THEORETICAL FRAMEWORK
CHAPTER III
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A dominant political question, which has assumed great significance in recent years is how to develop. Diverse formulas have been suggested to achieve this universally accepted objective of development. The classicals considered economic development as a function of land, labour and capital. They pointed towards the importance of capital accumulation through agricultural development. The neo-classicals didn’t attach any significance to agricultural development.

The development theories of Leibenstein, Nelson and Rosenstein Rodan stressed the importance and need for large capital investments in accelerating the process of economic development. Rosenstein Roden and Nurkse emphasized the need for simultaneous development of agricultural and industrial sectors in the development programmes of the economy, whereas Hirschman considered industrial sector to be the leading sector in economic development.

The Growth stage theories put forward by Marx and Rostow maintains agricultural productivity as a precondition to the emergence of industrial capitalism. Mobilisation of savings to generate sufficient investment was the necessary economic mechanism for Rostow’s take-off.
Structural-change Theory developed by Lewis and Ranis-Fei focuses attention on the process by which underdeveloped economies transform themselves to developed economics through a change in their domestic economic structures. While the Lewis model ignores the agricultural sector except as a reservoir of labour, the agricultural sector was rediscovered and the structural interdependence of the agricultural and non-agricultural sectors was emphasized in the two sector models of Ranis and Fei. Ragnar Narkse developed the thesis that disguised unemployment prevailing in the agricultural sector can be a source of capital formation in underdeveloped countries.

Simon Kuznets (1966) outlines the trends in the sectoral origin of aggregate output, which generally accompanied modern economic growth. It includes ‘a decline in the share of agriculture and related industries; rises in the shares of manufacturing and public utilities and increases in the shares of some service groups. This combination produced marked shifts in the sectoral allocation of the labour force, a somewhat greater decline in the share of agriculture and related industries, a somewhat lesser rise in the share of industry and a distinct rise in the share of services’.

The Dualistic Development Thesis represents the existence and persistence of increasing divergences between rich and poor nations in the international economy. Dualism also refers to
differences in the degree of geographic development within an economy. Dualism may either arise naturally as a result of specialization or be imposed from outside by the importation of a capitalist system (Thirlwall, 1999).

Gunnar Myrdal (1968) builds his theory of economic underdevelopment and development around the idea of regional inequalities on the national and international planes by using the notions of 'backwash' and 'spread' effects. Backwash effects refers to all relevant adverse changes of economic expansion in a locality caused outside the locality while spread effects are centrifugal forces of expansionary momentum from the centres of economic expansion to other regions. The main cause of regional inequalities, according to Myrdal has been the strong backwash effects and the weak spread effects in underdeveloped countries.

The concept of growth pole, which has a bearing on regional inequalities in development was first introduced by Perroux in the year 1955 (Higgins, 1988). To Perroux, economic development does not spread itself evenly throughout space. It is the expansion of economic activities in the hinterland, which generates growth of its urban centre rather than vice versa. Boudeville (1968) strengthened the geographical content of the Perrouxian growth pole hypothesis. In his thesis the spread effects emanate from an urban area to the surrounding hinterland. Hirschman (1958) introduced the notions of
polarization effects and trickling down effect, which coincides with Myrdal's backwash effects and spread effects. In some cases, the polarization effects generated in the growth centres may turn out to be stronger than the trickling down effect which may create a dual society.

The neoclassical dependence model view developing countries as beset by institutional, political and economic rigidities, both domestic and international and caught up in, a dependence and dominance relationship with rich countries (Todaro, 2000). In this model underdevelopment is seen as an externally induced phenomenon, in contrast to the linear stages and structural change theories, which stress on internal constraints such as insufficient savings and investment. The main proponents of the dependency model are Andre Gunder Frank, Immanuel Wallerstein and Samir Amin (Chew & Denemark, 1996). According to the dependency thesis, modern 'underdevelopment' is not 'historical backwardness', the result of late and insufficient capitalist development, it is the product of capitalist development, which is polarizing in nature (Samir Amin, 1996). Concepts such as core-periphery, dependent development, uneven development, and metropole- satellite were created to describe the dependent state of economic transformation of specific nation states in the periphery (Chew & Denemark, 1996). It was assumed that decolonisation will lead to the modernisation and economic development of the periphery. But what actually took
place was 'the development of underdevelopment' (Aseniero, 1996). A typical peripheral society has pyramidal income distribution in which there is a small rich elite, a small middle class and very large mass of poor people. These processes have occurred in tandem with and are dependent on the peripheral capitalism and neocolonialism in the periphery and these have produced the greater relative inequalities within peripheral societies (Chase- Dunn, 1996).

Baldwin (1956) and North (1959) have pointed out that extreme concentration of wealth in the hands of the very rich will manifest itself in the demand for luxuries rather than for domestic manufactures, even when farm or export income grows. The export orientation of primary products and foreign dominance of the developing countries has limited the growth of the domestic market and the establishment of basic industries for widespread development throughout the whole economy. The international, national and local capitalist systems alike generate economic development for the few and underdevelopment of the many.

Having discussed the important theories on economic development, we now proceed to analyse the theoretical role of plantations in regional economic development. With regard to the role of plantations in economic development two main strands of thought have emerged. One set of writers (Courtney, 1965, Jorge Hardoy, 1982, Jorge Balan, 1982, Graham and Floring, 1984,
Karunatilake, 1971) emphasis the role of plantations in regional development and consider 'plantations as agents of development'. They show how plantations have contributed to the economic development of Latin America, Argentina, Malaysia and Sri Lanka through a policy of export promotion and import substitution. These writers who belong to the Modernization school, neither characterize plantations as 'enclaves' nor do they see the existence of 'dualism' in the internal structure of plantation economies.

Those writers who subscribe to the viewpoint that the plantations have not been beneficial to their respective economics belong to the Dependence school. They view underdevelopment as an economic, social, political and cultural condition made up of negative processes such as 'enclave', 'monoculture', internal colonialism and economic dualism. They denounced colonial capital, which had played an important role in the creation of export sectors of plantation crops in various countries, because it produced 'virtual enclaves' that had no effect on national economies but were geared to serve the interests of an outside economy. Prominent among these writers are Best (1968), Beckford (1972), Shanmugaratnam (1981), Umadevi (1989), Paul Baak (1997) and Ravi Raman (1997).

Most of the studies on plantation economics bring out the dualistic nature of the regions. On the one hand, there arouse a modern sector consisting of market-based production of cash crops,
while on the other there existed a traditional subsistence sector engaging in paddy cultivation. Plantation agriculture is fundamentally different from traditional agriculture. Myrdal (1968) considers development of plantations as a process of industrialization. He defines plantations as ‘large scale, capital intensive, highly specialized commercial enterprises employing wage labour’. This definition brings out clearly the main features of plantations—heavy initial capital investment, employment of wage labour and production not for self-consumption but for the market and makes it more akin to a modern factory. Hired labour, which is the ‘Chief sign of capitalism’ in agriculture, is one of the characteristic features of plantations. Commercialization of agriculture viewed as a concomitant of plantation agriculture is considered to be the principal element in the transition from pre-capitalist to capitalist modes of production (Raj, 1985). The development of capitalism in agriculture has led to the differentiation of the peasantry (Lenin, 1899). ‘One type include rural bourgeoisie or the well-to-do peasants who carry on commercial agriculture and are owners of commercial and industrial establishments. The other type include the rural proletariat which covers poor peasants, landless peasants, unskilled labourer and building worker who are unable to exist without the sale of labour power (Lenin, 1899).

Byres (1977) maintain that capitalism in agriculture has to perform two important functions for promoting economic growth. On the one hand it must generate and release sufficient surpluses and
on the other, it must contribute to the creation of the home market. While analyzing Latin American underdevelopment Dos Santos (1996) considers plantations to be the generator of socio-economic inequality and a block to the development of the peasantry and creation of a domestic market.

The forgoing theories provide the appropriate framework for analyzing the growth of plantations and regional economic development. Most of the scholars (Umadevi, 1989, Paul Baak, 1997, Ravi Raman, 1997) who studied the impact of plantations on the regional economy of Kerala can be categorized as 'dependentistas'. They treat plantations as a mode of exploitation used by the imperialist powers for surplus extraction. There is no doubt; it was the colonial powers that recognized the state's potential as a venue for plantation crops. In the beginning, most of the plantations were owned by European. Paul Baak (1997) shows how metropolitan planters formed a hegemonic political force which together with colonial support influenced governmental policy with regard to grant of land for planting, export duties and state financial support for roads and dispensaries in the plantation districts. Baak (1992) also shows the negative implications of plantation development to the state treasury and employment in the state of Travancore. Ravi Raman (1997) points to the immiserisation of plantation labourers, which accentuated with an increase in the repatriation of plantation surplus. Umadevi (1989) opines that the
export-oriented nature of the plantation commodities limited the growth of the domestic market and the establishment of basic manufacturing industries for widespread development throughout the whole economy. According to Ram Mohan (1996) the dominance of the metropolitan capital over trade and production restricted the space for development of Travancorean capitalists. The surplus generated from plantations was siphoned off to other countries, which was a drain on state's economy (Ram Mohan 1996). Umadevi (1989) maintains that plantations ushered in a dual economy in the state. A modern sector consisting of a market based production of cash crops existed side by side with a traditional sector engaging in paddy cultivation. The dualism within the agrarian system together with other complementary factors has led to intra-regional dualism in the state economy.

Colonialism has been the predominant vehicle for the penetration of capitalism in traditional agrarian economy of Travancore. The capitalistic content of plantation agriculture has been widely recognized in almost all the writings on agriculture. In the words of Oommen (1979) 'the plantation industry first established by British capital and later also by indigenous capital has been a strong capitalist sector with clear class cleavage'. As a 'mechanism of surplus extraction' (Gilbert and Gugler, 1987) plantations were based on the exploitation of abundant natural resources and cheap labour oriented specifically to the requirements
of an outside market (Kannan, 1998). Tharakan (1998) maintain that capitalist organization developed within agriculture with the introduction of plantations. Baak (1997) and Ram Mohan (1996) consider the emergence of a rich elite in Travancorean peasantry as the direct outcome of a shift to cash crops. Issac and Tharakan (1986) observe that the indigenous capitalists saw plantations as an attractive investment venture, which was a major cause for the industrial backwardness of the region. Land reforms introduced in the state as a means to redistribute property in land 'for the benefit of small farmers and agricultural workers' (Warriner, 1970) did not impede plantation development in any way. The land reforms not only protected the planting community but also promoted plantation development (Oommen, 1979, Paul Baak, 1997). The negative linkages of the plantation sector with the rest of the economy as evidenced in some of the writings (Umadevi, 1989, Paul Baak, 1997, Ram Mohan 1996) reveals that agrarian transition to capitalism in Kerala was not successful in achieving the functions put forth by Byres (1977).

Although the plantation sector still retains a capitalist class in Kerala, there exists no immiserisation of labour. In India, the conditions of plantation labour are statutorily regulated through the Plantation Labour Act, 1951 which was implemented with effect from 1954 onwards and later amended. It is considered to be one of the most comprehensive and welfare providing among all the labour
legislations in the country. Sunil Mani (1992) argues that the plantation worker in Kerala is one of the better-paid workers in the organized sector of the economy. The effective wage of a plantation worker compares very favourably with actual wage received by his/her counterparts in other agricultural operations (Sunil Mani, 1992). The increase in real wages coupled with poor relief programmes, sustained process of social development in education, health and related activities created better conditions of living and the rural labour households were able to reduce the incidence of poverty (Kannan, 1998).

The size of holdings is found to have a direct effect on the distribution of income in plantation regions. In the case of large holdings, there is greater concentration of wealth in the hands of a few which in turn creates greater inequalities in income distribution. Among the plantation crops, the average size of holdings is found to be high in the case of tea, coffee and cardamom while in the case of rubber, small holdings predominate. Kerala’s share in total area under small holdings in the country is around 92 percent compared to the state’s share of 86 per cent in total area under rubber crop in the country (Tharian George, 1999). According to the Report of the Taskforce on plantation crops (IXth plan, 1997), the average size of holdings were .49 ha, .98 ha, 2.2ha, and 8.44 ha. respectively for rubber, coffee, cardamom and tea. The process of structural diffusion of rubber holdings has been accelerated by the implementation of
land reforms exempting all plantation crops from land ceilings, progressive nature of the provisions of the agricultural income tax and plantation land tax (Tharian George, 1999). Rubber gets the best institutional support among the plantation crops in Kerala, which includes financial incentives for planting and replanting and marketing of the output along with research and development activities for improving the varieties. Recent trends emerging in the production sector indicate a steady shift towards homestead farming of rubber in Kerala (Report of the Taskforce on Plantation crops, IXth plan, 1997). Since the degree of structural and geographical concentration of rubber crop shows a relatively more dispersed position compared to other three plantations crops, a greater equality in the distribution of income originating from rubber plantations can be expected.

In the 1960s and 1970s, economists accepted the proposition that highly unequal distribution of income is a necessary condition for generating rapid growth (Todaro, 1990). It was assumed that high personal and corporate incomes were necessary conditions of saving which made possible investment and economic growth. But in reality it has been observed that greater equality in third world countries may be a condition for self-sustaining economic growth (Todaro, 1990). The plausible explanation for the inadequate regional development of plantation dominant regions has to be sought within this framework.
References


