

THE DYNAMIC POLITICAL ECONOMY OF PERSISTENT SOUTH ASIAN POVERTY

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[published as ch `14 pp370-396 in (eds) N Gooptu and J Parry 2014 *The Persistence of Poverty in India*, Social Science Press, New Delhi¹]

In December 2008 at the height of the Wall Street crisis the National Commission on Employment in the Unorganised Sector petitioned the Indian government for a Rs 58k crore package to create jobs and social security for 57 million of India's poor. Some 77 % of the Indian labour force brings home Rs 20 a day or less.² By definition people under the Poverty Line live and work in what is caused the 'unorganised', the informal, economy. The latter is estimated at 60 % of GDP and rising - and 93% of all livelihoods.³ Unregistered workers have no (or no effective) rights to work, no rights at work, no rights to organisation as labour, or to social security. In this way, India is a paradigm of 'indecent work' by the ILO's criteria. The Wall Street Crisis had an indirect mediated impact on some of this wage-workforce but only made their working conditions worse.⁴ The Indian workforce is highly segmented however,⁵ and in fact, the commonest form of work is not wage work but self-employment or petty production. Petty producers in the informal economy are also poor. Half the workforce categorized as PCP is unable

¹ Originally a paper for the *BRITISH ACADEMY CONFERENCE ON POVERTY IN SOUTH ASIA*, 28-29 March, 2011 Oxford Department of International Development

² NCEUS 2008

³ Countries have discretion in their definitions and measurements of the informal economy – there is no global consistency in either. India includes agriculture outside plantations. Several approaches are deployed in estimation: the sum of all own account enterprises if they have been captured in population censuses or by the system of national accounts, population census data on work status inside household for inf labour and sample surveys for firms/enterprises, for labour force status, for households and sectors which are then used for extrapolation to contribute to national income accounts. See Jhabwala, Sudarashan and Unni 2003.

⁴ Olsen, Harriss-White, Vera-Sanso and Suresh, forthcoming

⁵ Lerche 2010

to rise above a culturally and biologically defined subsistence minimum and about half the workforce earning less than \$2 a day are 'self-employed'.⁶ But in the category of own account enterprises some firms generate returns above the poverty line.

The Government of India ignored the well-reasoned job-creation and security proposal (under 2% of GDP). And its project of Inclusive Development, though expanding budgetary allocations to poor people, has not transformed its paradigm of informality. It is the question how poverty is created and reproduced in the informal economy that this essay will explore.

In the 1960s and 70s there was a rigorous debate about Indian agriculture (officially an element of the informal economy) where 70-65% of the labour force then toiled (with only a slightly smaller proportion there now).⁷ The issue in contention was the mode of production and the transition to capitalism. The stakes could not have been higher – what classes were emerging, how fast, where, what role they would play in India's development and what implications this would have for the poverty of common people. The debate was resolved for all but scholars of the extreme left (who hold that agriculture remains (semi) feudal⁸) by the incontrovertible evidence of capitalism racing across India's rural regions and rooting in her slums.⁹ The balance of rural household income is shifting from own production towards wages, just as the distributive share throughout the economy as a whole has shifted from wages to profit.¹⁰ There are practically no peasants left – by which is meant craft-scale producers mobilising their family labour and able to retreat into subsistence and yet survive.¹¹ The other aspects of pre-capitalist peasant agriculture that featured in the debate - an incomplete engagement with markets or engagement on adverse terms, the inability to exploit labour in order to generate surplus for productive expansionary investment and subordination to the state and other classes - are well in evidence in the India of the 21st century. But they are not confined to agriculture and rural regions. Their relations are reworked for commodity

⁶v Harriss-White, 2010, p8

⁷ The contributions of Paresh Chattopadhyay, Utsa Patnaik, Jairus Banaji, and Daniel and Alice Thorner are reviewed in Thorner, 1982; see also Harriss, 1982, for those of Harriss, Leiten; and Djurfelt and Lindberg,

⁸ CPI-Maoist 2005.

⁹ Shah and Harriss-White, 2011; Guerin Breman and Prakash 2009.

¹⁰ Felipe and Kumar 2010

¹¹ I have seen them only in interior Arunachal– and tribal central India may still also contain exceptions. Harriss-White, Mishra and Upadhyay, 2009

economy; they are the persistent results of capitalist transition rather than surviving as precursors of it – or ‘outliers’. There are very few parts of India left where the transition to capitalism is not over.¹²

The post-transition concerns of political economy have foregrounded the phasing out of the rural capitalist class in the dominant class coalition; the acutely fractured nature of India’s continually transforming and dynamic capitalism and its classes of labour¹³; the idiosyncrasies of regional and locally dominant class fractions of capital¹⁴; the persistent, paradoxical and yet constantly reworked regulation of capital in the informal economy by the state outside its own regulative reach; the achievement of market order through status identity as well as class relations.¹⁵ Among the few field economists and anthropologists of village India who remain, none can now avoid the dynamics and impact of migration and neo-bondage.¹⁶ Meanwhile non-economists as well as economists lock antlers over poverty – its measurement (through which it is depoliticised) – its transience or permanence - its multi-dimensionality¹⁷ – ways of making do - Self Help Groups and micro-finance as techno-cum-micro-political ‘solutions’.¹⁸ But in all this scholarly ferment, the poverty scholarship and the scholarship on capitalism rarely meet. They work in watertight paradigms and knowledge fields.

I will therefore use this opportunity to try to explore the interface between poverty and capitalism – updating, developing and specifying a general argument first published in *Economic and Political Weekly* in 2006.¹⁹

At the outset, it is undeniable that capitalism creates wealth. India’s is now one of the world’s ten largest economies and most unequal societies,

¹² Lerche, 2010

¹³ Bardhan 1998, Bernstein 2008, Lerche op cit

¹⁴ Basile, 2011, Messadri, 2009, Nadvi 2008, Rutten and Kannan 2003, Vijaybaskaran 2005, Upadhya, 2009

¹⁵ Lachaier et al 2008, Fernandez, 2012, Harriss-White, 2011, Basile and Harriss-White 2010, Morgan and Olsen, 2011, Garikipati, 2011

¹⁶ Breman 2007, Breman et al 2009, Picherit 2009, Guerin et al 2011

¹⁷ Alkire and Foster 2007

¹⁸ Ibid; and see the Solvay Business School microfinance programme, <http://www.solvay.edu/european-microfinance-programme>; the programme on rural debt and employment (RUME) at the Institute for Research in Development (IRD) at Paris-1; <http://www.rume-rural-microfinance.org/spip.php?rubrique2> the micro finance team with Jean-Michel Servet at the Graduate Institute of Geneva, Servet 2006, and the large collective projects in Manchester, UEA, Bath and Oxford.

¹⁹ Harriss-White, 2006

in which 50 billionaires account for 20 per cent of India's GDP as well as 80 per cent of stock market capitalisation.²⁰ India has two of the world's top 10 billionaires and is currently creating billionaires at the rate of 17 per annum. At another level, that of 'local capitalism', the difference between the take home income of a prominent rice miller in northern Tamil Nadu and that of the female agricultural coolie who produces the paddy he mills is about 870:1. Wealth and poverty are both absolute and relative; poverty is a state – the object of the academic 'numbers industry'²¹ - but it is also a relation. In this essay I focus on relations of poverty, on the case of India and on the counterintuitive question how capitalism produces and reproduces poverty.

For reasons of brevity as well as clarity the argument developed here does not seize three varieties of dialectical nettle. First, the ways in which poverty generating processes also create wealth are alluded to only obliquely since the former are the mirror image of the latter. Second, resistance by, and 'agency' on the part of, the poor to the processes perpetuating their poverty are incorporated briefly, sometimes to explain their failures, occasionally their successes. And third, there is space for only passing mention of the many roles of the state in conniving at the perpetuation of poverty as well as transferring resources to its victims. These three lines of argument have been developed elsewhere.²² For the same reasons, poverty is here conceived in an old-fashioned way as inadequate income and assets. There is a massive literature on multidimensional poverty, and missing dimensions of poverty associated with the concepts of human (under)development and lack of human capabilities.²³ To explain human underdevelopment as an outcome of the dynamic processes of capitalism is work in its infancy.²⁴

There are several poverty-causing relations of capitalism. They have distinctive dynamics. We have room to introduce four, selected because of their relevance to debates in India as well as their importance as social forces, and to refer to another five in less detail.

1. PRIMARY ACCUMULATION

²⁰ Asian Development Bank, 2009

²¹ Datt and Ravallion, 2010 ; versus Sen and Himanshu, 2004

²² Respectively Harriss-White 2011; Shah 2010; Chattopadhyay 2008 and his critics e.g. Basu and Das 2008

²³

²⁴ Lebowitz 2009

Primary accumulation is a dual process. First it involves labour being more or less dispossessed from the means of production in such a way as to require it to work for wages. There are two further aspects to this.

i)Debt-related pauperisation, the process in which suicides and distress migrations are extreme manifestations of loss of land-based livelihoods. In India, 85% agricultural producers own less than 2.5 acres; and livelihoods from these micro-properties are regarded as unviable by critical scholars as well as mainstream ones. Indian cities are to be fed in future from part-time enterprises.²⁵

ii)Development induced displacement: over the six decades of 'development' since India's independence, total estimates of the people who have been uprooted without compensation in favour of mines, dams, irrigation, transport, urban infrastructure and power plants vary between 30-60 million.²⁶ The state has not been interested enough to keep definitive track of them.²⁷

The second aspect of the dual process is the amassing of capital for productive investment (also called 'original' accumulation because it is logically prior to productive capital, and 'primitive' accumulation because it is often got by force: the German word 'ursprüngliche' allows for all three translations). The concept as well as the process is controversial. While Karl Marx argued that primitive accumulation was an era of history, Michael Perelman has built a strong case for its being a continual and necessary process. David Harvey has also argued for its global salience and relabelled the process 'accumulation by dispossession' and Mushtaq Khan has reasoned that *any* resources not got through voluntary market exchange require an element of force and so are manifestations of primitive accumulation.²⁸ The violent response to state land seizures for SEZs at Nandigram, Singur and in many other instances elsewhere reveals the Indian state still using the pincer always used from the time when development was state-led and regarded by the state as being in the national interest. That pincer is now ever more conspicuous when, in a contradiction with the Constitution, development is market-led and in the interests of private capital. The state exerts developmental co-ercion in acquiring land for 'development'/SEZs and it exerts repressive co-ercion in quelling political responses to non- or inadequately - compensated displacement.

²⁵ Ministry of Finance 2007,; Picherit 2009

²⁶ McDowell 1996

²⁷ . Lama 2000

²⁸ Marx 1867 ch 27, Perelman 2001, Harvey 2005, Khan 2004

Primitive accumulation is a set of processes which is bound to generate poverty and destitution in order for people to be forced to become labour and work for those with resources to hire them. Victims of this patchy, messy and pan-South Asian process range from tribal people²⁹ to Partha Chatterjee's 'political society', a concept which for him embraces 'non-corporate capital' as well as all class of labour and those being dispossessed.³⁰

While some analysts see the livelihoods in the un-state-regulated informal economy to which pauperised and displaced people are consigned as a reserve army of distressed and virtually unemployed,³¹ others interpret them as actually existing capitalism, as modern as the corporation and (still in the 21st century) accounting for more of India's recorded GDP.³² The resolution of this debate ought to have repercussions for the response of the state. If they are a reserve army – then social support. If they are the stuff of the economy, then a project to reduce the risks of - and loosen the constraints on - real increases in their take-home income.

2. PETTY PRODUCTION / SERVICES / TRADE

In India, it is remarkable that the workforce created by the on-going processes of primitive and capitalist accumulation is not completely dispossessed. According to the National Council for Applied Economic Research, between about 53-60% of all livelihoods in India take the form of self-employment / own account production / small scale production / micro-enterprise / cottage industry / 'tiny' sector / 'Bottom of the Pyramid' activity.³³ (Many analytical sub-fields, complete with their distinctive terminology, proliferate here.) Often found to generate incomes ('residual claims') that are slightly above incomes from wage work but still hovering on or below the Poverty Line,³⁴ petty production persists although theorists have predicted the opposite.³⁵ Indeed when modernity itself has been theorised in terms of factory economy, polar classes and the triumph of wage work, the petty producer is considered an anachronism or a pre-capitalist social outlier.³⁶

²⁹ Govt of India 2007

³⁰ Chatterjee 2008, Basu and Das 2008

³¹ Altvater 1993, final chapter

³² See references in Harriss-White 2010

³³ NCEUS, 2008

³⁴ Lerche 2010 using NCEUS data

³⁵ Myrdal 1965, Hodgson 2001;

³⁶ Hodgson, 2001

Yet during the period of the reforms, from 1990 to 2005 the number of the self-employed doubled.³⁷ Liberalisation has unleashed a mighty torrent of petty production.

The question why the formation of the polar classes is so obstructed has proved tough to explain.³⁸ Subsumed in the commodity circuits of capital, petty production is clearly not a precursor of capitalism – it is not the *tabula rasa* of development - it is the *result* of the dynamics of capitalism itself. While some scholars identify the inadequate development of industrial capitalism as the main cause³⁹ others invoke exchange relations which prevent accumulation.⁴⁰ These include i) relations of debt and of ii) asymmetry in payments and iii) exploitation on four markets [land/property/rent; money; raw materials and finished product/services].

Under petty commodity production (pcp), and in marginalist terms, work may carry on until its marginal product is asymptotic to zero. The producer's alleged super-efficiency⁴¹ is actually super-self-exploitation. This is how petty production/self-employment can compete effectively with firms employing wage labour and deriving economies of scale. For no employer can afford to retain labour past the point at which their productivity at the margin declines to lower than the wage the employer has to pay.

The abundant Indian literature on value chains shows how the flexibility of pcp has even been absorbed inside factory production alongside wage labour, through in-sourcing as well as out-sourcing, through sequential integration as well as simultaneous deployment.⁴² We cannot tell from looking at it whether the shirt we buy is factory-made, the product of a sweat-shop or a bit of both. Yet while pcp also survives shocks better than wage work,⁴³ it does not accumulate. In the era of billionaires, between 1990 and 2005 only 5% of the 85% of Indian firms hiring fewer than 5-wage labourers graduated to having more than five.⁴⁴

³⁷ Harriss-White et al forthcoming; Introduction

³⁸ Lerche 2010; Patnaik, 2012, took it as the topic of his Rajan Lecture

³⁹ Basu and Das 2008

⁴⁰ Harriss-White 2010

⁴¹ Lipton 1968

⁴² Ruthven, 2008, Messadri 2009, Singh and Sapra, 2007

⁴³ Olsen et al 2010

⁴⁴ Data from the Economic Censuses of 1990 and 2005 ; see Harriss-White et al forthcoming

This points us towards two threats in the working environment. The first is the vulnerability of such households to shocks, particularly health shocks in a society that has one of the most privatised health systems in the entire world.⁴⁵ But education is also privatised.⁴⁶ Necessary, aspirational expenditure on what are formally public goods but in practice private ones reduces the surplus available for the expansion of enterprises. The second threat is the relations of exchange in which petty production is embedded. Evidently, commercial and usurious forms of money-lending, interlocked contracts and delayed payments survive the challenges from Self Help Groups and micro-finance and the hopeful re-labelling of petty production in the language of entrepreneurship.⁴⁷

Despite the democratic weight of pcp, the Indian state has an entirely un-theorised development project for this most numerically populated sector. It has a multitude of practical projects for it that are often under-funded and subject to bureaucratic political sabotage when they aren't.⁴⁸ Even more to the point, the actions of the Indian state are persistently contradictory and incoherent: i) super-markets, city beautification and plans to 'get labour off the land'⁴⁹ explicitly displace and destroy pcp while ii) skeletal social security safety nets protect it from the most egregious shocks and so preserve it; iii) Micro finance and a rash of small, continually re-invented projects and programmes for more or less ring-fenced sectors of pcp actively promote it whereas iv) by not enforcing laws through which the super-exploitative advantage of petty production would be abolished, the state leaves pcp to the mercies of another law: that of unintended outcomes. Last but not least v) the state implements policies that tolerate pcp and prevent the destruction of small scale production, trade and services: for instance it provides the haven of municipal market-places for small dalit traders for whom the market street is a castellated social fortress.⁵⁰

Some scholars refer to the state as neglecting India's 'invisible other'.⁵¹ But pcp is very visible. The fact that the 'project' for pcp has been incoherent for a span of decades suggests the hardwiring into the Indian

⁴⁵ Peters and Muralidheedharan 2008

⁴⁶ Kingdon 1996

⁴⁷ Introduced and critiqued by Guerin et al 2007

⁴⁸ See the masterly review in Fernandez 2008

⁴⁹ Montek Singh Ahluwalia, 2011, Plenary Address, IFPRI conference 'Leveraging Agriculture for Health and Nutrition', Taj Palace Hotel, New Delhi, February 11th

⁵⁰ See Harriss-White 2010

⁵¹ Chakrabarti, Chakraborti and Cullenberg, 2009

economy of a form of production that is locked into poverty. It suggests that political elites, in preventing its transformation, thereby preserve a structure of prices based on very low cost production, nodding to pcg and wage work only for electoral expedience.

3. WAGE WORK, SURPLUS VALUE, TECHNICAL CHANGE AND UNEMPLOYMENT

For sure, at the level of the household the gendered, seasonal movement between pcg and wage work blur categories that are useful to think with. Is pcg disguised wage work? Labour lawyers and economists think it is,⁵² but the form of production is better conceived as poised on a contractual continuum at one end of which is fully independent production or service provision and at the other fully dependent (disguised) and open wage work. Much petty production is not independent of suppliers, buyers and money-lenders, while wage-workers themselves are often required to have their own micro-assets (hods/ baskets/ shovels/ cutlasses etc). The key distinction is that while pcg can be exploited on many markets, labour is exploited on the one.

At the turn of the century the NCAER found that 47% of the workforce consisted of wage workers, only 3% of whom were unionised. Only 7% had access to social security.⁵³ Wage work in contemporary India is characterised by casualisation, by active assaults by employers on unionisers and organisers, by low wages (particularly for women – increasingly drawn into the labour force), by debt tying, precarity and increased spatial mobility: more or less forced internal migration.⁵⁴ As a result of these kinds of processes, the distributive share – the relation between wages and profit - has greatly deteriorated against labour.⁵⁵ In agro-industry in a four-decade field study in South India for example, the relation between total wage costs and profits has deteriorated against labour from 75:25 in 1973 to 15:85 now.⁵⁶

This labour force persists in being highly socially stratified in ways the official statistical record does not reveal. Social identity (gender, caste, ethnicity and religion) provides the basis of (in)security and labour force

⁵² Sankaran, 2010; Breman, 2007

⁵³ Economic Census data for 1990 and 2005 in Harriss-White et al , forthcoming, introduction

⁵⁴ Gooptu and Harriss-White 2001

⁵⁵ In this, India is not exception to a global process, Glyn 2007

⁵⁶ Harriss-White 2011

segmentation.⁵⁷ In the very era when agriculture, suffused with identity politics, is being dalitised, its labour force casualised and feminised, it is also starting to shed labour by the crore every year.⁵⁸ And just as agricultural tenancy reverted to owner occupancy during the Green Revolution, the reverse is occurring now. Of late reverse rental markets have started to emerge in places which had little tenancy historically. This is due to landowners' and their educated sons' exiting the agricultural economy for greener pastures in the service economy - but without wishing to sell their land.⁵⁹

Capitalism is dynamised through competition. Competition takes two main forms: i) productivity-raising technical change and ii) the lowering of labour costs by the intensification of labour. Technical change is generally labour-displacing, although, because much technical change diffuses technology imported from economies with factor endowments different from India's, it does not always displace the most costly labour. Indeed it frequently displaces the cheapest, most casualised and vulnerable labour – that of women. Technical change capitalises industries and capital bias does not always mean that costs of production are reduced; it certainly means that capacity utilisation has to increase and by-products have to be commodified to make profit possible. Outsourcing the logistics of raw materials supply and binding suppliers through webs of debt, through price –reducing interlocked contracts and un-synchronous delays in payment are common and persistent ways of raising capacity utilisation while preventing accumulation by suppliers.

How can non-cost-reducing, labour-displacing technical change occur? The state has a long history of encouragement of such developments through credit (at subsidised interest) and through legislation (some of which persists in rendering labour intensive technology illegal, as in the case of rice mills).⁶⁰

Across the Indian economy, competition takes the route of intensifying labour. By this is meant the lengthening of the working day, changes in contract and in contractual (in)security so as to force greater work per unit of pay, the debt-tying of labour that forms part of the fixed costs of an enterprise and the casualizing of labour needed and shed on a seasonally rhythmic basis. On top of this, a range of kinds of brute oppression can be observed – working unprotected in the sun; forcing the

⁵⁷ Srinivasan, forthcoming

⁵⁸ Sen 2002

⁵⁹ Harriss-White 2011

⁶⁰ Pacey and Payne 1984; Harriss-White 2008

bearing of colossal loads; maintenance work using tools which make people bend double for hours at a time; sexual predation; physical assault.⁶¹ While labour does not always take this lying down, in a labour surplus economy where agriculture is increasingly unable to act as shock absorber of last resort there are often few alternatives to workplace passivity.

Since the formally protected sector is but 7% of total livelihoods and since the labour force is elaborately stratified, it is more realistic to regard casual informal labour as 'the Indian workforce' rather than as 'effectively' a reserve army for the formal sector.⁶² The reserve army of unemployed people has been - and still is - partially absorbed by, and underemployed in, the sector of last resort: agriculture. Where the rural-urban unskilled wage *differential* is 2-3 times the rural *wage* (for an example: Rs 30 in agriculture versus Rs 90-100 in rice mills in March 2010 in Northern Tamil Nadu), agricultural labour disciplines wage work in the immediate local non-farm informal economy. Workers there seek to operate informal closed shops (based on locality and caste) to protect their gains from challenges from this disciplinary force. Meanwhile agricultural labour produces the most basic and essential wage good for all households – the commodity at the bottom of the Indian price structure - food. But agriculture, and its employment 'sponge', is now leaking labour in the most advanced and most backward regions of India. Clearly different labour-shedding processes are at work in different kinds of region, but insufficient is known about them.

Minimum wage legislation is widely observed in the breach, drawing attention to the more general fact that India has a mass of employment and social security legislation which is poorly resourced, defectively implemented and which it does not enforce. Nonetheless, the NREGS - a triumph of electoral necessity and civil society mobilisation against the state - yet one which called for the state in a neoliberal era - is fast becoming an essential part of the survival of this labour force.⁶³

4. COMMODIFICATION

Capitalism also expands through inventing things in commodity form (including inventing ways of marketing, insuring and repairing commodities) and through turning non-commodities, things that can be

⁶¹ Breman et al 2009; Picherit 2009

⁶² ALTVATER1993; PATNAIK 2012

⁶³ Reddy et al 2009

produced, exchanged and consumed under social values and in forms other than those of the logic of accumulation, into commodities.

The home and reproductive activity, the means of leisure and creativity, the 'commons', including the atmosphere, the core bureaucratic functions of the state, the state's owned productive activity and the body itself are all under relentless attack from commodification. Commodification is theorised to obey the laws of concentration, economies of scale and centralisation common to capitalist accumulation;⁶⁴ but in India we have already observed that these are strongly matched by forces that preserve forms of production, trade and service that lay obstacles in the way of accumulation. The same is true of commodification. Petty commodification provides a mass of livelihoods and staves off the brute unemployment associated with technical change - but under conditions that prevent accumulation. You have only to look in Chennai where the provision of dhobi services, domestic help, tiffin and food, domestic maintenance and repair, domestic protection, garden work, rickshaw transport, hair removal, sanitary work etc services those who in turn are servicing and working in the software and BPO industries.⁶⁵

Rather than the state, it is a complex and unique civil society organisation: SEWA (and its NGO-private partnerships) that has done most to regulate and improve conditions of self-employed women and lift them above the Poverty Line. But, even with external financial help, it has mobilised less than 1 % of India's self-employed people and has not found it easy to expand beyond Gujarat.⁶⁶

The state tends to ignore processes of petty commodification or render it informal and sometimes formally illegal. The state itself, the commons, the home, leisure activity and the body are informally and sometimes illegally commodified in India.⁶⁷ Illegal activity is prey to pauperising relations of extortion.⁶⁸ The state confines itself to the eviction and displacement of work sites and dwellings, relief, rudimentary and intermittent infrastructure for utilities, and subsidies for only that subset

⁶⁴ Huws, 2003

⁶⁵ Olsen et al 2010; Harriss-White 2005 a

⁶⁶ See <http://www.sewa.org/>

⁶⁷ See Jodha 2008 on the privatisation, commercialisation and degradation of common property resources, see Harriss-White 2008 on the informalisation of the public distribution system; see Vidya Ram 2002 on the kidney trade; see Kaviraj 1997, on the illegal use of Kolkata parks.

⁶⁸ Nagral 2005 ; Harriss-White 2005b

of commodified wage goods which are essential for survival ⁶⁹- and this in conditions where 'open markets' contain classes of capital able to manipulate scarcity and engineer high inflation, as has happened in each year since the food price crisis in late 2007.⁷⁰

These then are four processes of capitalism through which poverty in India is perpetuated alongside the creation of vast wealth.

But capitalism in India doesn't stop at poverty-causing relations and processes. It has other social and political characteristics and effects that create and reinforce the poverty that is not vanquished by wealth generation. Let us look briefly and non-exhaustively at a further five pauperising characteristics.

1. CRISIS

Capitalism is prone to crises due to the structural contradiction between over-production (through the compulsions to invest, grow and compete) and under-consumption (through the need to keep labour costs - and therefore demand - low). The forms of crises generated by capitalism are many and varied but through bankruptcy, loss of savings and redundancies, crises can pauperise classes of people who were not previously poor.⁷¹ In the recent past the dynamo of capitalist growth has shifted to finance capital and taken the form of speculation in future assets, on newly securitised commodities (including some basic wagegoods)⁷² and on collateralised debt obligations by deposit-taking banks.

India weathered the 2008 crisis (caused by the latest of a series of asset bubbles created and burst by a Wall Street oligopoly and its satellites) by dint of not having liberalised its financial economy sufficiently fast to leave it exposed. Its over-protection was being criticised by elite economists at the very moment this lack of integration made it robust.⁷³ Nevertheless India suffered from the atrophication of international loans

⁶⁹ Under the essential commodities act of 1955 these are food, certain clothing, kerosene etc
[http://seednet.gov.in/Material/Essential_Commodity_Act_1955\(No_10_of_1955\).pdf](http://seednet.gov.in/Material/Essential_Commodity_Act_1955(No_10_of_1955).pdf)

⁷⁰ Ghosh and Chandrasekhar, 2010 show that two thirds of the sharp retail price rise in 2008 was not transmitted back to farmers.

⁷¹ Lee, 1998

⁷² Lines, 2010

⁷³ Addresses by Montek S. Ahluwalia, Meghnad Desai, ManMohan Singh at the Cornell-IHD Conference for Amartya Sen, December 2008, New Delhi

and from the international retreat from - and deflation of - its market in stocks. This reduced flow of investment in turn had negative multipliers for the poor – particularly in the construction industry. Remittances dropped, migrants returned home and changed the consumer –worker ratios of poor households in an adverse direction.

Reductions in demand for India's labour-intensive exports lead to job losses, the casualisation of contracts, reduced days worked, delayed payments and lower wages in the sectors concerned. In the sectors servicing these sectors, research in Chennai's slums shows that workers over 60 and households with high dependency ratios suffered most consistent declines in their capacity to balance assets and liabilities, incomes and expenditures. Households with wage-workers suffered more than those with self-employed workers. Those in services suffered more than those in manufacturing or trade.⁷⁴

Poor urban workers need the state's social security as much as do the currently BPL targeted categories of dependent people. The benefit provided is stingy, allocations are rationed and 65 and 60 are insultingly high age thresholds for pensions – many workers are burnt out by the age of 40. There is a strong normative argument - based on administrative costs and the cost of corruption - for universalised pensions as the precursor for a universal basic income guarantee. (Nepal, Botswana, Bolivia and Vietnam already have universal social pensions.)⁷⁵

2. WAR AND CONFLICT

This is not an argument that war did not predate capitalism or that war is not a common feature of human society. Although Marx and Engels themselves abhorred the destructiveness of social relations of accumulation in wars, capitalism has also been argued to develop interests in commodifying the means for war in a military-industrial complex and even in encouraging war to solve through destruction the problems of over-production.⁷⁶

Over and above the destruction of productive assets and infrastructure, war pauperises by the death of breadwinners, by the physical and psychological incapacitation of productive people, by displacement, and by the increase in non-working dependents in working households.

⁷⁴ Olsen et al 2010

⁷⁵ Dethier et al , 2010

⁷⁶ See Tabb 2007

At present the Indian state (both the central state and provincial governments) is engaged in an active military conflict with tribal people who have historically organised campaigns to resist underpayment for non-timber forest products and bamboo, who have long skirmished with Forest Departments over land use and who are currently resisting the re-appropriation of their land (for which the state acts as trustee) for mineral exploitation.⁷⁷ Since 2005, these states have signed MoUs for metal and mineral exploitation with national and international companies. State backed militias ('Purification Hunts') have razed swathes of villages; paramilitary forces have sanitised strips of land alongside communication lines physically to exterminate the Maoist/tribal resistance.

The 2008 Government of India's own remarkable report on *Development Challenges in Extremist Affected Areas* acknowledged that for large numbers of tribal people the state has never existed or exists only in repressive form. It argues that development, not war, is the appropriate response to their extreme poverty.⁷⁸

3. CLIMATE CHANGE

This is not an argument that communism and socialism did not contribute to global warming; but capitalism now bestrides the globe like a colossus and the compulsions of growth under capitalism causes the rate at which Green House Gasses (GHGs) are being emitted to rise at unprecedented rates. (Metals, minerals and biodiversity depletion which are separate aspects of environmental depletion due to industrial capitalism we will not discuss here - CO₂ is the paradigmatic environmental externality of capitalism).

Under capitalism, labour creates value from the appropriation by capital of natural resources including energy; and capitalism must grow. Any dematerialisation per unit of output is currently overcompensated for by aggregate growth.⁷⁹ The process of generating growth in atmospheric pollution (framed as a 'north-south' problem) is highly skewed in class terms.⁸⁰ The rural poor who are least responsible for it are most vulnerable to it.

⁷⁷ Shah 2010

⁷⁸ Government of India 2007, Ramesh 2011

⁷⁹ Altvater 2007

⁸⁰ Billett 2009

The relation between capitalism, the environment and poverty must be considered at two scales, though in practice they are interrelated – i) macro and ii) micro.

In macro terms India is burdened not only with prosecuting its own ‘war on poverty’ through capitalism energised by massively subsidised fossil fuels⁸¹ but it is also burdened - by the perpetrators of the heavily financed and slowly emerging global climate change ‘deal’ - with responsibility for coping with the West’s denial and its delayed responses. The UK’s Low Carbon Transition Plan for instance gives 70% of the carbon emissions made by the UK economy a BAU (business as usual) option involving the purchase of clean development credits from developing countries. These are named as China and India.⁸²

There is no historical precedent for the development model that would have to be followed by China and India for them to comply with these conditions - and they are not developing or following one - let alone for India and China to comply with these conditions while they also trigger a domestic industrial revolution based on clean energy and lower material content and impacts. As the Centre for Science and Environment’s study of the six industrial sectors producing 60% of all India’s GHG pollution concludes, the chances for such a trajectory dip dramatically after 2020 for technological reasons.⁸³ In macro-terms, India is set on a G HG intensive development model that threatens the poor whom it has as its objective to lift from their poverty. This is also the conclusion of the serving Minister for Rural Development.⁸⁴

The global and the local, the physical and the political, are intertwined. GHGs and climate change are already pauperising large numbers of (rural) Indians through rises in temperature, changes in the distribution and regularity of seasonal rainfall, an increase in both the frequency and the severity of extreme weather events and changes in salinity due to sea level rise.⁸⁵ In micro terms, temperature rises produce droughts - affecting and pauperising those dependent on agriculture. Poor harvests result in raised prices (regardless of speculation). Since they make outside work impossible or very threatening to health, they reduce incomes. Since

⁸¹ Government of India 2006, WISE 2008

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<http://www.climate-change-jobs.org/sites/default/files/Goverment%20and%20union%20plans%20-%20tech%20note%208.pdf>

⁸³ CSE, 2011

⁸⁴ Ramesh 2011

⁸⁵ Dinar et al 1998

they threaten domestic water supplies they raise the acquisition costs of water. They also intensify the already intense competition between industrial, agricultural and domestic uses of water.

Changes in the distribution of rainfall affect growing seasons and the distribution of plant, animal and human disease. Torrential rain removes topsoil, overwhelms urban drainage and sewage infrastructure and damages dwellings. Repair costs rise and opportunities for work diminish.

There is as yet no political plan for - and no technologies capable of - addressing the poverty processes described here, while replacing existing heavily polluting and heavily subsidised energy sources by renewable energy, developing new technologies light in materials and less threatening to biodiversity - and yet also dealing with carbon credits from the west on the scale envisaged.

4. TOXICITY AND WASTE

This is not an argument that pre-capitalist technology was not toxic (witness the case of the *chula* and Upper Respiratory Tract disease⁸⁶). But by itself capital is blind to the physiological toxicity or social harm of the commodities it produces - even though the poverty, the reduced productive capacity and increased private reproductive costs that result from it also reduce effective demand.

While the classic cases are weapons and drugs, in India alcohol is toxic to working people and is consumed after work as a physical and psychological painkiller by poor male workers on a rapidly increasing scale.⁸⁷ Many other industries produce toxic by-products or effluent. While the classic case is nuclear waste, in India for example leather tanneries, yarn dyeing, plastics manufacture, quarrying and open-cast mining all produce highly toxic waste. While domestic space is clean, public domains are more often than not the space of filth, waste and un-disposed-of garbage.⁸⁸ Clean public space is policed and/or physically protected.

Toxic waste actively pauperises through the raised private costs needed to survive its consequences to human, animal and plant health.

⁸⁶ Manibog 1984

⁸⁷ Kim, 2012

⁸⁸ Gill 2010

The Indian state is responsible for defining and regulating social toxicity. While India has a comprehensive legal framework for a specified set of industrial environmental externalities, these are only enforced in reaction to public mobilisation and are resisted by socially-irresponsible industries.⁸⁹

With respect to alcohol and its state regulation another set of pincers is operating. While on the one hand, alcohol consumption is hypocritically deplored by elites as a social evil of the ‘common man’ and while ‘common women’ mobilise against it, on the other hand the large streams of revenue from systemic taxes on alcohol makes possible a skeletal BPL social security system targeted at its casualties. Some states like Tamil Nadu put political salt in the wound by expanding the state-owned retail outlets for alcohol into villages.⁹⁰

Alcohol pauperises by the diversion of household resources from non-drinking dependents and by the cost of the physical damages of excess.⁹¹

5. THE NON-COMPLIANT BODY

Human development and physical development can be non-compliant with the needs of capital in two main ways, both of which are pauperising. First and ‘benignly’, sickness, incapacitating disability and the stage of the life cycle render people unable to work. The total workforce is under 40 % of the population; the larger residue (including the 10 % estimated to be incapacitated in the way defined as ‘disabled’ in the west) is dependent upon those who work. Certain industries, notably construction but also agricultural labour, exhaust the working body by the age of 40, and often before then. If old age is defined by incapacity for work (which is how working people themselves define it) then ex-construction workers and agricultural labourers who survive into later years have to live up to a third of their lives in a dependent state before they are eligible for a pension. Of course many people past the advanced age threshold for pensions continue to work for low returns – productively - until they die.⁹²

Second, less benignly, all societies have within their territorial borders people who are non-citizens in a political sense, who both society and the

⁸⁹ See Kennedy 1999 on leather

⁹⁰ ‘[Liquor sale posts an all-time high in March](#)’ L. Renganathan *The Hindu* April 4th 2010

⁹¹ Kim 2012

⁹² Vera Sanso 2010

state would banish and actively expel. In the UK it is the suspected terrorist. In India the girl child may suffer this fate before birth or in infancy – as do those with leprosy and HIV/AIDS. People who break social norms and/or who have lost the social right to be dependent (either due to the ascribed characteristics described above or sometimes just by accident and bad luck) become destitute. The word destitution has been depoliticised to refer to people below the poverty line.⁹³ But destitution – having no shelter, work, or social status - is a different process from being very poor. Destitution is criminalized.⁹⁴

Decent comprehensive social security is part of the declaration of universal human rights; it is affordable (estimates range from 4% of Indian state budgets - and it can be taxed where not required). But unless and until civil society and the state both come to include sick, non-conforming, homeless and assetless people as citizens, nothing can be done about destitution.

IN SUM

We have examined nine pauperising relations and characteristics of India's capitalism - without claiming they are exhaustive. For instance, we have not discussed here how the process is gendered.⁹⁵ While not denying that capitalism creates wealth, Indian capitalism also pauperises its workforce in which petty production is more common than wage labour. It is able to do this by dispossession, by displacement, by exchange relations preventing accumulation, by allowing the expansion of own account enterprises through multiplication instead of accumulation – and by petty commodification. It pauperises in crisis, conflict and war, through the local effects of climate change, through toxicity, through the impact of these processes at work on those who are non-working-dependents (notably the young the old, the sick and incapacitated and those who cannot find work at all) and last but not least through the social and physical expulsion of the non-compliant person.

One single policy – a universal income guarantee – taxed if necessary – would render this entire argument redundant. India's workforce needs economic and social security as much as do dependent people. But essays which finish with ringing policy implications miss the point in India.

⁹³ Dasgupta 1995

⁹⁴ Harriss-White 2005 b

⁹⁵ Harriss-White 2005a

Within the state itself (which has to implement policy to encourage and regulate productive capitalism, pay off or eliminate opposition to it and eliminate or compensate its victims) technologies of power are commonly deployed to turn rhetorically intended poor beneficiaries into victims. To explain this most basic development paradox would take another essay. But Bina Fernandez' research into the policy processes for the development of poor adivasi women (Fernandez , 2012) emphasises the pervasive nature of power practices which reinforce rather than relieve poverty. They include ignoring formally declared responsibilities , under-allocation and rationing of resources, under-performance, funding delays, the informalisation of practices protecting those threatened by state interventions, delays in legitimising informal practices, the informalisation of punishment and deterrence, diversions to ineligible recipients, absence of monitoring and information, diversion and misappropriation of funds to other purposes, inadequate supporting interventions, incoherent interventions, the proliferation of informal intermediaries, incompetence in administration, procedural improprieties and corruption . Last but not least she finds an ignorance of field conditions on the part of the state and an ignorance of state interventions on the part of the poor.⁹⁶

For the state to be part of the 'solution', it must cease being part of the problem of poverty.

NOTE

This paper was originally drafted for a British Association of South Asian Studies / British Academy Conference in Warwick University, 2010, questioning the role of European research in understanding South Asian poverty. Increasingly it seems, South Asianists in South Asia do not know of, or refer to, the work of European scholars even when familiar with North American scholarship. So in the spirit of information, in my references I have retained mention of European research as well as celebrating and acknowledging research worldwide. I am grateful for the comments on the draft of the participants at the first and second BA workshops on Poverty in India, especially to David Hall Matthews.

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⁹⁶ Fernandez 2012

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