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DEPARTMENT OF ECONOMICS

Working Paper

Capital, Non-Capital and Transformative Politics in Contemporary India

Deepankar Basu

Working Paper 2019-01



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Capital, Non-Capital and Transformative Politics in Contemporary India

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Abstract

Kalyan Sanayal's work on postcolonial capitalism has been influential in many strands of critical social theory. In this brief note, I investigate three key components of his argument and find them wanting. In particular, I show that the evolution of land ownership in India does not support the claim that the primitive accumulation of capital is one of the important processes in operation in contemporary India. On the contrary, the evidence suggests that the process of primitive accumulation has been arrested or significantly slowed down. In addition to the critical comments on Sanayal (2007), I indicate towards an alternative framework that is better able to explain the key features of contemporary India.

JEL Codes: B24; O290

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1 Introduction

In his 2007 book, *Rethinking Capitalist Development: Primitive Accumulation, Governmentality and Post-Colonial Capitalism*, Kalyan Sanayal offers an innovative analysis of contemporary capitalism in the global South. The economy of post-colonial capitalist social formations, Sanayal argues, is composed of two domains, a domain of capitalist production (which he calls *capital*) and a domain of non-capitalist production (which he calls *non-capital*). It is a key contention of

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Sanyal that the two domains are governed by very different logics: while the former is governed by the logic of accumulation, the latter is defined by the logic of need.

Capital and non-capital are linked together in a relationship marked by both conflict and dependence. The development and consolidation of capitalist production (what Sanyal refers to as the 'arising' of capital) involves the primitive accumulation of capital. A sizable section of the population dispossessed by primitive accumulation is not absorbed in the domain of capitalist production. Divorced from the means of labour and yet unable to participate in capitalist production, this dispossessed population is forced to ensure their survival by engaging in petty production in the 'informal sector', a domain of non-capitalist production.

Continued legitimation of the rule of capital in the context of a bourgeois democratic political set-up requires that this displaced and dispossessed population be attended to; they can neither be annihilated, nor ignored. The post-colonial State steps in with a panoply of welfarist policies. The key function of these welfare measures is to reverse the *effects* of primitive accumulation by ensuring the flow of resources from the capitalist to the non-capitalist sector.¹ This flow of resources supports the livelihood activities of the population in the informal sector and ensures the reproduction of non-capital through time.

Sanyal wants to emphasize that his narrative has broken free from all historicist logic that had infected previous Marxist theorizing of the Third World. Thus, there is no possibility, even at the level of theory, of understanding post-colonial capitalism in terms of any process of transition. Neither is there a transition underway from pre-capitalist to capitalist forms of

¹ Sanyal (2007) argued that intervention of the State reverses primitive accumulation. In the foreword to the book, Partha Chatterjee argued that it is the *effects* of primitive accumulation that are reversed by welfare measures and not primitive accumulation itself. Chatterjee also indicated that when he had discussed this point with Sanyal, the latter had agreed with him.

organization, which might have been arrested for contingent historical factors; nor is there any hope of envisioning the future as a transition from capitalist to socialist forms of organization. What Sanyal offers, instead, is a picture of post-colonial capitalism endlessly reproducing the unity of capital and non-capital, the former undermining but also creating the latter.

In this brief note, I would like to critically engage with Sanyal's argument, point to some of its limitations and indicate towards an alternative framework. I would like to start by acknowledging that there is an undoubted ring of plausibility to Sanyal's argument. This is because it purports to explain the key feature of post-capitalism, viz., surplus labour. While Sanyal's argument has been endorsed and used by Chatterjee (2008), there are at least three serious problems that I would like to highlight.

First, it is not clear how important welfare programmes of the State are for the survival of households in the non-capitalist sector. The non-capitalist sector, i.e., the informal sector, has been in existence for a much longer time period than any serious welfare programmes of the State. For instance, existence of the informal sector during the colonial period, if not earlier, has been noted by many historians (Chandavarkar, 1994). The fact that the informal sector survived when welfare programmes of the State were small or non-existent suggests that, while welfare programmes certainly improve the conditions of the working poor, the informal sector can and does manage to survive in the absence of welfare.

Moreover, it is not at all obvious that there has been a *net transfer of resources* from the capitalist to the non-capitalist sector in India. One would need to back up this claim with some evidence, which Sanyal (2007) does not. What makes this argument suspect, nonetheless, is that the subsidies given by the State to big capital (in the form of tax breaks, concessional credit, land

and power at below market prices, and other hidden subsidies) has been much larger than the subsidies that might benefit the working poor like those that support the public distribution system, the national rural employment guarantee scheme, the fuel, electricity and fertilizer subsidy (Sainath, 2013). While the difference between the subsidies to big capital and the working poor might have been limited in the initial years of independence, it must have certainly widened after the adoption of neo-liberal policies in the mid-1980s (Basu and Das, 2009). The fact that total tax collection in India has been, and remains, highly skewed towards indirect taxes, means that the vast population residing in the non-capitalist sector continue to pay a large share of the total taxes of the Central and State governments. Juxtaposing these two facts suggests caution in claiming that there is a net flow of resources from the capitalist to the non-capitalist sector, mediated by welfare schemes of the State. Thus, Sanyal's claim that State's intervention is the crucial factor that ensures the reproduction of non-capital in post-colonial capitalism is at best a weak argument – both theoretically and empirically.

Second, Sanyal throws very little light on a crucial part of his argument: why is the capitalist sector unable to absorb the surplus population even in principle? While it is undoubtedly true that most countries in the global South today suffer from a declining capacity of its capitalist sectors to generate adequate employment, there are and have been notable exceptions in the past. Not only the early industrializers in Europe, and the New World, but also Japan, and late industrializers like Turkey, South Korea, Taiwan, and to a large extent China, have managed to absorb significant sections of their surplus agricultural population into the capitalist sector. While emigration might have played some role in the case of the European economies, rapid industrialization must have contributed too. Moreover, the latter factor must have been the more important one in the case of Japan and the late industrializers, and other

countries that – like the socialist countries – did not have the option of large scale emigration of its population. Thus, instead of assuming that the capitalist sector would be unable to absorb the surplus labour coming from agriculture, as Sanyal (2007) does, it would be theoretically more productive to understand the concrete reasons that inhibit the capitalist sector's ability to absorb labour in countries like India. Sanyal offers no insight in this regard, and that remains a key shortcoming of his analysis.

The third, and probably the most problematic, aspect of his argument that I would like to investigate is the claim that the primitive accumulation of capital is a key feature of post-colonial capitalism. Let us look at this in detail.

2 Primitive Accumulation of Capital

A system of social production organized along capitalist lines can be represented by the circuit of capital: $M-C-C'-M'$. The circuit starts with a capitalist firm entering the market with a sum of money, M , and buying a set of commodities, C . This set consist of two very different commodities: on the one hand, means of production (raw materials, machines, power, etc.); and on the other, labour-power (the capacity to work). Once this transaction is completed, the capitalist leaves the sphere of circulation and moves into the sphere of production. Here the two commodities are combined, i.e. labour-power is put to work on the means of production to create the output, C' . Once the new set of commodities has been created, the capitalist returns to the sphere of circulation and sells them for a sum of money, M' . In normal times, the sum of money at the end of the circuit, M' , is larger than what the capitalist started out with, M . The difference between M' and M is the surplus value appropriated by the capitalist and represents the unpaid labour time of the workers.

Using the circuit of capital to represent the basic structure of capitalist production enables us to inquire into the three conditions that need to be met to ensure its continued operation. First, there must be an accumulation of money in the hands of the class of capitalists (the beginning point of the circuit with M); second, means of production and labour-power must be available for purchase on the market as commodities (this is needed for the second step of the circuit, M-C); and finally, there must be a market – the ‘home market’ – for the output of capitalist firms (this will ensure the completion of the last step of the circuit, C’-M’). The set of historical processes that created these three conditions is referred to as the primitive accumulation of capital (Marx, 1990, pp. 873-940).

Marx’s description of primitive accumulation in Britain emphasizes that the first condition was fulfilled by the accumulation of money as usurious and merchant capital through commercial wars, monopoly trade, the slave trade and open loot and plunder in the colonies (Marx, 1990, pp. 914-926), that the second condition was met through the brutal expropriation of the agricultural population through the Enclosure Movement (Marx, 1990, pp. 877-904), and that the third was satisfied through the destruction of handicraft production in Europe (Marx, 1990, pp. 908-913).²

² With the benefit of hindsight we can say that Marx was too optimistic about the almost automatic growth of the ‘home market’ for the products of capitalist industry. While destruction of handicrafts creates the possibility of the development of the home market, it is certainly not necessary. The growth of the home market requires the growth of the incomes of the population that can potentially purchase the products of capitalist industry. If the population dispossessed by primitive accumulation does not find adequate alternative employment, their incomes will not grow to the extent necessary to purchase the products of capitalist industry. In fact, the importance of captive markets in the colonies, especially in India, in providing a stable and growing source of demand for the products of the emerging British capitalist industry cannot be exaggerated (Davis, 2002). Socialist and radical nationalist movements in the post-War period recognized this point and emphasized that, since it was neither possible nor desirable to rely on captive colonial markets as a source of demand, an alternative strategy of economic development needs to be based on the extension of the home market through radical land reforms and the concomitant growth of incomes of the majority of the agricultural population.

While Marx noted that all the three conditions together comprise the primitive accumulation of capital, he also emphasized that the ‘expropriation of the agricultural producer, of the peasant from the soil, is the basis of the whole process’. The expropriation of the agricultural producer means the forcible separation of the peasant from agricultural land, the replacement of numerous owners of small holdings with a few large landowners. If this were to occur on a large scale, as is implicitly assumed by Sanyal (2007), it would lead to a massive concentration in the ownership of agricultural land, reflected in growth of average area owned, and share of total land owned, by (the non-expropriated) households.³ Do we have evidence of such a process happening in post-colonial India?

The facts about the evolution of land ownership in India, summarized in Table 1, point in exactly the opposite direction. Between 1961 and 2013, the average area owned per household has *declined* continuously, falling from 1.78 hectares in 1961 to 0.59 hectares in 2013, a decline of 66 percent. The share of land owned by large landowners, i.e. those owning more than 25 acres of land, *declined* from 28.25 per cent to 5.81 per cent of total agricultural land. At the other end of the distribution, the share of land owned by marginal and small landowners, i.e. those owning less than 5 acres of land, *increased* from 20 per cent to 43.40 per cent of total agricultural land. Thus, evolution of the patterns of landownership runs counter to the claim that primitive accumulation of capital, the basis of which is the expropriation of the agricultural producer, has been an important process in post-colonial India.⁴ In fact the evidence suggests

³ In Britain, the expropriation of the agricultural population happened over a period of several centuries. From the 14th to the 17th centuries, arable land was converted to pasture for grazing sheep; during the 18th century, the fenland commons were drained; during the mid-18th to the mid-19th century, the Parliamentary Enclosures converted common land to enclosed, private land. During the colonial and post-colonial period in India, various processes that have led to loss of access to common lands by the peasantry have been in operation (Davis, 2002).

⁴ The reduction in the total area from over 128 million hectares to just over 92 million hectares has, probably, largely been driven by urbanization. The large decline (of about 15 million hectares) witnessed between 2003 and

exactly the opposite: primitive accumulation, or any other related process, has not been able to separate peasants from their land on a large scale. Hence, while there is evidence for limited land concentration in some states like Punjab and Haryana, it seems that primitive accumulation of capital is not a useful concept for understanding the political economy of contemporary India at the aggregate level.⁵

Table 1: Patterns of Land Ownership in Rural India

	Share of Households (%)						
	Marginal	Small	Semi-Medium	Medium	Large		
1961	66.06	9.16	12.86	9.07	2.85		
1971	62.62	15.49	11.94	7.83	2.12		
1982	66.64	14.70	10.78	6.45	1.42		
1992	71.88	13.42	9.28	4.54	0.88		
2003	79.60	10.80	6.00	3.00	0.60		
2013	82.83	10.00	5.01	1.93	0.24		

	Share of Area Owned (%)					Total area owned (000 ha)	Average area owned per household (ha)
	Marginal	Small	Semi-Medium	Medium	Large		
1961	7.59	12.39	20.54	31.23	28.25	128734	1.78
1971	9.76	14.68	21.92	30.73	22.91	119636	1.53
1982	12.22	16.49	23.58	29.83	18.07	119736	1.28
1992	16.93	18.59	24.58	26.07	13.83	117354	1.01
2003	23.05	20.38	21.98	23.08	11.55	107228	0.73
2013	29.76	23.54	22.07	18.83	5.81	92369	0.59

Sources: (1) Basole and Basu, 2011a; (2) NSSO, 2014; (3) NSSO, 2004. Marginal: less than 1 ha; Small: between 1 and 2 ha; Semi-Medium: between 2 and 4 ha; Medium: between 4 and 10 ha; Large: over 10 ha.

2013 is probably partly accounted for by the taking over of agricultural land by industry. To the extent that this was accomplished with the use of force, it would be part of primitive accumulation of capital.

⁵ Sanyal (2007) does not distinguish between impoverishment caused by primitive accumulation and that caused by the general accumulation of capital, a process described by Marx in great detail in chapter 25 of Volume I of *Capital* (Marx, 1990). The key difference between the two is that, while the latter is caused by the operation of economic processes, the former is caused by the use of extra-economic coercion. The fact that impoverishment has occurred in countries like India does not imply that it was caused by primitive accumulation. It is possible that the impoverishment was caused by the operation of economic forces like centralization of capital (in the domain of non-agricultural production) and declining productivity (in the domain of agricultural production).

3 An Alternative Framework

In this section, I present a brief outline of an alternative perspective, which, to my mind, is a more fruitful way of approaching the political economy of contemporary India.⁶ This alternative framework starts, just like Sanyal's, from the recognition that the contemporary Indian economy is composed of two sectors: a capitalist sector and a non-capitalist sector (which we will call the informal sector). While we agree with Sanyal that the capitalist sector is governed by the logic of capital accumulation, we have a different understanding of the dynamics of the informal sector (what Sanyal calls non-capital).

To grasp its dynamics, we think it is useful to distinguish between two components of the informal sector: (a) agriculture, which is dominated by small scale production, and (b) the non-agricultural informal sector, which is dominated by small manufacturing or service-sector firms that mostly use own or family labour. This distinction within the informal sector is useful because it allows us to understand reasons for its reproduction over time without having to rely on primitive accumulation of capital or doles from the State.

3.1 The Paradox

We start in the agriculture sector and try to understand the reasons behind the persistence of small scale agricultural production and the concomitant lack of land concentration. Let us recall that by the process of concentration is meant the transfer of land from smaller to larger landholders. A smallholding owner of land can give up his/her ownership to the larger landholder in at least two different ways, through forcible dispossession (primitive accumulation) or through sale. In India, both historically and today, the first form of land transfer – so important, for instance, in the development of capitalist agriculture in England – has not been

⁶ This section draws on on-going work that I have been doing with Amit Basole, and on Basole and Basu (2011b).

observed on any substantial scale. The recent attempts by the State to forcibly drive off peasants from their land have been fiercely resisted all across India. Singur, Nandigram and the POSCO villages are well-known examples. Similarly, the armed Maoist insurgency in East-Central India has been fighting attempts by the State to forcibly clear tribal villages for mining companies (Basu and Das, 2013).

While forcible eviction of the peasantry, at least on a large scale, has been absent, sale of land by smallholders has not been observed on a large scale in the post-1947 period either. Rural land markets seem to be notoriously thin. The refusal of smallholders to part with their land works against the movement towards land concentration. This refusal, on the face of it, presents a paradox because it is clear that incomes generated in small-scale farms are insufficient to meet subsistence needs of the peasant family. Income data presented in Basole and Basu (2011a) show that agricultural families, other than those with large landholdings (i.e. ownership holdings of 10 acres or more), cannot generate sufficient income from agricultural production to cover their consumption expenditures. In the domain of production, cost of inputs has increased at a faster pace than output prices, driven by at least two related factors. First, input subsidies provided by the State (relating to electricity, water, fertilizers, and seeds) have been gradually withdrawn since the early 1990s. This has increased the private cost of cultivation. Second, declining public investment in agriculture has reduced productivity growth. This has led to reduction in output growth. The two factors have combined to reduce the growth of agricultural incomes, and make most small scale agricultural plots economically unviable.

3.2 Informal Employment

What could explain this seeming paradox of farmers holding on to unviable plots of land? In part, the answer must surely be that giving up ownership of the small plot of land would mean a

further worsening of the material conditions of their existence compared to their current situation. To see why this might be so let us recall that to cover the deficit of agricultural incomes from small-scale farms over subsistence needs, some (or all) family members need to look for extra sources of income. But wage employment in agriculture has been stagnant due to a limited capitalist sector and slackening of overall agricultural growth (due to declining public investment, as we have noted earlier). Hence, the search for extra sources of income often takes the peasant to the non-farm sector.

Employment in the non-farm sector of the Indian economy can be categorized into four groups: (1) formal employment in the formal sector, (2) informal employment in the formal sector, (3) formal employment in the informal sector, and (4) informal employment in the informal sector. The vast majority of the Indian work force, by some estimates as large as 86 percent, falls into category (4). Moreover, all the growth over the past decades has been in that category (NCEUS, 2009).

What is available, then, to the peasant-worker in search of non-farm sources of income is informal urban employment, either employment in the informal sector or informal employment in the formal sector. As the Sengupta Commission Reports (NCEUS 2007, 2009) have made amply clear, employment in India's informal economy is marked by low wages (and income), abysmal conditions of work, self-exploitation, no social security, and no job security. Thus informal employment is marked by both lower income (wages for the employed and income for the self-employed) than formal employment and a higher degree of income uncertainty (i.e., the probability of finding regular employment on an on-going basis is significantly lower than unity). Moreover, wages in the non-farm informal sector are determined by income-sharing and not the marginal product of labour (Fields, 2004). Thus, when more peasant-workers enter

informal employment, average incomes for all informal workers fall. Taken together, this means that *expected income* (i.e., the product of the probability of employment and the income from employment) in informal employment is not only lower than the wage rate associated with formal non-farm employment but also lower than the wage rate in agriculture.

In such a scenario, land ownership acquires a special significance as insurance against labor market risk. A small piece of land can very well mean assurance of some subsistence needs in the face of extreme income uncertainty and volatility of food (and other essential commodities') prices. Further, drawing on Das (2007), we can argue that a low expected income from informal non-farm employment leads a peasant-worker family to put in more labour on its own small-scale farm than a capitalist would employ. This will imply that the notional agricultural surplus of the peasant-worker family is larger than what a capitalist farmer can expect to make when she pays the going market wage rate. Thus, the price demanded for a plot of land by the peasant-worker family (which is a discounted sum of the stream of notional surpluses of the peasant-worker family) will exceed the price that a capitalist would be willing to pay (which is a discounted sum of the stream of expected surpluses of the capitalist farmer). Thus, a transaction (involving land) between the capitalist farmer and the peasant-worker family will not take place. This means that the peasant-worker family will continue to own the small piece of land, and that agricultural production will be characterized by the preponderance of small-scale family farms.

The growth of the informal sector, therefore, feeds on and reinforces the lack of land concentration. Fragmentation of land holdings and the resulting stagnation in agriculture will force the peasant-worker family to come looking for non-farm employment. Since formal employment is not available, they will join the pool of informal workers, keeping informal

incomes low (due to income-sharing). Lower incomes and higher precariousness of income flows keeps peasant families from selling their small plot of land, which maintains or even increases fragmentation, closing the vicious circle of small-scale family farms and informal employment.

3.3 Closing the Loop: Restricted Home Market

In the above analysis, the lack of growth of secure, formal sector employment plays an important role in reinforcing the vicious cycle between small-holding agriculture and the informal sector.

What reasons could explain the virtual stagnation of formal employment in the organized sector?

To answer this question, one needs to start by recognizing that the organized sector has grown rapidly in terms of output. The fact that output growth has been accompanied by virtual stagnation of employment points to the rapid growth in productivity (i.e., output per worker).

Hence, the reason for employment stagnation can be understood if the causes of rapid productivity growth are grasped. Productivity growth in the organized sector has been the result of an increase in capital intensity, led by rapid mechanization. Thus, the question of employment stagnation boils down to understanding the reasons behind the growth of capital intensity in the organized sector.

Two sets of factors have been found to be important in explaining the high capital intensity of production in the organized sector, especially industry. First, relative cheapening of capital vis-à-vis labour, since the early 1990s, caused by trade policy changes (opening up the economy for the import of intermediate and capital goods), and various fiscal and monetary policies (like capital investment subsidy, interest subsidy, export promotion capital goods scheme, etc.); and second, the skewed nature of demand – lot of it debt financed – that has been propelling growth in the recent past.

This latter factor ties in with the argument that we have been developing in this paper. The vicious circle of linkages between small-holder agriculture and informal employment implies lack of income growth for the vast majority of the workforce (in agriculture and the informal sector), which means lack of a broad-based “home market” for output produced in the organized sector. A large part of aggregate demand comes from the export sector or from the expenditures of households at the top of the income distribution. Both these sources of demand entail demand for commodities (like automobiles) that are produced in relatively capital-intensive industries (ILO, 2009; Kannan and Raveendran, 2009; NCEUS, 2007; NCEUS, 2009). Thus, a skewed source of aggregate demand, in addition to misplaced policy priorities (relating to fiscal, monetary, trade and industrial policies), encourages a relatively capital intensive production, which, in turn, implies stagnation of employment in the organized sector.

4 Conclusion

The larger theoretical and political implications I draw from this alternative framework are quite different from what Sanyal (2007) emphasizes. Within this alternative framework, post-colonial capitalism is seen as a unity of capital and non-capital, much as Sanyal (2007) does. While capital is the domain of the generation of surplus value, as is traditionally emphasized in Marxist analyses, this alternative framework allows us to also pose the question of the possibility of surplus extraction from the non-capitalist sector. To our mind, the links of the capitalist and non-capitalist sectors gives rise to the extraction of value by the former from the latter through *unequal exchange*.⁷ This can happen through monopolistic and monopsonistic markets where

⁷ Sanyal’s (2007) framework does not accord much importance to the process of *unequal exchange*. This has both historical and contemporary significance. For instance, in Sanyal’s conception of mercantile accumulation, an aspect of the primitive accumulation of capital, merchants buy products from artisans at value (Sanyal, 2007, pp. 113-118). Therefore, merchant capital appropriates a surplus only by selling the product to consumers at prices above value. This is clearly inadequate. In principle, money can accumulate in the hands of merchants from two sources: under-paying the artisans and over-charging the consumer, i.e. a transfer of value through unequal

capitalist and non-capitalist (petty) producers interact. This suggests that the main contradictions governing post-capitalism are: (a) the contradiction between capital and labour in the capitalist sector, and (b) the contradiction of the capitalist and the *non-capitalist sector as a whole*. Hence, a radical social transformation is possible on the basis of an alliance between workers in the capitalist sector and all producers (owners and workers) in the non-capitalist sector.⁸

Moreover, within this alternative framework, the notion of transition remains meaningful. Drawing on insights from the early development economics literature, the alternative framework links the notion of economic development with the idea of *structural change*, i.e. moving the workforce from low productivity, low income work in agriculture and the informal non-agricultural sector into high productivity, high income work. Once the idea of economic development is posed in this way, the most pressing question that calls for investigation is the reason (or set of reasons) that is preventing rapid structural change. Sanyal (2007) does not provide a convincing answer to this important question other than asserting that we need to give up historicist analyses.⁹ On the other hand, we suggest that two concrete mechanisms in the form

exchange at both sites of exchange. In the case of India, the first part of this process of dual unequal exchange was historically very important. From 1757 onwards, the rapacious British East India Company, with its monopoly position in trade with India, squeezed the artisans across the country through various means (arising from its monopsonistic position in India), in addition to over-charging consumers in European markets. This process of unequal exchange was continued in a different form, through the use of tariff and non-tariff policies, after 1857, when the rule of the British Crown replaced Company Rule. In contemporary capitalism, various linkages between capital and non-capital can facilitate a net transfer of value from the latter to the former, e.g., sub-contracting. In fact, that might be one of the reasons for the inability of petty producers (non-capital) to accumulate adequate amounts of money and expand their production enterprises, not because they are governed by the logic of production for need.

⁸ An important implication of this alternative understanding is that the old radical left understanding which sees the contradiction between feudalism and the broad masses as the fundamental contradiction in India needs to be rethought. The evidence presented in Basole and Basu (2011a, 2011b) show the decline of feudal forms of exploitation. Hence a political strategy that bases itself on the understanding that the contradiction between feudalism and the broad masses is the fundamental contradiction is not reflective of contemporary India reality, a point that was alluded to in Basu and Das (2013).

⁹ Sanyal's (2007) narrative about the evolution of development planning in India is unconvincing as well. He argues that the initial period of planning, i.e., the period from the early 1950s to the mid- 1960s, can be read as an attempt by Indian capital, through the Indian State, to carry out primitive accumulation of capital. This narrative

of vicious cycles that connect small scale agricultural production, informal non-agricultural employment and high capital intensive production in the formal capital sector are responsible, at least in part, for slow structural change.

Sanyal's vision of politics is limited by his theoretical framework. He visualizes post-colonial capitalism as the endless reproduction of the complex unity of capital and non-capital. He has consciously eschewed any notion of transition. Hence, his politics is also innocent of any vision of radical structural transformation. All that his critique of capital entails is a slow and gradual encroachment of the domain of capital by non-capital. While he does not elaborate on what such encroachment would entail, it is clear that his critique of capital does not extend to a critique of commodity production. Since non-capital is the domain of petty commodity production, the limit of the encroachment of capital by non-capital would be the replacement of capitalist with simple commodity production. While this would eliminate the exploitation of labour by capital, it would not eliminate commodity fetishism or the instabilities associated with commodity production. It also hides within itself the possibility of mercantile accumulation and the resumption of capitalist production.¹⁰

goes against two well known facts about the planning process. First, one of the key motivating ideas in planning was to absorb surplus labour through rapid industrialization, not add to the pool of surplus labour. Second, even when there was emphasis on the large scale, capital goods sector, there was explicit protection for the small scale sector precisely because it was understood as one of the ways to absorb surplus labour. The fact that the industrialization process could not make any significant dent on the problem of surplus labour should not be read backwards to claim that the State was attempting to facilitate the primitive accumulation of capital through planning. In fact, one can explain the failure of the industrialization process in India as arising from a combination of two crucial facts: (a) an inadequate growth of the home market, which, in turn, was caused by the inability of the Indian State to carry out land reforms in any meaningful sense (Frenkel, 2009); and (b) an inability of the State to impose some discipline on the capitalist class through active industrial policy, as was done by the State in South Korea (Chibber, 2006).

¹⁰ Sanyal (2007) sees capital as being governed by accumulation and non-capital by need. Hence, his politics emphasizes the gradual replacement of the production governed by the logic of accumulation with production governed by the logic of need. This emphasis on replacing production for profit with production for need is precisely how socialism has been conceived by its practitioners. Hence, Sanyal's (2007) politics can be subsumed within the broader rubric of socialist politics. While socialist politics includes a critique of commodity production,

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as emphasized by Marx's comments in the *Grundrisse* on proposals for a labour certificate system, Sanyal's (2007) politics does not.

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