

Political Economy of Agrarian Transformation

Another View of Singur

The success of the West Bengal government's strategy in Singur in the sense of generating non-farm industrial employment may not be successful anywhere else. True success depends on the ability to absorb surplus labour in those parts of the state where agriculture still accounts for 50 per cent or more of the labour force with low levels of education, where the bulk of the peasants affected by acquisition would be those with livelihoods at stake.

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Sumanta Banerjee in his highly polemical piece ('Peasant Hares and Capitalist Hounds of Singur', December 30, 2006) manages to confuse rather than clarify issues of vital importance not just for West Bengal, but for India as well. And it is not polemics

which is the problem. Indeed, a good polemic helps in sharpening the debate and clarifying issues. The problem lies elsewhere. But before I enter that debate, there is one point I would like to make right at the outset.

If the Left Front (LF) government has been progressive in the design of the land acquisition programme (and I would like

to argue that it has), it has been less than progressive, indeed verging on the undemocratic, in the implementation of this policy. And this is no small matter, not only because of the LF's avowed espousal of democratic politics, but also because in a democratic polity, process is as important as the objective. And debate and discussion, even if strongly contested and acrimonious, is the cornerstone of that process. Not only does this help in evolving a majority opinion, if not a consensus, around contentious and difficult issues, but given that nobody is endowed with perfect knowledge, it also ensures that all possible and feasible options have been explored. Unfortunately, by adopting a "my way or the highway" attitude, the government of West Bengal undermines an effort that perhaps only a progressive government can make.

Banerjee's piece raises a whole host of issues but I will limit myself to responding to two – one, related to the characterisation of problem in Singur, and the other to the related but broader issue of how successful economic transformations come about.

To elaborate, first, he says "The dispute over Singur... problem of reconciling peasant interests with industrial growth" (p 5207). This lumps together peasants¹ and farmers which is incorrect and as a result, misreads the nature of the protest against the plan. As we shall see, there are some farmers and some peasants who lose and it is important to understand who they are and in what way their interests might be adversely affected.

Second, to pose the issue as one choice between agriculture and industry is to pose a misleading choice. The more important question is, how we achieve sustainable income growth and full employment (or reasonably close to) of all available resources, including labour. These are the issues and challenges that not just West Bengal, but whole India has to face up to, and to find reasonably progressive solutions, we at least have to ask the right questions.

It will also be useful to keep in mind the LF government's rationale for aiding this project: West Bengal today needs to focus on manufacturing value added, manufacturing jobs in particular and maximising non-farm employment growth in general so as to be able to sustain economic growth achieved in the last two and a half decades, a consequence at least in part of the land reforms

initiated by the LF government when it came to power in the late 1970s (see e.g. West Bengal government's industries minister's interview in *Frontline*, December 16-29, 2006).

Peasant Differentiation and Resistance in Singur²

Of the labour force of the five revenue units where land is going to be acquired, 17 per cent are cultivators and 16 per cent work as agricultural labour, adding up to a total of 33 per cent that works in agriculture. The rest of the working population, i.e., 67 per cent, is employed in non-agricultural occupations. Therefore, despite the fact that by all accounts, it is a prosperous agricultural area, it is considerably less agrarian than West Bengal on average. That is to say agriculture is not the mainstay of providing employment in the area.

We know that there are approximately 12,000 people with land titles (or other claims) who will be compensated as a part of the land acquisition process. However, as we have seen, only 17 per cent of the working population (or 1,320 people)³ may be classified as peasants or farmers, suggesting a widespread absentee landlordism in the area (even after accounting for the fact that some land title holders probably belong to the same household).

There are a few other aspects about agriculture in the area that have come to light in the course of this debate, which might be germane to this discussion. First, most single-crop peasants rely almost entirely on family labour for agricultural operations. Second, there is, however, also an evidence of significant perennial (what are called 'garir kishen' from Bankura, Bardhaman and other parts of Hoogly) and seasonal (from as far afield as Jharkhand) in-migration of agricultural and non-agricultural labour into this area. Third is the evidence of reasonably substantial private investment in irrigation and mechanisation – privately-owned mini deep tube wells, diesel-run mini pump sets for lift irrigation and power-tillers – in the area.

Given the above, what can we infer about the economy of the area? First, all evidence – double and triple-cropped farming, in-migration of labour, private investment in irrigation and mechanisation, etc – suggests that not only is it an agriculturally prosperous area, but that commercially viable capitalist (as opposed to subsistence)

farming has taken root. Second, despite the fact that it is an agriculturally prosperous area, agriculture is not the most important source of income and employment and as a result there are landowning households where agriculture accounts for a small proportion of household income and employment. In all likelihood, a large proportion of single-cropped land is also in the households where agriculture accounts for a small proportion of household income and employment.

Third, given that only 17 per cent (1,320/7,710) of the employed workforce is classified as being "cultivators" (which would include both owner-farmers and bargadars), some landowners who practise multiple crop farming probably also lease-in a lot of land. Fourth, bargadars (both registered and unregistered) probably also account for a significant proportion of the cultivated area. Fifth, therefore in all probability, there are both owner-cultivators and registered bargadars who use the land-lease market to operate as relatively large capitalist farmers and conduct agricultural operations on the basis of hired, often migrant agricultural labour.

Therefore sustained agricultural growth in the overall context of diversification away from agriculture has produced a differentiated peasantry. A large number of small landowning households, where income and employment from agriculture now constitutes a small proportion of total household income and employment, and a smaller set of relatively larger landowners and tenant farmers, who use the land lease market to expand agricultural operations, allowing them not only to grow, but to accumulate as well. This would also fit in with the fact that Singur already has a fairly active land market.

In other words, a small rural bourgeoisie has emerged that is driving the capitalisation of agriculture in the area. Given prior land reforms, sustained agricultural growth and somewhat improved access to education has meant that, the emergence of a rural bourgeoisie has not happened alongside the pauperisation of small peasantry, as would otherwise have been the case, but the emergence of an incipient rural middle class that has diversified away from agriculture in terms of income and employment. In a sense, this is the best kind of agrarian transformation that one can hope for – capitalisation of agriculture happens alongside an occupational diversification away from agriculture.

Notice that for the emergent rural bourgeoisie – i.e., the landowners and registered bargadars who use the land lease market to operate as relatively large farmers – the compensation offered by the government would be completely inadequate. The landowner would be compensated on the basis of owned area, which in this case would be substantially smaller than her/his operated area; and the registered bargadar gets only 25 per cent of land value as compensation. Perhaps most importantly, land for both of these sets of farmers is a source of accumulation and profit, not just income and employment.

However, there will be peasant households for whom agriculture still accounts for the bulk of household income and employment and whether they gain or lose will depend on whether they find an alternate employment (and of what kind) after selling their land. If there is reasonable uncertainty about being employed, then these households might be unwilling to sell because without land they would also (apart from looking for work) need to buy their grain, which they currently grow, from the market. And perhaps, the worst-off among these is the unregistered⁴ bargadar who loses access to land and being unregistered gets no compensation either.

Again evidence would suggest that it was the smaller title holders who sold their land and claimed compensation. The claim that it is the larger landholders who are holding out is buttressed by the Krishi Jami Raksha Committee report that they have 300 farmers with landholdings of 184 acres (2.5 per cent of landholders accounting for 18.5 per cent of the land to be acquired) who have signed letters stating that they do not want to sell. Therefore, the owners of the 332 acres from whom “post-award consent” was obtained were either members of the rural bourgeoisie or peasants with livelihood concerns. They either did not give their consent or were “persuaded”.

Given the above, it can be concluded that 75 per cent (9,020/12,000) of the title deed holders sold their land to the government voluntarily; the remaining 25 per cent may be broken up into three different sets – a small proportion of landowners and registered bargadars who are relatively large farmers and account for a large proportion of the cultivated area and engage in capitalist agriculture; another group of small landowners who might not want to sell their land for livelihood concerns, given that acquisition threatens their

livelihood interests; and finally a group whose livelihood interests is not threatened but who might be holding out for a “better deal”.

What then is the upshot of all of the above? First, given the compensation package, the LF government is correct when it claims that unlike in other states, the process of land acquisition has happened without pauperising the peasantry. Indeed, as one would expect of a progressive government, some care has been taken to ensure the interests of the small landowners and the incipient rural middle class, who constitute the overwhelming bulk of the 12,000 land title holders. For most of these people, in all likelihood, household income and employment have diversified away from agriculture, and therefore, it is in their best interests to sell what small plots of land they have and the price they have been offered is fair. This would explain why for the most part land sale has been voluntary.

Second, however, there is an emergent rural bourgeoisie, accounting for a small proportion of the title holders but a significant proportion of the land acquired, whose accumulation interests have been adversely affected. What evidence there is would suggest that, it is from this group that the fairly vehement resistance has come. This group is joined by a small (in terms of proportion) set of peasants (and unregistered bargadars) whose livelihood interests are probably at stake. If one leaves the last group aside (whose employment outlook in any case it is possible to positively influence through training, etc), in changing its growth strategy, the LF government has chosen to further the interests of the industrial bourgeoisie directly at the expense of the rural bourgeoisie. They are certainly a far cry from the “non-registered sharecroppers along with landless labourers” who Sumanta Banerjee characterises as being the “worst sufferers” of the land acquisition programme. Equally important, given the significant presence of capitalist farmers, it would be incorrect to characterise this resistance, as some commentators have, as a peasant movement.

Structural Change

Growth and structural change: The rationale for a change in strategy was articulated in the statement of the industries minister of West Bengal quoted earlier. The rationale is important because it

recognises that all development experience suggests that long-term economic success depends upon sustained increases in labour productivity alongside full employment (or close to) of all available resources, including that of labour.

Therefore, all successful development experience⁵ has been associated with two processes: first, accelerated employment growth that has allowed a shift of labour from relatively low productivity agriculture to relatively higher productivity industry and services sectors; second, a close link between industrialisation and productivity, i.e., rapid industrialisation has been associated with rapid increases in productivity levels. Some will argue that it is possible to bypass industry and have services-driven productivity growth. Personally, I would disagree, but this is not the place to enter that debate. What cannot be contested is that rapid non-agrarian growth is associated with rapid increases in productivity levels. Given the above, successful development has been necessarily associated with a significant decline in the share of agriculture in both output and employment.

The decline in the share of agriculture in both output and employment as per capita income increases is not to be confused with a decline in agriculture itself. In fact, both agricultural output and productivity of land and labour increases, even as the share of agriculture in total output and employment declines. Second, increasing productivity in agriculture is not necessarily linked to an industrialised mechanised agriculture that is environmentally degrading. Indeed, it has been long established that environmentally sustainable agriculture with small and medium farms can be both highly productive and economically viable. It just requires an investment (and a policy regime) of a different kind. Therefore, to posit the issue as one of the choices between agricultural and industrial growth is both incorrect and equally importantly, misleading.

Put differently, in a largely agrarian economy as most underdeveloped economies are, productivity growth is driven by capitalisation of agriculture and the generation of productive non-farm employment, allowing labour to move away from agriculture. In a capitalist market-driven economy, the former requires the emergence of a forward looking rural bourgeoisie and/or the state and the latter the growth of manufacturing, and later the services

sector. The quicker both these processes work, the quicker economic development is achieved. The slower either of these works, the slower the overall rate of productivity growth. But notice that even if both processes work well and therefore agriculture itself grows and becomes more productive, the share of agriculture in both output and employment declines and as a consequence so does the relative position of the rural bourgeoisie (assuming they remain focused on agriculture) vis-à-vis the non-rural bourgeoisie. That is to say, the process of growth itself marginalises the position of rural bourgeoisie and sometimes puts its interests at odds with those of the non-rural bourgeoisie.

The process of successful development sketched above is neither smooth nor automatic. First, as is well known and United Nations Conference on Trade and Development (UNCTAD) [UNCTAD 2003] notes, in market-based economies, the employment of labour displaced due to the capitalisation of agriculture is not assured. If it is not absorbed, growth might happen along with the increasing underemployment and unemployment. In the 19th century, during the industrial revolution, Europe partly solved the problem of absorbing the labour-made surplus by the capitalisation of its agriculture by massive migration to US and Australia. But Japan and South Korea, both latecomers to development, successfully absorbed surplus labour from agriculture in industries and services. It can hardly be a coincidence that both of the latter two countries had undertaken successful land reforms.

Second, in the countries such as India and China, that have begun climbing the development ladder even later, industrialisation in particular and non-agrarian growth in general tend to be more capital-intensive and therefore non-agrarian growth produces fewer jobs (relative to the phase when today's developed economies were industrialising) at every level of income. This, i.e., the declining employment elasticity of output, gets accentuated by increased levels of competition induced by globalisation. As a result, for the current crop of late industrialisers, the rate of decline in the share of the labour force employed by agriculture tends to be much slower.

Clearly then, that such a large proportion of the labour force continues to be employed in low productivity (relative to that of industry and services) agriculture means

that benefits from growth are very unequally shared, going to a small proportion of the labour force employed in urban areas. For West Bengal, (and indeed, India) therefore the generation of non-farm employment of a kind that allows labour to move out of agriculture is absolutely a key to both growth and a more equitable distribution of the benefits of growth.

The situation is made even more complicated by the fact that job generation of the kind witnessed by the Indian economy does not match with the skill profile of the bulk of available labour, thereby forcing people to remain in agriculture for much longer than they would care, and in turn, increasing both rural underemployment and unemployment. Whereas, the above is an all-India story, it captures economic development in West Bengal reasonably well, with the proviso that given sustained agricultural growth in the state for the last three odd decades, incomes in agriculture have fared much better than in other parts of the country.

In a scenario such as this, the state (indeed, the country as a whole) faces some critical and indeed difficult issues. Clearly, sustained increases in productivity are key to economic growth, and therefore, the state has no option but to accelerate the process of non-agrarian growth. But as we have seen simply industrialising (or non-agrarian growth) is not enough – it does not necessarily produce either the quantity or the kind of jobs that allows people to move out of agriculture into better paying higher productivity non-farm jobs. Therefore, it has also to be a kind of non-agrarian growth that leads to the generation of rural non-farm jobs that allows labour employed in agriculture to move out, in case it so desires. And if there is insufficient generation of better paying non-farm jobs, then a progressive economic policy should try and ensure that the income from land is enough to sustain a reasonable livelihood.

Political economy of structural change: The stylisation of structural change sketched above would then explain why the LF government has chosen to aid a private sector-led industrial project. But granted that industrialisation is necessary to sustain economic growth, if the process of growth in any case marginalises the rural bourgeoisie, why pick a strategy that directly pits the interests of the rural bourgeoisie against that of the industrial bourgeoisie, particularly given that by all accounts it is a forward looking bourgeoisie, interested in investing in the capitalisation of agriculture? Or put

differently, why target multiple cropped arable land for acquisition?

The answer, at least to me, is not very clear. In part of course, it may be explained by the fact that this is the preferred choice of the Tata group. But that can hardly be the entire explanation. Some part of it might have to be with the fact that there is very little fallow land available in West Bengal and any change in land use is going to necessitate acquisition of agricultural land. It may be that it was also politically expedient, given that this is an area dominated by the Trinamool Congress, which as it turned out also politically represented the interests of the rural bourgeoisie. Given that the rural bourgeoisie would resist, it is better that it be in Singur and the political battle be between the Trinamool combine and the LF, rather than elsewhere where the rural bourgeoisie might be a part of the broad left coalition and then the political battle might have been fought within the LF.

And, if the LF wins this battle with the rural bourgeoisie of Singur and not too heavy a political price is paid, then the terms of future settlements and negotiations would have been set and a signal sent to rural bourgeoisie elsewhere, irrespective of whether they are part of a broad left coalition of forces or not. But notice, that even where it comes to picking a battle with the rural bourgeoisie, which it considers necessary for achieving its broader goal of industrialisation, the LF has trodden very carefully. As we know the most productive triple-cropped land has been left out of the land acquisition process and therefore even though it is the interests of the rural bourgeoisie that have been hurt the most in Singur, it is not as if they have been wiped out.

And just as well that it might tread carefully. Because it is not clear that the LF's chosen strategy of industrialisation in West Bengal will necessarily generate the amount and kind of non-farm employment that will allow labour to shift out of agriculture. Given the educational requirement of modern manufacturing jobs, there is no evidence, for example, that the sort of non-farm jobs that will be brought to the state by the Tata "small car" factory and its ancillaries will be able to absorb the sort of labour that is currently employed in agriculture. And if it does not, then as we have noted earlier, the growth puzzle has not been solved.

The final irony of all this is that success in Singur – in the sense of generating

non-farm industrial employment – does not imply that the model will be successful elsewhere. As we have seen earlier, Singur is much less agrarian than the rest of West Bengal. With only 33 per cent of its labour force employed in agriculture and a relatively better educated labour force, Singur has already made the transition. The true success of this strategy will be when it can to absorb surplus labour in those parts of the state (and the country) where agriculture still accounts for 50 per cent or more of the labour force with fairly low levels of education, where the bulk of the peasants affected by acquisition would be those with livelihoods at stake.

And if it does not, then necessity, both economic and political, might again force the LF to build alliances with the same rural bourgeoisie that it is trying to marginalise today and generate non-farm rural employment that will absorb labour that will (has) be (been) made surplus in agriculture. And perhaps, even adopt a strategy of what Prabhat Patnaik (2006) has called “a defence of small and petty producer”. Just as well then that the LF treads cautiously in this matter.

What might such an alternate economic strategy look like? First, it would focus not only on maximising output, but also on employment growth, so as to achieve full employment (or close to) of available labour. Second, focus on accelerating the decline of the share of agriculture in the labour force. Third, substantially expand the coverage of the National Rural Employment Guarantee Act and emphasise non-farm rural employment. Fourth, a strategy therefore where rural incomes grow faster than urban incomes. Fifth, provision for universal and compulsory education up to high school and access to tertiary education across caste, gender and religion. Sixth, a strategy that substantially slows down the pace of integration of the economy, particularly in agriculture, into the global market, so that price pressures on those who are least able to protect themselves are eased somewhat. And finally, a strategy that has democratic backing at the most decentralised level of political governance available. It is worth pointing out that, for India as a whole, some part of this strategy was in place in the 1980s and saw the fastest increase in non-farm rural employment ever witnessed in our economy and also the most rapid decline in poverty.

At any rate, the above is merely a sketch of an alternative. Hopefully, the above has

helped clarify some of the issues Sumanta Banerjee’s contribution raises and at least begin the debate about a viable alternative. These are the issues that need to be debated more carefully and thoroughly, so that growth happens in a manner that is both more inclusive and equitable. The LF government’s strategy is at least an attempt in that direction. They can perhaps do better, both in terms of design and debate. One, however, is left wondering as to which side Banerjee is on – the hares? the hounds? or both? **EPW**

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Notes

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- 1 In this note the word peasant denotes those who cultivate land as a source of income and employment and not profit and accumulation.

- 2 This section summarises evidence and findings presented in sections I, II and III of Mohanty (2007).
- 3 The number rises to 1,476 if both main and marginal cultivators are included.
- 4 An unregistered bargadar would typically be resource constrained, i e, not have sufficient money to invest in land improvement and cultivation. Therefore, as part of the rental contract the landlord would invest and as a result the unregistered bargadar’s share (typically 1:1) would be lower than that of a registered bargadar (3:1) who would be expected to meet all investment costs of cultivation. In return for the landowner’s investment however, the bargadar would agree not to register her/his tenancy, because registration would entail a legal commitment for the tenant to receive three-fourths of the farm output.
- 5 For a relatively recent discussion of the relationship between productivity growth and structural change see Chapter V in UNCTAD (2003).

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