Chapter 1

INTRODUCTION

The Rationale of the Study

The implementation of Neo-liberal economic policies in India has opened a wide range of debate as to its implications for the economy and the people of the country. This study has been undertaken in the context of emerging contradictions in the rural countryside after the advent of Neo-liberal economic policies. This chapter will give a brief overview of the context of our study. The objectives and hypotheses will be enumerated and the methodology adopted along with the scheme of Chapterisation will be explained. Review of literature will also be dealt with.

The trajectory of capitalist development in India ever since political independence has been fraught with intense inherent contradictions and is a refulgent example of a distorted development of capitalism in a post-colonial state wherein it has been inevitably promoted over an agrarian structure characterised by pre-capitalist relationship and absence of any significant change in the concentration of land. Ideally the six decade long trajectory of development should have witnessed the disintegration of the feudal society beginning with the dissolution of the social elite that is associated invariably with the higher castes and their declining role in agriculture simultaneously to be followed by an increasing proportion of landholding unrelated to the social status or hierarchy. However, this has not happened and most states have failed to redistribute land and to decisively annihilate the caste system; in fact, to replace the semi-feudal order in the countryside with a democratic one. The ruling elite conveniently remained oblivious to the task of democratic revolution as it was antithetical to the interests of the landlords.
The Indian capitalist class made efforts to strengthen and consolidate itself and sought to overcome the market constraints arising from the agrarian structure, through large scale state expenditure. A pro-active intervention by the state in promoting capitalist development, protecting domestic market and expanding it through public expenditure and investment was called for. Capitalist development, including in agriculture was sought to be promoted by the capitalists through state intervention to overcome the crisis of capital accumulation and also in bringing about favourable trade and taxation policies, subsidies to ensure cheap inputs, infrastructural and credit facilities. While on the one hand the implementation of such policies put the burden of resource mobilisation largely on the common masses and not borne by those to whom investible surplus accrued, on the other inaccessibility to credit, market, seeds, fertilisers, insecticides, technology and other inputs leads to a crisis of subsistence for the peasants, the landless agricultural workers invariably from the lower castes being the worst sufferers.

The unsustainable demands on public expenditure and investment for capitalist development led to deficit financing of a high magnitude causing inevitably a problem of fiscal deficit and balance of payments. However, the blame for a burgeoning fiscal deficit is conveniently apportioned to social overhead expenditure and welfare measures. The capitalist class which got strengthened and consolidate their position in this manner eye the global market and seek their class development by collaborating with the metropolitan capitalists who are also interested in giving some space to them for a symbiotic existence. The fiscal deficit and balance of payments crisis acted as the proximate factor in determining the external pressures for embarking on a process of liberalisation.

Although, the Structural Adjustment policies introduced in 1991 did not make specific reference to agriculture, in view of the predominance of the agricultural sectors both in terms of income and employment and its intimate relationship with other sectors of the economy through input, output and consumption linkages, the macro-economic and other changes implied in the stabilisation and Structural
Adjustment Programme are bound to have a significant impact on the agrarian sector. According to the policy makers there would be an increase in over all productivity of the agriculture sector by improving terms of trade in favour of agriculture. Improvement in terms of trade in favour of agriculture can lead to the much needed investment in this sector from the private sector. It is further claimed that trade policy reforms will make Indian agricultural commodities more competitive and there can be a thrust towards export-oriented agriculture. It also advocates changes in the Land Ceiling Act on the pretext that it would promote greater capital investment in agriculture. Along with these cuts in subsidies for fertilizers, cut in public expenditure etc. is also suggested. It is very essential to analyse the implications of these measures in the course of our study.

Further, since 1994, the newly formed World Trade Organisation (WTO) has joined the WB-IMF combine to form a global trinity of international agencies that are dictating the economic policies of the Third World and is also having an overbearing impact on agriculture. In the long run this trinity through its market oriented economic philosophy pushes the state into the background and leaves everything from the price of the agricultural product and the quantity to be sold, wages to be paid to the labourers, and interest to be charged for credit by the banks, to the quantum of subsidies, inflow and outflow of products across the frontier, pattern of land and labour use, cropping patterns, allocating of rural credit and a host of other things - to be determined by the market forces.

A decade down the road of religious implementation of the policies of liberalisation, privatisation and globalisation one cannot but be reminded of the historical experiences of the trade-liberalised regimes of Latin America and Sub-Saharan Africa and to the fact that India also faces an identical threat which arises out of a felodesian optimism about the 'reforms' by the policy makers. It is not without reason that economists have pointed out to a striking similarity in the earlier colonial and imperial systems and the present neo-liberal globalisation regime.
However, with the advent of neo-liberal economic policies it is of considerable interest to investigate about the new contradictions in the Indian society and to make a thorough probe whether the on-going process is a repeat of history whereby there is recolonisation of the rural economy in a more subtle and sophisticated manner in the specific context of an First World unity against the nation states of the Third World and the absence of the intense rivalry between them witnessed in the phase of Imperialist colonisation. India, which had experienced a long period of colonisation and had gained political independence after a prolonged anti-imperialist struggle may be threatened at the realm of the rural economy by a phenomenon of recolonisation. This scenario provides the rationale for our study. This scenario provides the rationale for our study. The study aims to thus look at post-reform agrarian relations in the Indian states of Andhra Pradesh and Kerala from a political economy perspective.

In a context when new contradictions are emerging in the rural countryside there is a need to analyse these changes and its implications on Indian agriculture especially the condition of the peasants and agricultural workers. The significance of caste in labour organisation, land tenure and surplus appropriation has also to be addressed properly to bring out the synonymity of caste and class hierarchies. Within India there have been uneven experiences of land reforms and even under the WB-IMF-WTO regime there are different experiences in different states as far as the condition of the peasantry and agricultural workers is concerned. There however, cannot be any correct understanding without certain concrete comparative analysis, provided of course that the comparison is based on different, and at the same time related or not altogether mutually exclusive realities. Hence a comparative study of the states of Andhra Pradesh and Kerala which followed different trajectories of development is planned to analyse the impact of the policies pursued at the behest of the global trinity. The implications for the rural political economy is sought to be analysed in the course of the study.
Objectives of the Study

The objectives of the study we are intending to take up are:

1. To compare the development trajectories and their social experience in the diverse situations of Kerala and Andhra Pradesh and to compare the conditions of peasants and agricultural workers within the context of neo-liberal globalisation.

2. To analyse the interplay of caste and class factors in the two states and also to understand the role of caste in labour organisation land tenure and surplus appropriation which has not been well addressed.

3. To analyse the role of unionisation and politicisation of peasants and agricultural workers in ensuring social and economic security.

4. To analyse the impact and desirability of implementation of land reforms and democratisation of the rural structure.

5. To study the emerging contradictions in the rural countryside and their implications for the country in the context of WTO regime and liberalisation.

6. To develop policy alternatives or alternative strategies that may ensure social profitability rather than merely private profitability.

Hypotheses

The following hypotheses will be tested during the course of the study.

1. Neo-liberal economic policies have led to income deflation due to high costs of cultivation, unremunerative prices and lack of adequate employment opportunities. In such a context the re-emergence of informal sources of credit charging usurious interest rates has heightened peasant indebtedness threatening livelihoods and leading to land alienation.
2. Emerging contradictions in the agrarian scenario with economic liberalisation and structural adjustment under the aegis of the WB-IMF-WTO leads to reversal of the gains of land reforms.

3. The ability of landless to retain control of the land received depends on the stability of economic environment. This stability stands attacked with the phasing out of Quantitative Restrictions which protected farmers, falling agricultural prices and exposure of peasantry to unfair trade.

4. Organised presence of the peasantry and agricultural workers and democratisation of the rural structure leads to higher standards of living for them while also simultaneously acting as a counter to the process of recolonisation.

**Review of Literature**

The necessity for a strong theoretical basis led to an extensive survey of literature on the agrarian question, mode of production debate, political economy of underdevelopment, the method of historical materialism, contradictions and class antagonism, social stratification, capitalist state, imperialism, power and privilege, influence and decision making and other sociological and economic perspectives.

The Marxist classics provide a scientific theoretical basis for analysing the agrarian question. Marx and Engels in their various works for the first time elucidated the condition of peasantry under pre-capitalist formation and emphasised the need for their participation in the transformation of the capitalist society. Karl Kautsky in his *Agrarian Question* (1988) for the first time identified the significance of distinguishing between the size of landholding and capitalist operation. However, it was Lenin who systematised and attempted a profound scientific analysis of the agrarian question. His works on the agrarian question and development of capitalism provide a very coherent framework to analyse the rural social structure and is very rigorous in nature. His *Development of Capitalism in Russia* (1977) and *The Agrarian Programme of Social Democracy in the First Russian Revolution,*
1905-07 (1977) and other works on agrarian questions provide an insight into the rural classes, the role of peasantry in overcoming feudalism and leading to the development of capitalism, about possible class alliances and strategies to resolve the contradiction in the rural countryside. He articulates the possibility of redistributive Land Reforms other than nationalisation of all land. Mao-Tse-Tung's, "Analysis of the Classes in Chinese Society", "How To Differentiate Classes in Rural Areas" and "On Contradictions" (Vol. 1, 1967) in combination with Lenin's analysis provides a sound basis for studying the rural class structure and correctly identifying the principal contradiction as well as the emerging contradictions. S.P. Trapeznikov in his two volumes on Leninism and the Agrarian and Peasant Question (1976) deals in detail with different aspects of Lenin's analysis of the question.

Lenin's Imperialism: The Highest Stage of Capitalism, (2000) explains the reasons behind the colonial drive in the period of monopoly capital while Rosa Luxemburg in the Accumulation of Capital, (2003) explains the relevance of external markets for capitalist development and emphasises that a necessary condition for capitalist accumulation is that the capitalist sector was not isolated as investment can take place in an ever-accumulating stock of capital only if the capitalists are assured of an ever-expanding market for absorbing their goods. This relevance of external markets for capitalist development was also put in the right perspective in Prabhat Patnaik's "A Note on External Markets and Capitalist Development" in his Whatever Happened to Imperialism and Other Essays, (1995) and Accumulation and Stability Under Capitalism, (1997).

Paul A. Baran's The Political Economy of Growth, (1957) is distinct in its analysis when compared with the works of earlier writers essentially in identifying that the development of capitalism in underdeveloped countries is "a discrete historical process" through which the advanced capitalist economies need not have necessarily passed. This work is of seminal importance in our analysis of the conditions of underdevelopment under colonialism and the operation of the principle of economic liberalism in India. Andre Gunder Frank in his "The
Development of Underdevelopment” in Peter J. Cain and Mark Harrison (Eds.), Imperialism: Critical Concepts in Historical Studies, (2001) also re-emphasises that the advanced countries although may have been undeveloped have not undergone a phase of underdevelopment. Amiya Kumar Bagchi in his The Political Economy of Underdevelopment, (1989) shows the inter-linkage between “retardation” and capitalism while emphasising the fact that such a situation of underdevelopment cannot be overcome by the Third World as long as it continues to be a part of the capitalist system. While analysing the problems in Third World it discusses how inequalities are perpetuated, social structures and influence on the behaviour of the government, private investors, rural classes, land reforms and agrarian change.

E.M.S. Namboodirippad’s Selected Writings containing his ‘Minute of Dissent’ (1985) and Kerala Society and Politics: An Historical Survey (1984) gives an analysis of the peasant and agrarian question and rightly identifies the presence of parasitic landlords as the reason for lack of investment in agriculture and places primary importance on abolishing landlordism and unfettering the peasantry for ensuring the unleashing of productive forces. The fact that he called for confiscation without compensation, his ideas had a strong bearing on the agrarian policy that was followed after independence in Kerala. It also traces the history of the Peasant movement in Kerala. P. Sundarayya’s The Land Question (1976) and Telangana Peoples Struggle and its Lessons (1972) and Class Differentiation of the Peasantry: Results of Rural Survey in Andhra Pradesh (1977), provide a preliminary ground for the early history of the agrarian question and movements in Andhra Pradesh and our study has benefited from his analysis of the peasant movement and the causes and consequences of the Telangana movement.

A.M.Khusro’s pioneering work Economic and Social Effects of Jagirdari Abolition and Land Reforms in Hyderabad (1958) rightly identifies that the effective implementation of Land Reforms is predicated on the level of class consciousness and is more effective where there is a history of grassroot movements and peasant
mobilisation. P.C. Joshi in his *Land Reforms in India* has set out the conditions of the agrarian structure and the efficacy of Land Reforms measures in India.

Utsa Patnaik's *Agrarian Relations and Accumulation: The Mode of Production* Debate in India* (1989), *Peasant Class Differentiation* (1987), *Long Transition* (1999), Utsa Patnaik and Manjari Dingwaney (Eds.) *Chains of Servitude: Bondage and Slavery in India* (1985) and various other writings addresses issues like class differentiation, caste question, contradictions arising out of the unresolved agrarian question, food security, export oriented agriculture and fallacy of comparative advantage argument, role of imperialism in the present context, costs of free trade etc. The analysis of peasant class differentiation and emerging contradictions in the context of Neo-liberal policies has helped our study by giving us the analytical framework.

Irfan Habib’s *Essays in Indian History: Towards a Marxist Perspective* (1995) includes a historical survey of the social distribution of landed property, caste, peasants and colonial economy as such which provides a sound basis for proper understanding of the rural society.

Abraham Vijayan in his *Caste, Class and Agrarian Relations in Kerala* (1988) makes a thorough analysis of the relations between caste, class and agrarian relations in Kerala by making study of Elappully village in Palghat district. This is a useful work where along with the above questions the question of politicisation of the peasantry is also tackled. George Jose’s *Unionisation and Politicisation of Peasants and Agricultural Labourers in India* (1992) and *Farm Workers of Kuttanad Region: Struggles and Gains, 1950-1980* (1983) along with A. V. Jose’s *Agricultural Labourers in Kerala* (1980) and *Trade Union Movement Among Agricultural Labourers in Kerala: the Case of Kuttanad Region* (1979) provide insight into the condition of peasants and agricultural workers and their political intervention.

Economy” are important for this study. Thomas Isaac and Richard Franke’s *Local Democracy and Development* (2000) gives an insight into decentralisation, people’s participation and explains the aspect of people’s planning which is put forward as a credible alternative to policies of globalisation. The various papers presented in the International Congress on Kerala Studies conducted by the A. K. G. Centre for Research and Studies (1994) provides a wealth of information on Kerala’s development trajectory.

B.A.V. Sharma (Ed.) *Political Economy of India: A Study of Land Reforms in Andhra Pradesh* (1980) is a collection of articles on the land question, peasant struggles and implementation of Land Reforms in Andhra Pradesh. It makes a detailed assessment of the struggles and efficacy of Land Reforms in different regions of the states. B. N. Yugandhar (ed.) *Land Reforms in India Vol. 3 ‘Andhra Pradesh—People’s Pressure and Administrative Innovations* (1996) have various details on agrarian movements, land reforms, peasant struggles in Anantapur and Land reform in Mahbubnagar, Adilabad and Nellore districts. This will provide a good basis for the present study.

Jan Nielen’s *Rural Transformation and the Small Farms Sector: a Sociological Study of Two Districts in Andhra Pradesh* (1992) is particularly important for the study being undertaken. It deals with two East Godavari villages and two villages of Rangareddy and looks into the physical and socio-economic setting, class differentiation, rural class formation, organisation and politicisation. Wendy Kay Olsen’s *Rural Indian Social Relations (South Andhra Pradesh)* (1996), deals with the social structure in the southern region of Andhra Pradesh.

Jayati Ghosh and C.P.Chandrasekhar (Eds.), *Work and Well-Being in the Age of Finance* (2003) is a collection of papers which analyse the precise nature of the institutional changes that have been triggered in the developing countries by the changes in world capitalist development and the section on globalisation and agriculture deals with the processes at play in the rural countryside. This book deals with the question of financial liberalisation which has been relevant for
developing one of the central questions of our study. The complex and nuanced view of globalisation, the general tendencies within the evolution of international capitalism and the specific effects and patterns of its operation are analysed.

C.H. Hanumantha Rao and S. Mahendra Dev (Eds.) *Andhra Pradesh Development: Economic Reforms and Challenges Ahead* (2003) deals with the macro-economic scenario and makes a valuable sectoral study of production and social sectors and the issue of decentralisation, tracing the development trajectory of the state. The study gives insight into various problems that we also seek to address.

V.K. Ramachandran and Madhura Swaminathan (Eds.) *Agrarian Questions: Essays on Agrarian Relations in Less-Developed Countries* (2002) deals with the transformation of rural societies in the Third World and the experiences of scholars from different countries are included here. It helps in analysing the agrarian relations and development of capitalism in the countryside and in developing policy alternatives that favour the peasantry.

A brief survey of literature has been attempted and this study will also look into the pamphlets and manifestos of various peasant and agricultural workers' organisations, government documents, economic surveys, census reports, Acts, District Gazetteers etc.

**Methodology and Collection of Data**

As a comparative analysis of the kind being undertaken is not very commonly found, one is constrained largely by the presence of only exclusive studies on Andhra Pradesh or Kerala. The perusal of a large number of publications on neo-liberal globalisation per se, on the agrarian question and development of capitalism, the mode of production debate, relevant theories on 'societies in transition' hegemony of classes, caste hierarchies WTO and emerging contradictions in agriculture and the politicisation of peasants and agricultural workers becomes inevitable. Experiences of other countries also have been gone

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through as this helps in drawing potential parallels. Apart from primary sources such as government documents, Acts, documents in the archives of relevant political parties and mass organisations, interviews with political leaders and peasant activists as well as structured interview schedules has been applied to respondents and an extensive survey of secondary sources including traditional scholarly review of pertinent literature on the subject has also been made. Internet proved to be an asset in the search for materials.

Fieldwork had to be conducted on an extensive scale for additional sources and interviews with experts and rural population under study with questionnaire for easy processing of data later on. Since this study involves comparison based on different, and at the same time related realities we cannot arrive at a correct analysis without observing and experiencing the ground realities. For this purpose four villages each from Kerala and Andhra Pradesh respectively are chosen based on different conditions like areas growing food grains and commercial crops, areas with or without organised peasantry and areas witnessing cases of malnutrition, suicides and starvation deaths. The study involves field work in a sum total of 8 villages in 8 districts spread across the states of Andhra Pradesh and Kerala with a sample of 30 respondents (peasants and agricultural workers) in each village and also interviews with political activists, academicians, Panchayat members, agricultural scientists and economists. The Kerala village Panchayats chosen for the purpose are Kainakary Gram Panchayat in Alappuzha district, Kurichi Gram Panchayat in Kottayam district, Nenmeni Gram Panchayat in Wayanad district and Karivellur—Peralam Gram Panchayat in Kannur district. The data collection in the Kerala villages was conducted mainly during the months March to May 2003 although later trips had to be made in December 2003 and March 2004 to some of the villages and the same was conducted in Andhra Pradesh during the months December 2003 to March 2004. The village Panchayats chosen for this purpose in Andhra Pradesh are Ippuru Gram Panchayat in Anantapur district, Chenguballa Gram Panchayat in Chittoor district, Sirisedu
Gram Panchayat in Karimnagar district and Unagatla Gram Panchayat in West Godavari district. A partial study was also carried out in Damaramadugu Gram Panchayat in Nellore district to analyse the impact of aquaculture on the agrarian scenario and labour conditions, although this was not part of the original proposal. In each of the Gram Panchayats chosen a structured questionnaire based survey was conducted by identifying thirty respondents from each Panchayat. The sampling method used was Random Stratified Sample where we selected the respondents based on the classification according to the size of landholding and taking care to include those who depend more on labouring out. The help of Panchayat representatives and local peasantry was taken to finalise the sample. Although, the classification based on acreage up to one acre, 1-2.5 acres, 2.5-5 acres, 5-10 acres, 10-20 acres, 30-50 acres and above 50 acres was kept as the criteria, the nature of agrarian structure in the two states ensured higher number of landless and landed agricultural workers in Andhra Pradesh and also a higher number of respondents in the higher bracket when compared to Kerala. The same scheme was maintained throughout. The indebtedness details were collected for the last five years and classified along the purpose of borrowing and source of borrowing. The access to PDS was verified from the Ration Cards and Panchayat information. The comparative analytical methodology will be used to connect the findings, check the hypotheses and arrive at the objectives of the study.

**Scheme of Chapterisation**

The specific historical features of India's agrarian development and the reasons for the existing conditions of the rural areas in question have to be analysed. The framework of this study will thus include an overview of India's political economy, the social structure of the area under study with village-wise analysis and comparison, the land, class and caste hierarchies, the principal contradiction and newly emerging contradictions in the era of liberalisation, the effects of politicisation of the peasantry and investigation into possible policy alternatives to effectively counter the process of the pauperisation of the peasantry. The second
chapter deals with the political economy of underdevelopment in India and its close linkage to the operation of the ideology of economic liberalism under British imperialism. The third chapter is an extension dealing with the Mode of Production Debate, Caste-Class stratification, the Agrarian Question and Contradictions in the rural countryside. The fourth chapter delves into the agricultural scenario in post-independence India and the development of capitalist relations in the agrarian economy. The fifth chapter deals with the agrarian structure, the social origins of peasant radicalism and the course of peasant movement, Land Reforms and agricultural transformation in the two states which form part of our study. The sixth chapter gives a profile of the Gram Panchayats which form part of our study and looks into certain institutional differences in the two states which have had a bearing on the condition of the peasantry and the strong traditions of these institutions in Kerala are seen as an effective buffer against the consequences of Neo-liberal policies. The seventh chapter deals with the neo-liberal economic policies in detail and its impact on the Indian peasantry with specific reference to the states of Andhra Pradesh and Kerala based on the analysis of data collected from field work in the two states. The above mentioned objectives would be sought to be met and the hypotheses will be tested during the course of the present study. The concluding chapter would summarise the findings and make an effort to provide with policy alternatives to the process of neo-liberal economic policies.

Agrarian relations represent an area of social life deeply entrenched in the historical development of human civilisation and a scientific study of the agrarian question involves an economic analysis of agrarian relations along with an investigation into the principal contradiction and the newly emerging contradictions in the social life of the rural countryside. The rural agrarian economy that this study seeks to analyse is also rife with inherent contradictions as we have noted before. The framework of this study will thus include an overview of India’s agrarian economy, the social structure of the area under study with
village-wise analysis and comparison, the land, class and caste hierarchies, the principal contradiction and the newly emerging contradictions in the era of liberalisation, the effects of unionisation and politicisation of the peasantry and an investigation into possible policy alternatives to effectively counter the process of pauperisation of the peasantry. The study will focus essentially on contemporary political economy without being restricted to the realm of politico-economic history, although not entirely oblivious to the urgent relevance of such a background of the past for a correct analysis of the present and developing viable alternatives for the future.