these targets meant a significant change in the priorities in the Bank's lending policy. In the preceding decades, its lending had been concentrated in infrastructure building—e.g., power plants, transport, and communications—primarily for modern industries in the urban areas. As these investments enhanced productivity in the modern sector, their economic returns were tangible and measurable, and therefore could serve as the criterion for the economic rationale behind the projects. The Bank cautiously distanced itself from the social sector and was explicitly reluctant to fund health or education programs because their links with productivity and growth, in its own perception, were remote, intangible, and unclear. In the 1970s—referred to as the McNamara years—there were significant changes in the Bank's lending policy with funds flowing to various anti-poverty programs. Robert Ayres, in his detailed study of the activities of the Bank in the McNamara period, highlights these changes by drawing attention to the fact that while in fiscal 1968 Bank lending for agriculture and rural development was only $172.5 million (18.1 percent of its total lending), by fiscal 1981 the amount had increased to $3.8 billion (31 percent of the total figure). What is more important is that the composition of lending within agriculture dramatically changed from irrigation and infrastructure-related investments to poverty-oriented rural development projects, the benefits of which were to accrue to the rural poor. It funded large rural nutrition projects in Brazil and Columbia. The new orientation was also reflected in the increasing concern with urban poverty: between 1972 and 1981, $1.6 billion were allocated to low-cost urban housing and slum rehabilitation. In a sharp contrast to the Bank's earlier approach, a significant amount of resources was also committed to primary education. (Ayres 1983: 5–6)

The recognition of poverty alleviation as a distinct and separate goal thus restructured and extended the space of development and defined new modes of interventions. The World Bank however was not the only institution that conceived the new perspective. In the early 1970s, several other international agencies critically engaged with the dominant discourse and expressed scepticism about the received idea of development. The ILO, with its focus on employment, had already begun to question the ability of the growth-centric model to absorb the entire pool of surplus labor. It argued in favor of treating employment as a separate objective of development and launched its World Employment program (WEP) to undertake extensive research on urban poverty. Several other forums held by the United Nations, the Tinbergen report and the report of the Dag Hammarskjold Foundation—all strongly emphasized the need to redefine the whole purpose of development and proposed an agenda with basic need satisfaction at its centre. Although the World Bank, given its greater access to resources and larger network of operation, acted as an important agent, the change in the perspective was the combined result of all these efforts. They all concurred at that particular juncture to bring about the shift within the field of development, constituting a new moment of the discourse.

This new orientation also altered the idea of the developmental state and its role in the process of economic transformation. The developmental state had been characterized earlier in relation to the program of planned accumulation: the task of the state was the promotion of capital formation by engaging in development planning, that is, by designing, implementing, and monitoring plans for the expansion of the modern industry. In the new perspective, the developmental state was now to address the problem of poverty in terms of direct interventions. Thus the space of development planning was now expanded to incorporate direct planned assault on poverty, bringing to the fore the state's welfarist role. In other words, the 1970s witnessed the process of what Foucault called the "governmentalization" of the developmental state.

Governmentality

What exactly is meant by the governmentalization of the state? I have already touched upon the concept in the preceding chapters, but at this point I must elaborate on it before I use it to describe

the new face of development. Foucault's analysis of power refers exclusively to the advanced modern societies of the West, but I believe that the conceptual tools it offers can also be productively used for an understanding of some important aspects of the power-regimes in the third world. If the theory of discursive formation helps us to understand development as a regime of power, the concept of governmentality allows us to grasp the complexities of how that regime works.

In exploring the nature of subjugation and control in the contemporary Western societies, Foucault offers a diachronic account of power in these societies. The central point he makes is that power in the form of sovereignty has been supplanted in these societies by a new form he calls governmentality: that there has been a governmentalization of the state. Sovereignty in its macro-juridical form is premised on the concept of law and right, and when the sovereign power is exercised on the social body, it works in terms of restriction, prohibition, and denial. Governmentality, on the other hand, refers to the management of the social body in terms of interventions on the part of the state aimed at promoting the welfare of society. The purpose of these interventions is to activate and arouse the subjects, rather than constrict and repress them. While historically the state, Foucault demonstrates, has always performed these functions to a certain extent—he calls them "the pastoral functions of the state"—in the 20th century—the governmental role of the state has become the dominant form of power in Western societies.

The two paradigms of power, sovereignty and governmentality, are fundamentally different in their nature and modalities. While the sovereign power is repressive, governmentality as a form of power is productive. The subject of the sovereign power is the *citizen* with rights who participates in the sovereignty of the state, but in its governmental role the state views the social space as inhabited by a *population*. "Governments [perceive] that they [are] not dealing simply with subjects, or even with a 'people', but with a 'population', with its specific phenomenon and its peculiar variables: birth and death rates, life expectancy, fertility, state of health, frequency of illness, patterns of diets and habitations" (Foucault 1990: 25). This *population* is "constituted" through enumeration, quantification, and classification by censuses and surveys conducted by the government. On the basis of this information, "populations groups" are identified as targets of policies, as objects on which governmentality can be exercised. Thus with the rise of the governmental function of the state as the dominant mode of power, the citizens who were subjects of the sovereign dissolve into the *population* and become objects of governance.

Thus population groups are empirically identifiable entities—as opposed to the theoretically defined citizens—on whom the techniques of governmentality are to be applied. And their application has the precise aim of promoting welfare of the target group. What is important to the state is the efficiency of these techniques, judged by comparing the costs associated with them and the benefits—in terms of well being of the population group—they generate. In the words of Foucault,

> Government is defined as a right manner of disposing things so as to lead .... to an end that is 'convenient' for each of the things that are to be governed. This implies a plurality of specific aims: for instance, government will have to ensure that the greatest possible quantity of wealth is produced, that the people are provided with sufficient means of subsistence, that the population is enabled to multiply, and so on. Thus there is a whole series of specific finalities that become the objective of government as such.[1]

The logic of governmental technologies is thus grounded in a social cost-benefit analysis with the production of maximum benefits for the population at a given cost as its objective, a job to be done by experts and professionals. The criterion for identifying target groups can be economic conditions, ethnicity, caste, religion, age or gender—some characteristics that the members of the group share. The possible sites of governmentality are also varied and many: the family, the work place, the educational institution, the prison and so on. As population groups at which it is targeted, and sites where it is applied, are multiple, governmentality necessarily posits society as heterogeneous, consisting of a multiplicity of objects of welfarist interventions. Partha Chatterjee, in elaborating on Foucault, draws our attention to this heterogeneity of the *social*:

> All of this made governance less a matter of politics and more of administrative policy, a business for experts rather than for political representatives. Moreover, while the political fraternity of citizens had to be constantly affirmed as one and indivisible, there was no one entity to be governed. There was always a multiplicity of population groups that were the objects of governmentality—multiple targets with multiple characteristics, requiring multiple techniques of administration....
>
> [T]he classical idea of popular sovereignty, expressed in the legal–political fact of equal citizenship, produced the homogeneous construct of the nation, *whereas the activities of governmentality required multiple, cross-cutting and shifting classifications of the population as the targets of multiple policies, producing necessarily a heterogeneous construct of the social.* (Chatterjee 2004: 35–36, my emphasis)

In short, a governmentalized state addresses empirically constructed, multiple population groups, with the purpose of promoting their welfare, in terms of rationally designed efficient techniques of administration. Here power operates not from a centered notion of sovereignty that claims its legitimacy by referring to something internal to itself, but as a decentered system of bureaucratic administration whose legitimacy flows from its instrumental role in promoting social good.

Capital and Governance

What then is the relationship between governmentality and capital? Is the promotion of welfare an end in itself? Or does the state govern on behalf of capital? These questions become inescapable if we posit the problematic of power in the context of the political economy of capital and the logic of its reproduction. Foucault himself does not address these questions. In fact, he begins his exploration of power by rejecting the modern theories—the Marxist theory in particular—that have traditionally interpreted sovereignty and the macro-juridical forms of control as reducible to the logic of capital's rule. According to him, these theories are totalizing and reductionist, and therefore fail to capture the complex nature of power in contemporary societies. But after enunciating its decentered, dispersed, and heteromorphous character, he does not relate the new conceptualization of power to the question of the reproduction of capital's conditions of existence. Although scholars have drawn upon Foucault's analysis in many different contexts, none of them has thrown any light on this connection—Michael Hardt and Antonio Negri's *Empire* is probably the only exception. For example, in his otherwise highly imaginative work on third world democracies, Partha Chatterjee—I have already quoted him—explores the implications of governmentality in the realm of post-colonial politics but leaves the question of how his "politics of the governed" relates to the post-colonial capitalist formation unaddressed. The connection between governance and the hegemony of capital thus remains invisible.

One can search for this connection in the context of the advanced capitalist societies of the West, explore how governmental interventions in the sphere of health, education, employment, sexuality and so forth converge to consolidate the rule of capital. But that is not what we want to pursue here. We would rather place the idea of governmentality as a form of power in the context of post-colonial capitalist development and the hegemony process—the narrative we are trying to build in this book—to bring this connection into visibility. We have already seen how development depoliticized primitive accumulation and constituted the hegemony of capital vis-à-vis its outside. But the arising of capital leaves in its wake a surplus population—those who have lost their access to the means of labor but are unable to sell their labor-power as a commodity. They constitute a space outside capital's own realm, the space of poverty, and although capital is economically self-subsistent, its political and ideological conditions of existence depend on how this space is negotiated. The destruction of pre-capital as the necessary condition for capital's arising was legitimized in the name of progress, but now poverty is integral to capital's own existence, an "other" that it cannot escape. Development can now claim the legitimacy of capital's existence only by addressing poverty and deprivation in terms of governmental technologies with the aim of ensuring subsistence to the dispossessed, to the inhabitants of the wasteland that surrounds the world of capital. This requires that a part of the capitalist surplus be transferred from the domain of capital for implementing anti-poverty programs; development now means a reversal of primitive accumulation.

Thus there is dispersion within the discourse with its object undergoing transmutation. By shifting the focus from accumulation to eradication of absolute poverty, the discourse distances itself from the capital's own agenda, and the space of development emerges as

a space distinct from the one in which the story of the modes of production and capital is inscribed. Development is no longer synonymous with the project of an overall capitalist transformation of the economy, a project that President Truman's 1949 speech described as one for which "ancient philosophies have to be scrapped; old social institutions have to disintegrate; bonds of caste, creed and race have to burst".[2] The primary concern of development now is the "improvement" of the conditions of the poor, who is located outside the domain of capital, with governmental technologies. The two spaces, however, are inseparable in the sense that each provides the condition of existence of the other. While resources flowing from the capitalist space allow the developmental state and other agencies to engage in anti-poverty programs, these interventions in turn legitimize the existence of capital by "taking care of its castaways". In order to grasp the post-colonial capitalist formation, it is essential that we recognize the distinction between capital and development and then focus on their mutuality and contradictions. Conflation of the two spaces completely keeps out of sight the complexities of the structure of power and hegemony within which the reproduction of capital takes place in the post-colonial context. Radical development theorists, Marxists in particular, have missed this crucial distinction and reduced development into capital and by implication, the international organizations into vehicles of imperialism. An eminent Indian Marxist political economist interprets the shifts in the World Bank's policies thus:

> In different phases of the Bank's operation in India, its policy package has been sold under different labels. Sometimes it has invoked the concept of 'efficiency' and 'comparative advantage' to support the argument. For a while, under McNamara, it professed concern about poverty .... [Its] profession of social concerns [has] often given rise to the illusion that the World Bank is an agency independent of imperialism......[No] matter what specific argument it has advanced.... and no matter what social concern it has professed, its basic policy prescription in favor of 'liberalization' has never changed.[3]

As the exclusive focus here is on the Bank's role as an "agent of imperialism", shifts in its priorities and strategies appear to be of little import. The fact that the changes in the priorities within the Bank's agenda are linked with capital's changing conditions of existence is thus completely missed. These simplistic interpretations pay no attention to the dynamics of the development discourse and therefore fail to see the complex relation between capital and governance on which the regime of accumulation is based. This reductionism surely has proved to be costly: in the face of the current phenomenon of capitalist globalization, Marxist orthodoxy is now either surrendering to the TINA syndrome or is adopting critical positions that it thinks are radically opposed to the regime of capital without realizing that they are in fact a part of capital's auto-critique. These reactions are rooted in the inability to grasp the complexities of the emerging order.

Need, Entitlement and Capability: Development as Governmentality

The concern about absolute poverty brought the concept of "basic needs" to the center of discussions. The concept referred to material needs such as food, shelter, clothing, health care, and access to safe water and also to non-material needs like education, human rights, and political participation. Throughout the 1970s the basic need approach dominated the discourse and determined the nature of policy interventions. The concept however was not rigorously formulated; it was rather a loosely defined set of ideas. The new approach to development had to wait till the early 1980s to find its theoretical justifications in the work of Amartya Sen and others who followed him in this area of research. In an article in 1983 titled *Development: Which Way Now?*, Sen interpreted development in an entirely new light, providing the crucial elements for the theoretical foundation of poverty oriented strategies. To appreciate the significance of Sen's intervention into the discourse, it is important to keep in mind the background against which it was made. The early 1980s was the time of the rise of the neo-liberal market ideology with Ronald Reagan and Margaret Thatcher in power in the US and Britain. There was an all out attempt to bring every social institution under the sway of the new ideology, including of course the academe. In the specific context of development studies, the existence of development economics as a separate field of study was increasingly being questioned. With the cases of East Asian economies such as South Korea and Taiwan presented as success

stories of market driven development, the argument for development planning was already losing force. What justifications could there be, it was now asked, for having development as a separate branch of economics when all economic phenomena could ultimately be explained in terms of the logic of the market? Development economics was in trouble, and its "reason for being" had to be reasserted.

Critically examining the grounds on which it was being discredited, Sen argued that the failure of development economics was not so much in identifying the factors leading to economic growth, as in the inability to characterize development as distinct from growth. Development refers to improvements in areas such as life expectancy, literacy, and health that determine the quality of life—this is the notion of human development—and the growth of income is only a means to those ends. The limitation of development economics was that its exclusive focus on the question of growth had turned the means into an end in itself, keeping the real ends out of sight. It could claim the legitimacy of its existence as a relevant discipline if it only rid itself of this preoccupation with growth and adopted the broader vision of development based on human development indexes.

But isn't the growth of per capita income necessary for development? Sen, while agreeing that it is, points out that it is quite possible that growth may fail to produce the desired impact on the quality of life. On the other hand, it is possible for a country with a lower per capita income to achieve the same level of development as those enjoying a higher income level. Citing examples of several developing countries, he points out that China and Sri Lanka have achieved in 1980 the same life expectancy as Brazil and Mexico, despite the fact that the GNP per capita in the latter two are seven times higher. The achievement of China and Sri Lanka in this area was the result of direct public policies rather than the growth of income, and this highlighted, according to him, that "[not] merely is it case that economic growth is a means rather than an end, it is also the case that for some important ends it is not a very efficient means either". (1983: 496)

Thus by questioning the reduction of development into growth, and by highlighting the role of direct public action in this context, Sen redefines development and gives it a new lease of life. A new space is opened within the discourse in which development, instead of being defined merely in terms of plans and strategies for accumulation and growth, can now be posited as the project of designing and implementing public policies with the aim of improving the broader indexes of development.

Sen presents two crucial concepts, "entitlement" and "capability"—which he further develops in his subsequent works—that provide the foundation for the new space of development he defines. He defines entitlement as a relation connecting one set of ownership to another through certain rules of legitimacy. It "refers to the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities he or she faces" (1983: 497). In a private ownership market economy, entitlement relations can be of various types such as, among others (*a*) exchange-based entitlements, (*b*) production-based entitlements, and (*c*) own labor entitlements, and (*d*) entitlements based on social security which supplements the exchange-based entitlement. But in all these cases, the relation captures a person's access to commodities that is considered legitimate within the existing legal and social arrangements.

The concept of entitlement provides the clue to why a high level of per capita income of a country may not translate into a high level of development. Economic growth means an increase in the availability of commodities, but such an increase may be associated with an absence of entitlements for some sections of the population and therefore may fail to realize developmental goals for those sections. In other words, poverty and deprivation may very well be the result of entitlement failure rather than non-availability of commodities.

While entitlement refers to the commodity bundle a person can command, capability refers to what that person can do: Can he adequately nourish himself? Live long? Read and write? Avoid preventable morbidity? These capabilities are the features of well-being that constitutes the content of development. Although capability depends on the bundle of commodities, the relationship between the commodity space and the space of capability is a complex one: the same set of capabilities may correspond to different sets commodities. The mapping from commodities to capabilities may differ both across and within countries depending on the differences in race, gender, age and other characteristics. Thus capability as a

concept is broader and more complex than basic needs. The latter defines a set of needs and then identifies a bundle of commodities—food, housing, drinking water, etc.—that satisfy those needs, and thus the focus remains on commodities. In contrast, the former begins by recognizing the many-one correspondence between capabilities and commodities, and therefore is able to address the differences in the commodity requirement of different groups for achieving the same set of capabilities.

These twin ideas, entitlements and capabilities, constitute the analytical foundation of the poverty-oriented approach: development now means the expansion of the set of capabilities and entitlements of target groups. These goals can be better achieved by direct public action—such as ensuring food security through public distribution, public action in the sphere of health and education—rather than the growth of income. And the task of the development practitioners is to design "efficient" policies that will produce well-being of the poor at the minimum cost in terms of resources.

Thus in Sen's analysis, development as the space of governmentality is further crystallized and consolidated; it is a space where target groups are to be identified and addressed in terms of the technologies of governance. The point that needs to be stressed here is that the poor posited by the discourse as the target of policy is an empirical category identifiable in terms of empirically observable characteristics. She/He is one without access to an arbitrarily and exogenously given consumption basket as in the basic needs approach; or, one who does not have the capabilities necessary for functioning in society, as in the capability approach. Thus the developmental target is first set and then the poor is identified and marked as the member of a "population group" in terms of his/her empirically observable deficiencies. This poor as a target of policy is very different from the one who inhabited the space of underdevelopment in the earlier conceptualisation of the dual economy in terms of the traditional–modern division. There the traditional economy was depicted in terms of an inner logic of its own, a logic that constituted its inner essence, and the inhabitants of that economy were described in terms of that essence. But governmentality dispenses with the necessity of theoretically defining the poor; it constitutes him as an empirical category on which the techniques of governance can be applied.

Unsettling the "Economy"

Let us now see the implications of this new vision of development for the hegemony process we have already described in the preceding chapters. The space of development mapped in terms of entitlement, capability, and public action evidently unsettles the "economy" that was produced through articulatory practice in what we have called the first moment of the hegemony process. The discursive closure defining that moment was based on the choice of accumulation and growth as the nodal points. These nodal points organized the economy as a sutured space by fixing the economic categories with provisionally stable meanings. The recognition of the existence of absolute poverty outside the space of accumulation and growth allows other meanings to permeate through the sutures and unsettle the earlier representation. Developmental governance reconstitutes the economic space by positing need, entitlement, and capability as the new set of nodal points, and thus rearticulates the elements by investing them with new meanings. The developmental state was earlier seen as an institution with the sole aim of using its political authority to create conditions most conducive to growth. In other words, the state was reduced to a vehicle of primitive accumulation. The new nodal points discursively reconstitute the state and represent it as an active agent engaged in designing and implementing welfare promoting redistributive policies. The developmental role of the state is now defined in terms of providing entitlements to fulfill needs and expand capabilities of the population groups. The market was a channel through which resources—means of labor, wage-goods and labor power—could flow from the stagnant pre-capitalist sector to the domain of accumulation driven capitalist production. And consumption, i.e., the wage-bill, was instrumental in the production of surplus for accumulation, because it was the basis of the employment of surplus producing labor. In the new representation, the market is an arrangement that allows one set of entitlements to be converted into another through exchange, and consumption is for direct satisfaction of needs and creation of capability, an end in itself. Thus governmentality produces its own representation of the economy, a representation that is very different from the accumulation-centric one.

What is important to recognize however is that while the space of need and capability is predicated on a critique of the growth-centric

view of development, it is not posited in radical opposition to the space defined by growth; need as a nodal point is not pitted against accumulation. The poverty-oriented approach claims that growth has failed to eradicate poverty but it never holds growth responsible for poverty. It clearly abstains from trying to explore whether the process of accumulation itself has anything to do with the existence of poverty. Poverty is an empirically observable phenomenon that coexists with growth, an initial condition that the latter seems to have failed to transform. The failure of growth in this regard only betrays its inability to perform the task that was assigned to it, and one can rightly be skeptical about its efficacy in dealing with the problem of poverty. But the existence of poverty is independent of growth: it is not a phenomenon produced by the growth process but a space that the chariot of growth has bypassed. And although confronting poverty calls for its reconceptualization and redesigning of policies for its alleviation, the newly constituted space of poverty is in no way antithetical to accumulation and growth. On the contrary, they are complementary in that successful and efficient management of poverty can secure the legitimacy of capital in the space of accumulation.

The narrative of primitive accumulation that we have built up in the preceding chapters however offers an entirely different perspective. We have conceptualized dispossession and poverty as an outcome of the arising of capital, of the expropriation and marginalization that are inevitably associated with it. Cast in terms of the concept of entitlement, it is a story of destruction and loss of entitlements caused by capital's arising. The estrangement of petty producers from the means of labor caused the destruction of their property-based and own labor-based entitlements. The other legal and semi-legal entitlements they had enjoyed within the pre-capitalist social arrangement were systematically withdrawn under the new bourgeois property laws. The dispossessed were left with only their labor power—the only commodity that they could sell in the market. But their exclusion from the space of capital led to the failure of that one exchange-based entitlement, condemning them to a wasteland of poverty and deprivation. Poverty thus is an outcome of the process of accumulation and growth itself; they are two sides of the same coin.

Seen from this perspective, the recognition of the existence of poverty clears a ground for a political critique of capital and its arising.

The coexistence of growth and absolute poverty poses political questions whose resolution is essential for addressing the problem of development. We have already demonstrated in Chapter 3 how the discourse depoliticized the accumulation-centric development by presenting it as a matter of techno-bureaucratic planning exercise based on politically neutral, rational calculations. Primitive accumulation was exorcised of its inherent contradictions and depicted as development in a dual economy driven by the impersonal law of the market. The persistence of absolute poverty brings these contradictions to the fore and thus opens up the possibility of politicizing development by interrogating the discourse.

But the discourse once again distances development from the world of politics by ridding the question of poverty of its political dimensions. It posits the realm of poverty as distinct and separate from the realm of accumulation, and claims that improving the conditions of the population groups inhabiting the former realm is only a matter of designing appropriate public policies. The designing of these policies is again a matter of rational and scientific calculations—a task for experts and professionals. Earlier, these development professionals prepared plans and designed policies for accumulation, now they will also formulate strategies for efficient public action for the eradication of poverty. It involves collection of information about the poor through enumeration, classification, and quantification, and then the use of that information to devise programs that will generate welfare for them—satisfy their basic needs and expand their capabilities—at the lowest resource cost. What could be a ground for a political critique of capital is thus turned into a domain of rational calculations. Thus the discourse subverts the possibility of locating poverty in a politically contested terrain by displacing the entire question onto the "politically neutral" terrain of governmentality.

In the beginning, there was some ambivalence within the discourse towards the poverty-oriented approach, as reflected in the debates within the World Bank on the McNamara model. Given the Bank's commitment to the ideology of the market, free-enterprise and non-interference of the state, the shift of emphasis onto the anti-poverty programs was seriously questioned on the ground that it would undermine growth and thereby weaken the long term basis of economic prosperity. Although the McNamara strategy came to be

adopted, there was a strong tendency within the Bank to assert the primacy of growth. As Robert Ayres puts it:

> [The] antipoverty emphasis of McNamara since 1973 posed some serious challenges to the prevalent Bank ideology. The result was a somewhat ambiguous pastiche of concepts and approaches. Thus, while there was heightened emphasis on questions of poverty and income distribution, this did not mean that the prevalent growth concerns could be forgotten. .... The result after 1873, then, was a rather tenuous gluing together of some markedly divergent approaches. Poverty-oriented emphases sometimes seemed to have been pasted on the prevalent ideology, without, however, altering its fundamental slant. (1983: 75)

However, the poverty-related goals were slowly assimilated within the broad program of the Bank and by the end of the 1970s, the "ambiguous pastiche" crystallized into a coherent agenda. Reconciliation was struck between growth and poverty alleviation, and they were posited as the twin goals of development. The *World Development Report* (1980) of the Bank explicitly recognized that growth might cause dispossession and poverty:

> [L]ooking at changes over time within particular countries, the connection between growth and poverty reduction over periods of a decade or two appears inexact. There is a general agreement that growth, in the very long term, eliminates most absolute poverty; but also that some people may (at least temporarily) be impoverished by development—as when a tenant farmer is displaced by his landlord's tractor or a shoemaker by mass-produced shoes. (pp. 35–36)

And it goes on to emphasize the absence of any trade off between growth and the poverty-focused approach:

> [T]he connection between economic growth and poverty reduction goes both ways. Few would dispute that health, education, and well-being of the mass of people in industrialized countries are a cause, as well as a result, of national prosperity. Similarly people who are unskilled and sick make little contribution to a country's economic growth. Development strategies that bypass large

number of people may not be the most effective way for developing countries to raise their long-run growth rates. (p. 36)

Thus the discourse first produced its own critique of "growth essentialism" and then restructured the space of development on the basis of this auto-critique to posit the eradication of absolute poverty and accumulation as its dual objectives, with profound implications for the post-colonial developmental states. We now turn our attention to how this change of perspective was reflected in the trajectory of India's planned economic transformation.

The Changing Perspective of Development and the Indian Planning

Although its thrust lay in the expansion of large-scale modern industries through accumulation, planning in India from the very beginning had an explicit welfarist face. As we have already seen, Nehru was convinced that the pains and rigours inevitably associated with the arising of modern industries could be assuaged and mitigated with appropriate intervention by the state. This claim, that the state could ensure that the entire population shared the benefits of industrialization, constituted the ideological foundation of planning and the ground for its legitimacy. However, as the project of planned industrialization began to materialize, a contradiction emerged between the outcome of planning and the state's welfarist commitments.

After the first two plans were over, there was a growing feeling of unease among some of the architects of the Indian plans about whether planning was producing results consistent with the objectives laid down by the post-colonial developmental state. Were the fruits of industrial growth trickling down to the poor? Were people finding their basic needs satisfied? These questions unsettled the confidence with which the planners and policy makers had until then formulated plans and designed policies. "It was evident", wrote Sukhomoy Chakraborty in reviewing the Indian planning experience, "by the early sixties that something was seriously wrong" (1987: 30). A committee was formed with P. C. Mahalanobis—the chief architect of the Second Five-Year Plan that epitomized the Nehruvian vision of economic progress—as the chair to enquire

into the impact of planning on the level of living. The finding of the committee could not assert that the level had improved. There was ground to believe that planning in India with its emphasis on modern industrialization had bypassed the poor.

The persistence of poverty despite impressive industrial growth had profound political implications. The nationalist movement succeeded in mobilizing the masses to demand an end to the colonial rule. When the newly born independent nation state presented itself as a developmental state and initiated the process of industrialization, it enjoyed popular consent as evident in the unchallenged supremacy of the Congress Party in the post-colonial political scene. But the failure of growth to improve the conditions of the poor was certainly a threat to the support base of the ruling party. The legitimacy of modern India with its impressive heavy industries could be secured only by going directly to the masses with programs that would provide a bridge between them and the developmental state.

The committee under the chairmanship of P. C. Mahalanobis was followed by the setting up of a working group comprising eminent economists to make recommendations on the "minimum level of living". In its report, the committee defined the "poverty line" in terms of a basic minimum of Rs. 20 per month for the rural areas and Rs. 25 for the urban areas, calculated at 1960/61 prices. It also distinguished between public consumption and private consumption: the former included health, education, and housing that were to be financed directly by the state, and latter was to be met by an individual's personal income. The concern about the persistence of poverty thus made its way into the planning exercise during the period of the Third Plan.

It is interesting to note that although the question was raised and deliberated, and some of the relevant technical and empirical work was done, it was not until the early 1970s that the goals of planning were revised in India. It had to wait till the new idea crystallized within the discourse at its international sites and forums. It was only after the idea of direct assault on poverty was authorized by the discourse, and new practices defined that the developmental state could change the nature and modalities of its interventions.

The shift was finally visible in the formulation of the Fifth Plan which explicitly emphasized the need to adopt a strategy of growth with redistribution. The macroeconomic model behind the plan underscored the impossibility of reducing poverty solely through growth. As Chakraborty puts it:

> The main message of the model was quite clear, however, despite all its limitations. It showed that if the growth rate of around 5–6% per annum was about the maximum one could have, *it was impossible to bring about a significant reduction in poverty, howsoever defined, without attacking the problem directly.* ... Further, the market determined commodity vector was far from what was necessary if basic needs were to be met. ... As a result, when the Sixth Plan was formulated in 1980, a number of poverty eradication measures were introduced. (1987: 36)

Thus poverty alleviation as a separate and distinct target of development planning, as distinct from growth, was proposed and accepted during the Fifth Plan. Although they were introduced in a more coordinated and organized manner in the 1980s, several direct anti-poverty programs were launched in the late 1970s, including the Small Farmers Development Agency (SFDA), Marginal farmers and Agricultural Laborers' Development Agency (MFAL), Cash Scheme for Rural Employment (CSRE) and Food for Work Program (FWP). These programs however were not well coordinated or efficiently executed; quite often they had overlapping areas of operation and aimed at the same target group. An integrated approach to poverty was adopted with a more comprehensive and rigorously formulated programs in the Sixth Plan—the major ones being the Integrated Rural Development Program (IRDP), the National Rural Employment Program (NREP) and the Rural Landless Employment Guarantee Scheme (RLEGP). The last two were merged in 1989 to form the *Jawahar Rojgar Yojana* (Jawahar Income Scheme). These programs aimed at improving the condition of small and marginal farmers on the one hand, and creating employment opportunities for the landless agricultural laborers and artisans, on the other. The lack of assets and skill was recognized as the main cause of poverty; therefore the programs focussed on the creation of assets for the poor. These assets included sources of irrigation, implements for farming in the small and marginal farms, animals for dairy and animal husbandry as non-farm activities and tools and training for artisans in cottage industries and handicrafts. The objective was to empower the poor so that they could engage in income generating

productive activities. In the area of health, family welfare, and nutrition programs for vulnerable groups such as pregnant women, nursing mothers and children were launched to provide health services directly to the rural poor. They also included schemes for controlling communicable and common diseases in the rural area through educating and training health specialists and health personnel. In short, massive efforts were made by the Indian state to reach the poor directly through planning without the mediation of growth.

Thus, Indian planning assumed a governmental role in order to ensure that it helped in the rise of the political conditions of existence of the post-colonial capital. For almost two-and-a-half decades after the independence it had been engaged in creating the conditions for primitive accumulation; now it was actively engaged in redistributing a part of the surplus generated in the capitalist sector to the poor through anti-poverty programs. And the space of planning was restructured to accommodate the non-capitalist goal of improving the condition of the victims of primitive accumulation.

Before the poverty-focussed approach was adopted, there was already a shift of emphasis in the Fourth Five Year plan onto the agricultural sector. Policies were designed and implemented to bring about radical changes in agricultural production. The new policies sought to increase agricultural productivity with the help of the new agricultural technology embodied in strategic inputs such as high yielding varieties of seed, fertilizers and pesticides, and modern mechanized implements. Not surprisingly, only the large farmers were in a position to take advantage of these new opportunities, and the Indian agriculture witnessed a "green revolution" in the northwestern provinces of Punjab, Haryana and western Uttar Pradesh. It was undoubtedly an attempt to inaugurate capitalist transformation in the Indian agriculture. Critical observers of the process of economic development in post-colonial India—especially the Marxists—interpreted this change as a reversal in the ideology of Indian planning, a change from its socialist orientation to an endorsement of capitalist development. But seen from the perspective of the arising of the post-colonial industrial capital, the thrust for an increase in agricultural production by providing incentives to the dynamic owners of large farms was perfectly consistent with the planned expansion of modern industries. An expanding industrial sector required an increased supply of food for its labor force, and at the same time had to have an external market in the agricultural sector for its own products. In other words, planned capitalist transformation in certain pockets within the agricultural sector was complementary to the planned development of modern industries. Seen thus, there wasn't much of a reversal in it as the Marxists claimed.

The real change within the realm of planning occurred after the Green Revolution, a change whose profound implications escaped the Indian Marxist. It was the change from the preoccupation with accumulation to the concern about the poor, and with it the emergence of the governmental face of the state. And it is crucial to grasp the importance of this change to arrive at an understanding of the dynamics of post-colonial Indian capitalism.

The goal of reaching the poor through direct public action remained an integral part of Indian planning throughout the 1980s, until the wind of globalization started blowing. In order to negotiate the rapidly changing global economic order, the Indian economy reorganized itself and governmentality took a new and more complex form, which I deal with in the following chapter.

Notes

1. Faubion (2001: 211).
2. *Measures of Economic Development of Underdeveloped Countries*, Department of Social and Economic Affairs, United Nations, 1951.
3. Patnaik (1995).