

Town and Country in Economy in Transition

K.R. RANADIVE

FILE MEMORIAL LECTURE, 1987

**GOKHALE INSTITUTE OF POLITICS AND ECONOMICS,
Pune 411 004**

Prof. K.R. Ranadive did her M.A. (Economics) from Bombay University. After teaching for a brief period at a Bombay College, she joined IMF as an economist where she worked for three years. Later she studied at Cambridge and finished her Tripos in Economics. She returned to India and worked at Bombay University as a Reader and then as a Professor for seventeen years together.

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Town and Country in Economy in Transition*

K.R. Ranadive

"The contradiction between town and country --- is the most crass expression of the subjection of the individual under the division of labour, under a definite activity forced upon him - a subjection which makes one man into a restricted town animal, another into a restricted country animal, and daily creates a conflict between their interests. --- The abolition of the contradiction between town and country is one of the first conditions of communal life". - K. Marx.

The Theme and The Approach

A word about the theme of my lecture is necessary lest it should seem 'disembodied', making you wonder what it is all about. The relation between agriculture and industry, whether in terms of the relative weights of the two sectors in national income or in terms of the intersectoral terms of trade, has been a much-debated issue in the literature on development. In fact, 'Balance between Agriculture and Industry in Economic Development' was the theme for discussion at the Eighth World Economic Congress held in India at the end of the last year. In commenting on the theme in his inaugural address, Professor V.K.R.V. Rao wondered what special importance could be attached to the question in the midst of a host of problems in the course of development. Not that Professor Rao regarded it as a non-issue but wanted it to be viewed in a wider context. He would have preferred the theme to be 'Balance between Agriculture, Industry, Environment and Quality of life in sustainable development'.¹ The title might be 'long and clumsy', as he himself chose to call it, but his suggestion for broadening and deepening the theme holds out a promise for fruitful insights in the process of social transformation under way in the present-day underdeveloped countries.

'Town and Country' is in any case a broader theme than the problem of the balance between agriculture and industry. More interestingly, both the terms 'town' and 'country' have had changing connotations and the relation

* Text of Rao Bahadur R.R. Kale Memorial Lecture delivered at the Gokhale Institute of Politics and Economics, Pune, on 30th May, 1987.

between the two has varied over time. The 'way of life' associated with the country has included very diverse practices of hunters, pastoralists and farmers and its organisation has varied from the tribe and the manor to the feudal estate, from the small peasantry and tenant farmers to the rural commune, from the *latifundia* and the plantation to the large capitalist enterprise and the state farm. The city itself has taken many forms: administrative head-quarter, religious centre, market town, port and mercantile depot, military base, state capital and industrial concentration. Between the cities of ancient and medieval times and the modern metropolis and conurbation there is a connection of name and in part of function but certainly not anything like identity.

How do we explain the persistence of ideas and their associations in spite of change? A fascinating study by Raymond Williams of the changing attitudes to the country and the city as portrayed in English literature from the sixteenth to the twentieth century shows the shifting associations of these two traditional poles of life.² There are two strands to Raymond Williams' study. Firstly, as one goes on regressing back from one century to the previous one, one finds a nostalgic yearning for the lost world and specially for the ordered and happy rural past. Secondly, the shifting associations between country and city become far more meaningful when related to social development. While the former implies a hiatus between the actual and the imagined and a long *process* at work which makes the present what it is, regression *per se* is not indicative of historical approach. After all one might resort to this ploy even while relying on purely analytical approach as Joan Robinson did in the context of capital measurement. While arguing that today's capital is the result of yesterday's labour and capital goods, she regressed back to Garden of Eden to show that when Adam dug and Eve spun, there was a spade and there was a spindle. This pseudo-historicism³ does not eliminate the fact that the core of bourgeois thought is essentially ahistoric and compartmentalization of social sciences narrows the vision even further.

My choice of a historical approach for studying the problem of town and country is not prompted by my penchant for it acquired over the last ten years. I am convinced that for the purposes of a scientific investigation, any social phenomenon needs to be understood along with its history, simply because it is impossible in the domain of social sciences to conceive of a *process* in the broad sense of the term with a 'zero level of history'.⁴ The only way to understand the modality of both continuity and change is to have the whole network of closely inter-related concepts because social phenomena are inherently dynamic in the sense that they are parts of an overall social structure which needs reproduction for its continued existence. If town-country relationship poses a problem, the relationship needs to be understood. Understanding a problem

requires dissection of the present and dissection of the present requires scanning of the past. Not only does looking at the present against the background of the past help us to see the present in its proper perspective but seeing the present in its proper perspective is necessary if we are to have any chance of foreseeing and influencing the future.

The problem of poverty presents another instance where a strong case can be made for the use of a historical approach. It is worth drawing attention to because there is, as our discussion would indicate later, interdependence between poverty, on the one hand, and town-country relationship, on the other. A definition of poverty in terms of minimum of provisions needed to survive and to maintain efficiency has had wide acceptance because it seems to accord with commonsense. While the need-based concept of poverty has undergone considerable refinement over time, the significance of income distribution for poverty has come to be recognised in the discussion about contemporary poverty in an affluent country in terms of what is referred to as 'inequality' concept of poverty.⁵ The fact that the problem of poverty surfaces to social awareness with marked intensity at periodic intervals would suggest that it is not a transitory phenomenon. On the other hand, the qualitative change over time in the form in which it seems relevant - destitution or rather chronic and endemic hunger in poor countries and *relative deprivation* in the context of affluent countries - would suggest that the sources of current form lie too far beneath the surface embedded in the historical strata which need to be probed.

The basic methodological question which needs to be settled in using historical approach is the 'point' of departure of the inquiry. While it depends on the problem under investigation, it is not always easy to fix. For instance, poverty is an *age-old* social malaise. The poor have always been with us, not because of any divinely-ordained law or nature-imposed necessity. On the other hand, the question is easier to settle in connection with the problem of town-country relationship.

While 'country' today implies both a nation and a part of 'land', the etymology of the word is interesting. 'Country', as a word, is derived from 'contra' meaning 'against'. 'opposite' and has the original sense of land spread out against the observer. Its modern meanings of a tract or a region and of a land or nation date back to the thirteenth century and it was in 1526 that it was first contrasted with 'city'. While there are more frequent and more pointed contrasts of 'city' and 'country' from the sixteenth century, 'countryside' in its modern sense is eighteenth to nineteenth century development. Raymond Williams' study shows that over the period, the other ideas in a more general structure with which the ideas of the town and the country were associated were different. If in the sixteenth and the seventeenth century, the idea of city was

associated with money and law, in the eighteenth it was associated with wealth and luxury. A climax was reached in the late eighteenth and nineteenth centuries with the idea of city associated with the mob and the masses. On the other hand, with the twentieth century the idea of city came to be associated with mobility and isolation.⁶

The English experience is particularly significant 'in that one of the decisive transformations in the relations between country and the city occurred there [not only] very early but with a thoroughness which is still in some sense unapproached'.⁷ The Industrial Revolution which transformed both city and country was based on a highly developed agrarian capitalism with a very early disappearance of traditional peasantry. For our later discussion this is a crucial point to be borne in mind. By taking the emergence of capitalist system as the 'point' of departure, we shall be treating the problem of town and country as a problem of modern society. In his *Contribution to the Critique of Hegel's Philosophy of Right*, Marx says that 'our criticism stands at the centre of the problems of which the modern age says: that is the question'. In treating the problem of town and country as a problem of modern society we take our cue from Marx.

Age of Transition

In contrast with the ideological characterization of the twentieth century as age of uncertainty and doubt, 'objective' conditions would warrant its characterization as the age of transition. The two main types of transition which can be differentiated are: (i) that from an economy previously dominated by capitalism to an economy evolving towards socialism and (ii) that experienced by an economy which, having been subjected to direct colonial domination, now enters a post-colonial period. The differentiation is necessary because while the former represents a radical transition, the latter represents a much less sharp rupture with the past. This is because the former fulfils the preliminary condition of the passing of state power to the working class or a coalition of the formerly exploited classes within which the working class plays a dominant role; on the other hand, the latter does not abolish but merely modifies the previous domination in so far as the nature of the domination is not altered even *de jure*.

While the two forms of transition throw up different sets of problems, to analyse which different problematics are needed, they need to be viewed as aspects of the same historical process of the development of societies. Marx's polarisation hypothesis - in Marx's words, '[capitalism] establishes an accumulation of misery corresponding with an accumulation of capital' - implied that proletariat is both essential to capitalism and also its essential victim. On the other hand, the international aspect of the hypothesis of a steady polarisation of wealth and poverty came to the fore when capitalism developed into a world system. The

victims of polarisation process were the countries where in the absence of independent governments, development was either arrested or distorted as a result of artificial world division of labour maintained by free trade. The 'development of underdevelopment' and the division of the world into 'two unequal humanities' were inherent in the working of the capitalist system.

If the growth of productive forces associated with capitalist relations served to develop capitalism as a world system, ideas, institutions, laws and political system corresponding to the material base of the capitalist system played a 'progressive' role even in the countries which were conquered. Without some concept of 'migrant' ideas, it would not be possible to explain the rise of nationalist movements in colonies any more than of revolutionary movements in countries which radically transformed their social structure beginning with the Russian Revolution in 1917. This is not to deny the role of specific historical and concrete conditions that existed in Russia at the time of the October Revolution. They alone can explain why the socialist revolution broke out not in countries where the contradictions between productive forces and production relations were acute but in Russia. But the development would not have been possible without the emergence of capitalism as a world system.

At the same time the October Revolution marked the beginning of a new age not only in Russia but also in the world as a whole, the structure of which was as a result profoundly transformed. We will have something to say about its implications for the capitalist countries later. At this stage we confine ourselves to certain broad observations. The October Revolution was followed by spelling out of the Marxist attitude to the developing struggles of the colonial peoples which could no longer be ignored. As Lenin put it, 'the majority which up till then had been completely outside the orbit of historical progress, because it could not constitute an independent revolutionary force, ceased --- to play such a passive role at the beginning of the twentieth century'.⁸ If the Revolution aroused fear of 'blood-dimmed tide of anarchy' on the part of those who had profited from the earlier arrangements, it also inspired hope of 'the dawn' in which it is 'bliss to be alive' on the part of those who had suffered from it.

Politicians and thinkers, poets and artists could not escape the impact of what John Reed aptly called *The Ten Days that Shook the World*. Even Rabindranath Tagore, a profoundly religious person and revered as an apostle of Upanishadic wisdom referred to Soviet Union when he visited that country in 1930 as 'the light of the mightiest sacrificial fire that has been lit in the world's history'. 'Had I not come [to Soviet Union]', he said, 'my life's pilgrimage would have remained incomplete'. As Professor Niharranjan Ray shows on the basis of his close scrutiny of

the poet's work in the last ten years of his life, the enthusiasm which he felt for the Russian revolution was not a temporary phase. He went to the extent of reading the essential point of socialist revolution in the *Upanishada*. The same phrase from the *Ishopanishad* - 'Do not covet anybody's wealth or possession' - which provided the basis for Gandhiji's concept of trusteeship was interpreted by him as implying sweeping away of *personal* division of wealth.⁹

Coming down from the level of ideas to the material reality, the October Revolution implied transformation not only for the Russian economy but also for the world economy. The 'image of its own future' which a less developed country sees today is not only of 'the country that is more developed industrially' but of two alternative socio-economic systems - of two alternative paths - through which it can catch up with 'the country that is more developed---'.¹⁰ The complex problems which are inadequately summed up in the expression 'the transition to socialism', require a critical study because the two forms of transition have common links in more ways than one.

The countries which have emerged from the colonial bondage are naturally not at the same stage of transition as those in which through upheaval in production relations, the 'commanding heights of the economy' - to use Lenin's words - have been grasped by the working class. Yet even the latter are still far from the end of the road and the possibility of a regression to capitalism cannot be ruled out.¹¹ On the other hand, the post-colonial societies, which during freedom struggle had assured to the "have-nots" a fair deal after the liberation, have sought to incorporate 'socialist' content while planning for an expanding economy, without however fulfilling even the basic prerequisites for building of socialist society.

Not only do the practices differ between these two groups of countries but the kind of questions which need to be raised and *theoretically* analysed and explained are not the same for the two groups. For instance, if in the first group of countries it is the persistence of commodity relations (implying existence of 'market', money, prices) that need to be explained; in the second, it is the implications of the existence of alternative forms of property for the task of promoting development and eliminating poverty that need to be analysed. In both cases, however, the primary concern in seeking answers to specific questions is with the potential for the development of productive forces and for the changing of social relations. If the transitional period is to be only a passing phase in the progress towards socialism, what is important is to foresee how the system will develop, that is, the *direction* in which the system is moving.

If the transition between social systems is neither simple nor a brief process and in fact extends over the whole historical epochs, it is even more true of the transition to socialism. Socialism implies much more than the negation of capitalism in so far as it seeks to put an end to the exploitation of man by man and ensure man's increasing control over nature and social development so that men are gradually freed from the constraints and limitations that have weighed upon them since human society began. The complex interrelation of social systems, human action and social change which lies at the heart of the problem of transition leaves no room for any utopian illusions.

Comparative Study of Transitions

The fact that there is no such thing as a general theory of the transition between social systems is because each transition is a unique historical process.¹² Yet a comparative study of the transitions can be extremely valuable because by bringing out the similarities and differences it can throw up in a sharp relief the historicity and totality of processes the understanding of which is necessary to answer the basic questions involved in the problem of transition. To avoid the danger of falling into empiricism while trying to understand the totality of processes, the essential features of the Marxian method of analysis need, however, to be kept in mind. These are to be sought in the 'invariants' of the Marxian paradigm.¹³

While 'concrete analysis of the concrete situation is the soul of Marxism', as Lenin put it, unity of thought and practice requires that the concrete is grasped and is reproduced in our mind as a concrete,¹⁴ keeping in mind the Marxian category of totality. Marx's concept of 'organic totality' encompassing 'ensemble of political, economic and ideological relations in a social formation' — relations which are interpenetrative and not distinct — connotes a differentiated and dynamic structure. The core of Marx's concept of organic totality, which involves a number of levels of human existence, is social relations (including juridical relations of ownership and property) and is concretized as 'socio-historical process'.¹⁵ As the different levels of human existence do not change uniformly over time, the concept of totality implies both 'the concrete unity of interacting contradictions' and the historical relativity of totality. The three dominant categories of analysis are, therefore, process, contradiction and praxis (social action). In Marx's concept of unity of thought and practice, both theory and practice are based upon the concept of 'overcoming', 'going beyond'. 'Going beyond' is not only both theoretical and practical but is also being determined by both past and present activity'. Concretely the Marxian method of analysis implies that what we have to deal with in reality and in thought, is never a 'pure' mode of production but always a *historically given social formation*.

Just as there is no 'pure' mode of production, there is also no 'ideal' or pre-determined transition. The transition depends upon the structure of conjunctures through which the historically given social formation passes. If theory is not to be kept out of history, we need to conceptualise its structure in terms of processes. On the other hand, to ensure unity of thought and practice, the main purpose of the conceptualization should be to locate among the 'interacting contradictions' the principal contradiction and the secondary contradictions and the principal and secondary aspects of the contradictions.¹⁶ For the problem of the Marxist practice, it is necessary to grasp what at each moment is the principal contradiction and how by acting upon it one can 'overcome' it.

Cleavage between Town and Country

One aspect of transition which lends itself fruitfully to a comparative study is the town-country relationship. It encompasses both the Ricardo-Malthus theme of antagonistic relationship between landlords and capitalists and Marx's theme of the division of material and mental labour. It is involved in the relationship between metropolis and colonies which is the form which town-country relation takes with the development of capitalism as a world system and the implied international division of labour. In the post-colonial society like India, the simultaneous existence of pre-capitalist relations in the 'countryside' and monopoly capitalism in the 'town' has implications for the process of accumulation and growth. The understanding of the precise nature of the cleavage between 'town' and 'country' and its dialectics should serve to further our understanding of the complex problems involved in the transition.

In view of the equation of urbanisation with capitalism, the town-country relation should be central in any discussion of the transition from feudalism to capitalism. This requires that the precise nature of that relation in feudalism should be grasped.¹⁷ So long as production and exchange had as their object merely the maintenance of both the producers and his community, the separation between town and country was not clear cut. On the one hand, the countryside was a centre of all kinds of production and not confined to production of food and raw materials. Not only were there specialist artisans as part of the demesne economies, but there were also village craftsmen who had landed holdings and provided substantially, if not entirely, for their own subsistence. On the other hand, while the separation of industrial craftsmen from their rural contexts provided the basis for the development of urban-based simple commodity production, artisans were on par with the peasants in so far as surplus labour was extracted from them in the form of seigneurial dues by the lords of the towns.¹⁸ The much emphasized 'freedom' of the town was not 'according to its own propensities and not that of a 'non-feudal island'. It was based on 'the coincidence of political and economic relations of subordination/

appropriation which characterized feudalism and was constrained by the overall parcellisation of sovereignty. The dualistic model of town and country is ahistoric except that feudal towns were based on landed property and agriculture.

Historiographic research has shown that commodity production was functional to feudalism and an integral element within it. Not only was commerce 'a natural product of [feudal] society' but 'in the early middle ages --- upto a point the feudal rulers favoured its development'.¹⁹ Pirenne's account of the role of commerce in the origins and growth of medieval urbanism misses the 'seigneurial' origins of many medieval urban centres. The position of town as a 'collective seigneur' was that of a corporate monopoly which served as the precondition for the development of merchant capital based on price differentials between separated markets and spheres of production (buying cheap and selling dear). Precisely because of it, the towns both enveloped [the markets] and prevented [the markets] from developing'.²⁰ At the same time, although the monopoly of the town as a collective corporate body contrasted with the hierarchical structure of feudal power in the countryside, the town depended on the 'feudal setting' for the defence of its privileges.

Dialectics of Town-Country Relation

The emphasis on man's 'natural propensity to barter and exchange' led Adam Smith to assert that 'cities, instead of being the effect, have been the cause and occasion of the improvement and cultivation of the country'.²¹ The implicit dualistic model of the transition to capitalism involving the concept of country as inert and passive and transformed by the 'market pull' exerted by the city reflected the ideology of the ascendant bourgeoisie. Yet in reading the progressive role of the urban bourgeoisie backwards into history the members of the Scottish 'materialist' school - missed both the reciprocal dependence between town and countryside in the feudal society and the dialectics of the town-country relationship in the transition to capitalism.

To attribute to the market and exchange principle the role of the 'motor' behind all development involves a twofold fallacy : market is regarded as the end of all economic activity²² and the ambiguous role of merchant capital in the functioning and transformation of feudalism is missed. While merchant capital has a role in the original accumulation of capital, its externality vis-a-vis production implies that it is not sufficient to ensure transition from feudalism to capitalism. Historiographic research has shown that 'towns were a later phenomenon [in the Western civilization], their form and material physiognomy conserving their rustic origin' and the town development was constrained by the agrarian economy and its capacity to

generate surplus. Until capitalist urbanisation eliminated this Malthusian dependence, the victory of town was always precarious.

The rejection of dualistic model of town and country is implicit in Marx's approach in terms of social division of labour. The 'separation between town and country' is emphasized by Marx as 'the foundation of every division of labour that is well developed, and brought about by the exchange of commodities'.²³ In fact he regarded 'the whole economic history of society [as] summed up in the movement of this antithesis'.²⁴ The emphasis on the market and exchange principle left out the role of division of labour between town and country and between capital and landed property in the development of a class-divided market in 'civil society' and the contradictions inherent in it.²⁵ Capitalist industrialisation involved not only a massive shift of human and material resources in favour of urban concentration, but also conquest of town over countryside. Instead of being a centre of all kinds of production, countryside is transformed into a centre for production of food and raw materials, with a separation of industrial and commercial from agricultural labour.

Between feudal town and capitalist city there is a disjunction and not a linear evolution. Between town-country unity/opposition in feudalism and town-country opposition/subordination in capitalism lies the 'original sin' of capital, the primitive accumulation, one aspect of which was the emergence of wage-labour through differentiation of peasantry. On the other hand, 'the development of [the cleavage between "town and country"]' is, as Bukharin put it, 'reproduced on a tremendously enlarged basis' with the development of capitalism as a world system. Viewed from this standpoint 'entire countries appear today as "towns", namely the industrial countries, whereas entire agrarian territories appear to be "country". International division of labour coincides here with the division of labour between the two largest branches of social production as a whole, between industry and agriculture, thus appearing as the so-called "general division of labour"'.²⁶

Variations, of course, were there among countries both in respect of the town-country relation in feudalism and the dialectics of that relation in the transition from feudalism to capitalism. Two aspects of the latter deserve particular mention. As noted earlier, merchant capital had an ambiguous role in the feudal system. While it had a dissolvant effect and a key preparatory role together with its 'domestic' forms of usury, speculation etc., its autonomous development was 'inversely proportional to the non-subjection of production to capital'. Its role in the transition depended on the specific conditions in the various countries. For instance, it was the resistance of the peasants to surplus labour - counterparts of strikes of wage workers in capitalist system - and the form it took that determined the alternative outcomes of the fourteenth

century crisis (intensification of labour services in the context of labour shortage). If it led to 'second serfdom' in Eastern Europe it resulted in victory of peasant commodity production in the West. The growing world market in the seventeenth century led to 'refeudalisation' in Italy with urban elite transformed into a landed or rentier aristocracy (rentier feudalism). The limited resistance of the towns to royal centralisation in France sustained peasantry and weakened the conditions governing original accumulation. On the other hand, England provided the most fertile ground for creation of agrarian capitalism with tenant farmer.

Secondly, corresponding to the historical myth of the passive peasantry, there is the myth of the revolutionary bourgeoisie. Bourgeoisie was not always revolutionary and there were constant 'betrayals' to the old order on its part. If the rural struggle was over the generation of the surplus product, the urban bourgeoisie was concerned with the sharing out of the surplus once it had been taken from the basic producer. In the French peasant uprisings in the context of the seventeenth century crisis, urban bourgeoisie ranged alongside the nobility in defence of the social order based on the extraction of rent. The interests of the two were convergent vis-a-vis the exploitation of the countryside so long as rent remained the principal mode of appropriation of surplus and capital remained external to the production process.²⁷

Current Conjecture

Even if we confined ourselves to the post-colonial countries which are the products of specific kind of international division of labour consequent on the development of capitalism as a world system, as Bukharin argued, as a historically given social formation each is unique. Each has a different past and differences in the initial conditions also implied that the forms in which these countries were integrated into the capitalist world economy were diverse. The social formations which emerged were, as a result, different, each representing 'a particular combination or a specific interlocking of several 'pure' modes of production'. Conceptualization of economic processes in these 'distinct social formations' can, however seize upon one common element: their involvement in exchange relations with the capitalist countries. As a result, they share certain common features of current historical conjuncture which need special attention. In understanding their present evolution and assessing their future prospects, one cannot ignore the global context in which they are operating. The one world rhetoric in a divided world, for whatever it is worth, cannot efface the fact that two centuries of capitalist expansion on world scale have created a world economy in which different countries are bound together in a unified hierarchical structure characterized by domination and dependence.

Among the 'objective' factors of the current conjuncture, the most significant is the protracted crisis in world capitalist system. In one sense, capitalism has been in a state of permanent crisis since the beginning of the present century as it moved from 'an advanced and progressive force of free competition' in the 'sixties and the seventies of the last century into a state of monopoly capitalism at the beginning of the twentieth century.²⁸ From being a coercive apparatus for suppressing irreconcilable class contradictions, the state was forced to exert a more pervasive influence in economic sphere. With 'permanent intervention' resorted to in order to deal with 'permanent crisis', capitalism was transformed into state monopoly capitalism. The state intervention, arising out of necessity rather than choice, was not designed to expedite transition to socialism, as some would have us believe, but to preserve the capitalist system. If the so-called welfare state and the policy of high and stable level of employment have not succeeded, it is indicative of the fact that no attempt to bolster capitalism can succeed so long as the basic contradictions of capitalist system are not tackled.

The protracted crisis is a more recent phenomenon and is revealed in the form of decline in growth rate, increase in unemployment and a sharp acceleration in the rate of inflation. As a result of cyclical overproduction crises in 1969-70, 1973-75 and 1979, the growth rate in all developed capitalist countries taken together declined from 5.1 per cent in 1960-73 to 2.5 per cent in 1973-80, 1.2 per cent in 1980, 1.0 per cent in 1981, -0.6 per cent in 1982, 2.3 per cent in 1983, 4.6 per cent in 1984 and 2.8 per cent in 1985. Unemployment has been steadily increasing and was estimated to be 8 per cent in 1982 in the seven major OECD countries and 7.5 in 1985. At the same time, annual rate of inflation (percentage change in GDP deflator) increased from 4.0 per cent in 1960-73 to 8.8 per cent in 1980.²⁹ Recession along with drive towards protectionism has resulted in decline in the rate of growth of volume of world trade from 7.5 per cent in 'fifties and 'sixties to 1.0 per cent in 1980 and nil in 1981. This has had serious implications for the third world's balance of payments with huge current account deficits, mounting debt and an increasing subjection to 'stabilization' policies imposed by the IMF.

The fact that the long post war boom has been followed by the severe recession has been sometimes sought to be explained in terms of a Kondratieff 'Long Wave'. Quite apart from the fact that there is no satisfactory theoretical explanation why regular cycles of this duration should occur, as we have for short waves, it is essential to bear in mind the growing militarization of the world economy. Apart from the so-called 'welfare expenditure', the state activity in the capitalist countries has been concentrated to a large extent on military expenditure. The role of militarism in sustaining the post-war boom cannot be over-emphasized. About twenty per cent of the labour force in

the developed capitalist countries was engaged directly or indirectly in war production in the early 'sixties.³⁰

It is interesting to recall that this was also the period when the critics, who, like the Victorian Parson of the old, had doubted the success story of the war against poverty, had won the day. Throughout the early 'sixties the problems of want, deprivation and squalor were acknowledged in many parts of the Western world.³¹ A fifth of the population in the United States, the richest nation in the world was officially described as living in conditions of poverty in 1964. Yet the Great Society's 'unconditional war' on poverty, declared by the United States government in 1964, ended in a whimper. By the beginning of 1968, it was decided that the already meagre appropriation for the fight against poverty would be drastically slashed. A nation whose gross national product was fast nearing the trillion dollar mark and which was spending 30 billion dollar a year on war in Vietnam and almost three times that much on its military plant could not find the money needed to ameliorate the lot of poor.

Since then Michael Harrington's 'Other America' has expanded in size, with blank poverty spreading both in numbers and in the areas in which it is concentrated.³² On the other hand, the defence budget has increased from 100 billion dollars in 1976 to 200 billion dollars in 1982. Yet reviving of either private investment or expansion of public spending of a productive nature does not offer a feasible solution when the crisis has taken the form of the unprecedented combination of unemployment and inflation. With the alleged possibility of confrontation in outer space, militarization of the world economy is in fact likely to increase even further.

Among the ideological elements in the current conjuncture, attention must be specially drawn to the call for a 'new economic order' which is providing the *leitmotiv* for most international discussions in the recent years. This has significant implication for the evolution of post-colonial societies. The ideology of order *per se* is not novel. The ubiquity and the emotional power of the concept of order in the pre-industrial society and during the period of transition from preindustrial to industrial society has been recognised by the historians. Histrographical pre-occupation with the ideology of order is also being increasingly balanced by the discussion of the actual processes by which order was being maintained.³³ The recent extension of the ideology of order to international level is, however, qualitatively different in two respects.

On the one hand, associated with the concept of order in the earlier period was also the concept of subordination and obedience; on the other, while the ideology of order clearly served the interests of the ruling class, the insecurities of a hostile environment, and particularly the threat which dearth posed to social order, also served as

an active element in the maintenance of social stability in the pre-industrial society. This explains the apparently puzzling fact that while dearth provoked occasional outbreaks of disorder, it led to so few of them. In the paternalistic traditional society, it was ultimately in the interest of the rulers to assure a minimum subsistence to at least the 'honest' poor.³⁴

The transition from pre-industrial to industrial society marked a shift in the social role of economic activity. The crisis of subsistence in the new context generated a nostalgic yearning for the old order on the part of both the old ruling class and also the common people. In defending the 'moral economy', not only did E.P. Thompson's 'English crowd in the eighteenth century' attempt to forestall changes that had already taken place but also in effect proved 'backward-looking'.

In contrast, associated with the present-day concept of order is the concept of equality. Precisely because the 'have nots' are asserting their right to equality, unlike their counterparts in the earlier centuries who were asserting their right to bread in one case and the right to work in the other, they are seeking change rather than stability in which lie the vested interests of the 'haves'.

Thus if the recent extension of the ideology of order to international level calls for the discussion of the processes which are even more complex than in the historical studies, it is for two reasons. On the one hand, involved in the complex processes are relationships not only between individuals and groups occupying different positions in the hierarchy of wealth and power *within* countries but also relationships *between* different countries which are at different levels of development, the level of development being interpreted to encompass both the level of productive forces *and* the stages in the transition to new social modes of production. On the other, the concept of a 'new economic order' involves confrontation between what is essentially an apologia for the *status quo* and a case for a change away from a system built around 'unequal relation' and towards a greater measure of equity.

Pre-colonial and Colonial History

Our historical approach entails a quick look-back at India's pre-colonial and colonial history to understand the problem of town and country today. The discussion is extremely sketchy, because by now the pre-colonial and colonial history is known at least to those who have cared to probe the past. On the question of why India failed to develop a capitalist economy either before or after the British conquest, there have been two distinct views. As opposed to the nationalist paradigm, there exists an imperialist paradigm which focuses on such inherent weaknesses as enervating climate, heritage of 'oriental depotism',

recurring anarchy, rigidities of the caste system, spirit of fatalism, other worldliness etc. The former stresses, on the other hand, the inhibiting effects of British rule: the drain of wealth, the destruction of handicrafts, heavy taxation, discrimination against Indian industry and capital.

Irfan Habib's meticulous study of Mughal India³⁵ shows that during the sixteenth and seventeenth centuries the majority of Indians lived in villages. Urban population constituted a small minority, even though its economic and cultural significance far exceeded its actual numbers. Towns, performing diverse and overlapping roles, took different forms: political centres, administrative headquarters, places of pilgrimage and centres of manufacturing and commercial activities, which were largest in size and more stable. As such there was no 'typical' Indian city and there was not a single city which possessed the unique metropolitan attributes. Towns lacked any kind of corporate or municipal institutions and from the viewpoint of government they were no more than conglomeration of adjacent villages.

As a result of abundance of land and a very favourable land: man ratio, cultivation was confined to more fertile land. Per capita agricultural productivity was probably not lower than in 1900 and comparable with contemporary societies including those of Western Europe. Land revenue, which was important form of surplus appropriation from peasant agriculture organized on individualistic lines, was a tax on crop rather than rent from land and essentially regressive in nature. The share of the produce thus extracted ranged from one third to one half. Collection in cash was more prevalent and even when it was in kind, it was commuted into cash. The revenue to the treasury constituted 13.6 per cent of the total in 1647, the remaining taking the form of *jagirs* to the ruling class of *mansabdars*. This class was urbanized, disdained rural life and contained a considerable foreign element which was prevented from forming roots through a system of transfers of posts as well as *jagirs*. With no incentive for maintaining or expanding revenue-paying capacity of agriculture on the part of the ruling class, there was a drain of wealth away from the rural sector.

The emergence of rural market and money economy resulted in shift to high grade crops and cash crops. Development of money lending and usury trapped the peasantry in indebtedness and resulted in stratification of peasantry leading to both emergence of intermediaries from the dominant section and pauperization of the poorer strata. Growth of horticulture in response to the pull of the urban market and self-cultivation brought in its wake use of hired labour. However, instead of leading to semi-capitalistic form of agriculture, these developments led to economic crisis which transformed itself into a political crisis involving peasant uprisings, often under *zamindar* leadership, and eventually the collapse of the empire.

Surplus appropriated from agriculture and concentrated in the hands of the upper strata of the ruling class was used for maintaining large number of servants and retainers — armed men, professionals, artists — and spent on extravagant display of luxurious living and hoarding of coins and treasures. *Karkhanas* did not undertake commodity production but concentrated on production of luxury articles directly for use. While commodity production was well developed — though no rural market existed for urban crafts — there were very few independent master craftsmen of any substance and putting out system was widely in use. Thus while merchant capital had developed considerably, it did not develop into industrial capital.

The history of the colonial period is too well-known to bear detailed discussion. Being primarily concerned with promoting and protecting their own interests, the government was preoccupied with maintaining law and order, defence and tax collection. Except for large investments in building the railway network, the government adopted *laissez faire* attitude towards India's economic development. One of the immediate consequences of the British takeover of the country was rapid de-urbanisation and de-industrialisation of the country. The traditional industries were delivered a blow from which they never recovered and Indian industrial products suffered from the competition of the machine-made cheaper supplies. The consequent village-ward migration intensified the pressure on land, dislocating the rural economy. This, together with the imposition of heavy land revenue, accelerated the process of differentiation of peasantry and the associated pauperisation. The new pattern of urbanisation which eventually evolved was not the result of spontaneous, endogenous factors. It was not based on well-developed capitalist agriculture as in England or dynamic and buoyant peasant agriculture but was the creation of the British rule. Jute and cotton mills, railway towns, tea plantations formed the basis of new urbanisation. The rationale for production was exports and not the consumption needs of local population.

Differences were, of course, there, but these were differences of degree and not of kind.³⁶ The new towns in all parts of the country had few linkages with local market in terms of labour supply, market demand and consumption needs of their population. They were essentially 'enclaves' transplanted from outside and sustained by external links and eventually developed into metropolitan cities, delinked from the development of the rural area. These cities did not owe their growth to agricultural production and the contribution of the rural areas was negative in so far as they pushed out the destitutes. The pre-Independence period was a period of near stagnation in the Indian economy. Growth of aggregate and per capita output was negligible and there was no change in the structure of production or in productivity levels. At the time of Independence, the economy was overwhelmingly rural and agricultural, with nearly 85 per cent of population living in villages and

deriving their livelihood from agriculture and related activities using traditional, low-productivity techniques.

The success of the First Plan in Soviet Union during 1928-33 in sharp contrast to the crisis of the Great Depression in the capitalist world, which made the entire world 'plan-conscious',³⁷ made even the British rulers respond favourably to the Indian demand for a positive role of the state in promoting socio-economic development of the country. Of course, the British attempts in this direction, beginning with George Schuster's (the Finance Member of the Viceroy's Executive Council) paper on 'Notes on Economic Policy', were a response to the growing tide of agrarian and urban unrest which had worried Delhi and London since 1928 and their growing realization of economic causes of these unrests. The British rulers were becoming aware of the threat which old *laissez-faire* policy posed to their political legitimacy. It is not surprising that these early British efforts at planning in India came to naught and were replaced by a plethora of practical and administrative measures of immediate concern.³⁸

*Planning for a Just Society*³⁹

The transfer of power made for a fundamental departure from the policies pursued by the colonial government. In a world which had become plan-conscious, it was inevitable that in the post-Independence period the government should direct its attention to promoting development. The debate on socio-economic issues in the pre-Independence period had revealed consensus on broadly-defined goals but sharp controversy on concrete issues of policy. The concept of planned development had, however, gained adherents among a significant and powerful segment of the Congress leadership in the face of opposition from the Gandhians and representatives of the business and propertied classes, though for different reasons.

Yet even before Independence, Pandit Nehru, who had recognised the need for industrialisation to eliminate mass poverty and for the industrialisation to be founded on state, had toned down his revolutionary stance. In a series of articles published in October 1933 under the caption 'Whither India?', Nehru had explicitly recognized that one cannot gloss over 'the inherent and fundamental conflict between economic interests *within* the nation', particularly 'between [the] possessing classes as a whole and the others'. In fact, he initially thought that in India, only a revolutionary plan could solve the two *related* questions of the land and industry ---'. Yet by 1939 he made out a case for accepting 'the present structure --- as a jumping off ground'. Not only did he fear that 'a premature conflict on class lines would lead to a break-up and possibly to prolonged inability to build anything but he also believed that by beginning with 'planning apart from socialism', one would 'inevitably arrive at some form of socialism'.

It is interesting to recall that Nehru's reply to Andre Malraux, when the latter asked him in the early 'fifties what was the most difficult task he had to face, after Independence, was: creating a just state by just means [and] perhaps too, creating a secular state in a religious country ---'. Of course, Nehru was not thinking of state as such but rather of a just state in the context of his vision of an industrially developed India based on modern science and technology and his recognition that the industrialisation of India could be founded on a state. On the other hand, secularism implied his strong commitment to promoting rational/scientific modes of thinking and behaviour. As a 'man of science and technology, with faith in their progress and achievements, Nehru articulated faith of bourgeois leaders in modernisation.

Yet modernisation as a concept without being given a determining class content is utterly vacuous as an analytical tool and as a policy instrument is bound to prove ineffective if it does not take cognisance of class contradictions and class conflicts. In the same way, the fact that Nehru's faith that by beginning with 'planning apart from socialism' one would 'inevitably arrive at some form of socialism' has proved unfounded lends credence to Marx's contention that 'where the class struggle is pushed aside as a disagreeable, "coarse" phenomenon, nothing remains as a basis for socialism but 'true love of humanity' and 'empty phraseology about "justice"'. .

As the source of inspiration to the concept of planned development was the success of planning in the USSR during 1928-33, it is essential to note that in the USSR the purpose of planning as a *political* concept was to mobilise the entire nation in the process of social transformation. It was not just a technical or economic means to achieve industrialisation and it was launched more than a decade after the establishment of Bolshevik rule and after solving the major problem regarding land relations. Planning for a just society in the framework of a mixed economy - what Pandit Nehru called 'democratically planned collectivism' - was a far cry from the situation in the USSR. The choice was not based on any agreement upon economic principles. It could hardly be, if one closely examines the thinking on economic issues in the pre-Independence period. It was inevitable that the wide spectrum of the membership of the 1938 National Planning Committee - from hardheaded Big Business to socialists and near-communists - should have resulted in temporarily shoving under the carpet the inconvenient fact that politics of consensus involves fudging of economic issues.

Two components of planning in a mixed economy framework need to be noted. While the right to work at a living wage is not a *fundamental right* like the right to property, the goal of economic and social justice incorporated in plans include, following the Directive Principles of State

Policy, social justice, right to work and the right to an adequate wage as important constituents. Secondly, the state has had a significant role to play. While in the agricultural sector, reliance has been essentially on policy intervention, in the industrial sector there has been, in addition, a direct participation in production process. Not only is there state ownership of the means of production, but the state investment has also performed a dual function in creating capacity as well as sustaining demand. The apparent dissimilarity between the role of the state in agriculture and in industry should not be over-emphasized. The roots of this specific form of state capitalism have to be traced to the legacy of the colonial regime in the form of a disintegrating peasantry and partial industrialisation which already involved dominance of big business.

There is no need to go into subsequent history which is too well-known to bear repetition. Over the last three decades and a half, the goals of development policy have been reformulated and redefined. There has also been tinkering with the techniques of planning - from perspective planning to rolling plans via occasional plan holidays. In addition to planned plan holidays there have also been unplanned ones with the change in the government in power. In fact, in the recent period, planning has tended to lose much of its significance.

The gap between promise and performance in each successive plan has not shown any tendency even to narrow, leave apart to close. The strategies of development based on wishfully prefabricated theories and models have gone round in circle: between trickle-down sharing of benefit from high growth and a direct attack on mass poverty and unemployment. Of course, it has never been either/or but rather a matter of emphasis. However, in terms of actual results, there has been neither much of growth to talk about - and certainly not a take-off into self-sustained growth - nor eradication of poverty. In fact, with such slow and halting growth as there has been, the economy has found itself caught in an inflationary trap, thanks to uncovered budgetary deficits rising from year to year. The rate of inflation has accelerated from 1.5 per cent in the 'fifties to 6.1 per cent in the 'sixties and 9.7 per cent in the 'seventies, reaching the peak of 25.2 per cent in 1974-75.

Between 1950-51 and 1978-79 national income has grown at a trend rate of just 3.5 per cent, per capita income at 1.3 per cent and per capita consumption at 1.1 per cent. If 54 per cent of rural population and 41 per cent of urban population were below poverty line 1972-73, the corresponding figures for 1977-78 have been 51 per cent and 38 per cent. While the Sixth Five Year Plan had the objective of bringing down the rural poverty to 30 per cent by 1984-85, the Mid-Term Appraisal made an unprecedented claim that the percentage of rural population below poverty line had

come down to 41.5 per cent in just two years. The assumptions underlying this claim — distribution-neutral effect of increase in real income and beneficial effect of expenditure under IRDP and NREP — have been seriously questioned in many quarters. Not only is it indicative of the most casual treatment of an important subject, but it suggests the need for extreme caution in accepting figures at their face value. Perhaps 'all of us would be better off' as Robert Hooke has warned us, 'if more of us would acquire the habit of reading and listening critically when people are quoting numbers'.

The reason for persistent and accelerating inflation lies in the structure and sources of plan financing and its possibility was indicated by Michal Kalecki, the noted Polish economist of Marxist persuasion, in the mid-'fifties, when prices were still falling from the Korean war boom years. Kalecki had warned that inflationary pressures were bound to emerge in an Indian-type mixed economy undertaking large scale development expenditure, primarily because of the class character of the State. He had indicated that for the growth path initiated by State investment to be non-inflationary, it was necessary that agricultural production should grow at a commensurate rate and investment should be financed by raising resources through direct taxation of property income and indirect taxation of luxuries. Unless these two conditions were fulfilled, general inflation *via* rise in food prices would be inevitable and a substantial part of the plan expenditure would be financed ultimately out of 'forced savings' of the rural and urban poor.⁴⁰ This is precisely what has happened.

The 1985 Budget, along with a number of other measures taken by the Government, would suggest that the Government has clearly opted for a policy of profit-inflation on the assumption, which has no particular validity, that this will provide the main engine of accumulation and growth. On the other hand, employment generation and poverty alleviation outlays are being regarded as a drain on the budget, it being conveniently assumed that the benefits of growth will automatically percolate down to the poor. Yet the hypothesis of trickle-down sharing of benefit has been discredited both *between* and *within* nations.⁴¹ In any case it has no theoretical basis though it has, of course, a respectable pedigree in the Schumpeterian belief that *left to itself* capitalism can achieve not only spectacular increase in total real income but also ensure the redistribution of real income. However, in the face of actual facts, it requires more than willing suspension of disbelief to share Schumpeter's optimism that 'the factory girl shall have her silk stockings'.

The failure of both strategies has to be attributed to the reluctance to recognise that policy operates within a social framework of political and historical conditions. Policies which ignore the role of power in economic activities

are bound to prove infructuous. Unless the class monopoly in the ownership of the means of production which results in dominant economic power of those who own over those who do not is explicitly recognised, the constraints in successful implementation of policy cannot be correctly grasped. Underlying the 'unequal exchange' between the two parties is the unequal relation which implies that the two parties are of uneven strength. As a result the relevant activities are not restricted to market but there are also extra-market operations.⁴² Economic processes cannot be demarcated from the so-called political domain, because in the context of conflict of interests, government itself can be used as a vehicle for strengthening economic power. Unequal distribution of political power allows dominant groups to use techniques both to influence legislation and to subvert the processes of law.⁴³ On the other hand, as Schumpeter pointed it out long time back, in a parliamentary democracy the elected representatives are akin to economic agents except that they deal in votes instead of in commodities. Those in power require intermediaries to manage vote banks and financiers to bear the cost of elections.

Town and Country in the Indian Economy in Transition

The failure of planning to ensure a take off into a self-sustaining growth and to create a just society has accentuated social tensions. If growing castism and regionalism reflect, among other things, a sense of frustration at not having had a fair deal after forty years of Independence, strengthening of communalism and emergence of fundamentalism indicate that the need to further the secularisation of India continues to be the most serious problem facing the country even today. As the attendant social unrest has begun to pose a threat to the very fabric of nascent democracy, the single most important question that cries out for answer is 'where have the things gone wrong?'. It is in this context that the attention is focussed on the problem of town-country relation, though more in the form of the relations between agriculture and industry, with emphasis on unwarranted aspects of the dichotomy between the two.

The fact that agricultural and industrial growth are complementary, rather than competitive, processes has never been contested. This is because there is interdependence between the two sectors on both demand and supply side. Ricardo's emphasis on 'conditions of production of wage goods' in the context of his conceptual structure geared to the problem of two-way relationship between capital accumulation and profit is the most consistent theoretical expression of this. Of course, the balance between the two sectors had a much wider significance for Ricardo. Ricardo wrote at a time when 'England's resisting power [was believed to be dependent] upon the flourishing condition of her manufacture' and profit was regarded as the most important source of capital accumulation. In the context of the

sharpening of the political struggle between landlords and capitalists, the question of the relationship between rent and profit was politically significant.⁴⁴

In the present-day discussion of the balance between the two sectors, the question of class conflict is lost sight of and the problem is reduced to a technical matter. For instance, the attention is turned to such questions as the optimum growth rates of the two sectors. It is found that the required industrial growth rate normally turns out to be two or three times the agricultural growth rate. The relationship is weak in open economies and the likelihood of a high industrial growth without a high rate of growth of agriculture (in the later stages of growth) is greater than the other way round. This is because agriculture is a declining industry when growth occurs, as income elasticity of demand for food products falls and productivity growth is faster in industry than in agriculture.⁴⁵

It is not, however, the relative weights of the two sectors as the price aspect which has dominated the discussion. This reflects the 'academic imperialism' of neo-classical economics — as Paul Samuelson called it — which has made inroads even in the other social sciences. It is essential to remember that in tackling the problem of accumulation and growth, which was the basic theme which inspired them, the classical economists developed a model of reproduction (simple and expanded) and viability and their theory of natural prices was a derivative from the theory of reproduction. As Smith-Young doctrine makes it abundantly clear, for them the 'allocative' problem is how to increase the volume of economic activity and to ensure that the very process of production increases the production potential. On the other hand, the centre piece of the neo-classical theory, which is the study of market as an analogue computer, is the price system derived from the logical theory of rational choice.

The second source of influence in emphasis on price aspect is the experience of the United States which relies on 'price support' to protect her agriculture. The problem in many countries in Western Europe and America is one of deceleration of demand and the consequent accumulation of surpluses. Price policy is designed to ensure price and income stabilization. Besides, where agriculture constitutes less than 10 per cent of national output and employs about 4 per cent of labour force, as in the United States, the effect of subsidisation of agriculture is so diffused as to be negligible.

The issue of terms of trade between town and countryside and its implication for distribution between profit and rent has, of course, a long history. The Ricardo-Malthus debate on ground rent and the Corn Law was focussed on the distribution between rent and profit in the course of accumulation. The whole free trade movement culminating

in the repeal of the Corn Laws had the avowed objective of lowering the relative price of food and raw materials in relation to the price of manufacturers. Ricardo's victory over Malthus was a victory in the cause of capitalist accumulation.

While to Marx himself the so-called peasant question — more on this later — was a non-issue, Rosa Luxemburg's discussion of the possibility of nonequivalence in exchange in the sphere of circulation was designed to deal with the problem of 'realisation crisis' which would constrain the forces that sustain capitalist accumulation. While capital accumulation is the driving force of capitalist system, it may be constrained by the failure on the part of capitalists to realise the full value of their commodities in the market. Thus while surplus may be generated as a result of 'non-equivalent' exchange in the production process between those who own the means of production and those who have nothing to sell but their labour power, it may not be realised in the circulation process. Rosa Luxemburg sought the solution in an exogenous 'third market' — not to be confused with the notion of 'third persons' — in the form of the existence of primitive economies next to the developing capitalism. The terms of trade between the two would turn against the former and the problem of 'realisation crisis' would be resolved. The internalisation of the 'third market' gives exchange between town and countryside with capitalist and peasantry poised in an antagonistic relationship with each other.

The most important next stage in this history is the so-called peasant question which dominated the development in the Soviet Union in the early years following the Revolution. Agriculture being the predominant economic activity, surplus generation required for accumulation had to depend on the transfer of resources from the farm sector. Surplus grain was, however, in the hands of the rich and middle peasants. Lenin had theoretically endorsed collectivisation of agriculture because he knew that petty commodity production could provide the basis for capitalism in the countryside. He recognized the twin problem in agrarian planning as improving the technology so as to ensure a rise in production and thereby surplus and simultaneously reforming the attitude of the peasantry so as to ensure its transfer. To avoid alienating the peasantry, working peasants had to be separated from peasant owners and peasant workers from peasant hucksters. Primitive accumulation is after all no less necessary in a socialist economy than in a capitalist economy as Bukharin-Preobrazhensky debate indicated. The problem was eventually solved with Stalin's great offensive against the Kulaks in 1929. 'Since the collective farms had to accept the size and prices of the output set by the state, any 'terms of trade' problem between the agricultural producers and the state could be resolved by the government unilaterally.'⁴⁶

The context of each of the three cases cited above is different from the situation prevailing in India. To grasp the contradictions in the present-day India, we need to analyse the relationships both *within* and *between* town and countryside involving 'landlords', capitalists and workers and operating through labour, commodity and money markets. The schematics suggested for the purpose should, on the one hand, reflect the way class forces operate and, on the other, should be geared to the twin objectives in the Indian planning.

Even such a perceptive economist as Michal Kalecki would seem to have missed in his 'Intermediate Regime' some of the significant dimensions of the class forces operating in India because he confined his analysis to the problem of growth *per se*.⁴⁷ Majority of post-colonial societies — and certainly India — have not been concerned with the problem of growth only. Their problem has therefore, been more complex than merely extracting sufficient investible surplus for promoting growth.

Incorrect specification of class forces can result in either emphasis on unwarranted aspects of dichotomy between town and countryside or even bizarre inferences. When Michael Lipton holds urban bias in world development responsible for keeping the poor people poor,⁴⁸ he is focusing on the conflict between the urban *class* and the rural *class*, ignoring that neither town nor countryside constitutes a homogeneous unit. On the other hand, when Georgescu-Roegen regards the need 'to obtain food-stuff from the agricultural sector, and moreover to obtain it cheaply [as] a real problem for the industrial community' and sees 'cheap bread' as 'a cry directed against the tiller of the soil, rather than against the capitalist partner of the industrial worker'⁴⁹ he views the real *class* conflict as between the peasantry and the urban coalition of industrial workers and bourgeois capitalists!

In a social formation like India where monopoly capital exists in the town along with precapitalist relations in the countryside, with a large mass of pauperised peasants and landless labourers as a historical legacy, the 'surplus-extraction mechanism' works in a far more complicated manner than in a capitalist society. Overlaying the *antagonistic* contradiction between the direct producer and the surplus-extracting ruling class in the countryside and in the town is the *nonantagonistic* contradiction between the town and the countryside. While the relationship between the rural and the urban ruling class is both complementary and competitive, the interests of the rural and the urban poor are identical.

In connection with the problem of the relative prices of agricultural and industrial products i.e. the terms of trade, the two questions which have been debated at length in India are: (i) whether the terms of trade have moved

against or in favour of agriculture and (ii) whether these changes in terms of trade have affected the agricultural growth rate. Implicit in these discussion is interest in either distribution of income between town and countryside as a whole (i.e. with the internal composition of the two sectors being ignored) or in the pace of investment in the agricultural sector because of its implications for the growth rate.

The question of terms of trade is a tricky issue. Endless debate in this area is to be attributed to the differences among the participants in the concept of terms of trade used and the specific method used in estimating the terms of trade. While the net barter terms of trade, the commonly used concept, measures the change in the relative unit value of farm and non-farm output, income terms of trade is a better index of the purchasing power of the sector and reflects the economic betterment of the sector. In either case, if the prices paid include, as they generally do, prices of inputs as well as of consumer goods, terms of trade is an odd mixture, because it fails to distinguish between farmer as producer and as consumer. Looking at facts, during 1951-52 to 1974-75, while all prices received by agriculture rose at 5.94 per cent per annum, those paid by agriculture registered an annual rate of increase of 4.55 per cent so that the net barter terms of trade *improved* in favour of agriculture at 1.43 per cent per annum. Income terms of trade improved even more, increasing at a rate of 4.53 per cent per annum.⁵⁰

A more recent study bears out these conclusions. The author divides the period 1952-53 to 1980-81 into two sub-periods: (i) 1952-53 to 1966-67 and (ii) 1967-68 to 1980-81. The various indices are worked out with triennium ending 1961-62 as the base for the first period and triennium ending 1971-72 as the base for the second, so that the change in input-mix as a result of Green Revolution is appropriately reflected in the fixed weights used for estimating indices. During the first period, prices received by agriculture increased at 5.57 per cent per annum, prices paid by agriculture increased at 3.98 per cent per annum. As a result the barter terms of trade improved in favour of agriculture at 1.53 per cent per annum. Income terms of trade improved even more, increasing at a rate of 3.61 per cent per annum. During the second period prices received by agriculture increased at an annual rate of 6.81 per cent, while those paid at 8.53 per cent per annum. While the net barter terms of trade turned against agriculture at 1.59 per cent per annum, income terms of trade improved in favour of agriculture at 3.73 per cent per annum, because of the increase in marketed surplus at 5.41 per cent.⁵¹

These results are corroborated by the official series on money and real values of NDP. The implicit price deflator for the primary sector during the period 1950-51 to 1979-80 increased at a compound rate of 5.90 per cent per

annum compared to 4.60 per cent and 3.50 per cent in the secondary and tertiary sectors respectively.⁵² As far as the purchasing power in money terms is concerned, it is the NDP at current prices which matters. The data therefore suggest that 'it is the primary sector which has gained the most --- from the inflation which has accompanied the growth of real NDP during this period'. Of course, it is the commodity sellers in each sector who have gained from inflation and at a faster rate in the primary sector. The oft-repeated charge that the terms of trade have moved against agriculture is not supported by facts.

This should hardly be a matter of surprise. Unlike in a large segment of industrial sector where a system of administered prices obtains, exerting a dampening influence on industrial prices during inflationary periods, in agricultural sector, administered prices have been deployed in the recent years for the purpose of pushing up prices. A plea - sometimes quite vociferous and persistent - for high price for farm products - fails to take cognisance of the crucial role played by the state in shoring up farm product prices. Given the extremely skewed distribution of land, the big 'landlords' have always been the ruling class partners since independence. The state's intervention in agriculture in the form of high support prices, subsidised inputs, provision of liberal credit and negligible agricultural taxation bears testimony to the influence of this partnership.

The trend towards 'rich farmers' bias strengthened since late 'sixties - the period of the first phase of the so-called Green Revolution in the Northern wheat belt. New Agricultural strategy has implied a rapid transformation in the Indian agriculture.⁵³ While output of agricultural crops increased at a compound rate of 2.5 per cent per annum over the period 1951-52 to 1972-73, the barter terms of trade did not have a statistically significant effect on agricultural output. Its growth is largely explained by movements in non-price factors. A recent study covering the period 1952-53 to 1983-84 which concludes that the movement of terms of trade can have significant impact on the pace of investment in agricultural sector as well as its rate of growth, concludes that technological development can neutralise the impact of terms of trade turning adverse to agriculture.⁵⁴ A study of a number of developing countries also bears out the role of technological dynamism vis-a-vis favourable price policy.⁵⁵

In the Indian context the price policy has favoured certain crops and certain regions essentially because of extremely skewed distribution of land and the political power associated with it. The discriminatory attitude with respect to the fixing of administered prices of wheat compared with rice and of cotton compared with jute stems from the dominance of big farmers. In the case of jute and, to a large extent, rice, majority of cultivators are mostly

small farmers and/or sharecroppers. In contrast, the bulk of wheat crop and overwhelming proportion of its marketable surplus are accounted for by large size holdings; in case of cotton the relatively affluent farmers have also close links with trade and industry.⁵⁶ The recommendations of the Agricultural Prices Commission, set up in 1965, which is supposed to take into account not only interests of the producer but also those of consumer and the needs of the economy, are rejected as a result of political pressure. The minimum support prices and the procurement prices have been repeatedly pushed up and the distinction between the two has for all practical purposes vanished. The changes in movement restrictions by zoning have, if anything, strengthened the tendency of the procurement price fulfilling the role of a support price. As a result the prices exhibit 'a staircase type movement' remaining steady when production levels are rising and increasing when shortfall in harvest occurs.⁵⁷ Thus agricultural price policy has effectively become one of providing a floor to prices and rendered speculation a one-way bet thereby reflecting growing strength of a big farmer lobby.

The effect of political bias in agricultural price policy has been to accentuate inter-crop, intra-regional and inter-regional inequality. The myth of the hypothesis of 'trickle-down sharing of benefit' has also been exploded once again. According to a 1978 study, while Punjab and Haryana represent the most successful agricultural performance among all States, 'the poorest 25 per cent of the rural population experienced stagnant level of real consumption'.⁵⁸ Of course, it could be argued that 'trickle-down' benefits have taken the form of increased employment benefiting migrants from other States rather than increased wages benefiting the pre-existing poor. Yet the contrast between the protection offered to the rich farmers against the fall in prices and the lot of the labouring poor speaks for itself. In any case the All India Rural Labour Enquiries show a drastic decline in the level of real earnings of rural labour over the period 1963-64 to 1974-75. The rise in wages observed in Kerala is the result of the politicisation of farm labour over several decades as a result of the influence of the Communist party.

Let us now turn to developments within town. I am going to draw for this purpose on my previous work⁵⁹ except for updating the data to the extent possible. One aspect of town-country relation which is the most significant in this context is the cityward migration from rural areas. The migration to industrial centres has not only been one way but the result of push factor. This compulsive migration is in sharp contrast with the leapfrogging migration in England during the period of industrialisation or circular migration in many African countries today where, as a result, the urban wage earners are not members of working class as such.

In contrast to the precolonial period of a favourable land: man ratio, the de-urbanisation following the advent of the British rule had increased the pressure on land. As early as 1931, The Royal Commission on labour had drawn attention to a surplus of factory labour at several centres in India with labour market turning from a sellers' market to a buyers' market. Over the period 1954-55 to 1970-71, land : man ratio, as measured by operated area per head, declined from 1.28 acres per head in 1954-55 to 0.96 acres per head in 1970-71. Over the period 1960 to 1980, while the share of agriculture in GDP declined from 50 per cent to 37 per cent, in labour force there was only a slight decline from 73 per cent to 70 per cent.⁶⁰ Over the 10 years between 1964-65 and 1974-75, the total number of wage earners from rural labour household itself increased by over 54 per cent. Yet out of the overall increase in labour force of 35 million between 1971 and 1978 only 10-11 per cent found employment in organised sector. Expansion of employment opportunities in the organised sector has been lagging behind the increase in labour supply.

Cityward migrants are essentially from the lower strata of the rural hierarchy. The finding of a study of Bombay labour market throws interesting light on the link between rural poverty and the migration to the urban centre. In 1971, eighty per cent of workers in Bombay city were migrants. A little more than 94 per cent of all migrants came directly to Bombay. Nearly 52 per cent migrated because their income in the rural area was inadequate. The migrants came predominantly from the class of landless and those owning less than 5 acres. In fact the proportion of landless and those owning between 1 and 5 acres - majority owning less than 2 acres - was greater among the migrants than among the rural households. Migrants not only represented a spillover of the rural poor but in securing the job, the rural hierarchy was reproduced in the urban areas.

How has the urban labour fared? A view is held in some quarters that in collusion with monopoly capital as price maker in the organised sector, the organised working class exploits the price takers in the unorganised sector. The use of the categories of price maker and price taker belonging to the neo-classical theory which does not recognise class monopoly in the ownership of resources is, however, unwarranted. The variant of Georgescu-Roegen's inference about urban coalition of industrial workers and bourgeois capitalists flies in the face of antagonistic relation between the two groups. The emergence of working class organisations does not eliminate the fact of 'unequal exchange' between capitalists and workers. The power to bargain about money wage in the labour market does not extend to commodity market so that the working class has to accept real wage as a derived category. Being not involved in decision-making process in the sphere of production in which surplus originates, workers may receive a share in the surplus but can never be a constituent of the surplus-extracting class.

It is true the violation of the principle of Equal Pay for Equal Work does exist even when there is no apparent basis for discrimination. If the emoluments of even a peon in pharmaceuticals is more than not only that of a peon in Government but of even a peon in engineering company, it reflects the anarchy of distribution (corresponding to anarchy of production). Besides the 'islands of high wages' are also 'islands of high executive compensation' and high profit margins which have implications for the process of accumulation.

It is customary to assess the benefits which have accrued to the industrial workers as a result of planned economic development exclusively in terms of the *index* of real wages either by itself or in relation to index of per capita real income or of productivity. Yet the reliance on the *index* of per capita real wage to assess the improvement or otherwise in the conditions of the industrial workers is basically questionable because index does not give any idea about the level of earnings. It tells us nothing about whether they receive even a 'minimum wage', leave apart a 'fair wage' or a 'living wage' in terms of which the 1948 Committee on Fair Wages tried to work out a long term wage policy. Besides, average real wage, like all averages, conceals more than it reveals; it may rise with disparate changes at different wage levels.

Data collected under the Payment of Wages Act relate, no doubt, to a restricted category of 'low-paid' workers. Although a dwindling category, the 'low-paid' workers defined as the earning below Rs.200 per month for the period 1951-64, below Rs. 400 per month for the period 1965 to 1975 and below Rs. 1,000 per month from 1976 onwards, constituted more than 50 per cent of total number of workers in the first period, 60 per cent and more between 1976 and 1980. Even in 1975 they constituted 32.4 per cent and in 1984, 45.3 per cent. There is no consensus as yet on the precise level of minimum wage inspite of the recommendation of the 15th Indian Labour Conference regarding a 'need-based' minimum in 1957. When we take the much-used pre-war basic minimum of Rs. 30 per month in deference to past practice and make allowance for the rise in consumer price index, a minuscule minority received a wage equal to or higher than this figure. Comparing the real earnings of 'low-paid' workers with those of all workers, we find that over the period 1959-80, the 'low-paid workers have lagged behind all workers in respect of money earnings and real earnings and the impact of the price rise has been much more severe in their case.

This does not, of course, imply that 'non-low-paid' workers who have fared relatively better, constitute a class of elite industrial workers who have been holding the economy to ransom. It has sometimes been argued that they have pre-empted the gains of development, caused loss of output as a result of confrontation with management and by

increasing their share of surplus contributed to the so-called 'exploitation' of unorganized labour. It cannot be denied that the loss of mandays because of labour unrest implies loss of potential output and therefore potential surplus the same way as unemployment and underemployment do. Yet if the latter cannot be avoided except in a society which enforces conscription of all persons satisfying minimum age and other physical standards, the former cannot be avoided in a society which recognises right to property but does not guarantee right to work at a living wage.

The working class struggle in India has been as much defensive during the last three decades as during the pre-Independence period. About 50 per cent of labour disputes were about wage and related issues both in 1930 and 1971 and even in 1977 they were as high as 44 per cent. There is a close relation between change in consumer price index for food and various indices of strike activity. The Indian labour scene is characterized not by 'leapfrogging demand for higher pay' from organised workers but by 'Real Wage Resistance', the term John Hicks has used in the context of the British workers.

Over the period 1952-77, not only money earnings per worker but product earnings per worker increased, but increase in productivity per worker more than offset the latter so that the wage cost per unit of output declined. The share of earnings in value added by manufacture has gradually declined from about 50 per cent in the early 'fifties to a little above one third in 1980-81. The decline in the share of the earnings of workers would suggest that the distribution of the sector income has shifted against workers and there is no factual basis to support the view that the organised working class has reduced the 'surplus' available for accumulation by increasing its own share of it.

The decline in the share of earnings is largely due to structural shifts in the industrial output - not only from agriculture to industry and from traditional smaller manufacturing enterprises to factory establishment but within the latter basic industries and capital goods industries have grown faster than consumer goods as a whole and within the latter, consumer durables - the nonbasics - have grown faster than the non-durables. If the shift towards the former partly reflects the choice of 'heavy' industry model for the Second Five Year Plan, the latter reflects the ethos of late capitalism where production of 'luxury goods' is an inevitable concomitant of technical progress and the same urge that stimulates accumulation also stimulates higher levels of consumption. The structural transformation needs to be viewed, however, as a significant dimension of reorganisation of capital which is a normal response of capitalist system to cyclical fluctuations in the accumulation process.

Of course, as Marx pointed it out, all individual capitals do not have access to the reorganisation process but only 'the big firmly placed capitalists'. The specific historical conjuncture in which the industrialisation process started in India has resulted in the domination of the Indian industrial scene by a few industrial enterprises even before the completion of 'primitive accumulation'. Even when certain avenues for capital reorganisation such as price competition to enlarge market shares are constrained, there are enough options open to them - new lines of activity in addition to programmes aimed at modernisation, expansion and diversification of their existing plant facilities - to restore the conditions for continued expansion.

While the rate of real investment has been persistently high and remarkably stable over the period 1960-61 to 1974-75, the rate of growth of industrial output has fallen sharply since the mid-Sixties. A part of the explanation lies in capital reorganisation process which has resulted in shifts towards more capital intensive industries and capital intensive techniques. This has, however, reduced the employment potential of the industrial sector. Thus the large firms are not only islands of high wages and of high executive compensation, but of high productivity, high mark ups and low employment component.

The slow growth of employment in the organised industry sector has implied that the rural poor migrating to the cities as a result of growing pauperisation in the countryside are forced to resort to alternative avenues of informal income opportunities. Since 1965, there has been a substantial growth in the small sector which accounts for about 50 per cent of total factory labour of the country. The small sector is providing an increasingly larger share of ancillary components of the large industry. From the viewpoint of larger firms ancillarisation represents a form of capital reorganisation because low cost ancillaries reduce the overall wage costs and increase the 'mass of profits'. From the viewpoint of labour, it implies low wages and unsatisfactory working conditions and more importantly fragmentation of total workforce which large firms directly and indirectly control.

The strengthening of big capital vis-a-vis both small capital and labour has resulted in pushing up the profit margins of large units. Apart from the advantages which they enjoy because of their very size, their operations are sustained and strengthened by government policies in a number of ways such as fiscal concessions for asset formation and easier access to finance from term financing institutions and public sector banks.

In Lieu of Conclusion

The town-country relation in the Indian economy in transition has turned out to be much more complex than emphasis on some unwarranted aspects of the dichotomy

between the two has made it out to be. The problem of arrested and sporadic development with a partial industrialisation superimposed on a disintegrating peasant economy has been India's colonial heritage. The historical conjuncture in which India began to industrialise has resulted in the concentration of market structure at a very early stage of the industrialisation process, even before the primitive accumulation has been completed. Thus the initial contradictions themselves have been severe.

The choice of 'democratically planned collectivism' has, if anything aggravated the initial contradictions. Simultaneous existence of alternative forms of property, including the direct ownership of the means of production by the State has implied contradictions which are even more complex than in a fully developed capitalist system. Land ownership is not fully modified by capitalist production so that the direct producer in the countryside is not transformed into wage labourer and rent is a surplus in its own right. The dominance of traders' and usurers' capital has tended to constrain the growth of productive forces and perpetuate poverty in the countryside. Despite the efforts by the government to promote capitalism in agriculture through 'price' policy which confers greater benefits on the rich-farmers, there has been a deceleration in the rate of growth of agricultural output in the fifteen years following the so-called Green Revolution compared with fifteen year period prior to 1965-66. The concentration of economic power has increased in the industrial sector inspite of the declared objective of reducing it and diversification has served not only to build private empires but to increase the production of 'non-basics'.

Differentiation of peasantry which takes the form of pauperisation is conducive to neither growth of 'surplus' nor growth of market for industrial products. The links between agriculture and industry provided by the consumption of the richer strata of the peasantry of both the means of consumption (nonbasics) and the means of production are too weak to ensure sustained expanded reproduction. Behind the failure of agriculture to generate adequate surplus and of industry to channelize it in direction which will sustain expanded reproduction lie institutional constraints which 'democratically planned collectivism' has, if anything, strengthened. The existing production relations - including the corresponding exchange relations as modified by the state intervention - are becoming fetters on the growth of productive forces. In capitalist society Mao Tse-Tung regarded the proletariat and the bourgeoisie as the principal contradiction. 'The other contradictions, such as those between the remnant feudal class and the bourgeoisie, between the proletariat and peasant petty bourgeoisie, between the non-monopoly capitalists and the monopoly capitalists, between bourgeois democracy and bourgeois fascism, among the capitalist countries and between imperialism and the colonies, are all

determined or influenced by this principal contradiction.⁶¹ This characterization of contradiction is not valid for Indian-type social formation.

It was argued earlier that in seeking answer to the problem of transition, the question of the possibility of change of social relations is as much, if not more, important, as the growth of productive forces. In the Indian context, there has been no question of the betrayal on the part of the bourgeoisie to the old order. In fact the two forms of property, as independent extractors of surplus are apparently operating in a state of peaceful coexistence. Lipton's belief that Marx's insights into class antagonism can be applied to analyse the nature, cohesion and conflict of urban class and the rural class stands completely discredited. As pointed out earlier, in respect of some crops like cotton big farmers have close links with industry and trade. Politicians, bureaucrats and entrepreneurs of cities not only maintain close social ties but also have holdings of land in the countryside. Some empirical studies have also shown that the rich farmers do invest their surplus in urban ventures. On the other hand, the urban poor, the unemployed, the self-employed in the informal sector and the other migrants represent an urban extension of the rural poor.

The contrast between the 19th and the 20th century cannot be ignored. The cities of the present-day developed capitalist countries did grow explosively but were able to absorb the migrants from the countryside because they were expanding economies. In the absence of similar growth of productive employment to absorb the rural migrants, 'urbanization without industrialization' is driving the migrants into the proletarian underworld of non-work. From the viewpoint of class formation and class consciousness, these subproletariats do not constitute a separate category, distinctly marked off from the agricultural labourers or marginal farmers on the one hand, and industrial proletariat on the other. While they are not a separate category, they are also not self conscious and organised social class. They cannot be, because while they are engaged in various types of income-earning activities for their sheer survival, they are not formally incorporated in the production process, without which class consciousness cannot develop. In fact, they are often manipulated by the ruling class(es) in such a way that they become a bribed tool of reactionary intrigue and constitute a support of the status quo. Those who believe in the need for transformation of the existing structure need to turn their attention to this dimension of the development process. Unfortunately, as Mao Tse-Tung put it: 'there are thousands of scholars and men of action who do not understand' that the first requisite is to find among a number of contradictions in any complex process the principal contradiction, with the result that 'lost in a fog, they are unable to get to the heart of a problem and naturally cannot find a way to resolve [the] contradictions'⁶²

Foot-notes

1. V.K.R.V. Rao, 'Inaugural Address', 'the VIIIth World Economic Congress', New Delhi, 1986, to be published.
2. R. Williams, "The Country and the City", Hogarth Press, London, 1985 (Chatto & Windus), London, 1973.
3. The word "historicism" is used in the sense in which Maurice Mandelbaum uses it. He defines it '[as consisting] in the attempt to take seriously [in a philosophical sense] the fact of change'. See K.R. Ranadive, 'Surplus, Accumulation and Growth', *Economic and Political Weekly*, Vol. 22, No. 5, January 31, 1987, pp. PE-8 to PE-15.
4. N. Georgescu-Roegen, "Analytical Economics", Harvard University Press, 1964, pp. 17-82, especially pp. 64-6.
5. (i) M. Rein, 'Problems in the Definition and Measurement of Poverty', (pp. 46-7) and (ii) P. Townsend, 'Measures and Explanations of Poverty in the High Income and Low Income Countries : The Problem of Operationalizing the Concepts of Development, Class and Poverty' (p. 2) in P. Townsend (ed.) "The Concept of Poverty", Heinmann, London, 1970.
6. Williams, *op. cit.*, p. 290.
7. *Ibid.*
8. V.I. Lenin, 'Address to the Second All Russia Congress of Communist Organisations of the Peoples of the East, 22 November 1919', "Selected Works", Progress Publishers, Moscow, 1975, Vol. 3, p. 246.
9. N. Ray, 'The Last Phase', "The Calcutta Municipal Gazette", Tagore Memorial Supplement, September 1941, p. 25 and D. Chattopadhyaya, 'Tagore and the Indian Philosophical Heritage', *Leftview*, 5, pp. 26-41.
10. Marx wrote that 'the country that is more developed industrially only shows, to the less developed, the image of its own future'. See K. Marx, "Capital", Progress Publishers, Moscow, 1954, Vol. 1, p. 19.
11. It is increasingly being recognized that the transition to socialism is 'a two-way street' and there is no guaranteed unilinear movement to socialism. See (i) C. Bettelheim, "The Transition to Socialist Economy", Harvester Press, Sussex, 1975, pp. 9, 1984-243 and (ii) P.M. Sweezy and C. Bettelheim, "On the Transition to Socialism", Monthly Review Press, New York and London, 1971, pp. 15-54 and 107-22.
12. Critics like Karl Popper have been wrong in characterising Marx as being 'historicist' in their own sense of the term historicism. It is necessary to recall that Marx retorted indignantly when a Russian commentator tried to 'metamorphose his historical sketch of the genesis of capitalism in Western Europe into a historico-philosophical theory of the general path every people is fated to tread. ---'. See Ranadive, *op. cit.*, pp. PE-9 and PE-14.
13. Ranadive, *loc. cit.*, PE-8 to PE-11.

14. See K. Marx, "A Contribution to the Critique of Political Economy", Progress Publishers, Moscow, 1970, pp. 205-206.

15. It may be noted that unlike Bettelheim (*vide*, Bettelheim, *Op. cit.*, pp. 13-30) who focuses on economy of transition, we are focusing on economy in transition. Following Louis Althusser, Bettelheim seems to differentiate between the theory of mode of production and the theory of transition from one mode of production to another. A case for this separation is made on the ground that there is a "gap" between any actual economic system and 'ideal' mode of production in the form of 'residue', 'survival' or 'impurities', so that the real economic world is always in transition and as a result the concept of economy of transition is deprived of any specific meaning. This raises a number of methodological issues which cannot be gone into here. Because the real economic world is always in transition, we have to take a cross-section at a point of time.

16. Mao Tse-Tung, "Four Essays on Philosophy, Peking, 1966, pp. 53-4.

17. The fact that the origin of towns within (or outside the framework of) feudal society was nowhere confronted in the debate on the transition in the framework of Marxist historiography in the early 'fifties, particularly in the exchange between Maurice Dobb and Paul Sweezy, implied that the dialectics of the town-country relation was left out. See R. Hilton (Introduction), "The Transition from Feudalism to Capitalism", NLB, 1976.

18. "Transition", *loc. cit.*, pp. 17-22.

19. A.B. Hibbert, 'The Origins of the Medieval Town Patriciate', *Past and Present*, 18, Feb. 1963, pp. 16-7.

20. K. Polanyi, "The Great Transformation", Beacon Press, Boston, (1957), 1963, p. 62.

21. A. Smith, "An Enquiry into the Nature and Causes of the Wealth of Nations" (Cannan), Methuen, London, 1930, p. 390.

22. Karl Polanyi has pointed out the fallacy of orthodox economic theory in treating the market as the end of all activity and the world market as a 'natural result of the spreading of markets'. See Polanyi, *op. cit.*, Chapters 4 and 6. It is interesting to recall that in the debate on the transition between Dobb and Sweezy, the latter surprisingly supported Pirenne's thesis that commerce was the 'prime mover'. J.R. Hicks, "A Theory of Economic History" is the latest attempt at the neo-classical interpretation of history. Hicks offers an account of history seen mainly as a gradual transformation towards 'Rise of the Market' or of the 'Exchange Economy'. He even contends that 'there is a transformation which is antecedent to Marx's 'Rise of Capitalism' and which in terms of more recent economics, looks like being even more fundamental'. See J.R. Hicks, "A Theory of Economic History", Oxford University Press, 1969, Chapter VII.

23. K. Marx, *Capital*, Progress Publishers, Moscow, 1978, Vol. 1, p. 333.

24. *Ibid.*

25. In "German Ideology" Marx regards the division of labour between town and country, between capital and landed property as the central motor in the autonomous, materialist development of contradictions in civil society towards a class-divided market. See K. Marx and F. Engels, "Collected Works", Vol. 5, Progress Publishers, Moscow, 1976, pp. 64-6.
26. N. Bukharin, "Imperialism and World Economy", Monthly Review Press, New York and London, 1972, p. 21.
27. J. Merrington, 'Town and Country in the Transition to Capitalism', "Transition", *op. cit.*, pp. 178-86.
28. V.I. Lenin, "Collected Works", Progress Publishers, Moscow, 1972, Vol. 23, p. 267.
29. The data are taken from The World Bank Annual Reports 1983 and 1986.
30. E. Varga, "Twentieth Century Capitalism", Moscow, p. 90.
31. For bibliography see P. Townsend (ed.), "The Concept of Poverty", Hamann, London, 1970, p. ix.
32. J. Herbers, 'Black Poverty in U.S.-on the Rise', The New York Times News Service, *Times of India*, Feb. 7, 1987.
33. For bibliography see Ranadive, *op. cit.*, fn. 105, p. PE-17.
34. J. Walters and K. Wrightson, ' "Dearth and Social Order" in Early Modern England', *Past and Present*, 71, May 1976, pp. 22-42.
35. (i) I. Habib, 'Potentialities of Capitalist Development in the Economy of Mughal India', *Journal of Economic History*, 29.1, March 1969, pp. 32-78 (ii) (a) T. Raychaudhuri, 'Non-Agricultural Production - Mughal India (b) G.R.G. Hambly, 'Towns and Cities - Mughal India' in T. Raychaudhuri and I. Habib (eds.), "The Cambridge Economic History", Vol. 1, Orient Longman, Delhi, 1984.
36. For instance, the level of urbanisation in West Bengal is lower than in the other advanced states and there is excessive concentration. Similarly the rate of growth of urban population has been among the lowest in the country over 1951-61, 1961-71, 1971-81. See B. Dasgupta, 'Urbanisation and Rural Change in West Bengal', *Economic and Political Weekly*, 22, No. 7, Feb. 14, 1987, pp. 279-85.
37. P.M. Sweezy, "Socialism", McGraw Hill, 1949, p. 66.
38. R. Chattopadhyay, 'An Early British Government Initiative in the Genesis of Indian Planning', *Economic and Political Weekly*, 22, June 31, 1987, pp. PE-20 to PE-27.
39. K.R. Ranadive, "Accumulation, Employment and Labour Aristocracy", Tata Institute of Social Sciences, Bombay 1982, pp. 18-23.
40. M. Kalecki, 'Problem of Financing of Economic Development', *Indian Economic Review*, 2, Feb. 1955, pp. 1-32.

41. S.A.R. Sastry, 'A Survey of Literature on Poverty, Income Distribution and Development', *Artha Vijnana*, 5 March 1983, pp. 62-88.
42. K.R. Ranadive, 'Credit Planning : A Framework for Discussion', S.L. Shetty (ed.) "Framework for a National Credit Plan", National Institute of Bank Management, Bombay, 1979, pp. 8-12.
43. D. Pound, "Interpretation of Legal History", Peter-Smith, 1930, pp. 133, 156.
44. Ranadive (1987), *op. cit.*, p. PE-6.
45. R. Krishna, 'Some Aspects of Agricultural Growth, Price Policy and Equity in Developing Countries', 'Food Research Institute Studies', 18, No. 1, 1982, pp. 219-34.
46. Kahan, Quoted in R. Krishna, 'Agricultural Price Policy and Economic Development' in H.M. Southworth and B.E. Johnston (eds.) 'Agricultural Development and Economic Growth', Cornell University Press, Ithaca, 1967, p. 499.
47. M. Kalecki, 'Social and Economic Aspects of "Intermediate Regimes" 'Selected Essays on the Economic Growth of the Socialist and the Mixed Economy', Cambridge, 1972, pp. 162-69. Kalecki posits a political alliance of the lower middle class and the rich and middle peasantry in the interest of initiating a programme of industrialisation on the basis of State capitalism.
48. M. Lipton, 'Why Poor People Stay Poor : Urban Bias in World Development', Temple Smith, London, 1977.
49. N. Georgescu-Roegen, 'Economic Theory and Agrarian Economics', *Oxford Economic Papers*, 12, Feb. 1960, pp. 1-40.
50. R. Thamarajakshi, 'Role of Price Incentives in Stimulating Agricultural Production in a Developing Economy', D. Ensminger (ed.), 'Food Enough or Starvation for Millions', Tata McGraw Hill/FAO, New Delhi, 1977, pp. 379-81.
51. I am deeply grateful to Shri B.L. Mungekar for making available to me the data from his thesis which is yet to be submitted.
52. V.K.R.V. Rao, 'India's National Income 1950-1980', Sage, 1983, p. 20.
53. The extent of modernization can be gauged from the fact that over the period 1951-52 to 1972-73, gross irrigated area expanded at a compound rate of 2.59 per cent, the total value of modern inputs used increased from Rs. 21 crores to Rs. 618 crores and proportion of expenditure on modern inputs to total expenditure on all inputs (at 1960-61 prices) from 1.31 per cent to 20.78 per cent. See Thamarajakshi, *op. cit.*, pp. 381-82.
54. D.S. Tyagi, 'Domestic Terms of Trade and Their Effect on Supply and Demand of Agricultural Sector', *Economic and Political Weekly*, 22, March 28, 1987, pp. A-30 to A-36.

55. R. Krishna, *op. cit.*, pp. 234-40.
56. A. Mitra, "Terms of Trade and Class Relations", Frank Cass, 1977, pp. 128-33.
57. N. Krishnaji, (i) 'Wheat Price Movements', *Economic and Political Weekly*, June 30, 1973, pp. A-42 to A-53, (ii) 'State Intervention and Foodgrain Prices', *Social Scientist*, 3, Jan.-Feb. 1975, pp. 75-90.
58. M. Ahluwalia, 'Rural Poverty and Agricultural Performance in India', *Journal of Development Studies*, 14, April 1978, pp. 298-323. This should hardly be a matter of surprise. Even in the Punjab, where subsistence has reached in recent years higher level than elsewhere, food accounts for almost 70 per cent of the consumption expenditure of small cultivators (*vide*, National Sample Survey, 25th Round, July 1970-June 1971, *Tables on Consumer Expenditure, Indebtedness and other Economic Aspects in Rural Areas*). Given the fact that both agricultural labour households and small cultivators are net purchasers of food (see Mitra, *op. cit.*, p. 120), high prices of food naturally affect them adversely.
59. Ranadive (1982), *op. cit.*, pp. 28-48.
60. V.K.R.V. Rao (1986), *op. cit.*, Appendix, Table 4.
61. Mao Tse Tung, *op. cit.*, p. 51.
62. *Ibid.*, pp. 53-54.

R.B.R.R. KALE MEMORIAL LECTURES

<u>Lecturer</u>	<u>Subject</u>	<u>Year</u>
1. * V.G. KALE	Modern Tendencies in Economic Thought and Policy	1937
2. + G.S. GHURYE	The Social Process	1938
3. B.R. AMBEDKAR	Federation versus Freedom	1939
4. * K.T. SHAH	The Constituent Assembly	1940
5. + A.V. THAKKAR	The Problem of the Aborigines in India	1941
6. + V.L. MEHTA	A Plea for Planning in Cooperation	1942
7. S.G. VAZE	The Formation of Federations	1943
8. * JOHN MATHAI	Economic Policy	1944
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