CHAPTER 2
ORIGIN AND DEVELOPMENT
OF WAGE THEORIES
Origin and development of wage theories

The wage question arises under specific historical contexts\(^1\). Wage labour exists under specific production relations wherein labour power is bought and sold as any other commodity in the market\(^2\). Any discussion on wages and wage theories need, therefore, be situated against the backdrop of the historical evolution as well as the different stages through which production relations passed through, before it attained the present state of development of the society concerned. Mode of production is the base of a socio-economic formation and corresponding to the base, a superstructure is formed to support the very base. Theoretical formulations developed in a particular historical epoch would correspond to the base and, therefore, fulfil the primary function of supplying ideological support to it. Theories on labour market and wages as an integral part of the theory of production and distribution can not, therefore, be analysed in isolation of the production relations. Wage theories formulated since the period of mercantile capital advocated by Mercantilists to the different versions of wage theories constructed on marginalistic principles, which dominate currently the intelligentsia and the states' policies pertaining to labour may, therefore, be viewed against the backdrop of the socio-economic formations for which such formulations have been evolved\(^3\). The objective of the chapter is to review the

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2 Ibid. 167-168.
3 Socio-economic formations developed since the time immemorial can be classed under different stages, viz., primitive mode of production, slave mode of production, feudal mode of production, capitalist mode of production and socialist mode of production. Production relations under the primitive commune system was collective in nature and the system was characterised by virtual absence of private property and surplus production or its appropriation. In other words, the primitive commune was a classless society (Engels, (1968). The origin of the family, Private property and the state, in Marx and Engels, F. Selected works, Pp. 461-583. Progress Publishers, Moscow.) The change in the relations of production from the primitive commune to the slave-owning class was felt socially necessary. Slavery was the first ever form of subjugation of one group of people by another that existed almost everywhere in different epoch of history. The relations of production, which existed in a slave society were based on slave-owners having in their possession both the means of production and the labourers. Slaves' uprising against their masters and the resultant disappearance of surplus in the absence of slaves posed serious challenge to the economic base of the slave production relations. They called for the replacement of the slave mode of production for the further improvement of the productive forces thus giving
evolution of wage theories by placing them against the backdrop of development of the socio-economic formations on which the theories have been developed. The chapter is divided into six sections. The first section discusses the wage theories of the Mercantilists, the Physiocrats and the classical political economists. The second section explains the concept of wage and wage labour under the Marxian school of thought. In the third section, the emergence of the neo-classical school of thought and its important wage concepts are discussed. Studies on wage determination and changes in wage levels in the Indian context are reviewed in the fourth section. In the fifth section, the literature on wage movements and the level changes on wages in the Kerala context are reviewed. Based on the discussion in previous sections, the sixth and the last section develop the theoretical framework for the present study.

Section 1

2.1. Origin of the studies on wages

Long before a systematic and scientific knowledge on wage labour and labour market existed, political economists had made serious attempts to explain wage movements and their determinants, particularly of workers in the unorganised sectors in the context of advanced countries. Often, changes in money wages and their concomitant variations in real terms were sought to be explained primarily with respect to variations in population size. A characteristic feature of labour supply during those times had been its volatility on account of periodic recurrence of famines, wars and natural calamities. Given the level of technology, population growth drove down per capita food

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production to so low levels that it was enough to have a bad harvest or drought to claim the lives of large numbers of people. For instance, a marked upswing in real wages of building workers in Southern England in the 15th century could be traced to the periodic occurrence of famines caused by bad harvest. The famine was preceded by an upswing in population during 15th and 16th centuries and the upswing in population lowered further the per capita food availability, while a bad harvest aggravated it. The inevitable Black Death that followed the famine did drive down the population by one third. Such a close and associated movement of real wage and population tempted policy makers and academicians to generalise the relationship between real wages and labour supply. Until the second half of the 18th century, wage level changes were sought to be singularly explained in terms of variations in labour supply induced by periodic changes in population growth. The theoretical postulate underlined in the Malthusian theory of population was the observed historical trend and pattern of association between population growth and food availability.

2.1.1. Mercantilist school and its wage policy

Wage formation assumes importance in the context of its being looked into as an integral part of the theory of distribution in which labourers are placed as a class in opposition to other social classes in the structure and distribution of national income. Viewing from this perspective, wage formation figured in as an important economic as well as political question when Mercantilist School of thought emerged as plenipotentiary of the commercial


7 Adam Smith and David Ricardo uncritically accepted the Malthusian theory of population later developed by Malthus as the founding stone of the theoretical base of their wage and distribution theories.

8 It has been alleged that the law of variable proportion was originally propounded by James Anderson, which was plagiarised by Malthus in 1815. The theory had been originally proposed at the time of Adam Smith. Marx accused that the theory was vulgarised by J.S.Mill. See Marx.K.(1954). Capital Vol.1. Foreign Language Publishing House. Moscow. P. 475.
capital at its fledgling phase in 16th and 17th centuries in Britain\textsuperscript{9}. A brief historical sketch of the conditions, which necessitated the emergence of a wage policy, is in order in this context. An important proponent of the school of thought was Stafford. In the historical evolution of the analysis of wage levels and their movements, the mercantilist group assumes special significance as the wage question received its much awaited political addressing for the first time from this group of thinkers.

Mercantilists were the first group of thinkers to give a systematic treatment to the newly emerged capitalist system of production while justifying the economic policy of the state. Until then, wages were not considered an integral part of the theory of distribution. The Mercantilist school nurtured an economic ideology, the origin of which could be traced back to the development and growth of commercial capital in the continental countries. The development of a commercial bourgeoisie in Britain is much linked to the growth and spread of external trade, nurtured under a high level of protection extended under state patronage\textsuperscript{10}. The emergence of a commercial bourgeoisie and their gradual transformation into a potential industrial capitalist class necessitated the supply of cheap and abundant labour force for the youthful capitalism to be efficient and competitive in the world market, particularly with respect to the cloth industry. Material conditions required for the supply of a cheap labour force came into being with the penetration of capitalistic production relations in agriculture, necessitated by the growth of trade, particularly of wool to the cloth industry in Italy and Flanders\textsuperscript{11}. Small peasants and farmers lost agricultural lands and grazing fields for their cattle and were left with little option but to swell the numerous ranks of beggars and vagabonds. Decaying feudal production relations in the countryside and speedy spread of merchant capital laid out the material condition much needed for the transformation of commercial capital into industrial capital. The group of

\textsuperscript{10} Ibid
\textsuperscript{11} Ibid P.24
people who were engaged in the service of middlemen or brokers turned into the manufacturing side. Independent craftsmen were deprived of their means of livelihood and they were left with little option but to join the ranks of wage labourers.

It was under such circumstances that the mercantilist school emerged to champion the cause of the fledgling commercial capital by arguing for active state patronage for the nascent bourgeoisie to grow by declassing the peasants and independent craftsmen in England during the 16th and the 17th centuries. Mercantilists’ policy on income generating economic activity resulted in the expansion of trade but prevented the outflow of money from Britain, since they advocated a high level of protection from the state. Mercantilists believed that agriculture and industry should be placed in importance only after trade and commerce, a view point which elicited pungent opposition from landlords. They sought to allay the fears of landlords by trying to convince them that the increase in income from external trade would push up the demand for agricultural produce, which would, in turn increase the price of agricultural commodities as well as of land. Mercantilists upheld the position that a rise in the price for food articles would erode the purchasing power of labourers which would force labourers to work harder. Their declared policy on wage and wage labour was ‘cheap bread makes workers lazy’ 12. Mercantilists argued that if bread is cheap, workers would work only for two days and spend the rest of the days in a week “carousing”. Conversely, if labourers were made to taste the biting lash of famine, (by the compulsion of high price of corn), landlords and industrial capital would be able to avail uninterrupted supply of labourers 13. Barring a few differences, the commercial bourgeoisie and landlords in England were fully in agreement particularly with respected to wage policies of the mercantilists and they succeeded in convincing different social classes that dear corn would make labour cheap and vice versa. Mercantilists wanted the state to fix minimum wages to workers in areas

12 Ibid P. 39
13 Ibid
which, they thought, would discipline the labour force, who had been thrown out from their traditional occupations and livelihood with the capitalist development in agriculture and industry. However, the wage policy of mercantilists may be perceived against the backdrop of the specific questions thrown up by the youthful capitalism in England and the practical solutions to them offered by mercantilists.

2.1.2. Physiocrats and wage question

The wage question figured prominently in the economic policy of physiocrats as well. As is well known, Physiocrats were a group of thinkers who originated, developed and influenced the policies of the French government for a relatively short time period between 1756 and 1777. The political and economic philosophy of Physiocrats had profoundly influenced the policies of the Government in France, which was then primarily an agrarian economy. The perception on wage labour and value of labour power can be better understood by looking into the political principles, which underlined the theory of value and distribution of Physiocrats. By the second half of the 18th century, having experienced a period of relative prosperity towards the end of the 17th and the beginning of the 18th century, the French economy entered into a phase of acute stagnation in agriculture. The phase of dormancy dissuaded farmers from venturing innovations in agriculture, which would impact heavily

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14 The name Physiocrats belonged to the book titled ‘Physiocratie, on constitution naturelle du government le plus avantageu an genes human’ by Fraco Quesnay, published by the leader of the school of thought, in 1767. The policy prescriptions of the School were originated in a time of agrarian crisis, which was further compounded by the corrupt and inefficient fiscal system that existed in France. The system of taxation existed then was highly discriminatory and was a potential disincentive to agriculture. The agrarian crisis brought in massive black death reducing the population of France from 24 million to 16 million during the period of agricultural stagnation. Physiocrats compared the economic condition of the peasants in France with the United Kingdom, which had then been prospering under the wave of industrial revolution and therefore the policies prescribed by Physiocrats for the prosperity of the peasants in France was, to a great extent, influenced by the economic policies pursued in Britain.

on agricultural production and productivity. As the major part of revenue of the government accrued from agriculture, various economically unhealthy practices prevailed in France, which were tragically designed by the landlord class, comprising the King and the Church, for the appropriation of surplus from peasants and artisans. Physiocrats argued that the only productive force is labourers engaged in agriculture because only investment in agriculture and agricultural development yield surplus to the state. Physiocrats argued that the only productive force is labourers engaged in agriculture because only investment in agriculture and agricultural development yield surplus to the state.

As spelt out elsewhere, the Physiocrats addressed the wage question directly as early as the 18th century. Against the backdrop of a sagging agrarian economy, the Physiocrats conceptualised natural wage, which comprised the sum of the bare subsistence of the labouring households. Physiocrats theorised wages as advance for subsistence and they developed the concept of a uniform wage. The wage concept underlined the fact that wage was the physical cost of reproducing labour. By the second half of the 18th century, industrial revolution took root on a large scale in Europe particularly in England and most part of Western Europe while France remained predominantly an agrarian economy. The argument for a uniform or a given wage rate by Physiocrats may be viewed against the backdrop of higher level of agriculture productivity in France than in its neighbouring countries. The market for farm products produced in France originated mostly from its neighbouring countries. Precisely for this reason, the Physiocrats placed agriculture above industry and commerce. The development of the concept of Leisses-fair, the ideological hallmark of the French School of thought, was aimed at free movement of farm products to their neighbouring states without any barriers or trade restrictions. Therefore, Leisses-fair was designed to confine strictly to exports of farm products from France to other countries and

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16 Ibid
18 History of development of agriculture in every part of the world was characterised by simultaneous existence of pre-capitalist relations of production along with fully developed capitalistic production relations. The peonage system prevailed in Mexico in the 17th and 18th century was a variant of such pre-capitalistic relations of production.
it was not meant for generalised free trade as is usually believed. For the agricultural trade to be competitive, Physiocrats argued for a wage reduction to its minimum possible extent in the agricultural sector, which was inevitable for the capital employed in agriculture in France during that period.

The French school of thought emerged a particular economic environment in France when tax collection was entrusted with wealthy farmers called *generaux*, who could pay tax to the government in advance by taxing peasants exorbitantly. Physiocrats held the view that taxes on farmers constituted an outflow from agriculture, which would result in a fall in investment in agriculture leaving its adverse consequence on 'social product' from agriculture. Physiocrats were the first group of thinkers who drew a difference between productive and unproductive labour, the division that provided the base for class analysis in the Marxian scheme of thought. The surplus approach to productive activities, by distinguishing between productive and sterile (unproductive) activities, was adopted by Physiocrats and a distinction between the two was introduced in the system of production. Physiocrats included the wages paid to workers in the aggregate of the means of production and upheld that the quantity advanced as means of production should at least be equal to the value produced with that means, is a variant of the much acclaimed marginal productivity theory of labour.

The Physiocrats abstained from directly addressing the question of value and distribution. The means of production was placed under different types of advances and the advances made by farmers was the form of necessaries of life supplied labourers, which would be consumed in the process of production. It provides a pointer to their perception about value creation and distribution. The advance made by farmers to labourers is nothing but a variant of the variable capital under the Marxian Scheme of thought. An ideal economic system as visualised by Physiocrats was characterised by large-scale farming involving huge investment. It was rather a logical corollary of the policies

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visualised in an idealistic situation by Physiocrats, which had been experiencing a downturn perhaps with the advent of the first wave of industrialisation. A notable feature, having a bearing in the present contest is the drawing up of the clear division between agricultural labourers and peasants. In a rural agricultural setting, it implies a clear demarcation in the living standards, customs and habits between peasants and agricultural labourers.

In spite of the fact that Physiocrats did not directly address the question of wage labour or wage system, artisans were thought to be comprised mostly of agricultural labourers who were attached to big farms either as bonded or semi-bonded labourers. Therefore the wage question had not, to a great extent, been of much concern to the Physiocrats. However, it was clear from the theory of production, value and distribution that the social product, which was identical with annual output of agriculture, comprised two parts, capital and surplus. Capital comprised the advance made by farmers for cultivation, which should always be preserved and should not be subjected to diminution because it was meant for recommitment in the production process. In the process of production in agriculture, tax on farmers and wage of artisans should be met from the surplus generated in agriculture. To put it differently, the Physiocrats addressed the wage question indirectly, which placed wage labour in consistent opposition to the landlord class, in sharing surplus as tax and wage.

2.1.3. Classical economists and wage theories

The history of scientific analysis of the modern economy begins with the writings of classical political economists. Classical political economy shifted the forms of analysis from the sphere of circulation to the sphere of production. Emergence of the classical school of thought as a powerful force in the 18th century in England was necessitated by industrial capital and its sphere of production, dominated till then by the social philosophy of merchant capital in Britain and agrarian capital in France and other parts of Europe. However,
feudal and semi-feudal production relations in agriculture, which existed in different parts of Europe, had placed an insurmountable break on the further development of productive force and thereby on the advancement of the society. It signifies the fact that wages theorisation by the classical school of thought and the emergence of a free labour market were necessitated by the requirements of the material conditions of production. In this sub-section, we shall discuss the works of Adam Smith, David Ricardo and Karl Marx. Unlike other schools of thought, classical political economists, particularly Smith and Ricardo addressed the twin questions of change in wage levels and formation of the wage base. However, Smith’s theorisation on wage needs to be situated in the background of the different stages of development of Britain during the 18th century. It was a period of transition in Britain as its commercial bourgeoisie, by that time, had, more or less, established its roots deep into large-scale manufacturing and the magnitude of surplus from trade had subsided under industrial profit. Corresponding to such changes in the very structure of production, marked changes had taken place in every sphere of organisation of production too. The role of the intelligentsia under such economic scenario was that of championing the cause of the fledgling industrial capital. Smith’s elaboration on division of labour and its advantages in large scale production are meant for industrial production that could, in his days in Britain, be possible only if independent craftsmen gave way to the domestic system of large scale industry. In other words, it signified the penetration of commercial capital into industry. Smith, in opposition to Mercantilists and Physiocrats who represented primarily traders in Britain and landlords in France respectively, observed the growth of industrial capitalism through large scale manufacturing enterprises and presented a general picture of the capitalist economy. It could precisely have been the reason why Smith was called the economist of the capitalist economy. Smith’s formulation on labour, wage and its applicability

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The name classical economist was attributed to the social scientist and philosophers of the 18th century by Karl Marx.
to Third World agrarian economies such as India may be perceived against the historical context in which wage theory was evolved.

Adam Smith distinguished between a natural rate and a market rate of wage. The natural rate of wage is the subsistence wage, which is absolutely indispensable for a labourer to meet his bare subsistence. A wage rate higher than the natural rate would lead to a rise in population and a consequent decline in wage rate to levels below the natural rate, resulting thereby in a decline in population and labour force. In other words, natural wage is the long run average price of labour. The market rate of wage is the rate fixed by the market, which may vary from the natural rate in tune with the supply of and demand for labourers. It is the average rate of wages, which is regulated by general circumstances of the specific nature of employment. The natural rate of wage is the prime cost of reproduction of labour and the concept originated from the labour theory of value. For Smith, the value of any commodity is determined by its content measured in terms of labour embedded in its production. The value of labour is thus measured by the value of necessaries which had gone into subsistence for the maintenance of the labour force. If the Smithian wage concept is extended to the determination of the natural wage rate, Smith's theorisation can be framed as the cost of nurturing a labourer measured in terms of his cost of necessaries of existence. Depending on the conditions in the market, the price of labour may vary to a level above or below his subsistence requirements, which is the market price of labour. However, the assumption of a long-term tendency of the wage rate to align with the natural wage or subsistence wage is based on the premise that a change in wage above the natural wage causes an increase in population followed by a swell in labour supply, which in turn takes the wage level back to its original level of subsistence.

"The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it, is
to lament over the necessary effect and cause of the greatest public prosperity.\textsuperscript{21}

Such an assertion is based on the common theoretical position that classical economists in general had subscribed to, \textit{i.e.}, an earlier version of the theory of population change and wages fund doctrine, which was later developed by Malthus as the theory of population change and John Stuart Mill's as the wage fund doctrine\textsuperscript{22}. Perhaps, fluctuations in real as well as nominal wages since the 12\textsuperscript{th} century in countries, particularly in Southern England supplied the empirical evidence for such an abstraction that real wages would always be pressed down perpetually towards subsistence level through the gravitational forces of population pressure. A rise in wage level above the subsistence level would increase the propensity to marry early and beget numerous children and vice versa.

Smith visualised a class society in which the buyer and the seller of labour power existed and the wage rate above the subsistence level was fixed by bargaining or contract.

"The produce of almost all other labour is liable to the like deduction of profit. In all arts and manufacturers the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be completed. He shares in the produce of their labour, or so in the value which it adds to the materials upon which it is bestowed; and in this share consists profits\textsuperscript{23}.

It has unambiguously been stated that such advance payment would always work in favour of 'masters' \textsuperscript{24}. In this context, Smith underlines the

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\item Smith subscribed to an earlier version of Wage Fund Doctrine because the prevailing concept was that the capital consisted of two parts; one part was destined to make wage payment to workers, and the other part as stock of capital. As long as capital stock remain fixed, an increase in the number of people seeking maintenance from the fixed stock of capital would drive down per capita subsistence level of income. Sooner than later, people would tend to put off marriages, hunger and disease would take their toll until the population was reduced making the capital stock to be spreaded over a thin population so that subsistence level can be maintained
\item Ibid
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relationship between the class character of the state and of the class opposed to it, workers. In the Smithian scheme of thinking, capital stock is the factor influencing the demand for labourers implying the fact that nations with higher stock of capital pays higher subsistence wage, which becomes the natural lower limit and long run supply price of labour. The concept of subsistence or natural wage includes the value of necessaries sufficient to maintain a labourer and his family. Smith attributed a higher child mortality rate to a lower natural wage and therefore argued that the maintenance of a labour force demands a reproductive rate of four children per couples as two of them are likely to perish before they attain adulthood.

"A man must always live by his work, and his wages must be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family and the race of such workmen could not last beyond the first generation. But one-half of the children born, it is computed, die before the age of manhood."

Natural wages tend to remain below the necessary subsistence level because the master tends to combine against working men in utter silence and workers, quite often, fail to resist it partly because they come to know about it only after its getting implemented. Even if labourers combine against their masters to resist the wage reduction, their combinations are unlikely to yield any fruits because the state apparatus would enable the masters to implement their laws rather rigorously or the labourers would be forced to withdraw their resistance on account of the necessity of submitting for the sake of present subsistence. However, Smith argues that the subsistence wage cannot be reduced below a minimum level, which would in turn costs heavily to the masters. Wages of labourers may be higher or lower than the ordinary wage depending on the demand and supply conditions. Given the level of supply, it is always the demand for labour, which determines the level of market wage. This question is addressed by analysing causes of regional wage differentials.

25 Ibid P.76.
2.1.3.1. Smith and regional differences in wage rates

Smith sought to explain wage differentials for the same type of labourers and workers across different countries by distinguishing them on the basis of the difference in the rate of capital accumulation. "But though North America is not yet so rich as England, it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches. The most decisive mark of the prosperity of any country is the increase of the number of its inhabitants."\(^{26}\)

Though Britain was more prosperous and opulent than North America, the wage rate in North America was higher because the state of advancement of North America was much faster than that of Britain. In a thriving economy like America, the demand for labour would be higher than its supply and it was the demand for labour, which keeps the market wage rate rising.\(^{27}\) Such thriving economies were characterised by higher rates of growth of population. To confirm the association between change in wage rate and capital stock (demand for labour increases in constant proportion to the stock of capital), Smith cites the example of China representing a stationary economy characterised by a stagnating wage level. Given the stock of capital and the rate of growth in capital accumulation in such economies, an increase in population would further drive down the wage level because workers would be forced to bid against one another at the expense of their own subsistence cost. A declining state of an economy where the capital stock or funds destined for the maintenance of labourers would be decaying year after year, which occasions a reduction in population as the ordinary wage rate falls to the minimum possible subsistence level. Bengal and some of the English settlements in East Indies represented such declining economies, wherein the demand for labour was characterised by a declining trend resulting in massive unemployment. Sooner than later, natural forces caused a decline in population.

\(^{26}\) Ibid p. 79
and the workforce would get equalised in proportion to capital stock so that the natural wage rate could be restored.

The objective behind the mapping out of the regional wage differentials is unambiguously clear. Smith’s wage theory is primarily a cost of production theory of labourers. The demand for labour, like the demand for any other commodity, would necessarily be governed by the stock of capital and its pace of accumulation, which in turn is manifested in the state of the economy. By stating so, Smith attempted to establish the hypothesis that wage rate for labourers is a function of its demand and supply. The wage rate can not be increased unless the pace of capital accumulation moves in tandem with a faster rate of growth than the change in population. Two pillars on which Smith conceptualised his theory of wages were the theory of population later developed by Malthus and the wage fund doctrine. Any increase in the natural wage rate, which is not permitted by the pace of accumulation, would act upon the rate of change in population, resulting in a higher labour supply, which would in turn drive down the wage rate below its subsistence requirements, leading further to the decline in population. The underlying theoretical postulate is that labour mobilisation and collective bargaining have virtually no role to play in improving the living standards of the people and, given the fixed wage fund, any hike in wage not only supported by capital stock would lead to ultimate diminution of the population.

The second and perhaps the most important issue to be discussed in the Smithian theory of wages is the very content of subsistence. The fundamental theoretical shortcoming in the theory of subsistence wage of Smith is that he could not distinguish between a slave and a labourer. A slave has to incur the expenditure on food and clothing to protect him from extreme climate, whereas a labourer is a social being and his expenditure on food, clothing and shelter are only a part of his subsistence. The major part of the expenditure on a free labourer emerges from customs, habits, and the historical and social evolution of the cultural living standard set in by the degree of civilisation. Smith argued that free labour was more economical to the employer than a slave because a
free labourer would arrange on his own his necessaries and maintenance whereas those of a slave would have to be met by his master. Diet and maintenance of a slave would cost dear to the employer (master) especially in a situation managed by an inefficient master. Further, Smith believed that free labourers were profitable to the master in another respect too. The productivity of a free labour would always be on the higher side when compared to that of a slave. As Smith could not distinguish between a free labourer from a slave, the subsistence cost of living does not contain the expenditure incurred on account of customs, habits and other social and historical factors from which a free labourer is evolved. In other words, Smith’s subsistence wage is a wage for a slave and not for a labourer. To what extent, Smith’s concept of subsistence is applicable to explain the wage formation in Third World agrarian economies is, therefore, a question begging an answer. The pertinent question in this context is why Smith talked about a free labour market. The material condition, which existed in England of the 18th century demanded free labourers for the newly sprung up industries and Smith addressed the wage question when England was passing through its phase of industrial revolution. To make labourers available for the industry as well as for agriculture, it was imperative that a free labour market should come into existence. Penetration of capitalistic production relations in agriculture and industry had thrown out a large number of small peasants and independent craftsmen from their livelihood who migrated to urban centres to work in large scale industries by cutting off all their social tie-ups with rural moorings wherein social customs, traditions, habits etc played an important role in living. Smith could visualise only the rehabilitated peasants and craftsmen from rural areas employed in the newly sprung up large industries. For Smith, such labourers required only their subsistence like that of slaves.

28 Ibid P.95
29 Ibid
30 Ibid
2.1.3.2. David Ricardo and wage theory

At the outset, it needs to be stated that David Ricardo did not construct a wage theory, but only subscribed totally to the proposition of Torrence. It is on that basis that he modified the subsistence wage concept of Smith. The concept of wage and labour and, its relation with rent and profits developed by Ricardo owed much to the tradition opened up by Adam Smith. Sharing the tradition of Smith, Ricardo too conceptualised the recompense to labourers in terms of natural wage and market wage. Any deviation from subsistence wage was explained by the supply of and demand for labour, which determined the market wage. Natural wage represented the wage base and the market wage was the actual wage or the spot wage received by labourer. In his book, *The Principles of Political Economy*, he devoted considerable part of chapter five to explain factors likely to influence the market price of labourers. By proposing the long run tendency of wage rate to move around the constant long-run supply price of labourers, Ricardo presumed that labour supply was perfectly elastic at the subsistence wage. The Ricardian wage concept is premised on three pillars, viz., Malthusian theory of population, wage fund doctrine and diminishing returns to scale. Ricardo’s wage concept is enshrined in the labour theory of value, according to which the value of a commodity is determined by the amount of labour expended on its production. Further, wage rate is the value of the necessaries gone into the reproduction of labourers. However, the Ricardian theory of wage too falls in the category of the cost of production theories of labour power. Ricardo states,

"Wages equalled the amount of commodities necessary to feed and cloth a worker and his family, which represented the cost to society of enabling the labourers to subsist and to perpetuate that race without either increase or diminution."

The natural price of labour or natural wage, for Ricardo, is significantly different from that of Smith as Ricardo’s wage concept is inclusive of not only

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the simple reproduction cost of labourers measured in terms of food, clothing and shelter, but covered expenditure incurred on account of customs and habits of working people.

"The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution."\(^{32}\)

Ricardo incorporated the element of customs and habits in the nitty-gritty of the natural price of labour, which was necessitated by his understanding that labourers might cut down their diet at times when the wage rate fell below the cost of necessities, but not the expenditure patterned by customs and habits. Ricardo could, therefore, cut a big hole in Smith's argument of the natural wage concept\(^{33}\). However, Ricardo's ardent and uncritical faith in the Malthusian theory of population is evident from the definition of natural wage as wage preventing 'either increase or diminution' of the labouring class. He made it clearer in another passage in the chapter 'On wages' thus:

"this pernicious tendency of these laws is no longer a mystery, since it has been fully developed by the able hand of Malthus."\(^{34}\)

It underlines the fact that labourers will be reproduced at a constant cost, and that the constant cost is the equilibrium in which any economy should function. An assertion which implies that like any other commodity, labour is also produced at its long run cost and the supply of labour will be perfectly elastic at its long-run supply price or subsistence wage.

2.1.3.3. Ricardo and regional differences in wages

Can natural price of labour be consistently above the market rate for a fairly long period? Primarily, the demand for and supply of labourers and the price of necessaries upon which the wage income is expended influence the natural wage rate. Labour supply is governed by the Malthusian theory of population and the demand for labour is a direct function of capital stock. The

\(^{32}\) Ibid


\(^{34}\) Ibid P.61
capital stock comprises food, clothing, tools, raw materials, machinery etc. Ricardo defines market wage rate as the rate determined by the supply of and demand for labourers at a particular point of time. Market wage rate can be kept consistently above the natural wage rate for an indefinite period only in an “improving” society characterised by rapid growth in the pace of accumulation, giving increasing stimulus to the demand for labour, which in turn outweighs the rate of growth of population. However, if the pace of accumulation is gradual and constant, the rate of population growth will exceed the demand for labour driving the market wage down to its natural wage rate. Ricardo related wages to that part of the capital stock, which is destined for the payment to labourers for their maintenance and that part being always a constant proportion of total capital stock. Ricardo believed that wage base or natural wage is neither fixed nor constant, but subjected to variation in relation to the material base of the subsistence wage and in a same country over years. The change in the very content of subsistence wage does undergo considerable change over time as the productive forces and the wealth created in the society attain higher stages of development. Ricardo says.

“Many of the conveniences now enjoyed in an English cottage would have been thought luxuries at an earlier period of our history.”

Ultimately, reasons causing an upward shift in the content of subsistence wage gets boiled down to the demand factor for labourers.

Ricardo attributed the material differences in natural wage to the habits and customs of people and he sought to explain the differences in natural wage by comparing the customs and habits of people in England and elsewhere.

“An English labourer would consider his wages under their natural rate, and too scanty to support a family, if they enabled him to purchase no other food than potatoes, and to live in no better habitation than a mud cabin; yet these moderate demands of nature

35 Ibid P.55
are often deemed sufficient in countries where man’s life is cheap and his wants easily satisfied\textsuperscript{36}.

However, Ricardo has left untouched the question of what determines the habits of a given country and how it is connected to the general development of society. He explains that at different stages of development of the society, the productive power of labour does undergo changes, which, in turn, are influenced by the rate of capital accumulation and the capital stock. In a state of rapid growth of accumulation, the demand for labour exceeds its supply, resulting in a market rate of wages higher than the natural rate and the higher price is likely to persist until all fertile lands are exhausted. As less fertile lands are brought under cultivation, more labourers will be required to produce the same quantity of food causing a price rise and deterioration in the living standards of people. Ricardo upheld the view that the state’s support to workers in the form of poor laws governing minimum wages or other pecuniary benefits would cause depletion of state’s income, which would lead to a stationary state of the country making all classes of people equally poor\textsuperscript{37}.

Even though Ricardo abstained from schematising nations at different stages of development and their associations between wage rate and population, he asserted that a market wage rate would remain at a higher level in an improving society for an indefinite period, which would always be higher than the subsistence wage. However, an important distinction to be drawn about in this context is that the supply curve of labour envisaged by Ricardo visualises a change in labour endowment whereas the marginalist school works through changes along a supply curve of labour, derived from a given endowment of this factor of production. Following Smith, Ricardo’s major concern too was industrial labour. However, the difference to be drawn between Ricardo and Smith is that Ricardo incorporated elements such as customs, habits and historical and social factors in the determination of wage because his concern was relatively more than that of Smith and in favour of

\textsuperscript{36} Ibid P. 55
\textsuperscript{37} Ibid P. 62
rural labourers than industrial workers. In the 'Principles of Political economy and Taxation' discussion of issues pertaining to agricultural sector such as rent and theorisation on international trade were done with in greater detail than in Smith's work. Ricardo accepts that the value of labour power is determined by means of subsistence, which in a given society, is necessary for the maintenance and reproduction of labour. To the question what law determines the value of subsistence of labour, Ricardo reduces the question to a mechanical supply-demand function. In fact Ricardo did not frame a theory of wages. He subscribed totally to the view of Torrence. In his work, 'Essays on the External Corn Trade', Torrence explains the dynamics in relation to the agricultural sector and it could precisely be the reason why Ricardo incorporated the element of social component in the determination of workers' subsistence and the influence of customs and habit. In other words, such factors could be incorporated because the workers were viewed as an inseparable part of the socio-economic formation. Precisely, Ricardo followed Torrence while discussing questions of wages of labourers in the agricultural sector.

Section 2

2.2. Karl Marx and Wages

The major criticism levelled against the tradition of classical political economists, in which Marx included William Petty, Francos Quesnay, Adam Smith, David Ricardo, Pierie Boisgwilletert (France), Simonde de Sismondi in Switzerland, was their inability to understand the historically transient character of capitalism, surplus value and the dual nature of labour. Marx analysed the value of labour power by distinguishing it from other commodities. He considered wages and labour market as integral part of the

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Karl Marx categorised thinkers in the political economy tradition into three, viz., bourgeoisie political economist, which comprised William Petty, Franco Quesney, Adam Smith and David Ricardo. The tradition opened up by Malthus, J.B.Say, Bastiat were labelled as vulgar bourgeoisie political economists; Sisimondi and Proudhon represented the petty bourgeoisie political economist. They, while criticising the capitalist production
production system and therefore, held the view that the price of labour could not be viewed in isolation from the totality of changes taking place in a nation. In the Marxian framework, price of labour is analysed by identifying in greater detail certain crucial characteristics of labourer power, which make labour distinctively different from other commodities. 

1) The possessor of labour power sells it to its buyer for a price, which is the wage; ii) The buyer of the commodity pays price for its aggregate of the mental and physical capabilities exercised when the labour applies his power for the creation of use value and exchange value; iii) Like any other commodity, value of labour is fixed, its use value can be realised only in the exercise of labour power; iv) Value of labour power is fixed because a definite quantity of commodities have already been spent on its maintenance; v) Unlike other commodities, the use value of labour power does not pass into the hands of its buyer immediately after the conclusion of the contract between buyer and seller; vi) Employment of labour for the creation of use value and its appropriation by its buyer are not simultaneous; (vii) Labourer sells his power on credit to the buyer because the labour power is paid only on the conclusion of the contract. Having outlined the difference between labour power and other commodities in the market, Marx clearly stated that the existence of two classes of people as buyers and sellers of labour power does not provide the necessary material conditions required for the act of buying and selling of labour power to take place. For the act to be materialised, a full-fledged labour market has to come into existence. Labour markets exist only if the following conditions are realised: i) The possessor of labour power must be able to sell it irrespective of time and space to its buyer as he wishes, which in turn implies that there

40 Ibid
41 Ibid
42 Ibid
43 Ibid
44 Ibid
should not be any tie-up of binding nature crippling his right to sell; ii) The buyer of labour power should not be in a position to place himself to exercise coercion upon the labourers and both the buyer and the seller under all circumstances should be able to exercise equal rights in the market; iii) Exercise of equal rights is possible only if the seller sells the product for a definite period after which the contract should inevitably be concluded; iv) Sale of labour power turns out to be the very sale of labourer himself if the latter sells him rump and stump to the buyer and on consequence, the possessor of labour power loose his absolute control over him to the buyer; v) The labourer should be devoid of any means of production or the labourer should not be in a position to place himself in the market in his capacity as the seller of commodities in which his own labour power is incorporated instead of offering his own labour power which exists only in his living self. To put it differently, for the conversion of the money possessed by its owner into capital and surplus appropriation, the base of the capitalist mode of production, the labourers should be free in a double sense of the term; i) the labourer should be absolutely free to decide to whom he should sell his labour and at what price and, ii) The labourer must not have anything else to offer in the market except his labour power.

2.2.1. Contents in the value of labour power

Marx, in his work titled Wages, Price and Profit, dealt with in great detail, the composition of the value of labour power. It could be observed that the price of labour as theorised by Marx stood distinctly different from that of his predecessors and that the wage theory of Marx was based on the Labour theory of value. Marx rejected the theory of population of Malthus and the Wages Fund theory of J.S. Mill. It has been clearly stated that the value of a

46 Ibid
48 Ibid
49 Ibid
50 Ibid
51 Ibid
commodity is determined by the quantity of labour crystallised into its production. The quantity of labour means the labour time necessary for its production in a given society, under certain social average conditions of production, with a given social average intensity, and average skill of the labour employed. The value of labour power is determined by the value of the necessaries required to produce, develop, maintain and perpetuate the labouring power. The Marxian wage concept is distinctly different from that of his predecessors on the following grounds. The value of labour power is formed by two elements, viz., i) Physical content; ii) Historical and social content. The physical element is the ultimate limit of the labour power, which is comprised of the cost of articles required to reproduce, perpetuate and maintain the labouring power. It is the value of the indispensable necessaries which the labourers must receive in order to exist. If the wage received by labourer is inadequate to meet their physical requirements, the labouring population would get crippled leaving a profound impact on the productiveness of labour. It is important to note that the physical cost element in wage is not uniform across nations or within nations. In every country, there is a traditional standard of life and therefore, the physical element is not merely the satisfaction of certain wants, but satisfaction of the needs emerging out of social conditions in which labourers live. The standard of life is shaped up by historical tradition and social habitude. Marx, in this context quotes Thornton’s work on Over Population to show how the average wages in different districts in England differed from one another. The second element in the value of labour power is determined by the historical or social characteristics of regions where the labourers are placed. It is this part of the value of labour power which distinguishes a labourer from a slave. A labour is a social labourer and the society has set up certain customs, traditions (which are subjected to progressive change over time) and above all the very evolution of

53 Ibid P.40
54 Ibid P. 72
55 Ibid
56 Ibid
the society in question from its state of serfdom to the present state of affairs. Once the social cost of value of labour power is reduced to nothing, what remains is the physical cost of perpetuating a race.

"By comparing the standard wages or values of labour power in different countries and by comparing them in different historical epochs of the same country, you will find that the value of labour power itself is not a fixed but a variable magnitude, even supposing the values of all other commodities remain constant"57.

Neither Smith nor Ricardo could envisage a social labour and its social wage as Marx did.

For a proper understanding of the wage question under the Marxian scheme of thought, a brief discussion on the history of evolution of socio-economic formations, development of different stages in mode of production, and the mode of appropriation of labour surplus corresponding to each mode of production is in order.

In the production of material wealth, two factors assuming crucial importance are intensity of labour and productiveness of labour. Productivity of labour reduces the socially necessary labour time expended in the production of a commodity. The socially necessary labour time relates to the average time required for the production allowed by the particular stage of development of the forces of production and relations of production.

Marx distinguished between time wages and piece wages as two important forms of the manifold combinations of expression of the value of labour power58. Time wage measures the exchange value of labour power, which in common parlance is termed as nominal wage. The sum of necessaries that can be bought by exchanging the value of labour is the real wage. Such a distinction assumes special significance since piece wage has a bearing on time wage or in other words piece wage get transformed into time wage over time. In time wage, labour power is measured by its duration and it

57 Ibid P.73
is fixed for a day (day's wage) and not for a given hour. Wages of labour divided by the number of working hours show the average wage per hour, which is reckoned as the value of labour power.

Piece wage is measured by the quality of products in which the labour power is embodied and it is an effective mechanism to control and regulate the quality of work. Piece wage system or what is called 'Sweating System' in England, was characterised by Marx as exploitation of labourers by labourers. Under the piece wage system, labourers are forced to make use of their labour power as intensively as possible enabling the employer to raise the degree of labour intensity. Viewed from this angle, piece work raises individual wages above the average, but only to lower the average itself. Piece wage or piece rate is fixed by customs, traditions and the historical evaluation of the production relations. The lowering of piece wage has an indirect effect on the time wage as the former reduces the time wage. Marx established the interrelationship between piece wage and time wage by citing the commercial policy of Great Britain in 1815. Piece wage or the value of labour power is negatively associated with the productiveness of labour. Labour productivity and labour time required per piece (labour intensity) varies proportionately but in opposite directions and, signifies the inverse association between labour productivity and piece wage rate. Lowering of piece wage often leads to a constant battle between capitalist and labour because capital makes use of the improvement in the productiveness of labour either to lower the price of labour or labourers will be overburdened by pacing up labour intensity with productiveness of labour.

If labour productivity declines, the quantity of labour required to produce the necessaries would increase resulting in a rise in its price in proportion to the fall in labour productivity, given the value of money. A rise or a fall in wages, consequent upon the decrease in productivity has wide implications.

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59 Ibid Pp.554-558
60 Ibid
61 Ibid
"In proportion as capitalist production is developed in a country, in the same proportion do the national intensity and productivity of labour there rise above the international level. The different quantities of commodities of the same kind, produced in different countries in the same working-time, have, therefore, unequal international values, which are expressed in different prices, i.e., in sums of money varying according to international values. The relative value of money will, therefore, be less in the nation with more developed capitalist mode of production than in the nation less developed. It follows, then, that the nominal wages, the equivalent of labour power expressed in money, will also be higher in the first nation than in the second; which does not at all prove that this holds also for the real wages, i.e., for the means of subsistence placed at the disposal of the labourer.\textsuperscript{62}

In the above context, wages remain unchanged means labourers would be able to purchase only less quantum of necessaries, which would leave a profound impact on the living standards of labourers. On the contrary, if wage rises in proportion to the increase in the value of necessaries, it would affect a cut in the rate of profit, provided the length of the working day remains unchanged. In case the productivity of labour increases, the daily necessaries of labour can be produced with less quantity of labour resulting in a fall in the value of labour or the value of necessaries required for labourers. With the same magnitude of wages existed before, labourers would be in a position to procure more quantity of necessaries of labourers and their standard of living shall be improved. On the other side, the rate of profit of farmers would register a manifold increase impacting positively on the living standards of the poor. As a result, unless the wage rates of labourers are increased in proportion to the improvement in productivity, labourers would find it difficult to maintain their relative position from further deterioration. Similarly, depreciation of the national currency, should also be accompanied by a corresponding change in the nominal wages in order to maintain the absolute and relative social position of labourers.

Capitalistic production moves through periodic cycles as it moves through a state of quiescence such as growing animation, prosperity, over

\textsuperscript{62} Ibid P.560
trade and stagnation. Market prices of commodities and the market rate of profit too fluctuate in tandem with the different phases of cycles. During the phases of stagnation and crisis, employers would lower wages but labourers have every legitimate right to demand a higher wage because one deviation of the market price is being compensated by another for the capitalists, but scarcely for labourers. The association between wage levels and the state of quiescence of capitalism can not be ignored.

2.2.2. Marx and regional differences in wage

Unlike Smith and Ricardo, Marx devoted the chapter 22 of volume I of Capital exclusively for a discussion on regional differences in wages. Marx dealt with in great detail time wage, piece wage and national differences in wages in consecutive chapters in volume I of Capital to focus attention on different facets of the wage system. Marx stated rather categorically that the quantum of the means of subsistence in which the value of labour power is embedded may fluctuate independently of the variations in price, which is obviously a corrected position upon Smith. Analysis of national wage calls for taking into account all such factors that influence the magnitude of the value of labour power.

"In the comparison of wages in different nations, we must therefore take into account all the factors that determine changes in the amount of value of labour-power; the price and the extent of prime necessaries of life as naturally and historically developed, the cost of training the labourers, the part played by the labour of women and children, the productiveness of labour, its extensive and intensive magnitude."^{63}

Factors influencing wages are the price and extent of the prime necessaries of life, which are historically developed and naturally determined, cost of training, productiveness of labour defined in terms of its extensive and intensive magnitude and the participation of women and child labour in the labour force. Given these specificities, labour may be compared meaningfully only in terms of piece wage, the productiveness and intensity of which vary

^{63} Ibid P.559.
from one region to another. The average intensity of labour varies from region to region and the more intense labour is, the higher is the production per unit of hour, more is the value of labour power and, higher is the wage. In the international market, productiveness of labour is on a par with labour intensity and, therefore, more productive the nation is the lower will be the price of its commodities. The national intensity and productiveness of labour develops in proportion to the development of capitalistic production, which in turn, means that the quantity of commodities produced in different countries within the same working time varies, and that, therefore, the sum of money realised by the sale of such commodities in the international market would also vary. The unequal values of commodities produced in different nations and brought for sale in the international market get manifested in the value of labour power, there which is expressed as nominal wages, shall naturally be higher in nations, which are in the higher stages of capitalistic production than in less developed nations. It is important to note that the differences in nominal wages across nations do not correspond in the same proportion in real wages or the quantum of commodities made available at the disposal of labourers. However, in spite of a higher wage in developed nations, the value of labour power compared with surplus value and with the value of the product, would be higher in less developed nations.

Section 3

2.3. Neo-Classical School of thought and wage

Veblen first used the term ‘neo classical’ to characterise Marshallian economics, which was perceived to have continuity with the tradition of classical economists. The neo-classicals did economic analysis using mathematical methods (differential calculus), drew upon the principles of classical political economy of William petty, Adam Smith and David Ricardo. In response to Marx criticism against classical political economy and the growing strength of trade unions, neo-classical economists developed a theory
of wage determination based on the interplay of market forces. However, a brief history of the neo-classical school of thought is in order to understand the material conditions, which necessitated a deviation from the tradition of classical political economy. The Neo-classical trend in political economy thinking became prominent by the 1870s. The Important proponents of this school of thought were Carl Menger, Friedrich Von Wieser, Eugen Bohm-Bawerk (Austrian school), William S. Jevons, Leon Walras (Mathematical school), J.B. Clark, (American School) Alfred Marshall and Arthur C.Pigou (Cambridge School). The writings of the school of thought had well defined and multi-pronged objectives, mainly of advancing an alternative to the labour theory of value. They presented the theory of marginal utility as an efficient management strategy to capitalism, which had then been at its fledgling phase. Neo-classicals considered value as a subjective category and its magnitude was determined by the marginal utility, that is utility derived from the last unit of consumption. The price of a commodity, including that of labour is, therefore, determined by the marginal utility of the goods consumed or used. J.B. Clark of USA further developed the theory of marginal utility and extended to a theory of marginal productivity. However, it was in the hands of the British economist, Alfred Marshal, that the neo-classical economic theory attained its full development.

The Neo-classical school was not concerned about the behaviour of social groups or classes but analysed the 'pure economy', based on hedonism or the deliberate pursuit of one's interest (economic man). An 'economic man' may be a labourer or an owner of vast means of production, but he is governed by the principle of maximising income with minimum of effort (cost). Alongside, the school advanced a theory of general equilibrium in which free trade and competition would ensure just distribution of income among factors of production and the most efficient use of economic resources under conditions of full employment. Even though the economic philosophy of neo-

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classicals lost its prominence by the 1930s, by 1950s they shot up again into fame with the emergence of a series of growth theories developed by proponents of this school.

Broadly, studies on wage rates of agricultural labourers in Third World agrarian economies come under two groups, based on the issues addressed. The wage question is related either to changes in the wage base or wage levels. Studies in the tradition of the classical school of thought were related to the wage base or the constituents of the social cost of reproduction of labourers as a class. Studies on wage levels, on the contrary, are premised on the assumption that only wage level is susceptible to change in tune with changes in the supply of and demand for labourers. It is well recognised that under any labour market, supply-demand conditions are important in determining the magnitude of deviation of wage from the average price of labour. In other words, in tune with the supply-demand conditions in the market, the market wage, according to classical political economy, oscillates around the long-run average cost of reproduction of labour. A plethora of studies made during the 20th century was related to the demonstration of short-run fluctuations in wage levels.

Studies on wage level changes depict an abstract picture of the way wage is related to other quantifiable economic variables. Wage levels are analysed to establish the structure and its relationship with key economic variables. The predicted values are then employed to predict wage level changes. It has been argued that such exercises in model buildings are unlikely to yield meaningful results because of the following reasons: i). Wages are presumed to move in tandem with one another, which is rather unlikely in the real world situation; ii). Variables left out from analysis may be as important as variables identified as key variables. Most empirical wage

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66 Ibid P.97
determination models based on the supply and demand framework fall under this category.\(^67\)

Industrial revolution and the massive breakthrough in technology that followed made the academic as well as the political world realise that the much acclaimed inverse association between real wage and population change is only a myth. Shattering the cornerstone of the Malthusian theory of population and the Wage fund proposition of J.S. Mill, on which Smith and Ricardo constructed their theories on labour and wages, per capita food production began to exceed population growth by great strides, thus severing the long-established nexus between real wage and demographic variables. Even though Alfred Marshall in 1890 and J.B. Clark in 1899 presented to the world Marginalist principle of factor rewards, substituting the labour theory of value with the marginal utility theory, the concept gained wide currency and became an accepted convention only after World War II.\(^68\). In fact, the marginalist productivity representing the supply of and demand for labour, has taken into consideration three social classes, viz., landlords (land), wage labour and industrial capital. The distribution of national income among social classes is governed by the marginal productivity principle according to which wages of labour, like remuneration for other factors of production, are determined by its productivity and the wage rate in a competitive market is determined by the intersection of demand and supply. Association between wage change and productivity change was found to be pronounced rather strongly by developments in technology break throughs in production and productivity both in agriculture and industry.

Alfred Marshall in 1890 and J.B. Clark in 1899 made the application of marginal analysis of demand to a factor of production possible.\(^69\). For the first time in history the well-known hypothesis relating real wage with marginal productivity of labour, defined in terms of the value of the commodity

\(^{67}\) Ibid P.98


\(^{69}\) Ibid
produced by an additional unit of labour and equating the later to its cost was put forward. The marginal productivity analysis was rooted in firm empirical evidence of movements in real wages and farm output per head in many of the western countries from the second part of the 19th century. The Neo-classical school proposed that wage rate measured marginal productivity of labour and that the demand curve for labour reflected the marginal productivity of various quantities of labour.

The political and economic environment behind in which the marginal productivity theory of labour emerged as a powerful tool to explain the variations in wage levels and unemployment may now be examined. The post-war period witnessed labour movements across the length and breadth of the world for better pay and living standards for labourers. Labour mobilisation of industrial labourers became widespread. Such movements came to be strongly supported by the fast spreading left ideological wave. To counter people's mobilisation against poverty and unemployment, the capitalist world engaged in a frantic search for a convincing ideological tool to counter and confound found the marginal productivity theory, which asserted that employers would employ labour only up to the point of intersection of the marginal product of labour and the wage rate. In case, the wage rate rises above marginal product of labour, employers would stop employing labour as a result of which massive unemployment may ensue. In other words, unemployment is caused by a rise in wages and it can be resolved only by lowering the wage rate. It is against this backdrop of fortified theory, the capitalists upheld the view that the role of trade unions had little to do with wage levels and that collective bargaining was irrelevant to wage determination. The returns to labour are governed solely by the marginal product of labour. Unemployment is a caused by wage rates higher than the marginal product of labour. The problem of unemployment can, therefore, be solved by reducing wage rate to the marginal product of labour.

The economic philosophy underlying this argument is simple especially in situations of economic stagnation or depression. However, it is doubtful. to
what extent, differences in wage levels across regions at a particular point of
time for the same type of work and labour content can be convincingly
explained by the labour productivity theory.

2.3.1. Institutional Theories

There exists a vast body of literature on the inter-linkage between
different types of agrarian institutions and wage rates for agricultural labourers.
Agrarian institutions are the integral part of an agrarian structure, which is
inseparable from the existing mode of production relations. For a
comprehensive understanding of such institutions, a detailed enquiry into the
production relations and the stage of development of the forces of production
needs to be undertaken. Institutional theorists distinguish institutions from the
mode which gives shape to them and analyse their impact on wage level
changes. Important agrarian institutions considered for the analysis were
sharecropping\textsuperscript{70}, various informal rural credit institutions\textsuperscript{71}, informal
contracts\textsuperscript{72}, caste, ethnicity and institutions functioning in rural labour markets
characterised by pre-capitalistic relations of production\textsuperscript{73}. To a very great
extent, analysis of agrarian institutions used to be perceived from the broad
framework of neo-classical economics.


\textsuperscript{71} Eswaran, M. and Ashok Kotwal.(1989). Credit and Agrarian class structure. Pranab
Pp.147-165

\textsuperscript{72} Bell, C. and T.N. Srinivasan (1989). Some aspects of linked product and credit markets:
Contracts among risk neutral agents. In. Pranab Bardhan (ed.). \textit{The Economic Theory of

\textsuperscript{73} In the context of India, Krishna Baradwaj, Amit Bhaduri, Ashok Rudra and Pranab Bardhan
are among the many well-known researchers who have produced excellent work on different
facets of the agrarian structure and institutions. Their studies are based on information
collected from primary surveys. For a detailed discussion of the trends in recent literature on
institutional and new-institutional economists views on agrarian relations and wage
2.3.2. Post-modernism and agricultural labour

In opposition to the theoretical framework of classical Marxism, a stream of thought with different sub-streams has developed first in linguistic and latter in social sciences. Though the stream took its origin in the early part of the 20th century, it could shot into prominence only by the 1980s. Broadly, the stream can be put under the wide umbrella of post-modernism. The approach rejects Marxian concepts such as mode of production as mega narrative and inadequate to address the every day issues of the vastly diversified cultural identities in societies. Primarily, the group of thinkers do not share view that the society is composed of mutually opposing social classes; according to them the cultural identities are based on castes and other identifiers. Even though the post modernist approach does not directly address the wage question, it focuses on production relations in agriculture. The post-modern theorists uphold the position that i) un-freedom of agricultural labourers can be a source of economic empowerment through everyday resistance, ii) un-freedom of agricultural labourers can be a source cultural empowerment. Un-freedom as economic-empowerment emphasises material benefits, which labourers enjoy in the form of patronage and subsistence guarantee. Unfreedom as economic empowerment has been endorsed by a group of sociologists and cultural anthropologists, who adhere to the post-modernist teleology of cultural phenomena. Unfreedom-as-cultural-empowerment framework empowering cultural 'otherness'; maintained that empowerment of labourers and thereby a higher wage and freedom, is realisable within the existing relational set up regardless of whether agrarian relations fall under pre-capitalistic or capitalistic forms of appropriation. However, in the context of the present study, a more detailed review of such studies is not attempted.

2.4. Studies on wage determination in India

In this section, empirical studies on wage level changes of agricultural labourers in India are reviewed. The review assumes significance on two grounds: i). It helps to understand the important quantifiable variables with which wage levels are associated; and ii). The extent to which analysis of wage level in isolation from the production system reveals and distorts the real associations. However, at the outset, it needs to be stated that there exists a striking similarity between the spread of the economic philosophy of the marginalist school (Theory of marginal utility and its extension to the theory of marginal productivity of wages) and the proliferation of empirical studies on changes in wage levels in the Indian as well as the international context. It is important to note that in Europe, it was during its fledgling phase of industrialisation characterised by great strides in production and productivity coupled with large scale absorption of rural labourers to newly sprung up industrial centres of Europe that the marginal productivity theory of wages was formulated. In India, studies on rural labourers in general and agricultural labourers in particular sprang up in quick succession during the 1960s and the 1970s. Perhaps such studies were undertaken during a period in which the political scenario was marred by frequent and prolonged labour strikes particularly in the labour-intensive traditional industries. The wage determination models of agricultural labourers in the Indian context may be viewed against the backdrop of the economic and political scenario which prevailed in the country during the 1960s and the 1970s.

The expansion in rural infrastructure comprising public investment in irrigation and fertiliser industry triggered the demand for labour in the agricultural sector. Moreover, the increasing supply of credit to the rural and informal sector of the economy especially after the first phase of bank nationalisation in 1969, a complex battery of fiscal policies favouring large

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farmers, flow of investment into agriculture and its modernisation resulting in major breakthrough in production and productivity, added to the prosperity of the agricultural sector in India not withstanding the fact that the enrichment was confined to particular classes and regions in rural India. Enactment of tenurial relations and successful implementation of land reforms instigated the rich and the middle level farmers to put an end to traditional forms of tenancy system resulting in massive eviction of tenants. In some states, land titles to tenants put them in greater difficulty as the average size of their holdings was too small to eke out a living and they were left with no option but swell the ranks of wage labourers. Against the background of the state led capitalistic development in agriculture through public investment, which attracted private capital encouraged by the existence of vast reservoir of cheap labour on the one side and rising rates of profits from agriculture on the other, the intelligentsia in India, by totally subscribing to the supply-demand frame work in the Marshallian tradition, undertook empirical studies on the trend, pattern, regional variations and major determinants of wages of agricultural labourers.

In the Indian contest, voluminous literature has been generated on various facets of rural labourers in general and factors affecting agricultural labourers in particular. However, for the sake of brevity, the review in this section is confined to those studies on rural wage determination in different states of India. Wage determination models have been mostly centred around four major hypotheses. The first hypothesis is based on institutionally fixed real wage, defined in terms of nutrition-based efficiency wages. The theoretical proposition underlined in the nutrition based efficiency wage was that it would be profitable for employers to pay a wage rate, which was higher than the subsistence requirement of labourers. A positive association between

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the nutrition level of workers and their productivity, could be established by Lebenstian’s path-breaking study on the hypothesis. The nutrition-based subsistence wage model - a cost of production theory of labour explained that the work units available in a closed economy had to be kept fit to be supplied to the peak season while they could be partially employed in the lean season\textsuperscript{78}. Under oligopsonistic labour market conditions, given the demand for labour from the employer’s side, the optimum wage could be determined at the equilibrium point, where the marginal productivity of labour time converged with the marginal productivity of work units and the maintenance of which demanded a wage rate adequate to meet the minimum cost of work units. Nutrition-based subsistence wage was empirically tested to explain the spatial as well as inter-temporal wage variations with data collected from seven villages in Kosia area in Bihar\textsuperscript{79}. Rodgers observed that seasonal wage stability and daily wage rate are negatively related to earner-dependent ratio of labour households and labour tying arrangements.

The second hypothesis tested on rural wage determination in India was related to the dualistic characteristic of the labour market, which resulted in imperfections. Imperfections in the labour market arose primarily from differences in production relations or from simultaneous existence of family-labour- based farms along with farms in which production is organised on capitalistic lines. The labour market is imperfect because it prevents the free movement of labourers from low wage to high wage regions as well as from low productivity to high productivity zones\textsuperscript{80}. Sen categorised farms into three type. Type I farms employed casual labourers, type II farms employed family labourers and in type III farms, attached labourers were employed. An analysis of data gathered from Farm Management Surveys revealed that labour input and output per acre were higher in family-labour based farms than in


\textsuperscript{79} Ibid

large farms in which casual labourers are employed. On the contrary, analysis based on a sample survey of eight districts in West Bengal during the 1950s and the 1960s revealed that the marginal product of labour farm level was higher than the wage rate in seven out of eight districts while the marginal product was equal to the wage rate in one of the districts. It was therefore concluded that the cost advantage of family farms was not conclusively proved in the Indian context.\[81\]

The third hypothesis of wage studies in the Indian context was related to inter-temporal and inter-regional regional differences in wage rate, which were sought to be explained in terms of variations in demand and supply conditions for labourers. It was argued that during lean seasons when high rates of unemployment existed, attached labourers received higher annual income than casual labourers not withstanding the fact that the daily wage rate for casual labourers was higher.\[82\] Farmers were reported to have shown preference for maintaining a certain number of labourers attached with them either through formal contracts or by way of informal arrangements to ensure adequate labour supply during peak seasons.\[83\] It was argued that regional differences in wage rate and availability of employment were influenced by such formal and informal arrangements between labourers and farmers.

The fourth hypothesis on rural wage determination in the Indian context was related to the Lewsian model of a constant real wage rate, which was institutionally fixed. The subsistence wage model envisaged two scenarios: i) In a system of feudal or pre-capitalistic production relations, labour supply was ensured by a form of patron-client relationship. The patron-client relationship could be established in different forms of institutional tie-ups, all of which would ensure the subsistence wage; ii) On the other hands, in a developed and full-blown labour market, the institutionalised bargaining strength of labourers represented by trade unions would ensure subsistence

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82 Ibid.
83 Ibid.
wages. Even in the Third World agrarian economies characterised by abundant supply of labourers, the classical case of feudal production relations or patron-client relations do not exist. Conversely, even in advanced agrarian system, wage bargaining represented by trade unions do not function as in the case of industrial workers or their trade unions.

2.4.1. Studies on the trend in real and money wage rates

It is important to point out certain general characteristics of the empirical studies on regional trends in the daily wage rates of agricultural labourers: i) Empirical studies on wages for agricultural labourers have broadly been confined to the supply-demand paradigm, which has failed to situate the observed trend in the larger context of changes in production relations and its impact on wage labour; ii) regional comparisons of the movement of wages are mostly based on secondary data sources, especially from Agricultural Wages in India and such comparisons of wages are attempted by separating wage levels from levels of development of productive forces and the cost of reproduction of the labour force; iii) Deductions on improvement or worsening of the living conditions of agricultural labourers have been based on average earnings, which were obtained mostly by end-point comparisons, the end point comparisons in the agricultural sector being likely to be misleading especially in countries like India in which 60 per cent of the area under cultivation still depend on rain water for irrigation.

In addition to the above set of studies, which were centered around the four types of hypothesis stated above, there exist a vast body of literature analysing the long-term trend and pattern of real wage rate for agricultural labourers in important states in India. Krishnaji observed significant

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8 A plethora of literature have been generated on various aspects of the regional trend in money and real wages. Most of such studies are wage determination models confining strictly to the supply and demand frame work. A review all these studies can run into hundreds of pages and is not warranted in the context of the present study. An important hypothesis tested in the studies undertaken in the late 1990s and early 2000s was the differences in the rate of growth in real wages during the post and pre-liberalization periods. It may be noted that the estimated growth rates varied depending on the source of wage data, deflators used and end point of comparison. For a detailed discussion of different sources
differences in the wage rate for male agricultural labourers across states in India as early as 1971. An inter-state comparison of wage rates of agricultural labourers for 13 important states for the period 1956-57 to 1971-72 showed that the real wage rates had registered significant rates of growth in Punjab, Haryana, Kerala, Uttar Pradesh, Gujarat and Tamilnadu during the reference period. However, these states accounted for only 30 percent of the total agricultural labourers in India. The study observed further that wide disparities existed in the daily wage rates and that wage disparities had started growing ever since the mid 1960s. Using data from Agricultural Wages in India, Jose extended his earlier work to 1987-88 and examined the trend in money wages and real wage rates for male and female agricultural labourers in 16 important states in India. He found that Punjab, Haryana and Kerala had consistently maintained high average level of daily wage for agricultural labourers during the reference period. A significant and positive association was observed between per worker output from agriculture and daily wage rates across states in India during the 1970s and the 1980s. Real wage rates for agricultural labourers registered an improvement in the 1970s and the 1980s more or less uniformly across Indian states with a few exceptions. Real wage rates for all the states started scaling up on having reached their ever-recorded trough point in 1974-75. In the analysis of the determinants of wage rates, Jose observed a positive and significant association between higher rates of growth in agricultural output and wage rates across states with exceptions such as Andhra, Madhya Pradesh, Kerala, Punjab, Bihar Maharashtra and Tamilnadu. However, it was concluded that wage changes in Kerala could not be explained by the rate of growth in agricultural output as in the case of other states in

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88 Ibid
89 Ibid
India. In another study, Unni analysed the real wage rates of agricultural labourers for the period 1956-57 to 1977-78 for 13 important states in India. She found that the living standard of rural labourers showed an improvement during the reference period notwithstanding the fact that income of agricultural labourers was subjected to wide fluctuations on account of instability in the number of days of employment. Agricultural output and price of wage goods were found to have a significant impact on the living standards of agricultural labourers. Fall in real income on account of a decline in employment of agricultural labour households was compensated by drawing women labour, kept outside the labour force, into employment and also by engaging in non-farm activities and self-employment. An analysis of real wage rates for different categories of labourers in rural area for 15 important states in India showed that Kerala registered the highest real wage rate for male rural labourers in India and further that the state had registered a higher rate of growth in real wage rate for agricultural labourers, irrespective of the source of wage data for the 1990s. The finding has been supplemented in a more recent study by Srivastava and Singh.

A good number of studies have been undertaken focussing on determinants of wage rates of labourers in agricultural as well as rural sectors. Though the wage question was not directly addressed in most of such studies, identification of the determinants of agricultural wages done through demand determinants of labourers. The important factors found to have impacted significantly on the demand for labourers and thereby on wage rates were: i) Area under irrigation, ii) Use of high yielding verities of seeds; iii)

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91 Ibid.
Expansion in gross cropped area; iv) Public investment in rural areas; v). Per
capita net value added from agriculture. Alternative employment
opportunities, level of mechanisation and cropping intensity were other factors
found to have profound influence on the demand for labourers. The
methodology used for the estimation of the demand function of agricultural
labourers was, to a great extent, found uniform, in all such studies. Two
recent studies on the determinants of the real wage rate of agricultural
labourers merit attention in this context. The econometric model constructed
on wage determination showed that the rate of growth in real wage rate was
influenced by a set of demand side variables and among them, the important
variables being the performance of the agricultural sector measured in terms of
the net state domestic product from agriculture, the development expenditure
in rural areas and the area under irrigation. Sharma analysed the determinants
of real wage earnings of agricultural labourers for 17 states for the period 1983
to 1999-00. He found that productivity measured in terms per capita NSDP
from agriculture captured the variations in real earnings while the supply side
variable was the proportion of agricultural labour households to the total
number of rural labour households, which showed a dampening effect on real
earnings.

In general, empirical studies on the determinants of wage rates for
agricultural labourers highlight rather clearly that they were confined to the
paradigm of the marginalistic principle and therefore devoid of the historical,
social and economic background in wage labourers exist in the study regions.
In other words, regional wage variations of agricultural labourers in Kerala can

\[95\] Bhall, S.(1993). The dynamics of wage determination and employment generation in Indian
Agriculture. Indian Journal of Agricultural Economics. 48(3):448-460

\[96\] Lal, D.(1976). Agricultural growth, real wages and rural poor in India. Economic and

\[97\] Herdt, R. W. and E.A. Baker, (1972). Agricultural wages, production and the higher yielding

\[98\] Parthasarathy (1996). Recent trends in wages and employment of agricultural labour. Indian

Indian Journal of Labour Economics. 48(2):407-424
not be meaningfully analysed under the framework, which isolates social labour from its history of evolution and the social relations of production. However, empirical analysis can give the broad directions to undertake in-depth analysis of wage formation from a political economy framework.

Section 5
2.5. Studies on agricultural wages in the Kerala context

Kerala is one of the states of India, where the labour market has been subjected for a detailed enquiry not only by academicians but by politicians as well in their capacity as policy makers. Specificities of the labour market for agricultural labourers in Kerala have attracted the attention of international academic community for the following reasons: i) Rural wage rates in Kerala are the second highest in India after Punjab, since the late 1970s; ii) Labourers in the unorganised sector are well organised under radical political parties and the trade unions have been established as an important labour institution; iii) Land reforms have been effectively implemented and the average size of holdings is 30 cents of land resulting in a dwelling place and a hutment for all rural labour households; iv) Female work participation in Kerala is one of the lowest in India; v) Minimum wages have been successfully implemented and the ruling wage rate for agricultural labourers in all but two districts is much above the statutory minimum wage.

Studies on the agricultural labourers and their wage rates in Kerala may broadly be classified under three categories: i) Studies focussed on the history of labour struggles and their different dimensions; ii) Studies dealing with the historical evolution of labour markets and their relation with the daily wage rate and labour relations; iii) Empirical analysis of wage rates and their regional differences. For the purpose of the present study, the second and

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101 In the third set of studies, the major focus theme was the development issues of Kerala and the wage issue was addressed in such studies as an important bottleneck for the deceleration
the third sets of studies assume importance. However, such studies are few not only in terms of the quantum of work but also in terms of analytical rigour. Plethora of literature on the trends and patterns of daily wage rates for agricultural labourers in Kerala exists as part of the state-wise analysis of the wage pattern as mentioned in section 2.2. A notable lacuna observed in state-wise analysis is that the high wage rate existing in Kerala is not explained by any of the conventional demand side variables such as labour productivity or non-farm employment in the rural sector. It has, therefore, been left to be explained solely, and singularly, by labour militancy and the influence of radical trade unionisation\textsuperscript{102}.

The first attempt to analyse the regional pattern and the trend in the real wage rates of agricultural labourers in Kerala reported significant wage differentials between southern (Travancore) and northern (Malabar) Kerala\textsuperscript{103}. However, the study did not undertake a detailed analysis of the district-wise wage differentials, but sought to confine the analysis of wage differentials between Travancore and Malabar. The higher wage rates existed, which existed in Travancore were attributed to the specific historical factors such as the early development of land and labour markets in Travancore than in Malabar. The study merits attention as the first attempt to situate the observed inter-district wage differentials against the historical and social development of the material means of production of each region within the state\textsuperscript{104}. An important aspect of the regional differences in wage rates, which was left unaddressed in Jose’s work was the observed significant wage differentials across districts within Travancore. The present study did observe comparable low wages zone both in Travancore and Malabar. Baby analysed the trend


\textsuperscript{104} Ibid
(1961-62 to 1980-81) in real and money wage rates of agricultural labourers for ten districts in the state. Inter-district wage differentials were reported as not only significant but as characteristics which persisted during the entire period of the analysis. However, the study stopped short of exploring the factors, which contributed to the regional differences in daily wage rates.

In a wage determination model, Narayana observed a synchronised long term movement of money wage rate and food grain prices, which indicated that money wage rates was adjusted to price change, keeping the real wage unaffected. It was also observed that wages for agricultural labourers remained constant for a minimum of two years and for a maximum of three years, before the wage rates attained newer heights. In order to explain the area decline under rice cultivation, Pushpangathan constructed an econometric model of wage determination for paddy field labourers in Kerala. Three explanatory variables used in the model were: i) The education level of agricultural labourers; ii) The proportion of Scheduled Caste and Scheduled Tribe population in the total number of agricultural labourers; iii) The degree of unionisation defined as percentage of unionised agricultural labourers. It was found that the degree of unionisation alone explained the variations in daily wage rate of paddy field labourers. A serious attempt to explain the wage movement and its level changes were made by Krishnan. He sought to explain the observed higher wage rate for agricultural labourers particularly since the second half of the 1970s, with the concept of wage relativity. Wage relativity was defined as a social mechanism through which wage rise in any one sector of the rural economy gets transferred to inter-related sectors, irrespective of the demand for and supply of labour and wage rate may move

absolutely independent of productivity of the sector concerned. The remittance income from workers from Kerala employed in West Asian countries generated boom in the construction sector and pushed up the demand for unskilled labourers since the late 1970s in the rural sector in Kerala. It resulted in a hike in daily wage rate for workers in the construction sector, which was transferred to labourers in the agricultural sector through wage relativity linkages\textsuperscript{109}. The underlying philosophy of the relativity hypothesis is many fold: i) A rise or a fall in time wage rates in any one sector is interrelated to all allied sectors and therefore interventions of labour organisations had little to achieve; ii) More importantly, wage relativity proposition is ahistorical because the concept does not explain the reasons for inter-regional variations in wage rate for the same type of labourers and category of work; iii) The basic question with respect to the wage issue is the factor which determines the wage rate in the lead sector and its overall impact on productiveness of labour and labour intensity. These aspects of the wage issue remain un-addressed in the wage relativity hypothesis. Kannan analysed the wages of agricultural and other rural labourers as part of his attempt to explain the long term stagnation in the material production sector of the state economy. He attributed, like others, the stagnation and the high level of unemployment to the observed high wage rate in the unorganised sector, which is not matched by corresponding productivity change\textsuperscript{110}. The primary objective of all these studies was to offer an explanation for the mismatch between wage rise and rate of growth in the material production sectors of the state economy. The wage rates used were annual averages for the state, which did conceal the inter-district wage differentials more than they revealed.

\textsuperscript{109} Among the econometric wage determinations models constructed in the Kerala context, the wage relativity model calls for special mention as it offered a different explanation from the conventional supply-demand approach.

A perusal of the wage studies on Kerala reveals two important aspects. i) Significant wage differentials exist across districts for the same type of labourers and work; ii) No serious attempt has been made in studies to explain spatial wage differentials; unless this question is addressed, factors influencing wage rate changes would remain unexamined and unexplained. iii) The conventional supply-demand approach is inadequate to explain wage levels existing in the rural economy of Kerala.

Section 6

2.6. Theoretical framework

National or regional differences in wage levels have been reckoned as a characteristic feature of the informal sector not only in Third World agrarian economies, but also in advanced countries.\textsuperscript{111} It has also been widely acknowledged that the value of labouring power, or the sum total of the value of commodities gone into the maintenance and perpetuation of labouring power, does vary from one region to another within nation states and also from nation to nation. Hence are the wage differentials. The theoretical framework for the study of understand the regional differences in wage rate in Kerala is developed on the basis of Marxian concept of the determination of value of labour power. As mentioned elsewhere, the Marxian concept is based on two premises: i). The value of labour power (wage) is distinctly different from the value of commodities; ii). The value of labour power is formed by two component: (a) the physical component; (b) the historically evolved and socially determined cultural component. The physical component is the ultimate limit, comprising the necessaries of life, which are absolutely indispensable for labourers, to subsist and perpetuate. Perhaps, it could be expressed in calories required to subsist and work along with other necessaries of life and under comparable climatic conditions. However, it is important to note that the physical component is not determined in isolation of the stage of

development, but that it gets shaped up gradually and is interwoven with the traditional standard of life. In the words of Marx,

"It is not mere physical life, but it is the satisfaction of certain wants springing from the social conditions in which people are placed and reared up".\(^{112}\)

Moreover, the basket of necessaries which are deemed to be indispensable for the subsistence of the labour and his family varies significantly from region to region and also from one historical epoch to another. Ricardo did clearly state that many of the necessaries of life enjoyed by the working class in England were thought to be luxuries at an earlier period. This criterion is applicable to regions as well\(^ {113} \). A pertinent question that arises in this context is the extent to which the physical element or the value of necessaries indispensable for the subsistence of labourers, would differ within a region, where other determinants of physical element like climatic conditions, level of development etc are comparable.

The second element in the cost of reproduction of labour is the traditional standard of living of a social formation, which is nothing but the value of commodities consumed by labour to satisfy desires springing from the social conditions in which people are reared up in whichever way live. In shaping the social wants of a particular social formation, historical tradition and social habitue play an important role. Historical tradition refers to the stages of development of the productive forces and the past struggles of labourers to transform the system from serfdom to its current status. In agrarian economies, evolutionary stages of development from caste-based organisations of production to wage labour based capitalistic production relations could vary from region to region. For instance, significant was the difference in the evolution of the agrarian system between Travancore and Malabar. Marx cites the example of inter-district differences in average wages across agricultural districts in England, which he quotes from the monumental

\(^{112}\)Ibid

In this context, Marx was referring to three regions, viz., Scotland, Ireland and England and the history of evolution of these three regions was distinctly different as was the case with Malabar and Travancore in Kerala. By citing the example of inter-district variations in wage rates in England, Marx was not referring to the variations in wage levels within Scotland or Ireland.

The other elements in the reproduction cost of labour are the necessary wants and the mode of satisfying them. The mode of satisfying needs depends on habits and the degree of comforts, which the society in general enjoy. In other words, the degree of civilisation of a country or a population at large influence habits and customs and, therefore, the demand for necessaries. The difference in the degree of civilisation is the product of development of the productive forces, which in itself is a manifestation of the mode of production. One pertinent question to ask in this context is the extent to which the mode of production and the same degree of civilisation could vary across districts within a small region like Travancore or Malabar, which has a uniform history of evolution and the degree of civilisation. To put it differently, under uniform production relations, can the value of labour power differ significantly? This question was meaningfully addressed by Lenin. To quote,

“Every social stratum has its own way of life, its own habits and inclinations”.

The statement reveals the crux of the problem. In a socio-economic formation characterised by different and mutually opposing groups, it is not worth seeking a single way of life or material standard of living. To apply it in the present context, living standards of land owners would be different across regions and primarily determined by the objective conditions of their economic positions in the production system. Objective conditions include, besides the social class differentiation, standard of living, education, cost of training for acquiring skill and health status of the population. Here arises a question of a


different sort. Can such content of labour be significantly different for the same class of people within a region, which is undifferentiated on other counts? The answer can only be in the negative if it is sought to explain in terms of economic position of classes alone. The Marxian concept of economic position of the same class for people sharing common nationality assumes the following: i). Uniform culture; ii). Same degree of civilisation; iii). No other social differentiations based on caste, ethnicity or their emergence and existence as the part of mainstream community. In a region like Kerala, where Adivasis, Scheduled castes, and labourers migrated from less advanced social formations like interior areas of Tamil Nadu live and work, uniformity is rather difficult to exist. Moreover, such uniformity concept presumes a closed economy for cross border trade of labour power. In the present context, the culture of the dominant class gets penetrated into every social grouping and, therefore, the cultural requirements need not necessarily be determined by the production relations evolving within. In other words, interaction of a social grouping with an advanced state of social relations, impacts profoundly on its social necessaries and their mode of satisfaction. In fact, in the Marxian frame of analysis, to a certain extent, wage level can be independent of the stage of development for a particular socio-economic formation and it can take place under the following situations.

1. If workers and peasants and land owners (comprising a major share of the population in a locality) were immigrants, who originally belonged to a socio-economic formation, which, in turn, was at a less advanced state of development than the stage of civilisation of the endogenous population, the dominant material standard of life of the population in the region would lag behind that of the mainstream population (Example: Idukki district in Kerala).

2. If a social grouping consisting of workers and small peasants who own a distinct history of civilisation and if the stage of development supplies the major source of labourers, their material standards of life and the modes of satisfying them could be different from those of the mainstream population constituting dominant social classes in the locality. To be more precise, if the
major source of supply of labour in a particular locality originates from Adivasi or other less advanced socio-economic formations than mainstream community and the material and cultural living standards of that population and the cost of reproduction of these two population could be significantly different. (For example, Adivasi communities in Wayanad district)

3. If the social habitude of a population is geographically positioned adjacent to a social formation which is less advanced and the interaction of the peasantry and the working class is more with the less advanced community, the material and cultural living standards of the population may remain different from that of mainstream living standard of the in advanced social formation. (For instance, Santhanppara village is an extension of the rural village in Tamilnadu and the people there follow more or less the pattern observed in the boarder district of Tamilnadu).

4. If the exposure of the native population to a social formation which is more advanced in terms of living standards and material culture, the exposed population is likely to imbibe and adapt the material needs of the advanced population. For instance, emigration of working class people to west Asian counties in search of employment since early 1970s left its impact on their standard of living is seen even after their return to their places of origin, native place. However, in the context of Kerala, the migratory trend was confined to certain localities and communities. The newly adapted material living

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116 The most crucial factor is under development of the material production sector to absorb the growing population in the state. As a result, the growing productiveness of living labour could find little avenues of employment in their native place. Immediately after the oil shock in the early 1970s, the increased demand for labourers in West Asia was mostly supplied from Kerala along with countries in Asia. The remittance income enabled the migrants, whose kith and kin live in the native town enable them to follow the material cultural standards of life in metropolis. The social habitude and social conditions set by such standard get transmitted to other sections of the society. If the labour class do not imbibe the material living standards, their relative social position would be deteriorated. It is the standard which Marx called the historical and social element in the value of power, which if taken away, the value of labour power, would be reduced to its mere physical limit. It makes little difference between a slave and a labourer. In sharp contrast to the scenarios described above, there are other formations which are still catering to the demand for labour for the export oriented plantation sector in Kerala. In their case, the labour migration is yet to take place and the development of their physical and cultural requirements of living standards are characterised by typical core-periphery relationships (See Patnaik, P.1973).
standard was not confined to the class, which migrated but the social grouping in general. (For instance, Malappuram district in Kerala).

The above mentioned four cases are the exemptions which may affect material living standards and subsistence requirements of the native population independent of the stage of development of the region concerned. Their shows that the material living standard of any one social class can not be viewed independent of other classes in that particular socio-economic formation. Social habitude is manifested in the following necessaries of life: i). Housing pattern; ii). Articles of food consumed; iii). Health status; iv) Education; v) Infrastructure vi) Other comforts of life. The present study analyses regional wage differentials within Kerala based on the historical evolution of the land and labour markets and the structure of the agrarian system. Deviating from the neo-classical path of analysis, the observed wage differentials are also sought to be explained in terms of the differences in the material standards of living of the people. However, the origin and course of development of the living standard of a socio-economic formation is a larger question to be addressed from the perspective of an inter-disciplinary approach, and the attempt is, though imperative, is beyond the scope of the present study.