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**CLASS FORMATION IN SOUTH ASIA**

1. Social inequality can only be understood in the context of the world capitalist system in general, in its present neo-liberal phase, characterized by world market integration of national economies, privatization accompanied by a reduced role (and changed function) of the state, and deregulation in particular. For, today's globalization originating in the most developed or centre countries and dominated by Trans-National Companies (TNCs) has a profound impact on class formation everywhere, not least in the Third World.
2. It universalizes a 'mature or late', i.e. highly centralized and concentrated capitalism that is – quite contrary to the prevalence of the factors of production in the South - capital and research intensive at the expense of labour. As a result, two types of capitalism have emerged side by side within the global capitalist system: a metropolitan and/vs a peripheral one. As a consequence, today's industrialized countries (the triad: Western Europe, US, Japan) do NOT present a historical model to be followed by the Low and Middle Income Countries. A strategy of 'late' development (*nachgeholt/nachholende Entwicklung*), of catching up in a reduced time-frame is simply illusionary. The stage of industrialization of the 18<sup>th</sup>/19<sup>th</sup> century which revolutionized the economy and society of "the West" ushering in a historical sequence of evolution from an agricultural over an industrial to a post-industrial social order does not take place in the South. Here, the secondary sector continues to contribute only a subordinate share in terms of GNP as well as manpower absorption. By contrast, agriculture remains by far the greatest labour market, while services contribute the largest share to GNP (premature tertiarization/bureaucratization).
3. In terms of class formation, a perennial process of primitive (instead of extended) accumulation is observed leading formally to a continuously reproduced juxtaposition of pre-, semi- and truly capitalist modes of production which has been termed "structural heterogeneity". Thus, the small proprietors constitute the majority of the employed population, while over 90% of wage labour and salaried workers are found in the "informal sector". Labour laws do not only not apply here, the abundance of un- and underemployed looking for work allows for miserable daily wages being paid, and do not preclude semi-feudal working conditions (e.g., child labour, bonded labour). Given the minority of wage workers, the appropriation of surplus is realized less within the classical capitalist-labour relationship, but by usury (indebtedness/money-lending), by merchant capital, through rent, etc.

4. The marginalized in the periphery of the individual national social formation (duplicating the centre-periphery cleavage on the world scale) trying to make a living in the rural areas and the slums of the mega-cities, are through the market linked to and exploited in favour of the modern capitalist sector. For, it is to the former that the function of child rearing, of refuge in case of unemployment, sickness, of care in old age, etc. is attributed. Governments accentuate this bleeding of financial resources of the marginalized with decisions on the monetization of subsidies (petrol, food rations, employment guarantee schemes, etc.) and their transfer to banks...
5. In terms of class formation, the following conclusions can be drawn:
  - The society remains in a perpetual state of transition from a feudal/Asiatic to an all out capitalist mode of production dominated by ever fewer capitalist enterprises/ entrepreneurs vis-à-vis the vast majority (more than 80 %) of the work force being engaged in wage labour for want of own means of production. Consequently, the social configuration remains highly fragmented, especially with regard to the middle and working classes. The gulf between formal and informal, really vs formally subordinated labour is found in all economic branches of the three economic sectors, even down to the individual business undertaking. It is reflected in the formation of collective identities and interest articulation (dominance of ethnic, class, religious, regional interests)
  - Four principal lines of inequality, if not of exploitation can be identified:
    1. The rural/agriculture – urban gap
    2. A horizontal gulf of inequality between regions/federal states (bimaru states in India)
    3. employers vs labour
    4. integrated vs marginalized population (formal vs informal economy)
  - Neo-liberal globalization has profited the big bourgeoisie (monopoly, trans-national capital), exemplified by big business houses such as Tata, Birla, Ambani. Moreover, new internationally highly competitive export branches such as in pharmaceuticals, soft ware, have emerged. Preferential investment conditions, low labour costs, and few restrictive legislation have, in addition, contributed to the delocalization of production processes from the North to the South often enough in the form of joint ventures. Thus, India shows the fastest growth in the number of billionaires, some of whom have become part of 'generalized monopoly capital'.
  - To the politico-economic ruling classes must be added the top bureaucracy as well as the rent seeking (traditional) big landowners, finance and usury capital.

- Neo-liberal capitalist globalization has found strong support in the modern educated new middle classes which has become cosmopolitan in outlook, and values the emphasis on individualism and consumerism. They dominate the media.
- The subordinate classes and social groups appear by contrast structurally fragmented and politically highly divided. While the growing inequalities together with the increasingly obvious class character of the state (collusion of state with (trans-national) capitalist interests), foments different types of social conflict, they concern, however, essentially aspects of distribution, rather than questions of the capitalist social order as such.

Above observations present an overall frame of reference of the underlying structures of peripheral capitalism. They form at least part of the bases for social conflict. The latter's manifestations remain however to be analyzed in the context not only of the particular state of development of a particular society (thus Nepal is far less developed than India or Sri Lanka). In addition, aspects of the nature and composition of society, including traditional collective identities, political institutions, other forms of interest articulation, etc. have to be taken into consideration.

There is, finally, the status and role of women to be taken into account, which only partly overlaps a purely socio-economic analysis.