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# Puzzles of Indian Commodity Production

Capitalist Exploitation and  
Heterogeneity of Rural and  
Informal Sectors

JAKOB GRAF



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ROSA LUXEMBURG STIFTUNG SOUTH ASIA

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Commodity Production***  
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of Rural and Informal Sectors**

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Die Beiträge geben die Meinung ihrer jeweiligen Autoren wieder und stehen auch für uns, und unserem Verständnis nach, zur Diskussion.

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## Preface

The debate on »modes of productions« in India is an old debate and goes back to the 1960ies. One might think that this is about a 'theoretical' debate, as it seems about classifications, economics and history. But the contrary is the truth! This debate, which is not only important in South Asia, is within the core of an ongoing discourse of academics as well as activists trying to find adequate answers to the Indian society and explore concrete steps how to overcome a condition wherein *"man is a debased, enslaved, abandoned"* (K. Marx, 1843) human being.

Originating from Berlin, Jakob Graf did an internship in our office in 2014 for several months. He took up the tremendous task to dig deep into the economic practice and formations in rural as well as in urban India to find some new answers, which would fit the world we are able to explore each day on the roads. Political left activists feel day-by-day, that the socio-political framework they normally subscribe to does not any longer fully fit to the challenges this society provides. Jakob's dense paper reveals and brings forward some of the questions the South Asian left and we have been dealing within the last years, while establishing the new office of RLS in South Asia. Which social entity suffers most under the hardship of capitalist development in India – and is there such a thing at all? Which class for example is the biggest obstacle for the needed progress? However one would answer such immensely important questions, the response would determine practical steps into actual politics. I'm pretty much convinced that a thorough re-thinking needs to be done!

Certainly Jakob's close link to the German magazine *"Prokla"*, where he serves as a staffer, has helped him as much as being part of a team which runs schools on reading Marx's *"Capital"*. But even with this background still the task he took up was surely too ambitious for an internship. He anyhow took it up against my initial warning, that this might kill his time-frame and would hardly leave him any time to explore India in real human terms. He was stubborn enough and though ended up with an extremely difficult undertaking to get together in a nutshell "Puzzles of Indian Commodity Production". In a farewell letter to me he admitted: *"As you already know, I would have loved to spend less time at the study desk. One doesn't get to know a society sitting in front the laptop or a book. All the endless articles, general statements and statistics ordered in diagrams do not provide a full understanding of this society."*

His immense commitment and ascetic attitude provide us now with a tremendously interesting and thought-provoking text - therefore I'm extremely happy he took up the challenge and did not listen too much to my cautions.

New Delhi, January 2015

Carsten Krinn  
(Resident Representative)

# I. Introduction<sup>1</sup>

While the old capitalist countries have to contend with low growth rates, eyes turn to countries like India. High economic growth and corporate profit margins can be observed, enjoyed and expected. Some areas like the IT-sector or the pharma industry are of special interest. But in terms of numbers of employees this capitalist dynamic and accumulation is limited to a small part of the Indian economy. The vast majority of Indians is not part of the highly value adding capitalist economy. 70% of the population are living in rural areas (Chanramouli 2011), where subsistence production, public or self-employment is predominant. Also in cities, large capitalist industries are rare compared to the bulk of small producers. There are various types of modes of production to be found in the different areas of the Indian economy. Notwithstanding the small share of capitalist production, I claim that the capitalist relations of commodity circulation and accumulation clearly dominate the economy on a macroeconomic level. This implies a capitalist state and rule of law. More and more neoliberal policies are directed towards an integration of the Indian economies into the global division of labour, growth of selected industries and characterised by a neglect of agriculture and the various types of excluded economies of the third<sup>2</sup>. This development is not leading to notable job creation and its growing wealth does not benefit the majority of the Indian population. Some authors define different sub-economies in post-colonial countries like India. Rajesh Bhattacharya and Kalyan Sanyal for example speak of an accumulation economy, on the one hand, and a need economy, on the other hand. The former is organised around the logic of accumulation of surplus, whereas the latter is aiming at provisioning sufficient goods or income for subsistence (Bhattacharya/Sanyal 2011). The coexistence of the various types of societies and modes of productions is not at all without conflicts – especially conflicts over the control of land.

The emergence of European capitalism was characterised by fast industrialisation and by a huge migration of dispossessed labourers to colonies like Australia or North America, leading to a situation of scarcity of labour. Europe was and is dominated by the capitalist mode of production. In this paper, the following features are of main interest: it is characterised by economic agents producing in order to sell on markets which connect the isolated private producers. These agents offer their products according to an imperative which drives the owner of the

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- 1 I have benefited a lot from comments, critique and help from different people. Without them I would not have managed to write a paper on Indian economy. I have learned a lot discovering the Indian society and it often challenged my understanding of capitalism as I experience it in Europe. Conversations brought me to question my approach. Hence, I see my paper as work in progress. Special thanks to Rajesh Bhattacharya, Anjan Chakrabarti, Michael Heinrich, Afsar Jafri, Konrad Jung, Vinod Koshti, Carsten Krinn, Mritunjay Mohanti and Thomas Sablowski.
  - 2 Anjan Chakrabarti and Anup Dhar call the parts of the economy which are excluded from the circuits of global capital the 'world of the third' (Chakrabarti/Dhar 2012).

means of production to use the surplus in order to produce more surplus, capital. On the other side, the dispossessed labourers need to offer their labour power. Exploitation of labour is subject to the movement of capital, i.e. money invested to make more money. At the same time, agents are assigned to different class positions or at least functions (owners, managers and labourers) within the production process.

In contrast to India, scarcity of willing workers has been, at least in early phases, a feature of European capitalist development. According to Devinder Sharma the World Bank has estimated that there will be approximately 400 million displaced people in 2015 which “[...] constitute the new class of migrants – agricultural refugees” (Sharma 2007). Additionally, India's working class is very young and, in contrast to the other Asian countries, will reach its peak in numbers in the end of the 2030s or around 2040 (Bloom 2011). But these labourers are not absorbed into a capitalist production. Instead, from the perspective of the fast growing sectors of immaterial labour, material production “[...] becomes a dirty activity, which is to be relocated outside the city limits, just as the city waste is dumped on the outskirts of the city” (Bhattacharya/Sanyal 2011: 44). Thus, the majority of Indians is dependent on different forms of 'need economies'. There is no substantial expansion of big industrial enterprises and real subjection of labour to capital seems not to be the path of Indian development. There is no trajectory towards a schoolbook development of capitalism but a mix of various social entities and relations of productions. Instead of a scarcity of labour there is a scarcity of land.<sup>3</sup> For various reasons, labourers stick to their land. The vast majority of workers work in the family's own plot of land, in small firms or as informally self-employed workers. The 'double free' wage labourer, often seen as the crucial feature of capitalism, is not prevalent in Indian economy. Not the dispossession of the workers from the means of production is significant but their slow loss of control: “[...] formal subsumption of labour and a reliance on extraction of absolute rather than relative surplus value is observed” (Basole/Basu 2011b: 74).

Given this situation of a variety of different economic areas and relations of production, this paper explores what different types of exploitation of these areas are to be found. There are two assumptions at the base of my argumentations. Firstly, I assume that the majority of agents who extract surplus or subject labour are acting on the intention to increase their invested money. Their position is not sanctioned by rule but by a mix of personal hierarchies and most of all personal wealth. Thus, I do not see them as 'feudal lords' but rather as agents using the logic of capital to increase their wealth. Secondly, as mentioned earlier, I see the macroeconomic level as being dominated by markets and impersonal division of labour in the society as a whole. Finally, I do not put capital into the centre of social *progress*. Anjan Chakrabarti and Anup Dhar speak of an Eurocentric perspective when capital is placed at the centre of progress, in effect reducing non-capitalist or

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3 Mritiunjoy Mohanty and others see that as a main feature of the eastern path: “East South-East and South Asian societies have been characterised by a scarcity of arable farming land relative to the populations that they have had to support. (Mohanty 2012)

'marginal' capitalist economies to the 'lacking other' (Chakrabarti/Dhar 2012). I do not see these spaces as inactive and lacking behind, but as lively societies contesting the dominance of bourgeois law and capitalist dominance.

In part two of this paper I will clarify my theoretical understanding of the most important theoretical terms which I take from the Marxian discourse on political economy. Since I assume that markets play a decisive role, I will at first describe my understanding of impersonal markets. Secondly, I will clarify my understanding of different modes of capitalist exploitation. In part three, I will take a look at the Indian agrarian sector and find that subsistence production is very important to the majority of farmers and that they have to be seen as partially proletarianised. Various modes of exploitation, play important roles in this context. Many different sources of wage income and self-employment in different sectors are crucial to the survival of the rural society. Self-employment and migration leads from the villages into the urban slums, whose economies are often characterised as simple commodity production, in contrast to capitalist commodity production. There are, for example, far more workers employed in small firms than in big industrial factories, even in manufacturing. I will look at this connection of agriculture, migration and the non-agrarian informal sector as a whole in part four. In the sectors of urban small-scale production, trade and services, there are different modes of production, subjection of labourers to capital, surplus extraction and labour arrangements to be found. Finally, my aim is to get an understanding of how the different modes of production are connected to capitalist exploitation and markets, notwithstanding their peculiar social relations. I will look at this in the last part of this paper. At the end of the day this is not a harmonic articulation of different modes of production at all, but a situation of contradictions and conflicts.

Finally, a personal annotation: The initial idea of this paper was to improve an understanding of the Indian economy as part of the global circuits of capital. Especially in Europe there are only some theorists who are familiar with the Indian debate on its modes of production. My particular understanding of capitalism and its emergence in Europe is surely reflected in the theoretical argumentation in this paper. Nevertheless, reading papers of Indian theorists and visiting certain communities in India, I was stunned by the heterogeneity of its economy. At the same time, this was one of my main problems. I tried to find general structures in the Indian complexity without losing the particular. But getting a real understanding of the latter was very difficult; not only because of language problems but also because of the amount of case studies I would have had to go through. This paper mirrors the current status of my theoretical engagement and is therefore, of course, in many ways incomplete. I am sure that the European debate on the critique of political economy can learn a lot from a close theoretical discussion with our Indian comrades.

## II. Subjection of Labour to Capital and External Extraction of Surplus

### 1. *Impersonal Market Relations and Capitalism*

Markets have preceded capitalism. They have linked different societies and modes of production all over the world, as they do today. Also capital precedes capitalism, as Marx notes, “[...] merchant's capital appears as the historical form of capital long before capital established its own domination over production” (Marx 1894: 216). This division of a sphere of circulation of commodities on the one and certain modes of productions or producing societies on the other hand characterises capitalist economies in a particular way. The social division of labour in capitalist economies is linked by impersonal market relations. That means, in contrast to the markets preceding capitalism capitalist markets link producers which often only produce one kind of commodity. These markets are not externally linking different societies but different producers, which depend on each other in a social division of labour. The fact that this division of labour consists of various autonomously producing entities also makes it possible that these entities take different forms of production and exploitation. Through the division of labour and mediated by the market these different modes of production constitute a heterogeneous economy that is not simply characterised by one mode of production. But what does 'impersonal market' mean in this context?

Looking at Europe's history in her book *Impersonal Power*, Heide Gerstenberger describes how the emergence of the market as a competitive system of private commodity owners was a result of struggles against a regiment regulating individual positions in the social process of production and distribution (Gerstenberger 2007). During the *ancien régime* one's position was determined by the sanctioning of rule (ibid.: 649), whereas abstract wealth increasingly became 'a standard of value' (ibid.: 651). In Gerstenberger's view, “[...] capitalist form of production and distribution could only become dominant *after* the personal character of power had been (largely) abolished” (2007: 662). De-personalisation of power does not mean that the state is absent in the economy, on the contrary, the state shapes a legal system in which market players interact with each other by exchanging commodities. Where the social position is not declared by rule

anymore, the state organises and ensures competition of legally equal participants on the market. Economic agents enter into contracts for the exchange of certain products or services. In this relation, where the purchaser is in need of a certain commodity and seeks for the lowest price, she is able to fully abstract from the particular person offering the commodity. For the buyer all the providers are the same as long as their product is the same. In the provider a buyer only sees the vibrant commodity, she wants to have. In the eyes of the vendor, on the other hand, the purchasers are only bearer of money, because the abstract value they are longing for is in their pockets. There is no state regulation and thus, given that there is no monopolistic relation, buyer and vendor are not bound together, but enter their exchange relation voluntarily. As Marx says, these relations “[...] appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things” (Marx 1867: 47). In impersonal market relations, agents are able to freely choose to whom they sell and from whom they buy. This is why the contract is 'voluntary'. Even if you are, out of need, forced to sell or buy, you are not forced to sell or buy to or from a particular person. This element of choice enables competition, which is typical for market economies. As Marx says, before you enter the production process, the market relations of exchange might seem as the “very Eden of the innate rights of man” (Marx 1867: 121). When Marx says that in this 'Eden of human rights' the economic agents are “[...] constrained only by their own free will” (ibid.), we have to understand this as a critique of nineteenth-century liberal-individualist ideology (Banaji 2013: 137). Marx' *Critique of Political Economy* has to be read, among other things, as an analysis of the coercive moment of market mechanisms. This is not only true for the worker, who has to sell his or her labour power, but also for enterprises competing with others and depending on the movements of prices. On the one hand, impersonal relations make an economy possible in which suppliers of all kinds compete with each other on the market. If the purchaser is not interested in a particular supplier, but buys from anyone who offers cheap and good commodities, it also means that the producers must be able to shift from one branch to another. In capitalism, capital moves from branch to branch, wherever the returns are highest. The distribution of labour among different branches is then determined by profitability. On the other hand, the impersonal character of this market relation is always under threat. This is why contracts take place under a certain legal control of the state. In order to maintain a situation of competition, it must be guaranteed that both agents exchange money and commodity in the generalised impersonal manner. The matter of contract is only a certain service and not a random dependency.

At the same time, even in most capitalist societies, social division of labour and distribution of wealth do not function *exclusively* through means of impersonal relations. Various personal hierarchies and dependencies like gender or race play important roles especially in the process of production. Although, the dismissal of personal regulation of the social division of labour and the distribution of products and services might be an essential feature of capitalism, the notion of individual

equality in the sphere of circulation is often just an empty promise. Especially in the Indian economy, impersonal competition is entangled with different types of personal power.

Furthermore, Indian markets connect very diverse modes of production. A diversity consisting of: a capitalist software industry selling to global markets, a small-scale manufacturing sector which is only sometimes a moment of the circuits of capital and a broader simple commodity-producing and subsistence sector which seems disconnected in many ways from the capitalist parts of the economy. As I argued above, on a theoretical level, impersonal market relations enable the connection of various modes of production. At the end of this paper I will come back on the question to what extent one can find impersonal markets in the Indian economy. But, there is a heterogeneity not only regarding modes of production but also regarding forms of exploitation and relations between employers and workers.

## 2. *Labour arrangements*

Sharad Chari analyses the Gounder caste in South India<sup>4</sup> and finds that in their agricultural production in the 1930s they used a whole set of different labour relations (2014b: 766f.). The spectrum of arrangements included unpaid family members, other hired Gounder families who lived with the household, indentured lower caste families, male labour paid in kind and female labour paid in cash (ibid.). Even though the personally tied workers of the same caste who were regarded as family members were privileged to the lower caste worker, their work relations were both characterised by personal dependency. There was a variety of forms and levels of coercion and domination in these personal ties. I argue that labour arrangements in India are still predominantly characterised by personal ties and that this predominance of personal ties does not preclude a capitalist process of production.

Since the 1970s one of the crucial questions in India's 'mode of production-debate' is, whether or not *double free* wage labour has to be seen as *the* essential feature of capitalism. Double free meaning the voluntary contract of the labourer and the lack of means of subsistence. As Jairus Banaji claims, contracts are never voluntary (Banaji 2013: 131). The economic situation makes it necessary for the producer to sell her product or for the worker to sell her workforce.<sup>5</sup> Thus, the valorisation of products or the need of subsistence urges one to enter the contract. This is defined as *economic* coercion, in contrast to extra-economic coercion which is *not only* defined by economic necessity. The freedom lies in the particular decision the worker makes, when she is looking for someone to whom to sell his or her labour power.

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4 See part IV.3 of this paper.

5 Marx notes that, looking at the "[...] grouped masses of men, who have nothing to sell but their labour-power. Neither is it enough that they are compelled to sell it voluntarily." (Marx 1867: 516)

In Europe's history feudal exploitation was characterised by fixed social positions in the society's hierarchy. Exploitation was the extraction of surplus, taken from a farming community, through a personal bond. Bondage was a structural element of the society as a whole. The bonded labourers were not wage labourers but holders of their means of production and they were producing most of their consumed goods themselves. In contrast, workers which are tied to employers in today's India must in many cases be seen as wage labourers as they depend on the income of wages. This is why I speak of attached wage labourers if there are ties between workers and employers or of ties between small producers and purchasers or creditors and not of bondage as a structure of the society as a whole.

If we take the impersonal market relation and capital's urge of accumulation as the essential features of capitalist production, there is no reason why a single capitalist production is necessarily based only or even mainly on 'free' wage labour. Instead, the labour arrangements have to be seen as a structuring of the particular way of exploitation. Thus, different labour arrangements are just diverging strategies of capital to control labour. From India to Europe and the slave plantations in the Southern states of the American Union, history is full of example where hired wage labourers are in one way or the other bound to their employer (*ibid.*: 140ff.). The 'free' labourer makes a contract with the employer over a certain type of work and a certain amount of money. In this sense the relation is impersonal, as there is no additional tie between worker and employer besides the contract. The additional tie, turning this relation into a relation of personal dependency, is regarded as extra-economic coercion. In most cases – as I will show regarding India – the additional tie, binding the worker to the employer, leading to a personal dependency, operates through debt. Indebtedness in this context is not like a bank loan, but more like an advance reward the worker is not supposed to ever be able to pay back (*ibid.*: 144f., 148f.). The overlapping of different markets, labour and the credit market for example, just like different social hierarchies as gender or caste can tie workers to a certain type of work or employer. As long as the latter uses these workers with the purpose of producing commodities and selling the products on a capitalist market in order to make profit, these labour arrangements have to be seen as part of a production process dominated by capital. At the same time, workers which are dispossessed of the means of production, working for wages have to be seen as wage labourers even though they are tied to the employer.

Thus, different labour arrangements can be part of a strategy of capitalist production. Moreover, personal ties are prevalent in the Indian context, if we look at the economy as a whole. The great majority of India's work force is not subjected to capital in the 'classical' way, since the Indian economy is dominated by small enterprises with only family members as workers. As I said, the personal tie of family members must also be seen as a personal bond of labourers in contrast to the 'free' wage labourer. There is no economic necessity for the double free wage labourer. In a capitalist economy as a whole, capital needs to find an employable reserve army and it is an advantage of capitalists that they can just throw out

redundant 'double free' workers without being responsible for them. At the same time, it can also be a rational strategy for employers to tie certain workers. Looking at the exploitation of labour, the question of economic and extra-economic coercion turns out to be very much dependent on relation of forces and social struggles. The ties of labourers to a certain employer or firm, just as the subjection of small producers to capital can occur in very different forms and strength. One of the crucial questions to be answered is, how this subjection of small producers to capitalism works.

### ***3. Forms of Subjection of Labour to Capital***

As I mentioned above, merchant capital preceded capitalism and has exploited labour long before capital conquered the production process (Marx 1894: 214ff.). This means, that capital can be external to production and can appear connecting many different modes of production. The “[...] trading nations of ancient times”, Marx writes, “existed like the gods of Epicurus in the intermediate worlds of the universe [...]” (ibid.: 217). Thus for him the “[...] independent and predominant development of capital as merchant's capital is tantamount to the non-subjection of production to capital [...]” (ibid.: 216). Nevertheless, as it becomes clear once we look at the Indian agrarian and the informal sector, merchant and usury capital can very well structure the process of production. Furthermore, Marx observes that capital does not necessarily remain external to production, but “[...] will subordinate production more and more to exchange value [...]” (ibid.: 217) and “encompasses no longer merely the surplus of production, but bites deeper and deeper into the latter, and makes entire branches of production dependent upon it. Nevertheless this disintegrating effect depends very much on the nature of the producing community” (ibid. 217f.). Following Marx, firstly, it is necessary to distinguish different forms of subjection of labour to capital. Secondly, it is necessary to assess what type of subjection of labour is favourable for capital under what circumstances. Thirdly, although this is only covered briefly in this paper, an analysis of the concrete ‘producing communities’ is required. The first two questions are addressed in this part, whereas the third is to be outlined in the specific Indian context.

The term of 'formal subjection of labour to capital' by Marx describes the subjugation of artisans to capital as a precursor of capitalist industrialisation leading to and being based on real subjection of workers to capital. Formal subjection means, that capital brings together small producers under one roof. The “[...] capitalist enters the process as its conductor, its director [...]” (Marx 1864: 469). She owns the means of production (ibid.: 473) and only through the dispossession of the workers the latter are forced to enter the process of exploitation. Marx' term 'formal subjection' excludes the use of any personal force or personal dependency between capitalists and workers. There is only a “[...]”

money relation between the person who is appropriating the surplus labour and the person who provides it [...]” (ibid.)<sup>6</sup>. Under the conditions of formal subjection, surplus value can only be increased by the prolongation of the labour time or the decline of wages. Exploitation of absolute surplus value therefore is the strategy of capital in this case (ibid.: 470). According to Marx, the difference between real subjection and formal subjection is, that real subjection starts a “[...] revolution in the mode of production itself, in the productivity of labour and in the relation between capitalist and worker” (ibid.: 478). The changes in the labour process are the essence of this revolution (ibid.). These changes refer to machinery, science and number of workers.

I subsume real and formal subjection under the term *direct subjection of labour to capital*. Marx assumes an economic tendency towards real subjection (Marx 1867: 355). Historically the rapid development of productive forces, the emergence of huge industrial machinery involved a process towards real subjection of workers to capital. This development is associated with a clear division of classes and homogeneous relation of production. Labour arrangements, however, can be complex and skewed even under real subjection of labour to capital. Although Marx states in *Capital* that wages by the piece “[...] are nothing else than a converted form of wages by time [...]” (1867: 384), this conversion makes a difference: In “[...] time-wages, with few exceptions, the same wage holds for the same kind of work, whilst in piece wages, though the price of the working time is measured by a certain quantity of product, the day’s or week’s wage will vary with the individual differences of the labourers [...]” (ibid.: 385). The employer can use competition, hierarchies and conflicts among the workers as a strategy to keep down workers organisation and wages: “But the wider scope that piece-wage gives to individuality [...]”, Marx says, “[...] tends to develop on the one hand that individuality, and with it the sense of liberty, independence, and self-control of the labourers, and on the other, their competition one with another. Piece-work has, therefore, a tendency, while raising individual wages above the average, to lower this average itself” (ibid.: 386). The employer can create hierarchies between workers, by installing different levels of middlemen. Marx refers to an example in England called the ‘sweating system’, where a head worker receives a certain price per piece and pays less to his assistant workers (ibid. 385). Workers exploiting workers becomes a part of capitalism. Marx concludes “[...] that piece-wage is the form of wages most in harmony with the capitalist mode of production.” (ibid.: 386). This does not mean that piece-wage is always more profitable. Marx also notes that, if the capitalist is not able to lower the price per piece, he could also try to convert piece-wage into time-wage.

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6 In other words: “The capital-relation is a relation of compulsion, the aim of which is to extract surplus labour by prolonging labour time — it is a relation of compulsion which does not rest on any personal relations of domination and dependence, but simply arises out of the difference in economic functions.” (Marx 1864: 470). Or later on: “If the relation of domination and subordination replaces those of slavery, serfdom, vassalage, patriarchal, etc., relations of subordination, there takes place only a change in their form. The form becomes freer, because the subordination is now only of an objective nature; it is formally speaking voluntary, purely economic.” (ibid.: 474)

Hierarchies and competition between workers just like workers exploiting workers are labour arrangements which are at the disposal of capital. But Marx limits his analysis to arrangements in which workers are bound only by money relations and not by personal dependencies. From this point of view, capital can only force the worker to join the capitalist process of production because and if the worker is dispossessed of the means of production. Marx' use of the terms formal and real subjection of labour to capital is therefore limited to *'double free' labourers* who do not own any means of production. That is why I add the term *indirect subjection of labour to capital*. This term comprises relations of production, where capital has a certain control over the production process, but does not necessarily own the means of productions. Instead, capital uses different power relations to keep small producers in a dependency from capital in order to appropriate a surplus. The small producer's production becomes an element of the circuit of capital. Marx mentions an example:

*"Usurers' capital*, for example, in so far as it advances raw material, instrument of labour or even both, in the form of money, to the direct producer, as e.g. in India. The immense interest it charges, the interest payments in general it thus extorts from the direct producer, irrespective of their size, are only another name for surplus value. In fact it converts its money into capital by extorting unpaid labour, surplus labour, from the direct producer. But it does not become involved in the production process itself; this continues alongside it in its traditional manner. Usurers' capital springs up in part because of the stunted development of this mode of production, and in part it is a means of *keeping it stunted*, and making it continue to vegetate in the most unfavourable conditions. Here the formal subsumption of labour under capital does *not yet* take place." (Marx 1864: 471)

Producers owning some or even all of their means of production can still be in a deep dependency from usury, merchant or industrial capitalists. This does not mean that capitalist control the process of production. If capital does not control the production process at all, it just exploits labour by *external extraction of surplus*. Indebtedness of a producer to a bank, for example, enables the bank to seize a certain amount of the produced value. A trader, who buys cheaper from the producer than he sells to the consumer, seizes his share of the produces value. This extraction of surplus value is just external, as long as the bank and the trader do not gain control over the production process. If small producers are not or at least not fully dispossessed, capitalists need to use other methods to keep small producers dependent and to increase surplus extraction. To speak of *indirect subjection* of small producers to capital, it is required that capital enforces a certain control over the process of production. Consequently, I make a distinction not only between direct and indirect subjection of labour to capital, but also between the external extraction of surplus value and indirect subjection of producers to capital. Indirect subjection of labour to capital can again be differentiated. On the one hand capitalists can seize the control over the production process thanks to its monopolistic position, i.e. economic coercion, where producers just have no other

output destination. On the other hand, producers can be tied to certain capitalists through personal dependencies. I will discuss various forms of these dependencies in the Indian context in the next parts.

simple commodity production		subjection of labour to capital		
impersonal market relation	external surplus extraction	indirect subjection of labour to capital	direct subjection of labour to capital	
			formal subjection	real subjection
capitalists do not own the means of production		capitalist does not, or at least not entirely, own the means of production	capitalist owns the means of production	
capitalist does not control the labour nor the production process		capitalist does not control the labour process but gains certain control over the process of production	capitalist controls the labour process	
process of production is not part of the circuit of capital		process of production forms part of the circuit of capital	process of production forms part of the circuit of capital	
agents enter the market as equals	market relations enable an extraction of surplus	ties because of a monopolist market position or personal dependencies	Ties because of a formal contract or personal dependencies	
labour process still works in the mode of the artisan	labour process still works in the mode of the artisan	labour process still works in the mode of the artisan	labour process still works in the mode of the artisan	industrial revolution

In contrast to Marx, I think that there is no necessary economic development towards either of these forms. Under certain conditions, either external extraction of surplus, indirect, formal or real subjection of labour to capital is the more profitable form of exploitation. If an industrial production is characterised by big and expansive machines, indirect subjection of labour to capital and outsourcing to small producers is unlikely to happen. If a production process is characterised by desk work, small machines and no need for spatial concentration of workers under one roof, capitalists can as easily switch between direct and indirect subjection. The outsourcing of certain tasks to a low paid piece-wage worker who owns her small machine herself can indeed be more profitable. High competition among small producers benefits the capitalist, as well as their release from responsibility for the labour process. For capital, investing in machines is only rational if it increases the rate of profit. Machines are only profitable if they are cheaper than the wages of the workers which they replace. That means if worker's wages are very low, there might be no incentives to invest in better and more expensive technology. Capitalism does not necessarily lead to replacement of workers by

machines and thus does not necessarily lead to real subjection. Direct subjection (real or formal), however, can be the consequence of other motivations: Firstly, the employer wants to directly control the labour process to secure the quality of goods or services in order to fulfil certain standards. Secondly, the employer wants to control the workers, separate them, educate some and harass others.

There are also certain reasons why *indirect* subjection of workers to capital might be economically rational. As mentioned earlier, the competition between workers or small producers can lower the average of prices the capitalist has to pay. The isolation of small producers leads to a situation where joint resistance is less likely and to hierarchies among workers, thus to a decreasing bargaining power of workers vis-à-vis capital. At the same time capital can channel the risks of price volatilities in global markets to the small producers. Capital can just stop buying these products and as it does not own the major part of the means of production it can easily switch to other branches. Finally, capital is not considered responsible for the labourers' working conditions, the environmental damage etc. caused by the production process. Nevertheless, indirect subjection of labour to capital implies that capital maintains some control over the producers. This can take different forms. Either there are personal ties or capital occupies a monopolist position in the market.

Finally, capital of course does not always choose the most profitable way of exploitation. The form of exploitation depends very much on the wage level, the means of production – big industrial machines, small workshops, laptop-work etc. – and of course on the struggles and the type of worker organisations which contest these strategies. Furthermore, a country's tradition and its particular history and culture also play an important role. It is therefore necessary to look at the particular Indian context in order to understand the specific modes of exploitation.

#### ***4. External Extraction of Surplus Value and Indirect Subjection of Producers***

In the Indian context different forms of external extraction of surplus value can be found. The overwhelming share of the Indian workforce is employed in agriculture, small production or trading units. This is why Basole/Basu speak of petty or simple commodity production as a crucial feature of Indian capitalism (2011b: 75). Although small producers often buy from each other, many of them are integrated into relations of 'unequal exchange', which according to Basole/Basu have to be seen as "[...] a preeminent mode of surplus extraction in the Indian economy" (ibid.).

Small firms and farms count for the vast majority of the Indian workforce (92.4%) but only for less than 50% of the GDP (NCEUS 2008: 6). This divergence is not only a question of firm size but also of sectors. About 60% of Indians work in agriculture, but produce less than 14% of India's GDP (ET 2013). This huge share of the total working hours is rewarded only with a small share of the national wealth. The same is true for the manufacturing sector. The small unorganised producers employ the major share of the workforce but only receive a small share of the value added in this sector. The national income is distributed highly unequally among the Indian workforce. GDP per worker in agriculture, for example, was only one sixth of the GDP per worker in the service sector in 2004-05 (Singh 2010: 96). There are at least three reasons for this: Firstly, many agricultural workers are producing for self-consumption which is not counted as a contribution to GDP. Secondly, the consumer prices of some main agricultural products are low compared to the prices of other sectors. The 'value-added' by new economy workers in the software sector, for example, selling their products on the global markets, is incomparably higher. Thirdly, there are chains of middlemen, forcing the small farmers to sell at low prices whereas the middlemen sell for much higher prices. These middlemen chains use their market power, knowledge of the field, speculative hoarding etc. to appropriate a maximum price difference – what then is counted as a value added by the service sector in macroeconomic terms. At the end of the day, the market mechanisms value the huge amount of agricultural and small-scale production work far less than other types of work. This difference in 'value-added' by labour-time, cannot be explained only by declaring new economy workers as skilled workers in contrast to 'unskilled' work of small manufacturers or farmers. Instead, the value produced by the Indian working class, considered as one collective worker, is distributed very unequally. A huge amount of the small producers' surplus value is appropriated by other sectors. Various forms of this appropriation fall under the category of external extraction of surplus value. All this casts doubt on whether one can speak of the Indian economy as *one* economy and the Indian working class as *one* collective worker. Maybe it is right to divide the Indian economy into a capitalist one and into something that might be called simple commodity production or need economy (Bhattacharya/Sanyal 2011). This is to be discussed in the last part of this paper.

External appropriation of value often turns into the subjection of producers. Debt is particularly likely to turn into forms of personal dependency. This is true, especially in the Indian context, where informal moneylenders are common. As I mentioned earlier, indirect subjection of producers to capital implies a certain control over the process of production and therefore a certain relation of dependence. In India, small farmers are often indebted to local shopkeepers, who also supply them with seeds and fertiliser. This is a situation which creates a subordination of the farmer's production to the will of the shopkeepers. Such relations can also be constituted by personal ties, e.g. inner-caste relations. An example for this, to which I will come back later, are the Gounders, who organise a caste-dominated small-scale garment production. These dependencies can also be

assured by hierarchies between different castes, especially in the villages where certain castes are bound to particular types of work and labour arrangements. Certain strategies, for example using caste identities, are necessary to keep small producers in their particular situation of dependence. As I argued above, the subordination of the small producers has to be seen as subjection of labour to capital insofar as the creditor or merchant acts in a capitalist manner for the sake of profit. Monopolist positions in the markets are a common feature of indirect subjection. Small tailors and embroiders in the garment production, for instance, are not only dependent on the contractor because they supply designs, but also because they are the only buyer of their products. Hence, there are different strategies of capital to subject producers.

### **III. Relations of Production and Forms of Exploitation in India's Agriculture**

#### ***1. The Basic Agrarian Layout***

According to the Census of India, in 2011 nearly 70% of India's populations are living in rural areas (Chanramouli 2011). Nearly 60% of Indian employees are working in agriculture or associated activities. In 1950/51, this sector contributed more than 50% to India's GDP, but this share that has sharply fallen to about 14% in 2012/2013 (ET 2013). The agricultural share is declining from year to year in relation to the other sectors, although, in absolute numbers, the agrarian sector is still growing between 2 and 4% per year (Gol 2013: 22). At first glance this might lead to the conclusion that agriculture is becoming less and less important for the Indian economy, but this depends on one's point of view. Agriculture is highly essential not only for incomes but also for the endangered food security of the majority of the Indian people. This is especially true, as a lot of small and marginal farmers are not only producing for the market, but keep a large share for their own subsistence. As the Joshi-Adhikari Institute of Social Studies observed in relation to marginal farmers (cultivating less than 1 ha. of land), subsistence crops are their primary choice (JAI 2011: 29). Big farmers instead "[...] use a substantial proportion of their land for cultivation of oil seeds, pulses, sugarcane and fibre crops" (ibid.). Assessing the extent of subsistence production, Basole/Basu write that the operational holdings that were smaller than 5 acres (in 2003 these were 86% of the operational holdings) kept around half of their produce for self-consumption (2011b: 75). Thus, even if a substantial part of rural products do not enter any market as commodities, thus not contributing to GDP, agriculture still plays a very important role for the survival of the broad majority of the Indian society.<sup>7</sup> The role of subsistence production, and the small share agriculture represents in GDP compared to the huge mass of workers in this sector, suggests that a great proportion of the Indian economy is not – or at least not in a simple manner – a component of an overarching capitalist economy.

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7 It is necessary to differentiate the rural situation in India: "It is well acknowledged that there are major agrarian and class-based differences between agriculturally dynamic regions such as Punjab, Haryana, West Uttar Pradesh, parts of Andhra Pradesh, Kerala, West Bengal, Tamil Nadu and so on, on the one hand, and, on the other, less developed regions such as Chhattisgarh, Jharkhand, the interior of Orissa and many states in the north east, as well as between the individual states and regions within these two categories." (Lerche/Shah/Harris-White 2013: 339) Thus, "[...] the need to think not of a single agrarian question, but various different regionally specific agrarian questions. Agrarian capitalism in India may develop not only at different speeds but also in different regionally specific ways, based on different regional class relations." (ibid.: 343)

Another feature of the Indian agriculture helps to explain these numbers. The Indian land holding pattern is dominated by small land ownership. In 2010-11, small and marginal<sup>8</sup> holdings below 2 ha. of land constituted nearly 85% of the rural households and 45% of the operated land. The middle-sized and larger holdings (2 – 10 ha), which are only 14.3% of the holdings, use close to 45% of the operated area (Gol 2014: 6). The share of the larger holdings (above 10 ha) is declining and at the same time the share of marginal and small holders is increasing (ibid.). According to Shankar Gopalakrishnan, at least 66% of cultivators are petty commodity producers (2014: 7). That is, they are small owners of their means of production. However, as I will discuss below, for various reasons they cannot accumulate any surplus in the long run. At the same time, there is an increasing number of effectively landless individuals and workers. This is a group with holdings so small (below 1 acre/0,4 ha) that they use about 90% of it as homestead, thus cannot be seen as cultivating owners (Basole/Basu 2011a: 44). In 2003, this group made up to about 60% of the rural households, owning only 6% of the cultivated land (ibid.). Thus, especially for the poorer groups common lands are crucial. In 1999, the Indian National Sample Survey Office (NSSO) estimated that 15% of the total geographical land is common property land (NSSO 1999: V). These lands are used as common grazing ground (the village's forest, etc.). According to Shankar Gopalakrishnan, most of the government's forests, which constitute approximately 19% of India's land, are also used as common lands (Gopalakrishnan 2014: 14). These common lands provide up to 58% of fuelwood and 25% of fodder requirements (ibid.). There are different types of commons in villages also. Traditions surrounding common storage rooms are often present where every family can draw back in times of need. Collective credit structures and even common blood banks do also exist in rural India. As this short outline shows, rural India is far from being in a simple matter dominated by capitalist relations of production.

## ***2. Labour relations, caste and personal ties in rural India***

Marginal and small land owning households are the prevalent type of farmers, which account for an increasing share of more than 85% (Gol 2014: 6). The bigger the holding, the more important the income from sales of agricultural products becomes (Basole 2010). On the other hand, 83% of rural Indians earn at least 25% of their income from labour services (Gopalakrishnan 2014: 9). As incomes from sales of small holdings are inadequate, most households raise their incomes through labour services. For 60% of the rural population, this source provides more than half of the income (Basole/Basu 2011a: 50f.). Beside agricultural forms of income, non-agricultural employment and small-scale production is becoming increasingly important (ibid.: 51f.). Different sources of income are connected with different types of labour relations. There are examples of working on common land

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8 Marginal holding = less than 1ha, small holding = less than 2 ha, middle holding = less than 4 and large holding more than 4 ha.

or land with direct ownership, and producing for self-consumption and sale. At the same time, daily wage labour and employment in rural infrastructure projects seems to be most important for the rural poor. "Free" or attached wage labour, sharecropping just like capitalist tenure arrangements can be involved, according to the particular labour relations and the broader local social context.

Sharecropping has often been seen as pre-capitalist feature of rural India, and usually involves a landowner leasing out land to farmers in order to obtain a share of the crop. Based on tenancy, sharecropping includes more than an impersonal contract, but a relation of personal dominance in a hierarchical local village structure. Different authors, like Harriss-White/Shah, see sharecropping more and more being replaced by the use of wage labour in rural India (Harriss-White/Shah 2011: 15). As the numbers show, compared to 25% in the 1970s in the early 2000s, only 12% of the households were leasing in land (Basole/Basu 2011a: 47). At the same time, there are authors who are observing the developing relations surrounding 'neobondage'. This means, that the old hierarchical order in the village between castes breaks up and leaves space for a variety of sporadic and scattered personal ties and dominance. As argued earlier, it is not the absence of personal dependencies in labour relations that is the crucial characteristic of a predominant capitalist logic, but the process by  $M - C - M'$  being imposed on the process of production and on economic entities in the context of an impersonal market. Various labour arrangements (like personally tied labour) can be part of capitalist exploitation. Thus, certain levels of 'neobondage' can be seen as just another strategy of exploiting labour. On the other hand, leasing-in land can be a farmer's strategy to augment production of middle and rich peasants (Basole/Basu 2011: 48)<sup>9</sup>. As Amit Basole describes referring to Sheila Bhalla's study on the state of Haryana (Bhalla 1999), employers use the attachment of workers as a strategy to overcome labour scarcity in a peak season, and by doing this weaken the bargaining position of casual labourers by reducing work available for them (Basole 2010). As Lerche/Shah/Harris-White note, many authors consider these relations as 'neobondage', because "[...] bonded labour today is a capitalist phenomenon, a labour relation between a 'capitalist entrepreneur' (driven solely by motives of profit and capital accumulation) and a labourer selling his or her labour-power, often seasonally and short-term" (2013: 342). But, as they write, according to Isabelle Guérin "[...] capital seeks to implement for example debt-bondage only in certain contexts. These include labour-intensive industries such as brick kilns and manual rice-drying units, but also sectors with higher levels of capital intensity, such as sugarcane processing" (Lerche/Shah/Harris-White 2013: 343). Using tied labourers for a whole season is not necessarily more expensive than employing according to actual requirement, as during the peak time workforces becomes very expensive. There is another reason for that, as personal ties can work by use of different forms, such as consumption loans. In many cases these are paid far in advance when the prices are much lower than in peak season. Finally, to assess the relations of

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9 "Tenancy has declined while reverse tenancy from smaller landowners to larger land operators has gained in importance, indicating that those who have the means to invest in agricultural production now actively seek rent in land." (Lerche/Shah/Harris-White 2013: 341)

production in rural India, my aim is not to analyse how widespread attached labour is, but how all the different features work together as rural conditions and attributes within the special economic environment of the Indian economy. Ultimately, sharecropping seems not to be the prevalent way of exploitation in rural India, but that does not mean that personal domination is absent. Middle-size or larger farms use attached labour just like 'double free' migrating labourers in large numbers in a capitalist process of production, which takes on its own form of domination.

Concerning wage labour, it is important to note that workers are not always employed by big farmers. Small and marginal farmers, above all in peak season, employ labourers too. In other times they themselves work at the farms of other small holdings. So there is also an exchange of wage labour and rewards between small owners. Even effectively landless and marginal farmers spend 20% of their expenses for labour costs (Basole/Basu 2011: 51). This means, one cannot clearly differentiate between the small/marginal peasantry and the agricultural workers, and not easily separate a class of employers from a class of employees. Small farmers therefore rely on low wages too.

Looking at tied labour, indebtedness is a key term. This is especially the case considering the worsening conditions of farmers and their difficulties to receive institutional credits throughout the 1990s, causing small and marginal farmers increasing indebtedness to informal money (Gol 2007: 59). Basole/Basu speak of a 'spectacular comeback' of the moneylenders in rural India (2011: 52). These moneylenders often carry interest rates up to 30% and sometimes far more. In states such as Punjab, which is supposed to have a more capitalist agriculture, more than 65% of the farmer households are indebted (Gol 2007: 58) and the informal indebtedness is higher than the formal one (ibid.: 60). The smaller the holding and the poorer the household, the more likely it is that the household is indebted informally (ibid.: 62). To a large extent, this loan is not taken because of productive investments, but because of health problems, costs of marriages, and other such issues unrelated to production. Credit does not have a capitalist purpose on the side of the debtor, but might well be based on a capitalist motif of the creditor.

Interest is, firstly, a form of redistribution of income from the bottom to the rich. Secondly, indebtedness often results in personal dependencies. Wage labourers are often tied through advances to employers to which the worker has to pay back his obligation through labour services. Indebtedness of farmers to shopkeepers, who give seeds, fertilisers and pesticides in advance, in contrast, tend to enable the shopkeeper to gain a certain control over the production process. These shopkeepers, as they are traders, take a share of the harvest at a very low price, making not only a profit through the interest rate, but also because of the price difference. In Punjab as Basole/Basu observe, "[...] one of the main players in the informal credit market is the trader-middleman [...], who often provides credit, sells inputs and also procures the output from the farmer" (2011: 53). All this keeps the small farmers away from the open markets and let them get stuck in local

dependencies. At the same time low incomes, price volatilities and their constantly insecure titles prevents them from investments in more productive means.

Personal differentiation regarding religious faith, language/culture, caste oppression and women's discrimination play important roles in rural India as well. This is not only reflected by land holdings, where women and scheduled castes are often excluded completely from ownership and in total own only a very small share of land (Gol 2014). Untouchables, for example, tend to live in certain areas outside the village, and are often not allowed to wash themselves at the village's well or take part in village life in the same way others outside their caste can. Essentially, the caste system creates a social hierarchy which links one's personal roots to essentialisms, levels of purity, and obliges only a certain scope of marriage and food habits. Rooted in the rural context, caste also works more and more as a form of economic network, supporting the individual's success and compensating for legal uncertainty. Traditionally caste also assigned special positions in the economic division of labour. Being subject to impersonal markets and global price volatility is not a fortune for the producing communities, but sometimes a way to bypass local hierarchies and dependencies. In a local order, where a caste's social status is assigned by an increasingly dynamic hierarchy, abstract wealth and money matters. This can lead to the point that an economically successful community might bypass old hierarchies and enforce new ones. On the other hand, there is a continuity; for example a great share of landless agricultural labourers are still untouchable Dalits.<sup>10</sup> In fact, most of the agricultural labourers have a lower cast background. In central and eastern India, Dalits and Adivasis are "[...] noted to be reservoirs of seasonal casual labour for the rest of the Indian economy" (Harriss-White/Shah 2011: 16). Caste hierarchies perpetuate class relations in this context and facilitate relations of personal bondage.

Many of the agricultural workers 'own' little plots to cultivate for self-consumption. Although they are too small to provide a good living, households are highly dependent on these holdings to maintain the family's subsistence. At the same time, they often do not really own these plots, but live on them in a state of semi-illegality. This situation constantly keeps them vulnerable. That is one reason why predominately male rural workers offer their workforce cheaply to employers, sometimes even in places relatively far off. A violent separation of the rural population and their few means of production, which produced a redundant mass of workers, like Marx observed in England, seems not to be necessary for Indian capitalism. At least, it is not necessary for a capitalist development to generate a mass of people willing to do cheap wage labour as it has been in England. In India's case, a huge migrating labour reserve already exists in India's rural parts and it's informal sector, which is estimated to total somewhere between 50 and 100 million migrating labourers (Harriss-White/Shah 2011: 15).

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10 Dalit means 'oppressed' and refers to a group constituted of untouchables and – in practice – sometimes lower castes, as within the Dalits there are very different levels too.

Increasing employment opportunities, however, enable the rural poor to loosen the village's ties (Basole/Basu 2011: 51f.). Work in the public program of NREGA<sup>11</sup>, manufacturing or construction work, 'trade and hotels', transport and storage etc. in total: non-agricultural rural employment already counts for 50 million jobs (Harriss-White/Shah 2011:16). At the same time people stick to their certain rural milieu and their small holdings. Caste and cultural affinity are not the only reasons for that. Small holdings and little production for self-consumption is a very important social security for the great majority of the Indian working class. Stemming from this feature is the reluctance to sell land and the strong resistance against dispossession. Often men leave the rural household for seasonal or urban work, with their family staying back home. As Shovan Ray notes, these rural households "[...] provide an implicit insurance and informal social security to relatives who have removed themselves to urban centres [...]" (Ray 2007: 168). He sees the rural households as the essential economic buffers in times of economic crises and unemployment (Ray 2007). It's important to keep this underlying connection with the villages in mind, considering the urban working class. Ultimately, cheap labour is not a scarce resource for capital in India, but land is. As petty producing families stick to their land, struggles on land still stays a major form of Indian class struggle.

### ***3. Exploitation of the Rural Petty Commodity Producers***

Apart from sharecropping or wage labour, which are often seen as classic forms of exploitation, there are very important ways of appropriating surplus which do not imply a direct control over the labour process, and only imply a certain extent of the exploiter's control over the process of production. One of these ways, as mentioned above, is debt. Formal or informal debt means that creditors get a substantial share of the farmer's or labourer's income. As nearly 50% of all Indian farmer households are indebted (Gol 2007: 57f.) and the interest rates are sometimes up to 30% or even higher, appropriation of surplus labour through credit relations is an important feature in rural areas. However, it is not only *monetary* credit that is common. Consumption loans for labourers or renting machines like tractors or pumps to small farmers create similar dependencies. All these types of credit-relations are ways of appropriating farmer's surplus labour. As Shankar Gopalakrishnan states, "[...] debt is clearly a major means of extracting surplus from petty commodity producers, and is the primary means by which those working for wages (whether landless or not) are locked into unfavourable employment" (2014: 10).

As credit relations are often combined with other personal or impersonal dependencies, this leads to lasting ties. In the village context, moneylenders, just as traders, are usually of a different caste than farmers. Apart from that, as

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11 NREGA stands for National Rural Employment Guarantee Act, and is a public act of 2005 which tries to encounter rural unemployment and promises to provide at least one hundred days of wage employment annually to every rural household.

mentioned earlier regarding Punjab, the creditor can also be at the same time the purchaser of the farmer's products. The over-determination of caste, debt, monopolist market positions of the middlemen and the overlapping of different markets – in this case, money markets and commodity markets – generates a situation of personal dependence. The creditor's tie to the farmer does not only exploit the farmer by the means of credit, but also enables him as middleman to put pressure on prices. This leads to low prices to which he buys the agricultural products, and to high prices to which he sells seeds, fertilisers and pesticides to the farmer (Basole/Basu 2011: 53).

Although the marketing of agrarian products is, according to the Government of India, highly regulated with the aim to benefit the farmers (Gol 2013: 180), middlemen, from small traders up to retail companies, still acquire a great share of the consumer prices. As the Joshi-Adhikari Institute states, the "[...] farmers who produce cash crops or produce enough to market a portion of their subsistence crop are minor entrants in markets and have little bargaining capacity" (JAI 2011: 42). The middleman's margins do not only result from personal hierarchies like caste or other sources of social power, but also from the fact that farmers often cannot afford the transport logistics involved. Thus, small farmers are dependent on the middleman who pays low prices, and additionally often gives them credits. As this middleman also seizes certain control over the peasant's production process, I would call it indirect subjection of peasant's cash crop production to middlemen. Middlemen, acting in a capitalist logic, transform this dependency into a indirect subjection of farmers to capital. Thus, as long as indebtedness is just characterised by the appropriation of farmer's surplus labour through interests, it is just an external extraction of surplus. As soon as the creditor exercises control over the producer, it turns into a form of subjection of direct producer to the creditor or middleman.

Through this process, big capital starts to smell the odour of profit. Utilizing microcredits or sales of bioengineered seeds, big companies like Monsanto enter the business. As it has been observed in Bangladesh, a broad semiformal NGO microfinance system emerges out of this context and serves as fertile ground for big companies to become involved (Muhammad 2009). Financial capital sees microcredit as a huge playing ground for profitable investments (ibid.: 37). The connection of remote, small, and marginal farmers through self-help groups and different layers of NGOs to global financial capital provides not only new ways of exploitation, but also an integration and subjugation of economic entities to global market mechanisms. On the other hand, in cases where the microfinance industry replaces local moneylenders, they offer new alternatives, which loosens personal ties and engender others.

In contrast to microcredits, which appropriate surplus externally, contract farming is a way of indirect subjection of small farmers to capital. These relations often imply concrete cultivating instructions, and where input goods are purchased from the same source that farmers sell to, while the latter bears the full risk of failure or contractual default (Gopalakrishnan 2014: 11). But the farmer involved in

these contract arrangements are not necessarily small farmers. In contrast to exploitation through informal indebtedness to shopkeepers, as mentioned above, it rather affects bigger farms. Contracting firms seem to look for farms that can supply bulks of products (Singh 2009: VIII).

Contract farming models at present are gaining importance in the developing countries such as India, and is considered an important tool for commercialization of agriculture. Contract farming over one decade or so, particularly after the emergence of the World Trade Organization (WTO) in 1995, has grown phenomenally in the developing countries. [...] Contract farming for agro processing is the most important force that is helping in the development of super market chains. [...] Corporates are interested in contract farming as it ensures the timely availability of quality produce at their doorstep and help them overcome the constraint of land availability. Whereas, for farmers pre-agreed prices for their produce is a lucrative factor. Contracting reduces much of the uncertainty that would exist if the company simply bought crops in the open market, and gives the company some control over the production process. (Singh 2009: VII)

Opening up the trading of agricultural products to corporate capital is a government strategy since the New Economic Policy of the 1990s (Singh 2010: 85). As Roopam Singh states regarding his study on Hoshiarpur District in Punjab: "Farmers have no stake over deciding the terms and conditions of contract agreement and have no stake in fixing the prices of their farm produce. The contract does not include any provision of 'risk sharing'. In case of the shutdown of tomato project in the early nineties and failure of the entire basmati crop due to the infested seed supplied by the Markfed in the year 2006, the farmers were not paid any compensation, they incur great losses. Whereas companies and cooperatives have insurance against such risks" (Singh 2009: VIIf.). He also observes that input costs of cultivation strongly increases due to contract arrangements, because of high costs of seeds and the extensive use of fertilisers and pesticides (ibid. VIII). Concerning the income structure he notes that, even if the incomes of farmers sometimes rise, considering "[...] the profits and turnovers made by the contracting firms, the incomes earned by the contract farmers are diminutive" (ibid.).

Larger company's strategy of contract farming goes along with changing crop patterns. A strong element of contract farming is to provide market opportunities including export markets (Singh 2009: VIII). Oilseeds, sugarcane, flowers, cotton, vegetables and fruits are, in terms of area, relatively expanding far more than food crops. (Singh 2010: 87ff.). That means, cash crops are getting increasingly important. This is especially true regarding value added to GDP, where it can be seen that agricultural output diversifies towards horticulture crops (ibid.: 90).

#### **4. *Tendencies and the Worsening Conditions of Small Farmers***

The slowdown in agricultural growth during the last two decades, especially in food, is an indicator of the increasingly difficult situation of Indian farmers. This structural crisis of Indian agriculture means a threat to the livelihood of the rural population, especially the small and marginal farmers, and the landless. Of course this development does not affect every region and every rural household in the same way. It is especially farmers who depend on state-provided investments, research, and information that suffer from a withdrawal of the state. As the Expert Group on Agricultural Indebtedness points out, the “[...] support systems to farming have weakened, public investments in agriculture have declined and institutions have become unresponsive. In the absence of any breakthrough in cost reducing technologies, the rising input prices have made cultivation unremunerative. The result is the manifestation of agrarian crisis, often, in the extreme form of distress that results in suicides by some farmers.” (Gol 2007: ix) Beside the decline of public support of the marginal and small farmers, one of the major problems is that farmers now take all the market risk. Indian agriculture is increasingly integrated in global markets and their price volatility.<sup>12</sup>

The integration of agriculture into broader markets, as mentioned earlier, goes hand in hand with changing crop patterns. With the New Economic Policy since the 1990s, and the dogma of free trade, farmers were motivated to grow cash crops for the international markets. Global market mechanisms were supposed to lead to cheap input and higher output prices. Consequently, the earlier goal to ensure that domestically produced raw material first meets the local industry’s needs was abandoned. Utsa Patnaik, in this context, gives the example of the textile branch, which is a very broad and important branch of Indian economy (Patnaik: 2013). As global cotton prices were rising in the 1990s, cotton farming was encouraged. Exporting cotton of course also led to a strong increase in domestic cotton prices. As Utsa Patnaik claims, this led to substantial distress of the petty cotton manufacturing workshops, prompting a wave of suicides, as their input prices were rising dramatically (ibid.: min. 35f.). Just as the global prices of cotton were falling afterwards and in fact halved till 2001, the cotton growing farmers on the other side came into crisis (ibid.: min. 34f.). As small farmers and producers are unable to store large amounts of products and depend on short-term credits with high interest rates, they run into serious problems if they cannot sell, and thus cannot repay the credits they took.

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12 These risks also reflect in suicides: “Farmers at highest risk have three characteristics: those that grow cash crops [sold on global markets – J.G.] such as coffee and cotton; those with ‘marginal’ farms of less than one hectare; and those with debts of 300 Rupees or more. Indian states in which these characteristics are most prevalent had the highest suicide rates.” (Cambridge 2014)

Policies of opening up markets and being exposed to global price volatilities is not the only problem for India's small-scale farmers and agricultural labourers. Public investment in agriculture is steeply declining since the neoliberal policy also asserts the need of cuts in public spending (Singh 2010: 92). However, at the same time the *share* of governments spending in agriculture declines (ibid.). This indicates a shift in policy, from the post-independence goal of supporting petty producers, fighting unemployment and ensuring food security to the goal of GDP-growth and support of capital investment. New efforts "[...] to redefine agriculture by including processing, transportation, marketing and trade is likely to benefit the agri-business companies" (ibid.: 86). Public investments in rural irrigations systems, roads, research, and seed-availability are crucial not only for small farmers. These investments also constitute the ground on which private investment in agriculture is based (ibid.: 94). In this regard, agriculture seems clearly to be neglected by the new neoliberal policy.

As mentioned earlier, the availability of public credit for marginal and small farmers is declining too, a fact that forces them into dependencies to moneylenders and traders. At the same time, changing allocation of subsidies is a problem for the farmers. Even if most agricultural subsidies rise, it is not clear if smaller farmers benefit as subsidies are distributed very unequally across regions and farm sizes – big farmers especially in developed regions receive a major share of them (Singh 2010: 100). Subsidies for electricity, for example, are only available for farmers who can afford to install an electricity-operated tube-well (ibid. 100f.). As poor farmers are unable to use this kind of pump, they are of course also much more affected by the widespread drop of the groundwater-level.

All these developments didn't only lead to distress of farmers, but also to an increase in rural unemployment. The rural employment growth was dropping under population growth, and has sometimes even been negative (Patnaik 2007: 102f.). In fact wage-employment in agriculture decreased from the beginning of the 1990s onwards (Singh 2010: 97). These labourers have entered into self-employment or are migrating into the cities. The migration to other sources of livelihood in rural India is increasing massively (Basole/Basu 2011: 51). Thus, on the one hand, rural workers and farmers are eager to leave agriculture, and on the other hand, as mentioned above, rural households are the Indian's economic buffer, or in other words "[...] the residual sector for workers who could not find more productive jobs elsewhere" (Bhalla 1999: 36). This is especially the case for the poorer households in rural India non-agricultural petty production, which generates close to 20% of their income (Basole/Basu 2011: 51f.). This self-employment is usually far from serving as sustainable work, but rather a form of disguised unemployment. Furthermore, as Sheila Bhalla expects, rural household manufacturing employment is also in a process of constant decline (1999: 36).

## **5. Encapsulating the Situation**

Although capitalist medium size farms are increasingly important in rural India, the majority of holdings are marginal and small. Petty commodity production and low productivity is a feature of rural India. The majority of marginal and small farmers are dependent on wage labour with non-agricultural employment as the major source of income for these rural households. Rural families depend on subsistence production, and distribute their common income among each other. It's not only marginal and small farmers keeping a part of their holding for cultivation for self-consumption. These family entities and the social relations they act in are part of different production relations. Most of the processes of production cannot be seen as capitalist. For the huge number of small holdings, production for self-consumption and small sales without any accumulation of surplus, common land and personal social relations are essential features of the rural Indian economy. There are various types of relations of production and various forms of personal hierarchies, dependencies and exploitation in the very heterogeneous context of India.

Non-capitalist village structures still have their relations to capitalism in many ways. The most important of these is surely the labour market. The partial proletarianisation of the rural Indians creates a mass of available workers, migrating in between homestead, infrastructure projects, other agrarian areas and the cities, keeping "[...] a foothold in agriculture whenever possible" (Lerche/Shah/Harris-White 2013: 341). Whenever there is employment, they quickly become present, and whenever there is none, they dissolve into self-employment and rural households. On the other hand, there are different forms surrounding external surplus extraction and indirect subjection of labour to capital. Through these forms of surplus acquisition and through the labour market, various modes of production, like subsistence production, simple commodity production or collective forms of production, are articulated with a capitalist outside. Through impersonal markets or personal ties, the small producers are connected to capitalist markets. Because of personal dependencies of different types, a full dispossession of small producers in order to exploit them is not necessary. Capitalist exploitation can coexist with different types of modes of production. As I will discuss below, this articulation of different modes of production is far from being without contradictions, conflicts and struggles. But clearly the capitalist class does not simply take over the non-capitalist labour processes. Of course the strong struggles on land and against dispossession are one reason for that. But, on the other side, value-creation in agriculture does not take place in agriculture to a great extent. This leads to the assumption that the capitalist development in India might just bypass the agricultural sector and thus a great part of the society.

These facts do not only hold true for local capital. Firstly, through microcredits, big finance capital channels surplus value taken from remote areas of Indian rural indebtedness throughout the global financial markets. This affects small farmers with no access to bank accounts foremost. Secondly, big transnational players do not necessarily have to dispossess Indian farmers to realise profits. Contract farming is an increasingly widespread way of surplus appropriation of primarily middle-size and larger farmers. As the recent tendencies show, Indian national policy slowly shifts from an approach of supporting small farmers to the promotion of big capital in rural India. All the different forms of extraction of surplus and subjection of labour to capital lead to a perpetuation of the low productivity and the poor living conditions of the vast majority of the rural Indians.

New employment possibilities in other places and activities are most welcome to the rural poor and loosen their ties of the rural context. But that does not make them give up their specific community. Worker's persistent attachment to their rural families makes them even more footloose, as at their migration is not supposed to end by setting up a new home, but often remains an enduring process of migration from employment to employment and place to place (Harriss-White/Shah 2011: 15). Wage labour increasingly takes place as casual labour (ibid.). At the end of the day, a large migration "[...] from the village to become a factory hand in the city is not taking place as the dominant process of labour transformation in India" (Harriss-White/Shah 2011: 15). This labour is absorbed by other sectors, "[...] such as construction, workshop manufacturing, large-scale capitalist farms of other regions or services" (ibid.).

## **IV. The Informal Sector – casual labour, self-employment and petty production**

It has often been noted that 92% of the Indian workforce is employed in the informal sector (NCEUS 2007: 1). Informal labour relations are mostly unregulated, characterised by economic uncertainty, low wages and the absence of social benefits and securities. Of the urban poor, between 94% and 98% are informal workers, while this ratio is much lower in higher income groups. It is important to differentiate, in this context, between informal work and unorganised resp. organised status. The terms informal/formal and unorganised/organised are not the same, the first refers to the conditions of labour, whereas the second refers to size and legal state of the enterprise. For example, in the manufacturing sector, an enterprise employing less than 20 workers, if it does not use power, is considered unorganised – while, with the use of power and 10 worker or less it is also considered unorganised (NCEUS 2007: 2). Of the non-agricultural workers, 72% belong to the unorganised sector (ibid.: 4). Although most of informal labourers work in the unorganised sector, there is an increasing number of informal workers in the organised sector as well. In the predominating small-scale enterprises, workers are mostly family members. These unorganised firms and farms count for the vast majority, at 92.4% of the Indian workforce (NCEUS 2007: 4), but for only less than 50% of the GDP (NCEUS 2008: 6). These numbers show that, regarding employment figures, the non-agricultural Indian economy is not dominated by large capitalist enterprises, but rather with small firms and family workers than 'classical' wage labourers. Regarding the informal workers as a whole, 56.5% of them are not only not employed in big enterprises, but are in one way or the other self-employed workers (ibid.: 49). Consequently, considering the sheer numbers surrounding employment, small enterprises and self-employment together are highly predominant.

The non-agrarian sector comprises around 167 million informal workers (NCEUS 2007: 14). Most of them work in small manufacturing workshops, self-employed retailing, services for the middle class, or as casual wage labourers in the construction sector. The division of labour is highly dependent on gender. Manufacturing, just as the category of 'other services', accounts for more than 70% of female workers, but only little more than 30% of the male workers. On the other side, approximately 60% of the male workers participate in construction, trade and transport, whereas only around 23% of the women fall under these categories

(ibid.: 23). In contrast to the 167 million informal labourers, formal workers in the organised sector only accounts for 33.4 million, of which a big share work in the public sector, and also happens to be a total number that is decreasing (ibid.: 4)

## 1. *Informal Non-Agrarian Wage Labour*<sup>13</sup>

In 2004/2005, of the 167 million informal labourers in non-agricultural activities, nearly 77 million were wage labourers (NCEUS 2007: 27) with 53 million of these 77 million working in the unorganised sector (ibid.). Manufacturing and construction are the most common activities of *casual* workers. *Regular* non-agricultural informal workers mostly work in manufacturing, trade, transport and private household services (ibid.: 29f). Again, these activities are over-determined by such factors as gender, caste, region, religion. Private household services count for nearly 54% of informally working women in regular jobs, but only for around 4% of men. Approximately 74% of the informally non-agricultural working women with regular employment work in either private household or other services (NCEUS 2007: 29f.). These services are to a great extent delivered to the higher income groups, living in gated communities in the better parts of the cities, which are in turn surrounded by service providing slums. Cheap workers enter the colonies to clean the huge amounts of new cars, to look after the children, to cook, and provide other services. Caste and gender again play their roles in this domestic sector. Women are usually cleaning and doing the laundry while lower castes or untouchables enter the scene separately to clean toilets and pick out the garbage of the clean flats. Guards and drivers on the other side are usually men. Only 17% of the non-agricultural informal workers are employed for a regular time (ibid.).

Apart from the areas of Haryana and Punjab, two states which attract a huge number of migrating agricultural workers, non-agricultural casual labour migration is highly important, most of all in the construction sector. Construction work is a branch which plays a highly important role, employing 53% of the casual non-agrarian labourers (NCEUS 2007: 29). Although it is very dangerous, the whole family sometimes joins the labour process (ibid.: 35). People who become cripples or injured from countless life-threatening activities simply lose their jobs and often their lives (ibid.: 33f).

Informal employment is obtained in different ways. As there is no established public system of job placement, workers get their jobs by standing at the factory gate. In regards to construction work, men are often standing in groups at street crossings where they sometimes suffer harassment from the police. Personal relations through family, caste and community are also very important regarding employment (NCEUS 2007: 37). Thus workers “[...] without access to caste or community networks have to shift from one ‘factory gate’ to another till they get a

13 The most important feature of wage labour, as I noted earlier, is in my opinion, that the employer owns the means of production the workers labour with and – in contrast to a slave – the worker receives a wage by the piece or an hourly rate and depends on the this wage.

job”, what is very common in garment, textile, power loom or toys and dolls industry (ibid.). A widespread way of bringing together employers and employees is the system of contract labour. Especially in the construction sector, contract labour is found in a large number of the 10.7 million workers employed by contractors (NCEUS 2007: 38). A company assigns a worker with a special task paid in the form of piece wage. This worker then brings others with him, which he then pays per day. The contract worker himself works and supervises the work place, but makes extra money if there is a bigger scope between piece wage and the wages he pays. There is a competition for these contracts and non-Dalit lower caste workers are more likely to obtain assignments than untouchable Dalits. Still, the contract labourers are also working as daily wage labourers themselves as soon as the contract work is done. Again, a clear class division between workers who exploit other workers and other workers cannot be made.

There are different levels of middlemen connecting daily wage workers with the construction companies. Sometimes these middlemen have permanent assignments with the company and bring labourers from remote villages. Here the difference between the contractor on the one hand and wage labourer on the other hand is more stable. These workers then move from one site where the project is finished all the way to the next construction site of the same company. But these workers are not only simple daily wage labourers. Either they migrate with their core family or their women stay back in the villages with their small plots where the husbands return for the peak time in agriculture. In these contract-labour relations, workers have to be available ‘at call’ and are often tied workers as a result of indebtedness to contractors. It is common in these relations that the worker “[...] enters into labour as a means to repay the debt and does not receive wages for the work rendered by him to the creditor [...]. Very often the bondage is not confined to the debtor alone but his family members are also co-opted as bonded labourers. The bondage continues to the next generation” (NCEUS 2007: 105). In 1995, just in the state of Tamil Nadu there were about one million bonded labourers of this kind, especially of lower castes, untouchables and tribes (ibid.). Although it is ‘extremely difficult to say’ the NCEUS-report assumes that these numbers are decreasing (ibid.). Another special feature of this relation is that the employer is not responsible for the work conditions anymore (ibid.: 38). The contractor on the other hand is in charge of supervising the workers (Hensman 2011: 166). Neither the factory owner nor the contractor is considered to be the employer. Although there is theoretically a legal regulation of contract labour, this regulation does not even apply if the contractor employs less than 20 workers (NCEUS 2007: 38) or if the labourers are not registered.

## 2. *Own Account Workers in Transport and Retail*

As noted earlier, 56.5% of the Indian workforce falls under the category of 'self-employed' (NCEUS 2007: 49). In the non-agricultural sector, there are 92.1 million self-employed workers. These workers must be distinguished from piece wage workers, as they own at least parts of their means of production, and in most cases do not have a regular income paid by an 'employer'. On the other hand, some types of work have to be understood as disguised wage labour, such as the sector of homeworkers, where mostly women get paid for taking care of the kids, elderly and the household of others. But most of the self-employed irregularly sell services and products to consumers, middlemen or contractors. This means that there are very different sources of income for 'self-employed' workers. First, there are producers or traders selling to an impersonal market and secondly there are producers and traders selling to middlemen, merchants or industrial capitalists, including a certain extent of dependency.

Apart from the particular conditions of their output destination, one can differentiate these own account workers according to relations of production inside the small-scale enterprises. The NCEUS report of 2007 categorises these workers into: firstly, 'own-account workers' (46% of the informal workers), an economical entity with only one person; secondly, 'unpaid family workers' (14.7%), helping in the joint firm, mostly in family firms<sup>14</sup>; thirdly, 'employers' (2%). That means, an employer that hires wage labourers, but less than 10, is still counted as a 'self-employed' worker (ibid.: 49f). Furthermore, this employer does not necessarily turn into a small capitalist, as I will discuss later. In contrast to these small employers, most of the enterprises, around 78.4% in the urban area, are 'own account enterprises' without regular employees (ibid.: 51). I will call these own account enterprises petty producers, according to Basole/Basu (2011b: 67). These petty producers are trapped in high competition and 'self-exploitation', but often also in personal division of labour and dependencies.

As this sector also encompasses lawyers, architects, doctors, and not only rickshaw pullers, handloom weavers and street vendors, we find high income disparities here. The great share of these enterprises however, is characterised by low incomes just sufficient to meet subsistence requirements of the family (NCEUS 2007: 52). Regarding the majority of own-account enterprise there is no possible wage-profit division and no notable investments or savings. Traders or producers who manage to grow their business are in constant danger of being harassed and additionally exploited, as local networks try to keep a stable economic order in the local context. If they earn more in some days, they would rather invest it in other spheres, such as education of one of the children or another small business. The high insecurity in this sector might be another reason for low reinvestments. The sheer fact that these own-account enterprises usually do not earn any extra money, but seem rather to be trapped in simple commodity production, is also caused by

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<sup>14</sup> They are part of the joint enterprise and therefore cannot be seen as dispossessed wage workers.

agents squeezing out profit by different means. These personal power relations and modes of exploitation, just like the fact that these small firms usually do not accumulate any surplus, are reasons why I do not see them as small capitalists.

Street vendors provide a source of livelihood especially for the poor. But their legal status is often unclear and law sometimes even criminalises hawking, further making them vulnerable (NCEUS 2007: 64). As Shankar Gopalakrishnan notes, the insecurity of space confronts them with harassment by state officials. Small street vendors have to pay provisions, fees, fines, and bribes to the police, or pay gratifications to local thugs (Gopalakrishnan 2014: 14, NCEUS 2007: 65). In most cities “[...] constant dealings with the police, municipal officers and musclemen tended to make the environment highly insecure for women [...]” (NCEUS 2007: 65), and what makes the business a predominantly male one. Not only street vendors but also street jobs such as rickshaw pullers are forced to pay high costs of licensing and bribes to police and local authorities to maintain their small business. As a result, the report speaks of ‘exploitation by the authorities and policemen’ as well (ibid.: 69).

Another type of external extraction of surplus from small retailers is, again, indebtedness. According to the NCEUS report of 2007, most “[...] of the street vendors report having borrowed from moneylenders who charge exorbitant interest rates” (NCEUS 2007: 66) with interest rates sometimes over 100% (ibid.). All these facts: the small incomes, the insecurity and the surplus extraction help explain the low productivity of the sector. On the other hand, these facts show, that the informal sector is not only characterised by high impersonal competition for customers, but also regulated by organised crime networks as well as powerful locals with connections to politicians or the police. These regulating forces assure a certain stability, but at the same time they go hand in hand with the vulnerability of the poor, exploitation and oppression.

### ***3. Unorganised manufacturing sector***

India’s manufacturing workers are, to a large extent, employed in small enterprises. Approximately 36.44 million of the 45 million industrial workers are employed in this unorganised sector (Basole/Basu 2011b: 63f.). Nevertheless, it accounts only for 27% of gross value added in manufacturing (ibid.: 64). Food processing, textile and garment are the most important industries, employing nearly 50% of the whole informal manufacturing workers (ibid.). The total numbers of workers which are employed informally and the number of unorganised enterprises has fallen until the end of the 1980s and is since then again growing strongly, at least until the early 2000s (ibid.: 66). On the other hand, large-scale industry is not increasing its share in manufacturing regarding employment. In 1900, 5% was employed and in 1980 this grew to a share of 30%. Today, only about 25% of workers are employed in large-scale firms (Basole/Basu 2011b: 66). This gap regarding the size of large-scale modern industry on the one hand and small-scale

enterprises with low productivity on the other hand reveals a 'missing middle' of enterprises employing between 50 and 1000 workers (*ibid.*). This relates to what many authors call the dual mode: "[...] large factories are articulated with smaller workshops dependent on the factory" (*ibid.*: 65). This mutual relation will be discussed later regarding subcontracting. At the same time, there are even examples where large factories lose market shares to small producers, such as in textile production where small power loom production replaced large factories (Rothermund 2008: 113f.).

As argued above, we can differentiate between three types of unorganised economic entities: 'own-account workers' or 'petty producers' often using family labour, marginal employers (less than five wage labourers), and small employers (less than 20 wage labourers). Approximately 85% of enterprises in the unorganised manufacturing sector are petty producers, 10% are marginal, and 5% are small employers (Basole/Basu 2011b: 66). An increasing share of workers, up to 20% in 2005, labours in the firm of a small employer (*ibid.*: 67). 73% of the firms are located in the household of the proprietor (*ibid.*). Household assets act thereby as enterprise assets and family members as helpers in the production (Sanyal/Bhattacharya 2009: 40f.). As a result, "[...] production of commodities is synchronised with reproduction of life. The inseparability of the life process and the labour process within the household is thus an emerging feature of the informal economy" (*ibid.*: 41).

## Why do small firms stay small?

There are at least five reasons why small enterprises do not become big ones: Firstly, as mentioned earlier, unorganised small producers benefit from the fact that they usually do not pay taxes and do not have to abide by labour laws and other legal standards. This motivates entrepreneurs to stay small. Secondly, to increase capital formation, there must be certain incentives convincing the owner to invest in his or her firm, to extend production, and not to instead invest in the education of one of his or her children. An important incentive of course is the expectation of an adequate demand and stable prices. Price volatility and insecurity of the site of production are unlikely to enhance productivity and investments. As mentioned earlier the informal sector producers are extremely vulnerable due to the insecurity of the conditions of work and they are facing a powerful local network eager to exploit them. This leads to the third point: Moneylenders, contractors, middlemen, and local thugs extract surplus wherever they can. Hence, often the income of small producers is comparable only to the income of a wage worker and thus just sufficient to meet the subsistence requirements (NCEUS 2007: 52). As a result, owners are not able to save any money for investments. Fourthly, the site of production and household is often the same. Thus, just relating to reasons regarding space, production cannot be extended at will. Fifthly, there are cultural factors or reasons of caste causing owners to work alongside their labourers, and rather help out others than grow larger. I will return to this point later.

## **Indirect subjection and subcontracting in the unorganised manufacturing sector**

Dharavi is known as Asia's largest slum, home of over one million inhabitants, just in the middle of Mumbai. But it is also known as a huge hub of small-scale industry. Activities such as leather processing, embroidery, recycling help make up 15 000 single room factories (business today 2011). Many slums in India, like Dharavi, must be seen as decentralised factories. These economic entities aren't only cheap service providers but often become subject to different forms of exploitation, not only by internal agents but also from without. The type of extraction of surplus depends, alongside other factors, on the output-destination of the products. There are three destinations: private consumers, middlemen and other enterprises. Most petty producers and marginal capitalists sell to private consumers while approximately 60% of small employers sell to other enterprises (Basole/Basu 2011b: 68).

As mentioned above, the value added in unorganised manufacturing firms in relation to employment is very small compared to the organised manufacturing sector. This indicates that the prices realised by small producers are much lower than the ones realised by other market players. Basole/Basu note that in 1984, gross value added by the organised sector was five times that added by the unorganized sector, and in 2000 it was nearly ten times as big (2011b: 69). This shows that small-scale manufacturer's products are to a large extent undervalued. Consequently Basole/Basu speak of "[...] surplus generated in the informal firms [...] being pumped via unequal exchange into the formal sector" (ibid.). This especially occurs when there are more direct mechanisms involved, for example, in global value chains where a large number of middlemen are taking part. Either this leads to the conclusion that through mechanisms of price or indirect subjection there is a redistribution of value, for example towards the purchaser,<sup>15</sup> or we have to speak of the unorganised and the organised sector something like two different economies. This leads to the question how the connections between small producers and industrial capital, moneylenders and traders work.

A prevalent way of indirect subjection is, for example, a textile company providing special designs and raw material, contracting a net of tailors and embroiders to produce for them, and paying the latter per piece. Beginning the process with a new design, the company's employees ask the tailors and embroiders for samples, which the company uses to compare the quality of the different producers. With these samples they enter the bargaining process, maximising competition in order to minimise the price. As a result, the prices the small producers receive are just a small fraction of the final consumer price. The company's structure, centralising the different products, providing the design and raw material on the one hand strengthens the company's bargaining power and on the other hand keeps small producers in dependence and under high competition. These structures are common not only in India's textile industry. Over 90% of all

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<sup>15</sup> That would mean, that there is a redistribution of surplus value through market mechanisms.

subcontracting firms obtain their raw materials and designs from the contractor or master (Basole/Basu 2011b: 68f.).<sup>16</sup> At the same time, only about 32% of unorganised manufacturing firms seem to undertake work on contract (Basole/Basu 2011b: 68). There seems to be a tendency towards subcontracting to big merchant and industrial capital (*ibid.*), but, nevertheless, the majority of small manufacturers are not directly linked to industrial or merchant capital. Indirect subjection of labour to capital via subcontracting seems to be important but not at all prevalent in the Indian small manufacturing sector.

Credit plays an important role in small-scale manufacturing. Basole/Basu note that beside C-M-C, commodity sold for money to buy different commodities, characterising simple commodity circulation, M-C-M, money invested to produce commodities, with the goal to obtain more money, is equally important (2011b: 70). A simple reason for that is the producers have to pay back their debts. Small producers are not only often indebted to moneylenders, but also 39% of the marginal and 29% of the small employers' *assets* which are rented and not owned (*ibid.*). High interest rates often create big problems for small producers. As it is reported regarding the beedi<sup>17</sup> homeworkers, they are rarely indebted to institutional sources, but mostly to family members or relatives, and often to moneylenders or to their contractors (NCEUS 2007: 73). This makes clear that debt or usury capital – by the need to produce in order to earn money to pay back the loan – structures a producer's productive processes. According to the extent of control capital has over the production process, this relation turns into the indirect subjection of small producers. Usury capital, also in this context, is not external to the productive process, but, just as the indebtedness to the shopkeeper in the agrarian context, by the means of economic and extra-economic coercion enforces particular rationalities in the process of production itself.

## Example of the Gounders

Sharad Chari writes in his book *Fraternal Capital* about the caste of the Gounders in Tirupur, a town in the southern state of Tamil Nadu (2004a). Since the 1980s, this town turned into a cotton knitwear export hub. Between 1984 and 2004, the export of cotton knitwear rose from 10.42 million to 400.47 million pieces of a total value exceeding one billion dollar (Damodaran 2008: 153). One of the special features of this manufacturing hub is that the huge growth was not fuelled by the emergence of big factories, but by diffusion of small producing units. A second important feature is that these small units were organised in a network controlled by the Gounder caste. This happens through organisational structures

16 Another example for a way of channelling surplus to big players is the production of 'RUF&TUF'-blue jeans, a business model of Arvind Mills (Rothermund 2008: 131). The corporation sells a set of their brand labels, zippers and rivets to a net of tailors for six Dollars each, who then make custom-tailored jeans with the desired 'RUF&TUF' brand name on it for customers. The high bargaining power of the big enterprise compared to the small tailors enables Arvind Mills to make supposedly high profits out of the difference of their production costs and the price of their set. Here the small producers complete the production process and directly sell to the consumer, whereas in other cases big capital purchases the product from the small manufacturers.

17 Beedi is an affordable traditional Indian cigarette without filter, wrapped in a leaf and tied with a string.

like the Tirupur Exporters' Association, but also through what Sharad Chari calls 'fraternal capital'. The small producers are more likely to support relatives or friends to establish their own production process than to extend their own. A network of a caste's personal relations and certain traditions were crucial for the rise of the cotton knitwear sector in Tirupur. Sharad Chari puts it like this: "This industrial boom has been organized through networks of small firms integrated through intricate subcontracting arrangements controlled by local capital of the Gounder caste from modest agrarian and working-class origins. In effect the whole town works like a decentralized factory for the global economy, but with local capital of peasant-worker origins at the helm."(Chari 2004b: 760)

Two more particularities have to be named. As Chari notes, a precondition for the emergence of the Gounders was that the state has been relatively weak in this region "[...] leaving considerable room for non-state forms of power and knowledge to thrive well into the era of postcolonial neoliberalism" (Chari 2004b: 764). However, this is not only true for state, but also the communist movement and the anti-caste struggles have not developed a strong base here. As a consequence, the Gounder caste could capture the site. With their particular labour arrangements, where the owner is not an overseer but works alongside his hired labourers, controls the working process directly, and is through his close relation to the workers able to ignore labour laws. Gounders themselves came from worker and agrarian background, and emphasise their tradition of toil (ibid.: 761). As a consequence, not only is the class conflict between workers and owners is mitigated, but also the competition between the Gounder's sister firms is regulated. This leads to the toiling fraternity of capital, turning the entire town into a decentralised factory (Chary 2004b: 782) supplying garments to global retail giants like Sara Lee, Mothercare, C&A, Wal Mart etc. (Damodaran 2008: 157). Through the caste network the relations between the small producers, the labour relations and their output destination is regulated. Still they work like own-account enterprises. Of course there are hierarchies in this group as well, and subcontracting plays an important role (Chari 2004a: 111ff.). However, this serves as a particular form of caste-based subordination of small producers.

#### ***4. Summing It All Up***

As explained above, casual wage labourers, family members and 'self-employed' workers constitute the huge bulk of the flexible, abundant and mobile Indian working class. Most of them do not work in an employment relationship which can be classically understood as 'double free' wage labour. Own-account workers with family members working alongside them are the most common example. Personal relations, attached workers, high competition between workers and worker's exploitation by workers are common phenomena. Exploitation works through a wide set of labour arrangements. Furthermore, many own account activities must be seen as disguised unemployment. If workers own their means of production, they

rarely earn enough to invest in order to increase productivity. High insecurity, vulnerability, local organized crime networks, and the particular restrictions of home-based production, low wages and certain labour laws and the different forms of exploitation explain the persistence of low productivity. Locals often control production relations to a substantial extent, and whenever one actor is beginning to accumulate wealth these powers tend to intervene. Personal labour relations, that is, personal ties between exploiting agents and workers mediated by caste, community relations, family ties etc. are very common and explain the persistence of these social relations, and the high extent of the generation of the absolute surplus. Consequently, small producers, traders and service providers cannot be seen as capitalist enterprises, but as a part of a highly competitive economy regulated by extra-legal forces and 'extra-economic' coercion. At the same time, the logic of exploitation is a capitalist one. Wealth is playing the dominant role and the extent of incomes and profit mainly determines the social position.

Indirect subjection of direct producers to capital includes a wide range of different dependencies: From monopolistic structures and fraternal capital till subcontracting and debt dependencies. High competition of small producers and their need to obtain components like designs keep their prices low and lead to a redistribution of value towards the big organised enterprise. As the example of the Gounders shows, certain labour arrangements and personal caste relations between owners perpetuate small-scale economy structures, but at the same time enable and even engender an extraordinary economic dynamic linked to global value chains. In the local context, the small producers are not connected by capital but by internal caste relations. This complex hub of production is a mixture of integration of small producers into a decentralised factory system, subcontracting and outsourcing, thus indirect subjection of small producers to capital.

## **V. Indian Economy as Composition of Various Economies**

### **1. *Links and Dissociations of Economies***

The main economic growth of the past years in India stems from only a few parts of the economy, like the IT-sector or business process outsourcing which are part of global value chains. This type of growth only leads to job creation for a small and skilled share of educated Indians. There is no tendency towards industrialisation. Instead of taking the schoolbook path of development, from an agrarian to an industrialised and later to a service-led economy, the Indian path of capital is to jump right into the post-industrial sector of global division of labour. This is a main reason why capitalist growth is just bypassing the vast majority of Indians who are living in a widely different world and economy. On the other hand, Indian software workers can only be cheap compared to their international competitors because the Indian middle class can build on cheap products of small producers, low paid construction workers and informal service providers earn little.

The Indian middle class comprises small 'capitalists' of the informal sector, land owners, managers and high-skilled workers. The Indian working class is highly heterogeneous and, apart from the big businessmen, rich farmers and informal factory-owners, also most of the Indian formal working class can be counted as middle class. A faction that earns way more than the bulk of informal workers lives a completely different life and thus, has to be counted as a part of the middle classes. Of course this class is not homogeneous either. As George Economakis and John Milios, I do not see a common class interest of the middle class (Economakis/Milios 2011), and even the workers forming part of it have to be distinguished. There are, for example, on the one hand regular workers in software companies and, on the other hand, there are what Economakis/Milios referring to Poulantzas call the *new petty bourgeoisie* – workers who take over certain activities of management, marketing and supervision (Economakis/Milios 2011: 230). Consequently they are not seen as part of the working class anymore (ibid.). The category of the new petty bourgeoisie also “[...] comprises all those wage earners who staff the apparatuses of the capitalist state [...]” (ibid.: 231). On the other hand, the term of a middle class is very problematic. Some speak of more than 23%

of Indians being at least part of the middle class (NCEUS 2009: iii). Thus, the middle class is just part of the richest fifth of Indian society and in itself quite inhomogeneous, with large income disparities. The middle class households employ a huge number of service providers. If it is true that there are about 40 million middle class households and each of them engages service providers like domestics, drivers, securities, a maid etc. it becomes clear that there is a huge mass of slum dwellers delivering cheap services to the middle class, a 'survival circuit' of middle class towns (Bhattacharya/Sanyal 2011: 44). But these former villagers, as part of the construction sector, also build up the new cities. Finally, like Bhattacharya/Sanyal say, "[...] in the political economy of the new towns, the need economy and the accumulation economy are bound together by economic logic. [...] the presence of a survival circuit in the new towns implies that a need economy (a production economy that supplies subsistence material goods as well as low-end services) must emerge for the social reproduction of labourers in the survival circuit" (ibid.). This means not only the service deliverers are connected to the middle class, but also the small producers and low-end service deliverers reproducing the lives of the service deliverers. This is one of the few but strong connections of capitalist economic dynamic and job creation for the Indian working masses. On the other hand, if the services delivered to the high-skilled workers of the middle class are seen as articles of luxury and not as articles of need, they are not an essential part of the Indian capitalist sector. Thus, it is still not clear, to what extent this sector depends on the exploitation of the broad Indian working people or if it could completely bypass them.

In any case, right now, the labour market is an important connection between the capitalist part of the Indian economy and remote areas, such as the construction work sector. As I described earlier, this sector is highly important for migrating Indians looking for employment. The workers are connected to different modes of production as they stick to their villages, communities etc. On the other hand indirect subjection of producers like subcontracting or contract farming connects the remote farmers, small or petty producers with capitalist commodity and financial markets. But subcontracting involves only about 30% of informal manufacturers, which leads to the conclusion that these connections are in fact important, but do not dissolve the division of the Indian economy in different spheres. The various informal and agrarian spaces function through different forms of domination, cultures and relations of productions. Also if these parts are often integrated in impersonal markets, the social division is not regulated by competition in an impersonal market. The neoliberal state, however, focuses on capitalist growth and ignores the non-capitalist parts of the economy. Despite both, to some extent, they depend on each other. The commodity markets, for example, in many cases overlap. Call centre workers in Gurgaon eat at a small street stall just like the manufacturing workers next to them (Wildcat 2008: 9). On the other hand the capitalist and the informal spaces differ completely regarding price structures, wage levels, value-creation of labour etc. In a barista store, a coffee costs more than 100 Rupies, whereas a tee in front of it sold by an informal hawker costs five

Rupies. Regarding these terms of trade, there seems to be an unequal exchange between these two types of economies, transferring value to the Indian capitalist economic agents, may they be programmer or industrial capitalist in a putting-out arrangement.

There are examples like the Gounder caste, where a certain productive entity with its particular relations of production is integrated through impersonal market relations into the social division of labour. In these cases a coexistence of different modes of production is just mediated by the market. Looking at the Indian economy as a more separated one casts doubt as to whether it is possible to speak of one social division of labour. Maybe the particular economies have their internal division of labours as well and perhaps they are more important for the vast majority of people living in urban slums and rural areas. Consequently, in order to assess the Indian economy, it is necessary to come to a precise understanding of the various relations of production which form part of the Indian informal economy. Clarifying case studies are therefore necessary. Nevertheless, it appears that the macro-economic level is qualitatively dominated by the logic of a capitalist economy and impersonal markets, not least because of the Indian central state's economic policy which focuses on capitalist growth. Apart from this, in nearly every part of India markets and competition play decisive roles, despite personal relations and ties. Wealth and exploitation is connected to economic success and not furthest to personal favour of the ruling power and prerogatives. The 'feudal' landlords make space for or convert into capitalist farmers (Harriss-White, Shah 2011: 15). Exploiters, farmers, moneylenders or traders adopt capitalist strategies, whereas small producers are stuck in low productivity and personal domination.

Indirect subjection of producers is a strategy of capital to enter the informal sector in order to appropriate surplus, but nevertheless most of informal production is not an element of the circuit of capital. External surplus extraction seems to be far more important, working through price mechanisms or equal exchange relations, usury capital or merchant capital. In rural India, the majority of farmers are indebted, in retail, as mentioned earlier, most of the vendors are indebted with interest rates sometimes exceeding 100%, and in transport and manufacturing assets, such a rickshaw or a small machine, is often additionally rented at high interest rates. Even if this indebtedness does not lead to a kind of indirect subjection, it has an influence on the labourers insofar as they have to increase production in order to generate extra revenues which are paid to the creditor. In India debt easily leads to personal ties or dependencies. Nevertheless these forms of external surplus extraction, as Marx discussed regarding usury capital in pre-capitalist societies, do not necessarily change the mode of production. This leads to an understanding of Indian economy as on the macroeconomic level dominated by an impersonal social division of labour mediated by the market, linked to a sector of capitalist production, commodity and financial market. At the same time, these markets have their links to various non-capitalist spaces. The Gounders, for example as a decentralised, caste-organised manufacturing entity are connected to the global commodity markets. The capitalist financial market is linked, through micro-

credits. Global capitalist markets dominate the price dynamics of the macroeconomic level. Various different economic entities of the Indian economy are somehow connected to the macroeconomic level and depend on it, keeping their particularity. But this doesn't mean that it is a harmonic coexistence without contradictions and struggles.

## ***2. Struggles – A Non-harmonic Articulation***

India is one of the countries with the highest population density. There are, for example, nearly twice as many people living on one square km than in Germany. Land acquisition in India is inevitability leading to conflicts. Creation of special economic zones is one of the reasons why land is taken. Even if this land only accounts for 67,787 ha, which is not more than 0.014% of the total land area of India (MoCI 2013), this land is often fertile agricultural land and especially in areas surrounding cities people are not willing to lose it. In the cities themselves slum dwellers, like in Dharavi mentioned earlier, are subject to expulsion, too. In less populated rural areas, the building dams and mining are the main reasons of land grabbing. As it has been said above, even marginal and small farmers stick to their agricultural plots and micro-assets. The struggles against dispossession are intense, even if these holdings only provide a subsidiary income, because rural poor cannot survive without them (Lerche/Shah/Harris-White 2013: 345). One of the main manifestations of the struggle against capitalist state projects in India has taken the form of struggles regarding land. Actors in these struggles involve a wide range of parties. Maoists above all are an important force. Although they claim semi-feudalism to be the main enemy, in practice Maoists are already fighting a modern and capitalist type of land grabbing. As different authors note, “[...] in recent years it is the movements against land grabs for development and mining projects that seem to have provided the most visible political platform for the Maoists” (Lerche/Shah/Harris-White 2013: 345). That means, that a significant portion of conflicts regarding land are struggles of local societies against projects of dispossession in order to establish spaces of capitalist mode of production. This represents a conflict of modes of production, where a subsistence and small commodity producing sector is contradictory to capitalist development.

Control over surplus is another example of the contested relations between modes of production. Various forms of collective control and distribution of surplus among certain social groups play an important role in Indian villages. There are, for example, traditions in which every family puts their surplus product into a common storage from which every family can take in times of need. Especially tribal villages which do not consider land as private property are more likely to struggle against the appropriation of their common surplus than for private land property. Bourgeois law of private land property is a problem especially for tribal communities claiming a collective control over land. And many informal small-scale producers and farmers

get into trouble if their local markets are transformed into elements of global capitalist markets because of strong competition and price volatility. In the Indian context, particular modes of production can either live in constant contradiction with the capitalist mode of production or flourish in the capitalist context, like the Gounders.

The combination of various modes of production is not necessarily a source of conflict. They can be connected through impersonal markets and thus, castes like the Gounders struggle with competitors or state regulations just like a capitalist enterprise. In the cases of casteist production, collective subjectivity is organised alongside caste identities to defend casteist interests. Consequently, caste and class is not identical but caste contains class contradictions and accordingly tries to smooth these internal class conflicts. Therefore, contradictions are not only found between modes of productions but within them. In simple commodity producing slums local goons, mafia and police are interwoven with the local economy. They are nothing external but elements of these decentralised modes of production. Thus a substantial share of struggles also takes place between social groups within a mode of production. On the other hand, most of these relations are characterised by, what I call, external surplus extraction. Mafia-like domination and logics of external surplus extraction are at the same time dominate a local order and do not control the particular process of production. Shopkeepers and moneylenders also exploit the small producers and sometimes influence the process of production, but do not necessarily control a local order. Here small farmers and producers face exploiters following a capitalist logic. In these cases farmers and small producers have to struggle with a class of more or less external exploiters.

Most Indians, as I have shown, are part of different relations of production at the same time and thus are permanently part of various conflicts as well. As identities such as caste and gender play important roles in the social division of labour, they are important elements of these struggles, too. In the Indian society, vertical distinctions of social groups such as religion and caste play important roles. But sometimes caste and religion also coincide with class and thus, struggles concerning class issues take the form of conflicts framed in terms of religion, origin etc.

An approach that can overcome the deeply hierarchical and exploitive relations in the formal and informal sector can only be based on the collective organisation of the people themselves. While the state is absent and is not able to organise vast parts of Indian society, various complementary and contradictory types of domination take its place. In my opinion, there is no way state could reorganise Indian society from above. Thus, also the left has to base itself not only on the workers movements in the formal, but also the various movements in the informal sector. Various actors, which are mainly part of the informal sector, like small producers, construction workers, regular and irregular wage labourers, service providers, small farmers, villages and slums have to connect their struggles. As most of these people are partially proletarianised workers with part of their families distributed among several sectors, their lives already connect all these spheres. An

approach characterised by local councils, which has been the most important organisational starting point in Venezuela, can play an important role in India as well. In Venezuela a collective subject of the 'pueblo', comprising the humble people in the cities and in the countryside, has been formed in enduring struggles. In India, a conflict between 'the pueblo' and middle and upper classes, also including workers in higher income brackets, belonging to the middle class, as discussed above, in this process is inevitable. Collective forms of organisation like cooperatives of small producers or traders, village struggles on land, unionising of construction and manufacturing workers etc. have to repulse external extraction of surplus and direct subjection in order to strengthen their bargaining power and to reorganise economic and local spaces. This would enable them to obtain a higher share of prices, to collectively resist harassment of local goons and police and to strengthen their collective bargaining power towards capitalist exploiters. The difficulty is to overcome caste and other hierarchical boundaries and organise solidarity instead of competition. In this context, the Left has to look at the informal sector as a space which is very heterogeneous but highly active in many ways, not as a victim that has to be integrated into capitalism but as a political subject struggling against it. In regard to the tremendous inequalities in Indian society, there is much to be won.

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***Climate Change and India. Analysis of Political Economy and Impact,*** (2013), Daanish Books, Delhi.

With Contributions by: **Soumya Dutta, Soumitra Ghosh, Shankar Gopalakrishnan, C.R. Bijoy and Hadida Yasmin**

*With this book the five authors expand the field of research on climate change in India beyond the usual elaboration of international talks on the topic and the perils of global warming's impact on nature. Rather, the work stresses the interconnection of global warming as a natural phenomenon with political and economic decisions, problematizing their impact on the people living in India.*

**Höllén, Florian** (2010): Die indischen Gewerkschaften der Linken. Ein aktueller Überblick mit thematischen Schwerpunkten, in: *Thought Factory – RLS South Asian Working Paper Series*, No.1, Berlin/Pune.

*The debut product of RLS's South Asian Working Paper Series is an introduction by Florian Höllén to the broad range of trade unionism in India. Based on an elaboration of scientific research and personal encounters with leading trade unions, the author examines the unions' work of organising workers from the organised and unorganised sectors. The paper also provides contact information of several trade unions in India.*



**Schultens, Rene** (2011): Unity – Democracy – Militancy. Eine Kurzstudie über den indischen Gewerkschaftsdachverband New Trade Union Initiative, in: *Thought Factory – RLS South Asian Working Paper Series*, No.2, Berlin/Delhi.

Emphasising the need for a non-partisan organisation of workers in India, an umbrella organisation was formed in 2001: the "New Trade Union Initiative" (NTUI). Rene Schultens, in his German paper, examines this entity. He stresses the reasons for its formation and shares an inside view on their political work.

**Neelsen, John P.** (2011): Demokratischer Aufbruch in Südasien. Bürgerliche Herrschaft in peripheren Gesellschaftsformationen, in: *Thought Factory – RLS South Asian Working Paper Series*, No.3, Delhi.

With a provocative tongue, John P. Neelsen narrates the story of the emergence of democracy in South Asia. Examining the term of democracy in general, he deconstructs its initial notion of being pacifist and, in line with a liberal economy, an ideal framework for economic development. Putting it into the context of societal differences in the global periphery, the article challenges Marx's and modernist's assumption of a universally similar emergence of societal and economic development. *The paper is provided in German*