6.1 Our discussions, in the previous two chapters, of the villages surveyed in Purnia district bring out a number of features characteristic of the agricultural economy of the region. The focus of our discussion has been on the features and processes influencing the material condition of agricultural labourers, and some of our observations require further explanations. It may be useful to begin this chapter with a brief summary of the relevant important features reported earlier.

i) Inequality of ownership distribution of land is of high order, and seems to have increased over the past couple of decades, in the surveyed villages. The incidence of landlessness is very high; almost 70 percent of the households in these villages do not own any land (except house-sites).

ii) Overwhelming majority of landless households, over 80 per cent, are those of agricultural labour households.

iii) Employment opportunities, for members of agricultural labour households, outside the local agricultural sector are negligible. Migration of labourers has gained in importance in recent years, but it has not reduced the pressure on local labour market, to any considerable extent. In the surveyed villages, employment opportunities generated within the agricultural sector are barely adequate to provide employment for one-third of the total number of person-days in a year. Thus, the incidence of involuntary unemployment/underemployment is considerable; moreover, according to labourers' perception, the magnitude of unemployment/underemployment has increased over the past two decades. A substantial section of these labour households is purely wage-dependent and has no fall-back options.

iv) Majority of the labour households are chronically deficit households and have to incur loans to meet their survival needs. Credit is scarce and rationed via personalised channels, often at exorbitant interest rates.
v) Casual labour, generally hired on a day-to-day basis, is the dominant kind of labour contract and the search for labour is carried out either by the employers or their men.

vi) Daily wages, harvest shares and piece rates are the different forms of wage payments, the first one being the most important and the last one being almost insignificant. Piece-rate is usually a lean season phenomenon and is limited to very few operations.

vii) Daily wage rates are uniform for all adult labourers belonging to a particular gender.

viii) Gender specificity of wage rates has either disappeared, or is disappearing.

ix) The daily (money) wage rates do not display any seasonality. Once a daily wage-rate gets fixed, it prevails for 3 to 4 years on an average, in the surveyed villages.

x) In all the surveyed villages, a few employers behave as leaders in wage-fixation and revision.

xi) Labour attachment or labour-tying is an important feature in all the surveyed villages. Since employers do not face any uncertainty as regards the availability of labour during peak seasons, there is very little incentive for them to resort to inter-seasonal labour-tying. To the extent that labour-tying exists, either only in the labour-sphere (attached servants) or through informal share-cropping, advancing of loans etc., its explanation has to be sought in other factors, including need for social control.

xii) Instances of interlinkage between labour-credit-tenancy contracts were reported from all the surveyed villages.

xiii) In our study of a cluster of five adjacent villages, we found substantial differences in the daily wage rates for agricultural labourers. In spite of such differences, a farmer does not recruit labour from outside his own village and the labourers do not look for employment in the neighbouring villages. Thus the farm labour market is closed by the village boundary. Labourers who
seek wage employment outside their own village, do so in distant agriculture (e.g. Punjab) or in non-agricultural sectors.

xiv) As in the case of agricultural labour market, the lease and credit market (if we exclude the lending operations of the public sector credit institutions which are almost inaccessible to the labourers in the surveyed villages) are closed by the village boundary; tenancy-contracts or credit-contracts do not involve partners from different villages. (Two instances of exception in tenancy-contracts that we came across, involved relatives).

xv) Not only the exchange of labour and other key production factors cannot be seen as being embedded in a wider (i.e. involving several villages) market, even within a village some of these markets are not well-formed. For instance, in the lease market, access to land for a prospective tenant depends crucially on his personal relations with a landlord. Similarly, loans by farmers to labourers are rationed via personalised channels. Moreover, in the village credit market, professional money-lenders and shop-keepers charge a much higher rate of interest than farmers.

xvi) Even though every market in the surveyed villages shows the existence of a variety of contractual arrangements, certain arrangements stand out prominently. For instance, in the lease market, over 90 per cent of the tenancy contracts in the surveyed villages are share-cropping contracts. In the credit market, labourers are charged either 60 per cent (by farmers) or 120 per cent (by shop-keepers/professional money-lenders) per annum rate of interest. In the labour market, daily-wage contracts are the most important contractual arrangement.

xvii) The most important kinds of contractual arrangements in various markets (e.g. share-cropping in lease market or the daily wage-contracts in the labour market) have the feature that the contractual terms are uniform for different sets of partners within a village. For instance, share-cropping tenancy is always a batai contract, in which the output is shared equally between the tenant and the landlord, and so are the various inputs, except labour and seeds, which are provided by the tenant. In the labour market, a daily-

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1 In this context it maybe useful to note Ashok Rudra's observation regarding share-cropping tenancy: 'The most remarkable thing about crop-shares is that they show an extraordinary tendency of clustering around certain fixed proportions. As we all know, the proportion fifty-fifty is so highly frequent in occurrence in crop-share arrangements not only in different parts of our country but in many countries of
wage employment contract involves the payment at the same rate to all the labourers of a particular gender. Similarly, harvest shares are always a fixed proportion of the crop harvested, irrespective of the identity of the labourer. In the credit market, interest-bearing kind loans carry the same rate of interest. Cash loans have somewhat more flexible features, but there are two main kinds of contractual arrangements; interest-bearing cash-loans from farmer-employers carry a simple rate of interest of 5 per cent per month whereas shopkeepers and professional money-lenders charge a 10 per cent month simple rate of interest. Thus, in spite of the known differences in the personal attributes of the individual parties (e.g. ability of labourers or skill of tenants) uniform contractual terms are a norm, when it comes to the most important kinds of contractual arrangements in various markets of the surveyed villages. Following a suggestion made by Jean Dreze (during one of our conversations), let us call such contracts standardised contracts. In contrast to these there are contracts whose terms vary between different partners, taking into account the individual attributes of the parties involved. Again following Dreze's suggestion, let us call such contracts personalised contracts. Obvious examples of personalised contracts include attached-labour contracts, piece-rate employment contracts, cash-rent tenancy etc. As reported earlier, such contracts are relatively less important in the surveyed villages.

The standardised contracts in the surveyed villages also tend to be rigid or stable over considerable lengths of time. For instance, the basic terms of the batai contracts and the interest-bearing kind loan contracts have been the same for as long as our respondents could recall. In case of the interest-bearing cash-loans, interest rates reported at the time of our survey in 1989 had been in existence for over a decade. As reported earlier, the daily money wage rate for casual agricultural labourers in the surveyed world that it has often been treated as universally characterizing crop-sharing arrangements\(^\text{a}\) (Rudra, 1982, p.111).

\(^a\)While examining the evidence on the stability of contracts, it is obvious that various dimensions which constitute a contract should be looked at. As some researchers have observed (e.g. Nadkarni, 1976), the principal feature of a contract in a particular market may remain unaltered even though the non-principal (or subsidiary) features undergo significant changes. For instance, in the lease market, the crop-share (i.e. the principal feature) may remain intact with increases in productivity, but the share-cropper may provide greater amount of free labour to the landlord or may share a greater part of the input costs. Similarly, in the labour market, the daily wage-rate may remain unaltered but the length of the working day may be changing. Some researchers (e.g. Ray, 1987) have argued that a major problem with the evidence in support of sticky contracts is that it is based on partial investigations. However, when we refer to rigid contracts in the surveyed villages, it is based on a careful investigation of all aspects of a contract.
villages, apart from being unresponsive to seasonal changes in labour demand, remain rigid for 3 to 4 years on an average. The harvest share for labourers reported at the time of our survey had not changed for at least two decades.

Many of these features have been reported from several other parts of rural India. In order to appreciate better the significance of these features, it is important to recall that many important changes are taking place in agricultural economy of the region. (a) The important changes in labour relations include increasing casualisation of labour, decline in the practice of labour-attachment and some changes, although very limited as yet, in the direction of making such contracts well-defined, commutation of the kind component into cash in wage payments, the disappearance of a variety of traditional 'concessions' to the labourers reported earlier in chapter 4). Patron-client relations associated with the Jajmani system have become almost insignificant, although clientelisation through various mechanisms remains an important feature. In general, the direction of changes in labour-relations, although slow and halting, is towards enhancing the 'formal freedom' of labour, in the sense that Karl Marx associated with the transition from pre-capitalism to capitalism. (b) In all the surveyed villages, area under tenancy has declined considerably (for reasons discussed earlier in chapter 5), particularly during the last two-to-three decades, and at the time of our survey, it was below 15 per cent of the total cropped area. The change is quite striking if one contrasts it with the situation obtaining in the 1930s when well over 50 per cent of the total cropped area in this region was under tenancy (Chakravarty, 1986). As reported earlier, use of the input package associated with 'Green Revolution' has become widespread, and the share of paid cost in total cost of cultivation has increased considerably. The yield per acre for all the major crops has increased substantially in the recent years. These changes have been accompanied by remarkable attitudinal changes among the land-owners which reflects itself, among other things, in a substantial enhancement of interest in agriculture, increased market responsiveness etc., and in the gradual weakening of various socio-cultural taboos on their participation in agricultural operations.

(c) In the recent

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\[\text{iii} \] Some of our respondents also recalled that decades ago, when payment in kind was the standard practice in the surveyed villages, the daily wage-rate remained stable for even longer duration.

\[\text{iv} \] Dreze and Mukherjee (1986) provide a brief summary of the basic features of rural labour markets in different parts of the country.

\[\text{v} \] For instance, Paltan Jha, a marginal farmer from village Barahari, started ploughing his own field, an age-old cultural taboo for Brahmins, almost 15 years ago and a couple of other Brahmin marginal farmers have followed his example. It may be noted that similar developments were reported to us from other districts in Bihar. In village Aganagar of Muzaffarpur district, some landless Brahmins have even started
years, voluntary migration of agricultural labourers from all the surveyed villages has increased substantially. This tendency, apart from being related to inadequate employment opportunities in local agriculture, also reflects attitudinal changes among the labourers.

These changes should be interpreted, in our view, as important constitutive processes in the transition from pre-capitalism to capitalism, a transition which has been a long-drawn one and whose pace has quickened considerably in the surveyed region, in the past two to three decades. In the well known debate, during the 1960s and '70s, on Mode of Production in Indian agriculture\textsuperscript{vi}, Utsa Patnaik had argued, in a series of valuable contributions, that it was not enough to point to production for the market nor the growth of landless labourers as evidence for the presence of capitalism as reinvestment of surplus on expanded agricultural production was an equally important criterion. Going by the accounts of cultivators in the surveyed villages, it does seem that reinvestment of surplus in expanded agricultural production has gained momentum in the past couple of decades. Patnaik's conceptualization of capitalism, and her argument that Indian agriculture is making a transition to capitalism, are persuasive. As was pointed out in chapter 1, in the Indian case, given the pre-existence of a substantial population of landless labour, taking growth in landlessness/depeasantisation as the most important indicator of capitalist transformation is inadequate, and Patnaik's conceptualization helps us overcome this inadequacy.

It was argued in chapter 1 that in Marxian analytical discourse rigorous conceptualization of Modes of Production and of the essential features indicative of the transition from one mode to another are important, at a high level of generality, in characterising different epochs in the evolution of a society. However, it does not imply that Marxism offers a general model of capitalist transformation\textsuperscript{vii}. Various Marxist writers, using a wide range of sources of material and levels of analysis, have produced working as agricultural labourers, although they sell their labour-power only to Brahmins of Bhumihar employers

\textsuperscript{vi} For a summary of the key arguments in this debate, and the relevant references, see Alice Thorner (1982).

\textsuperscript{vii} It may be useful to recall Marx's strong disapproval of 'grand theories'. In a letter that he wrote in 1878 to the editor of Otechestvennye Zapiski, refuting an article by Mikhailovskii, Marx says: 'He (Mikhailovskii) absolutely insists on transforming my historical sketch of the genesis of capitalism in Western Europe into a historico-philosophical theory of the general course fatally imposed on all peoples, whatever the historical circumstances in which they find themselves placed... But I beg his pardon. That is to do me both too much honour and too much discredit'. He concludes the letter with a strong disapproval of 'the master-key of a general historico-philosophical theory whose supreme virtue consists in being supra-historical' (Shanim (1983) reproduces the English version of this letter).

222
different formulations of the process of capitalist development in specific social and economic contexts. The literature on this subject is vast and it is not possible to go into various issues involved and their implications here. Suffice it to note that, in my view, the construction of formulations of transition -incorporating key issues of historico-cultural specificities, the prime causality at work, pace of transition etc. - is an analytical project that belongs to a lower level of generality (or abstraction) than the level to which characterizing a particular epoch (in terms of a Mode of Production or as transition from one Mode to another in terms of well-defined essential features) belongs; this is a question of method which I have attempted to explain elsewhere (Jha, 1991). Thus, the model of transition from feudalism to capitalism in the British case as constructed by Dobb (1946) may be different from the model for the French case as outlined by Brenner (1977); however, in terms of the core features that Marx associated with the transition from feudalism to capitalism (see Chapter 1, Section 3), both the models, whatever be the differences of details, represent instances of transition to capitalism. Coming back to Indian agriculture, it may be noted that Patnaik's necessary criteria for characterizing transition to capitalism are fundamentally same as those chosen by Marx to characterize such a transition, although her detailed argument of course takes into account the specificities of the Indian case.

Having made these brief remarks, let us also make the obvious point that when it comes to the detailed accounts of transition, one would expect important difference in the constitutive processes and features even within our country, due to immense structural and other diversities between different regions. Hence, the arguments in the subsequent discussion, based on our study of a specific region, do not claim a larger validity.

There are a couple of features of the agrarian economy of the surveyed region on which we would like to deal a little more; these are (a)
widespread prevalence of standardized contracts and their stability over time, and (b) near-absence of exchange in key factors of production even between adjacent villages. Both these features are of considerable interest, and they have been reported by a number of studies from various parts of rural India (see Dreze and Mukherjee, 1986).

We have reported that in various spheres of exchange in the surveyed villages, standardized contracts are far more important than the personalized contracts, although if we take a long run view, there has been some decline in the importance of standardized contracts\(^{\text{xii}}\). Moreover, the standardized contracts tend to be stable, and in some cases, for remarkably period of time. Take, for instance, the case of Batai lease; the basic features of this contract in the surveyed region have not changed at least since Francis Hamilton Buchanan's survey c.1810 (Buchanan, 1928). However, there has been a striking decline in the importance of tenancy itself; in the 1930s, well over 50 per cent of the cultivated area in this region was under tenancy (Chakravarty, 1986), whereas by the 1980s, tenancy-contracts did not cover more than 15 per cent of the total cultivated area\(^{\text{xiii}}\). Respondents from the poorer households in the surveyed villages reported that the availability of land through the lease-market had gone down drastically in the recent years and the casual labourers found it almost impossible to get land on lease; it was almost like a bitter complaint. Thus, in spite of a visibly strong land-hunger, there has been no change in the terms of the most important tenancy contract\(^{\text{xiii}}\). Similarly, in the credit-market, farmer-employers happen to be the most important lenders for the labourers. Labourers reported that over time farmers had become increasingly reluctant to advance even small amounts; farmers also corroborated it and argued that labourers were not as 'trustworthy and loyal' as in the yesteryears. The interesting point to note is that farmers charge a

\(^{\text{xii}}\) For instance, according to Buchanan’s account of Purnia villages c.1810, the 50.50 crop-sharing tenancy-contract was almost universal in the region, and had been in existence ‘for generations’ (Buchanan, 1928). The situation in the 1980s was somewhat different as reported earlier.

\(^{\text{xiii}}\) Excessive preoccupation with the form of a contract can be misleading, as we argued in chapter 1 with regard to labour relations. Similarly, decline in tenancy, as such, need not have the same implication everywhere. One has to look beyond the form of contract, into its substantive content, and contextualize it. In our view, decline of the traditional large lessor-small lessee tenancy contracts is likely to be associated with a transition from pre-capitalism to capitalism. On the other hand, there could be an increase in tenancy contracts of the reverse kind (i.e. small lessor-large lessee) as has been reported from some of the agriculturally advanced areas in the country, which is associated with the strengthening of capitalism; reverse tenancy can become an important mechanism in agrarian differentiation.

\(^{\text{xiii}}\) Some researchers have reported a change in the terms of share-cropping contract in some parts of the country. For instance, in some villages of Hoshangabad district in M.P., the share-cropping are receiving as little as 1/8th of the output (Gupta, 1989). However, most field-studies, from different parts of the country, report a lack of change in the terms of share-cropping contracts (Dreze, 1986).
rate of interest which is half of what the professional money-lenders and shopkeepers charge, and in spite of a strong unfulfilled demand for credit, they have not raised the rate of interest; instead, on their own admission, they lend to fewer labourers (and smaller amounts) compared to the earlier years. Casual labourers have been the worst hit by this change. In the labour market, apart from the stability of harvest-shares for decades\(^{xv}\) during the lean season the daily money wage rates are not pushed down but there is rationing of jobs. Thus, looking at the various spheres of exchange - their operation at the time of our survey as well as their evolution over time - it clearly emerges that price-adjustments seems to be much less important than non-price adjustments of various kinds (e.g. adjustments in the amount of land available for tenancy within a village, quantity-discrimination in credit for labourers, etc.).

Although each sphere of exchange has its specificities, a general point can be made which is helpful in understanding both the features, i.e. widespread prevalence and stability over time, of the standardized contracts. The general point we want to make is concerned with the issue of legitimisation process. It struck us, with some force, during our field-studies that labourers (or, more generally, the disadvantaged classes) consider the idea of the lack of uniformity in terms of contracts (or price-discrimination) completely unjust and unacceptable\(^{xw}\). On the other hand, quantity-discrimination, although resented, does not evoke an equally strong reaction. It seems to us that, apart from the considerations of fairness, justice etc., sticking to standardized contracts makes good sense from the point of view of labourers, as it plays an important role in furthering class-solidarity and can serve as a focal point for class-actions. Employers, on the other hand, do not wish to perpetrate something that might invite organised resistance from the labourers. Thus the net outcome happens to be the widespread prevalence of standardized contracts. Similarly, as regards the other feature, i.e. the stability of standardized contracts over considerable lengths of time, the issue of social legitimacy seems to be of paramount importance. Labourers (or the disadvantaged classes), as we found during our field-studies, find the thought of frequent changes in the terms of important

\(^{xv}\) As mentioned earlier in chapter 4, Rodgers (1983) has reported a decline in the harvest-share for labourers in case of a couple of crops in the villages surveyed by him in Kosi region of Bihar; however, my finding, based on conversations with residents of several villages in the same region, is that such a occurrence is more of an exception than a rule.

\(^{xw}\) Even in adverse situations, labourers do not opt for price-discrimination; for instance, in the lean season, a labourer unable to find employment at the going wage-rate, is not prepared to lower his/her wage-rate to seek employment.
contracts (in which they are involved) unpalatable, something that ought to be opposed. It may well have to do with their perception that frequent changes in the terms of important contracts might make them even more vulnerable; thus, apart from the hangover from older times (held as norms of fairness)\textsuperscript{xvi}, it is this perception that explains why labourers (or tenants) find frequent changes in the basic terms of the important contracts unpalatable.

[Although, it should be noted here, that some contracts, e.g. the contracts involving daily money wage-rates, are durable only in a formal sense]. In other words, frequent price-adjustment or changes in the terms of the important standardized contracts lack social legitimacy, and hence the employers (or the dominant classes) do not opt for it. It is a point worth-stressing that the hegemony of the dominant classes (and the sustainability of an exploitative system) cannot be divorced from the question of social legitimacy. If non-price adjustments are better-suited (than price-adjustment), in respect of social legitimacy, for the viability of an exploitative system, as seems to be the case in the surveyed villages, it helps us understand the widespread prevalence of the standardized contracts as well as their relative stability over time.

It may be noted, in passing, that in the recent years there has been an upsurge in micro-economic modeling of institutions under the general label of New (or Neoclassical) Institutional Economics. Although there are distinctive approaches within this framework, the general label is a useful one, as they share an emphasis, in the explanations of the existence of institutions, or changes therein, on allocative efficiency improving rationality contributions in Adelman and Thorbecke (eds.) 1989). Analysis of rural labour markets has become a hospitable territory for the New Institutional Economics (henceforth NIE). The emergence and prevalence of a variety of contractual arrangements in rural labour markets are sought to be explained as institutional responses to solve the problems of risk, uncertainty, information costs, transaction costs, all kinds of opportunistic behaviour (shirking, moral hazard etc.) (For a summary of the basic issues, see Sarap, 1991). In this analytical tradition, prevalence and resilience of standardized contracts would be associated with efficiency-gains from the standardization of contracts; standardized contracts, apart from reducing the costs of

\textsuperscript{xvi} It is likely that some of these standardized contracts mentioned in the foregoing came into existence sometime during the pre-capitalist phase of Indian society, and were probably backed by the authority of State/socio-religious authority and, in spite of deviations, served as benchmark. As we have already reported, a variety of important changes have taken place in the contractual arrangements in the surveyed region, but the resilience of some of the standardized contracts (e.g. share-cropping, harvest-shares for labourers etc.) is remarkable.

226
frequent bargaining, also reduce uncertainty. However, without entering into a discussion of the possible explanations within NIE here, one would like to recall that the economic analysis of institutions is not a new subject. For instance, Marxists have a well-established tradition of theorising about institutions; Marx's concise formulation in his preface to A Contribution to the Critique of Political Economy (1859) can be considered a seminal contribution in this regard. His suggestion was that institutions emerge and prevail to realize the productive potential of the economy - thus efficiency considerations play a central role in explaining the existence of institutions and the changes therein, though the notion of efficiency here is much wider than the neoclassical allocative efficiency. In our view, considerations of socio-economic control over the producers are critical towards the realization of the productive potential of a system and contribute towards institutional change or its absence.

Near absence of exchange in various key factors of production (land, labour and capital) even between adjacent villages is the other feature of considerable interest. Although the focus of our discussion here is on exchange of labour, some of the remarks are applicable to the other spheres of exchange as well. It may be recalled that there are significant differences in wage rates even between adjacent villages, yet no exchange of labour takes place between them. (Wage rate differences across these villages, it seems to us, is a hangover from older times. All these villages are characterized by substantial pools of surplus labour and, the differences in wage rates across adjacent villages may narrow down in future wage revisions; employers surely want to do that). As regards the exchange of labour across villages, employers as well as labourers seem disinclined towards it. Labourers in the surveyed villages have a wretched material existence and they depend on their employers not only for jobs but also for consumption loans, credit for emergency needs, employment prospects in non-agricultural sectors, or any other help. Hence, in spite of higher wage-rates in the adjacent villages, they do not seek employment there as it might impair their 'goodwill' ties with the local patrons. In short, given the acute economic vulnerability of labourers, it is their perception of employers as an 'overall support system' which may be the critical factor explaining their disinclination to look for employment in the adjacent villages. If labourers move out of their villages, it is generally a long distance movement. Employers' disinclination to employ labourers from neighbouring villages is linked to the question of social legitimacy. When asked why they did not
employ labourers from the adjacent village, where the wage rate was substantially lower than in their own village, their answer was - it is not done. A counter-question was often put to us: how could they do so when there was plentiful availability of labour in their own village. They repeatedly stressed the point that after all the village labourers are their labourers, with whom they have been involved in long-term relationships. Thus the employers are not unfavourably disposed towards the existing arrangement, within which in any case they are extracting high levels of surplus, and any attempt on their part to demolish the boundary of the village labour market is likely to threaten the fabric of social control and may generate adverse possibilities for them. It seems to us that the employers' disinclination to employ labourers from the adjacent villages is likely to persist, in a situation where in their own village there is excess supply of labour and no overt challenge to their socio-economic power. If in employers' perception, village labourers are not 'disciplined enough' they can take recourse to outside labour. The strategies of control employed by the dominant classes obviously depend on the overall socio-economic dynamics.

We will take up the theme of the strategies of control employed by the dominant classes in some detail in the last section of this chapter. The next two sections are devoted to a discussion of wage-formation processes. A number of surveys of the plethora of rural labour market theories is available in the existing literature. In the following I confine myself to a few brief remarks on the received theories of wage-determination, and then to outlining an argument which, I believe, is helpful in understanding wage-formation processes in agricultural sector, at least in the surveyed region.

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xviii Long-standing familiarity of the residents to each other obviously generates substantial informational economies, and some researchers attribute the relative isolation of a village, when it comes to the exchange of key factors of production, to this factor. For instance, it has been argued that for the lessors/lenders/employers, transactions with insiders is advantageous, compared to outsiders, due to lower costs of search, recruitment, supervision etc. precisely due to informational economics (Rao, 1988). In general, a variety of information and transaction costs have been invoked in New Institutional Economics explaining the contractual arrangements in rural labour markets and in Thorbecke and Adelman (eds.) 1989; Sarap, 1991). In our view, explanations hinging on such considerations (i.e. considerations related to information and transaction costs) grossly exaggerate their importance.

xix In some villages of central Bihar, we found that employers tried to get outside labour, as the village labourers were struggling for a better deal. Breman (1985) has also reported use of outside labour by the employers, even in a situation of excess supply of labour in their own village, as a disciplining device.

xx Among the better known surveys are the contributions of Binswanger and Rosenzweig (1984), P. Bardhan (1984), K. Bardhan (1977, 1983, 1989).
6.2 **Some Remarks on the Received Theories**

The traditional neoclassical theory of wage as determined at the equilibrium of the aggregate demand for and supply of labour is, by and large, discredited for a number of good reasons. Persistence of substantial magnitudes of involuntary unemployment as well as under-employment and positive wage-rates has been the most important evidence against the conventional neoclassical orthodoxy. Labour market in (labour surplus) rural India is almost never cleared by wage variation. Evidence suggests that there are a number of other difficulties in adopting the competitive supply demand model to analyse behaviour of wages and a variety of observed features of rural labour markets. Downward rigidity of money wage-rates over prolonged periods - while activity levels (or labour demand) fluctuate significantly - is obviously inconsistent with this model. The model cannot account for the coexistence, especially during slack seasons and in situations of perennial excess supply of labour (as in Purnia villages), of different kinds of contracts, say daily wage and piece-rate, to perform same/similar operations with significant differences in earning per day. In general, it cannot explain persistence of more costly contracts along with actually existing (or feasible) cheaper contracts. Labourers with similar productive qualities and performing same tasks receive different returns, due to differences of contracts, even within a particular village (not to speak of adjacent villages). On the other hand, in the casual labour market within a village, in spite of known differences in the quality of labourers, there is uniformity of wage. Various aspects of the economic behaviour of agents (e.g. lack of mobility of labour from one village to the adjacent one in spite of substantial wage-differences between them) obviously imply that the optimising assumption of the conventional supply-demand framework is misconceived.

Thus, it seems to us that competitive models constructed within a demand-supply framework are quite inadequate in capturing either the short-run or the medium/long run behaviour of wages and the various important features of rural labour markets, either in Purnia villages or elsewhere in the country. Indeed, given the muted formation of markets, it becomes even more difficult to adopt such competitive models. Secondly, one is not aware of any careful test to study the usefulness of these models. Ray (1987) reports that the available evidence, for a number of countries, does not support the contention of these theories. Evidence from different regions of
rural India, as regards the long run behaviour of wages is quite mixed (Bardhan, 1984); however, the important point is that even when long run changes in real wages are broadly consistent with apriori expectations with a demand-supply framework, there may be a variety of a factors (e.g. changes in the collective organisation of the labourers, state intervention etc.) which were critical in effecting such a 'consistent relationship' in the sense that the absence of such factors, could have led to the results being different. Thirdly, it is obvious that designing satisfactory tests, when a number of variables cannot be controlled for, while looking at the influence of supply and demand on wages, is a difficult task.

Till a couple of decades ago, the 'subsistence' theories of wages used to be quite popular. The essential idea common to this class of theories is that real wages are determined by norms of subsistence which are largely extraneous to politico-economic conditions of labour market. These norms include socio-cultural perceptions of minimum needs, traditional rights, fair wages, physiological subsistence requirements etc. Though such norms do play a role in wage formation, there is evidence to suggest that (i) wage-rates are not regulated primarily by such norms, and (ii) wage variations are related to labour market conditions. Implicit to any hypothesis of norm-determined wage rate is the assumption, in our view, that it is applicable to medium and long run, as norms are unlikely to vary in the short run, (i.e. from season to season or even over a few years). It has two obvious implications: (a) for substantiation/refuation of a norm-determined wage hypothesis, it is evidence on the medium/long run behaviour of wages that is relevant; (b) norm-determined wage hypothesis are quite incomplete in the sense that they have little to contribute to an understanding of short-run behaviour and complex structure of wagesystems existing in a villages. As regards evidence on long run behaviour of wages marshalled by careful critics of subsistence theories (e.g. Bardhan, 1984), it goes against the grain of such theories. Our survey suggests that increasing immiserization of labour in Purnia villages, high incidence of poverty and malnutrition (even by conservative calorie norms) among them, significant variability in their levels of living (even within a village) and lack of constancy in that over time, changes in employment practices which militate against a norm- determined wage-all these are powerful evidence against the class of norm-determined subsistence theories of wages. Thus, on the whole, subsistence theories appear unsatisfactory and deficient in capturing
the important aspects of wage determination and other basic features of rural labour markets.

A widely discussed class of theories hinges on the notion of 'efficiency wages'. In recent years, there has been a proliferation of such theories and their extensive application in analysing the rural labour markets in India. All these theories attempt to explain positive wages along with involuntary unemployment very much within the supply-demand framework with some qualifications. As Akerlof puts it, 'If there is involuntary unemployment in an equilibrium situation, it must be that firms, for some reason or other, wish to pay more than the market-clearing wage. And that is the heart of any efficiency-wage theory' (Akerlof, 1984, p.79). Two features, common to every version of efficiency wage theory, may be noted: (i) resistance to wage-cuts, beyond a limit, is attributed to employers (and not employees); (ii) a link between wages and productivity, which is optional from the point of view of employer, is assumed. The earliest version of efficiency-wage theories assumed a link between nutrition and efficiency. Assuming such a linkage, a number of nutrition-based efficiency wage models have been constructed. It is primarily this version of efficiency-wage theory which has found favour with theorists analysing rural labour markets in India.

This hypothesis was first proposed by Leibenstein (1957). His model assumed that the wage income is the only source of earning for the labourers and the entire earning goes into consumption; there are no past savings and labourers cannot borrow against future earnings. Given this setting, the model further assumed that a technical relationship existed between consumption and capacity to work. With increase in wages, labourers are enabled to supply more effort (in efficiency units); with increasing wage, so that there is a unique wage at which employer's profit is maximised. Pushing the wage below this level would reduce the return to employer. Thus there is a particular wage-rate, i.e. the efficiency wage, at which the employer optimises the profit, but at this wage rate, there is involuntary unemployment. There have been various modified versions of this model and we may mention here the model by Rodgers (1975) as his area of field-study is same as mine. His model attempts to explain certain patterns of wage-variation and stability, labour-tying arrangements and interrelationships between wages and the dependency ratio in a labour

XX Among many of its versions, their is a 'nutrition-based efficiency theory, which is sometimes treated as belonging to the class of subsistence theories mentioned earlier.
household. The model is in terms of the demand for and supply of work units rather than of labour time. Through decisions of labour tying and time wage adjustments, a 'minimum cost of work units' equilibrium wage rate is determined that would at least maintain the required number of work units at the subsistence level. Marginal productivity of work units, which below this level diverges from the marginal productivity of labour time and merges with it above, determine the 'optimal' level of employers' wage with a given demand curve. Rodgers sought empirical support for his hypothesis from a set of data that he collected from seven villages in Kosi region of Bihar, which also happens to be our area of study. He reports wide prevalence of the practice of attaching some labourers, the higher consumption level of attached labourers, lower wage for labourers with land, higher wage for labourers with higher dependency ratio, and meals at work as part of the wage for casual labourers. It may be noted that these features are generally considered to be the main evidence in support of nutrition-based efficiency wage theory. We have two immediate observations to make: (i) our findings, on the basis of field-studies conducted in the same area roughly a decade after that by Rodgers, are drastically different (chapter 4 and 5). We found a decrease in the share of attached labourers, over a period of a decade and a half, lower level of earning in case of the majority of attached labourers, uniform wage rate for casual labourers regardless of their ownership of land and dependency ratio, and gradual disappearance of meals at work for casual labourers. (ii) To the extent that Rodgers's findings are applicable to parts of rural India, they may be consistent with alternative explanations, a point explored by Kalpana Bardhan (1983).

Other better known versions of efficiency-wage theory include, (a) Akerlof's gift-exchange model, which assumes that workers reciprocate a gift of higher wages by a gift of higher productivity; (b) the shirking model, which assumes that higher wages improve work incentives; (c) the turnover or transactions model, which assumes that higher wages reduce turnover costs for the employers; and (d) imperfect information model, which assumes that higher wages reduce adverse selection, given that characteristics of (heterogeneous) workers is only imperfectly known to the employers.

Even on the basis of a priori reasoning, it is possible to reject most versions of efficiency-wage theory. As we have noted earlier, casual labourers numerically constitute the majority of agricultural labourers (which implies that majority of labour contracts in the village economy are of

\[\text{Yellen classifies the alternative microeconomic bases of efficiency-wage theories and provides a summary of these (Yellen, 1984).}\]
extremely short duration, i.e. one working day) and, during peak seasons, reshuffling of labourers by employers is quite common. Moreover, employers and labourers within a village know each other too well to assume imperfect information. Given these features, validity of the critical assumption (i.e. link between wage and efficiency) underlying 'imperfect information' 'gift exchange', 'turnover', shirking\textsuperscript{xxi} or 'nutrition' based models is highly suspect. Technical relationship assumed by these models, to whatever extent it may be valid for longer term and stable employment contract, is quite meaningless in a scenario of extremely short-term (and with frequent change of labourers) contracts. If the technical relation can be assumed to be valid over a long period, and if typical contract is of short duration, then an employer paying higher (efficiency) wage would be lowering efficiency wage costs of the other employers - i.e. an 'externality problem' arises (Ray, 1987). To internalise this externality, the employer should hire labourers on a long-term basis\textsuperscript{xxii}. Or, alternately, all the employers should collude to pay the active labourforce efficiency wages. Even those labourers who are disenfranchised form the market (either during slack season or otherwise) should be provisioned for to maintain their efficiency. Moreover, since labourers belong to families and cannot accept the possibility of letting their dependents die of hunger, they must be paid above their efficiency wage (in a closed model), to ensure at least the survival of their dependents. These implications of any efficiency-wage theory cannot be wished away. Apart from these, a number of other difficulties faced by this class of theories have been discussed by various authors (Bharadwaj, 1990, K. Bardhan, 1983; P. Bardhan, 1984; Ray, 1987). One interesting question to ask is: If there are inter-personal differences in nutrition-efficiency linkage (as clinical literature suggests), why should there be an uniform wage rate in the casual labour market? Apart from the uniformity of wage rate in casual labour market, evidence on wage formation and other features of rural labour markets in India militate against any version of efficiency wage theory\textsuperscript{xxiv}. Empirical observations cited earlier,

\textsuperscript{xxi} As regards the 'shirking' model, one can ask the question that why higher wages should be more optimal than better supervision.

\textsuperscript{xxii} In an excess supply situation, a problem arises: not all labourers can be hired and what happens to those who are left unemployed? Unless they are supposed to die of starvation, some mechanism has to be assumed to support them.

\textsuperscript{xxiv} It may be of interest to note that the assumed link central to efficiency wage theories figures as one of the likely factors influencing wages in Adam Smith's discussion. Smith suggested that in a 'progressive' economy, 'when wages are high, accordingly we shall always find the workmen more active, diligent and expeditious than when they are low' (quoted in Bharadwaj, 1989, p.25). Some of Marx's writings (Capital, Vol. 1, ch. IV), can be interpreted to echo a similar view. A 'degenerate and stunted labour force' is of little value to capital; hence, capital takes measures to improve the conditions of working class. However,
against the subsistence and other norm-determined wage theories, apply
with equal force against the class of efficiency wage theories as well.
Moreover, assumptions such as employers colluding to keep the wage rate
at a high level are quite unrealistic. Almost invariably, it is labourers who
have to resist wage cuts.

Inadequacy of subsistence, efficiency and the conventional
neoclassical competitive theories of wage-determination has led some
theorists to construct models of imperfect competition to analyse wage
formation and structures of rural labour markets. (Interestingly enough,
mainstream theorists have become aware of all kinds of imperfections in
market-systems which were earlier assumed to be perfect. In fact, the
thrust over past couple of decades has been on finding more and more of
imperfections !). In recent years, bilateral monopoly or principal agent
models have become fashionable in the analysis of rural labour markets, and
some theorists have begun to explore models of 'implicit contract'. (For a
flavour of these developments, see Dreze and Mukherjee, 1986; K. Bardhan,
1989). Without going into a discussion and assessment of these recent
developments here, we would like to note that none of these models can
claim significantly more explanatory value than the theories discussed
earlier; these models (e.g. Bardhan, 1984), like the earlier-mentioned
theories, throw some light on a few aspects of rural labour markets, but are
generally quite unsatisfactory.xxv

We may conclude this section with a couple of summary
observations. The received theories of wage determination may throw some
light on one or the other aspect of the process, but none of them can claim a
coherent explanation for the various important aspects of the process of
wage formation or rural labour market structures. Instead of suggesting any
formal theory, we have outlined a simple argument that also incorporate
some of the important ideas emphasized by the received theories.

6.3 An Argument on Wage Formation Processes:
Wage formation process is a complex one, as a whole range of
economic and socio-cultural variables enter into this process. However,
explanatory primacy should be accorded, in our view, to the size of surplus
labour and to the bargaining power of the labourers.xxvi It may be recalled

neither of these authors subscribed to any narrow understanding of wage-formation process,
characterising the efficiency wage theories.

xxv A number of these models, by suitable manipulation of assumptions, 'explain' one or the other feature.
xxvi This argument draws from classical/Marxian Political Economy tradition. K. Bharadwaj's contribution,
'Wages in Classical Economics' in New Palgrave's Dictionary of Economics is quite illuminating on the
that the real wages of agricultural labourers in the surveyed villages, already quite low during the early 1970s, have gone down further over the next two decades. This decline may be explained by a combination of factors operating in the region. As has been reported in chapters 4 and 5, many small peasants have slipped down the ladder, tenancy has declined, self-employment opportunities have narrowed down - all these have swelled the pool of agricultural labourers. On the other hand, partly due to moderate growth of agriculture and partly because of changing agricultural technology, there is no evidence of increase in employment availability per agricultural labourer. Thus the size of surplus labour has tended to increase over the past couple of decades. Economic vulnerability of agricultural labourers is accentuated by the fact of negligible employment opportunities outside their own villages. In addition to these factors, lack/weakness of organisation among agricultural labourers has contributed to the decline in real wages. It may be recalled here that the decline in real wages does not tell us the complete story about the extent of the worsening in the living conditions of the agricultural labourers in the region. A number of non-wage entitlements have gradually been withdrawn, a process symptomatic of the transition to capitalism. In this process, the category of casual labourers has been the worst hit. As was reported in chapter 5, the real wages and consumption levels of purely wage-dependent casual labourers are the lowest among all the categories of agricultural labourers in the surveyed villages.

However, it seems a reasonable assumption that the decline in real wages cannot go on indefinitely. Once it reaches a level that threatens survival of the labourers in the short run, i.e. labourers start dying of starvation, the declining trend would get reversedxxvii. Labourers, however disorganized they may be, are bound to put up a resistance to the prospect of dying of hunger. Moreover, exigencies of parliamentary democracy would force the state to intervene in such a situation. Thus, we can conceive of a survival wage level (corresponding to the maximal intensity of exploitation by the employers) just below which famine conditions are threatened or triggered. In our view, such a survival wage can be viewed as setting a floor to the wage level. Such a wage will be below the 'nutrition-efficient' wage

arguments on wage formation in classical Political Economy. Bob Rowthorn's essay, 'Marx's Theory of Wages' in his 'Capitalism, Conflict and Inflation' offers an useful discussion of Marx's ideas, and its relationship, with the argument's of Classical Economists, particularly Ricardo (Rowthorn, 1982).

xxvii Clinical evidence suggests that human body can adapt, to some extent, to malnutrition and the extent of adaptation varies from person to person. Dasgupta and Ray (1990) provide an insightful survey of the clinical literature on adaptability to malnutrition. However, adaptability obviously takes time and it cannot go on indefinitely.
level. As the employers are unlikely to be concerned about deteriorating health of casual labourers at least in the short to medium run. Above the survival wage level, there is a zone of indeterminacy within which real wages fall, depending on a host of factors, particularly size of surplus labour and the state of organization among the labourers. Given the techniques of production, cropping pattern etc. upper bound of this zone of indeterminacy would be set by the employers. In practice, well before this upper bound is approached by the wage level, employers would devise various strategies to weaken the economic and political strength of labourers. Such strategies would include adopting technologies or cropping pattern which are labour displacing, shifting to other (e.g. non-agricultural) opportunities etc. Finally, in our view, there is no necessary functional relation between labour productivity and the wage level; there is little reason to believe that increase in labour productivity will automatically get translated into wage gains for labourers. (In passing we may note that Marx's writings contain a rich discussion of the diverse strategies employed by the capitalists to maximize the difference between labour productivity and the wage paid out). Thus, for regions in which the movement of agricultural wages has been found to be sensitive to the changes in labour productivity, one needs to investigate carefully the factors that played a role in making such sensitivity feasible. As regards wage-differential by gender, caste, tribe etc., primary explanation, in our view, is socio-cultural. Moreover, it is obviously in the interest of the employers to use the widely-held socio-cultural values for surplus extraction

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**xxxviii** A degenerate and stunted labour force incapable of performing hard work in a sustained manner can impair the economic viability of the production process and hence it is in the interest of capitalists to ensure a certain minimum standard of living (i.e. a wage that meets the 'cost of reproduction of labour power') to the working class, as Marx suggests in the Chapter on the Working Day in Capital Vol.1. However, wages can get pushed below the 'cost of reproduction of labour power' level, and remain there for a considerable period, that is, till the time employers realize that inadequate consumption among worker is threatening the economic or political viability of the production process, or the state intervenes to enforce 'minimum, wage rates.

**xxix** Our field-study findings (chapter 4 and 5) as well as the evidence based on the secondary data (chapter 2 and 3) support it. A number of other studies on the subject have reported similar findings. To quote K. Bardhan, 'The average real wage per day, and the annual real earning per labourer, did not rise in line with the real productivity per unit of labour in the areas of rapid growth since the mid-1960s' (K. Bardhan, 1983, p.44).

**xxx** Pranab Bardhan (1984) has proposed an economic explanation for gender and case-based differential in wage rates. He explains lower wages for women in terms of an expected higher average recruitment cost, on account of their irregular supply of labour services (due to various social and economic constraints). In case of lowest-caste workers, he assumes lower-elasticity of supply, hence an expected higher average recruitment cost and lower wages. Such explanations are quite unsatisfactory in case of casual labourers, and particularly in a perennial excess supply of labour situation. Explanation of lower wages, in terms of greater economic vulnerability of these groups, is more appealing (Kalpana Bardhan, 1983).
or for controlling the labourers. It is easy to see that labour market segmentation along the lines of caste, tribe, gender etc. is likely to have a negative impact on the bargaining power of the labourers and militate against the strengthening of class-consciousness among them. However, let us recall that in the surveyed villages, wage-differentials, due to caste, tribe or gender, have either disappeared or are disappearing. [It may also be recalled (chapter 2) that according to NCRL (1991), the ratio of wages paid to female agricultural labourers to that of wages paid to male agricultural labourers is highest for Bihar (92.7) and lowest for Tamil Nadu (57.18)]. In the surveyed villages segmentation of labour market operates mainly through attachment/labour-tying. As was observed earlier (chapter 5, section 3), such a segmentation is partly linked to the fact that the two categories of labourers (i.e. casual and attached) have different jobSpecifications, which is also reflected in returns to them. However, attachment/clientelisation is among the most effective strategies of control with obvious implications for bargaining power and, consequently wage rates.

The argument on wage-formation outlined above is consistent with the following important observed features of rural labour markets in the Indian context.

(a) It is consistent with involuntary unemployment and positive wage rates.

(b) It is easily reconcilable with the observed high incidence of poverty and malnutrition among labourers. In our argument, survival wage provides a floor to the wage-movement, and it is not committed to the view that the employers would choose to pay 'subsistence' wages to labourers, particularly the casual labourers. Wage-rates for casual labourers can be pushed down to the level just before which famine conditions are threatened or triggered. (Shovan Ray, 1987, has a somewhat similar argument). In case of attached labourers, employers may be more sensitive to their subsistence needs.

(c) It is consistent with the observation that in Indian agriculture there is no systematic relationship between the changes in labour productivity and the movement of real wage-rates.
In our view, the simple commonsensical argument outlined above is quite helpful in understanding the process of wage formation in the surveyed region. Our observations and explanations regarding some other important features of wage systems in these villages were set out in the preceding two chapters (chapters 4 and 5).

We have emphasized in this study that one of the fundamental objectives of employers is to have maximal control over labour process and the class of labourers. Depending on the existing techno-economic and socio-cultural factors, various strategies of control are devised by the dominant classes and we conclude this chapter with a brief discussion of control devices.

6.4 Strategies of Control and Incompleteness of Freedom

Central to any analysis of rural labour markets, either in Purnia villages or other parts of the country, has to be an understanding of the dialectical relationship between not only surplus extraction but also hegemony maintaining strategies of rural oligarchy and the survival strategies of the labour households. Of course, as should be evident from the preceding discussion, minimising the share of labour in output is crucial to the surplus extraction strategies of the labour-hiring households and a host of devices are used towards this end. However, maintenance of social hegemony is often perceived as a centrally important objective by the rural oligarchy. There are conflicts and contradictions within the labour-hiring households, and even within the dominant households, but against the labourers they generally speak in one voice with rare discordant notes. 'The labourers must be kept in place' is a firmly held view.

Strategies and devices of control not only dot the economic relations but are embedded in pores of civil society. The nature of cultural discourse, use of political institutions etc. are among the most discussed aspects in this regard. The strategies of control are devised and exercised at various levels - household, village and various supra-village levels. In Purnia villages, given the sheer lack of options for labourers, their acute poverty and lack of

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The economic objective of maximal surplus extraction and the objective of social control of agricultural labourers are, of course, inextricably linked. But one is not reducible to another.
any organisation among them, exercise of control by labour-hiring households is easily facilita
ted. Traditionally, as is well known, multi-stranded vertical ties of patron-
client relationships, known as the Jajmani system, was the most important framework for exercise of economic and social hegemony within a village. With gradual erosion of this system, new kinds of clientelisation - vertical ties incorporating market principles - have emerged in many parts of the country. The clientelisation, often through personalised informal (even unspecified) transactions and sometimes through formal interlocking of multiple transactions, atomises agricultural labourers and hinders the possibility of their organising for collective bargaining. In Purnia villages, primary objective of clientelisation is not to depress absolute level of money wages (which in any case are abysmally low), or to ensure labour supply during peak seasons (as the surveyed villages are characterized by perennial excess supply of labour), but to keep a tight control over labour process and the class of agricultural labourers. Apart from clientelisation, various kinds of segmentations (described earlier), reflected in the difference in contracts and wage-systems, can also be viewed as a labour control strategy. In many parts of the country, labour market segmentation by gender and caste/ethnicity is an important feature (for a brief summary of this phenomenon, see K. Bardhan, 1983, pp.58-65). Her review of the evidence suggests that 'The rate and pattern of female work participation is stratified according to both (income/landholding) level and social (caste/ethnic) rank of the family, the difference by caste/ethnic divisions within a farm-size group is stronger than the difference across farm-size groups within a caste/ethnic category', and 'a substantial wage difference goes with this occupational stratification'. Moreover, even for the same operation, lower wages for female and lowest caste/tribal casual labourers have been observed in many regions; even in operations such as transplanting, in which female labourers are acknowledged to have better skill, wages tend to be lower for them in these regions. A recent study by Ramachandran (1990) shows that in Cumbum valley of Tamilnadu (a high growth region), the gap between wage rates paid to men and women widened between 1976 and 1986. Needless to add that the still powerful Brahminical discourse plays a critical role in maintaining certain kinds of segmentation.

Clientelization and segmentation of rural labour market can be viewed as common and effective 'divide and rule' strategies; these are common peacetime labour-control strategies. If labourers start getting
restive or signs of organisation among them start developing, then a host of additional control strategies come into existence. Eviction of labourers from homestead land, withdrawal of traditional facilities such as access to grazing land or fishing pond, etc. have been commonly employed strategies by dominant labour-hiring households in rural Bihar. Sometimes, even money wage rates are lowered, a Januzzi's study of a Muzaffarpur village shows (Januzzi, 1974, pp. 51-52). In recent years, another common strategy has been to employ labour from outside. Breman's study of rural labour circulation in Surat district examines various motivations for getting labour from outside even when local labour is available. One of the important motivations is the inclination among landowning class to make as little use as possible of the services of the local landless, which is 'a direct result of the change which has occurred in their (i.e. local labourers') attitude towards the upper farming class' (Breman, 1985, p. 338). He concludes that the farmers are 'potentially prepared to sacrifice their material interest for their yearning to teach the local landless a lesson' (ibid, p. 340). Thus, import of labour becomes a weapon, in the hands of labour-hiring households, in the rural class struggle. This strategy has also been tried, and probably with greater vigour, in a number of villages in Central Bihar plains, which have witnessed a series of protests and struggles by labourers, on a variety of issues. Import of migrant labour results in cost-cutting in certain situations (as happened in Punjab during the 1970s), because of its depressive effect on local wages as it weakens the bargaining position of local labourers. But when they are rationed out from the labour market, it strikes at the root of their livelihood. This is precisely what has been attempted in a number of Central Bihar villages, as we were often told by the landlords, belonging to these villages, during informal conversations. Reaction of one landlord, belonging to a village in Bikram block of Patna district, captures the essence of this aggressive stance: 'Even if I have to pay 3 to 4 times more to the outside labourers, I am going to employ them with adequate security arrangements and see to it that the village labourers die of starvation. They have become too insolent to be given any jobs'. Generally, in villages where a struggle has been going on getting labour from outside is more costly for the employer. But this strategy has been frequently adopted by them.

Another strategy of control is labour-displacing mechanization (a strategy that was highlighted by Marx in his discussion on Machinery). Adoption of a machine or a technological package may hinge on cost and profitability considerations; but an obvious outcome of labour-displacing
mechanization is to weaken the bargaining position of labourers. We also found during our field-studies that the timing of a shift in cropping pattern, leading to a significant decline in labour demand, was often catalysed by the motivation of enhancing control over labourers. In one of the surveyed villages, some of the leading employers shifted large tracts of land from cereals to banana or other fruits, soon after the agitation around Mandal Commission report two years ago; the agitation had led to a couple of violent incidents in the village. One of the landlords told us: 'There is no better way of keeping labourers in their place than by making them redundant'.

Apart from a whole range of economic devices, the rural oligarchy does resort to intimidation and, in extreme situations, physical assault. Parts of Central Bihar plains are witnessing serious conflicts between landowners and labourers, and in these areas, murderous assaults on labourers and their families have been a frequent phenomenon. In Central Bihar villages, private armies of the landowning classes - Bhoomi Sena, Lorik Sena, Brahmanishi Sena, Kunwar Sena etc. - are well known for all sorts of criminal activities against rural labourers. Various institutions of the State have generally been on the side of the landowning classes in their repressive campaigns; a dramatic instance of such collaboration was Anwal Massacre of 1987, which took a toll of sixty lives (for details of the ongoing class struggle in Central Bihar plains, see Report from the Flaming Fields of Bihar (1986), a CPI (ML) document.

Villages in Purnia district have rarely witnessed any organised and sustained protest by agricultural labourers. During the first two decades of the post-Independence period, there were a few militant movements of the sharecroppers, particularly Santhals, primarily under the leadership of CPI and the socialists. (It was these movements that gave rise to the legend of Nakshatra Malakar - Purnia's socialist Robin Hood - now a part of the folklore of the oppressed). Landlords, with the active assistance of the State, through its labyrinthine legal system and police apparatus, came down heavily on these movements. Throughout the 1960s, and early '70s, hundreds of cases of eviction of Santhal and Musahar sharecroppers and attacks on their lives were reported (Nilakant, 1977). The most infamous of these was Chandwa - Rupaspur incident of November 22, 1971, when an armed gang of 200 landowners and their retainers, led by the family members of the then Chairman of the Upper House in the Legislative Assembly, attacked a Santhal village, burnt all the huts, killed 14 persons (according to the official reports - non-official reports put the number around
The wrath of the landlords was caused by the fact that these Adivasis were likely to get occupancy rights for their sharecropping lands, after a protracted legal battle. Even after 15 years of the atrocity committed in Chandwa, the judiciary was taking time to convict the culprits. Chandwa massacre was a major setback to the movement of sharecroppers elsewhere in the district and very few instances of organised opposition to the landlords, or violent conflicts have been reported over past two decades. As of now, landlords appear to have effective control over the sharecroppers. As regards the agricultural labourers, instances of any organised attempt to improve their material conditions have been rare.

Social Scientists have analysed various systemic processes in Indian society aimed at subordination of labourers and producers from the ancient period onwards. It is well known that the rise and dominance of Brahminical discourse, for two to three millennia, played a crucial role in legitimising subordination. Change in the political framework after Independence, and advancing capitalism have undermined this discourse to some extent, yet it is far from powerless and still contributes to the maintenance of control by the dominant classes/castes over labourers in large parts of rural India. Relations of power and control are sustained not only by systemic discourses but also by everyday social practices, and recent research, in various branches of social science, has tended to focus on these. Breman (1985) provides various examples of how the employers often take pleasure in inscribing their power (and obversely, helplessness of labourers) on the fabric of day-to-day interactions. For instance, while paying to casual labourers after the day's work, the leading employers behave as they were doing a favour to them. Similarly, as we often observed during our field-studies, while advancing credit to the labourers, often at exorbitant rates of interest, the employers dramatize their 'benevolence'. Such acts are obviously aimed at heightening the sense of helplessness among labourers. In fact, one can catalogue many such economic practices, woven into the fabric of day-to-day interactions, which are important as control strategies.

xxxii There are very few pockets of organised movement by sharecroppers in Purnia now and these involve, by and large, Santhal sharecroppers. These sharecroppers, in many villages of the district, seemed determined to carry on their militant struggles and legal battles, during the 1960s, and early '70s. However, sustained repression by landlords, in active and visible collaboration with the State, has resulted in dampening of their spirit, at least temporarily. However, their struggle was not in vain entirely, as some of them succeeded in getting occupancy rights, and we met a few of them in Basnahi village (now in Madhenpura district).
Although it is obvious, but worth emphasizing that labour cannot be treated as any other inanimate factor of production. The labour power of the labourer is embodied in the person of the labourer, who perceives the injustices of the socio-economic order, who justifiably suffers from discontent and alienation, and who might want (in small or big ways) to do something about the unjust order. Hence, in any class-divided society, there is undimining need for employers to keep a tight leash on the labourers. Feudal order had its own mechanisms of control and maneuver and advancing capitalism in rural India, while retaining some of the old techniques, is manufacturing new ones suited to its needs. Physiognomy of these techniques, in any society, has organic linkages with previous socio-economic orders. Thus different regions of rural India have their specific elements in the complex package of control mechanisms.

Marx's classic formulation of a 'doubly free' labour under capitalism says that, in contrast to the other modes of production, a proletariat is a hired labourer who is free to sell her/his labour power to the employer of her/his choice. Extension of freedom in this sense (especially its second aspect) has a crucial role to play in Marx's understanding of the emergence and development of capitalism. In a well established capitalist system, workers have the freedom to sell their labour power to the employers of their choice - there are no extra-economic coercions restricting this choice; thus workers possess a formal freedom under capitalism unlike any other non-capitalist system that Marx analysed. However, it is absolutely fundamental to his analysis of capitalism, that formal freedom of the proletariat is vacuous in the sense that the proletariat has to depend on capital (even if she/he does not depend on any particular capitalist) for survival. This argument purports to capture the essence of the proletarians' objective position in capitalist relations of production, and it has generated an extensive literature on the incompleteness of the freedom of the proletariat under capitalism.

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xxiii Bardhan notes that, 'when the late Stephen Hymer once asked Samuelson's opinion about what he thought was valid in Marxian thinking but not included in the MIT economics curriculum, Samuelson's cryptic answer was reportedly in two words: 'class struggle' (Bardhan, 1984, p.6). Surely Samuelson is not the right person to seek appreciation of Marx's economics, but he does make an important point here.

xxiv As Amartya Sen, echoing a Marxist perspective, says, 'If a person is not free from hunger and lacks the means and the practical opportunities to feed himself or herself adequately, then that person's positive freedom must be seen as having been thoroughly compromised' (Sen, 1989, p.770). In the same paper, he provides an interesting categorization of the different approaches to freedom since Aristotle and suggests four distinct concepts of freedom. Marx, as Sen put it, had an intrinsic-positive view of freedom which sees freedom not in terms of the presence or absence of interference by others, but in terms of what a person is actually able to do, or to be, and which considers freedom to be intrinsically important.

xxxiv G.A. Coehn's insightful analytical discussion of the incompleteness of proletarian freedom in contemporary (advanced) capitalist society provides a rigorous form to the Marxist vision (Cohen, 1978, 1988, especially the last three chapters of the latter work).
While incompleteness (in the structural sense) of proletarian freedom remains a basic feature of any capitalist society, its extent, nature and consequences differ a great deal (from one capitalist society to another) depending on the stage of development, consciousness and the collective bargaining power of the proletariat etc. At the risk of oversimplification, one can say that (i) the extent of intrinsic-positive freedom, to use Sen's phrase (Sen, 1989), for the workers in backward capitalist economies is too little; (ii) control strategies of the employers, the important determinant of the nature of 'incompleteness' are often harsh; and (iii) consequences of too little intrinsic-positive freedom are often reflected in high levels of poverty, rampant malnutrition and morbidity, premature mortality etc. One can gather information on these tangible indicators, and work backwards to take a position on the extent/absence of intrinsic-positive freedom (or, to use another phrase, extent of the incompleteness of freedom), even though the notion of freedom is a complex one.

From what has been said above, two relevant questions follow: (i) Do labourers in Purnia villages possess formal freedom in the Marxian sense?, and (ii) if they do, how incomplete is their freedom in the intrinsic-positive sense? In the previous two chapters, and in the present one, an attempt has been made in an indirect manner to explore answers to these questions of fundamental importance. It is evident that in the surveyed villages, or more generally in rural India, the direction of change is towards enhancement of formal freedom for the labourers, and the process has got accelerated during the post-Independent-period. Among agricultural labourers, it is the section of the bonded labourers, who do not possess any formal freedom in the Marxian sense. The succinct description of bonded labourer, given by the Thorners may be useful. 'An unfree, or bond labourer, by contrast (to a free labourer), is one whose bargaining power is virtually non-existent, or has been surrendered. Such a labourer does not possess the right, or has yielded the right, to refuse to work under the terms set by his master. Through custom, compulsion or specific obligation, the bond labourer is tied up to his master's needs. He can neither quit nor take up work for another master without first receiving permission' (Thorner and Thorner, 1968, p.21).

Except in the case of bonded labourers, extra-economic coercion is, by and large, negligible as regards the day-to-day transactions of labour power of agricultural labourers\textsuperscript{xxxvi}; however, extra economic constraints, such as

\textsuperscript{xxxvi} It is only in a relative sense that bonded labour (defined by the presence of extra economic coercion) in Indian agriculture constitute a small group. For rural India as a whole, in 1977-78, according to the finding reported by NSSO quoted by Bardhan, 1983, 0.28 per cent of men in the labour force were
those related to caste/gender discrimination and a variety of socio-cultural norms, are a persistent feature of rural labour transactions in many parts of the country (Bardhan, 1983): This feature, along with others, implies that the rural labour markets are muted or underformed; as regards formal freedom, since absence of extra-economic coercion is the critical constitutive element of it, one would venture to suggest that the enhancement of formal freedom has taken place, in rural India, to a much greater extent than the development of labour market. Majority of agricultural labourers in India, have the formal freedom to accept or reject the conditions and wages offered by an employer; on the other extreme, there exists a section of bonded labourers - a group that clearly lacks this freedom, and in between there is a section which is difficult to be placed in either category in any clear cut fashion. For instance, there are labourers who, temporarily surrender their formal freedom (Ramchandran, 1990), due to economic stringency but manage to recover it. Most disturbing is the case of those labourers who mortgage their formal freedom for long, often indefinite, durations to keep their body-frame intact; debt-bondage, prevalent in some parts of the country, is an instance of it. In Utsa Patnaik's assessment, 'Given the increasingly desperate condition of rural labour, debt-bondage may be expected to increase, not decrease, as the capitalist tendency develops. A reinforcing of servility and bondage is a logical corollary of the socially retrogressive character of landlord capitalism' (Patnaik, 1985, p.28).

Restriction of formal freedom is likely to persist for sections of rural labourers in India; legal measure alone is clearly not adequate to ensure it. As regards the second question, that of positive freedom, economic wretchedness of a large majority of agricultural labourers implies that there is too little of freedom in this sense, either in Purnia villages or in most other

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"working with an employer under obligation, but work was not compensated by any wage or salary". In absolute terms, as Kalpana Bardhan has observed, 'that estimate is close to 400 thousand, which is larger than the number of engineers or one and a half times the number of doctors in the country in that year. The NSS figure is most probably an underestimate, because the definition leaves out the labourers with indefinite obligations, and hence not free to seek alternative employment, but who may be receiving some remuneration directly or indirectly through some use of land' (K. Bardhan, 1983, pp.55-56). Legally, bonded labour is banned in India (1976 Act of Abolition of Bonded Labour). But it still exists in various sectors and, in some sectors such as quarrying, its presence is quite significant.

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245
parts of rural India. Inadequacy of livelihood options for them in India is a well known and commonly accepted fact. Hence, a question of fundamental importance is that of the strategies to enhance positive freedom of labourers. Increases in growth rate of national product or per capita real income are not sufficient, by themselves, to enhance such freedom - a fact borne by the historical experience of a large number of countries. Institutional reforms and state intervention in the nature of what Amartya Sen calls 'means using development strategy' (in contrast to means enhancing strategy), to ensure basic needs of the labouring classes, are of critical importance in India. Increase in the collective bargaining power of the labourers (beginning at the level of village to high levels), vis-a-vis the employers and the states, would obviously be the critical input in the formulation and implementation of such strategies. Labourers, like the employers, do evolve a host of strategies at the micro-level to improve their lot materially and socially; without undermining the value of such micro-strategies, one would like to note that these have obvious and severe limitations, as affirmed by the experience of villages in Purnia district.