

CHAPTER THREE

Merchant capital is not confined to 'backward' economies only. It could be there in *normally* commercialised and rapidly growing economies too. It may even proliferate as peasants buy and sell more and diverse kind of goods on an expanding scale, a 'home market' is created and opportunities for trading increase.

Merchant capital itself is a vehicle of accumulation. Given the inadequacy of 'price-scissors' in the transfer mechanism of agricultural surplus, the role of merchant capital deserves better attention, especially its social-kinship dimension.

MERCHANT CAPITAL AND ACCUMULATION IN *NORMAL* COMMERCIALISATION

If there is one thing that has stood in the way of a realistic and comprehensive understanding of the relationship between merchant capital and accumulation in an agrarian economy, it is the 'statement', attributed rightly yet wrongly to Marx, that the growth of merchant capital and that of industrial capital stand in inverse relationship to each other.

Development literature, when not pretending that merchant capital does not exist in contemporary agrarian economies, finds it difficult to rise above the familiar negative view that merchants and their capital is unproductive, superfluous, dispensable and exploitative. The occasional alternative view that they are useful and indispensable 'entrepreneurs' is the proverbial other side of the same coin.

The best that one hears, by way of derived wisdom, is that, historically, the role of merchant capital has been ambiguous. Conservative and revolutionary at the same time¹. Hardly the kind of insight that could make matters less ambiguous.

History could inform better, but development economists have been looking at the wrong places, it seems. Braudel's *Wheels of Commerce* and Hicks' *Theory of History*, a rare blend of intuitive theorising and precise history-writing, surprisingly found offensive by many Marxists, are far more interesting and richer accounts of growth of commerce, commercial capital, its internal heterogeneity, and its transformative potential than any number of readings of Dobb-Sweezy debate², a standard reference

on the issue, can provide.

Implicit in discussions of merchant capital in an agrarian economy is the evolutionary understanding of trade, markets, and accumulation. Sort of unilinear/progressive transition from barter to world trade, what was first questioned by Polanyi and his associates³. Merchant capital, in this view, has to be transitional. Subjected to the same wider two-class differentiation process and meeting the same fate as peasant and other subsistence/petty/household forms of production are believed to meet. Merchant capital would be subjugated by the industrial capital. Bigger merchants would 'graduate' to industry while smaller ones would get lost in the proletariat.

As Evers and Schiel⁴ put it, this evolutionary theory has a lot going for it. The argument is logically consistent and exhibits a beauty of its own. The problem, however, is that the theory is not necessarily borne out by the facts.

Merchant capital is not necessarily transitional. Contemporary experiences point towards its resilience and the tendency to re-establish itself, even on an expanded scale. It may persist even as "normal" commercialisation⁵ and capitalisation proceed. The state interventions in trade, the emergence of peasant-traders, or of alternative institutions like cooperatives, do not seem to be dislodging merchant capital.

That merchant capital might undergo important changes in the process as it encounters state and others, including industrial capital, is possible. And the possibility that merchant capital consolidates because of, and not in spite of, state interventions-ostensibly meant to put the merchant in his place-is not ruled out⁶.

Whether the persistence/reproduction of merchant capital, as that of household/subsistence/informal economy, is functional to capitalism/world trade, as is suggested by some, is beside the point. It is compatible, certainly.

Trade has its own existence. It is not necessarily a derived and hence secondary aspect/function of production. Its organisation could be as complex, if not more, as that of production. Trade may not directly depend on production⁷. Economies differ in development of levels of exchange/trade. As they obviously differ in levels of material development/production. Some economies exhibit a relative lack of tools/institutions of exchange/trade⁸. For Braudel, the differences in capitalist development in Europe and Japan, and China and the world of Islam, could be explained by differences in the development of exchange in these respective countries⁹.

However, conventional Marxists have never concealed their disdain for the so-called circulation sphere. There has been an avoidable preoccupation with arguing supremacy of production over exchange¹⁰.

At a superficial level, yes, there can not be any trade without production. But this does not preclude the real possibility that a given economy may be better equipped/developed, institutionally, in trade than in production. As mentioned above, economies differ in terms of development of exchange as well.

The orthodox Marxian understanding of only production influencing exchange is simplistic. Exchange, therein, is considered a derived and thus secondary function of production. A mere reflection. It is suggested that exchange may appear to be

autonomous. That it could just be a link between production and consumption¹¹.

Trade and trading functions may be better seen as an integral part of the larger production process¹². Exchange is more than a surface phenomenon¹³ and may not be unproductive/neutral. The relation between production and exchange is not a one-way relationship. Exchange relations too may shape organisation of production. In fact, Bhaduri's model implies that¹⁴. Exchange sphere is neither necessarily neutral/unproductive nor necessarily obstructive.

Commerce has a transformative potential. Most often, a commercial sector exists when agriculture is commercialised. Or comes into being. And it may actively influence the process of accumulation as agriculture is commercialised and surplus is increased. To argue in favour of understanding the power of markets and that of the market-makers, one does not have to agree with 'demand and supply theories'.

It would be fair to say that exchange/trade/markets remain comparatively underresearched, theoretically. Evers notes that neither economic models, which appear to be simple, despite all mathematical sophistication, nor sociological and anthropological theories, which are not extensive enough, do justice to this one of the central features of human life, that is, economic exchange and trade¹⁵. The study of trade and traders has remained rather underdeveloped in social science literature¹⁶.

There is a tendency to get away by making a din over merchants' scruples. They are speculators, hoarders/black marketeers, exploiters of peasants/consumers who earn undue profits. This, it seems, is the best way to skirt the issues¹⁷.

The tag of immorality/illegality was fixed by the early 'Rural Development' literature, the best/worst example of which is India's Rural Credit Survey¹⁸, conducted by the Reserve Bank of India, which carried away by just blaming the merchant-moneylender for allround underdevelopment. Basically, it was the groundwork for state interventions in agrarian markets, which, as it turns out now, instead of supplanting merchants, actively used, and in fact, consolidated them for mobilising/maximising marketed surpluses, mainly of foodgrains, which, it seems, was the real concern, any way¹⁹.

The 'rural development', kind of work on marketing/marketing channels/intermediaries does not have much to offer. For them, marketing is an 'effective tool of socioeconomic progress' in developing economies²⁰. Their stress is on 'efficiency'. Development of 'proper' marketing methods and organisation, according to them, will stimulate economic growth and development. Conversely, a lack of efficient marketing instruments and intermediaries may retard such growth²¹.

There have been a number of anthropologists' studies on merchant communities, like that of Hazelhurst, Fox, Mines, Djurflit and Lindberg, and Geertz²², mostly in the Sixties and Seventies and mostly village and district case studies. But they rarely look at the capital employed in trade, something central in an economic inquiry. Anthropological studies stress the microeconomic perspective, focussing on a single actor and his biography or a group, sometimes a whole village or town, to give a detailed microscopic lebenswelt description with little or no theoretical relevance²³. The classical anthropologists, on the other hand, like Mauss and Malinowski, focussed on the interpretation of the social function of exchange in or between social institutions, such as kinship systems or communities²⁴. However, on the whole, the work by economic

historians and anthropologists, including Hicks and Polanyi, forms an important chunk of the available information about economies, old and new²⁵.

Economic approaches investigate the flows of commodities between nations or regions, but they neglect the actors who handle these flows²⁶. Schrader suggests adopting Polanyi's approach by starting from a discussion of the persons engaged in trade, as well as the organisation of trade, to develop a middle-range theoretical concept of trade²⁷.

Evers finds it intriguing why traders or petty merchants hardly ever turn up in revolutionary scenarios while there is an abundant literature on peasant revolts and the role of the proletariat in revolutionary movements²⁸. He believes that they are not really politically passive but theoreticians have overlooked their significance. He blames the legacy of structural Marxism and the debates about modes of production for this omission. For such Marxists, he knows, agents of history are the wage labourers, industrial proletariat, or a proletarianised peasantry. Merchants/traders do not find a theoretical slot²⁹.

Merchant capital is almost "naturally" associated with backwardness, so much so that understandings of rapidly grown or so-called green revolution economies proceed barely mentioning the sphere of circulation, whether the issue is nature and pace of accumulation or it is class formation. Barbara Harriss, for one, who has done extensive field work on agrarian markets, has pointed out this neglect, and has shown how entrenched merchant capital could be, as much in backward as in rapidly growing commercialised economies, and how it could be actually shaping accumulation in the non-agricultural sectors of the latter³⁰.

The so-called 'pre-capitalist' exchange relations are not confined to 'backward' economies/forced commercialisation. Exchange relations could be 'contrived' in rapidly growing normally commercialising economies as well³¹. Besides, there could be considerable variation within what is often sought to be passed as 'pre-capitalist' relations³². And these relations, too, could be compatible with, if not functional to, capitalism. Non-capitalist/'contrived' relations do not necessarily obstruct accumulation³³. Accumulation does not require that exchange relations be 'capitalist' first. The specific nature of 'pre-capitalist'/contrived relations may help in understanding the process of accumulation.

The realisation of agricultural surplus into industrial capital could depend on the kind of exchange sphere in which accumulation takes place³⁴. Important changes may take place in the exchange sphere as agriculture is commercialised. Not just domain of exchange but the nature of exchange relations too could change.

Conventional development models that see accumulation in an agrarian economy as depending primarily on the *level* of surplus that agriculture generates and its sectoral transfer to non-agriculture through the Terms of Trade, perceive exchange as taking place between two sectors-agriculture and industry-in quite a restricted sense³⁵.

A closer look at the exchange sphere for the sake of a better understanding of sources and nature of accumulation in agrarian economies is overdue. The importance of exchange *relations*, as distinct from the size/domain of the market, as also from merely sectoral terms of trade, has not been adequately recognised in *normal*

commercialisation. To understand the changes that the exchange relations between peasants and merchants undergo as the economy is commercialised normally and accumulation is underway could be crucial to an understanding of the nature of accumulation in the economy. The outcome does not depend on the level/volume of agricultural surplus only³⁶.

The diversity of relations of exchange, and economic power of merchants, could be central to an understanding of the diverse outcomes of green revolution³⁷. Traders could importantly influence (obstruct/reduce/increase) marketed surplus. Merchant capital may direct and control technological change, and, as Barbara Harriss reminds, merchants are not irrelevant to the process of class formation that has fascinated commentators on the green revolution. Imperfectly developed markets, she says, catalyse or constrain rural and non-rural class formation³⁸.

Besides, resources from agriculture may be transferred via the use of profits of trade³⁹. Merchant capital draining surplus from agriculture does not rule out the possibility that extracted surplus is transformed into industrial capital⁴⁰. This is particularly important in the context of the inadequacy of the 'price-scissors' channels in transfer mechanism of agricultural surplus pointed out in chapter one.

Structure and dynamics of merchant capital in the economy and its links with agriculture on one hand and industry on the other need to be understood better in normally commercialising and rapidly growing economies. In particular, the changing relation of merchant capital with emerging industrial capital could be important to watch. Apparently, merchant capital does not have a uniform logic with respect to agricultural and industrial production. While it has one leg in agriculture and the other in industry, its

relation with each of the two is likely to be qualitatively different.

Merchants and merchant capital may have a considerable control not just over exchange but over production of goods as well. They may influence producer's investment and market behaviour. Merchant capital could organise production, like by way of outwork and subcontracting. Merchant capital may attempt to protect itself against threats to its independence so as to preserve the relations of commerce. In this process, it could struggle over surplus with direct producers, with labour and with the state¹¹.

The very way questions on merchant capital are posed is sometimes a problem. The dichotomous way, whether merchant capital is productive or unproductive, whether merchant capital hinders accumulation or helps it, could be avoided. A better question could be how merchant capital interacts with other forms of capital and shapes emerging industrial capital.

The fixation that eventually industrial capital will triumph and merchant capital will disappear has meant that little attention has been paid to the changes within merchant capital in contemporary developing agrarian economies. The question is not whether it disappears or not. Nor it is whether industrial capital will finally triumph over it or not. The question/focus should be what changes take place in its relationship with agricultural and industrial production/capital as growth takes place, without being prejudiced about its gradual/final decline. Its organisation could change. The ways in which merchant capital tends to reproduce itself could change. It could importantly influence the kind of accumulation that takes place. Or the nature of capital that is formed. Even new social groups might be drawn into trade. And not just peasants¹².

A straightforward historical process of subordination of merchants' to industrial capital is not evident in the empirical instances, at least in India⁴³. In fact, at a micro level, it might be wrong to assume/expect a straightforward process of subordination of merchant capital to industrial capital⁴⁴. One has to know the internal structure of merchant capital and how it changes with commercialisation. The tendency to run for the empirical evidence looking for subordination of merchant capital to industrial capital or vice versa is problematical.

Merchant capital could act as an agency of industrial capital. Marx had suggested that⁴⁵. That is precisely what is reported to be happening in some commercialised areas in South India. It is found that merchant capital, there, is mopping up agrarian surpluses for the good of metro capital⁴⁶.

What remains to be adequately recognised is that productive accumulation may go on within merchant capital. That is, merchant capital, as it exists, is commonly mingled with productive accumulation. Merchants have diverse portfolios (and not just because they want to spread risks). A substantial number of them not only buy and sell and store/transport etc, they process also. The line between merchanting and industry/manufacturing is very thin there. Capital could easily move from one sector/activity to the other. In Coimbatore, South India, as many as 70 percent of the mercantile firms have been found to be engaged in processing too⁴⁷. Processing is practically an extension of merchant capital.

It is possible that as an agrarian economy commercialises, "normally", the importance of usury, as one part of merchant's diverse portfolio, or rent and interest, as

means of extracting surplus, the central feature in forced commercialisation, may be lesser while profits upon buying and selling, processing, and other means are more notable. And these profits may be deployed in productive accumulation as well.

Normal commercialisation may open up new avenues for merchant capital⁴⁸. In normal commercialisation, peasants buy and sell *different* goods on an expanding scale unlike 'paddy for paddy' in forced commerce⁴⁹. As a result trading opportunities increase⁵⁰. This is how a 'home market' develops.

Somehow, merchant capital dealing with agricultural goods has attracted more attention than that engaged in non-agricultural or manufactured goods. Theoretically as well as empirically. True, middlemen or traders handle a large bulk of the flow of rural produce to urban markets. But they handle flow of manufactured goods to peasants as well, the reverse market participation of the peasants, as the economy commercialises and diversifies (even if they are a different set of traders). If manufactured goods, agricultural inputs or consumer goods, are routed through government agencies or cooperatives, the merchant may not be that important. But from empirical instances, this does not seem to be the case. State interventions in trade, by and large, have skipped trade in non-agricultural goods.

It is possible that merchant capital dealing with non-agricultural goods, perhaps mainly in consumer durable goods, mostly based in towns, gets a boost and becomes important for the kind of accumulation that follows as agriculture gets commercialised, surplus grows, need for exchange expands, peasants' twin market involvement, as seller and buyer of different commodities, increases and a 'home market' is created. Trade, in any case, expands with normal commercialisation of agriculture. That

merchant capital may gain/proliferate as a result/in the process is the point. And not necessarily at the cost of the industrial capital.

Like diverse functions and portfolios associated with merchant capital, its sources, too, could be varied. Even in a commercialising agrarian economy, where surplus is increasing, there may be important sources other than agricultural surplus. Sources of merchant capital may not necessarily and exclusively be in agriculture in agrarian economies. They may lie outside agriculture in normally commercialising and rapidly growing agrarian economies. In forced commercialisation, it certainly, and solely, is agricultural surplus.

Merchants may be financed even by the state. Or by the industry, even as kinship or social networks are a major means for merchants to access capital. A majority of the trader-moneylenders are themselves usually in debt. Bigger merchants seem to be having better access to state funds. It is difficult to argue, says Barbara Harriss, that mercantile enterprise is not financed considerably by the nationalised (public sector) banks in India⁵¹. However, sources of initial capital could be different from sources of capital employed later.

There could be considerable differences in the ways trade/trading capital in agricultural goods/foodgrains and that in non-agricultural goods is organised. Social base and spatial organisation may differ. Volume of capital employed may differ. Profit, competition, barriers to entry may differ. It has been found that while mercantile control of agricultural commodities is quite polarised, that of industrial goods is even more polarised⁵². These two streams of merchant capital could be differently related to accumulation. Their mutual relationship, too, alongwith capital mobility from one stream

to the other, could be important to watch.

Commercial sector could be highly stratified. Sort of oligopolies could coexist with subsistence/petty trade. It is commonly characterised by layers and hierarchies. Organisational forms could be diverse. Wholesalers, retailers, shopkeepers, hawkers, pedlars could coexist, with no or exploitative/benign relations among themselves⁵³.

That commercialisation/accumulation could lead to progressive differentiation, in the commercial sector-rich merchants becoming richer and the poor becoming poorer-is a more complex issue. But one will have to beware of a straight application of the orthodox Marxist position. That due to its contradictions with the monopoly capital, a small minority would 'graduate' to industry, as mentioned above, while the rest would be pauperised. Differentiation/bipolarisation is not inevitable either for peasants or for merchants.

Trading firms operating more or less at subsistence level could be more numerous though they might not always operate independently of the accumulating ones⁵⁴. But this dependence does not mean they would necessarily become paupers. Trader-trader relations, possibly one of the most neglected dimensions, could be more complex.

The powerful and the weak firms may not directly compete against one another. There could be subsystems⁵⁵. Small traders may be tied, through loans, with large brokers. Ben Crow speaks of the economic space purposely created by bigger traders for smaller traders/processors⁵⁶, a kind of subcontracting, perhaps.

Mercantile capital is said to be more prone to concentration/monopolistic/restrictive tendencies than industrial capital. 'Merchant capital tends to centralise and concentrate itself into monopolies even faster than productive capital...because competition among themselves weakens them vis-a-vis the producers and consumers at whose expense they prosper', says Kay⁵⁷. Concentration and polarisation of economic power is higher in the agricultural mercantile sector than it is in the sphere of agricultural production⁵⁸. There is a massive concentration of control over storage, especially⁵⁹. There were a number of empirical studies, however, in the Sixties and early Seventies denying concentration, arguing the opposite that agrarian markets were competitive, profits were normal and were not undue, and that entry into trade was easy⁶⁰.

The belief that entry into trade is easy is pervasive and is quite misunderstood. Merchants do control markets. They may erect/defend barriers not to let others enter. They may organise themselves on ethnic, (or on the basis of caste, as in India's case. But it does not necessarily follow that this obstructs production/accumulation.

The question is not whether entry barriers exist or not, but what kind of barriers. Broadly, one could distinguish between capital and non-capital barriers. It could be non-capital barriers that could be more difficult to comprehend. Barriers to entry, however, could differ across size and organisational forms and in different commodity markets⁶¹.

Organisation of production and exchange of goods on ethnic/caste/community lines, as hinted above, does not automatically mean that it obstructs accumulation. In fact, it neither necessarily obstructs accumulation nor accumulation/its intensification necessarily loosens this kind of organisation. It could be closely related to

the process of accumulation in the economy.

This social division between producers and merchants, together with the spatial pattern, the way peasants and merchants live, in villages, towns, or whatever, separated from, or close to, each other, could be quite revealing. The key to understanding merchant capital and accumulation in an agrarian economy could lie in these social and spatial patterns.

Why are markets organised the way they are? Why do peasants and merchants live, in a given situation, the way they do? Braudel describes the 'mathematical precision' in which villages/peasants and towns/merchants have historically existed/lived, geographically⁶².

Agricultural trade may not be rural. Towns are, usually, the homes of merchant capital. Towns tend to change with commercialisation. As commercialisation leads to increasingly long distance marketing, towns may take on wholesale entrepot roles⁶³.

Barriers could be quite strong in upper echelons of trade, more so in the long distance trade that evolves upon commercialisation⁶⁴. Initial fixed capital requirements might be low⁶⁵. In that sense, entry might appear to be easier. But then the profits in such trade are also low. Trade in most cases requires more (operating) capital per value added than production, not less⁶⁶. To start a trading business providing the same income level, as in production, in most cases, will require a larger operating capital. It is of course true that one can start trading with very little capital, but then usually also with very little profit⁶⁷.

Retailing activity is commonly seen as having a high degree of concentration and high rates of profit⁶⁸, while fixed costs of entering into the retailing business have been found to be relatively low⁶⁹. There appears to be a contradiction between high concentration/profits and low entry costs. Why do new traders not enter the business, driving down rates of profit and transferring a higher volume of output from village to city?⁷⁰

There is much misunderstanding prevailing on profits/margins in trade, it seems⁷¹. Generally, profits in trade are alleged to be high. Higher than those in production, agriculture or industry/manufacturing. High profits in trade are commonly related with concentration, control/distortion of markets by merchants, and merchants' 'social and economic power'. Merchants do not make their profits by revolutionising production, says Kay, but by controlling markets and the greater the control they are able to exercise, the higher their rate of profit⁷².

Profits in trade are thus directly linked with accumulation, high profits being blamed for slower accumulation. Merchant's profit has been seen as acting as a major obstacle in the growth of capitalism in industry in India⁷³. Because of high profits in trade, it is argued, investments in industry would be low as higher profits in trade would divert capital from other areas of production-agriculture as well as industry to trading. There would be little inducement to invest in industry or for merchants to move over to industry.

However, one does not find sufficient empirical evidence for high profits, for one thing, nor, actually, for the suggested links with accumulation. Profits in trade are not always high. High profits in trade of agricultural produce are a myth, reports a recent

survey on agricultural goods traders in Srilanka⁷⁴. Nor are high profits necessarily good/bad for accumulation of merchant/industrial capital.

Trade *margins* are usually low. It may require compensation in the volume and high turnover for profit, unlike industrial profit where margin can be higher. Trading is not always and everywhere more profitable than manufacturing, leaving apart subsistence trading. Besides, profits from trade may be *productively* invested⁷⁵.

Even when profits in trade are high, it may not be due to the degree of protective and/or oligopolistic practices. Lesser competition in private trade does not necessarily mean more profits⁷⁶. Markets in agricultural commodities could well be competitive and entry into their trade could be comparatively easier. Only a few might be making above normal profits which they might deserve for the services they provided⁷⁷.

Profits of merchants are not necessarily high because of moneylending component. Moneylending is not always more profitable than commerce/merchanting/buying and selling. Barbara Harriss-White reports instances where rates of profit from commerce far exceed those from agricultural moneylending (and from agricultural production)⁷⁸. Maybe it would make better sense to speak of profits from the entire portfolio of investments of trading families⁷⁹.

Why should high mercantile profits necessarily hinder industrialisation/capital accumulation? Could they even actively promote accumulation? True, amongst traders dealing in a given commodity only a few might be earning above normal profits. Larger firms/upper echelons may have higher rate of profit. At the same time, firms with the highest rates of profit are reported to be not the largest asseted firms⁸⁰. A substantial

number of traders could in fact be operating more or less on a subsistence level. The popular impression that profits are universally high in trade may, of course, be wrong. Profits could well vary across commodities, size, organisational forms, over time and seasons also. And perhaps according to the composition of the portfolios⁸¹. Agricultural trade as a whole has been found to be more profitable than are agro processing, moneylending, or agricultural production⁸². Empirical studies on profits in trade in non-agricultural goods have been fewer.

What seems more important to understand is that mercantile profits do not have to be high for merchant capital to persist/proliferate⁸³. Merchant capital can obstruct or facilitate accumulation with low profits as well.

NOTES

¹.Geoffery Kay's is a classic Marxist assertion on merchant capital. According to him, the contribution merchant capital makes to the development of the forces of production has always been ambiguous. It has been revolutionary and conservative at the same time. It opened the way for industrial capitalism but also blocked its progress (see Kay, 1976, pp 96-97) It is this view of merchant capital that has informed most of the discussions in the deveolpment literature on merchant capital in contemporary agrarian economies. It is one thing to say that merchant capital's role has been ambivalent and quite another that it has been varied. Perhaps, theoretical apparatus has not been enough to understand the variety. Marx had much more to say on merchant capital than is what is commonly attributed to him (see Marx 1968, Vol III, Part IV, Chapters XVI-XXI). Marx's treatment of merchant capital was very innovative and remains the most detailed. The major problem is the mechanical way Marx's views on merchant capital have been interpreted in development literature.

².The debate between Maurice Dobb and Paul Sweezy on transition from feudalism to capitalism, in which the contentious issue of the role of merchant capital figures prominently, is summarised in Hilton, 1976.

³.See Polanyi, 1944; and Polanyi, 1957.

⁴.Evers and Schiel, 1987, pp461.

⁵.Normal commercialisation, as stated in chapter 1 and 2, is meant to be seen in contrast to 'forced commercialisation'. To repeat, forced commercialisation, as defined by Bhaduri (Bhaduri, 1983), denotes a situation where peasants' participation in the market is involuntary. They are forced into the market, and their surplus is appropriated, by the landlord-merchant-moneylender combine. The domain of exchange is restricted to "paddy for paddy" as peasants enter the market twice in a year, once to sell paddy and later

to buy the same, albeit at worse terms. I denote normal commercialisation as a situation where peasants come to the market voluntarily, their participation is actually two-way as they sell agricultural produce as well as buy more and diverse non-agricultural goods from the market, the terms are reasonable making it possible for peasants to gain too from their market participation. Merchant capital has drawn attention mainly in the case of forced commercialisation/backward agriculture. So forceful has been the argument on forced commercialisation that the forced case has come to be seen as normal.

⁶.Inspired with socialistic experiences and with rhetoric of exploitative merchant-moneylender in the countryside and concern for 'small producers', developing states have strongly intervened in agricultural product and credit markets. The proclaimed objectives of state's interventions in agrarian markets included ensured and cheaper food for the urban consumers, cheaper wage goods for industry, fair price to peasants for their produce, and to eliminate middlemen and thus to increase efficiency in exchange. For typical state interventions see Harriss Barbara, 1984, p57-65). See London (1975) for political/ideological roots of these state interventions, and the view that the propositions on which state action against traders was suggested, were ill-formed. Trading capital seems to have survived state trading as well as cooperatives. Merchant capital actually has been blamed for failure of cooperatives. Overall, merchant could still be important despite state procurement, because the trader might have gained out of selling agricultural inputs and of course indirectly by cashing in on the increased consumption demand of the rural population. Also state procurement has left the trader in non-agricultural goods almost totally untouched. And in agriculture it is limited to a few crops (See Aulakh, 1983; Barbara Harriss, 1994b, 1984)

⁷.See Pederson, 1996.

⁸.Some economies could be richer in traders than in production. The reverse too could be true. The grain trade, for instance, is, historically, comparatively more developed in South Asia than say in Sub-Saharan Africa (see Harriss and Crow, 1992). In some economies, ethnic minorities may be controlling trade. In others, not. The organisation could differ. The stratification could differ. Intensity of exchange, besides number of traders, could differ. Of course, the volume of capital employed in trade could differ. However, the level of development of exchange and of production may not be related in an economy in a corresponding way.

⁹. 'Shops and peddlers also abounded in China, but fairs and bourses, the more intricate cogwheels of the mechanism, were lacking. Either the Chinese govt was hostile to these higher forms of exchange, or else the capillary system of the elementary market was adequate, and the Chinese economy did not need veins or arteries. For either of these two reasons, or for both of them, the exchange in china was virtually decapitated, sawed off, and this was an extremely important factor in the nondevelopment of chinese capitalism' (Braudel, 1977, pp31-33). Unlike Europe, where 'the 17th century brought about a massive expansion of shops, a triumph of the continuous'. "Shops multiplied all across Europe, creating tight networks of redistribution. In 1607 Lope de Vega commented that in the Madrid of the Golden Age, "Todo se ha vuelto tiendas," "Everything has been transformed into shops" (ibid, pp 26). So with Japan, where the upper levels of exchange were more highly developed and a network of great merchants was very well organised. (ibid, pp 33)

¹⁰.See Bharadwaj 1982, for conventional Marxist position on supremacy of production over exchange.

¹¹.ibid.

¹².See Pederson, 1996. Pederson attempts to base his argument on new institutional economics, network theories and the new theories of the enterprise.

¹³.Bhaduri too tends to view exchange only as a reflection of production. 'Exchange is a surface phenomenon of economic life, reflecting the underlying economic and social organisation of production. Consequently, exchange relations are not general, but specific to each mode of economic organisation that shapes them'. (Bhaduri, 1983, p1) It is similar to Krishna Bharadwaj's (1982) characterisation of exchange as the *outward manifestation of social relations in an economy*.

¹⁴. In his own study, when Bhaduri views powerful merchants extracting surplus from the peasants and restricting accumulation, exchange does not really remain a mere reflection.

¹⁵.Evers and Schiel, 1987, p460. See also Evers et al (ed), 1994.

¹⁶.Schrader, 1994.

¹⁷.Focus so often has been on exploitation, unproductiveness and morality. On merchant being unscrupulous/cleverer, rather than on accumulation as such. Sau's is a typical view that 'merchant capital thrives on disproportionality. It takes nothing more than shortage in steel today, in coal tomorrow, and in cement the day after. Merchants are ingenious in that they can turn every scarcity into a haven for speculative profits, and can even create artificial scarcities to reap windfalls' (Sau, 1984, pp PE77,79) If merchants indeed obstruct accumulation, it is not because they are 'immoral'.

¹⁸.Reserve Bank of India, 1954. According to this literature, merchant capital had a substantial presence in pre-colonial agrarian economies, it exploited small peasants, and hindered growth/industrialisation. The blame was put on the colonial policies but it was not made clear how they thought merchant capital hindered industrialisation as such. Except perhaps by suggesting that resources which could be better used productively, meaning industry, were locked up in trading. The message was that the post-colonial state would get rid of it through 'rural development'.

¹⁹. Traders handle a large bulk of the flow of rural produce to urban markets even when governmental procurement agencies collect the foodgrains. It is usually a private wholesaler who buys from the farmers and then transfers the crop to the govt (see Dutta, 1993, p96. Also Moore, Johl and Khusro 1973, Aulakh 1983, and Lele 1973.

²⁰.Like Izraeli et al 1976; Bauer, 1976.

²¹. 'The producer is interested in cutting short the distance from the field or factory to the consumer and in reducing the margin accruing to the intermediate stages of marketing. The cost of bringing the products of farm/factory to the consumer is to be reduced by efficient marketing. The problem therefore is which marketing intermediaries and organisations, methods and functions will be most efficient and appropriate. And the role of government and state intervention and cooperative and private enterprise in planning, supervising, financing and organising market intermediaries' (Izraeli et al, 1976, p ix). As if at the most there may be some distortions/imperfections in the market/marketing practices which need to be rectified for economic growth.

²². Hazelhurst, 1968; Fox, 1969; Mines, 1972; Djurflit and Lindberg, 1975; and Geertz, 1963.

²³.Schrader, 1994, p33.

²⁴.Schrader, 1994, p27.

²⁵.See also Krishna Bharadwaj, 1982, on Hicks and Polanyi.

²⁶.Schrader, 1994, p27.

²⁷.Schrader, 1994, pp27-47.

²⁸.Evers,1987, pp461-62.

²⁹.ibid.

³⁰.Barbara Harriss has been working on agrarian markets for close to three decades. Within South Asia, she has done field work in economies/regions with different agrarian structures and with varying levels and nature of commercialisation and growth. See in particular Harriss, Barbara, 1990, 1987, and Harriss-White, Barbara, 1993a, 1993b. Also Harriss-White Barbara, 1994a, and Harriss, Barbara, 1991. According to her, the exchange sphere has been neglected in understanding of accumulation in 'green revolution' economies and an important actor in these economies, possibly a beneficiary, the merchant, has been missed. Whether imperfectly competitive or almost monopolistic, commercial capital is deeply entrenched in the rural economy in all the three regions that Barbara Harriss has studied (Harriss, Barbara, 1990)

³¹.Exchange relations in an agrarian economy do not necessarily become capitalistic with normal commercialisation and accumulation. Even in normal commercialisation, wherein peasants' market involvement is voluntary, surplus is substantial, and the domain of exchange is wider, exchange relations may still be non-capitalist/contrived/'pre-capitalist'. Nor is accumulation therein independent from 'precapitalist' exchange relations. The precise nature of the 'pre-capitalist' exchange relations or the 'contrive-ness' may differ. Social networks in which merchant capital is organised may be seen as a kind of contrivence. In fact, the relative distribution of 'agricultural surplus' between peasants and merchants could be important precisely because exchange relations in the economy are not 'capitalistic'.

Exchange in agrarian economies is often controlled/monopolised/specialised by a merchant class, which socially and spatially differs from peasants. The very fact that production and exchange are commonly organised exclusively by peasant and merchant 'communities', means exchange relations in the economy are not capitalist. The well known 'barrier' between cultivation/agriculture and trade means exchange relations in the economy are not capitalist. It may restrict goods' and factors' mobility across sectors/occupations. Entrepreneurial and capital markets may be separated/segmented. Markets, of course, could be imperfect even in normal commercialisation. The very presence of merchant capital could be seen as representing a kind of contrived exchange relations.

³².There could be a wide variation within 'pre-capitalist'/non-capitalist exchange relations. The pre-capitalist exchange relations need precise specification.

³³.The non-capitalist/'contrived' kind of relations have not always been responsible for a slow rate of accumulation. Punjab could be seen as a case of high accumulation where exchange relations continue to be non-capitalist.

³⁴.Exchange relations could have an important bearing on the size of the surplus as well as its realisation into industrial capital.

³⁵.The focus has been more on the magnitude of agricultural surplus, and sectoral transfer. Mainly through manipulating relative prices. In this scheme, a surplus, in the sense of financial resources, is extracted from agriculture by making agriculture pay more for non-agricultural goods, that is, through an unequal exchange.

³⁶. It is possible that surplus is "adequate" but domain of exchange remains restricted or even when it expands, it may not be "conducive" for accumulation. There could be a variety of ways in which exchange could change as surplus increases. Even with moderate levels of surplus, some markets may emerge/benefit. The point is, one has to look at the exchange sphere-domain of exchange as well as exchange relations-than being obsessed by the level of surplus only, as has been the case most of the time. Besides, exchange relations too may change as surplus increases, though not always due to surplus. Exchange relations could change autonomously/independent of surplus generation too. Exchange relations may have a life/momentum/logic of their own too, though here one is interested in their relation with agricultural surplus.

³⁷. Harriss, Barbara, 1990, p91.

³⁸. *ibid.*

³⁹. Mercantile capital could siphon investible resources from agriculture, which is neither primary nor secondary appropriation of surplus (Harriss Barbara, 1990, p96) Secondary surplus appropriation refers to the process of surplus appropriation via interest on loans and via the price system, while the primary one refers to surplus appropriation via wage labour (*ibid.*, p93). The severity of secondary surplus appropriation depends on the bargaining power of the producer with the moneylender or trader (*ibid.*, p94). For secondary process of appropriation see also Harriss-White Barbara, 1994a, p18, 80.

⁴⁰. What is commonly implied is that merchant capital drains it only for its own proliferation/unproductive activities. Agricultural surplus might be transformed into industrial capital through merchant capital. See Upadhyay 1988 for a similar suggestion.

⁴¹. Harriss, Barbara, 1990, p93.

⁴². One is thinking of artisans and lower castes, (like say in leather trade) seizing some of the opportunities created by increasing commercialisation/commoditisation in contemporary India.

⁴³. Harriss Barbara, 1990, p93; see also Amin Shahid, 1984.

⁴⁴. Harriss-White Barbara, 1994a.

⁴⁵. Marx, Karl, 1968, Vol III, Part IV, Chapter XVI-XXI.

⁴⁶. Harriss Barbara, 1984; and Harriss Barbara and John Harriss, 1984.

⁴⁷. Harriss-White Barbara, 1994a.

⁴⁸. Look at Coimbtore in South India. Coimbtore is known for relatively advanced agrarian capitalism, normal commercialisation/rapid agricultural growth (Harriss-White, Barbara, 1994a, p22) The commercial sector here has been rapidly expanding and is disproportionately rich. Two-thirds of all surviving firms here were set up in the last 15 years (*ibid.*, p66). Commercialisation has attracted larger rather than smaller firms. The proportion of total capital invested since 1970 is far more than the proportion of firms set up in this period. This has been accompanied by unprecedented capitalisation (*ibid.*).

⁴⁹. Under forced/abnormal commerce, as has been pointed out earlier, the peasant may become the seller as well as (distress) buyer of the same commodity, that is, grains, apart from other goods. See Bhaduri 1983.

⁵⁰.Without bipolar differentiation.

⁵¹.Harriss Barbara, 1981.

⁵².Harriss Barbara, 1981; Harriss-White Barbara, 1994.

⁵³.According to Braudel, the top layer of the trading communities comprised the merchant bankers, followed by wholesalers, retailers, shopkeepers, and so on. At the lowest level were innumerable hawkers and pedlars, the trading proletariat (see Schrader 1994, p33). According to Schrader, trade diversification led to the emergence of hierarchies of traders.

⁵⁴.Harriss-White Barbara, 1994.

⁵⁵.ibid.

⁵⁶.Crow Ben and K A S Murshid, 1994, pp55.

⁵⁷.Kay Geoffery, 1975, pp96-97.

⁵⁸.Harriss-White, 1994.

⁵⁹.ibid.

⁶⁰.Such as Cummings, 1967; Jasdanwalla, 1966; and Lele, 1971 on India.

⁶¹.When traders are not financed institutionally, they may be relying on kinship (caste) network, such as of mutual lending. The 'non-capital' barrier, then, may arise partly from capital requirement.

⁶².Braudel, 1977, Chapter 1.

⁶³.Harriss-White Barbara, 1994a; Harriss Barbara and John Harriss, 1984.

⁶⁴.Harriss-White Barbara, 1994a.

⁶⁵.Pederson, 1996.

⁶⁶.Pederson, 1996, p15.

⁶⁷.ibid, p16.

⁶⁸.Empirical literature gives mixed results on this (see Dutta, 1993, p96). While some authors (like Aulakh, 1983) see high degree of concentration, others maintain that the grain-trading market is highly competitive (Lele, 1973, pp76-9).

⁶⁹.Dutta, 1993, p96.

⁷⁰. One line of argument, according to Dutta (Dutta, 1993, p96), that has been advanced to explain this apparent contradiction postulates the existence of interlocked markets (Moore et al, 1973), which he thinks is not enough.

⁷¹.Impressions dominate. The tendency is to overestimate/alarm as well as underestimate the merchant.

Like according to Sau (1984), merchant's profit is acting as an obstacle to the growth of capitalism in industry in India. Merchants in India have amassed vast wealth and they are running a parallel economy with a huge black market. Black market offers rates of interest as high as 40 to 50 percent. Notice here also the tendency to relate merchant capital 'naturally' with undue profits, and immoral/illegal activities.

⁷².Kay Geoffery, 1975, p96.

⁷³.The jute industry in India is a telling example of how merchant capital could stifle growth of industrial capital (Sau, 1984). See Sau, 1976 also.

⁷⁴.Upali 1994. According to him, neither high marketing margins nor high prices are necessarily indicative of high profits.

⁷⁵.A much greater proportion of accumulated profit is reinvested *productively* in Coimbtore than in North Arcot, finds Harriss-White Barbara, 1994a, pp110-111.

⁷⁶.See Dutta, 1993. Also Harriss-White, Barbara, 1994a.

⁷⁷. 'The markets for most of the items of agricultural produce in Sri Lanka are generally characterised by competitive conditions. There are large number of sellers of all such items. Entry into the field of domestic trading is quite easy. It is not fair to say that traders here are working under conditions of monopoly or near monopoly, suggesting market control, or saying traders control supplies, manipulate prices, underpay producers and fleece consumers. Only a few are able to make above normal profits, let alone normal profits, if at all. The latter, if it arises, is often a return for the efficient management of resources.' (Upali, 1994, p47)

⁷⁸.Harriss-White Barbara, 1994a.

⁷⁹.ibid.

⁸⁰.ibid.

⁸¹.There have been scattered empirical studies on profit margins, one better known being by Timmer (Timmer, 1974) on rice trade. Their methodological problems have been pointed out, by, among others, Barbara Harriss. See Harriss, Barbara, 1979. Also Harriss-White, Barbara, 1994a, pp77-78.

⁸².Harriss-White Barbara, 1994a; Harriss Barbara, 1981.

⁸³.Merchant capital, including its proliferation, is consistent with normal profits in trade. When one says that merchant capital has proliferated, one does not mean that profits in trade too have gone up, though above normal profits are not ruled out. Number of trading units, volume of goods traded, turnover, and capital engaged in trade are better indicators of proliferation of trading activities.