Reflections on Kalyan Sanyal’s Rethinking Capitalist Development

PRANAB BARDHAN

This article is based on a lecture delivered by the author to celebrate Kalyan Sanyal’s memory. It draws upon an email exchange between them on Sanyal’s book Rethinking Capitalist Development. It also dwells on the important issues that Sanyal raised with particular reference to India.

I had known Kalyan Sanyal for some years and grown very fond of him, and his untimely demise was a great shock to me. At different points of time (he was much junior to me) he and I had both started our early career in economics in the area of international trade theory, but later we dabbled in other issues in economics.

His book Rethinking Capitalist Development is quite a landmark in the relevant literature. A couple of years before his passing away, he and I had some long email exchanges on the theme of the book, spelling out where we agree and where we disagree. In this lecture to celebrate his memory I can try to pay my homage in the only academic way I know, by drawing upon that exchange and provide my own (obviously partisan) respectful but critical thoughts on the subject. In a way it is an attempt on my part to continue that conversation with him that was cut short, on the important issues he raised, but with particular reference to India.

Sanyal questions the narrative of transition that is prominent in much of development discourse, both Marxist and non-Marxist. I am going to take up three distinctive features of his framework.

(i) Dispossession without proletarianisation: Capitalist development through the standard process of “primitive accumulation” dispossesses the peasants and other petty producers of their means of production, but they are unlikely to be reabsorbed in the new growth sectors of the economy. Instead they are marginalised and “permanently excluded” and trapped outside the circuit of capital.

If one thinks of Marx’s three kinds of reserve army of the unemployed (“floating,” “latent” and “stagnant”), the stagnant reserve is the closest to the permanently excluded.

(ii) The persistent ‘need’ economy: These excluded people crowd the informal self-employed sector but survive at the margin of subsistence through political negotiation and struggle in electoral democracies like India. Capitalist development as such cannot dissolve this pool of “surplus labour.”

(iii) Legitimisation of accumulation: A part of the capitalist surplus is transferred to those excluded, banished people to legitimise the accumulation function of capitalism, thus helping to preserve the hegemony of capital. A large part of the poverty discourse in development economics arose from and is implicit in this legitimisation.

I think the questions Sanyal has raised about how and why transition gets derailed or aborted, and why labour absorption is increasingly a difficult feature of capitalist development and how the polity responds to this are all very important questions. His book has thus been an influential one in the postcolonial left literature on development transition or lack of it.

My approach to these questions is somewhat different from Sanyal’s, and in the rest of this article I shall elaborate on this, mainly with reference to some empirical evidence.

Is dispossession without proletarianisation a necessary feature of capitalist development in developing countries in recent years? The evidence does not always bear this out.

In the last half century, some of the dramatically successful cases of capitalist development, like those in South Korea, Taiwan and China, have involved a massive labour-intensive industrialisation at least in the early decades.

There is a lot of evidence on this, but let me just quote from one of the leading labour economists of China, Fang Cai (of the Chinese Academy of Social Sciences). At the end of a detailed empirical analysis, using both official and micro survey data, he and Wang conclude:

As a result of economic reform, opening up and economic growth… urban employment has rapidly grown and thus the rural surplus labour force has been gradually absorbed.
The Chinese economy is facing its era of labour shortage, which implies, ... the approaching Lewisian turning point. (Cai and Wang 2010)

In the first three decades of post-Mao China labour-intensive industrialisation proceeded at a fast pace, first under the formal auspices of official-run commercial enterprises led by entrepreneurs who used to be called “red-hat capitalists”—the red hat referring to their party cloaks—and later in more openly privatised enterprises or joint ventures. This sucked from the countryside huge numbers of surplus agricultural workers; in the cities alone the migrant population numbers sometimes exceeded 150 million (not counting the discouraged drop-outs from the labour force, mostly women).

Why is Indian labour-absorption unusually low? This is an under-researched issue.

In general the overwhelming majority of enterprises in India are too small to reap the economies of scale that help labour absorption. Even in highly labour-intensive activities like the garment industry, the average firm size (and the resultant total labour absorption) is larger in China and Bangladesh than in India. Many commentators have pointed to the “missing middle” in the Indian firm structure, where the 50 to 200 employees size group is rather thin.

The financial press and some economists (like Dani Rodrik) seem to think so. Indian success has been in relatively capital-intensive and skill-intensive sectors—business and information technology (IT) services, pharmaceuticals, some vehicles and car parts, etc. Their job-creating potential particularly for unskilled labour has been low. The backlog of unemployed and under-employed people in India is estimated to exceed 50 million people (not counting the discouraged drop-outs from the labour force, mostly women).

Is India then a special case where the theory of dispossession without proletarianisation and that of banishment of the dispossessed into the “need” economy apply? I have some doubts even here.

As Sanyal was well aware, a significant part of our informal sector is linked with the formal sector in outsourcing, subcontracting or supplier relationships (the mobile telephone has made such relations quite thriving in some industries)—this is apart from cases where the informal enterprise is just a horizontal subdivision of a formal sector firm in order to avoid various regulations and taxes. This part of the informal sector is to be distinguished from the other part that contains Sanyal’s unabsorbed pool of surplus labour outside the circuit of capital—which is the focus of his analysis.

Unfortunately, to this day the scanty data that we have on the informal sector do not allow us to clearly separate the two parts. But there is some suggestive and indirect evidence at the state level relevant to the question.

For this I am going to confine myself largely to the informal sector data for eight major states. Most people will not disagree if one says that among major Indian states, those like Maharashtra, Gujarat, Haryana, Delhi, and Tamil Nadu (set A) have seen more capitalist development than some economically backward states in east India, like Bihar, West Bengal and Odisha (set B). In general infrastructure index is usually much higher in the former set of states than in the latter; so is the legal infrastructure, as the proportion of pending cases in courts is also in general lower in the former set of states (Mundie et al. 2016). There is an interesting pattern of change in informal employment in these two sets of states.

From Table 1 (p 21) it seems with more capitalist development there was much larger expansion of informal employment in manufacturing. At the same time these are unlikely to be the addition to the pool of “surplus labour.” Table 2A (p 21) suggests that in areas of higher capitalist development the labour productivity even in the informal sector kept on rising substantially. In none of the...
eight states or for the Indian average labour productivity declined. This suggests capitalist development has been associated with a larger part of the informal sector “pulled up,” rather than stagnating in “permanent exclusion.” The significant size of owned fixed assets per enterprise, shown in Table 2b, also suggests many of the informal enterprises are not quite outside the circuit of capital.

Earlier NSSO data have shown that 2004–05 that self-employed rural non-farm workers are spread evenly through the rural income distribution, featuring at least as much in the richest quintile of rural households as in the bottom quintiles.

### Primitive Accumulation and Dispossession

Let us now move to the issue of “dispossession” by primitive accumulation. It is doubtful how important such dispossession was in the process of marginalising the peasants in the aggregate picture. Dispossession refers to the separation of the small producers from their means of production. In rural India land is the main means of production.

I have no doubt that in the last 70 years a large amount of land dispossession primarily for infrastructure and dam building, mining and logging has taken place and it is mainly the Adivasis who bore the brunt. This is part of a much larger tragedy in their lives. But if you take Indian peasants as a whole, disposessed Adivasis after all is a relatively small percentage. What about the general population of Indian peasantry?

For pointing to the dispossession of the Indian peasantry as a whole in the process of “primitive accumulation” one set of statistics is often cited: over time the Indian farmer’s land cultivated has been declining, and more than half of the Indian farmer’s land cultivated has been declining, and more than half of rural households today are landless or near-landless (in densely populated states like West Bengal the proportion is much higher). The Gini coefficient of inequality of land distribution is also increasing.

This, however, is a seriously misleading indicator of dispossession brought about by capitalist development. Most of it is due to our demographic forces and inheritance practices, not capitalism as such.

Let me cite some data from a detailed study of land history over 1967–2004 we carried out for a sample of 2,400 households in West Bengal (Bardhan et al 2014).

In this period average agricultural landholding size in our sample became less than half. A decomposition analysis of this decline shows that 85% of the decline was accounted for by household division (mainly due to inheritance and other family reasons even in relatively small farmer families) and 11% due to land market transactions. The rest, 4%, includes all other forms of land transfers.

More often than not when as a result of household division the family land size fell below about half acre—the minimum threshold size in our sample for viable cultivation under prevailing technological conditions—they sold off the land in the market. If primitive accumulation led to eviction or land alienation through extra-economic coercion, it would fall in that residual 4%. Actually much of the 4% was due to gifts, etc. Land-selling due to primitive accumulation, if any, would be part of the 11% on account of market transactions. The effect of land reform on land size was even more negligible.

A qualifying issue, but unlikely to be a major one, could be a selection problem in our sample. If a farm household was forcibly evicted, and left the village and whoever got the land also was not in the village, then our sample will not capture any part of this process.

Such land history data should be collected at the micro-level for other parts of India. My empirical hunch is that for most parts of agricultural (as opposed to forested) India, the major reason for increasing landlessness is demographic, not primitive accumulation.

### Role of Welfarism

Let us now turn to what Sanyal has called “welfarist governmentality” as a way of supporting and preserving the need economy. He does not discuss the issue of welfare programmes in some cases (say in South India, where these programmes are substantial) possibly raising the reservation wage of the worker sufficiently high to affect the problem of labour absorption itself.

He emphasises the role of welfarism as part of a legitimisation process, and the complicity of poverty studies in the development economics discipline in this. He refers to the role of international organisations (like the World Bank) changing the direction of development discourse from the 1970s.

Actually for more than a century social democrats all over the world have suggested various welfare measures to soften the harsh impact of capitalist development.
The question of whether it amounts to legitimising capitalism cannot be discussed without discussing the counterfactual, without analysing the larger issue of how viable at any large enough scale the experience of non-capitalist forms of production has been in substantially and sustainably raising workers’ standard of living for a long enough period in recent history anywhere in the world. If today non-capitalist alternatives remain largely utopian or worse, I believe trying to reduce the harshness of capitalism is something more than a mere legitimising exercise. Let me also point out here that the history of poverty discourse in India is somewhat different from many other countries. The objective of ensuring a minimum level of living for all—independent of the system of production, capitalist or socialist—was explicitly adopted by the National Planning Committee of 1938 (appointed by Congress Party President, Subhas Chandra Bose, and chaired by Jawaharlal Nehru) and the Planning Commission (in a detailed paper released in 1962, prepared by Pitambar Pant). This is much prior to and quite different from many other countries.

Let me end with reiterating my appreciation for the importance of the questions raised by Kalyan Sanyal in the process of development transition and the need for doing more intensive empirical work to clarify and examine the many issues involved. That will be an appropriate way to show our respect for the value of his contribution.

Finally, while if India has missed the bus of labour-intensive industrialisation or not remains an open question, the problem of labour absorption with capitalist development that Sanyal pointed our attention to is an increasingly general problem all the world over. Withlabour-replacing technology, automation, and robots looming large, it is now more an imminent problem in rich countries than in the poor.

Universal basic income (UBI) is being increasingly suggested as one of the ways out of the social impasse that this is likely to generate. India, however, may have some special case for UBI as part of citizens’ basic right to minimum economic security (Bardhan 2017).

Apart from minimum economic security in a country where the size of “vulnerable” people is substantial, the case for UBI rests on three other India-specific features:
(i) Identifying the poor for targeting programmes has turned out to be complex, corrupt and controversial.
(ii) Nearly three-fourths of adult Indian women are outside the labour force; UBI can be a major factor in improving their autonomy and voice within the family.
(iii) For many occupations stigmatised by Indian society—like scavengers, waste carriers, animal skinners, sex workers—UBI can be a ladder to climb out of indignity.

We have become what we are at present because of your support and goodwill. Week after week, EPW publishes at least 80,000 words by a wide range of writers: veteran and young scholars, senior journalists and public commentators, political and social activists; elected representatives of the people, policy practitioners, and concerned citizens.

In order to meet new editorial challenges, confront technological changes, provide adequate remuneration to our employees and contributors, enhance our reputation and grow in stature we shall be happy to provide you with details.

This is an appeal to the subscribers, contributors, advertisers and well-wishers of Economic and Political Weekly (EPW), published by Sameeksha Trust, a public charitable trust registered with the office of the Charity Commissioner, Mumbai, India. EPW has completed 50 years of publications. We have become what we are at present because of your support and goodwill. Week after week, EPW publishes at least 80,000 words by a wide range of writers: veteran and young scholars, senior journalists and public commentators, political and social activists; elected representatives of the people, policy practitioners, and concerned citizens.

Do donate to the corpus of the Sameeksha Trust. The Sameeksha Trust, which owns EPW and the EPW Research Foundation, is a public charitable trust registered under the Bombay Public Trusts Act, 1950. Donations to Sameeksha Trust enjoy tax exemption under Section 80G of the Income Tax Act, 1961. We welcome donations to the corpus not less than Rs 1,000 per individual. Donations in foreign currency and donations from political parties are not accepted. We welcome donations from non-resident Indians (NRIs) and persons of Indian origin (PIOs), but only in Indian currency and through regular banking channels. All donors must provide details of their Permanent Account Number (PAN) and a covering letter, stating that this donation is to the corpus of the Sameeksha Trust. Please note that a covering letter and photocopy of the PAN card is mandatory.

If you need more information on how to support us, please email us at edit@epw.in and we shall be happy to provide you with details.

— From the Trustees of Sameeksha Trust and the Editor of EPW

NOTES
1 After decollectivisation, Chinese peasants got individual inheritable land cultivation rights (often under long-term lease from the local government).
2 This paper was first published in T N Srinivasan and P Bardhan (eds), Poverty and Income Distribution in India, Statistical Publishing Society, 1974; it has now been republished in A Banerjee, P Bardhan, R Somanathan, and T N Srinivasan (eds), Poverty and Income Distribution in India, Juggernaut, 2017.