

**Development and Class Transition in India:  
A New Perspective**

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I am always reminded of one thing which the well-known British economist Adam Smith has said in his famous treatise *The Wealth of Nations*. In it he has described some economic laws as universal and absolute. Then he has described certain situations which may be an obstacle to the operation of these laws. These disturbing factors are the human nature, the human temperament or altruism inherent in it. Now the economics of Khadi is just the opposite of it. Benevolence which is inherent in human nature is the very foundation of the economics of Khadi. What Adam Smith has described as pure economic activity based merely on the calculations of profit and loss is a selfish attitude and it is an obstacle to the development of Khadi; and it is the function of a champion of Khadi to counteract this tendency. (Gandhi 1958, Vol. 59, 205-6)<sup>1</sup>

We are trying to catch up, as far as we can, with the Industrial Revolution that occurred long ago in Western countries. (Nehru 1954, Vol. 2, 93)

These quotations by the two stalwarts of India's independence struggle are striking for their different, almost contradictory views of the goal of development in post-independence Indian society. Both were no doubt motivated by the desire to build a fair and just future. But from within the Congress party, the dominant anti-British party at the time of independence in 1947, each espoused a different "model of development" and vision of social progress. Gandhi's championing of an indigenous cottage-based economic system was no match for the capitalist catch-up plan that became known as "Nehruvian socialism."

The debate over transition that began with Gandhi's and Nehru's different conceptions of development paths continued in the 1990s as India joins the seemingly worldwide rush to embrace capitalism. While the liberalization policies first introduced in 1991 by Prime Minister Narasimha Rao did not challenge the fundamental Nehruvian belief in growth through industrialization, they certainly questioned the wisdom of the state's involvement in output and pricing decisions and contested the import substitution approach to development that has been the hallmark of India's industrialization process since independence. These "new economic policies" have been directed at significantly reducing the state's involvement in the Indian economy and supporting an export-oriented growth and industrialization strategy of development.

Whether explicit or not, any development model is predicated upon a particular theory of economic transition and

a particular vision of economic justice. It must specify how a new set of economic relations emerges from or is built upon the old. And its practice effects a distinctive distribution of national income, producing a different landscape of production in which certain ways of creating surplus labor or product are promoted over others. We agree with Marx (1977) who pointed out in his critique of the Gotha Program (a program drawn up by German socialists for the creation of a future German communist society) that every society has a dominant concept of "fairness" and just distribution and it follows that any model of development draws upon its own particular version of this discourse of fairness for legitimation.

Gandhi was clearly interested in promoting an economic system that was built upon benevolence and collectivity at the point of production. Moreover he assumed that traditional rural and peasant ways and institutions could be accommodated within modernization. Nehru, by contrast, along with subsequent national leaders supported the development of a completely new industrial system in which markets and the state would work together to produce efficient growth for the benefit of all.

Alongside and against the ideas of Gandhi, Nehru and his followers, Indian Marxist theorists have also debated transition and development pathways. Most notable have been the Indian modes of production debate and the intervention of the subaltern studies school. Currently, however, in the face

of the government's liberalization policies, Marxist and leftist debates about development have been somewhat muted. While this can be seen in part as a result of recent attempts by neoclassicists to exorcise Marxism from academic and social discourse in India, it is also, we suggest, related to the historicist conceptual framework that underpins traditional Marxist theories of transition. As the liberalization program has, perhaps unwittingly, opened a new space for debate and reconsideration of various aspects of development, we offer this essay as a Marxist intervention that keeps alive the (Gandhian) possibility of alternative (noncapitalist) development paths.

In this chapter we provide a critique of orthodox Marxian theories of transition and the development models they give rise to. We offer a new class perspective on transition that adopts a decentered conception of society and a multidirectional vision of transition. Through the lens of this new perspective, we examine the changing class structure of India since the enactment of economic liberalization in the early 1990s.

### **Concepts of Transition**

In the Indian modes of production debate transition is attributed to a once and for all macro shift in the mode of production (or the economy) that effects subsequent change in the social totality.<sup>2</sup> Though the desired outcome is a transition or revolution that ushers in a socialist or

communist mode of production, in the Indian case capitalism has been seen to be triumphant. Given the logic of unidirectional systemic change embraced by participants in the modes of production debate, a central concern of this debate has been to explain why the capitalist mode of production failed to become dominant in Indian agriculture. In line with the historicist<sup>3</sup> and essentialist logic of historical materialism this formulation was thoroughly anti-Gandhian as it was based on the assumption that capitalism cannot accommodate traditional rural and peasant institutions which were considered to be backward and outmoded.

The Marxian subaltern studies school challenges the fundamental premise that transition must be a complete process of replacement and that capitalism cannot accommodate pre-capitalist elements of society.<sup>4</sup> An alternative model of transition for Third World countries is posited whereby aspects of pre-capitalism are appropriated by and accommodated within capitalism in what is called capital's "passive revolution."<sup>5</sup> In the subaltern literature the desired development model involves a transition from the form capitalism takes in underdeveloped societies (produced by the passive revolution of capital) to a socialism of communities.

A number of elements are present in both theories of transition: the movement of society is grounded in a pre-given totality which is understood to develop progressively in a prescribed manner until it reaches its telos; complex social formations or totalities are reduced to a more basic totality

or essence--the mode of production; commonality is foregrounded against the chaos of the uncommon, the unpredictable, and the unknown; order, certainty and continuity are the principles for arranging events and time; historical changes are no more than the reflections of the journey of the essence; and revolutionary transitions are ultimately driven by an underlying historical consciousness emanating from that essence (Chakrabarti 1996). Foucault (1972) refers to such a constellation of elements as *total history*--the arrangement of time and events by a unified totality which is driven by a manifest motive or philosophy.

In both approaches, the economy is visualized as a homogeneous space where, at every site of production, relations of production behave uniformly. By this logic, a new stage in the process of economic transition is understood as a diachronic and "progressive" change in all the production sites in the economy. This applies whether the posited developmental logic is the progression of modes of production as in the Indian modes of production debate, or the modified developmental logic of the subaltern school where the "passive revolution" of capitalism intercedes as a new phase between feudalism and capitalism. No allowance is made in these approaches for the multi-faceted and non-teleological development of different types of fundamental class transitions nor for changes in the form of a particular class process (from, say, one type of capitalist class process to another capitalist class process).

Indian theories of transition reinscribe three problems associated with orthodox Marxian theories of transition: first, transition is conceived as a macro, "big bang" change-- society is understood as a unified totality and transition involves the complete replacement of an outmoded social totality with a new one; second, in line with historical materialism, transition is understood as a diachronic and teleological process of succession; and, third, transition is linked with a concept of progress, understood as an ever-expanding and irreversible set of economic opportunities.

These three features mark out our differences from the concept of transition deployed in the Indian mode of production debate and the subaltern studies debates. We prefer to adopt a decentered conception of transition that is predicated upon an open and heterogeneous social totality. We are concerned with synchronic shifts in the multiplicity and mixture of class processes within a society. In our vision of *decentered transition* history has no inner logic, no way in which it can be arranged into a series of periods driven by an Hegelian teleology of reason or the preordained succession of modes of production. History is not the progressive unfolding of a universal truth that can be deciphered by theory (such as historical materialism). Rather, it is always and everywhere contingently produced.

In order to flesh out our understanding, it is necessary to introduce a disaggregated class approach to the social totality and its transitions. We can then explain the non-

historicist developmental structure of our theory of transition and the alternative idea of progress it entails.

### **Decentering Society and Transition with a Disaggregated Class Analysis**

A framework that defines specific types of class processes and "class sets" (Cullenberg 1992) presents a useful way to see the complex co-existence of classes in society and the complexity involved in the process of transition. Building upon Resnick and Wolff's class analytics we identify class sets in terms of a fundamental class process--the manner of appropriation of surplus labor,<sup>6</sup> and two non-class conditions --the type of remuneration received by workers and the form of the distribution of the outputs of production. We consider three forms of appropriation of surplus labor: (1) the form of appropriation whereby the performer of surplus labor can exclude all others from appropriation and therefore appropriates the surplus labor completely and individually (as in the ancient or independent class process); (2) the form of appropriation whereby the performers of surplus labor are excluded from any appropriation of their surplus labor (as in the slave, feudal and capitalist class processes); and (3) the form of appropriation whereby all performers of surplus labor share in its appropriation and no one is either completely excluded from appropriation or can exclude others (as in the communal or collective class process). So as not to complicate our class taxonomy unduly we utilize a binary disaggregation

of wage and non-wage forms of remuneration for workers, and commodity and non-commodity forms of distributing output. The combination of the different possibilities among these three forms of appropriation and the manner of labor remuneration and output distribution give us the following twelve different "class sets:"<sup>7</sup>

insert Table 1 here

At any point in time, all these distinct class sets could co-exist together within a society. Each of these class sets in turn depends upon other economic (including other class sets) and non-economic conditions of existence. Their articulated existence is what we refer to as the class structure of society. Transition, now, can be reconceived as the change of one configuration of class sets (a society's class structure) to another distinctive configuration brought about by micro changes within a landscape of unevenly distributed and disaggregated class relations.

This representation of a social formation made up of multiple class sets provides a direct contrast to the orthodox Marxian conception of a social totality structured by a dominant mode of production. Moreover, this disaggregated micro-class representation precludes any notion of a preconceived and necessary order, certainty or continuity in the transition between and within class structures. Unlike orthodox Marxism where the progressive evolutionary order of society must be maintained, in the micro approach to

transition, capitalist class structures can, for example, be transformed into feudal or independent class structures. From this perspective, such cases of transition would not be understood as historical aberrations, but rather as always possible outcomes of society's multi-faceted and uneven developmental processes. The current transitions in the former Soviet Union and other East European countries suggest the importance of such unexpected and undertheorized transitions.

The conception of transition implied by our analysis allows for the discontinuity of social orders and the failure of a social totality to close itself via any particular class structure. It enables us to see the unpredictable movement of class structures and associated social processes and the possibility for mutations and transformations in other areas of society as a result of a change in class structure. What is lost in this approach to transition is the eschatological, diachronic and systematic ordering of societies according to a dominant notion of "progress." This loss leaves us not with a chaotic theory of history where 'anything goes,' as is often mistakenly claimed, but rather with a discursively ordered and systematic understanding of history (the order and system being given by the discursive focal point of class) that is potentially able to describe the multi-faceted and shifting dimensions of societal reproduction.

### **Class Structures and Transition in India**

When disaggregated in terms of class sets, Indian society can be seen as having a heterogeneous class structure.<sup>8</sup> But rather than lay out a class taxonomy in abstract terms, we are interested in using our framework to interpret the contemporary transition that is resulting from the liberalization policies recently introduced by the Indian government.

The transition spurred by the liberalization program is designed to produce a uniform change to capitalism within Indian society:

Decades of development experience in dozens of countries show that a good economic environment combines the discipline of competitive markets with efficient provision of key public utilities...Fostering an economic environment which promotes rapid, broad-based development will not be easy. Old habits of thinking and working must be shed....Within a generation, the countries of East Asia have transformed themselves. China, Indonesia, Korea, Thailand and Malaysia today have living standards much above ours. What they have achieved, we must strive for. (Government of India, Ministry of Finance 1993, 1-2)

The new liberalization policies are justified as a necessary reaction to a combination of economic "crises." Macroeconomic

crisis is seen as having arisen from the significant fiscal deficit and the balance of payments problem. Microeconomic crisis is seen to have arisen from serious efficiency and incentive failures. In response to these pressures, the government has taken the road to reduce the fiscal deficit by cutting down its expenditures (especially its transfer payments) by dramatically reducing subsidies; selling sections of state industries to private interests and disinvesting in and restructuring many services such as banking; shifting towards a market determined exchange rate and open door trade policies; and adopting a set of industrial, agricultural and banking policies that pays more attention to profitability, efficiency and outward (export) oriented growth. In addition, the Indian government has supported the reduction of state involvement in economic decisions, especially those related to output and pricing.

This set of government policies has directly and indirectly affected class structures in all sectors of the economy, setting in motion a class transition that is still in process. Changes in specific sectors are, through a social chain reaction, producing a dramatically different social totality--today's India.<sup>9</sup> The once torpid economic, cultural and political aspects of society are now undergoing rapid transformation and hitherto accepted ideas regarding development, progress, the proper role for central and state governments, the meaning of democracy and embedded cultural values are in a state of profound turmoil. Where transition in

the Indian economy is taking us and what its effects might be on class politics are crucial questions that we discuss in the conclusion of this chapter. But first we focus upon the transitions in class sets taking place in the important sectors of agriculture, state-owned enterprise and Indian households.

### Transition and the class structure in agriculture

The largest proportion of the agricultural population in India are agricultural laborers and small farmers who produce and buy agricultural products in order to reproduce their families. The agriculture sector as a whole is made up of a number of different class sets. Many farms are operated by single workers involved in an independent class process who produce and appropriate their own surplus labor. Depending on whether their surplus is exchanged for money or consumed in its product form these workers occupy class sets 3 and 4. As it is unlikely that farmers pay themselves in money form, class sets 1 and 2 are assumed to be rare in India. Many family farms in which family members communally produce surplus labor and appropriate it together resemble class sets 11 and 12. Other family farms operate with a feudal class process, resembling class sets 7 and 8, where the surplus produced by the family is appropriated by the head of the household, remuneration for family members involved in production is paid in kind and the surplus product could be

either sold as commodities or exchanged for goods or simply consumed.

Much farming in India also takes place within a sharecropping system in which the farmer uses the land of a landowner to produce a crop. The sharecropping system has a complex class structure with independent, feudal and capitalist class processes involved.<sup>10</sup> Depending upon the tenurial arrangements, the sharecropping system could take the form of class set 5 where the sharecropper employs wage labor, sells the produce as a commodity and appropriates the surplus value in a capitalist class process, paying off a certain ground rent for the land leased from the landlord. Where the landlord leases out land to the sharecropper to work as a direct producer and directly appropriates the surplus product and distributes part of it in kind to the sharecroppers this involves a feudal class structure resembling class set 7 or 8. Interestingly, under the sharecropping system, there can even be independent class structures resembling class sets 3 or 4 where the direct producer, who is also the only producer, appropriates his own surplus labor, part of which is then distributed as ground rent to the landlord. All of these forms of sharecropping can be found in India, along with capitalist forms of agricultural production.

The current government's agricultural policy is directed towards raising the ratio of agricultural gross capital formation to current government expenditure on agriculture, decreasing the state's involvement and increasing the role of

private investment in the agricultural sector (Economic Survey 1994-95, 130-132). To carry out this policy the government is cutting back its current expenditures on fertilizer, input and interest subsidies and increasing investment in irrigation and rural communication in the hope that this will lead to an increase in capital formation. To encourage private investment, it is opening up previously closed sectors (like the power industry) to private investors and pursuing open door trade policies designed to encourage the private sector to invest in agriculture to garner gains from trade through exports. It has also sharply increased the procurement price (WHAT IS THIS???) for certain agricultural products, thereby increasing the trend towards favorable terms of trade for agriculture.

Fertilizer subsidies, input subsidies (especially for water and electricity), interest subsidies, administrative price support, easy loan guarantees and many other services provided by the government provide the conditions of existence for the diverse class structure of the contemporary Indian agricultural production sector. The reduction in these subsidies and the redirection elsewhere of government payments constitutes a threat to certain of the existing class sets within the sector. Attempts by the government to overcome the crisis the state sector and to increase private capital formation in the agricultural sector may end up producing a crisis in many farms, resulting in the following inequality expressed in class analytic terms:

$$SL + \bullet SCR + \bullet NCR < \bullet SC + \bullet X + \bullet Y$$

where SL = surplus labor produced and appropriated on the farm

•••••SCR = subsumed class revenue (e.g., dividends, ground rents, merchant fees obtained by wealthier farmers)

•••••NCR = non-class revenue (e.g., government subsidies for fertilizer, water, electricity, loan support)

••••••SC = sum of subsumed class payments (e.g., taxes, merchant fees, ground rent, interest payments to secure the conditions of the fundamental class process)

••X = sum of payments made to secure SCR

••Y = sum of payments made to secure NCR

The severity of the crisis will vary depending upon the amount of difference between the revenue side and the expenditure side of the equation. Since the revenue and the expenditure components reflect the different class and non-class processes involved in a farm enterprise, a crisis would imply that the prevailing form of class structure of the farm might change. If the extent of the crisis is mild there will probably be a few minor changes in the class structure of the farm while if the extent of the crisis is severe there could be a major change in class structure or even its closure.

For all farmers, whether involved in independent, communal, feudal or capitalist class processes, the reduction of state subsidies will increase production costs and other payments, thereby reducing the surplus that can be appropriated. For the more marginal farms run by the most

vulnerable sector of the population, this policy of detachment by the government can create severe problems. The increase in payments for processes that provide the conditions of existence for the reproduction of a small independent or communal producer could lead to a situation whereby the small farmer would be compelled to transfer the right of appropriating surplus product from their farm land to a money lender or to a richer farmer who buys their land. The independent or communal producer might be forced to become a sharecropper and a transition from class sets 3, 4, 11 and 12 to class sets 7 and 8 would take place. More dramatically, the independent or communal producers could be forced off their land altogether to become agricultural laborers or unemployed. This surrender of rights of appropriation may lead to a concentration of capital in agriculture, to the intensification of exploitation and the increased incidence of inequality, unemployment and poverty.

The government defends its policies on the basis that they will lead to the greater efficiency and competitiveness of Indian farms and to general prosperity. It fails to recognize that its policies will have different effects for distinct types of farms. Not all farms will survive in their present form and the changes will not always be to the benefit of the existing set of appropriators. As a result of government policies some farms will benefit, with increased production of surplus value and income, and some farms will be put at a great disadvantage.

Government spokesmen argue that the removal of agricultural subsidies in developed countries as required by the World Trade Organization will drive up the international prices for agricultural products thereby benefiting India's farmers and agro-industry who enjoy a comparative advantage in these products. It must be noted, however, that higher agricultural prices will benefit only those farms whose output takes the commodity form and is covered by procurement prices. Moreover, higher prices will advantage only those farmers whose marketable return outweighs the loss from an increase in subsumed class payments (to agents such as money lenders and merchants) and non-class expenditures (for example, on inputs).

While it is true that the terms of trade may turn in favor of agriculture, this will benefit disproportionately the rich farmers, who are usually but not exclusively capitalist (class sets 5 and 6). The largest number of agricultural producers in India are small farmers (belonging to class sets 3,4,8,11 and 12) who either do not produce for the market or have little access to markets. Whatever little marketable surplus these farmers have is normally taken by the traders who would in this case gain most from any increase in prices.

With higher prices of foodgrains, the expenditure side of the farming family budget increases leading to a crisis in the reproduction of such families. This will create a crisis situation for the class structures of these farms as well, especially those in which labor is remunerated in wage form

and subsistence goods purchased. The high inflation rate (averaging 10 percent in the years associated with the liberalization policies) has contributed disproportionately to the misery of families living around the poverty level since, unlike the inflations of previous periods, this inflationary pressure has been driven by a sharp rise in the prices of foodgrains which constitute the means of subsistence of such families in India. Furthermore, higher foodgrain prices are also bound to intensify urban poverty.<sup>11</sup>

It would seem that attempts by the government to overcome the fiscal crisis in the state sector may end up producing a crisis in the agricultural sector and while the transition initiated in its class structure may lead ultimately to a growing concentration of capital in the sector, this will occur alongside growing rural unemployment and rural and urban poverty.

#### Transition and the state capitalist sector

The state sector in India, comprising 240 central public sector enterprises and many more public sector units, employs 19.2 million people. By contrast, the private, non-agricultural sector employs 7.8 million people (Economic Survey 1994-95, S-54). In a predominantly agricultural country like India, the state sector occupies an important place in the industrial economy. Until quite recently Indian government planning deemed that state enterprises were to have sole control over the capital goods sector, raw materials and the

important services sector consisting of the organized banking system, telecommunications, airlines, railways and insurance.<sup>12</sup>

Contrary to the claim made by many that this represents an indicator of India's socialist nature (because state enterprises are supposed to be fundamentally differentiated by their property relations from capitalist enterprises and therefore socialist) we find evidence that India's state sector exhibits a complex capitalist class structure.<sup>13</sup> Most state enterprises belong to class set 5 where a state appointed board of directors appropriates the surplus value produced by state workers. Some of the output produced by state enterprises is sold on the market as commodities, while other output is distributed in various non-commodity forms. State firms in the defense sector, for example, where outputs are simply handed over to the army without any monetary exchange, are in class set 6.<sup>14</sup>

State enterprises have been the targets of the most far-reaching of the economic reforms introduced in the 1990s. Liberalization policies have been focused not only on the deregulation of entry and exit into particular industries but also on changing the class structures of state capitalist enterprises.

Most of the production and service units that have been previously closed to the private sector have now been opened to different degrees. For example, private enterprises are now being encouraged to invest in infrastructure industries like energy, mineral extraction, telecommunications, and banking

and heavy industries like iron and steel. New private capitalist class structures are emerging in these spheres of the economy. The more interesting parts of the liberalization policy, however, are the government's two responses to what it perceived as a crisis situation in the state capitalist enterprises.

First, state capitalist enterprises have been either phased out or transformed into private capitalist enterprises through the actions of the Bureau of Industrial and Financial Reconstruction (BIFR). One of the tasks of the BIFR is to check the viability of loss-making state enterprises and pass judgment on whether restructuring would or would not revive the enterprise. If the answer is negative, the government calls an auction to sell the enterprise. If there are no bidders, then the enterprise is shut down. When state capitalist enterprises are transformed into private capitalist enterprises the right to appropriation and distribution of surplus labor passes from government hands to private hands. While in terms of our class sets there is no transition out of class set 5, in these cases there may be a transition from class set 6 to 5. In the Indian defense industry, for example, takeover by private capital has seen the increased sale of military products in the market. Sell-offs such as this have been an extremely contentious political issue. There are significant concerns about the way a private as opposed to a state capitalist enterprise might engage in appropriative and distributive class practices.<sup>15</sup>

Second, BIFR calls for a restructuring of state enterprises are driven by demands to make them more competitive in domestic and global markets. Even when they are not sold off to private interests, the enterprises are forced to undergo major restructuring. The new industrial policies have abolished the monopoly power of state enterprises, thereby opening previously closed product markets to domestic competition and, in light of the open door trade policies, to foreign enterprises as well. The concern over efficiency and profits has produced a host of significant changes in the ways in which state capitalist class structures are reproduced. In those enterprises deemed unviable the government has closed off the option of those "soft budget constraints" that automatically insured a state sector enterprise against closure whatever its state of profitability. They have initiated changes in management structures, the labor process and in the goals of the enterprises making them run on what is being called a commercial (that is, profitable) basis. In many state enterprises, including some profit making ones, the state's equity is being reduced by up to 49 percent, principally to finance government deficit reduction.<sup>16</sup> By keeping 51 percent of the equity share, the government retains the power to appoint the board of directors and is still in control of the appropriation of the surplus value produced in these enterprises. In other words, in this case, while the ownership and therefore the subsumed class relations and payments are drastically changed, control over the fundamental

class process of surplus value production and appropriation remains with the government. Financial changes such new relationships between the increasingly privatized banking sector and the state enterprises are drastically changing the form of the class structure of these enterprises. New conditions for the capitalist appropriation and distribution of surplus value are being engineered and the constituencies who control these class processes are being reconfigured such that "public" claims are being subordinated to "private."

#### Transition and Indian households

As the household is not considered a site of production in the Economic Survey, the official government statistics of India, we do not have precise information or specific quantitative data on this sector of the economy. Nevertheless, a few observations can be made. Indian families largely participate in what might be called a feudal household class structure (class set 8) where the surplus labor of the housewife is appropriated by the husband or the husband's family (usually represented by the mother-in-law). In rural areas where many families are involved in agriculture or small scale enterprises such as handloom, leather, coir and pottery works, women and children are seen as "economically active."<sup>17</sup> Here women might participate in a number of different class processes--one associated with the family enterprise (typically feudal or family communal) and another with domestic production (typically feudal). Some sole person or

single parent households, which are rare in India and more likely to be found in urban areas, might involve an independent household class structure (class set 4). The communal household class structure (where surplus labor is produced inside the household and appropriated jointly) is becoming increasingly common in India and would be a form of class set 12. While the Indian household class structure is complex, we would suggest that the feudal (and typically patriarchal) class structure is dominant. Class transitions are, however, taking place as feudal class structures undergo internal change and give way to independent and communal class structures.

One of the effects of the new economic policies especially upon urban households has been the increased introduction of time saving technologies like dishwashers, refrigerators, washing machines and cooking utensils into the domestic production process. Along with the adoption of these means of production has come changed cultural perceptions of what the socially necessary basket of commodities for a household unit might be. New commodities like televisions or fashion clothing are increasingly being seen as necessary consumer goods for a typical household. Figures on gross domestic savings indicate that there has been a sharp decline from a peak of 20 percent of Gross Domestic Product in 1990-91 to 15.9 percent in 1993-94. One explanation for this may be the increased household expenditure on productive and personal consumption commodities. Certainly there is concern for the

effects of this shift in domestic economies.<sup>18</sup> In the absence of any detailed studies we can but speculate upon the potential class effects of such increased expenditure.

With the increased purchases of consumer durables the feudal household may become more entrenched, as the new means of production contribute to higher feudal productivity in the home and free women's time up to work outside the house. In this case, the newly emerging private capitalist sector in manufacturing could be seen as providing capitalist commodities that help to reproduce feudal households, while those same feudal households help to secure private capitalism by extending the market for its produced durables and providing it with a new and perhaps cheaper source of labor power.

On the other hand, the entry of women into paid work outside the home, especially in urban areas, may lead to a crisis of the feudal household, especially given the increasingly prevalent cultural attack on the traditional naturalistic role of the woman as housewife and mother. The entry of new commodities into the household and changes in domestic labor processes, household labor supervision, credit structures and incomes as well as new cultural perceptions might indeed be hastening a transition to a communal household class structure in which all adult household members collectively perform and appropriate surplus labor.

Perhaps just as likely is the movement towards an independent class structure. For many Indian families, letting

a woman work outside the home would be tantamount to a scandal and this perception may lead to irreconcilable differences between the husband (or husband's family) and wife, culminating in divorce. An increase in divorces would probably lead to the creation of independent household class structures in which women alone or as single parents produce, appropriate and distribute their own surplus domestic labor.

The household sector is a significant site of production and the appropriation and distribution of surplus labor. It is, moreover, an arena where many of the social and cultural transformations taking place in Indian society are being discussed and struggled over. Liberalization policies directly affect this sector and, in turn, new household activities and practices will produce class transitions in Indian society. As more women enter the capitalist work place traditional domestic class processes will be modified and transformed.

### Summary

In summary, it would appear that the Indian government's liberalization policies have been based upon a vision of uniform economic spaces and the assumption that change in one site would be replicated in all other sites. The government defends its actions by arguing that the benefits of reforms will be universally effective across various economic sites--for example, raising productivity across the board. The opposition similarly emphasizes that the problems of these policies problems for all sites. As we explained above, this

assumption follows from a macro concept of totality where transition means a movement from one homogeneous configuration to another, requiring in the process that constituent parts replicate themselves in a more or less identical manner.

Given the decentered concept of the social totality and the disaggregated class-based analysis of transition elaborated here, it is clear that government policies will have a range of different effects on existing class structures. Policies designed to have uniform effects will produce instead an uneven and multi-faceted process of change.

The above discussion suggests that in the quest for efficiency and growth, recent economic policies are initiating the growth of private capitalist class structures in the agricultural sector at the expense of independent, feudal and communal class structures; the reduction of state capitalist class structures in what was once the "state sectors" in favor of growth in private domestic and foreign capitalist class structures; and the possible entrenchment of feudal class structures in Indian households along with emergence of new independent and communal household class structures. A profound reshaping is taking place of the ways in which surplus labor is produced, appropriated and distributed within the complex social totality known as Indian society. It remains for us to discuss how this transition can be seen in terms of the different conceptions of "just" development paths and "progress" with which this chapter began.

### **Transition, Marxism and the Meaning of Progress**

Our aim in this chapter is not only to contribute to a reinvigorated Marxist debate about transition but also to raise the question of what might constitute a "progressive" intervention in the struggles being waged around the new economic policies of the Indian government. It is time, we feel, to revisit Gandhi's championing of Khadi against the universalist claims of the prophets of industrialization in post-independence India, and in the same spirit to look for ways to promote economic development paths that differ from both the orthodoxies of the past and the empty promises of liberalization.

Our decentered Marxian approach to transition is not agnostic or indifferent to the direction of societal change, as some might mistakenly infer. We do not abandon the terms 'progress' and 'development' but rather redefine them to encompass the transformation of the class structures of a social formation towards non-exploitative forms and towards a more "fair" distribution of produced wealth. We advocate a change in Indian society so that those who produce surplus labor also appropriate it. But we also hold that such a change in a society's fundamental (or appropriative) class processes must be intimately linked to changes in subsumed (or distributive) class processes and the distribution of national income more generally.

Unless we can reformulate radically new and different ideas of progress and development, the discursive space of

debate will be colonized by neoclassical economic visions that celebrate the "virtue" of efficiency, competition and markets and the "progressive" dynamic of capitalist growth.<sup>19</sup> Among advocates of the mainstream development path it is often assumed that capitalist growth is automatically productive of fair distributions, though how this outcome is to be achieved is only ever vaguely specified with gestures towards "market mechanisms." Implicit in this discourse is a valuing of capitalist growth over the growth of any other class structure and belief in the superior "fairness" of capitalist distributive mechanisms over alternatives.

In order for Marxists to intervene distinctively in debates such as that taking place in India today about development pathways, there is a need to articulate concepts of distributive "fairness" that go along with the advocacy of non-exploitative class processes.<sup>20</sup> Mainstream measures of progress and development are conceived in terms of the growth of Gross Domestic Product, per capita GDP or even the Human Development Index. The latter two measures take into account the distribution of resources in a society but ignore the articulation of production and growth with class appropriations and distributions.

Our view of fairness, by contrast, involves the promotion of redistribution towards those who produce under non-exploitative conditions and whose distributive class payments are skewed towards supporting a wide section of the community. In the case of a society dominated by exploitative class

structures, our conception of fairness would promote an initial redistribution toward the "doers" of surplus labor (in whatever class structure) and away from the "non-doers." But it would also involve an equitable ultimate distribution of income, encompassing those who are excluded from labor for reasons of age, infirmity, or other bases of exclusion.

Since the decentered, micro-focused concept of class transition implies a continuous process of incremental change within and between class structures where the direction of change is not pre-given, there is ample political space to work for changing class and non-class processes in the direction of such a vision of progress and development. That is, since capitalist class structures cannot close society on their own, there remain possibilities for other class structures to make their presence felt. As Marxists, we would situate the politics of class struggle within that range of possibilities.<sup>21</sup> This vision displaces the concept of progress and development and that of the associated politics of class to a micro level; but given the political failure of attempts at macro transitions to socialism, perhaps this should be seen as a desirable displacement.<sup>22</sup>

In India today the "rush towards globalization" and the dominant project of economic reform need not blind us to the diversity of the economic and social fabric. A disaggregated micro-class analysis may potentially contribute to a Marxian micro-politics of class transition that promotes progressive and fair appropriative and distributive class processes. With

a new vision of progress and development--encompassing the dual aims of non-exploitative class structures and "fair" distribution--we may produce new conceptions of society that are decentered and yet radically progressive. Gandhi's work might still provide an inspiration and guide to bringing such a society into existence.

## Endnotes

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<sup>1</sup> Khadi literally means indigenous cloth. It is also a symbol for an economic system characterized by labor intensive, village (and family) based production and marketing processes.

<sup>2</sup> The Indian modes of production debate can be divided roughly into three areas of concern. The first involves the question of whether, in addition to commodity production, the creation of potential "free" wage labor was a necessary and sufficient condition for defining capitalism, or whether the additional condition of productive investment was required (Patnaik 1978 versus Chattopadhyay 1990a,1990b). The second debate was between the semi-feudal school (Bhaduri 1973,1977,1983; Prasad 1973,1979,1990) and the capitalist school (Bardhan and Rudra 1978,1980,1981) where the major question was whether some social institutions (usury, sharecropping, etc.) necessarily constituted pre-capitalist relations of production, which thereby inhibited the development of the forces of production (indexed by technological development). The final major issue involved a shift from a focus on modes of production per se to the process of class formation and class differentiation in Indian agriculture (Patnaik 1976,1987; Bhaduri 1981,1983; Rudra 1984,1988).

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<sup>3</sup> By historicism we mean a linear view of historical development guided by a teleological logic, where successive historical epochs or modes of production replace each other. Historicism in this sense posits the developmental logic of history as a rational progression where subsequent modes of production are superior to previous ones (see Bottomore 1997, 239).

<sup>4</sup> In opposition to the shared traditional Marxist terrain of the Indian modes of production debate, the subaltern studies school which became influential during the 1980s (Guha 1982-1990; Chatterjee and Pandey 1992) has recently challenged the fundamental premise that capitalism cannot accommodate pre-capitalist elements of society. Subaltern studies theorists have created an alternative general model of transition for Third World countries where one moment of the transition process is "the passive revolution of capital" which roughly signifies the incorporation and accommodation of pre-capitalism by capitalism. Abandoning the base-superstructure correspondence model of historical materialism, these theorists focus instead on the agency of the subaltern in explaining the failure of a Western European type of full-fledged capitalism or a new democracy to take hold in India. Specifically, they examine the means by which the elite

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establishes capitalism's hegemony over the working class and various pre-capitalist elements (Chatterjee 1986,1993; Chaudhury 1988,1991-92,1994; Sanyal 1988, 1991-92).

<sup>5</sup> More precisely, passive revolution of capital, which was first popularized by Gramsci (1971), can be understood as the process of creating a hegemonic rule of capital over pre-capital such that capital accumulation can proceed relatively freely without any substantive opposition from elements of pre-capitalism. See also Chaudhury (1988, 1991-92), Chatterjee (1988,1993), Sanyal (1988), and Chakrabarti (1996).

<sup>6</sup> In this analysis we focus upon fundamental class processes and will not attempt to delineate different forms of the distribution of appropriated surplus labor, i.e., subsumed class payments.

<sup>7</sup> It should be noted that these class sets do not involve the specification of property ownership, power relationships or income distribution. Inclusion of these non-class processes would create a further differentiation of class structures. The exact number and way of delineating class sets depends on the purpose and context of a particular analysis. In this preliminary application we have pragmatically adopted a rather limited scope.

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<sup>8</sup> While we have not undertaken a detailed study of different production sites in Indian society to determine their class nature, we have been able to reinterpret a good number of existing reports and studies of these sites in terms of our class set taxonomy. We draw upon this secondary literature in our discussion.

<sup>9</sup> Liberalization policies have specifically affected class relationships in state capitalist enterprises, private agriculture, private capitalist industries, the household sector and service sectors such as banking and insurance which provide critical conditions of existence for these enterprises and farms.

<sup>10</sup> See Kayatekin (1996/97) for an analysis of the various class processes that may be referred to by the term 'sharecropping.'

<sup>11</sup> One hope was that a reduction of the budget deficit would lead to a decline in the rate of inflation. However, the rate of inflation has in fact risen to over 10 percent and has remained resilient during the last four years of reform. It is to be noted that inflation has various ramifications. Firstly, it affects different sections of the population disparately, depending upon their consumption patterns, since it involves differential increases in the prices of commodities. Secondly, the change in the relative price structure changes the distribution of money income since increases or decreases of prices increase or decrease factor income as well. Because of the present trend which shows that increase in foodgrain

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prices far exceeds the overall rate of inflation (showing itself in a higher increase in the consumer price index for agricultural workers than the increase in the consumer price index for industrial workers and non-manual employees), there are studies which claim that the present bout of inflation has adversely affected the agricultural laborers, small farmers and urban poor leading to a transfer of income from these sections of the population to those categories of the population who spend a smaller proportion of their income on primary food articles (Mehta 1994, Sen 1994, Ghosh 1995). These studies also show that increases in agricultural wages are unable to compensate for the price increases and, consequently, real income has gone down. The situation is worst for the urban poor whose nominal wage has stagnated. Using the additional source of a study on consumption of foodgrains conducted by the Indoor Gandhi Institute for Development Study, Ghosh points out that, "per capita availability of total foodgrains available for consumption (defined as net output adjusted for net imports and net changes in stock) declined from 510 Grammes per day in 1991 to 465 Grammes per day in 1993" (1995, 1073). He also points out that the present bout of inflation has directly increased poverty in India to 40.5 percent. These studies indicate a growing intensification of inequality and poverty, partly brought about by the increasing inflation rate. Ironically, all of this happened when the critical stochastic factor of

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inclement weather was not present, leading to a steady growth of Indian agriculture.

<sup>12</sup> In the post-independence period government planners made a distinction between those sectors in which private capitalist enterprises would be allowed and those in which state capitalist enterprises dominate. Private enterprises were given the sector of consumer goods.

<sup>13</sup> According to Resnick and Wolff,

State capitalism means that persons within a state apparatus exploit labor in state institutions. State capitalism also has its varieties...State capitalist enterprises may sell their products as commodities, thereby realizing surplus value and then distributing it so as to secure their continued existence; or their products may be administratively distributed with administered prices attached to them. State capitalist enterprises may exist within a predominantly private capitalist system. A small minority of state capitalist enterprises may then have to compete with private enterprises in all markets. Alternatively, private capitalist enterprises may be marginalized or delegitimated altogether, leaving most or all production to occur through state capitalist enterprises. (1995, 212-13)

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<sup>14</sup> Similarly Resnick and Wolff (1994 and in this volume) argue that state enterprises in the former Soviet Union were capitalist even though their output was not sold as commodities. They argue that the output was consistently valued by state administrators and therefore, given the form of surplus labor appropriation, surplus value was created by state capitalist enterprises.

<sup>15</sup> One interesting case concerns an exchange of enterprise from the central government to a state government. In 1995, the Bengal Pottery, a central government undertaking, was auctioned and bought by the state government of West Bengal. Along with the ownership change, the right to appropriation and distribution of surplus labor was transferred not into private hands but from one level of the state to another. This can be seen as an intervention to maintain some form of public control over the production, appropriation and distribution of surplus value in this industry.

<sup>16</sup> From July 1991 to December 1994, 35 central public sector enterprises have been approved for such disinvestments by the government (Economic Survey 1994-95, 109).

<sup>17</sup> The female labor force (including female children) in rural areas makes up roughly 84 percent of all economically active females in India.

<sup>18</sup> Patel makes the comment, for example: "At a time when India is being rapidly transformed by imported technologies, it might have been useful to study the social implications of

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these technologies, particularly the manner in which these affect the family budget" (1994, 122).

<sup>19</sup> As expressed, for instance, in the work of Bhagwati and Srinivasan (1993) and Bhagwati (1993).

<sup>20</sup> Interestingly, Marx rejected the idea of an absolute, universally applicable notion of "fairness" or "equality" and questioned the idea that the "undiminished proceeds of labor" belong to all members of society. He argued that socialists needed to develop their own ideas of fairness. Here Marx was responding critically to the ideas of Lasalle and other German socialists about the creation of a future German socialist society, as expressed in the Gotha Program (1977, 564-68).

<sup>21</sup> While this may involve taking part in macro or state level politics, we want to emphasize that political attention should not ignore micro level class changes as a site for politics. Since orthodox Marxists have for so long tended to consider class struggles explicitly in macro terms, we invoke the term 'micro' to differentiate our postmodern approach. Here we partially draw upon Foucault's notion of the micro politics of resistance.

<sup>22</sup> The concept of a class-based micro politics is focused on changing the exploitative class structures of society to non-exploitative ones with the belief that such a change will, via its overdetermined and contradictory effects, produce substantial changes in other class and non-class processes thereby having a profound effect on society or the social

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totality. In this context, Gibson-Graham (1993) argue that the apparent monolithic macro existence of "capitalism" can be decentered in terms of a micro level politics of subversion and resistance.

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