

A Study in Development by Dispossession.

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1. The Setting of the Problem.

The transformative process of capitalist development has been viewed from different angles through ages. Adam Smith saw this as a process of gradual establishment of the market system that provides a suitable framework for raising labour productivity through division of labour and specialization coordinated by the price mechanism. David Ricardo considered the growing pressure of limited natural resources (land) as the outcome of this process leading to distributive conflict between landlords and capitalists. For Karl Marx the initiation of the very process of transformation by creating a working class combined with accumulation of capital is predicated on the violence of 'primitive accumulation' requiring large scale destruction of traditional modes of livelihood by the state and the rising power of the capitalists. Economists in modern times often celebrate the on-going march of capitalism as 'creative destruction' driven by innovation and entrepreneurship which Schumpeter greatly admired as the life force of capitalist development. In the context of under-developed economies Arthur Lewis complemented this picture by presenting a sketch of transformation of a dual economic structure through the market mechanism that would gradual absorb the 'unlimited supply of labour' available in the traditional sector as modern industrial labour force.

Although each of these visions of the transformative process of capitalist development bears to varying extent the particular mark of the time and space of the concerned observer, each highlights important aspects of the complex process of capitalist development at different stages of history. Using this as background material, our aim in this paper would be to analyse the process of economic growth in India since 1991, roughly the date from which liberalisation of the economy started in earnest. However for an analysis of the Indian case the existing concepts need some modification. The idea of 'primitive accumulation' as a matter related to the past or origin of capitalism has to be replaced by the concept of 'accumulation by dispossession' as a process constantly accompanying capitalism at its various stages of

development (cf. David Harvey, *The New Imperialism*, Oxford, 2003, p.144). In the Indian case land acquisition by the state under various guises is the most prominent example. Since almost all significant natural resources like forests, mountains, rivers, water bodies, coast lines, mineral resources-- require access to land in some form, 'land'(like in Ricardo's model) becomes a good proxy for almost all natural resources.

'Land' as a natural resource has an apparently paradoxical aspect. It often appears that less land is required for the same activity in urban areas e.g. high-rise urban housing or urban markets and malls save space compared to similar activities in rural areas. This is generally untrue because the supporting infrastructural activities needed indirectly for most urban activities. Electricity generation would require hydroelectric power from dams on rivers; mines for coal (for thermal power), iron ore, bauxite from distant lands with associated transport facilities etc require vast tracts of land; and, all this in addition to land for direct urban facilities and infrastructures like roads, rapid mass transit system, bridges etc. This means land is needed indirectly to save directly space in urban areas, e.g. access to land and land based natural resources from river, coast lines, forest covers, mountains and minerals are needed indirectly for sustaining urban space saving activities. In this broader sense access to land becomes crucial for usual developmental activities. This places dispossession from land at the centre of capitalistic development. A formal way (not pursued in the paper) might be to compute direct and indirect land requirement in urban, modern industrial activity and, in the traditional sector from which land is acquired by using the Leontief inverse matrix as is done for computing labour requirement.

Dispossession through land acquisition impacts on the supply of labour mostly through the participation ratio. Unlike unlimited supply of labour at a constant real wage rate postulated by Lewis, destruction of traditional livelihood forces people to eke out an alternative existence in whatever way possible and the phenomenal growth of the informal sector is its outcome. It is the 'push' rather than the 'pull' factor which dominates in altering participation ratio and, its composition in terms of gender and demographic profile.

Land acquisition proceeds usually through a process of denial of both individual and communal property rights in 'public interest' by exercising the

sovereign rights of the state on land under the 'eminent domain' clause. In this respect the primary role of the state is neither to regulate nor to promote efficient working of the price mechanism in the market but to mould it to suit 'public purpose' as defined by the state. Unlike many of his followers, Smith himself emphasised the need for social 'norms' as moral glue that held together the working of the price system. In a curious way, at least in the land market, the state seems to have taken over this function supposedly to make that market development friendly! So the state defines public purpose in the name of development and intervenes to acquire land presumably for promoting development. The old Ricardian conflict between landlords (or rights of land owners) and capitalists is thus subsumed by the power of the state to decide in whose favour it wishes to act and how.

Since neo-liberalism in its various guises intends to minimise the economic role of the state for expanding the role of the market it is beset with a paradoxical position. A pro-active state is often required to help the market often by expanding its sphere of action. In this respect intervention in the land market by the state can be easily understood, and it would be natural for a state wishing to promote capitalist development to help the concerned capitalist class. Central to this strategy is the need to promote the 'investment climate' for the capitalist class. Traditionally fiscal policy, particularly government's hostile attitude towards budget deficit to fight unemployment and tax breaks or other forms of fiscal subsidization including privatization of public enterprises in favour of private business have been the main elements (Kalecki, 1943; Alexander, 1948). Land acquisition by the state for 'public purpose' provides a new avenue. Land acquired by the state is handed over to large private business and corporations incentivising them to invest. This is often accompanied by almost free water, electricity, road connectivity and other infrastructural facilities. And this is the clearest link between state-sponsored primitive accumulation in the early stages of underdeveloped capitalism emphasised by Marx and development by dispossession in contemporary India.

However access of private corporations in this way to land and natural resources at throw away prices has two implications. First, when they use the land for industrial development the technology used is highly mechanised with

much higher productivity of labour than in the traditional sector where people have been displaced through dispossession. This usually increases output but decreases employment and livelihood opportunities. Second, the direct and indirect natural resource content per unit of output produced is higher in the modern organised, especially corporate sector partly because of the nature of the technology used and the nature of goods produced and, partly because its usual location in urban and semi-urban areas entails large infrastructural investment. Schumpeter's vision of capitalism as creative destruction comes into play, but with a significant variation. The destruction of livelihoods of the dispossessed is far more than the creation of new jobs through corporate led industrial development. This is accompanied by destruction of nature; forests, mountains, rivers, coastlines and traditional tribal and rural communities are destroyed continuously in the hunt for natural resources.

The other side of dispossession is the continuous creation of a surplus labour force with destroyed traditional modes of livelihood. Since most of them cannot be absorbed in organised industry a significant portion of them search for some way to eke out a living. Many join the unorganised informal sector in urban and semi-urban areas. They live in illegal, unauthorised shanty towns, try to have urban facilities like, water supplies, schools , hospitals. Their economic activities usually depend crucially on the access they can have to urban economic infrastructure like water, electricity and transport. Because they are mostly illegal occupants in urban areas, they have little legal rights (cf. Chatterjee,P. 'Lineages of the Political Society: Studies in Post-Colonial democracy', Columbia University Press, 2011, PP22-24). Development by dispossession gives rise in this way to a large number of people, who are citizens technically of a democratic country but being forced to live by breaking laws! Not surprisingly it gives rise to both a relatively new brand of politicians who make their entry into democratic politics by being 'service providers', i.e. those working as go-between agents between them and municipalities responsible for providing these services. This is one of the reasons for almost unavoidable corruption in the law enforcing machinery entangled with the new politics of patronage for proving services to those not supposed to be legally entitled to them. It is an outcome of development by dispossession.

Those among the dispossessed left behind in rural areas are usually old, without any experience of outside life and often even linguistically isolated (e.g. speaking only a tribal dialect) to migrate. They constitute the hardest core of the poor in India. It might be more exact to describe them as the sacrifices being made at the altar of modern industrial development.

However the private corporations for whom the investment climate is being improved through land transfer and dispossession of people and nature are driven by profit. They would be inclined to use the land transferred to them in any way which fetches them higher profits. This often results in legal and illegal exports of minerals meant for use by domestic industries, development of real estates, shopping complexes and malls instead of industries. It also results in speculative land holdings by corporations and selling mineral products (like bauxites, fossil fuel etc) in the futures markets or, by simply sitting on the mineral deposit and delaying exploitation for capital gains. Some of these may be the unintended effects of dispossession for development but they increasingly become a part of the democratic political system. The transferred land based natural resources become a source of massive profits. They also give rise to corruption and huge scams involving the political class in charge of formulating the policies for land acquisition, bureaucracy in charge of implementing them and, the corporations as the main beneficiaries. The corporations return the favour by bribing concerned politicians and bureaucrats as part of the 'deal' but far more significantly, by making handsome donations to the political parties concerned. In the competitive electoral game of multi-party democracy, no party can be left behind for long, and finance for elections becomes the vortex of corruption which steadily drives the system towards an oligarchic democracy. This happens in two mutually reinforcing ways. An increasing number of big industrialists or their agents enter directly the parliament to represent their own interests as financing of political parties help them to secure tickets from them to become 'representatives the people'. At the same, time their contributions to the election funds of political parties raise massively electoral expenditures. The entry price to electoral politics becomes a strong deterrent for ordinary citizens who can only contest elections effectively by joining a political party and, thus becomes co-opted into the same corrupt system. Dispossession for

development increasingly becomes a way of keeping the democratic shell by hollowing out its content.

Along with democracy big business also undergoes significant transformations. The locus of profit making begins to shift from production to amassing quick wealth through land deals. India has had one of the highest increases in dollar billionaires in the world (their number increased from 8 to 52 in less than a decade); rather than privatization of state enterprises which was the route in Russia (and China), the Indian way has been transfer of land and natural resources to big business in the name of improving the climate for private investment. However, steady deterioration of urban facilities on account of increasing over-crowding and congestion through the growth of informal and unorganised industries populated by the dispossessed, 'illegal' occupants of urban space and infrastructure has detrimental effect on corporate labour productivity. Almost paradoxically, improvement of the investment climate through dispossession makes industry less efficient for manufacturing and more inclined towards amassing quick wealth through political connections.

2. The Model.

It is useful in a coherent analytical framework to display the various interconnections postulated above. This would help to analyse further the process that drives the process of development by dispossession with land acquisition at its centre.

Without making the distinction between the organised industrial sector and its advanced corporate sub-sector, let n and c be subscripts for the natural and the corporate sector respectively. The natural sector includes most of small scale agriculture and unorganised sector. With our focus on land acquisition we concentrate mostly on the dispossession from the natural economy consisting agriculture, fishing and animal husbandry as well as other similar activities.

Let x_j ($j=c,n$) be the labour productivity of a sector; ΔL_n is the number of labour displaced and dispossessed from the natural sector and ΔL_c the number employed in the corporate sector.

By assumption $x_c > x_n$ and $\Delta L_c < \Delta L_n$ such that the output expansion and the employment contraction relation can be combined as,

$$(1) x_c \Delta L_c > x_n \Delta L_n,$$

i.e. output expands but jobs and livelihood contract in the economy.

If $a_j (j=c,n)$ is the amount of land related natural resource directly and indirectly required per unit of output, ,

$$(2) a_j x_j = k_j = \text{natural resource requirement per unit of labour employed in sector } j.$$

Consequently, the natural resource relation resulting from dispossession and development is given as,

$$(3) k_c \Delta L_c - k_n \Delta L_n >, = \text{ or } < 0, \text{ indicating excess supply, exact balance or excess demand for natural resource.}$$

Consider first a simple arithmetical example.

	Corporate sector	Natural sector
Employment, Livelihood	$\Delta L_c = +4$	$\Delta L_n = -10$
Labour productivity	$x_c = 6$	$x_n = 2$
Output gain/Loss	$x_c \Delta L_c = 6 \cdot 4 = 24$	$x_n \Delta L_n = 2(-10) = -20$

Implying growth in output $(24-20)/20 = 20\%$ and decline in employment $(4-10)/10 = -60\%$ in this example.

Natural resource per unit output:	$a_{c1} = 1/3$	$a_n = (1/2)$
	$a_{c2} = 1/2$	$a_n = (1/2)$
	$a_{c3} = 2$	$a_n = (1/2)$

Natural resource per unit labour: $k_{c1} = a_{c1}x_c = (1/3)6=2$ $k_n = a_nx_n = (1/2)2=1$

$k_{c2}a_{c2} x_c = (1/2)6=3$ $k_n = a_nx_n = (1/2)2=1$

$k_{c3} = a_{c3}x_c = (2)6=12$ $k_n = a_nx_n = (1/2)2=1$

Natural resource needed in sector: $k_{c1} \Delta L_c = 2.4=8$ $k_n \Delta L_n = 1.10=10$

$k_{c2} \Delta L_c = 3.4=12$ $k_n \Delta L_n = 1.10=10$

$k_{c3}\Delta L_c = 12.4=48$ $k_n \Delta L_n = 1.10=10$

Natural resource (im)balance corresponding to relation(3):

Case 1:(10-8)= +2; case2: (10-12)=-2 ; case3: (10-48)=-38.

For the natural resource balance illustrated in the above table, if we consider only direct natural resource requirement (e.g. geographical space) per unit of output, it might appear that in some cases the amount of natural resource requirement for production in the corporate sector would not be higher. However, when both direct and indirect natural resource requirement are considered (e.g. computed through inverted Leontief matrix) major input requirements like power, transport or minerals would make the corporate sector far more natural resource intensive than the natural sector. The three alternative estimates of a_c presented above are merely illustrative, holding natural resource released through dispossession constant at 10 in all in the 3 cases.

The preceding analysis indicates that development by dispossession is a process characterized by two simultaneous imbalances. Excess supply of labour arises because the high labour productivity corporate sector does not create enough jobs for those dispossessed from their traditional livelihood, e.g. $(4-10)=-6$ is the excess labour in the above example. At the same time excess demand for natural resource arises because production in the natural resource sector is natural resource intensive, indicated by the higher value of $a_{c3}=2$ showing excess demand for natural resource at $(10-48)=-38$. Employment

imbalance and ecological imbalance are the two fundamental problems that simultaneously overwhelm the model of development by dispossession.

The higher the rate of growth is, the more acute become these problems on the assumption that the amount of natural resource released is proportional to the destruction on livelihood of people. At the same time however a fraction of land acquired by the state is not devoted directly to production because it is needed for urbanization $(1-z_1)$. Another fraction of the land transferred to private corporations for 'public purpose' would usually be held by them for future use for speculative purposes $(1-z_2)$ if they either expect substantial capital gains or use options for future deliveries of certain minerals. Therefore the fraction of land resource acquired through dispossession but actually utilized for production is given from (3) as,

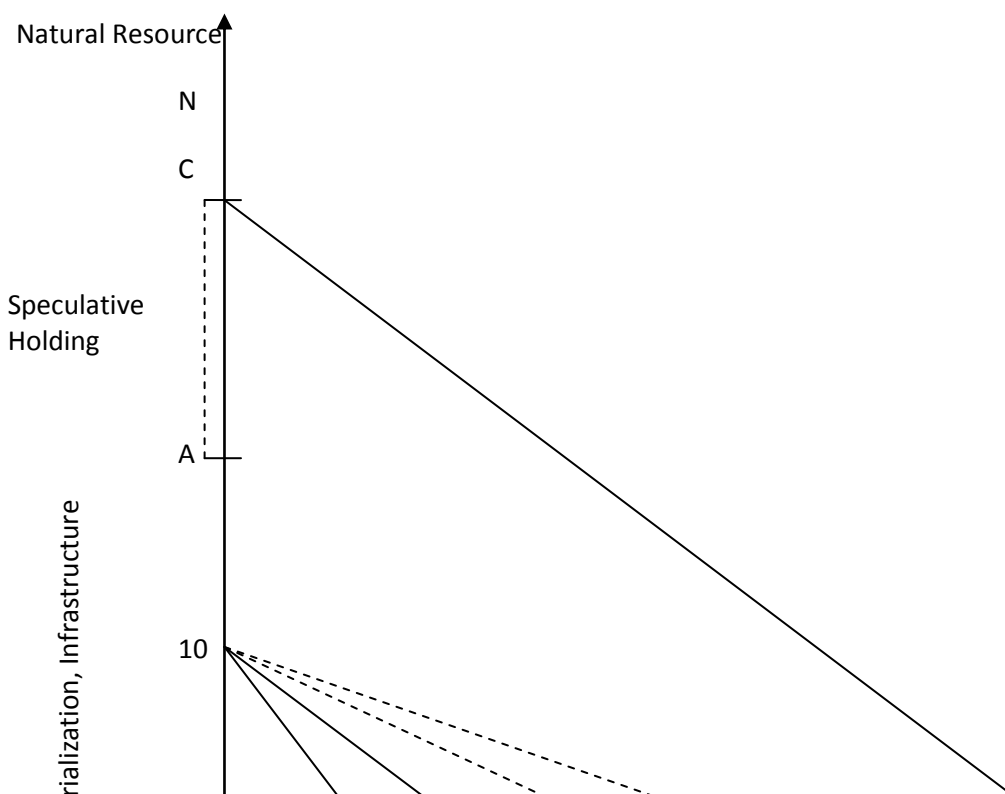
$$(4) k_c \Delta L_c - z \cdot k_n \Delta L_n >, = \text{ or } < 0, \text{ where } z \text{ is given by the fraction, } 1 - (z_1 + z_2) > 0.$$

Without a livelihood either in the organised corporate sector or in the natural sector a fraction of the dispossessed try to eke out an existence in what is known as the informal sector. It consists of a range of very diverse activities, spaced over urban as well as rural areas. While difficult to characterise with any precision, three prominent features of this sector may be noted in passing. First, the labour unit is often ambiguous. Unlike wage labour, 'self employment' in many cases imply whole or a significant part of the family including children may together form the labour unit making earning per hour per person lower. Distinction between profit and wage is misleading in such cases. Second, many who are employed do not have one single employer as they combine several part time occupations in their overall survival strategy. Assigning a principal status to the nature of their occupation would be problematic when, for example the time measure differs from the income measure of the combined occupation. Third, often the 'legality' of their occupation or even existence is in question. Not only labour contracts are not legalised, but they are 'squatters' in urban shanty towns, illegal cultivators of land at the mercy of the state and some patron. Together they form the expanding informal sector as the side show of development by dispassion for higher growth.

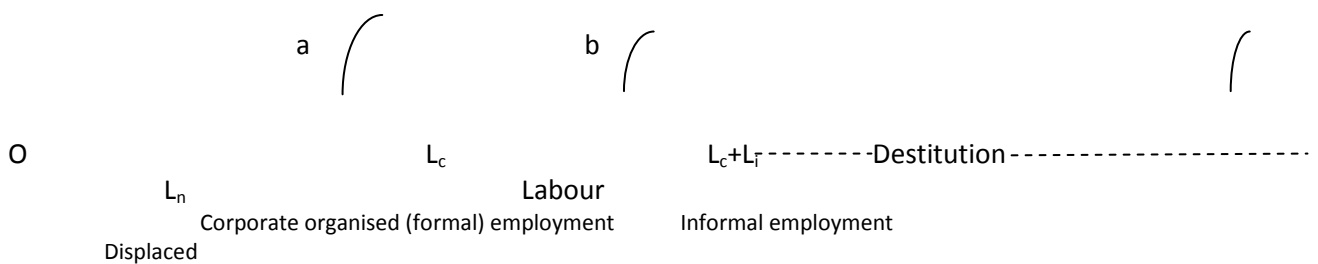
Letting ΔL_i and k_i stand for labour engaged and t natural resource required per worker in the informal sector, relation (4) is revised as,

$$(5) k_c \Delta L_c + k_i \Delta L_i - z \cdot k_n \Delta L_n >, = \text{ or } < 0,$$

where normally, $\Delta L_i < \Delta L_n$ because a fraction of the dispossessed fail even to become part of the informal sector and are the extreme destitutes created by the process of destruction of their traditional livelihood. (Also the strict inequality holds assuming no addition from the existing stock of unemployed because in the flow analysis throughout the incremental quantities represented by 'Δ' are considered while stocks are treated as given). The following diagram 1 brings together the natural resource-labour deployment relation.



B



$\tan a$ = natural resource needed for unit of employed labour in corporate (formal) sector

$\tan b$ = natural resource needed for unit of employed labour in formal + informal sector

$\tan c$ = natural resource released per unit of displaced labour

CA = speculative land holding

AB = urbanisation + infrastructure use of natural resources

Note: $\tan b$ is flexible being a weighted average of formal + informal sector labour . If accumulated stock of unemployed is considered it can even be more due to absorption of utter destitution in cities through larger number of beggars etc).

In normal circumstances augmentation of the labour force in the informal sector would make the ecological imbalance of excess demand for natural resources even more acute particularly in urban areas where most informal activities have to crowd in on urban facilities. This is the typical problem of 'congestion' in urban housing, transports, power, water and other economic and social infrastructural facilities. It is apparent in the deteriorating quality of life loudly regretted by the more privileged urban middle class who try to improve things by adding flyovers, underground metros and gated communities secluded from the squalor of the city. The consequences of congestion arises in the model in terms of its detrimental effect on labour productivity in the corporate sector through increase in absenteeism and

frequency of illness, delayed arrivals due to traffic problems, lack of power and water supply which reduce productivity from its technologically rated maximum. For expositional precision we capture this effect through the following specific function,

- (6) $(x_c/q)=[1/(1+ k_i \Delta L_i)]$, where q = the maximum rated labour productivity. Actual productivity x_c decreases from q as the informal sector's production $k_i \Delta L_i$ increases from zero to some arbitrarily large positive number.

In the case of exact balance between supply and demand of natural resources equality holds in (5). Using (6) in (5) and simplifying we obtain a quadratic equation in x_c as.

$$(7) (a_c \Delta L_c) x_c^2 - (1+z k_n \Delta L_n) x_c + q = 0$$

(8)

The number of variations in sign in (7) maximum two real positive roots and examination of the relevant discriminant shows both roots are positive because, $a_c L_c q > 0$ and also real if,

$$(9) (1+z k_n \Delta L_n)^2 > 4q a_c \Delta L_c ,$$

which on substitution from (6) yields the alternative condition,

$$(10) (1+z k_n \Delta L_n)^2 > 4k_c \Delta L_c (1+ k_i \Delta L_i).$$

(11)

Given values of other parameters, the right hand side of inequality (9) would be satisfied for sufficiently small positive values of either k_i or L_i affecting corporate sector labour productivity x_c through (6). Thus the two real roots correspond to either a relatively small labour force with relatively high labour productivity in the informal sector or its obverse, i.e. a relatively large labour force with low labour productivity in the informal sector(note that natural resource input a_c is held as technologically fixed in this argument while output per worker varies. This could be extended to introduce competition over natural resource between the formal and the informal sector).

A decline in labour productivity unless countered by lower wage affects negatively the climate for private corporate investment. On the one hand it lowers international competitiveness by raising unit labour cost; on the other potential profit per worker (or Marxian surplus value) decreases in domestic production. More land acquisition simply for production does not solve but accentuates the problem of both natural resource deficit and uncontrollable expansion of the informal sector. At least in India in recent years the government has sought to bypass this problem facing the corporate led growth

strategy of development by dispossession by using land acquisition as a political instrument. Land and related resources are transferred to the corporations in 'public interest' on highly favourable terms to let them add to their wealth not necessarily through production and making profit on the factory floor, but through real estates, capital gains and future market operations in minerals. From this point of view development by dispossession is not just primitive accumulation for capitalist development but quick manufacture of many over-night multi-billionaires along with growth of traditional big business through natural resource transfer. This is often justified as a scheme for creating Special Economic Zones (SEZ), mass housing schemes etc as palliatives. Not surprisingly, among the top fifty or so names of richest people in India (e.g. mentioned in Forbes magazine), more than half are not only new entrants but many are known to be connected with natural resource trade (e.g. Gandhi, A and Walton, 2012, 'Where do India's billionaires get their wealth', Economic and Political Weekly, Oct, 6. XLVII, no. 40). This neither solves the problem of ecological or natural resource imbalance nor that of unemployment and dispossession, but it seems to provide a way out for the most populous democracy in the world.

Corporations and other beneficiaries of natural resource transfer return the favour done to them by making large donations to politicians and political parties. This becomes the basis not of primitive accumulation but of 'democratic accumulation' by which major political parties increasingly enact and legalise policies in favour of corporations. Individual politicians benefit illegally. 'Corruption' systemic and personal, legal and illegal, thrive side by side. Amount of funds is largely proportional to the prospect of electoral success. Flushed with electoral funds received from generous corporate donors, large political parties disconnect increasingly from the people, their economic problems of employment and livelihood. Ecological disaster and ruin stare in the face in the country side as dispossession from both private and common land, destruction of forests and mountains, pollution of rivers, water bodies and coastlines continue in a ceaseless hunt for natural resources. Higher growth more beneficial to the corporations but not to the people becomes the accepted strategy of all major electoral political formations irrespective of colour. The result is to reduce representative democracy to a political competition among a few because they have to cross the bar or entry

barrier of high electoral expenses. The possibility of pursuing policies that benefit people rather than corporations begins to vanish rapidly leaving a democratic shell hollowed of its content. Indiscriminate land acquisition in the name of public purpose without public consent is the most potent instrument for that.