INDIAN ECONOMY SINCE INDEPENDENCE: A *REGULATIONIST* PERSPECTIVE

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ECONOMICS

BY

Rahul De

School of Economics

University of Hyderabad

(P.O) Central University, Gachibowli

Hyderabad – 500 046

Telangana, India

CERTIFICATE

This is to certify that the thesis entitled **"Indian Economy since Independence: A *Regulationist* Perspective"** submitted by **Rahul De** bearing **Regd. No. 10SEPH08** in partial fulfilment of the requirements for the award of **Doctor of Philosophy** in **Economics** is a bonafide work carried out by him under my supervision and guidance which is a plagiarism free thesis.

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Date:
Place: Hyderabad.

Signature of the Supervisor
(Vamsicharan Vakulabharanam)

Signature of the Co-Supervisor
(K.Laxminarayana)

//Countersigned By//

Dean
School of Economics
University of Hyderabad

DECLARATION

I, **Rahul De,** hereby declare that this thesis entitled **"Indian Economy since Independence: A *Regulationist* Perspective"** submitted by me, under the guidance and supervision of **Dr. Vamsicharan Vakulabharanam and Dr K.Laxminarayana,** is a bonafide research work which is also free from plagiarism. I also declare that it has not been submitted previously in part or in fill to this University or any other University or Institution for the award of any degree or diploma. I hereby agree that my thesis can be deposited in Shodganga/INFLIBNET.

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Place: Hyderabad.

Signature of the Student

Regd. No. 10SEPH08

Signature of the Supervisor

(Dr K.Laxminarayana)

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TABLE OF CONTENTS

Acknowledgments

List of Tables……………………………………………………………………………………..ix

List of Figures………………………………………………………………………………….....x

Chapter 1: Introduction……………………………………..……………………………………..1

The Problem……………………………………...……………………………………...1

The Setting……………………………………...………………………………………….2

Hypotheses……………………………………...…………………………………………2

Methodology…..……………………………………...…………………………………………..3

The Intervention…..…………………………………..…………………………………………5

Plan for the Dissertation…..…………………..…………………………………………………6

Conclusion for the Dissertation……..…………..……………………….…………………7

Chapter 2: PARIS REGULATION SCHOOL: AN OVERVIEW……………………………...10

Economic Literature on Periodizing the Indian Economy…..……………………………10

Paris Regulation School…………………………………..……………………………11

Social Structure of Accumulation………………………..…………………………..15

Paris Regulation School: Conceptual Differences from Other Orthodox Theories…..…...19

Paris Regulation School: Synopsis of Michael Aglietta's Work………..…………………...25

Paris Regulation School: Limitations……………………………………….…………….…31

Chapter 3: REGIMES OF ACCUMULATION IN INDIA……………………………………..37

Framework for Identifying Regimes of Accumulation………..…………………….....…38

The Indian Economy before Independence…………………..……………………...43

1950-67: Pre-Eminence of Planning and State Capitalism Led by Investment and Government Spending……………………………………...………………………..44

1968-80: Green Revolution and Populism……………..…………………………………51

1980-91: Broad-based Growth Driven by consumption: High Growth with stagnant inequality……………………………..……………………………………57

1991-2013: Neoliberalism: High Growth With Rising Inequality……..…………………....63

Conclusion…………………………………………………….……………………….....73

Chapter 4: MODES OF REGULATION IN INDIA I: LABOR PROCESS……………………94
Modes of Regulation in India……………………………………………………………96
Conceptualizing Labor Processes in India…………………………………………..97
Informal Coercive Accumulation……………………………………………………..110
Petty Commodity Producers……………………………………………………………119
Fordist Institutionalized Labor…………………………………………………………128
Interdependencies Between Labor Process……………………………………….....139
Conclusion……………………………………………………………………………...144
Chapter 5: MODE OF REGULATION IN INDIA II: MODES OF RELATION BETWEEN STATE AND ECONOMY…………………………………………………………149
Economic Theories of the State………………………………………………………...149
A Regulationist Theory of the Capitalist State………………………………………..161
Theorizing the Mode of Relation Between State and Economy in India………………...163
Typology of the State in Regimes in India………………………………………………170
Conclusion……………………………………………………………………………...179
Chapter 6: A REGULATIONIST HISTORY OF THE SECOND REGIME (1965-79)………183
The Nehruvian Regime and the Crisis of 1965-66………………………………………183
The First Moment of Liberalization…………………………………………………….185
Making Sense of the Indira Regime: The Class Basis of Indira's Policies…………...….198
Conclusion……………………………………………………………………………...210
Chapter 7: CONCLUSION………………………………………………………………….217
Analytical Categories of Periodization………………………………………………..217
Importance of Crisis and Contingency………………………………………………….217
RA Theory for the Post-Colonial Economy…………………………………………….219
Importance of Modes of Regulation…………………………………………………….220
Policies to Delay Crisis in the Current Regime………………………………………..222
Future Research Avenues……………………………………………………………….223
REFERENCES……………………………………………………………………………...225

LIST OF TABLES

Table 1. Summarizing Regimes of Accumulation in India ……………………………………………..73

Table 2. Growth Rates and Contribution Share of Components of GDP Market Price…………...78

Table 3. Sectoral Growth Rates……………………………………………………………...79

Table 4. Calculation of Proxy for Consumption Inequality in Rural Areas………………………..80

Table 5. Calculation of proxy for Consumption Inequality in Urban Areas ………………………81

Table 6. Inequality in India (Gini) – (1983-2010)…………………………………………………81

Table 7. Total Wages and Profits in Registered Manufacturing…………………………………....82

Table 8. Factor Shares in Organized and Unorganized Sectors (1980-2009/10)…………………...83

Table 9. Processes of production and reproduction with a labor process………………………...104

Table 10. Modalities of Labor Processes in India………………………………………………...108

Table 11. Typology of State Intervention in Each Regime………………………………………167

Table 12. Typology of Reproductive Mechanisms Within the State, in Each Regime……………170

Table 13. Factor Shares in Organized and Unorganized Sectors (1965-66 to 1974-75)…………...212

LIST OF FIGURES AND GRAPHS

GRAPH 1. Growth Rate of GDP (at Market Prices) Within Each Regime……………………….85

GRAPH 2. Consumption Inequality (ratio of top to bottom deciles)…………………………….85

GRAPH 3. Gini Coefficients (Rural, Urban and Total: 1983-2010) ……………………………...86

GRAPH 4. Fiscal Deficit as Proportion of GDP at Market Prices (1970-2009)………………….86

GRAPH 5. Composition of Capital Formation as a percentage of total gross domestic capital formation (at current prices)………………………………………………………………….87

GRAPH 6. Composition of Capital Account from 1980-81 to 1991-92…………………………88

Graph 7. Composition of Capital Account from 1992-93 to 2005-06……………………………89

Fig. 1. Mechanisms through which the labor process is embedded in an accumulation cycle…….101

Graph 8. Composition of Capital account from 1950-81 to 1979-80…………………………….213

CHAPTER 1: INTRODUCTION

The Problem

Historical analysis provides an important context for understanding contemporary events. The key to understanding the successes and malaises riddling the contemporary Indian economy, is to compare and contrast it to the dynamics of the economy in the past. A sound understanding of historical events needs a framework to contextualize historical developments, within the dynamics that influenced them. An exercise in writing history requires a basis for breaking down a longer period into smaller periods of stable dynamics dotted by breaks/discontinuities/crisis.

Different periodizations with which to understand the Indian economy have been theorized by Indian economists (Balakrishnan & Parameswaran, 2007; Bhaduri & Nayyar, 1996; Kohli, 2004; Nagaraj, 2012; Patnaik & Chandrashekhar, 1995). However, the categories used to periodize the economy in these works have been descriptive[1]. Moreover, they have tended to treat the period before liberalization as a homogenous period of low growth and excessive state intervention. Consequently, the introduction of liberal reforms over the 1980s and 90s is treated as a watershed moment in the Indian economy. Such a categorization tends to have two kinds of biases which affect historical comparisons. First, the period before the introduction of liberal reforms is seen as homogenous, and crucial transformations that the economy went through in the first three decades after independence are missed. Second, the period after liberal reforms is perceived as an improvement over the previous years. Such biases color analyses of the pre-liberalization era, and limit the important lessons and intuitions that can be gained from studying the Indian economy before liberalization.

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[1] These works will be discussed in more detail in Chapter 3.

This dissertation engages with the need to periodize the Indian economy within analytical categories which can be used to understand the dynamics of the economy and avoid some of the inherent biases mentioned above.

The Setting

This project was conceived around the time of the Global Financial Crisis of 2008 and grapples with the following two issues that were debated in the aftermath of this crisis: first, the failure of the discipline of economics to identify this crisis, and second, the unjustly distributed consequences of this crisis. Thousands of workers lost their jobs and were stripped of their assets, while the state bailed out financial institutions ravaged by the crisis in the United States. The crisis and the critical debates that followed has raised many issues which I felt were important to understand within the Indian context. This project was initially conceptualized with questions such as: Is Indian capitalism susceptible to such crises? Are current economic theoretical frameworks capable of identifying such events? What would be the consequences of such a crisis?

In undertaking research about such questions two key issues came about: the first was a need to historically understand the development of capitalism in India; the second was a need to conceptualize a framework specific to the requirements of such a project.

Hypotheses

Through the process of writing this dissertation my central objective was to periodize the Indian economy into several phases, and to create a framework to analyze each of these phases within its historical context. I used concepts derived by the Paris Regulation School[2] to carry out

[2] The Paris Regulation School is described in detail in Chapter 2.

such an analysis. Some of the crucial hypotheses made in the process of applying these concepts to periodize the Indian economy are:

1) The evolution and development of the Indian economy was not a linear process but one riddled by contingency and crisis.

2) Crisis plays a crucial role in determining the dynamics of a regime of accumulation[3].

3) Growth and economic stability are mediated through reproductive mechanisms[4] embedded within the economic structure.

Methodology

This dissertation pursues a combination of theoretical framing, empirical investigation, and analytical historical analysis. The main objective of this dissertation is to periodize the Indian economy into analytical[5] categories. I take recourse to the Paris Regulation school's[6] theorization of capitalist economies. The second chapter describes the historical context of the Regulation school's origin and the main concepts developed by it. In this dissertation I modify the concepts developed by the RA school. This is a necessary exercise since the RA school's theorization has been focused

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3 Regime of accumulation is a concept derived from the Paris Regulation school. This is described and used as an analytical category to study the Indian economy in Chapter 3.

4 Reproductive mechanisms are described and used as an analytical category to study the Indian economy in Chapters 4 and 5.

5 Periodizing can be done through descriptive categories which label a period. Descriptive categories used to describe the Indian economy have ranged from 'License Raj Era' referring to the period of license raj, Dirigiste Regime which refers to the period of overt state intervention, Nehru's Regime referring to the period where Nehru was the prime minister, and so on.

6 The Paris Regulation School is described in detail in Chapter 2.

on developed economies and its analysis isn't completely applicable to the Indian economy[7]. Moreover, certain economic dynamics which are important to understanding the development of the Indian economy are given less importance in RA literature. Consequently, Chapter Four conceptualizes the role of informal labor processes and Chapter Five the role of the state in determining the accumulation process in India. Lastly, data sources are limited in India and some of the variables used in RA analysis – such as profit rates and income inequality – aren't easily available for the Indian economy. Instead I have selected variables which can substitute the analytical importance of the variables selected by the RA school: for example, consumption inequality is picked to substitute for income inequality. Chapter 6 applies the framework conceptualized in this dissertation to write an analytical descriptive history of the second regime (1965-80).

Secondly, this dissertation employs a variety of empirical techniques to periodize the dynamics of the Indian economy. It applies a Keynesian aggregate demand-led analysis, based on National Accounts data, to calculate the drivers of growth. It uses a formula derived from Kotz and Zhu (2011) for the above analysis. It also derives trends from macro-economic data such as sectoral growth, consumption inequality, patterns of capital formation, public expenditure, and external trade balance to periodize the dynamics of the Indian economy.

Thirdly, this dissertation uses an analytical historical analysis, applying RA concepts to study the Indian economy. A historical analysis focuses on how macro-economic dynamics, state policies and class forces determine economic outcomes. I use a political economy method to analyze the process through which accumulation is driven and distributed amongst various interest groups in each phase of the India economy. The political economy analysis aids in determining how

[7] Crucially there are certain processes which affect the dynamics of capitalist development in the Indian economy, which were not present in the developed economies that the Regulation School studies. I mention these differences in detail in Chapter 2.

contestations and negotiations between different interest groups and the state determine the economy. I have also conducted archival research in the Teen Murti Library in Delhi, to study original historical material to support the arguments made in this dissertation. During the period of archival research I examined policy documents, parliamentary committee reports, white papers, Congress Working Committee minutes, the private papers and public speeches of prominent leaders, and newspaper reports from the 1950s to the 1980s to substantiate arguments made in this dissertation.

The Intervention

This thesis provides a framework to periodize and understand the dynamics of accumulation and distribution in the Indian economy. It borrows concepts from the Regulation School. Crucially, it revises concepts derived by the Regulation School, to fit the requirements of the Indian case. It explores the importance of informal labor processes and the role of the state in the development of the Indian economy. This dissertation makes contributions to the field of economic history and development.

First, this dissertation contributes to the literature on the history of the modern Indian economy. I seek to periodize the dynamics of accumulation and distribution in the Indian economy, during the period 1950-2012, into four different regimes based on a clearly defined methodology. I use a multi-dimensional characterization of regimes that focuses on growth, macro-economic dynamics, distributional dynamics and policy orientation.

Secondly, it contributes to the Regulation School literature by applying their framework to the study of post-colonial transitional economies. Moreover, it modifies concepts derived by the Regulation School to analyze the Indian context.

Thirdly, it contributes to the literature on development in India. It provides a framework with which to study informal labor processes in India, and explores reproductive mechanisms embedded within the labor process. This framework provide a typology of modalities of labor processes in India and articulates the potential inter-linkages between these modalities. These mechanisms explain the persistence of informal labor processes and how they buttress the growth process. It also provides a framework within which to understand the role of the state in the development process. Economic literature has tended to perceive the state as having a functional[8] or instrumental[9] role in determining developmental outcomes. This framework used in this thesis introduces the importance of state autonomy and historical contingency in understanding state interventions. These concepts are used to understand the contributions of a strong interventionist state in determining the dynamics of the Indian economy.

Plan for the Dissertation

The second chapter provides a discussion of the RA tradition: its historical roots, its distinctiveness from other orthodox economic traditions, its key findings and common criticisms of this tradition. It argues that the RA tradition provides concepts and frameworks conducive to this study. The third chapter periodizes the growth and accumulation dynamics of the Indian economy from 1950 to 2012, within multiple regimes of accumulation. It argues that the Indian economy witnessed four qualitatively different regimes of capitalist growth and distribution since independence. The fourth and fifth chapters develop the concept of modes of regulation to

[8] Functionalist social theories are structuralist theories where the elements of the structure play a functional role in the over-all structure.

[9] Instrumental theories are theories where one element of the structure serves an instrumental purpose in the overall structure. The state in public choice theories is an instrumental state, as it will support certain vested interest groups based on economic calculations. The state has no autonomy in decision-making, according to this theory.

understand why there were certain periods of stable growth in India and what led to the breakdown of these regimes culminating in crises. The fourth chapter conceptualizes capitalist labor processes in India and demonstrates mechanisms through which it is embedded within a regime of accumulation. The fifth chapter analyzes whether the role of the state in mediating capitalism was different in each of the regimes of accumulation, and identifies mechanisms which determine the degree of autonomy in policy-making that the state has in a regime. The sixth chapter uses the regulationist framework derived in chapters three, four, five and archival material, to construct a descriptive history of the development of Indian capitalism in the second regime. This chapter demonstrates how the revisionist RA framework, which is derived in this thesis, can be used to study capitalism and its crises in India.

Conclusion for the Dissertation

In this thesis I argue that the Indian economy witnessed four different regimes of capitalist growth and distribution since independence. The first two regimes in the period 1951-1980 operated under the hegemony of the Indian state, the third one under the mixed hegemony of the state and private capital (1980-1991), and the last one under the hegemony of private capital (1991-2012). These four regimes are associated with very different growth and distributional dynamics, roles of the state, and ended with crises of diverse kinds that then ushered in new regimes.

I have theorized the role of labor processes in an accumulation regime and have derived a conceptual framework to analyze the labor processes in India. I have broken the structure of a labor process into three dependent divisions, namely: relations of production, relations in production and worker's way of living. I have also conceptualized five reproductive mechanisms which ensure that the dynamics of each of these labor processes are maintained from one accumulation cycle to another. The mechanisms of reproduction are also referred to in the RA literature as modes of regulation. I have applied the regulationary framework to conceptualize three different modalities of labor processes existing in India, namely, Coercive Informal Accumulation, Petty Commodity Producers, and Fordist Institutionalized Labor. I have further conceptualized the inter-linkages between each of these labor processes.

I have also conceptualized a framework to typify the nature of state intervention, and identified mechanisms which mediate the amount of autonomy a government has in policy-making. This thesis also crucially introduces the concept of contingent necessity in understanding state action. This conceptual framework is used to describe the role of the state in mediating the economy in each of the above described regimes.

Lastly, this thesis applies the revised regulation framework derived within it to write a descriptive history of the second regime, based on archival material sourced from Teen Murti Library in Delhi. It identifies crucial moments in the second regime, which influenced the process of liberalization that the economy experienced from the 1980s onwards.

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CHAPTER 2: PARIS REGULATION SCHOOL: AN OVERVIEW

This thesis theorizes the nature and dynamics of capitalist development in India. It conceptualizes an analytical framework which is used to periodize the development of capitalism in India. This chapter argues that the Paris Regulation School (henceforth RA[10]) provides a framework that is suitable for such an analysis. This chapter contains a detailed commentary on the RA tradition and its main findings.

Economic Literature on Periodizing the Indian Economy After Independence

A sound understanding of historical events requires a framework to contextualize historical developments, within the dynamics that influenced them. An exercise in writing history requires a basis for breaking down a longer period into smaller periods of stable dynamics dotted by breaks/discontinuities/crises. There exists substantial literature from across the ideological spectrum (both left and right) on a history of the Indian economy post-independence. The most popular periodization, in this literature, is based on the introduction of liberal reforms undertaken by the state in 1991. The periods, before and after 1991, have been identified as different phases in the history of the Indian economy; each phase having its own economic policy and growth dynamics. The pre-liberalization phase has been referred to as the 'license Raj' or the 'dirigiste regime' and is considered a period of low growth and excessive state intervention in the economy. The post '91 period is referred to as the liberalization period and is associated with high growth and a transition from state directed to market driven development of the economy. While these categories are useful descriptively they are unsuitable for apprehending the specific dynamics and transitions that the economy has gone through. Atul Kohli's (2006) seminal work on the political economy of India in

[10] Conventionally the Paris Regulation School has been referred to as the RA school. I will use the same convention in this dissertation.

the 1980's challenged this popular periodization. Kohli demonstrated that not only are the 1980s a high growth phase, they also mark the transition of the economy towards liberal reforms. Kohli traced the introduction of liberal reforms in 1991 to a host of political and economic developments in the previous decade. This called into question placing the 1980s in the pre-liberalization phase. Nagaraj (2012) went a step further by arguing that the period between 1950 and1980 can be broken up into two different phases, on the basis of different macroeconomic dynamics in each phase, namely 1950-1966 (referred to as the planning era) and 1967-80 (the period of shocks and crises). This categorization problematized the designation of the whole period of 1950-80 as homogenous. Balakrishnan and Parameswaran (2007) demonstrated that if growth is considered the only parameter then 1978-79 should be considered the watershed period, with different growth phases before and after this year. These attempts by scholars to periodize the Indian economy demonstrate that the choice of periodization affects the analysis and conclusions that are drawn from a study. Moreover, it also reveals that descriptive categories of periodization are not very useful for analyzing the dynamics of change in the economy. This thesis will theorize a different periodization of the Indian economy based on the framework provided by the Paris Regulation School, and will argue that such a periodization provides a more nuanced understanding of the dynamics of capitalist development within the economy.

Paris Regulation School

Paris Regulation School: Intellectual Roots

The Paris Regulation School was founded by a group of macroeconomists (Robert Boyer, 1990 and 2002; Michel Aglietta, 2001; Bernard Billaudot, Hugues Bertrand, Jacques Mistral, & Alain Lipietz, 1987; Jessop, 2001 and 2007) from the French institute CEPREMAP in the 1970s. They were connected to the state planning apparatus rather than being directly employed in the academic world. This was a period of great intellectual turbulence in France following the Paris student riots of 1968. The founders of the Paris Regulation School were disenchanted with the failures of both the neoclassical and the structural Marxist schools in explaining the stagflation crisis of the 1970s[11]. They hoped to prepare the theoretical ground for an alternative account of the events leading up to the 1970 crisis.

The founders of the Paris Regulation School trace their project back to the seminal dissertation by Michael Aglietta titled "A Theory of Capitalist Regulation: The US Experience". Aglietta had posed certain new questions about the stagflation crisis in his book, and had critiqued[12] both the structural Marxist and neoclassical explanations for the crisis. Aglietta conjectured that crisis is not an unnatural state for an economy to be in. Instead he believed it was important to ask what ensured long periods of stability in the economy, given the multiple contradictions that existed within the economy at any point of time. This was in stark contrast to other economic theories which tried to explain why the 1970s crisis occurred and how the global economy could overcome it. Aglietta believed that in order to understand the 1970s crisis, one must understand why there was a period of stability in the Western capitalist world in the period preceding the crisis. He conjectured that there existed certain institutions and mechanisms which ensured that stability is maintained in the face of contradictions. Consequently, the 1970s crisis was a result of the breakdown of these stabilizing institutions and mechanisms. Aglietta's seminal work on the development of capitalism in the US provided a framework for studying the capitalist development of a country in terms of accumulation and regulation. This framework is based on the idea that capitalist development is

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11 The crisis was characterized by high inflation, stagnant business activity and increasing unemployment rate.

12 These critiques are described later in this chapter.

inherently unstable and contradictory. Consequently, any period of stability can only be achieved through certain institutions and mechanisms. The RA school further developed the concepts introduced by Aglietta and applied it to study other developed capitalist countries such as France, UK, Japan and the Scandinavian countries.

Parallel to the developments in France, a school of thought developed in America called the Social Structures of Accumulation School. This school shared certain concerns and concepts with the regulation school but crucially differed in their frameworks and methodology. The SSA school will be discussed in more detail later in this chapter.

Paris Regulation School: Main Concepts

The regulation approach provides an interesting and fruitful way to analyze the interconnections between the institutional forms and dynamic regularities of capitalist economies. The RA school considers society, and within society, economic activities, to be a network of social relations. Further it assumes social relations to be fundamentally contradictory. Historically, the configuration of social relations has been found to be stable for long periods of time. This stability in the presence of contradictions is referred to as a regime of accumulation. An accumulation regime is a complementary pattern of production and consumption that is reproducible over a period of time. It is defined as "a way of dividing and systematically reallocating the social product." (Lipietz, 1987, p. 3) It comprises of a certain form of organization of labor and pattern of sharing out of the productivity gains stemming from capitalist development. A regime is identifiable by a certain stable pattern of appropriation, accumulation, realization and distribution of surplus in an economy. The RA school breaks down development of economies within periods of stable reproduction of: the overall economy, economic crisis and new period of accumulation which is qualitatively different from the previous regime. Each regime is analyzed as a long wave of economic expansion and contraction followed by a crisis. The RA school identified three different regimes of accumulation within Western capitalist countries namely the Extensive regime which is characterized by mechanism of absolute and relative surplus appropriation, the Intensive or Fordist regime which is characterized by mechanisms of relative surplus appropriation, and the Flexible or post-Fordist regime characterized by flexible labor processes. (Jessop, 2001)

Capitalist reproduction is both contingent and precarious. It proceeds smoothly only so long as its inherent tensions, conflicts and contradictions can be contained through institutional mechanisms. The stability of an accumulation regime is mediated by a mode of *régulation*. While regulation means legal control in the English speaking world, in French it has a different meaning. It is based on Gramsci's notion of domination with consent; and shouldn't be understood as planned external control but as an imbibed notion of control and self-regulation. Such a subtle difference has vastly different implications in terms of theory. For example, the state curbing of labor strikes is a visible form of regulation; however, the lack of trade unions for skilled workers like software engineers is considered a form of regulation in RA frameworks.

A mode of *régulation* is defined as an emergent ensemble of norms, institutions, organizational forms, social networks, mechanisms and patterns of conduct that can stabilize an accumulation process. (Jessop 2007) Modes of *régulation* ensure that individual behavior is in line with the needs of a regime of accumulation. These mechanisms structure, facilitate and guide the accumulation process. The RA school identified five modes of *régulation* within Western capitalist countries namely: the wage-labor nexus (organization of work, labor markets, wage bargaining), forms of competition between capital, monetary regimes (money, banking and credit system, monetary policy), forms of the state intervention, and methods of insertion of the economy within the international regime (capital flows, international currency exchange rates, foreign trade and investment policies, international political arrangements). Each of these modes took a different form in differing accumulation regimes. These are described in more detail in chapter four.

Crisis is defined popularly as an episode during which the continued economic reproduction of an economy is blocked, either due to a disaster or accident or external events. The RA school contested the conception of crisis by economists as an unnatural state or abnormality within a phase of capitalist reproduction. Instead, they defined crisis as a catalyst of qualitative change within a regime of accumulation. A crisis plays a crucial role in capitalist development by indicating that the current phase of accumulation is unstable. Moreover, it forces a change in the mode of *régulation* in an economy in order to establish a new phase of accumulation. The RA school identified many kinds of crises which include structural crises, cyclical crises and endogenous crises. However, the RA school theorists focused their analysis on structural crises in an accumulation regime and structural crises within a mode of regulation. (Boyer 2001, p. 179)

The RA school focuses on the changing combination of economic and extra-economic institutions that help secure, within an economy, a certain stability and predictability in accumulation. The RA school was not the only alternative theory engaging with the stagflation crisis. Across the Atlantic, another school of thought called the Social Structures of Accumulation shared similar concerns, and theorized comparable concepts.

Social Structures of Accumulation (SSA)

SSA Theory was developed in the 1970s and early 1980s by David Gordon, Richard Edwards and Michael Reich (1982) as a way of relating long cycles of growth and stagnation in capitalist history to periods of change in the institutional structure of capitalism. The SSA school arose in the aftermath of the 1970s stagflation crisis in America[13]. The concurrence of high levels of inflation and high unemployment during the stagflation crisis challenged the Keynesian orthodoxy that there is a tradeoff between both economic dynamics. This led to a period of theoretical innovation which included monetarism (Friedman & Swartz, 1963) and rational expectations inspired macroeconomics (Lucas, 1972). SSA theory constituted another alternative theoretical response.

SSA theory perceives periods of capitalist accumulation as characterized by class conflicts and a mismatch between investment decisions and expectations. SSA theory argues that these inherent problems in capitalism can be alleviated "through the construction of sets of institutions that mitigate and channel class conflict and stabilize capitalists' long run expectations." (Gordon, Edwards, & Reich, 2010, p. 2) SSA theories conceive of institutions as broadly economic, political, ideological or cultural in character. Organizations of markets and structures of capitalist competition are examples of economic institutions. The state and its various organs and associated policies are sites for the formations of political institutions. Ideological and cultural institutions include the educational system and systems of religious beliefs. "The economic, political, ideological and cultural institutions of any social structure of accumulation are mutually compatible and generally supportive of each other as well as supportive of the accumulation process. Thus each SSA constitutes a relatively unified structure." (Mcdonough et al., 2010, p. 4)

When an SSA is in place then the determinants of profit rate and expectation of profits amongst capitalists is stabilized. Capitalists will increase levels of investment in periods of high profit expectation leading to growth and expansion. However, the process of expansion will lead to a

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13 It shared similar concerns to the Regulation School.

breakdown in institutions comprising an SSA, like class conflicts, increasing competition in product and resource markets, and changes in the political party in power leading to changes in dominant ideologies. The integrated character of the institutions of SSA lead to the mutual destabilization of each other, and the economy enters a long period of stagnation. Under conditions of stagnation, class conflict will increasingly focus on restoring the conditions for renewed profitability and accumulation. Different classes and social forces will favor different programs and initiatives which support their class interests. Over a period of time the implementation of new plans and policies, determined by class struggles, will lead to the construction of new sets of institutions which will lead to the formation of a new SSA. The SSA school has produced analyses of US history from the mid to late nineteenth century to contemporary times and have theorized four different SSAs. (McDonough et al., 2010)

While RA theory and SSA theory developed independently, the "commonalities between the theories were explicitly acknowledged by Gordon and Reich (2010, p. 5) in presentations to Boyer's seminars[14] in the 1980s. Robert Boyer was one of the prominent theorizers of the RA school and expanded on Aglietta's (2001) early works. This led to a series of joint works between Samuel Bowles and Robert Boyer (1988, 1990 a, 1990 b). In a separate work, SSA theorist David Kotz (1994) has identified the similarities between these two approaches. He argues that "both theories set out to explain long run patterns of capital accumulation by analyzing the relationship between that process and the sets of social institutions that condition or regulate it." (p. 4) He argues that both schools use analogous concepts and claims that they both view capitalism "as moving through a series of stages, each characterized by a specific form of the accumulation process embedded in a particular set of institutions." (1994, p. 86) These stages end with a structural crisis that results from

14 The proceedings of this seminar were published as a monograph. (Boyer 1990)

the failure of the institutions to continue to successfully buttress the accumulation process. The crisis ends with the creation of a new set of institutions.

There are however a distinct set of differences between the schools[15] which have contributed to the RA framework being chosen in this thesis. In their analysis, the SSA school places a greater emphasis on the blockages within the determinants of capitalist's investment decisions. RA theory places a greater stress on production relations and the class distribution of income. RA theory locates the origin of a crisis within the dynamics of a regime of accumulation, while SSA links a crisis to the breakdown of institutions within an SSA. More recently, RA theory has placed a greater emphasis on the role of the modes of regulations. Crucially for the RA school, (Aglietta, 2001) the specific mode of regulation is not governed by a general framework and a set of laws, as are the institutions within a social structure of accumulation. Instead each mode of regulation "has its own rationale, the integrity of its own structure that makes it persevere in its perceived social role." (McDonough et al., 2010, p. 6) This essentially means that each regime of accumulation is historically unique and is governed by its own set of dynamic interactions between economic relations and modes of regulation. RA theories postulate that a regime does not follow a set of general laws of accumulation. This fits in well with the main idea this thesis explores, which is that Indian capitalism developed due to contingent factors which can be explained within its specific historical context.

These differences were crucial in choosing RA theory over SSA theory in framing this thesis. Since this thesis focuses on theorizing a historically unique set of dynamics and transformations that the Indian economy went through, RA theory provides a framework appropriate to this kind of

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15 Social Structures of Accumulation and Paris Regulation School

analysis. Moreover, this thesis focuses on two specific institutions in India: labor processes and the state. RA theory is more conducive to framing such an investigation, as each mode of regulation can be analyzed within its own set of dynamics. SSA theory demands a more comprehensive theorization of a set of institutions and links an SSA to the mechanisms coordinating these sets of institutions. An exhaustive survey of institutions in a regime is beyond the scope of this thesis. Lastly, this thesis emphasizes the role of inequality in driving the accumulation process in India, something that RA theory has also strongly emphasized. Given these differences, this thesis utilizes RA theory as it provides concepts more conducive to its needs.

Paris Regulation School: Conceptual Differences from Other Orthodox Theories

RA theory, since its inception, has attempted to differentiate itself from other orthodox economic theories. While its main critique has been towards the perceived inability of general equilibrium (henceforth GE) theories in explaining the stagflation crisis of 1970; it is equally critical of the structural Marxist and Keynesian explanations of the stagflation crisis. This section reviews the conceptual differences between the RA school and other orthodox economic theories, and argues that the RA school framework is more appropriate for this thesis.

General Equilibrium Theories

The RA thinkers are staunch critics of the GE tradition. They describe GE theories as totalitarian in character as they reduce any unexplainable economic phenomenon to imperfections or the results of the irrational behavior of agents. The Neoclassical tradition argued that overt intervention by the newly formed Keynesian welfare state in western developed nations was the cause of the stagflation crisis. Crisis is perceived by GE theories as an abnormal state, which the system enters because of its failure to achieve equilibrium, as a result of imperfections in the economy – which in the case of the stagflation of the 1970s was excess state intervention.

GE theories perceive individuals as independent, rational, calculating, and utility-maximizing agents with pre-given and stable preference functions also popularly termed as *homo economicus*. RA theory instead conceptualizes individuals as determined by the social relations they are embedded within. For example, the wage contract (the relationship between worker and capital), exchange of goods (the relationship between consumer and producer), and welfare schemes (the relationships between individual and state) are all analyzed as social relations. As a consequence, an individual's actions and choices cannot be predicted in advance, instead they have to be analyzed within the historically specific social relations in which they are embedded. Moreover, the RA theories assume that all social relations are inherently contradictory and require regulationary mechanisms to stabilize them.

GE theories analyze the economy as a delimited, socially dis-embedded sphere of economic relations marked by a tendency towards general equilibrium. Hence, they believe that economic phenomena are solely determined by economic variables. The RA school believes that the economy is embedded within larger processes in society. For example, Boyer (1990) points out that markets are embedded within certain legal rules, disciplinary mechanisms and cultural norms of transaction. Hence an economic phenomenon is equally determined by social, political and cultural processes. The RA school adopts a revisionist account of capital accumulation and emphasizes its socially embedded and regularized nature. It focuses on the historically contingent ensembles of complementary economic and extra-economic mechanisms and practices which enable stable accumulation to occur over a relatively long period of time. The RA school added, against the orthodoxy, that economic, political and social institutions matter and should therefore be seen as endogenous to the functioning of the economy.

Keynesian Theory of Crisis

While RA theory is rooted in Keynesian macroeconomic insights, there exist crucial disagreement between the two theories. Keynes (2008) provided an alternate explanation then GE theories, of the great depression and critiqued the classical notion that supply creates its own demand. In his analysis planned investment spending is the crucial determinant of levels of output and employment. Keynes argued that investment plans depend on anticipation of profits amongst investors. His central argument was that the difference in profit rates and interest rates determines the viability of an accumulation process. This difference is the driver of profit expectations. His analysis focused on short term determinants of profit and interest rates. Two conclusions followed from this notion. The first was that expectations of profit will be volatile leading to erratic capitalist reproduction and over a period of time economic crisis. The inability of classical theories to apprehend such a crisis was limited by their foundational assumption that capitalism automatically tended to fully utilize the available labor force and the means of production. The second conclusion was that there are no automatic mechanisms within capitalist reproduction systems to ensure adequate investment or assure full employment. Keynes prescribed autonomous expenditures in the form of government expenditure for escaping the conditions of crisis.

RA theory does not limit its analysis to investment decisions but extends their framework to embrace social relations. Keynesian economics prioritizes the role of aggregate demand and views a crisis as a failure of this demand. The inability of aggregate demand-led theories to explain the 1970s stagflation crisis led to the rise of alternative accounts of a crisis. The RA school explains a crisis on the basis of a unique historical set of determining conditions, hence their explanations of the stagflation crisis of 1970s have emphasized the role of social demand and distribution of income. While the RA school is founded on Keynesian macroeconomics, it has crucial differences, namely:

the founding belief that crisis is the natural state of capitalism, that aggregate demand and expectation of profitability are not the only variables determining a crisis, and that concepts of supply, demand and equilibrium have limited effectiveness in studying accumulation processes. Lastly, the RA school differs from the Keynesian in that they do not limit themselves to only short term variables.

Structural Marxist Theory of Crisis

The RA school was founded on Marxist concepts. However, there were fundamental disagreements with the Monopoly Capitalism school's (Sweezy, 1942; Baran & Sweezy, 1966) analysis of the stagflation crisis. The following is a summary of the structural Marxist theory of crisis and the regulationist critique of it.

Baran and Sweezy's main explanation of a crisis is underconsumption. The basic underconsumptionist problem is that workers generally spend all their money and buy back a portion of the net product. Since workers do not receive the whole of the net income, they can never buy back the whole of the net product. The first major attempt to explain the great depression of 1929 by underconsumptionist theory was undertaken by Paul Sweezy, in his influential book *The Theory of Capitalist Development* (1942). Sweezy stuck to the early[16] underconsumptionist notion that the demand for consumer goods regulates overall production. From this perspective changes in the output of Department 1[17] are in effect changes in the capacity to produce consumer goods. Sweezy notes that as capitalism expands, mechanization proceeds at the same pace, and more and more material and machines are produced, to increase the productivity of workers in the form of capitalist

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16 Michael Bleaney in his study entitled *Underconsumption Theories* (1976) provides a survey of theorization of the underconsumption crisis in the 19th century by thinkers like Malthus and Sismondi.

17 Refers to industries which produce producer goods like raw material, plants, equipment, etc.

expenditure. This means that capitalist investment expenditure on producer goods rises at a faster pace than wages to workers. Sweezy summarizes this situation as one where the increase in consumer goods capacity (investment in producer goods) grows at a faster pace than workers' wages (ability to consume goods) leading to a demand gap. Capitalist consumption can cover this gap, but as capitalism develops, capitalists tend to invest proportionately more and consume a proportionately lesser part of their profits. Thus consumption lags behind the productive capacity of Department II[18]. Sweezy concludes that there is an inherent tendency within capitalism for the growth in consumption to fall behind the growth in the output of consumer goods. This tendency is expressed in the form of a crisis. The fundamental error of Sweezy's analysis, was that he didn't take into account the fact that producer goods can be used to make further producer goods. In contrast to Sweezy's analysis it is perfectly possible (Shaikh, 1978, p. 230) to have a rising ratio of machines and materials per worker and a proportionate growth in the output of both departments, while still having expanded reproduction.

Sweezy attempted to revise his analysis of crisis through underconsumption theories, in collaboration with Paul Baran in a book titled *Monopoly Capital* (1966). This book argues that modern capitalism[19] has a tendency to expand total productive capacity faster than internally generated effective demand[20]. In the absence of external factors capitalism would sink into a depression. Baran and Sweezy explain fairly long historical periods of accumulation through external factors like major innovations (steam engines, railroads), imperialist expansions, and wars. These external factors stimulate demand and delay the tendency to stagnate in monopoly capitalism.

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18 Refers to industries which produce consumer goods and services like food, clothing, etc.

19 Also referred to as monopoly capitalism

20 Capitalist consumption and total investment demand

RA theory provides an alternate explanation to the stagflation crisis from the underconsumptionist theories of Baran and Sweezy. RA theories do not view a crisis as the system's inability to absorb surplus. Instead, RA theorizes crisis as a breakdown of regulationary institutions and mechanisms. For RA theorists, underconsumption is not an explanation for a crisis; instead they would explain the shortage of effective demand through the collapse of a mode of regulation. A more general disagreement between RA theories and Marxist theories of monopoly capitalism is their interpretation of what a crisis represents. Baran and Sweezy view crisis as a symptom of a deeper flaw in monopoly capitalism namely the system's tendency to over-produce. RA theories view crisis as necessary for capitalism to evolve. As a cycle of accumulation stagnates, a crisis forces changes in regulationary mechanisms and institutions to produce a new period of accumulation and expansion. Unlike Baran and Sweezy, RA theories do not assume that capitalism has an inherent tendency to collapse. Moreover, RA theories do not believe that capitalism in all countries follows general laws, like a tendency towards under-consumption. Instead capitalism in different regions have historically specific forms of crisis which are driven by contingent factors.

RA School: Conceptual Differences

RA theories are intermediate theories which do not attempt to provide universal general laws, or explanations which are equally valid for economies situated in any historical period. Instead, the RA tradition studies economic phenomena within the historical context in which they are embedded. The general assumption underpinning RA theories is that crisis and instability are the natural outcome of the inherent contradictory social relations that typify capitalist systems, and the role of theory is to explain the contingent conditions of existence of specific economic phenomena. RA theories have a different explanation of crisis from other major economic schools of thought. They view a crisis as the collapse of modes of regulation within an accumulation regime. The factors which trigger a crisis are contingent. A crisis does not represent the stagnative tendency of capitalism, instead a crisis is a mechanism through which capitalism adapts to the changing socio-political conditions in which it is embedded. Since RA theorists reject universal representations of capitalism, they do not believe that capitalism in all national spaces develops in a similar fashion, or that capitalism develops along a linear path regardless of the intentions of the agents involved. Instead, they conjecture some general tendencies of capitalism which can take different forms and can be embedded within multiple political strategies as articulated by different social forces. For the RA school, the dynamics of capitalist development will differ between countries developing in the early twentieth century and ones developing in the late twentieth century, between imperialist nations and colonized nations. Hence RA theories provide tools and concepts to study the development of capitalism in India since independence within the specific social and political forces it is embedded in.

Paris Regulation School: Synopsis of Michael Aglietta's Work

The RA tradition has developed in multiple directions over the past three decades. Scholars from this tradition have been based in different disciplines, have worked on different countries, and have been informed by different theoretical frameworks. This section surveys some of the major findings of the RA tradition. It provides a brief synopsis of Aglietta's analysis of the development of capitalism in the US over the 19th and 20th centuries and the regimes of accumulation he identified.

Aglietta focused his study on the dynamics of capitalism in the US because he believed it provided a good representative case of how capitalism developed in Western Industrialized nations. He traced two distinct regimes of accumulation in the US. The Extensive accumulation regime is traced from 1870 to 1929. This regime came to an end with the great depression of 1929-30. The economy entered a new regime of accumulation, since the great depression, which was labeled the

Intensive (Fordist) regime of accumulation. This regime came to an end with the stagflation crisis of 1970.

The Extensive Regime of Accumulation

The Extensive regime of accumulation was a period in which accumulation was achieved through absolute[21] and relative means of surplus appropriation. The RA school posits that there were three distinct transformations undergone by the US which aided in stabilizing this regime. These were: a transformation in the labor process, the emergence of a competitive labor market, and the lack of state intervention in the economy. This regime is referred to as an extensive one, based on the build-up of heavy capital-intensive industries such as railways, the agriculture-food stuff complex, and arms factories and the uneven development of Department I[22] industries.

The formation of this regime required a transformation in the organization of labor. In this period, capitalist enterprises introduced a new method of scientific production popularly referred to as Taylorism. This refers to processes of organization of labor which accelerate the completion of the work cycle and fill the gaps within the working day. These processes decrease the workers' degree of autonomy at the workplace and increase surveillance and control on their activities. With the implementation of this method, the production process was broken down into several segments, within which each worker was given a specific set of jobs in which they specialized. Managerial staff were employed solely for securing obedience to rules and obtaining a minimum output norm

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21 While Aglietta emphasized the importance of absolute surplus appropriation in the extensive regime, Boyer (1990) criticized this explanation on the grounds that Taylorism introduced processes of relative surplus appropriation which played an equally important part in the success of this regime.

22 Refers to industries which produce means of production or raw material for other industries

amongst the workers. The aim of this separation and specialization of functions was to combat control over working conditions.

Taylorism also required a set of new technologies in order to re-organize the labor process. Subsequently this period saw an increase in output from capital-intensive or Division I industries which produced capital goods. This accumulation regime was predicated upon the enterprises' ability to increase the pace of work in the enterprise and increase control over labor to ensure that there were few stoppages. A new class of wage labor was created in this period due to a massive influx of immigrants in the US. This sudden increase in labor supply provided capital more bargaining power in hiring labor on beneficial terms. Enterprises could increase surplus appropriation by increasing the hours of work demanded of laborers. Moreover, they paid these laborers a low wage as there were no legal or institutional mechanisms to determine a fair day's pay. Labor had no bargaining power in this procedure, as enterprises could simply replace a worker with another from a large army of unemployed migrant labor. Labor itself wasn't dependent on capitalist enterprises for the reproduction of labor power, instead labor was still embedded within traditional ways of living. Most of the laborers' consumption needs were met within their households. This regime eventually culminated in the Great Depression of 1930.

Aglietta posits that the depression was a consequence of the uneven development of capitalism in this regime. The rate of appropriation of surplus value diminished over this period as Division I industries grew at a faster pace than Division II industries. An accumulation regime can only grow if there exist profitable branches for surplus capital to be invested in. However, by the 1920s all capital intensive industries had maximized their ability to generate surplus and the rate of returns on investments was steadily declining. The Extensive regime of accumulation culminated in a period of excess production of output and lack of social demand for these goods and led to the

Great Depression of 1930. A new mode of regulation would be required for the economy to overcome the crisis and enter a new stable period of accumulation.

The Intensive (Fordist) Regime of Accumulation

The RA theorists accepted the Keynesian characterization of the 1930s crisis as one of insufficient effective demand. They postulated that the US economy underwent certain institutional transformations to overcome the depression period and enter a new phase of accumulation unprecedented in its capitalist history. The period from 1945 to 1970 is referred to as the golden age of capitalism as it was characterized by an increasing pace of capital accumulation, increasing productivity, increasing profits and increasing wage rates. The RA school posits that there were three distinct transformations undergone by the US economy which aided in stabilizing this new regime. These were: a transformation in the labor process namely the introduction of Fordism, a transformation in the mode of living of labor following a more equitable division of surplus between capital and labor, and the introduction of the Keynesian welfare state. This new regime was characterized by circuits of capital confined in the national boundary. It involved rising productivity based on economies of scale in mass production, increased investment in mass production techniques, rising income linked to more equitable sharing of surplus amongst capital and labor, increased mass demand due to rising incomes, and the formation of a new social consumption norm. These transformations are summarized below:

1) Introduction of Fordism: Fordism is a system of work organization which introduces processes of mass production and consumption within the economy. The characteristic labor process of Fordism is the semi-automatic assembly line production. The assembly line allowed enterprises to increase the pace of their work cycles and improve coordination amongst different work processes, to increase worker efficiency. This was achieved by

integrating different segments of the labor process, by a system of conveyors and handling devices ensuring the movement of materials to be transformed at the appropriate place and decreasing the time taken to move and manipulate heavy objects. Moreover, it allowed more control over labor as the pace of work was determined by the assembly line, and did not require external supervision. This process fixed workers to jobs whose positions were rigorously determined by the configuration of the machine system. The individual worker lost all control over his work rhythm and was subjected to the collective rhythm of the machine system. Workers were unable to put up any individual resistance since job autonomy had been totally abolished in this system. Fordism developed the mechanization of labor, increased the intensity of work, radicalized the separation between manual and mental labor, and developed new forms of disciplining labor.

2) Transformation of the workers' conditions of life: The political and legal conditions in America were highly unfavorable towards any kind of organized labor movement in the Extensive regime. Moreover, the federal character of the US gave every state total autonomy in labor legislation, virtually destroying any attempts to form trade unions. It was only in 1935, in a completely new political climate, that trade unions were officially recognized at the national level by the National Labor Relations Act (also referred to as the Wagner Act[23]). The formation of labor unions allowed workers to gain some control over their terms of contract. Unionized labor demanded protection from exploitative or unfair contracts, homogenized duration of the working day, abolishment of child labor and improvement in working conditions. The compromises that capital had to make with labor in this regime are

[23] The Wagner Bill was introduced by Senator Wagner and passed in the senate in May 1935. The Wagner bill proposed to create a new independent agency called the National Labor Relations Board to enforce employee rights. It gave employees the right to form and join unions and it obligated employers to bargain collectively with these unions.

sometimes referred to as the New Deal and culminated in a more equitable division of surplus amongst labor and capital, new forms of wages paid to workers which included output bonuses and pensions, and increased recreational time amongst labor following the reduction of working hours. With an increase in incomes and recreational time, the working class developed a new social consumption norm. This new consumption norm included new consumption habits, a greater dependency on consumer goods and a conflation of consumption habits with social status. The norm required not only a change in spending habits but a complete change in cultural attitudes. A new way of life was created in the working class with an emphasis on individual ownership of commodities. The emergence of this consumer goods-oriented society helped solve the contradictions of the previous accumulation regime. With a rise in labor incomes, there arose a greater demand for mass produced consumer goods and especially capital intensive consumer durables like automobiles, domestic electronic appliances and houses. This led to an upsurge of growth in Division II[24] industries which led to a greater demand for capital goods and harmonious growth in Division I industries. The formation of a new social consumption norm led to the creation of a new cycle of capital accumulation.

3) The formation of the Keynesian welfare state was a crucial regulatory mechanism for this regime. The Keynesian state realized the importance of state intervention in the economy to balance fluctuations in macroeconomic variables. Moreover, the state was pivotal in the formation of the New Deal and the concessions gained by the labor movement. Lastly, the new welfare state introduced social security for unemployed workers, essentially ensuring

[24] Division II industries refers to those industries which produce goods for final consumption.

that the social consumption norm was not destroyed by a sudden decrease in worker incomes.

The Intensive regime of accumulation faced some serious instabilities in the late 1960s. This was expressed in the intensification of the class struggle at the point of production, especially challenging the extreme fragmentation of work and the intensification of effort required with the introduction of new labor technologies. This was the root of the upcoming crisis and can be traced to the steady fall in wage rates over the seventies. This fall was largely because of a failure of Division I industries to generate new technologies to increase the productivity and efficiency of labor. When the rates of profits started falling enterprises started decreasing the wage rate. This led to an upsurge in unemployment and job insecurity. The working class consumption norm got affected and this led to a fall in demand for the very mass consumption goods industries which had fueled this regime. These processes eventually culminated in the collapse of this regime of accumulation and the stagflation crisis of the 1970s.

Paris Regulation School: Limitations

In this section I survey some of the common critiques leveled against the RA tradition.

RA Analysis Descriptive Not Theoretical

A common criticism from more purely 'theoretical' schools of thought is that RA analysis is largely descriptive and doesn't provide any generalizable model with which different economies can be compared. This position criticizes the RA tradition for historically contextualizing their analyses and not providing any conclusions which have a more generalizable validity. There is some truth to this criticism, in the sense that the RA tradition does not provide the level of generality that standard Keynesian and Walrasian models do. However, this is more an outcome of the methodological choices made by this tradition rather than a shortcoming of its theory. The RA tradition focuses on historically contextualized analysis to avoid some of the generalized yet unrealistic conclusions that other orthodox economic theories came to. It is this particular quality of the RA tradition that has made its concepts conducive to understanding the Indian experience. In fact, this thesis derives strength from the fact that the RA tradition was formulated to provide a conceptual framework with which to understand the experience of diverse economies.

Lack of a Proper Theory of Institutions

The RA tradition has been excessively reliant on the concept of institutions or modes of regulation in their theorization. While shifts in individual and collective behavior are frequently explained by institutional changes, there isn't any theorization on what drives and affects the dynamics of institutions. Moreover, the mode of *régulation* is considered to have a functional relationship with the accumulation regime, in the sense that its function is to stabilize the accumulation regime. This is an essentialist way of understanding institutions, as having a functionalist relationship with capitalism and having no other role in society. The lack of theoretical rigor about institutions has been explicitly acknowledged by the RA tradition, and there has been an attempt in recent times to theorize the nature of the capitalist state by Bob Jessop (1982). This thesis will contribute to this literature by theorizing the nature of the capitalist state in India.

Lack of a Theory to Explain Transition

The RA tradition theorizes that a regime of accumulation culminates in a crisis which is overcome with the development of a new regime. However, there is hardly any analysis of how an economy overcomes a crisis and enters a new regime. While RA thinkers have conjectured that certain events act as catalysts to overcome a crisis, they haven't been able to theorize any specific mechanisms which enable an economy to exit a state of crisis. The RA tradition implicitly assumes that capitalism itself provides the dynamics to help the economy exit a state of crisis, but this indicates that there is little role for human and state intervention to play in overcoming a crisis situation. A consequence of such a theoretical position has been that the RA tradition, unlike its Keynesian and neoclassical counterparts, has not been very successful in providing policy recommendations.

Analysis Focuses on Western Developed Nations

While the RA tradition has been involved in studying the dynamics of capitalist development, most of their analysis has been centered on capitalist developed countries like USA, UK, Japan, France, etc. There is a dearth of RA school analysis on the process of capitalist development in the post-colonial countries of the Global South. Moreover, the RA tradition has tended to study capitalism in countries after it has fully matured, and not studied the process through which economies transition from a feudal-colonial economy to a capitalist economy. This thesis will contribute to the RA tradition by extending the RA framework to study the experience of independent India, and understand the dynamics of transition within the economy.

This chapter argues that current scholarship on periodizing capitalist development in India does not adequately study the role of contingent crises and short term economic dynamics. It argues that the RA tradition provides concepts and frameworks conducive to such a study. This chapter provides a commentary of the RA tradition: its historical roots, its distinctiveness from other orthodox economic traditions, its key findings, and common criticism against this tradition. The next chapter will apply the RA framework to conceptualize and periodize capitalist development in India since independence.

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CHAPTER 3: REGIMES OF ACCUMULATION IN INDIA[25]

This chapter periodizes the growth and accumulation dynamics of the Indian economy from 1950 to 2013 within regimes of accumulation. Each regime of accumulation has its own particular stable dynamics, which are characterized by a particular series of macro-economic regularities. These regularities evolve over a period in a stable fashion. However, there exist certain instabilities and contradictions within each regime, which tend to de-stabilize the dynamics of the regime. The stability of a regime in the face of instabilities is ensured by a unique set of institutions which exist in a regime and are referred to in the Regulation School literature as modes of regulation[26].

This chapter argues that the Indian economy witnessed four different regimes of capitalist growth and distribution since independence. The first two regimes in the period 1951-1980 operated under the hegemony of the Indian state, the third one under the mixed hegemony of the state and private capital (1980-1991), and the last one under the hegemony of private capital (1991-2013). These four regimes are associated with very different growth and distributional dynamics, roles of the state, and each ended with crisis of a different kinds that then ushered in a new regime. This chapter focuses on identifying and describing the regularities and character of each of the four regimes. However, these descriptions will not be able to explain the transition of the economy from one regime to the other. For a causal understanding of transition and change within regimes we require the conceptual framework of modes of regulation which will be described in chapters four and five.

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25 This chapter builds on and draws from Vakulabharanam and De (2012).

26 More is written about modes of regulation in the fourth and fifth chapters.

Framework for Identifying Regimes of Accumulation

A series of macro-economic regularities characterize a regime. These variables, directly or indirectly, affect the nature and dynamics of capital accumulation in that regime. Each of these regularities plays a role in the completion of an accumulation cycle and the reproduction of more stable cycles. The following regularities exist in a regime of accumulation (Boyer 2002, p. 38):

1. Economic policies and development ideology: This determines the overall regulatory framework within which a regime functions and determines the drivers of accumulation within a regime. Economic policies are not considered exogenous to a regime but are a result of negotiations and compromises within the state apparatus. This component will be discussed in more detail in the fifth chapter on theorizing the State.
2. The organization of production: An accumulation cycle is determined initially by the nature (technology) and direction (sectoral drivers) of production. This dynamic determines the tendencies of the production process within the cycle of accumulation. This is represented by the sectoral break-up of growth and the dynamics of investment within the regime.

3. The volume and composition of aggregate demand: The success of an accumulation regime depends on the realization of surplus value produced within the cycle of accumulation. The component of aggregate demand which drives growth in a regime will determine the extent of the realization of the accumulation cycle.

4. Distribution of consumption inequality: This dynamic determines the distribution of revenue generated within the accumulation cycle and the nature of consumption within the cycle. Due to dearth of data on income in Indian databases, I will use consumption as a proxy for income.

5. Class dynamics, Rural and Urban: This determines the division of surplus value within a regime and determines which classes are driving a regime and benefit most from it.

6. Relation between capitalist and non-capitalist spaces: While the capitalist sector is the driver of growth, there exist other non-capitalist spaces in the economy which play an important functional role in the reproduction of the accumulation cycle. In India's case the informal sector has been embedded within the organization of the capitalist sector. The informal sector not only employs 90% (NCUES, 2007) of the work force, but continues to play a crucial role in the development process of the Indian economy. This is indicated by the fact that the size of the informal sector does not dwindle in the time period covered in this thesis. The dynamic between the organized capitalist sector and the informal sector determines the nature of an accumulation regime.

These sets of regularities ensure the general and relatively coherent progress of capital accumulation, and allow for the resolution or postponement of the distortions and disequilibria, to which the process of accumulation continuously gives rise. While each regime ensures the stable reproduction of the accumulation cycles, the nature and drivers of the regime will vary from one regime to another. This essentially means that each regime is qualitatively different from the other.

Alternate Theories of Regimes in Indian Economic Literature

Attempts to construct regimes for the Indian economy and politics have been undertaken by various scholars over the last couple of decades. Nagaraj (2012) divides the post-independence period into three regimes – Planning Era (1951-1966), Period of Shocks and Crises (1966-1980), and Creeping Liberalization from 1980 that then becomes Full-Fledged Liberalization from the 1990s. Balakrishnan and Parameswaran (2007) conduct an econometric exercise to identify two growth regimes, one up to 1978-79, and one after. Patnaik and Chandrasekhar (1995) and Bhaduri and

Nayyar (1996) divide the post-independence Indian economic experience into two regimes – Dirigiste (pre-1991) and Liberalized or structurally adjusted (post-1991). Kohli (2004) divides the same period into three political economic regimes – Nehruvian (1951-1966), Indira (1966-1984), and Liberal regime (post-1984). The above authors have characterized regimes based on homogenous economic and social policies, growth dynamics, the role of the state, and political orientation respectively. Although each of these analyses is insightful in making sense of the Indian economy, I believe that the authors have not adequately theorized how a particular regime enters into a state of crisis, and the dynamics through which a new regime is created. In this chapter, I use a multi-dimensional characterization of regimes that focuses on growth, macro-economic dynamics, distributional dynamics and policy orientation. I seek to periodize the dynamics of accumulation and distribution in the Indian economy, during 1950-2012, into four different regimes based on a clearly defined methodology that will be outlined in the section below.[27]

Methodology: Measuring Growth and Distributional Dynamics

My calculation of the drivers of growth is informed by the method outlined in Kotz and Zhu (2011) that they apply to the Chinese economy. Zhu and Kotz set out to chart the evolution of China's growth model during 1978-2006. They assume that growth is driven by components of aggregate demand. They derive a formula for calculating contribution share of components of aggregate demand from the categories of Gross Domestic Product (at market prices) provided in the National Income Accounts. The different positive contributors of demand are Private Consumption (C), Government Consumption (G), Investment (I) and Exports (X). Imports (M) are a negative contributor to demand.

[27] The literature on Indian growth is voluminous and we do not need to survey it here. For a comprehensive account, and some important references, see Balakrishnan (2010).

A component is considered to be driving GDP growth in a certain period, if it fulfills the following conditions:

1) The component is growing at a faster rate than GDP growth.

2) The component's share in GDP is large enough that its "contribution" to GDP growth over the period is a significant share of GDP growth over that period. The "contribution" of any component of GDP for example, household consumption, to GDP growth is defined as follows:

$$\mathbf{CON_C = \Delta C/C * C/Y}$$

The sum of the contributions of all of the components of GDP over a period is identically equal to the growth rate of GDP. The contribution of each component is traditionally measured in "percentage points." Kotz and Zhu define the "contribution share" of any component of GDP as its contribution divided by the growth rate of GDP over the period. Thus, if the GDP growth rate over a period is 10 percent and the contribution of consumption is 5 percentage points, then the contribution share of consumption would be 50 per cent. Consumption would have contributed half of GDP growth over the period. The formula for contribution share of consumption in GDP is:

$$\mathbf{\{(\Delta C/C) * (C/Y)\}/ ABS\ (\Delta Y/Y) * 100}$$

The contribution share is measured as a percentage. The contribution share of imports is considered a negative contribution.

I modify Kotz and Zhu’s derivation to take into account the differences in trends of data on sources of growth in China and India. I have used the absolute value of the growth rate, in calculating the contribution share of a component of GDP, because certain years in the Indian economy have registered negative growth rates. The calculation of contribution share would be influenced by a negative sign in the denominator. The years considered by Zhu and Kotz for the Chinese economy have not registered negative growth. Moreover, I changed the conditions for identifying the major driver of growth of GDP (at market prices). This is because there exist periods in the Indian growth trajectory where no component fulfills both conditions laid down by Zhu and Kotz's model. For them, the contribution share of a component is considered significant if it is more than 50%. Calculations of the contribution share of components to the growth of GDP in India demonstrated multiple periods where consumption contributed more than 50% share of GDP growth. However, the growth rate of consumption was substantially slower than the GDP growth rate. This is because the absolute value of a component is a determinant of total contribution share of GDP and the absolute value of consumption is significantly higher than other components of GDP. I believe that using Zhu and Kotz's conditions would obfuscate an understanding of the drivers of India's growth model. Instead, I have categorized a component as a driver of growth if it satisfies either of the two conditions. Hence, there exist multiple drivers of growth for certain periods in this analysis. All the data used in this chapter on National Income Accounts have been sourced from the RBI Handbook (2015). Calculations of drivers of growth and the contribution share of components are provided in Table 2.

There is a dearth of data to calculate inequality in India from 1950 to 1980. I have calculated a proxy for measuring consumption inequality in this period, based on calculations made by Suryanarayana (2012, p. 74-78). Suryanarayana provided data on the percentage share of consumption for the top and bottom 10% of the population based on National Sample Survey Organization data. I use the ratio of these as a proxy for consumption inequality for that period. Similarly, for the 1960-1977 period I use Gini coefficients calculated by Suryanarayana (2012). For the 1983-2010 period, I use expenditure Gini coefficients derived by Vakulabharanam (2012) from the NSS quinquennial consumer surveys, for which raw data is available for analysis.

THE FOUR REGIMES OF ACCUMULATION IN INDEPENDENT INDIA (1950-2013)

The Indian Economy Before Independence

Agricultural structure and the direction of agricultural strategy. Agricultural performance in the interwar period (1918–1939) was dismal. From 1891 to 1946, the annual growth rate of all crop output was 0.4 percent, and food-grain output was practically stagnant. There were significant regional and inter-crop differences. Among food crops, by far the most important source of stagnation was the production of rice. In the interwar period, population growth accelerated while food output decelerated, leading to declining availability of food per head (Rao & Storm, 2000).

Agriculture employed more then 3/4th of the population, however its semi-feudal structure and the extreme land fragmentation within it, made it very difficult to develop. The bulk of agricultural workers did not own the land they worked on, and the small base of large landowners had little incentive to invest in their land. The structure of the agricultural sector prevented growth and development within it.

Industrial structure and the direction of industrial development. India was a very poor country upon independence and had failed to industrialize. This was partly because the policies of the colonial government were designed to benefit Britain at the cost of India. The colonial regime destroyed traditional industries and effectively de-industrialized the country. At the time of independence industries including mining accounted for only 17% of National income as opposed to agriculture‘s 49%. Employment in industries and mines only accounted for 9.5%, while construction and services accounted for 18.7%.

By the time of the first five-year plan under Nehru, India had undergone a relatively long period of economic stagnation and political unrest. The newly created Indian state needed to simultaneously address a number of problems, the most important of which were: the need for accelerated economic growth to feed its population and become self-sufficient in its non-agricultural needs, to bring consensus amongst heterogeneous vested interest groups within the nation, and to reduce their technological dependence on metropolitan economies.

1950-67: Pre-Eminence of Planning[28] and State Capitalism Led by Investment and Government Spending

Economic policy and development ideology. Under Nehru's stewardship the state embarked on a heavy industry oriented development model. The crux of the plan depended on state investment in crucial heavy and infrastructural industries which would create strong backward and forward linkages. It was believed that this would encourage private investment in industries and provide a sound foundation for the development of the economy. Chibber (2003) has established that there existed a consensus within the government about the need for a capitalist industry-oriented development in India with support provided by private capital. The state provided protection to infant domestic industries by introducing an import substitution trade regime. However the state used this circumstance to play the complementary role of maintaining some degree of control over industrial policies and the economy. There existed some concern within the state about the lack of mechanisms to get private capital to follow the plan proposed by it. Nehru introduced two institutions to ensure that private capital stuck to plan requirements, namely the Industrial Policy Resolution of 1956 and the Planning Commission.

[28] See Chakravarty (1987) for a comprehensive account of Indian planning.

The Industrial Policy Resolution (IPR) of 1956 classified all industries into three categories: public, private, and joint. IPR declared that the expansion of the public sector was necessary not only to industrialize rapidly but also to avoid the concentration of income in the hands of a few large capitalists. In order to regulate the private sector, an elaborate system of control instruments was developed, including industrial licensing, import and export controls, capital issue controls, tariffs and excise structures, control of foreign exchange, distribution controls, price controls and allocation of credit. The industrial plan focused on production for the domestic market, progressive reduction of imports, and development of industries from the foundational stages.

The Planning Commission (PC) was set up as a nodal agency in 1950. It was modeled along the lines of the National Planning Committee set up in 1938, and its main function was to coordinate industrial development and state finances. It was constituted by a committee of experts and business representatives. The main bone of contention around the formation of the PC was whether it would have the power to discipline and regulate capital. The debate around this issue would have important implications for Nehru's development model and consequences for the economy. I will discuss the importance of the planning commission to the Nehruvian regime and the transformation it underwent in the second regime in the sixth chapter.

The organization of production. Agricultural output grew at around 3.1% (see Table 3)[29]from 1949-50 to 1964-5. During the first period rise in land use intensity contributed approximately 45% to crop output, a major part of which was attributable to cropping pattern shifts across regions and over time. (Rao & Storm, 2000). Inter-state differences in land productivity narrowed down significantly, whereas the inter-state inequality in per capita food grain productivity,

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29 All tables and graphs are provided at the end of this chapter.

while being substantial, hardly changed. There were few gains in productivity in food grain production. This was partly because of lack of public investment and partly due to the semi-feudal structure of agricultural production which provided few incentives to private investment.

In this period, industry grew at a relatively fast pace, of 5.8% (Table 3), well above the growth rate of Gross Domestic Product in this period, which grew at 3.8% (Table 2). The majority of investment was in the capital goods industry and infrastructure like electricity, mining, coal and transportation which grew by 20% in this period. Four industries (food products, textiles, wood and furniture, and basic metals) however accounted for more than two-thirds of industrial production. One of the unique features about industries in this period was the high capacity utilization and total factor productivity. Mathew McCartney (2009, p. 286) argues that total factor productivity was high during this period by citing evidence from Sivasubramonian (2004). The reason for this higher productivity was that a substantial diversification in the structure of production was achieved. The nature of growth was balanced amongst industries avoiding major supply blockages.

This growth in industries was driven by a tremendous boost in investments to the order of 7.9% (Table 2). The state maintained its commitment to industries, and public investments grew at an average of 15% (Graph 5) in this regime. By the time of the second Five Year Plan, public investment had become the dominant contributor to total investment. The increased public investment crowded in private corporate capital, which although unstable over the regime, followed the secular trends of public investment growth. The Nehruvian model was clearly designed to benefit large private capital through the allocation of scarce resources to long-term investments.

While public sector investment created conditions for the prosperity of private capital, there was a tendency amongst larger capitalists to abuse state regulation by creating artificial monopolies. This tended to crowd out smaller capitalists and over this period, we find that household capital formation fell from above 50% of total investment in the early 1950's to under 20% (see Graph 5). Traditionally investment was driven by the household sector in India, however this sector stagnated over the period of the regime, as it was driven out by larger business houses.

The volume and composition of aggregate demand. The Indian economy under Nehru followed a state-directed, heavy industry oriented development model that would allow private capital to grow along with public sector enterprises. Nehru's policies had ensured that the state was the main driver of GDP growth in this period, its investment in heavy industries insured that investment (I) was the fastest growing component, at more than 7% (Table 2), over this period. Government consumption (G) increased by 6.44% (Table 2) within this period, which further validates the importance of the state in the economy. On the external front, Nehru followed an import substitution regime in order to protect infant domestic industries from external capital through an overvalued currency and a regime of high tariffs. This ensured that exports played a fairly insignificant role in driving the economy. Exports grew at a negligible rate of less than 1%[30] (Table 2). Despite high tariffs, imports grew at more than 5% (Table 2), as India was still dependent externally for its energy and machinery needs. Consumption fell throughout this period, partially due to a fall in agricultural production and partially due to the lack of an effective redistribution policy implemented by the state (see Table 2).

Distribution of consumption inequality. Due to dearth of data it is difficult to determine trends within income distribution in this period. The increasing allocation of resources to investment led to greater urban-rural inequality and a concurrent slowdown in consumption. These years were marked by a near absence of any real welfare policy, except in health and education. State policy was

30 The lowest growth rate in independent Indian history.

geared towards economic development and distributive matters were folded into the domain of economic planning (Chibber, 2012, p. 173). However, primarily due to public sector job creation in the urban industrial sector, urban inequality[31] declined. Similarly, while land reforms were not implemented in any significant sense, the overall progressive bent of the state ensured that rural inequality also declined marginally. Based on calculations made from data provided by Suryanarayana (2012) that are available for the period 1961-62, the extent of inequality[32] decreased slightly in rural areas from 6.83 in 1961-62 to 6.32 in 1967-68 and significantly for urban areas from 9.58 in 1961-62 to 7.68 in 1967-68 (see Graph 2).

Class dynamics. The largest benefits of this regime were reaped by domestic capital. Chibber (2003) has traced the coalition between domestic large capital and the state to the Bombay Plan (1944). Nehru was careful to keep public sector expansion within bounds that were acceptable to Indian business houses. Almost every major body set up to design policy and new state institutions, in the aftermath of independence, was dominated by business leaders (Chibber, 2012, p. 175). Further, the Nehru government protected domestic capital from competition by instituting an import substituting external regime. Secondly, urban skilled workers benefited from the drastic increase in public sector jobs. Nehru also planned extensive land reforms. However, efforts to introduce land redistribution were blocked by large landlords who controlled state legislatures. While there was some success in the acquisition of surplus land, the progress of land to tiller reform was not promising. Landed power remained largely intact in many parts of the country. Through the limited redistribution of land, a new stratum of rich landed peasants was created. Low growth in the

[31] As measured by NSSO surveys. The NSSO data tends to have a downward bias as they do not capture big capital or the highest income holders in their surveys.

[32] The ratio of average consumption of the top to bottom decile.

agricultural sector and lack of land reforms left a large ocean of agrarian laborers clutching on to marginal holdings. The lack of redistributive measures by the government forced many of these rural dwellers to become underemployed landless proletariat or migrant workers (Chibber, 2012, p. 176).

Relation between capitalist and non-capitalist spaces. The agricultural sector was the largest generator of output and employment in the economy. A large proportion of the rural peasantry owned little if any land. Jan Breman (1985) in his anthropological surveys of the 1950s-1970s found that the habitat of peasants included a wide variety of non-agrarian households. He concluded that the peasantry were quite heterogeneous and differentiated. However, a crucial point of homogenization was the rural way of living. In rural areas the agricultural poor were embedded within peasant-landlord relations. They were dependent on their masters for provision of food, short term loans and access to common land. While these relationship were informal and exploitative, they did provide a minimum subsistence existence for a large number of rural peasants. Moreover, a place (albeit a subordinate one) was provided for this stratum within the village community. The rural mode of existence was dominant from one generation to another, and a large majority of the population continued to live in the countryside and work in agriculture.

In this regime, Nehru's economic plans had envisaged significant land reforms to solve the agrarian crisis. However such reforms were limited to fixation of a ceiling on land ownership and abolition of absentee ownership. Reforms disregarded the vast agrarian peasantry completely bereft of land ownership. The promised land reforms never took off, and eventually worsened the conditions of the agrarian underclass. The main dissidents to reforms had been the well-established landowners who had rallied behind the Congress party in the independence movement. Along with the failure to distribute land to the agrarian underclass, the threat of collectivization had led to a countrywide dispossession of the agrarian poor from the rural way of living. Landlords evicted tenants (who had no formal ownership over the land) before they could claim any tenant rights, and barred access to what was considered common land for the village community. This dispossession not only had economic ramifications but also dis-embedded the agrarian underclass from their social roles in the larger rural community. This would eventually lead to the creation of a wide class of landless footloose laborers (Breman, 1996), who would travel around the country in search of work. This mass migration would play an important role in the growth of informal sector labor from the 1970s. This is discussed in more detail in the description of the second regime.

Crisis towards the mid-1960s. Apart from the external imbalance alluded to above, the imbalances of the Nehruvian regime were felt most strongly in the agricultural sector. Agriculture was the largest employer and the largest sectoral contributor to national income before independence. However, the focus on industries in independent India meant that public investment in agriculture was not adequate. The agricultural sector grew at only 1.7% (Table 3) in this period. This sector was highly unstable and dependent on the vagaries of the monsoon. There were early warnings that agriculture was structurally unstable, with negative growth in 1955 and 1957. However, the government deflected this issue by importing cheap food grains, through the PL 480[33] agreement with the US. Moreover, by failing to invest in agriculture, Nehru missed an important opportunity to significantly alleviate poverty. The Nehru-Mahalanobis[34] Plan had envisaged large-scale land reforms in agriculture in order to compensate for the lack of public investment, which turned out to be politically infeasible. The structural imbalances of the Nehruvian regime would culminate in the agricultural and Balance of Payment crisis of 1965 and 1966. The lack of monsoons

33 Also referred to as Public Law 480 or known as 'Food for Peace'. It was a funding avenue through which US food was given as overseas aid to India.

34 P. C. Mahalanobis was the designer of India's second Five Year Plan (1956-61). He adopted a simple two sector model, where top priority was given to investment goods which were considered crucial for achieving economic growth in the economy.

between 1965 and 1967, led to a fall in agricultural production by more than 10%. The immediate impact was felt in the form of a drastic fall in private consumption (see Table 2). The government was forced to import food grains in 1966 to compensate for the shortage. Imports grew from 11% in 1965 to 28% (Table 2) in 1966. The sudden spurt in imports led to a severe Balance of Payment crisis. Moreover, with Nehru's death there was increased infighting within the Congress for power. These factors culminated in the crisis of 1965-67 and the dilution of the Nehruvian regime.

1968-80: Green Revolution and Populism[35]

Economic policy and development ideology. Two major policy changes were introduced in response to the crisis period (1965-67) in this new regime namely: the New Agricultural Strategy (also referred to as the Green Revolution) and the populist and socialist measures introduced by Indira Gandhi after the Congress split in 1969. These policy changes would sound the death knell on Nehruvian policies and change the dynamics of the new regime. Urgent changes within the agricultural sector became self-evident when during the severe droughts of 1965-67, 19 million tons of food grains had to be imported to avert starvation. The new agricultural strategy introduced in 1965 aimed at improving productivity by means of rapid technological modernization based on adoption of new high yielding varieties of seeds, irrigation, chemical fertilizers and pesticides. It deliberately concentrated investments crop-wise (chiefly wheat) and region-wise (better endowed higher productivity areas). It called for a shift from public sector directed and financed investment

[35] The Social Cleavage theory of party organizes argues (Biju Kumar, 2004) that the strength of a party depends on its relationship between different social groups. Parties in power give different things to different social constituencies to garner support for their policies. Populism is an instrument of mobilization or sustaining electoral support of a certain group. Populism refers to the set of policies which distributes goods and services directly to certain sections of the population. Populism also frequently uses popular symbols or slogans to mobilize groups, an in the case of Indira Gandhi's 'Garibi Hatao' campaign. Populist policies affect the fiscal autonomy of the ruling government party and are generally difficult to sustain. Historically, populist policies have been introduced to distract certain classes from other policies which structurally change the economy and are potentially detrimental to their interests.

to private investment in irrigation and mechanization. The state in response increased agricultural credit and fertilizer subsidies, while also making a commitment to minimum support prices.

The second set of influential policies was introduced by Indira Gandhi, after an ideological crisis within the Congress which led to its split in 1969. Indira set up her own party, the Congress (I), stood for prime ministership on the plank of populist policies, and re-embarked on some of the socialist ideals pursued by her father. Indira targeted a new vote bank for the Congress (I), as the party split meant that she would have lost a lot of her traditional vote bank including urban educated middle classes, large and medium businesses and urban organized labor. Indira fashioned herself as a leader of the masses and attacked the dominating classes in the economy. She came to power in the 1972 election and initiated a whole set of policies to break the status quo of power in the Indian economy. She targeted the nominal monarchy (abolition of princely purses), foreign investment (MRTP and FERA acts), finance capital (nationalization of banks), organized labor (wage freezes and ban on gheraoes) and industrialists (decreased public investment in industries). She also initiated policies directed towards the betterment of the conditions of the common man, popularly referred to as the 'Garibi Hatao' programs, and introduced some of the first poverty alleviation and redistributive programs in the country. These would include land re-allocation, liquidation of rural debt, the renewal of the public distribution system and employment and credit programs for marginalized agricultural producers.

The organization of production. The agricultural sector overall, performed slightly better in this period and achieved a growth rate of 2.4% (Table 3). Moreover, the state was able to stem the food grain shortage, as output of wheat and rice improved significantly. However, the returns were uneven – regionally and class-wise. Regional disparities increased, both in terms of productivity per hectare and per capita output. There is a wide-scale debate about whether the Green Revolution benefited the economy. One group of authors (Schultz, 1978; Kahlon & Tyagi, 1983 as qtd. in Rao & Storm, 2000) claim that the returns from the Green Revolution are substantial while others (notably Vaidyanathan, 1977; Sen, 1981 as quoted in Rao & Storm, 2000) argue that, although the yield growth gave some cause for optimism when viewed on its own, this is considerably reduced when confronted with the implicit resource cost.

The increased support from the state towards the agricultural sector meant that fewer resources were allocated towards industry. Industrial growth in this period dropped to 4.7% (Table 3). Heavy industries like machinery, transport equipment, chemicals and rubber experienced a significant decline in growth after 1965-66. The slackening of real investment, particularly in the public sector from the mid 1960', was one of the chief factors behind deceleration of growth rate of industry. In absolute terms, public investment (Graph 5) recovered by the mid-1970s and a concurrent recovery in industrial production can be seen by the 1980s. The role of the state in industrial development, however, declined steadily in this period. The fall in public investment adversely affected private corporate capital[36] whose share in capital formation reduced from 25% to 8% within this period (see Graph 5).

Aside from a decrease in investment, McCartney (2009) has argued that total factor productivity in the industrial sector fell after 1965-66. This is suggested by an increase in incremental capital-output ratio from 4.3 in the '60s to 6.6 in the '70s. He argues that the growth in the 1950s was extensive in nature. Capital intensive sectors like steel, motor vehicles, etc., were set up through

[36] This would be contrary to Keynesian theoretical expectations of crowding out. However, the complementary movement of private and public capital in the first two regimes was a result of lack of capacity usage in industries due to deficit in supply of key infrastructure and raw materials in heavy industries.

foreign collaborations using 1950s technology. However, there was little sign of intensive growth and learning in existing capacity in the state owned heavy industrial sector after 1965. (Mohan, 2008)

The volume and composition of aggregate demand. The industrial stagnation caused the overall economy to grow sluggishly at about 3.5% (Table 3) over this entire period. Investment, the major driver of growth in the first regime, significantly declined in the late sixties. While C continued to be the largest contributor to GDP growth in absolute terms, it continued to grow at a slower pace than GDP growth and its contribution share fell from 75% in the first regime to 60% (Table 2) by the end of the second regime. A rise in consumption inequality (see Graph 2) and food production failures led to a fall in consumption. G continued to increase and its contribution share increased from the first to the second regime. However, this increased fiscal expenditure, was funded in an unsustainable manner (see Graph 4) and would lead to a crisis of the state. Exports improved in this regime as its contribution increased from 0.5% to 4% of GDP. The increasing importance of exports to the growth process was largely a result of a more militant import substitution policy, following the BOP crises and increased exports to USSR and Gulf regions. There were no significant drivers of growth (see Table 2) in this period and the major change from the previous regime was the fall in the importance of investment in driving the growth process.

Distribution of consumption inequality. The Green Revolution contributed to an increase in rural inequality. However, this was partially compensated by an active policy of redistribution (Garibi Hatao) under Indira Gandhi, who was trying to create a new voting bloc for her party, the recently separated Congress (I). Starting in the 1970s, some well-known policies were passed that were directed at the poor – the renewal of the Public Distribution System, the Integrated Rural Development Program, the scheme for rural employment and credit programs for rural producers (Nagaraj, 2012, pp. 38-39). In terms of rural poverty, this period witnessed significant reduction from 50% to about 40%, primarily due to populist redistributive measures undertaken by the government from the early 1970s onwards. There was however a significant increase in inequality in both rural and urban areas in this regime. My calculations based on data provided by Suryanarayana (2012), show that rural inequality increased from 7.02 in 1968-69 to 8.19 in 1977-78. As the industrial economy slowed down, those at the bottom lost out more significantly than those at the top resulting in a rise in urban inequality, which increased from 7.34 in 1968-69 to 8.54 in 1977-78 (see Graphs 2 and 3).

Class dynamics. The Green Revolution marked the first major instance of the Indian state actively collaborating with petty producer classes to facilitate economic growth (Kohli, 2012, p. 203). Moreover, agricultural reforms generated sustained growth for certain crops and regions. This agricultural growth benefited large agricultural landholders and rural elites, at the cost of smaller landholders and rural proletariat. This period saw a jump in the income received by the top 10% in rural areas (see Table 4) and a slight decrease in the income received by the bottom 10%. The growing power of the rural rich culminated in this interest group becoming organized politically and was represented by various rich peasant political outfits such as the Lok Dal (led by Charan Singh), that would go on to dethrone the Congress government at the center in 1978. Secondly, petty commodity producers and intermediary classes (Jha, 1980) directly benefited from Indira's populist policies and also benefited from escaping licensing regulations and price controls. The increased subsidization of the agricultural sector came at the cost of a fall in public investment in industries. The Indira Gandhi government took a turn towards the nationalization of banks, and increased its attempts to regulate both domestic and foreign capital. Concurrently this regime witnessed a slowdown in the formation of domestic private capital.

Relation between capitalist and non-capitalist spaces. The efforts made by various state agencies in the 1970s to alleviate poverty translated into the accelerated diversification of the rural economy, arising on account of road building and motorized transport. Jan Breman (2012, p. 56) has observed that these changes led to an increased mobility amongst rural labor, following the increasing dispossession of the agrarian landless peasantry from the rural way of living. While the labor market in villages was never a global market, it became fluid both in spatial terms and in finding opportunities to work in the non-agricultural sector. Not only did seasonal migration increase, but also daily commuting to the industrial estates that sprang up in most district towns. However, this footloose labor could not find a permanent occupation in urban areas, as that required a modicum of education, proper skills, and a network of contacts. This increased labor mobility led to the creation of a vast army of landless laborers who lived a nomadic life, moving from one job to other. This labor process is described in more detail in Chapter Four under the heading Informal Coercive Accumulation Process. Both the social and economic dispossession this caused had an impact on breaking up the rural way of living.

Looming crisis of the 1970s. This export led revival led to a general improvement in the economy over the latter half of the seventies and steady improvements in all three important components C, G and I. Counter-intuitively, these improvements would culminate in the worst crisis to strike the economy since independence. In 1979, the economy registered a negative growth of over 6% with both C and I decreasing at 2% and 5% respectively (Table 2). This sudden crisis of such depth in 1979 can be understood as the cumulative effect of four interdependent instabilities within the economy in this period. First, the decrease in public investment in industries had led to a stagnation of private corporate investment to an all-time low (see Graph 5). Second, the state had changed its expenditure patterns from productive capital to revenue expenditures over the 1970s (RBI Handbook: Table 103) and increasingly funded this expenditure by raising its fiscal deficit (see

Graph 4) and increasing borrowings at commercial rates (RBI Handbook: Table 143). Third, the import substitution regime started imploding in the late 1970s due to the crash of the Bretton Woods system and the twin oil price shock of the '70s. Lastly, the Congress, due to frequent infighting, had lost its hegemony as the director of the development state and was voted out of power in the Central government for the first time in their history in 1978. The culmination of all these processes led to the deepest crisis in independent Indian history and created the conditions that gave impetus to the liberalization of the economy.

1980-1991: Broad-based Growth Driven by Consumption: High Growth with Stagnant Inequality

Economic policy and development ideology. In 1980, the newly-elected Congress Party took a loan from the IMF worth $5.2 billion dollars, to stem the different crises in the economy. This also marked a change in the economic orientation of the state. Indira, re-elected as prime minister, shed her leftist and populist leanings and took a decisive turn towards making the economy pro-business (Kohli, 2006). The new model of development which was unveiled had three components: first, the prioritizing of economic growth over redistribution as a state goal, second, a whole slew of partial liberalization measures which include a relaxation of industrial licensing, decontrol of prices of certain essential commodities, slashed duties on imports to empower large capital, and third, a reduction in the importance of the public sector in driving the industrial sector. Crucial changes were introduced into the policy environment to encourage large capital to enter core industries like chemical, drugs, and cement, and to mobilize their own finances from the public. While the state started to withdraw from core production, it still maintained an active role in the economy, and both infrastructural and government consumption expenditure continued to grow in this period albeit in an unstable way.

The organization of production. The crisis of the 1970s enforced a structural transformation of the Indian economy. The economy attained a higher growth trajectory with a GDP growth of more than 5% (Table 2) in this regime. Moreover, growth rates of all sectors increased, albeit with differing trends. The benefits of the Green Revolution were partially reaped and the agricultural sector grew at 3.8% (Table 3). However fluctuations in agricultural growth increased in this period. This increased instability is due on the one hand, to the increase in regional concentrations of crop supply, and on the other hand, to a shift in cropping patterns towards higher yielding but simultaneously more rainfall sensitive crops and crop varieties. In particular, food grain growth picked up significantly in the eastern region, where it had been sluggish in the early phase of the Green Revolution (Rao & Storm, 2000, p. 207-8). Industry achieved growth on par with the Nehruvian regime of 5.8% (Table 3). However, services emerged as the fastest growing sector with more than 6% growth (Table 3). This structural transition was accompanied by frequent fluctuations in the growth of investment over this period. The surge in the growth of the service sector was driven by tremendous growth in trade, hotels, transport and communication. These service industries benefited tremendously from an increasing demand for services in the industrial sector, the empowerment of petty commodity producers[37] of services in the second regime, and encouragement from the government (especially Rajiv Gandhi when he became the prime minister in 1984) to invest in transport and telecommunications.

While investment grew at about 5.8% (Table 2) for the whole period, it was well below the high of 7.9% achieved in the Nehruvian regime. The instability of investment growth can be observed by the advent of high growth (over 7.5%) during 1983-88, while it was hampered by negative growth in the remaining years culminating in a crisis of investment by 1990. Such instability

[37] Petty commodity production has been theorized in detail in Chapter Four.

in investment was largely a result of the changing nature of public investment. There was a secular decline in public investment over this period, which was counteracted by a newly resurgent private corporate sector. Household investment also grew impressively over this whole period (see graph 5).

The volume and composition of effective demand. The state stepped up its consumption expenditure (G), which became the main driver of GDP and grew at over 6.6% (Table 2). However, there were important differences in the pattern of government expenditure in this regime. Unlike the Nehruvian regime, where capital expenditure was the priority, revenue expenditures became the driving component of G in this regime. Along with increased consumption, the size of government transfers also exploded, largely due to new redistributive and poverty alleviation programs like the Integrated Rural Development program, and a six-fold (RBI Handbook: Table 103) increase in subsidies. An increasing part of government consumption was funded through commercial borrowings, which ensured that interest payments became the largest and fastest growing component of government revenue expenditure. C was also an important driver of growth and grew at over 4.6% (Table 2). This increase in C was a result of increasing subsidies and redistributive measures by the government, and a surge in the service sector, which grew tremendously both in terms of income generated and numbers employed. Growth in this regime was primarily driven by consumption (both public and private) which contributed to three quarters of the GDP growth (see Table 2).

Distribution of consumption inequality. There were no major changes in overall income distribution from the previous regime, however there were crucial changes in the internal dynamics of income distribution. While overall labor received 55% (see Table 8) of total income, there was an increase in capital income in the agricultural sector. Agriculture was largely ignored by the state in this regime, and the inequalities in income owing to the biases of Green Revolution technology continued to benefit capitalist farmers. Labor income stayed high in informal industrial and service sectors; however there was a fall in labor income in the organized sector. Organized industries increased profitability significantly in this period and profits increased from ₹2168 to ₹11389 crores in this period. Wages to labor in organized industries increased from ₹4394 to ₹11796 crores, which although a healthy increase, indicates that the benefits of the increase in revenue were disproportionately distributed in favor of capital (see Table 7). This was largely due to the fact that rigid labor laws introduced by the Congress government affected the bargaining power of organized labor.

The increase in C during this period was also a result of mildly declining inequality in this period. Vakulabharanam (2010) has concluded that at the all-India level, the rural, urban and overall Gini coefficients stayed roughly the same or showed a marginal decline between 1983-84 and 1993-94. For most states, there was a slight decrease in inequality. Suryanarayana (2012) has also concluded that there was a marginal improvement in average consumption and a reduction in inequality from 1977-78 and 1993-94 (see Graphs 3 and 4).

Class dynamics. After returning to power in 1980, Indira (and later her son Rajiv Gandhi) moved the Indian state away from its commitment to a progressive nation state, to a growth-promoting state that was pro-business. The policy shifts were not only extended to limiting the role of the state in the market, but went beyond, to actively support profitability of the large domestic capitalists (Kohli, 2012, p. 205). New business groups (partly rural elites migrating to urban spaces, professionals who began to experiment in new areas like Information Technology, and smaller constituents of old capital[38]), which found themselves blocked by the cozy nexus between the state

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38 Also see Damodaran (2008) for an account of new forms of capital arising in the 1980s and '90s.

and large industrial houses emerged, and established themselves in regional as well as national parties as vocal opponents of the 'License Raj' (Chibber, 2012, p. 186). The agricultural rich and rural elite continued to receive ample subsidies from the state. Aside from benefiting domestic capital and the rural elite, the high growth generated under this regime translated into a decrease in income inequality. This decrease was distributed amongst different classes marginalized under the previous regimes. Rural marginalized classes benefited from the increased allocation of state resources to redistributive programs such as Integrated Rural Development Programs (IRDP). Increased political unrest in certain pockets of the country from the Maoist struggles, contributed to increases in rural wages. Accelerated land reforms in Communist-ruled states such as West Bengal and Kerala also contributed to a decline in rural inequality. Urban skilled and semi-skilled workers benefited from an unprecedented rise in wages (Nagaraj, 2012). This is a regime that witnessed broad-based improvement in the living conditions of all classes, although the extra fillip was received by the large businesses and emerging new businesses, along with the urban professionals.

Relation between capitalist and non-capitalist spaces. The number of informal sector workers in agriculture rose from 189.7 million to 209.7 million in this regime. However the biggest explosion of informal jobs occurred in the non-agricultural sector which increased from 57.9 million to 89.3 million in a decade (1977-78 to 1987-88). (Visaria and Jacob, 1996). Jan Breman (2012, p. 228) documents that state authorities felt the need to regulate the explosive growth in employment in the informal sector in this period. This reaction was not motivated so much by the desire to improve the lives of these workers but because this sector had escaped regulation.

> "In this negatively coloured assessment the informal sector was seen as a conglomerate of activities which were inconvenient and caused trouble. The parasitic or openly criminal features attributed to these workers reinforced the tendency of the government to protect

> the public and the economy, from these useless, unhealthy or downright dangerous elements." (2012, p. 228)

The Indian state viewed the informal sector as a threat to the urban economy and introduced measures to control and regulate these enterprises. The International Labor organization (ILO) also identified the informal sector as a crucial element of development in this period and made a plea for a more positive attitude towards it. The argument in support of this policy was that the returns from these activities not only provided a living for those involved, but also played a crucial role in the capitalist development of the economy. The ILO categorized the informal sector phenomenon as one of self-employment. This suggests that workers in this sector operate on their own account and at their own risk, leading to a focus on micro-entrepreneurship and all its positive features. In order to increase the efficiency of this sector, the ILO recommended that better training, more credit and improved access to the market be provided to informal sector workers. This fit in well with neo-liberal policies of labor which favored flexibility of production and sub-contracting of labor. However, this definition of the informal sector was characterized by analytical vagueness according to Jan Breman (2012). It included all employment not coming under the formal labor market. As a consequence, even when the state initiated some of these measures, they only benefited the small portion of the informal sector which was engaged in petty commodity production, like owners of mini-workshops, self-employed artisans, small traders and shop keepers. The state ignored other steps including protection, unionization, education and rehabilitation of workers in the informal sector. This treatment of the informal sector by the state, as defined by the ILO, would lead to increasing inequality amongst the informal sector labor both in rural and urban areas.

Deepening twin crises by the late 1980s. The partial liberalization introduced by the government in the external sector encouraged a boom in imports, which grew at more than 7%

(Table 2). Exports, which had been an important driver of growth in the previous period, declined in terms of their growth in this period, causing the current account deficit to soar once again at 3% of GDP. The economy's dependence on foreign aid to finance the current deficit, was replaced by an increasing dependence on foreign commercial borrowing (RBI Handbook: Table 143). While the changing orientation of public expenditure drove up the rate of GDP growth, there existed an inherent instability within it, owing to an increase in fiscal indiscipline by the government and the feedback effects of a fall in public investment. The swelling expenditure by the government was funded increasingly by commercial borrowings. Fiscal deficits as a proportion of GDP increased from a manageable 3.5% to 5.5% (see Graph 4), by the end of this period. Furthermore, an increasing share of the borrowings was spent in debt servicing and transfer payments (Graph 6), which didn't generate returns. The state was caught in a trap of financing debt with more debt. The fall in public investment created instability in the investment environment and a steady deterioration in public infrastructure, which fed into an investment crisis in 1990-91 (see Graph 5). The rising fiscal and current account deficit would culminate in a crisis in 1991. The crisis was mainly felt in a reduction of investment by 9.5% in 1991, and a low GDP growth of 1%. The crisis would itself be politicized to bring in major changes in economic policies and a significant change in the macro-economic dynamics of the economy. The transition to the post-liberalization period will be discussed in greater detail in the next section.

1991-2013: Neoliberalism: High Growth (Driven by Investment and Exports) With Rising Inequality

The economy was facing twin crises – on the fiscal and Balance of Payment fronts – which fueled a fall in India's international credit rating in 1991. This crisis coincided with the failure of any dominant party to retain power at the Centre, and a change in the geo-political environment, with the demise of the Soviet Union and consolidation of the US as the sole global super power.

Economic policy and development ideology. The fourth regime (1991-2013) that was put in place in the early 1990s was implemented under the broad influence of the IMF and World Bank, and brought in neo-liberal structural adjustments, even as India borrowed from these institutions to address its BOP crisis. Alongside, the state implemented a whole host of fiscal austerity measures, which stabilized the fiscal deficit, at the cost of a steady decline in public investment. In the previous three regimes, the development process was directed by the state[39]. This new regime saw a shift in development process from being state directed to market directed. The liberal reforms package included: fiscal austerity measures in government expenditures, liberalization of the external regime and domestic investment climate, opening up the economy to private capital, financial reforms and market directed development. The reforms era generated the fastest growth in any regime in the history of independent India. However, the growth dynamics went through two distinct phases in this regime – the first decade witnessed medium growth, a fiscally disciplined state, unstable investment, and low exports with high imports; the second decade witnessed high growth, a fiscally active state, high investment, and high exports with high imports. The different phases in this regime are due to the fact that liberal reforms were introduced in a slow and piecemeal manner instead of at one go. This essentially meant that investors' confidence was low through the 1990s, because there were no assurance about whether more reforms would come through. Political stability is the other factor which explains the distinct phases. While four separate coalition governments were formed between 1991 and 2002-03, the same UPA government (consisting of the Congress, albeit with different coalition partners) maintained state power from 2003-2013. The state had more political autonomy to initiate policies and a longer gestation period for these policies to impact the economy. Lastly, while there are distinctions between these two phases, they both come

[39] Through the planning process in the first regime, and high public expenditure in the second and third regimes

under the same regime, as the dynamics were similar in both phases. Growth in both phases was driven by investment, exports and elite private consumption. Moreover the tertiary sector was the fastest growing sector in both phases.

The organization of production. In the first phase of this regime, from 1991-2002, the state instituted liberal economic policies while withdrawing from its active role in the development process, thereby allowing the market to drive the trajectory of growth. This period witnessed a rapid escalation in non-agricultural growth rates, while agricultural growth collapsed until the mid-2000s. Agriculture continued to receive a plethora of subsidies. However, the state significantly reduced investment in rural areas and the 3% (Table 3) growth achieved by agriculture was significantly below that of non-agricultural sectors. In fact, the agricultural sector was delinked from the growth process in this period, as indicated by the fact that agriculture failed to grow faster than GDP in any given year in this period. The industrial sector, after two years of double digit growth due to the euphoria (or pent up aggregate demand) surrounding reforms, remained unstable with fluctuating growth. This was largely because private corporate investment, after reaching a high of 60% (Graph 5) composition of total I in 1995, was reduced to single digits by the end of the nineties. The instability of private investment was due to political uncertainty about the extent of reforms in this period. The reason that investment remained a fairly important component of GDP growth was due to a resurgent household sector which emerged as the largest generator of investment in the late 1990s, by contributing 30% of total investments (see Graph 5). Services were the largest drivers of GDP with a growth of 6.6%. Trade, hotels, transport and communication, and the financial, insurance, real estate (FIRE) sub-sectors were the fastest growing service sub-sectors in this phase growing at more than 7%. These sectors benefited from liberal reforms, service export encouragement, and a greater industrial demand for infrastructure and business services.

In the second phase, from 2003-2013, the state directly supported the market driven development process, by increasing public investment, especially in infrastructure and public services, and by actively creating a more conducive environment for investment (both domestic and foreign). This led to an increase in industrial growth to 6.74% (Table 2), which was fairly stable throughout the period except in 2008-09 during the global financial crisis. Services grew at a phenomenal rate of 8.85% (Table 3) and had achieved the fastest growth by any sector in a decade. While trade, hotels, and the FIRE sub-sectors grew at almost 10% (Table 3) growth exceeding their growth in the '90s, the greatest change occurred in the constructions sub-sector which grew at more than 8% after 2002-03, more than double its growth in the previous decade. This surge in construction is partially driven by an increase in land mobilization and constructions of Special Economic Zones for production aided by governmental support, and partially speculative in anticipation of high growth in the Indian economy.

The volume and composition of aggregate demand. The first phase of this regime achieved a moderate GDP growth of 5% (Table 2), with no one component driving the growth process. It was marked by a steady withdrawal of the state from the accumulation process, through a secular decline in public investment; the disinvestment process was so drastic that within a decade, public sector capital formation transformed from the largest component of investment to the smallest (see Graph 5). Due to stringent austerity measures enforced on the state by the IMF, the state tried to stabilize its fiscal deficit and repay commercial borrowings. The fall in total public spending (G and public investment) was disproportionately felt by investment, although there was a decline in G too. The fall in the contribution share of G was comparatively small, from 16% to 11% (Table 2), however, its proportionate fall was substantial as it decreased to become the smallest component of GDP growth.

In 2002 the economy recovered from a minor crisis (7% decline in agriculture) by entering an investment and export-led high growth phase. This growth was led by a phenomenal increase in investment, which grew at more than 8% (Table 2) per annum to became the driving component of growth, and which contributed to about 35% (Table 2) of this growth. This increase in investment was marked by high private corporate investment (see Graph 5) and high foreign direct investment (RBI Handbook: Table 143), both of which were attracted by a rapid increase in public investment and a strong state commitment to create conditions for faster accumulation. The massive increase in foreign direct investment helped decrease the economy's dependence on commercial borrowings and foreign aid to finance the rapidly increasing demand for imports (RBI Handbook: Table 143). Exports and the service sector consolidated their higher levels of growth since the 1990s, to grow at even higher rates of 11% and 8.85% (Table 2), respectively.

Distribution of consumption inequality. The introduction of liberal reforms immediately benefited private enterprise as capital income went up secularly in all industries. There was a steady deterioration of labor income over the '90s in the secondary and tertiary sectors (Table 8). This was partially caused by increasing profitability in the organized manufacturing sector, and increasing inequality in the unorganized sector. While services benefited the most from liberal reforms, the gains from these shares were unequally shared with labor in the informal sector. From 2002 to '03 there was a complete change in trend with capital income increasing markedly in both the primary and secondary sector. The surge in profits in the primary sector was due to increased subsidies provided by the state to capitalist farmers, after the agricultural crisis of 2002-03. The increase in capital income in industries was fueled by an unprecedented surge in profit made by registered manufacturing, which increased from Rs 92366 crores to 332931 crores between 2002-03 to 2009-10 (Table 7).

Private consumption still remained an important component of the GDP and its growth. However, consumption itself became very unequal over this period. The increase in demand for luxury consumption, and the concomitant increase of investment in associated sectors drove the inequality dynamics of this period. The enclave that consisted of urban private capital and urban professional/middle classes drove the rapid consumption increases while the rest of the population witnessed slow increases in consumption during this entire period (Vakulabharanam, 2012). Jayadev et al. (2007) show that there has been a steady increase in wealth inequality over this period with jumps in both intra-urban and urban-rural wealth inequality. The data points firmly towards a shift in the balance of power towards capital. There was also a strong decline in the proportion of government revenue allocated towards progressive redistributive policies. Further, what is even more disconcerting is that there was a shift from Universalist policies towards targeted policies, which resulted in increased leakages and misallocation of resources (Nagaraj, 2012, p. 40). The increase in inequality can be traced to the increasing support of the state to private capital, a steady decrease of the state's commitment to redistributive policies, a fall in wage growth in the organized sector along with a failure to create employment opportunities, the stagnation of the agricultural sector, and the rapid growth of a subsistence-based informal sector.

Class dynamics. The accumulation dynamics of the new regime were determined by private capital and the state that began to play an increasingly supportive role for private capitalists. The Indian economy witnessed rapid growth in private luxury consumption (initial years), private investment (through the whole period) and exports. These three components of the GDP have tended to create an enclave that has pushed the growth dynamics of post-reform India even as the rest of the economy has fallen behind. Urban elites engaging in this enclave benefited the most from liberalization. This included domestic capital (both large and small), skilled formal workers and managerial classes (especially those working in the service sector). Policies of economic liberalization have tended to cause a reduction in public investment in agriculture, as well as a partial withdrawal of state support to various small farming groups. While large agriculturists and rural elites were provided ample subsidies, other marginalized rural classes were significantly hit in this regime. The rate of increase in consumption inequality has been the fastest in this regime relative to all other regimes. Marginal farmers, tenant farmers and landless peasants were equivalently hurt under this regime. A significant (still a minority) part of the landless population migrated to urban areas to look for better opportunities in the swiftly growing informal sector. However, employment in the informal sector did not translate into better income. Urban inequality and unemployment increased dramatically in this period (Vakulabharanam, 2012).

Relation between capitalist and non-capitalist spaces. Kalyan Sanyal (2009) and Partha Chatterjee (2008) have analyzed the different trajectory of development of Indian peasant classes in detail. Chatterjee (2008) describes the process of primitive accumulation in India in terms of the familiar picture of peasants tied to their land, involved in small scale agriculture, united by the cultural and moral bonds of the local rural community. The process of capitalist development leads to the dispossession of their land, and the stripping of their traditional means of production by dominating classes and the state. However, Chatterjee (2008, pp. 117-119) argues that the trajectory of development of Indian peasant classes changed after the introduction of liberal reforms in 1991. Firstly, with the spread of government technologies in the last two decades, the state began closely engaging with the peasant community. Government agencies distributed education, health services, roadways, water, electricity, and agricultural technology at subsidized rates, in addition to dozens of other relief services. Secondly, "with the tax on land and agricultural produce no longer a significant source of revenue for modern governments, the relation of the state to the peasantry is no longer directly extractive as in the past" (Chatterjee, 2008, p. 118). Thirdly, with the growth of cities and industrial zones, the spread of education and wide-spread exposure to modern communication, media perceptions of younger generations of peasants changed. This generation shifted to the non-agricultural sector voluntarily, and not due to pauperization or forcible separation from their lands. Sanyal (2009) has argued that there was a growing sense over the last three decades that the state and other developmental agencies need to provide certain basic conditions of life to pauperized populations. This discourse of rehabilitation of peasants co-exists parallel to the dominant discourse on the importance of growth. Sanyal argues that the co-existence of these two discourses provides a historically unique process of peasant cultivators and petty commodity producers being stripped of their land and means of production, while governmental agencies provided the conditions for meeting the dispossessed peasant's basic livelihood. These rehabilitation programs were different from the government policies in the earlier state directed regimes (1950-80). The government in earlier regimes delayed the process of primitive accumulation by protecting some industries[40] from large capital. Instead, the government, in the fourth regime, provided direct poverty alleviation programs such as the guarantee of employment in the public work program, subsidized food, free education and medical services. Sanyal terms this process as one of reversing the effects of primitive accumulation. He argues that this is a result of changing discourses of development globally, an improvement in technologies available to government agencies, as well as increased competition amongst political parties in wooing voters.

There were two consequences to these changes described by Chatterjee and Sanyal. First, "Since peasants now confront, not land lords and traders as direct exploiters, but rather governmental agencies," (Chatterjee, p. 124) peasant antagonism towards local dominating classes dissipated; instead the state was blamed for perceived inequalities in the distribution of benefits. The growing number of peasant protests against the state in the 21st century including protests against

[40] Also called small scale industries.

the government's acquisition of land to build Tata plants in Singur, chemical industries in Nandigram, and Posco Steel plant in Kalinganagar in Orissa, are indicative of the changing relations between peasants and the state. Second, the benefits provided by the state have allowed private enterprises to exploit labor through low pay and informal contracts, as state policies subsidize the cost of reproducing labor power.

With the introduction of liberal reforms, there was an expectation that the size of the informal sector would decrease. The informal sector was perceived as having developed due to the complexity of the state regulations and bureaucratic loopholes an enterprise had to negotiate to function in the formal sector. Liberal reforms were formulated to benefit the formal sector. The growth in the organized sector without growth in employment, was due to increased capitalization and use of efficient technology in the private corporate sector. Businesses were empowered to borrow directly from the market with the introduction of financial reforms. However, the private corporate sector managed to mobilize a large part of the savings generated from the household sector. This skewed transfer of capital from the household sector to the private corporate sector, ensured that the majority of the informal sector remained engaged in petty production. Moreover, the informal sector subsidized the production costs of the formal sector, through subcontracting and providing flexible labor. The largest increase in informal workers occurred in the trade, hotels and restaurants, transport, storage and communication, and the construction service sectors (Sakthivel & Joddar, 2006). These sectors were the fastest growing in the Indian economy in this regime, and indicative that these sectors benefited from the exploitative contracting of labor. It is well documented by Breman, that bonded migratory labor are hired in these sub-sectors and receive a very small proportion of the accumulated surplus. In this regime, the increasingly exploitative nature of the unorganized sector was firmly embedded within the accumulation cycle of the organized sector. It played the crucial role of subsidizing costs and hedging risks for the organized sector. As argued above, the state played a crucial role in providing the basic means of existence to impoverished labor classes working in the informal sector, and buttressing the exploitative relationship the capitalist sector had with the informal labor classes in the fourth regime.

Looming crisis? While the economy grew at a record rate of 8.5% (Table 2) per annum over the last decade, there are certain instabilities built into this structure. First, this high growth regime has been achieved at the cost of neglecting the agricultural sector, promoting an enclave based growth model, ignoring employment generating growth opportunities, and reducing redistributive programs. This has meant that inequality between urban classes, between regions and between the urban and rural sectors, has risen tremendously (Vakulabharanam, 2010, 2012). Second, in a very mainstream sense, there is growing fiscal instability. There is a significant increase in the state's investments and expenditure. Over this period, interest payments continued to increase and the size of subsidies increased threefold (see Graph 7) along with transfers. Increased revenue (RBI Handbook: Table 101) generated by higher growth helped reduce the fiscal deficit moderately. However, the effects of the 2008 global crisis on exports and investment forced the state to increase its expenditure sufficiently to prop up aggregate demand. Fiscal deficit has, as a consequence, grown to be higher than its level in 1990 (see Graph 4). The growth of imports at more than 20% has led to the current account deficit, tending towards its 1991 level. With the slowdown of the investment bubbles in the real estate and stock markets, there is increased instability that may persist for a while. The increase in instability and the rapid escalation of inequality together, in all likelihood, signal the onset of another regime changing phase in the Indian economy.

Conclusion

Table 1

Summarizing Regimes of Accumulation in India

	1951-65	1967-1979	1980-1991	1992-2013
Economic Policy	Planning-based development focused on heavy industries and import substitution.	New agricultural strategy and populist redistributive polices	Partial liberal reforms and pro-business policies	Market driven growth, liberal reforms and fiscal austerity measures for the state
Sectoral Growth Driver	Heavy Capital intensive Industry	Investment intensive agriculture	Services: trade, hotels, transport and communication	Services (FIRE & construction) and registered manufacturing industries
Driver of Demand	Government investment and expenditure	Government expenditure	Consumption expenditure (private and government)	Investment and exports
Distribution of income	Slight decrease in inequality	Rise in inequality	Decrease in inequality	Rise in inequality
Class Dynamics	Benefited domestic capital, large landlords and urban workers	Large landlords, intermediate classes	Capital (new and old), urban skilled worker and rural elite.	Domestic capital and urban skilled worker
Relationship with non-capitalist sector	Dispossession of peasants from rural mode of existence	Increased mobility of rural agricultural labor	State recognition and regulation of informal sector	Explosion in informal sector growth benefits large capital. Government subsidizes the condition of existence of impoverished working classes.
Nature of Crises	Unsustainable primary sector	Industrial stagnation	Unsustainable fiscal expenditure	Enclave driven growth, primary sector stagnant, unsustainable fiscal expenditure

The above table provides a comparative picture of the major dynamics within each regime of accumulation. It is not possible to discern a specific trajectory of capitalism in India, though there is enough evidence to suggest that the trajectory of capitalist development was different from both the early developed countries in the West and the late developing countries in East Asia. Some of the primary differences have been: the inability of the Indian agricultural sector to be self-sufficient and generate sufficient demand for industrial goods, heavy registered industries' inability to drive the growth process uniformly and have its share steadily increased, services becoming the fastest growing sector in the economy. Exports have played a minimal part in the growth process and the surge in export in the 21st century is hardly comparable to the experience of other developed countries. The inability of the manufacturing sector to absorb excess labor from the primary sector, has led to a dual labor system with a small minority of privileged formal sector employees and a large mass of exploited informal sector workers.

We can however discern certain patterns within the evolution of dynamics within the regimes of accumulation, which can aid us in understanding the catalyst and dynamics of change from one regime to another. Some of the trends which typify the nature of capitalist development in India are:

1) The continuously strong albeit changing role of the interventionist state in the development process: The state has transitioned from being a director of development through capitalist investment in the first regime, a manager of development through high public expenditure in the second and third regimes, to a facilitator of development through pro-business policies, disinvestment of state enterprises and investment in heavy infrastructure. It is commonly postulated that the role of state within the economy steadily diminished with the introduction of liberal reforms. However, from the above account, it is discernible that the role of the state has shifted, from directing capitalist development

through public enterprises to indirectly providing conditions for private large capital to gain from the growth process. While some may consider this a victory of large capital over the state, the above account indicates that it more likely a result of collusion between the state and large private capital to keep small, agricultural and foreign capital from dominating the development process, rather than a result of class warfare between the state and private capital. The mechanisms through which the state is embedded within a regime will be discussed in detail in the fifth chapter.

2) Historically, in western developed countries, the process of industrial development followed a similar trajectory. Peasants were either dispossessed of their land, or no longer had the means to cultivate it. The landless peasant population had to look for work in the non-agricultural sector, migrate to new countries/colonies, or became pauperized. This entire process led to the creation of the labor force and subsequent formalization of labor relations[41]. In India the trajectory of the development of the working class was different. The failure of land reforms in the first regime led to a gradual creation of a working class with a low process of dispossession of peasants from their rural livelihoods. Not only did these dispossessed peasants have to participate in the labor market for their livelihoods, they also had to depend on the commodity market to reproduce itself. This process has gathered momentum in the fourth regime. Unlike Western developed countries, opportunities to migrate for work (either internal or outside the country) were limited in the 21st century. Moreover, the capital intensive nature of manufacturing in modern India meant that this

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41 For a detailed study of this process refer to *The Making of the English Working Class* by E. P. Thompson (1996).

working class was not absorbed by the capitalist industrial sector. As the informal labor process became a larger part of the economy, the state did not directly intervene in the process. While the state still continued to encourage heavy capital intensive industries, it alleviated the impoverished conditions of the 'footloose' laboring classes through piece-meal redistributive measures and poverty alleviation programs. This twin process of primitive accumulation and capital intensive industrialization, has led to the steady explosion of informal labor processes. These informal labor processes have buttressed the phenomenal growth experienced by the formal capitalist sector through the mobilization of savings and the provision of cheap labor. The state has both encouraged the growth of capital intensive production and subsidized the conditions of existence of the informal labor classes. Such contradictory processes have contributed to the continued existence of informal labor processes. What is clear is that informal labor is not an anomaly but a process which typifies capitalist development in India. The persistence of informal labor processes is not a result of conscious state policy or class warfare, but the result of multiple processes enmeshed within the regime of accumulation. In the fourth chapter I will conceptualize the mechanisms through which informal labor process were embedded within regimes of accumulation in India.

3) Large capital, urban professionals and state actors have remained the dominant classes within the accumulation process. While other classes such as landlord classes and petty trading classes have benefited in specific regimes, their dominance was short-lived and largely a result of conjectural factors within a regime. Though the dominating classes have had to make concessions and adjustments to other classes, they have managed to maintain their hegemony over the process of capitalist development in India.

In the next two chapters I focus on understanding the mechanisms through which informal labor processes and the state are embedded within the accumulation process. This will aid us in providing a framework to understand the evolution of regimes of accumulation and the dynamics of transition from one regime to another.

Tables and Figures

Table 2

Growth Rates and Contribution Share of Components of GDP Market Price[42]

Year	Growth Rate of C	Growth Rate of G	Growth Rate of I	Growth Rate of X	Growth Rate of M	Growth Rate of GDP Market Price	Contribution share of C	Contribution Share of G	Contribution Share of I	Contribution Share of X	Contribution Share of M (negative contribution)
1950-67	4.14	6.08	**7.9**	-0.1	4.23	4.69	**75.24**	8.61	**23.02**	0.58	-2.59
1968-1980	3.75	6.33	4.85	**7.56**	6.07	4.47	**60.42**	11.55	23.96	3.98	-3.69
1980-91	4.67	**6.61**	5.87	5.38	7.22	5.67	**59.17**	15.35	21.24	6.99	-6.77
1992-2008	5.26	6.36	10.87	**13.70**	16.22	6.68	**50.57**	10.99	39.08	27.19	-33.22
2004-2013 (2004-05 prices)	7.45	7.78	8.63	11.91	**13.06**	7.59	**64.22**	12.38	34.6	37.21	-50.85

42 The following years have not been included for calculating contribution shares: 1957-58, 1965-66, 1966-67, 1972-73, 1974-75, 1976-77, 1991-92. These years had either negative growth rates or growth rates less than 1%. As GDP growth is in the denominator of the derivation of contribution share, figures for these years turned out to be very unwieldy. I decided to not consider these years for the calculation of average contribution share in a regime, to ensure that the contribution shares have greater analytical value. These omissions provide a better representation of regimes.

Calculated by author based on Table 3(a): Components of Gross Domestic Product (at Market Prices). Source: RBI Handbook 2012

Table 3

Sectoral Growth Rates

Year	Growth Rate of Agriculture and Allied activities	Growth Rate of Industrial Sector	Growth Rate of Services Sector	Growth Rate of GDP Factor Cost
1950-67	2.54	**5.82**	4.74	3.72
1967-1980	2.44	**4.70**	4.24	3.50
1980-91	3.32	5.86	**6.09**	5.06
1992-2008	3.04	**6.69**	6.09	6.86
2004-2013 (2004-05 prices)	3.97	6.74	**8.85**	7.59

Calculated by author based on Table 3: Components of Gross Domestic Product (at Factor Costs). Source: RBI Handbook 2012.

Table 4

Calculation of Proxy for Consumption Inequality in Rural Areas

	Per cent Share in consumption of (Rural)		
	Current Prices		
	Bottom 10%	Top 10%	Consumption inequality (top10%/Bottom 10%)
1961-62	3.79	25.88	6.83
1967-68	3.71	23.45	6.32
1968-69	3.63	25.49	7.02
1977-78	3.46	28.34	8.19
1983	3.79	24.58	6.49
1987-88	4	25.21	6.30
1993-94	4.43	22.51	5.08
2004-05	4.08	26.44	6.48

Source: Suryanarayana (2012: 78)

Table 5

Calculation of proxy for Consumption Inequality in Urban Areas

	Per cent Share in Consumption of (Urban)		
	Current Prices		
	Bottom 10%	Top 10%	Consumption Inequality (top10%/Bottom 10%)
1961-61	3.03	29.04	9.58
1967-68	3.4	26.11	7.68
1968-69	3.42	25.09	7.34
1977-78	3.29	28.11	8.54
1983	3.41	27.31	8.01
1987-88	3.4	28.46	8.37
1993-94	3.39	27.9	8.23
2004-05	3.08	30.08	9.77

Source: Suryanarayana (2012:79)

Table 6

Inequality in India (Gini) – (1983-2010)

	Gini Coefficient of MPCE		
	Urban	Rural	Total
1983-84	0.34	0.31	0.327
1993-94	0.344	0.286	0.326
2004-05	0.376	0.305	0.363
2009-10	0.393	0.3	0.37

Source: Vakulabharanam (2012)

Table 7

Total Wages and Profits in Registered Manufacturing

	Total Emoluments	Profits
Year	(In Crore Rupees)	(In Crore Rupees)
1970 - 1971	1674	
1971 - 1972	1885	
1973 - 1974	2499	
1974 - 1975	3052	2120
1975 - 1976	3463	1676
1976 - 1977	3637	2223
1977 - 1978	4196	2295
1978 - 1979	4612	2959
1979 - 1980	5372	2417
1980 - 1981	6097	2168
1981 - 1982	6778	3440
1982 - 1983	8046	3319
1983 - 1984	9218	4778
1984 - 1985	10660	3223
1985 - 1986	11081	4180
1986 - 1987	12299	4118
1987 - 1988	14081	3287
1988 - 1989	15728	5905
1989 - 1990	18409	8846
1990 - 1991	20586	11389
1991 - 1992	20970	9635
1992 - 1993	27226	14871
1993 - 1994	28640	28599
1994 - 1995	35342	37208
1995 - 1996	45116	44047
1996 - 1997	47294	41978
1997 - 1998	51586	42336
1998 - 1999	44625.85	47306.23
1999 - 2000	47843.51	47334.75
2000 - 2001	50718.73	35698.8
2001 - 2002	51059.57	34883.85
2002 - 2003	55158.01	61852.54
2003 - 2004	58336.75	92366.32

2004 - 2005	64405.94	144602
2005 - 2006	74008.2	184463
2006 - 2007	88750.99	241425
2007 - 2008	105442.84	297576
2008 - 2009	129441.23	296991.1
2009 - 2010	147006.96	332930.7

Source: Annual Survey of Industries: Principal Characteristics

Table 8

Factor Shares in Organized and Unorganized Sectors (1980-2009/10)

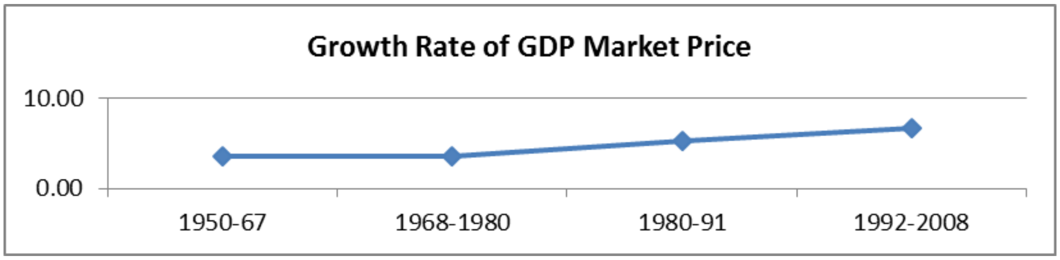
	Organized Sector		Unorganized Sector	
	Capital Income	Labor Income	Capital Income	Labor Income
1980-81	25	75	61	39
1981-82	29	71	61	39
1982-83	30	70	61	39
1983-84	29	70	59.5	40.5
1984-85	29	71	59.5	40.5
1985-86	29	71	59	41
1986-87	29	71	59	41
1987-88	27	73	59.5	40.5
1988-89	29.5	70.5	59	41
1989-90	31	69	59	41
1990-91	31	69	59	41
1991-92	32	68	59.5	40.5
1992-93	32	68	59.5	40.5
1993-94	40	60	59.5	40.5
1994-95	43	57	57	43
1995-96	43	57	56	44
1996-97	44	56	57	43
1997-98	42	58	55.5	44.5
1998-99	41	59	57	43
1999-00	40	60	56	44
2000-01	39	61	60.5	39.5
2001-02	41	59	61	39
2002-03	44	56	60	40
2003-04	45	55	61	39
2004-05	46	54	62.5	37.5
2005-06	49	51	63	37

2006-07	53.5	46.5	63	37
2007-08	54	46	62.5	37.5
2008-09	51	49	60.5	39.5
2009-10	48.5	51.5	62	38

Calculated by author.
Data Source: National Accounts Statistics, Factor Incomes (Base Year 1999-2000)

Graph 1

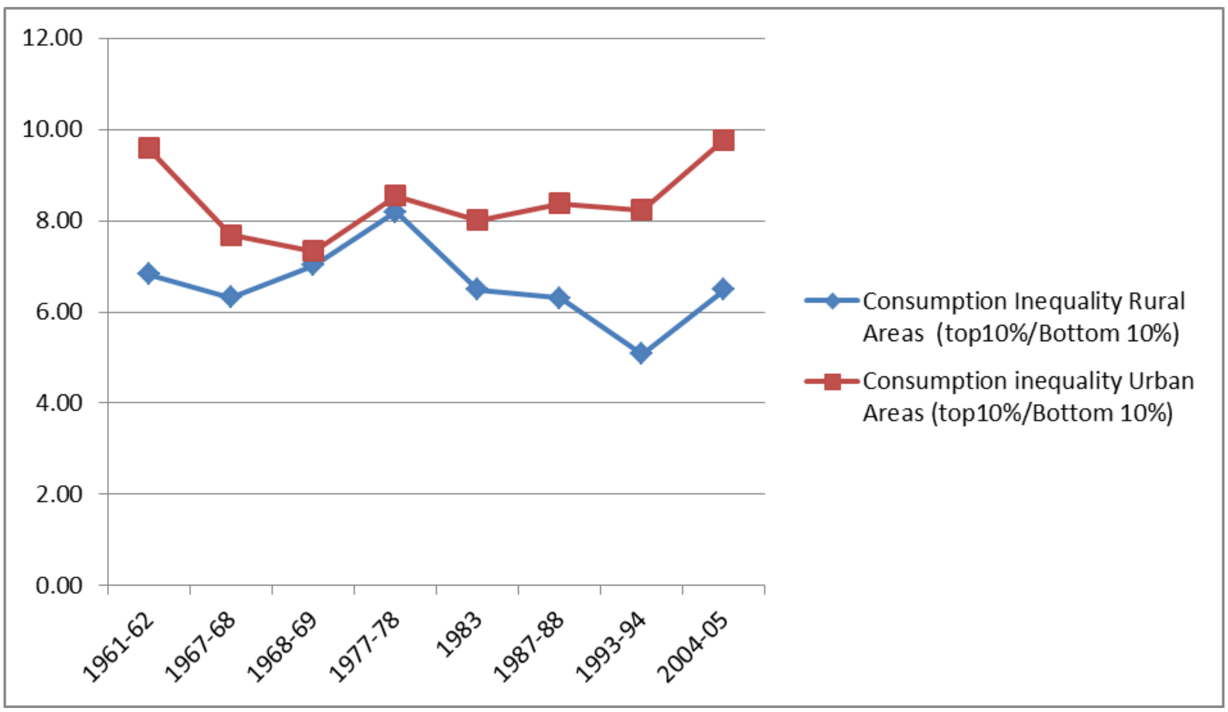
Growth Rate of GDP (at Market Prices) Within Each Regime



Source: Table 2

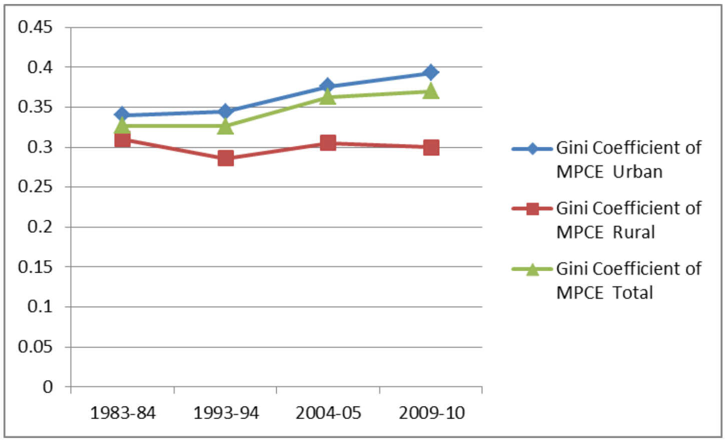
Graph 2

Consumption Inequality (ratio of top to bottom deciles)



Source: Tables 4 and 5

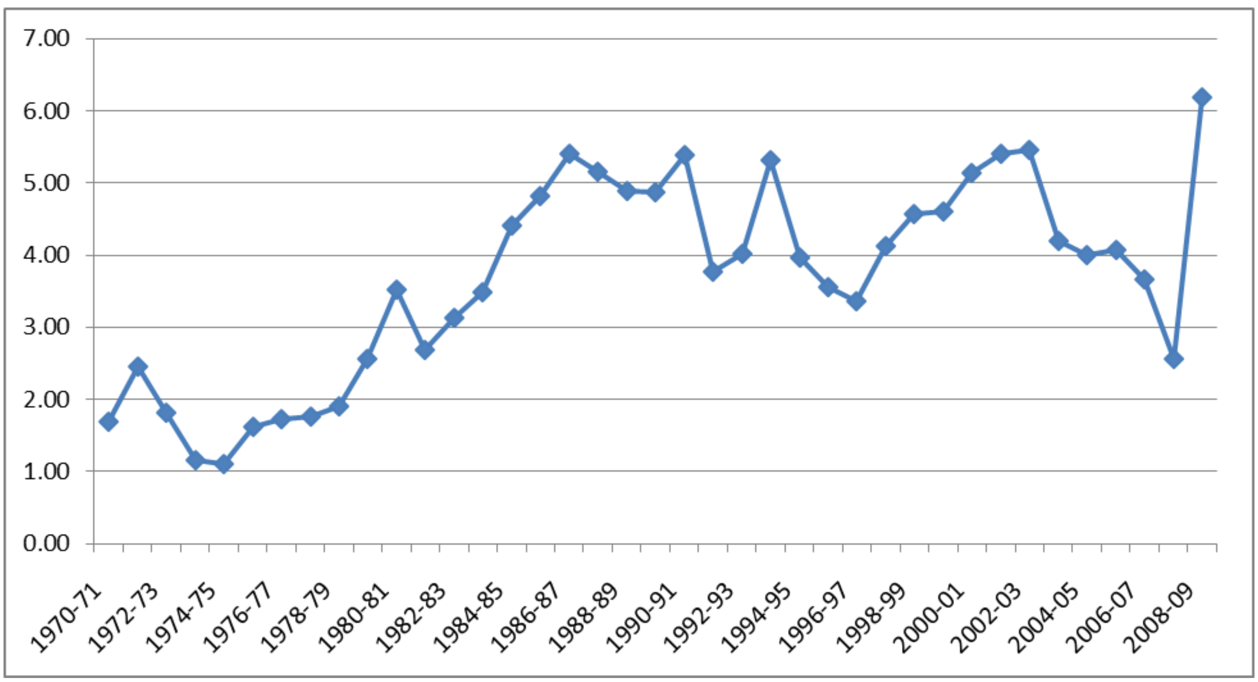
GRAPH 3: Gini Coefficients (Rural, Urban and Total: 1983-2010)



Source: Table 6

Graph 4

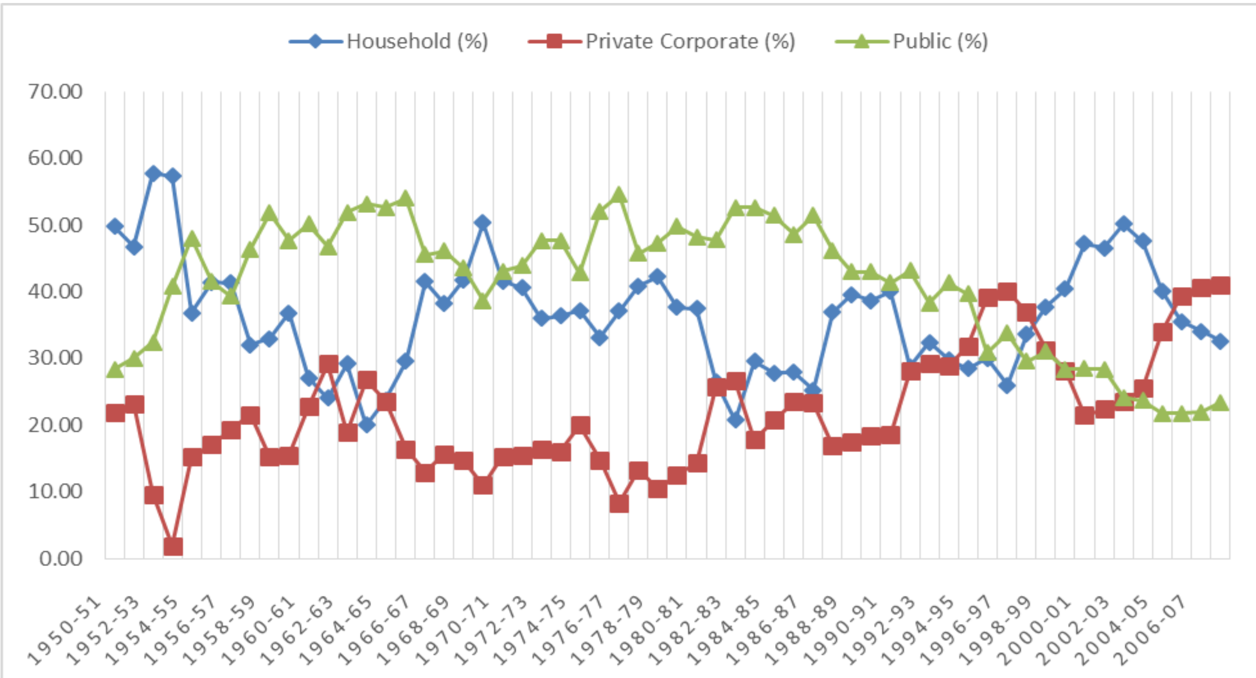
Fiscal Deficit as Proportion of GDP at Market Prices (1970-2009)



Source: RBI Handbook Table 100: key deficit indicators (calculation mine)

Graph 5

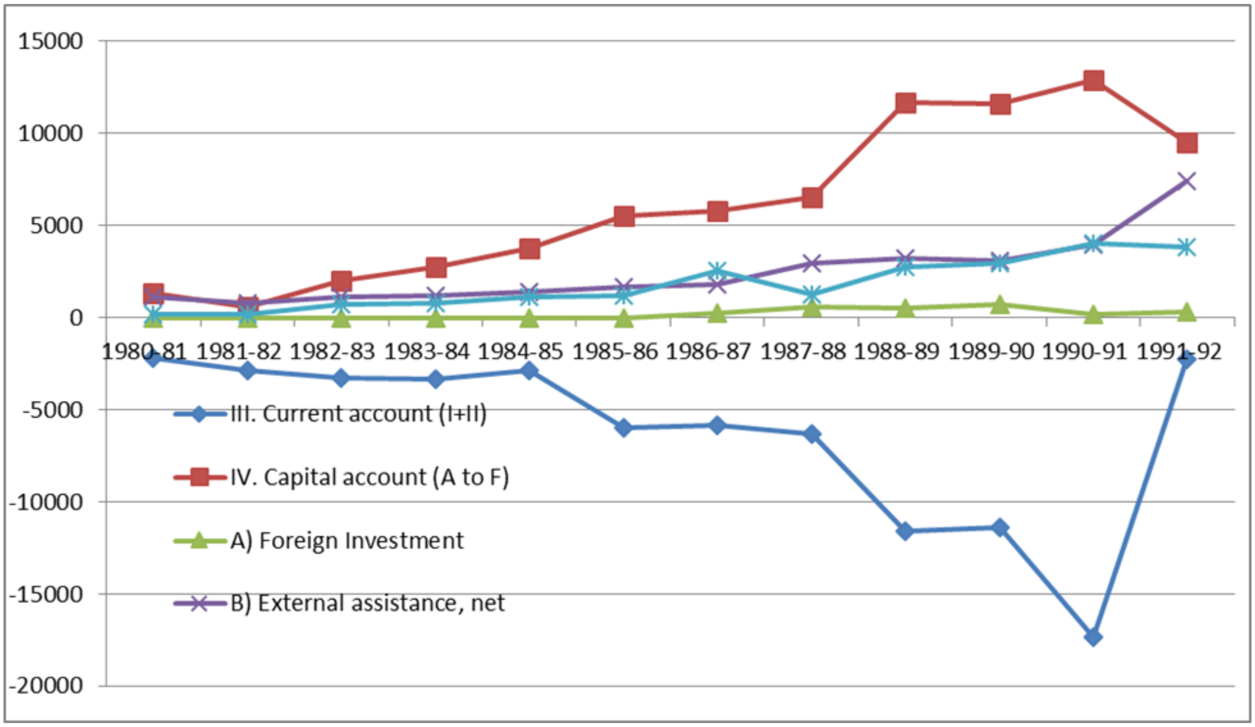
Composition of Capital Formation as a percentage of total gross domestic capital formation (at current prices)



Source: RBI Handbook Table 13: Sector Wise Gross Capital Formation

Graph 6

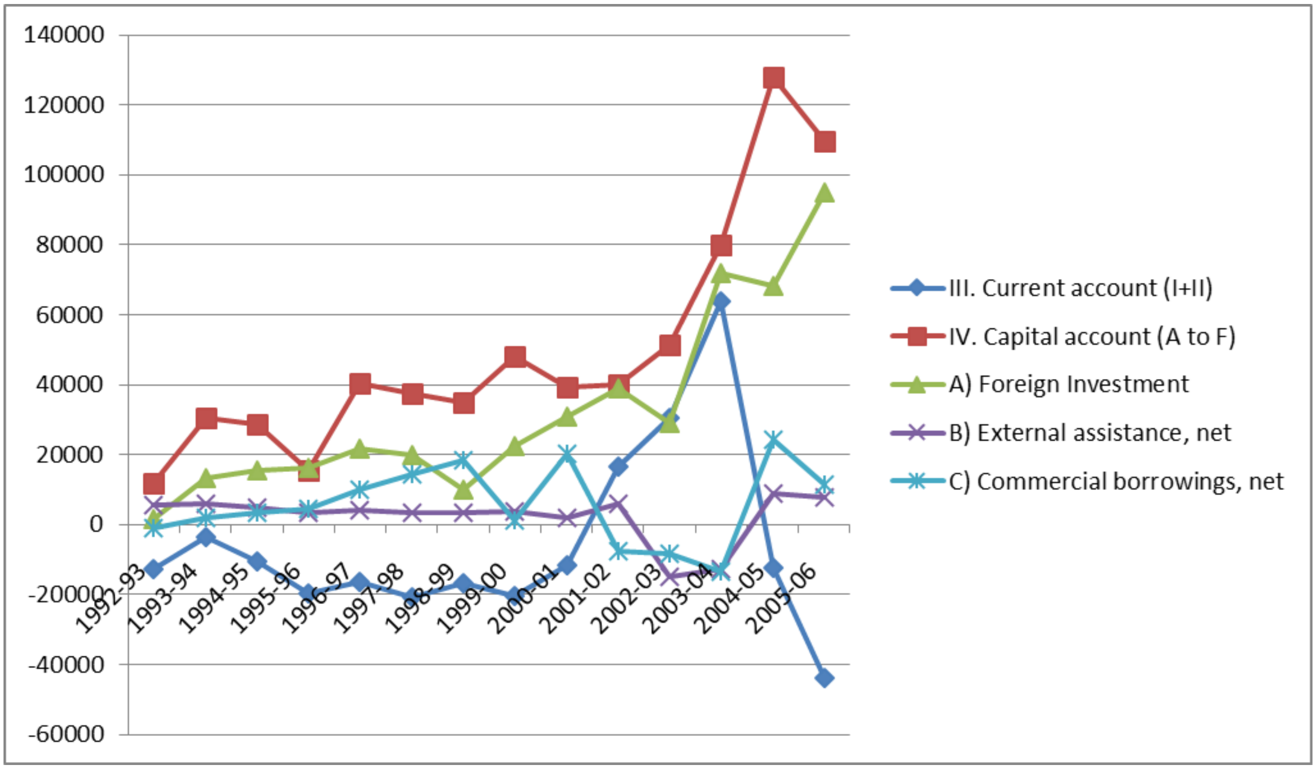
Composition of Capital Account from 1980-81 to 1991-92



Source: RBI Handbook Table 143: Key Components of Balance of Payment

Graph 7

Composition of Capital Account from 1992-93 to 2005-06



Source: RBI Handbook Table 143: Key Components of Balance of Payment

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Table 13: Sector Wise Gross Capital Formation

Table 100: Key Deficit Indicators of the Central Government

Table 101: Central Government's Receipt – Major Components

Table 103: Major Heads of Expenditure of the Central Government

Table 143: Key Components of India's Balance of Payments - Rupees

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CHAPTER 4: MODES OF REGULATION IN INDIA I: LABOR PROCESS

Four regimes of accumulation were identified in the third chapter, which characterized the trajectory of capitalist development from 1950-2012. We also identified four crisis periods which demarcated these regimes. This chapter explores the processes which ensure the stability of these regimes. Regulation theory proposes that modes of regulation (MoR) provide mechanisms to stabilize and reproduce an accumulation regime. Moreover, MoR transform in periods of crisis to aid in instituting a new regime of accumulation, or RoA. This chapter argues that there were some modes of regulation unique to India's development experience, which explain the trajectory of the development of the economy and differentiate its experiences from that of Western developed countries.

Modes of regulation are institutions, patterns of conducts, and social norms which shape the behavior of individuals and social collectives towards the needs of an accumulation regime. They bring stability within contradictory social relations and diverse economic interests. Modes of regulation are institutional mechanisms which are capable of stabilizing potential contradictory forces within an accumulation regime. The RA school has identified five modes of regulation in Western developed economies (Boyer & Saillard, 2002, p. 52):

1) **Wage-labor nexus:** The wage-labor nexus represents the way in which workers are attracted and retained in the firm, the direct and indirect determinants of wage income, and the workers' way of life. Aglietta has proposed that the wage-labor nexus has been crucially transformed in multiple ways during the Fordist[43] regime of accumulation from 1940-70. The wage-labor nexus is considered a key variable in understanding accumulation dynamics

43 The Fordist regime has been described in detail in Chapter 2.

as it determines the nature of surplus appropriation, the distribution of surplus, and the realization of surplus within an accumulation regime.

2) **Forms of capitalist competition:** This mode focuses on mechanisms which regulate forms of competition between capitalist enterprises in a regime of accumulation. These mechanisms regulate relations between companies at different stages in the production process, the role of market, organization of coordination procedures, relations between finance and industry, buyer and seller relation in the market, and types of objects exchanged in the market. These play a decisive role in identifying different periods of economic development or in comparing different economic systems. The Regulation school has differentiated between monopoly and competitive forms of capitalist competition.

3) **Monetary regimes:** Modalities of creation and circulation of money also determine the growth pattern of an economy. The focus is on forms of money and the conditions of their issue, their organization and coexistence through a payment system. The monetary regime is determined by the specific institutional arrangements within which it is embedded, and determined by the central bank management of money creation (monetary policy), and government regulation of the banking sector (financial policy). Together these arrangements make up what RA school labels the monetary regime.

4) **Forms of state intervention in the economy:** There are many different viewpoints about the role of the state as a regulationary mechanism. This is further problematized by the diverse political systems of states and methods of state intervention existing in capitalist countries around the global economy. There is no consensus on the theorization of the state

within the regulation approach. However, there exists a consensus about the importance of studying the state as a separate category.

5) **Arrangements governing international economic relations:** An economy is affected by the economic, monetary and trade linkages in the international economy. These linkages can structurally determine the direction of capitalist development in a country. Moreover, these linkages could make the host country dependent on the dynamics and policies of the dominant economies. The twentieth century has seen many examples of developed countries tapping into the natural resources and cheap labor of third world countries. Such forms of economic linkages determine the development of capitalism in the third world countries. Lastly, international institutions also affect economies directly. The implication of international fluctuations was different when the gold standard was functioning in the early twentieth century, as compared to when the Bretton Woods monetary regime was instituted in 1944.

Modes of Regulation in India

The previous chapter identified certain patterns within the larger dynamic of the regime of accumulation. The first was the continued strong presence of the state within the development process, albeit one that changed its role from one regime to another. The second was the role of informal labor within the larger accumulation regime. The following two chapters present how these patterns are indicative of their importance in the development of capitalism in India. I argue that these processes were embedded in the structure of the economy such that they determined the accumulation cycle. Further, there are important mechanisms within these processes which helped reproduce these processes within the regime and maintain stability in the face of destabilizing forces. These are not necessarily the only modes of regulation functioning within the structure of the economy; however these are the processes that this thesis[44] focuses on in this and the fifth chapters of this dissertation, in order to conceptualize modes of regulation in the Indian economy. This chapter focuses on conceptualizing labor processes in India within the RA framework, and the fifth conceptualizes the role of the state within the process of capitalist development in the economy.

Conceptualizing Labor Processes in India

This chapter conceptualizes the labor process in India in terms of how it is structurally embedded within the accumulation process and identifies institutions/norms that ensure the reproduction of the labor process. The labor process in India is typified by the rigidity and informalization of the labor market. In Western developed countries, capitalist development has occurred with an increasing proletarialization and formalization of the labor process. However in India, 90% of employment ((NCUES, 2007) and more than 60% of the GDP (Bairagya, 2015)[45] is generated by the informal sector. In order to understand the labor process in India, I will try to address the following problems:

a) How is the rigidity of the labor structure connected to the prevailing accumulation process?

b) How are these rigidities reproduced?

The labor structure in India is heterogeneous and overdetermined[46]. The labor structure can be determined in terms of many variables like forms of contract, technologies of appropriation of

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44 In Chapter 3 I identified the persistence of informal labor and the role of the state as the primary differences in the trajectory of capitalist development in India as compared to western develop countries. Hence, this thesis has focussed on modes of regulations mediating labor processes and the state.

45 The author has calculated the share of the unorganized sector in the NDP based on data provided in National Accounts.

46 Resnick and Wolff (1989) define over-determination as "involving a distinct notion of causality characteristic of Marxian theory. If all entities are overdetermined, none is independent of any other. Each entity only exists as—or, is caused or constituted by—the totality of these different relation with all other

surplus, forms of unionization, wages, etc. However, in this thesis I am interested in creating a typology or description of the labor structure in India. This chapter conceptualizes capitalist[47] labor processes in India. While there exist multiple non-capitalist labor processes in India, this thesis focuses on capitalist ones as it aims to understand the process of capitalist development in India. It describes the modalities of the labor processes in India and how they are embedded within the larger accumulation regime. It further conceptualize mechanisms within the labor process which aid in reproducing them in the face of uncertainties and destabilizing forces. Lastly, it theorizes how inter-linkages between these labor processes get transformed with a change in regimes. The conceptualization of labor processes aids us in understanding why informal labor plays such an important part in the Indian economy, and why the rigidities of the labor market (both formal and informal) remain.

Michael Burawoy (1982, p. 15) theorizes the labor process as having a practical aspect and a relational aspect. "In its practical aspect the labor process is a set of activities that transform raw material into useful objects or fractions of useful objects with the assistance of instruments of production." This involves the expenditure of labor and the translation of capacity to work into actual work. This aspect is also referred to as the *relations in production*. The relational aspect refers to the set of relations men and women enter into as they transform raw material into finished products. These aspects are not easily separable in real life, but such a division provides analytical value, as one can study different aspects of the labor process separately, and concurrently understand the relationship between different parts of the process. The labor process plays a vital part in the overall

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entities." (1989: 4) The concept of over-determination has consequences for the sort of explanation provided for explaining economic processes.

[47] Capitalist labor processes refer to processes where the surplus appropriated through the labor process is accumulated and re-invested.

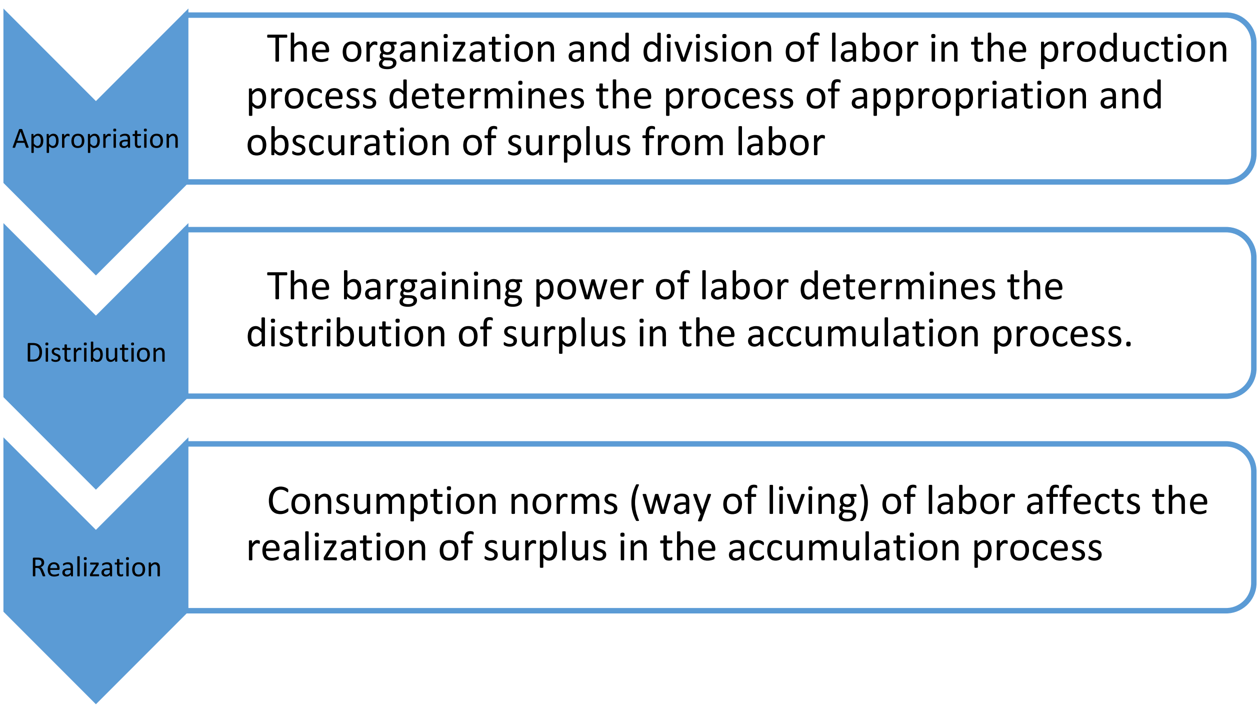
accumulation cycle. It is through the labor process that capital appropriates surplus from labor. Burawoy focuses on this crucial phase of the accumulation cycle and defines the labor process as one of appropriation and obscuration of surplus from labor. Burawoy emphasizes that capital innovates and changes the labor process not only to maximize the appropriation of surplus from labor, but to do so without labor's knowledge. This is an equally important part of the labor process. This chapter builds on Burawoy's definition of the labor process to take into account theoretical developments within the regulation framework.

One of the seminal works on labor process has been authored by Harry Braverman, titled *Labour and Monopoly Capital* (1998). Braverman has explored how the need for constant accumulation forces capitalists to continuously transform the labor process. Braverman's work analyzed the rise of giant corporations in the 20th century, and the concomitant introduction of scientific management in controlling the labor process. He termed the transformation in the labor process due to the introduction of scientific management 'Taylorism'. Braverman associates Taylorism with three distinct principles: 1) the disassociation of the labor process from the individual skill of the worker, 2) the separation of conception from execution. Creative work is invested in the hands of the managers, and 3) use of the monopoly over conception to control each step of the labor process. Taylorism transforms the labor process by decreasing labor control over the pace and rhythm of the production process. According to Braverman the separation between conception and execution is necessary because "if the workers' execution, is guided by their own conception, it is not possible to enforce upon them either the methodological efficiency or the working pace derived by capital." (1998, p. 119) In essence, Braverman argues that the efficiency and increase in productivity achieved by large corporations was largely because of the transformation in the labor process achieved through Taylorism. I will use Braverman's concept of Taylorism to analyze labor processes in India.

The RA tradition was not only interested in the labor process within the production process, but also the mechanisms through which labor is reproduced within an accumulation regime. This is important because an inability to reproduce labor could lead to crisis within a regime. Moreover, labor would play an important role in the realization of the accumulation cycle. This was especially true in the Fordist regime in USA from 1940-1970. The RA tradition theorizes that the labor process plays multiple roles within the accumulation regime which is demonstrated in the figure below:

Fig. 1

Mechanisms through which the labor process is embedded in an accumulation cycle



The above figure indicates that the labor process is embedded within three phases of the accumulation cycle namely appropriation of surplus, distribution of surplus and the realization of surplus. While the appropriation phase is determined within the production process, the distribution phase depends on political movements outside the sphere of production, and the realization phase is connected to the dynamics of consumption. A transformation in any of these elements in the labor process could potentially affect the overall accumulation cycle.

RA theory posits that the labor process is modified according to the needs of the accumulation regime in the following ways:

1) Transformation of the labor process: in terms of ownership, means of production, social and technical division of labor, the way in which labor is attracted and retained in a firm, and direct and indirect determinants of wage income.

2) Transformation in the conditions (both social and economic) of the existence of labor: in terms of labor's way of life and consumption norms.

These transformations provide the foundation for increasing the appropriation of surplus value in a regime. However, the process of creation of surplus value is inherently contradictory and antagonistic. RA theory postulates that a regime develops institutions, social networks, patterns of conduct and organizational forms in order to reproduce the labor structure. These sets of institutions are referred to as a wage-labor nexus, which is considered to be a mode of regulation. The efficacy of a mode of regulation determines the survival and stability of the regime of accumulation.

I argue that the Indian labor structure can be conceptualized into three different aspects of the labor process[48]. Each of these processes is characterized by a distinct modality. Each modality of

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48 I use the word process in order to emphasize the importance of reproducing the labor structure.

labor is determined by three interdependent spheres of activities. These determine the logic of production and the process of surplus appropriation:

1) **Relations of production:** The defining set of relations in class society is between those who produce surplus value (labor) and those who siphon this surplus (capital). These relations determine the distribution and consumption of the product of labor. Marxist literature theorizes that relations of production are always antagonistic and the distribution of surplus value in the production process is determined by the bargaining power between owners of capital and workers.

2) **Relations in production:** This refers to the organization of production and the technical division of labor. While on the surface this may seem like a scientifically or technically determined process, in actuality relations in production determine the processes of both appropriation and obscuration of surplus appropriation from labor. The relations in production play the dual role of obscuring the relations of production and maximizing the appropriation of surplus from labor. The forms of relations in production differ according to the dynamics of the labor process.

3) **Reproduction of labor power:** This refers to the workers' sphere of living (usually outside the working place). This aspect explains the standard of living of a worker and their quality of life. Reproduction of social labor power involves more than just its physical reconstitution. There is also the renewal of the working class from generation to generation. This includes expenditure for the maintenance and education of children. It also includes maintenance after retirement and insurance against sickness. RA theory posits this as an

important area of research because it explains both how workers reproduce their labor power, and how consumption patterns of workers affect the accumulation regime.

For a particular labor process to exist there must be a set of mechanisms that guarantee the reproduction of the different components of the labor process (as described above). This chapter theorizes that each of these spheres of activity has certain mechanisms embedded within it which reproduce the individual process. These mechanisms are identified as modes of regulation. The form of these mechanisms will differ from one process to another. The following table delineates each of the individual processes within the labor process and the mechanisms which reproduce them.

Table 9

Processes of production and reproduction with a labor process

LOGIC OF PRODUCTION	**LOGIC OF REPRODUCTION (REGULATIONARY MECHANISMS)**
RELATION OF PRODUCTION (Mode of surplus appropriation)	CREDIT MARKET LINKAGES SOURCES OF LABOR
RELATIONS IN PRODUCTION (Technical division of labor/mechanism of surplus appropriation)	FORM OF CONTROL/ WHO DIRECTS PROCESS MECHANISM OF CONTROL
REPRODUCTION OF LABOR POWER (Way of living of labor)	MECHANISM REPRODUCING WAY OF LIFE

I argue that each of these aspects of the labor process has certain mechanisms which ensure the reproduction of the labor process. The mechanisms are:

1) **Credit market linkages:** Burawoy (1985, p. 148) characterizes labor processes in early capitalism in terms of workers' dependence on the class of employers, binding the reproduction of labor power to the production process through economic and extra-economic ties. Credit plays an important role in binding labor to the production process and restricting the mobility and bargaining power of labor.

2) **Sources of labor:** Standard economic theory posits that the wage rate of labor is determined by the supply and demand of labor. However, this chapter argues that, in India, different labor processes hire from a restricted pool of labor, which influences the dynamics of the determination of wage in the labor process. It also acts as a mechanism to restrict the bargaining power of labor in the wage determination process. This restricted pool of labor contests the conceptualization of a general labor market by mainstream economic theory.

3) **Forms of control:** The problem of control deals with the capitalist's ability to transform potential for production of labor into realization of surplus labor. This is a problem faced by all dominant classes in the production process, and assumes different forms according to the mode of production. Each labor process has developed the technical division of labor such that there exist agents of capital who control the process of appropriation of surplus and discipline the labor force. This control might be created within the workplace or might be asserted through the common social background shared by workers involved in the process.

4) **Mechanisms of control:** There are mechanisms embedded within each labor process which ensure the restriction of labor's control over the rhythm and pace of work and ability to leave the labor process. These mechanisms empower the agents of capital who control the labor process.

5) **Mechanisms reproducing the way of life of labor:** The reproduction of labor power plays a crucial role in the larger reproduction of the accumulation cycle. There exist certain social institutions in India which aid in reproducing labor power. Moreover, in certain cases, the state plays a role in providing means for the reproduction of labor.

This chapter explains each of these mechanisms in more detail when it describes the different specific labor processes that exist in India. While structurally each of these mechanisms serves the same function in each labor process, the form of the mechanism differs from one process to another. This section conceptualizes three distinct capitalist labor processes in India and argues that the dynamics of these labor processes influences the regimes of accumulation. It further describes each of these labor processes in detail through the framework that I have delineated above. It is impossible for all labor processes in India to be broken into each of these categories, and there exist many variants and hybrid labor processes. However, each of these categories conceptualized have different forms of the mechanisms (modes of regulation) that reproduce the labor process. The purpose of this abstraction is to provide a framework to analyze more concrete examples of labor processes in India. While there exist many differences between individual labor processes, these differences can only be apprehended in relationship to one another. A basis for comparison or a set of general concepts of universal applicability is required for carrying out such an exercise.

It is well documented in Indian economic literature (Breman, 1976; Papola, 1980, Harriss, 1982; D'mello, 1992) that there is a dearth of distinct analytical categories with which to study the informal sector in India. Another reason for this exercise of abstraction is due to the relative absence of secondary data on the informal sector in India. Other studies on labor processes have tended to study geographically specific labor processes, and have made generalizable models based on their observations on the field. In the last couple of decades, the Indian state has been committed to trying to understand informal labor processes in India. One of the most comprehensive reports on this subject is Arjun Sengupta's *National Commission for Enterprise in the Unorganised Sector* (2007) report. However, given the sheer size of the informal labor market, this report has failed to provide an overarching framework with which to analyze the informal sector. My attempt is to create an abstract framework to understand the labor process, and contribute to the scholarship attempting to engage in understanding the dynamics of informal labor processes in India. This framework is theoretically engaged with the Regulation school literature and the works of Michael Burawoy (1982, 1985) on the labor process. This framework is based on the findings and theorization of other scholars working on the informal sector in India, most notably, Babu Ramesh (2003), Barbara Harriss-White (2004, 2010, 2012), Basu and Basole (2011), Breman (1976, 2001, 2003, 2012), Gidwani (2000), Harilal (1989), Kabra (2003), Krishnaswami (1989), Nag and Khasnabis (2002), Neetha (2002), Ramesh (2004) and Singh M (1997).

The following table provides a comparative picture of the three abstract labor processes conceptualized and their differences in modalities. If the table is read vertically then we get a description of each individual labor process based on the framework constructed. If the table is read horizontally then we get a comparison of individual aspects of, and the mechanisms which reproduce, these labor processes. The following sub-section describes each of the elements of this table in detail and explains how this conceptualization can be used to study a regime of accumulation. It also provides summaries of concrete case studies for each of these labor processes. The case studies will provide examples for the categories of studying informal labor conceptualized in this chapter.

Table 10

Modalities of Labor Processes in India

MODALITY	INFORMAL COERCIVE ACCUMULATION	PETTY COMMODITY PRODUCERS	FORDIST INSTITUTIONALIZED LABOR
RELATIONS OF PRODUCTION	SLAVELIKE: DEPENDS ON WHIMS OF OWNER PIECE RATE WAGES: INCOME ATTACHED TO EFFORT DAILY WAGES	OWNERSHIP OF MEANS OF PRODUCTION SURPLUS APPROPRIATED THROUGH LOCKED UNEQUAL CONTRACTS SELF EXPLOITED FAMILY LABOR PROFIT AND SURPLUS CANNOT BE DISTINGUISHED FROM CONSUMPTION	WAGE-LABOR RELATION WORKER INTEREST TIED TO CAPITAL (BOURGEOIS IDEOLOGY: HIGHER STATUS) TIME WAGE: NOT LINKED TO EFFORT
CREDIT RELATIONS (Mechanism reproducing ROP)	BONDED LABOR: CREDIT GIVEN AT START OF EMPLOYMENT BINDS WORKER FOR ENTIRE TENURE OF WORK	DEPENDENT ON MONEY LENDERS FOR CAPITAL (VAGARIES OF ACCUMULATION CYCLE/ CONSUMPTION REQUIRMENTS)	ACCESS TO LOANS: SOCIALIZATION OF CONSUMPTION.
SOURCES OF LABOR (Mechanism reproducing ROP)	UNLIMITED RESERVOIR OF SURPUS LABOR HIRING AND MANAGEMENT OF LABOR DONE BY JOBBER SAME SOCIAL MILLEU MIGRANT LABOR LACKS POLITICAL CLOUT	FAMILY OR APPRENTICE	SKILL BASIS (HUMAN CAPITAL RQD) UNIONIZATION

MODALITY	INFORMAL COERCIVE ACCUMULATION	PETTY COMMODITY PRODUCERS	FORDIST INSTITUTIONALIZED LABOR
RELATIONS IN PRODUCTION/ ORGANIZATION OF PRODUCTION	CONCEPTION AND CONTROL BY JOBBER DESKILLED PROCESS: REPETITIVE CYCLE OF ACTIONS LABORINTENSIVE: IRREGULAR RHYTHM OF WORK, SELF LEARNING REQUIRED	PACE AND RHYTHM OF WORK DETERMINED BY MARKET REQUIRMENT, WORKERS PLAY MULTIPLE ROLES IN PRODUCTION LABOR INTENSIVE HEIRARCHIZED ACCORDING TO AGE AND GENDER	TIME WAGE: NOT LINKED DIRECTLY TO EFFORT. EXTRA BENEFITS AND BETTER TERMS OF CONTRACT MECHANIZED RHYTHM OF WORK SKILLED: SPECIFIC PLACE IN PRODUCTION PROCESS
FORM OF CONTROL	JAMADAR/MUKADDAM (DESPOTIC)	HOUSEHOLD (PATERNALISTIC)	VERTICAL HEIRARCHY/ MANAGEMENT
MECHANISM OF CAPITAL CONTROL (Mechanism reproducing RIP)	POOL OF SURPLUS AND LATENT LABOR	PRIMITIVE ACCUMULATION	LABOR SAVING TECHNOLOGY ROLE OF BADLI WORKERS (informal wage worker)
WAY OF LIFE	IRREGULAR MOBILE UNPROTECTED LIVE CLOSE TO ENTEPRISE CLUSTER. LOW INFRASTRUCTURE	IRREGULAR OWN SOME DURABLE ASSETS DEPENDENT ON VAGARIES OF PRODUCTION CYCLE	REGULAR AND STABLE INVEST IN ASSETS, SKILL ACQUISTION AND EDUCATION UTILATARIAN CONSUMPTION NORM
MECHANISMS REPRODUCING WAY OF LIFE	SELF REPRODUCING DROP-OUTS BECOME DESTITUTES/PAUPERISM	SOCIAL NETWORK, NON MONETARY FORMS OF COOPERATION	STABLE INCOME PROTECTED BY CONTRACT INVESTMENT IN ASSETS AND HUMAN CAPITAL

Informal Coercive Accumulation

Aglietta (p. 114) defines Taylorism as the "sum total of those relations of production internal to the labor process that tend to accelerate the completion of the mechanical cycle of movements on the job and fill the gaps of the working day". Taylorism was introduced in production processes to reduce the autonomy of labor in the workplace and to increase the pace of appropriation of surplus value. In this section I demonstrate how informal labor processes in India have similarities with Taylorist methods introduced in the early twentieth century in the West, but also crucial differences. However, there are clear grounds for contesting the characterization of informal labor in India as Taylorist, specifically on the grounds that Taylorism in the West was based on scientific management principles and the mechanization of the production process. Both of these are missing from the informal labor processes in India. However, I argue that while the forms of changes in the labor process were different, the intentions for introducing such changes were very similar, that is to reduce labor's control over the production process. Coercive informal accumulation developed for similar reasons to Taylorism in the West, which was to substantially decrease worker control over the production process.

Informal coercive accumulation refers to all labor processes which use coercive methods to decrease worker control over the pace and rhythm of work, and their bargaining power in determining wages. These processes are usually characterized by informal contracts, longer working hours, poor working conditions, social isolation, and inadequate access to basic amenities. I have compared these processes with Taylorism because it shares similarities to the development of the Taylorist production process in the early twentieth century in Western developed countries. These labor processes are usually employed in firms which produce commodities in a highly competitive market[49], where individual commodities are not easily differentiable, like cloth, bidis, bricks, etc. Since these firms have little power to influence the price of goods, their ability to make a profit hinges on maximizing the effort of the labor involved. These firms usually increase profits by increasing the absolute surplus value appropriation, by lengthening the workday, decreasing wages and increasing the effort of labor. In order to ensure that labor is well controlled, this process has developed various mechanisms to exert such dominant control on laborers. The next sub-section will discuss the characteristics of this labor process and the mechanisms that reproduce them.

Relations of production. These processes are characterized by a despotic control by owners over laborers' pace and rhythm of work, working conditions and living conditions. This is a prerequisite for this production process to be profitable, as these firms compete in highly competitive commodity markets. The production processes in these firms must adapt to the requirements of the market. During high demand periods, the production process will have to function for most parts of the day, while when demand is low the production process might have to be completely halted. Since producers have no control on the pace and rhythm of work, labor has to be coerced to work according to the requirements of the production process. Moreover, according to market requirements, workers might get retrenched or have the payment of their wages delayed. In essence, employers are passing on the firm's risks to the worker. In fact, relations of production in this process are characterized as slave-like, with the status of labor completely dependent on the whims of the owner.

These labor processes is usually characterized by piece rate wages or the payment of wages to labor depending on their output. While all such labor processes are not necessarily characterized

49 Characterized by Burawoy as anarchic markets.

by piece wage rates, the nature of the coercive informal accumulation process makes it amenable for instituting piece rate wages. Moreover, piece rate wages ensure stronger capitalist control over labor. RA literature (Aglietta, 2001, p. 142) argues that "piece work wage can only be practiced in labor processes that are characterized by cycles of repetitive and simple actions that are reducible to a specific duration of time." In essence the labor process has to be highly simplified and easily broken down into a measurable chain of activities. The singular advantage of instituting piece work wages is that it links remuneration to work effort and provides motivation for labor to work harder. Secondly, it homogenizes labor by transferring its qualitative characteristics to the means of production. It also provides the ideological illusion to labor that wages received are tied to work performed, while diverting labor's attention from the fact that a large amount of the surplus created by labor is siphoned off by the owners of the firm. Marx (1867/1992, p. 694) provides a defense of piece rate wages as an efficient tool for increasing appropriation of surplus. He states that "piece wages becomes from the point of view (capitalist), the most fruitful source of reduction in wages". He adds that piece wage "tends to develop both the individuality and with it the workers sense of liberty, independence and self-control and also the competition of workers amongst themselves. The piece wage therefore has a tendency, while raising the wages of individuals above the average to lower the average itself." The distribution of surplus in this process is very unequal with labor having little bargaining power in determining piece rates, and not having any insurance or stability in their working contracts.

Sources of labor. Recruitment for this labor process was made from an unlimited reservoir of labor available in rural areas in India. This labor force was created by processes of proletarization and primitive accumulation that have been occurring in the Indian economy since the late colonial period. The hiring and management of labor is usually subcontracted by the firm to jobbers (also known as Sardars or Mukaddars in India). Jobbers take advantage of a high proportion of displaced peasants in rural areas, who migrate around the country in search of jobs. A Sardar will usually hire a team of willing laborers from his own native place and will offer them jobs on highly unequal terms. The ability of the Sardar to do so hinges on two factors: the first being the desperation of the labor in requiring employment to survive, and the second being the higher social status of the jobber in the village community. This forces a degree of subservience from the labor, who is usually from a marginalized class/community or of lower social standing in the village.

There were multiple advantages to the firm in hiring migrant labor. Firstly, the work force consists of heterogeneous groups from different parts of the country. This minimizes any feelings of solidarity amongst the workers. Secondly, it is easy to retrench or refuse payment to these workers as they have few rights and receive no political representation from local parties. Lastly, migrant workers face hostility from the locals in the region, as they take away job opportunities and push down the local wage rate. The hostility from local population ensures that laborers get no political representation and have no opportunity to be organized. This makes it easier for firms to retrench or delay payments of wages depending on the requirements of the enterprise.

Credit relations. Most migrant workers and dispossessed peasants are forced into exploitative working contracts because they do not have a subsistent income. Usually, when the jobber is hiring workers, he will give the credit in the hope of luring them into his service. Once a worker is in debt, the jobber will take advantage of his worker's ignorance and inability to pay regular interest, to keep siphoning off larger parts of their wages, as interest payment for the loan. This ensures that the worker is bonded to the jobber and cannot leave or join a different workplace. Over a few cycles of employment some laborers who are unable to pay the exorbitant interest rates, will get bonded for life with the jobber. Other members of the household will have to work for the jobber to pay off the debt. It is through this mechanism that the jobber will increase the size of his gang and the degree of control he has over individual members.

Relations in production. Such labor processes are characterized by the division of labor between conception, supervision and execution. They can be differentiated from the more traditional family/ artisan based labor processes, where all the tasks are performed by the same group of labor. This move towards separation and specialization of function is instituted to raise the degree of control of the owners over the laboring population. Moreover, such production processes are characterized by labor intensive production technology, as the smaller size of the firms makes the mechanization of the production process economically infeasible. Individual jobs are broken down into a cycle of easily repeatable actions, which make it an easy activity to learn, but extremely dreary to repeat over and over. Moreover, this ensures that any semi-skilled worker can learn the job in a short time and any dissident worker can easily be replaced. The pace and rhythm of work can be changed according to the market demand for the good being produced, because of the lack of mechanization in the production process. In peak season, production can be carried out all day, while in the off season the workplace can be completely shut down if required as the only variable to control is labor effort.

Form of control. The owners of the firm sub-contract the hiring and management of labor to different jobbers, as they are better positioned to institute the sort of exploitive terms of contract required by such production processes. The jobbers then hire gangs of laborers, usually from their places of nativity. These jobbers will arrange for the transport and accommodation of their teams at the place of work. Moreover, the jobber will be in-charge of managing and disciplining the labor both inside and outside the place of work. For his services, the jobber will get to siphon off a proportion of the funds allocated for wages. The existence of the subcontracting arrangement with the Sardar saves the firms the cost of developing and instituting managerial and disciplinary techniques and grievance redressal mechanisms in the firm. It can even be argued that the lack of development of management techniques in the informal sector, is largely because firms can take advantage of the social stratification already existing in Indian society, and use it as method of control in the workplace through the jobber. The firm has the freedom to terminate its contract with the jobber, if his work is deemed unsatisfactory, without facing any resistance or protest from labor. Hence, even though a jobber is given the crucial role of transforming labor to the irregular rhythm and the rigid requirements of the production process, the ease with which he can be replaced, means that the owners of the firms maintain primary control over the labor process.

Mechanism of capital control. While the coercive informal accumulation process has developed multiple mechanisms to ensure control over labor, and its ability to enforce extremely exploitative terms of work. The primary source of such power comes from the availability of a large surplus of landless labor[50] who are prepared to migrate to any place where work is available. This section of the population is referred to by Marxist literature as a stagnant population or a self-perpetuating and self-reproducing element of the working class. It offers capital an inexhaustible reservoir of disposable labor power, ready to undertake the maximum amount of work for minimum wages. The third chapter describes the process involved in the Indian economy over the first two regimes, through which a large amount of rural peasantry were displaced from their rural mode of existence and forced to enter the labor market on uneven terms. This creation of a large reservoir of unskilled/semi-skilled labor provided the foundation for the development of coercive informal accumulation processes.

50 Termed by Breman as footloose labor.

Way of life. Workers in these labor processes have extremely irregular working hours and a constantly changing pattern and rhythm of work. In peak seasons they may have to work for more than 16 hours a day, while in the off season these laborers may remain unemployed for months at a time. Moreover, such labor has to stay extremely mobile and be willing to migrate at any moment for the possibility of a job. These workers usually live in shared, temporary single room accommodations either provided by the jobber or made by accumulating junk and basic building material. These accommodations have little access to basic amenities like water, sanitation and electricity. The laborers can't afford to invest in any consumer durables, and most of their income is spent on food, wine and paying the interest on debts taken. There is little income left to invest in children, essentially relegating the family to live in such conditions of squalor for generations.

Mechanism for reproducing way of life. While reproduction of labor power plays an important function in the reproduction of the accumulation cycle, firms characterized by such labor processes have little incentive to invest in labor because of the unlimited supply of labor to tap into. Breman (2012, p. 143) has demonstrated that the migration system "'allows employers to transfer the costs of reproducing and maintaining workers' families and even providing for the worker himself in times of illness and old age onto the villages". The survival of labor in such processes are dependent on luck, the ability of the extended families to support them in times when they are not employed, income accrued from any land they may own, and/or state policies which provide subsidized rations, public amenities or income to such classes. The state can play an important role in the reproduction of these working classes and this will be explored in more detail in the next chapter.

Those laborers who cannot sustain themselves or handle the extremely exploitative conditions of work drop out of the latent reserve army of labor and become destitutes/ paupers.

Marxist literature characterizes them as the lumpen proletariat or those sections of society that were incapable of adapting to the requirements of the modern industrial society.

A Case Study of Informal Coercive Accumulation: Knitting Industry in Tirupur District (Krishnaswami 1989)

This section will describe the knitting industry in Tirupur district in Tamil Nadu as an example of informal coercive accumulation labor process. This account is derived from Krishnaswami's (1989) study of the knitting industry in Tirupur. Tirupur is an industrial city in the Coimbatore district of Tamil Nadu. Krishnaswami estimates that there are about 1850 hosiery units in the city. There are about 25000 workers directly employed in this industry and another 15000 indirectly employed.

The organization of production varies from firm to firm, however production is broadly organized along capitalist lines. Knitting is the first process in this industry. Some of the other important processes in the industry include cutting, stitching, and checking. Each of these processes have their own modalities, however there exist substantial commonalities amongst the labor process in each of these units. While the owners own the means of production of these units, it is quite common to find them subcontracting most of the processes to other contractors, or in some cases to a worker on a contract basis. The motive behind creating smaller sub-contracted units is to ensure that firm sizes are small enough, that they can avoid registration and escape from having to implement labor laws. Most owners enjoy patronage relationships with ruling parties and large banks, and ensure that they control the supply of capital so that units cannot expand.

The knitting industry contains many different kinds of labor processes, however they all share similar modalities to informal coercive accumulation labor processes. Over the years the demand for hosiery units has fallen, and most production units get 6-7 months of work. These units work intensively when there is market demand and lay-off their workers and keep machines idle when there is shortage of work. Wages are paid at piece rates, as this ensures that owners do not have to spend time and money on supervision. Piece rate wages force workers to increase productivity as their income is tied to their output. The introduction of piece rate wages has quickened the process of production and what was produced in one year is now produced in 7-8 months. As production efficiency has increased, the demand for hosiery goods has decreased since the 1970s. As a result, the opportunity to work has been reduced. Sub-contractors have taken advantage of this. Workers are forced to bring all their family members to the factory and work for long hours in order to earn some extra income with which to manage in times of unemployment. The subcontractor controlling the labor process uses social inequalities to discipline the workers. The division of labor is usually on a caste basis with different castes specializing in different parts of the production process. Women and child labor are employed at lower wages to subsidize the cost of production. For example, in factories where garments are produced for export, women are employed for the checking duties. These women are employed on temporary bases and are retrenched when there is a shortage of work. Productive workers are retained in the firm through fringe benefits. The most popular form of benefits is to provide loans to workers when they are facing financial crises. With the provision of loans, workers are indebted to the factory and have to adhere to any demands made on them by their supervisors.

The organization of the production process in the industry forces workers to specialize in a particular job and fragments individual jobs. For instance, cutting work requires first the arrangement of the work and then cutting. Employers hire children to do the arranging work, ensuring that the cutting master is a specialist and incapable of doing any other work. The specialization has gone to such an extreme, that tailors have specialized in stitching from a particular kind of stitching machine and are unable to use other kinds of machines. For example Singer tailors

(tailors who use Singer stitching machines) are hired on contract basis and are not attached to a factory. They are usually seasonally employed, and might find intensive work for six months when demand is high and no work for six months when demand is low. Each worker is trained to do a particular kind of work, which they mechanically repeat over and over again. The fragmentation of work enables employers to hire cheap labor to subsidize some of the processes, as in the case of the children employed for arranging cutting work. Moreover, the fragmentation ensures that individual workers are easily replaceable. The specialization of work ensures workers are dependent on the employer for work.

The employers ensure heavy competition amongst sub-contractors to maintain bargaining power over them. Employers can fire a sub-contractor without any notice, and replace them with a different one. Moreover, employers can withhold money from the sub-contractor in times of liquidity crunch. The sub-contractor is dependent on the employer and will usually agree to such terms of contract. The sub-contractor in turn will employ workers from his own family, lower caste workers, women and children so he can exploit the maximum amount of work for the minimum amount of pay. Moreover, the sub-contractor will hire workers on very short contracts and fire them without any notice as there always exists a reserve army of workers waiting at the factory gate for work. The structure of the labor process is such that employers will pass off their market risks to sub-contractors. Sub-contractors have to fulfill the output demands made by the employer or else lose the contract. In turn the sub-contractors will increase their share of the surplus by exploiting labor employed by them.

Petty Commodity Producers (PCP)

Petty commodity production by some estimates (Harriss-White 2009, 2012) accounts for more than three quarters of the total GDP, and consists of the biggest component of the workforce.

They are often referred to by the catch-all category of the 'self-employed'. The category self-employed covers different kind of production processes including petty bourgeois and small business families. Petty Commodity Producers specifically refers to semi-independent peasants with small assets and petty commodity producers and traders who employ their own household labor. The category itself remains a theoretical puzzle because there is very little consensus about the role of petty commodity production in the larger economy. PCP is defined by Gibbons and Neocosmos (1985) as a "phenomenal category of commodity producers who possess the means of production on the basis of unpaid household labor". PCP is different from other commodity producing labor processes because it is impossible to distinguish between the owner and the worker in these enterprises. These enterprises are based around the household and use family labor for operation. However, since they own the means of production they cannot be categorized as simply labor. PCPs are a contradictory category where the simple antagonistic relation between capital and labor does not exist. PCPs are embedded within a simple reproduction circuit, and profit is not the main motive of such enterprises. Instead, subsistence and survival are its main goals. This essentially means that the enterprise usually earns enough in an accumulation cycle to maintain itself and undertake a new cycle of accumulation. However, PCP cannot be categorized simply as non-capitalist, as they are dependent, both for raw materials as well as consumption needs, on the commodity market and are firmly embedded within the capitalist economy.

This difficulty in categorization (Scott, 1986; Smith, 1986; Lebrun & Gerry, 1986) has led to multiple theories about what the role of PCPs are in the capitalist economy. One popular categorization is that PCP is a transitionary category that will disappear over time or be assimilated by larger capitalist enterprises. Data from India however suggests that the contribution of PCP to GDP has actually increased over time. Moreover, as White (2012, p. 116) has described, PCP has in many cases coexisted with other informal labor processes. Another popular theory suggests that

PCPs have a functional role in a capitalist system, by providing cheap disguised labor and cheap goods. While there is some substance to these theories, it is difficult to argue that the perpetuation and continued existence of PCP in India is due to the important functional role that PCP plays in supporting capitalism. This section argues that the PCP form of production has certain advantages over other labor processes. Firstly, since PCPs own their own means of production and use family labor, they have much more control over the pace and rhythm of work. Secondly, PCPs are financially flexible, and can survive delayed payments as they can transfer funds allocated for consumption needs to the production process. These features make PCPs useful as sub-contractors for certain kinds of needs of larger firms, and uniquely qualified to function in some sub-sectors which are not profitable for larger enterprises. For example, PCPs have developed a strong base in repairing and maintaining durable commodities in the market, an industry suited to the specific infrastructure provided by PCPs. PCPs have also been deeply involved in urban food and domestic service industries. PCPs also tend to thrive in markets differentiated by culture, customs and income. Ethnicity, gender and nationality all serve as a basis for differentiation of products in such markets. PCPs are a result of the uneven development of capitalism in India and are symptomatic of the development trajectory in India. This section will depict the structural similarities between different forms of PCP and their roles in the larger accumulation cycle in the next sub-section.

Relations of production. PCP has been described as a contradictory labor process. The petty producers both own and control the means of production and usually use family members as labor in the enterprise. Its earnings are difficult to classify as wages (reward for labor) or profits (reward for risk taking). Moreover, it is difficult to approximate the earnings of such enterprises, as the finances of the household as a producer and as a consumer are inter-twined. This dynamic is probably connected to the fact that these enterprises function within a simple reproduction cycle, where any profits are usually used for increased consumption. In years where there are losses, funds allocated for consumption can be used for production purposes. What differentiates PCPs from other production processes is the fact that they are extremely flexible in production.

Even though PCPs are located at a contradictory class location, it is possible to comment on the distribution of surplus and modes of appropriation within these production units. Firstly, PCP depend on self-exploitation to survive, which essentially means that family members are paid lesser wages than they would command for the same amount of work in a capitalist enterprise. Such exploitation is possible because in many cases family labor is not directly paid wages, but instead their consumption needs are fulfilled within the household. Given that PCPs are self-reproducing, this does not mean that they do not create surplus. Their adaptability to the exigencies of the business cycle and their ability to self-exploit leads to the creation of surplus.

However, these surpluses are siphoned off through inter-locked contracts. PCPs are exploitable through exchange relations in four kinds of markets: those for property (land, water, and premises), money, inputs, and products/commodities. This appropriation of surplus may take the form of rent, interest or falling terms of trade in the commodity market, especially rising food prices. This explains why PCP producers may not perceive the appropriation of surplus from their enterprises, as they are siphoned off in the form of factor payments. The small size and undifferentiated commodity produced by the PCP gives it very little bargaining power in the market. Moreover, such firms are dependent on others for land, capital and input. The fact that PCPs are embedded in a simple reproduction of accumulation cycles does not prevent them from contributing surpluses to the capitalist economy. The way PCPs are embedded within the economy, dependent on inter-locking contracts, makes them susceptible to losing the surplus they generate.

Credit relations. A shortage of funds in PCP may be compensated by reducing the consumption fund, or a family member may be sent into the wage labor market to procure funds.

However, since there are no accumulated reserves in PCP, a shortage of working capital affects the PCP's advantage in production. PCPs require funds especially at the start of the production cycle to purchase inputs, repair means of production or procure land and property. They are usually unable to procure funds from the formal credit market, because of the small size and informal nature of their firms. In such a case, the firm may have to take credit on highly unequal terms from moneylenders, or procure inputs or land on credit. Given the fluctuations of funds in PCP and the unstable nature of their product market, there is no guarantee that the firm will be able to generate funds to repay the debt and increasing interest payments to the creditor. Over a few accumulation cycles, a PCP will get bound to the creditor, who will continuously appropriate surplus in the form of interest. This loss of surplus will affect the PCP's ability to either expand or diversify in the market, and it will end up being stuck within the simple reproduction accumulation cycle, with any profits made being either siphoned off by creditors or used to fulfill consumption needs.

Sources of labor. PCP enterprises do not hire labor from the labor market. Instead they depend on family labor or employ workers who share the same caste/ethnicity. This allows a greater degree of control over the workers and the ability to pay lower wages. Usually members of a household will not be given any wages, instead their consumption needs will be taken care of by the household. In cases where semi-skilled labor is required, a PCP might hire apprentices, who learn the trade while working in the firm, but are forced into oppressive terms of contract in order to gain the requisite skill. An apprentice will usually, over time, gather enough funds to procure their own means of production, and start their own PCP. PCP control over labor is largely through non-market mechanisms allowing them to self-exploit the labor utilized in the firm. This exploitation is rooted within the social hierarchies of caste, gender and age that are embedded within Indian society.

Relations in production. PCPs are based around labor intensive production methods where output is closely connected to labor effort. The technology used is very simple and easily procurable. The producer controls both the materials and the factors of production involved in the production process. This essentially means that producers can control the organization and rhythm of work, in theory making PCPs lesser exploitative than coercive informal accumulation processes. However, in reality, the pace of work in a PCP is highly dependent on the market demand for its commodities, which can be unpredictable and differ from season to season. Unlike coercive informal accumulation processes, it is not easy to separate manual and mental work in PCPs. Because the size of the labor force is small (3-4 workers), each worker will have to perform multiple activities. Owing to the simplicity of the labor process, workers can easily be shifted from one task to another. While there are no explicit bases for division of labor, in actual practice there is a clear hierarchy in terms of gender and age. Women usually have to play a dual role by taking care of the household and working in the production process. Younger labor are usually delegated the more physically intensive tasks.

Forms of control. Labor processes in the West developed elaborate methods (Taylorist, Fordist, Electronic Surveillance) to control labor within the workplace. Informal labor processes in India however depended on utilizing pre-existing social hierarchies to dominate and control workers in the workplace. In PCPs the paternalistic head of the household controls labor (other members of the household). This position of power is provided both from being the oldest male in the household and from holding legal property rights over the house and the means of production.

Mechanism of control. Unlike other labor processes, PCPs are embedded within locked contracts leading to little autonomy in the sphere of production. While in theory PCPs control their means of production, in reality the pace and workload is determined by market demands and intermediary agents who provide credit to the PCP. PCPs will usually get credit by putting the means of productions they own as collateral for a loan. In the event of failure to repay the debt undertaken, the creditor will strip the PCP of its means of production. The process is similar to what Marx referred to as primitive accumulation. The PCP, upon losing its means of production, will be forced to look for work in the informal labor market. In some cases, a PCP may be assimilated by larger firms which share a vertical relationship with it or compete in the same market. In either case the members of the PCP household will have to work directly for the larger firm or look for work elsewhere. The potential for being assimilated through the process of primitive accumulation has led to scholars referring to PCPs as disguised wage labor.

Way of life. Unlike coercive informal accumulation workers, the lives of members of a PCP usually revolve around the household. Moreover, they have a more stable life then informal coercive accumulation workers, and accumulate some durable goods over their lifetime. The consumption of the household is highly dependent on the vagaries of the production cycle. While in a profitable year the household can increase its consumption and purchase certain luxury goods, in years of loss the household will have to curb its consumption needs to provide funds for production requirements. PCPs do not own their means of subsistence, and are dependent on the commodity market for goods and services. This essentially means that they are more dependent on the credit market for basic subsistence needs.

Mechanism reproducing way of life. There is no economic division between the public and private spheres; the unit of production is the unit of consumption; the firm is the household. The firm functions by exploiting family labor. Hence, the whole production process is geared towards the reproduction of labor. A PCP firm's main goal is to reproduce itself and not necessarily accumulate. Gender relations play an important role in reproducing the household. Female members of the household provide unvalued house work to subsidize the undervalued work in the PCP which is carried out by other household members. Non-market institutions and practices are essential for the production and reproduction of PCP households. There exist close kinship or non-monetary relations (religion, caste, ethnicity) among the members of a PCP household which may lead to sharing of property rights, financial help in times of need, and a pooling of resources. These play a crucial role in PCPs surviving in tough times. Lastly, the Indian state plays a key role in both destroying (through displacement and evictions) and reproducing (cheap credit, infrastructural support, promotion of small scale industries) PCPs. We will discuss the role of the state in mediating PCP development in the next chapter on theorizing the state through an RA perspective.

Petty Commodity Producer: A Case Study of Handloom Industries in Nadia District (Nag and Khasnabis 2002)

This section will describe the handloom industry in Nadia district in West Bengal as an example of petty commodity labor process. This description will be based on Nag and Khasnabis's (2002) study of the handloom sector in Nadia district. This study was based on data collected through a primary survey coordinated by the authors. They spoke to 170 weavers in three centers of handloom production in Nadia.

It was observed by the authors that weavers perform their work under the control of a merchant who has a superior asset base. The weavers are dependent on the merchant for yarn (raw material), warp (technology), design and credit. In local parlance these merchants are referred to as 'mahajans'. There are two ways in which the mahajan exercises control over the weavers. The most widely used system is the 'dadan' system. "Under this system, the mahajan supplies yarn and credit to the small weaver on the condition that the products produced by the latter will have to be sold to the mahajan." (p. 4839). The mahajan lends the inputs to the weaver without any collateral. Since the mahajan knows the weavers personally and has political clout, he can coerce individual weavers to pay their dues if required. The price at which the yarn is sold to the mahajan is known as 'dadan' price and is well below the ruling market price. Over time the 'dadan' taker becomes indebted to the mahajan and will lose their loom as collateral payment. They will then become loomless weavers who will have to work for other large weavers. Weavers who are not dependent on credit from the mahajans, are expropriated from their assets through system referred to as the Forward Contract System, or FCS. "Under FCS, a mahajan makes a contract with the small weaver so that the former would procure the entire output of the small weaver throughout the year at a given price." (p. 4840). The small weaver will enter into this contract to avoid the risk of market volatility. The forward contract system price will usually be below the market price, however if the market price is abnormally low, then the mahajan will accumulate inventory and wait for a recovery in prices. The market system favors the mahajans and they are able to accumulate a surplus by controlling the supply of woven cloth. The weavers usually make enough to cover costs of production. A few years of bad production will force them to be indebted to the mahajans and eventually lose their looms. Even though the weavers own their means of production, they are linked in dependent relations with the mahajan, who appropriates the surplus produced by the weavers. Independent weavers cannot expand the size of their production units as they are unable to accumulate surplus consistently.

The production process of weaving is quite simple and can be divided into 10 different operations. The scale of operation is low and the technology used is simple. The technology used by multi-loom owners and small one-loom owners are essentially the same. The production process does not have a detailed division of labor and most of the processes are conducted by the weaver or his family members. However, there exists a clear separation between conceptualization and execution. The first process in weaving is designing, and it is considered the most crucial step as the design cannot be changed once the production process has begun. It was observed in the field area that designing is seldom done by the weaver himself. There exist design masters who produce designs, the producer usually chooses from a set of designs. The rest of the nine operations following the designing are organized by single weavers. Traditionally the division of labor has been along caste lines. The authors of these studies found that while caste based division of labor is diminishing, handloom weaving still involves special skills which are done by specific communities. For example, the Basak community conceives of the designs of Jamdani and Tangail silk saris. In summary, the designing and conceptualization of the labor process is separate from the execution of the process. Conceptualization activities are done by higher skilled communities who also earn a greater part of the surplus generated. Individual weavers undertake the execution of the work and are subservient to the designers and mahajans. 83% (p. 4841) of the weavers were found to either undertake all the processes themselves, or use family labor. In some cases denting and drafting are done by outside labor, however the weaver always controls the process of weaving and carrying the finished product for sale to the market. There were no cases found of the weavers conceptualizing their own designs – these were either chosen from design masters or provided by the mahajans. We can conclude from this summary that while the weaver controls the core process of weaving, there exists a clear separation between planning and execution work. While weavers have control over the rhythm and pace of work, they are rarely able to expand the size of their productions, and the majority of surplus accumulated in the production process is siphoned off by mahajans and designers. Over a period of time more and more weavers get expropriated from their means of production by mahajans, and are forced to work as wage labor for other looms.

Fordist Institutionalized Labor

Fordism refers to those transformations in the labor process which led to the establishment of a mass production/consumption society. The basic idea of Fordism was developed by Henry

Ford and was based on creating new technologies to increase the intensity of work performed, the productivity of labor, and a concomitant increase in relative surplus appropriation. These changes were introduced to battle the increasing militancy amongst organized labor and changing labor laws in America in the 1920s and '30s. This was complemented by an increase in wages to labor. The increase in wages had the cyclical benefit of improving workers' efforts and conditions of living. RA literature uses the concept of Fordism to label the developments undergone in the US (and other Western nations) during the intensive regime of accumulation (1940-1967). This period was characterized by higher productivity, higher profits, higher rates of accumulation and higher wages and is sometime referred to as the golden age of capitalism. What was particularly different about this regime was its dependence on domestic demand, a consequence of the higher wages paid to labor in this regime.

Some of the characteristics of Fordism are:

1) Introduction of automatic production technology and fixing of workers to jobs where positions were rigorously determined by the configuration of the machine system. Workers became mere appendages to the machines in such labor processes.
2) Integration of different segments of the labor process by a system of conveyors and handling devices.
3) Labor specialization: Separation between management, conception, control and execution of work.
4) Standardization of commodities produced and employment of mass production techniques.
5) Increase in wages and benefits paid to workers

6) Creation of a new social consumption norm: The increase in the purchasing power of the working classes was complemented by development of new mass consumption cultural norms. These developments were converted into an increased demand for luxury and consumer goods.

This sub-section uses the concept of Fordism to describe the formal sector institutionalized labor process in India. These would include but not be limited to workers in multinational corporations, public sector enterprises, workers in registered manufacturing units and large scale agricultural/food production units. This class of workers in India had longer and more stable tenures, better terms of contracts and wage rates than other labor processes in India, leading them to be termed in economic literature as the labor aristocracy. The creation of this class of labor was the result of multiple political movements in India since the turn of the century and has been very well documented by Breman (2003). What is interesting about the class of Fordist workers in India is that this category has remained rigid and absorbed about 7% of the working population (NCUES, 2007). This figure has not changed over the last half century and one of the questions that this dissertation will engage with is why the Fordist formal sector has failed to absorb a larger part of the working class.

Relations of production. Unlike other informal labor processes, workers in Fordist labor processes are paid time wages, which are not directly linked to production or effort. This is because under Fordism, individual jobs lose their autonomy and independence. With the complete mechanization of the production process the output is not dependent on the worker any more, but on the usage of machines. Moreover, workers can easily be switched to tackle absenteeism and one worker can be used to supervise multiple machines. The inability of the worker to exert any influence on the pace of work breaks the link between wages and output at the individual level. Fordist enterprises also have more stable working hours and conditions because the pace and rhythm of work is dependent on the functioning of machines. Machines can guarantee the smooth operation of the production process except in periods of mechanical breakdowns. This allows workers to provide consistent and constant work output, and the chances of the production process being affected by delays are reduced.

Workers get additional benefits like dearness allowances, medical insurance and pensions, fixed working hours, better working conditions and terms of contract. Moreover, they get longer contracts, which ensure a stability of remuneration and lifestyle.

Assembly line work tends to unify the workers in an overall struggle against their conditions of labour. This is because the assembly line production gets affected if even one worker does not fulfill their functions, and is more conducive to creating class consciousness amongst workers. The organization of work, the greater bargaining power of labor, and external political conditions have led to a large scale unionization of workers in these firms, and a concomitant improvement in remuneration and other benefits. Further, Fordist industries hire skilled workers and invest time and resources in training them to function in the enterprise. Firms have more incentive to retain their labor and hence are agreeable to better terms of contract. The firms' willingness to give better wages and contracts is a direct result of the monopolistic commodity markets within which these firms function. Monopolistic firms face less market risks as there are fewer competitors in the market. This provides them with the space and incentives to invest in capital intensive technology and hire skilled workers to handle these machines. Fordist enterprises also link workers' wages to the overall profit of the enterprise. Such a move would make it in the worker's interest to increase the productivity and profits of the enterprises. Unlike other labor processes, Fordist enterprises obscure extraction of surplus from labor, by tying workers interest with the interests of capital.

Credit relations. Labor in Fordist enterprises have access to organized credit markets to reproduce their consumption need. They gain access to credit markets because they gain stable wages and own durable assets which can be mortgaged for credit. This process is referred to as the socialization of consumption, as these loans are funded through savings made by other workers. These savings are not invested by financial institutions instead they are given as consumer loans. The role of labor consumption is tied to the realization of profit of consumer industries. In essence, the credit market provides a mechanism to tie workers' interest in maximizing consumption to the interest of capital's maximization of profits and interests. These credit relations are considered reproductive mechanisms because Fordist employees are compelled to increase their consumption and invest in assets. We will discuss below (see sub-section on Way of Living) how Fordist workers emulate a new social consumption norm, which links status with the consumption of goods. This new consumption norm ensures a greater demand for goods and services. The credit market provides the capitalist system a mechanism with which to control the wage fund and maximize outlets for appropriation of surplus. The savings made by employees are used by financial institutions to earn interest by lending them out. Further, these loans are given to agents to purchase goods and services which aid in the realization of surplus within the accumulation cycle. The credit market is an institution through which Fordist enterprises ensure mass production techniques lead to mass consumption of goods.

Sources of labor. Entry in Fordist enterprises is sticky and difficult. This is primarily because of two reasons: first labor unions play a strong role in restricting and controlling the supply of labor to ensure high wages; second, workers not only have to be skilled and educated, but must differentiate themselves from other workers in order to enter such enterprises. This differentiation might be gained through referrals, obtaining educational degrees or gaining work experience. Fordist enterprises also tend to fill vacant positions from within the firm, and reward laborers for good work within the enterprise. This creates an incentive for employees within the enterprise to keep improving their work output and not create any disturbances in the work process, in order to maximize their chances of gaining a promotion. Such a move not only redistributes conflict in a lateral direction, but also fosters individualism and competition amongst workers. It also provides a material basis for presenting the company's interest as the interest of all. The rewards of seniority engender a commitment to the enterprise and its survival. These mechanisms make access into Fordist enterprises extremely difficult, but once a worker enters such enterprise, they can then move up either vertically within the same enterprise or horizontally to other similar enterprises. This restricted movement has ideological consequences for labor, especially tying work output and discipline to upward social mobility.

Relations in production. Fordist enterprises, given the large scales of production, mechanize the production process and create an elaborate hierarchy of labor according to function. These changes are introduced to decrease labor control and autonomy in the labor process. Automatic production (Aglietta, 2001, p. 125) control frees the functioning of machines from the motor and sensory limits of human operators. This affects the organization of work on the shop-floor in the following ways:

- There is a process of de-skilling along with the suppression of complex tasks performed by labor.
- One worker can supervise multiple machines and can be simply paid by the hour.
- Since it is no longer necessary to individualize jobs, it's easy to switch workers around and tackle absenteeism.
- New jobs are created for skilled technicians creating further division of mental labor.

Large parts of the production are done either directly by machines under the supervision of a worker, or machines which increase the productivity of the worker. Fordist labor processes introduce assembly lines to decrease delay of movement of goods from one part of the production process to another. The managerial staff conducts time motion studies to calculate the pace at which workers can perform efficiently and calibrate machines accordingly. The rhythm of work is constant in Fordist enterprises with the pace determined by machinery. The worker becomes dependent on the machine in such processes, and is forced to work at the requisite pace. The relations in production have the effect of fragmenting and individualizing life on the shop floor. Workers cannot view the totality beyond their immediate fractionalized job. Such a process leads to the de-skilling of workers as they execute repetitive actions according to the requirements of the machines being used in these processes.

Forms of control. In the early stage of capitalism coercion is the norm. But Burawoy (1982, p. 135) argues that the organization of consent became increasingly critical as wages became more independent of the individual expenditure of effort. The transformation introduced in Fordist labor processes are directed towards increasing the enterprises' control over workers. Fordist enterprises depend much more on processes of habituation and co-optation, rather than the repression and coercion of workers' interests. Fordism introduces various methods of socializing workers to the condition of capitalist production, which entails disciplining the physical and mental powers of labor. These processes of habituation train a worker to internalize the disciplinary mechanisms existing in the workplace. This is achieved through orientation during the education and training phase the labor force goes through.

A managerial class is created in such enterprises to discipline and control the labor force. Even though the managerial staff belongs to the wage earning class, they act as agents of capital.

Status becomes an important mechanism for differentiating themselves from other wage laborers. Such status is not only based on differential norms of consumption, but is also determined by competition for hierarchy of titles and salaries that differentiate managers from the rest of the work force. The elevated status given to managers in the enterprise gives them a degree of power over the work force.

Mechanisms of capital control. While Fordist enterprises guarantee longer and better terms of contracts to employees, they have access to mechanisms which can be used to battle labor militancy. There is a tendency amongst Fordist enterprises to introduce labor saving technology and reduce the number of workers required in a particular process. Employers also hire a group of reserve (Badli) workers on temporary contracts, to compensate for absenteeism. Badli workers have been used to replace antagonistic laborers. Lastly, Fordist enterprises can sub-contract parts of their operation to smaller enterprises, which use informal coercive accumulation mechanisms to appropriate surplus from labor. These mechanisms allow Fordist labor processes to combat labor militancy.

Ways of life. The increase in wages and better terms of contract provided in Fordist enterprises, allow the workers to have a higher standard of living then labor hired in other processes. As working hours were shortened, the intensity of work was increased in these enterprises. Workers become more aware of the need to fully utilize recreation time to recuperate from work. Moreover, one of the effects of socialization in the workplace is the learning of cultural status codes. Status is the basis of social differentiation, and Fordism encourages a transposition of status norms with consumption. Consumption becomes a method of differentiating oneself from others in the workplace especially to indicate one's higher earning capacity. This leads to the creation of new social consumption norm amongst these workers based on an abstract code of utilitarianism. This is followed by an increased purchase of consumption goods and recreational services leading to an increase in overall demand for consumer goods and services. This new social consumption norm places a crucial role in the realization phase of the accumulation process, and links higher wages with higher returns to capital. Fordist laborers are keen to invest in better houses and labor saving durable assets like cars, electronic durables, etc. Lastly, there is a strong tendency to invest in their children's education as this is perceived as a means of social mobility.

The new social consumption norm leads to higher parts of incomes being spent on consumption and recreation, a preference for buying houses and durable assets over saving income, and a strong incentive to invest in children's education.

Mechanisms reproducing way of life. Unionization led to the gaining of wage benefits like medical insurance, dearness allowance and pension, which help labor deal with periods of illness and retirement. A Fordist worker does not have to decrease consumption during periods of unemployment, sickness and retirement. Moreover, access to credit allows Fordist labor to escape periods of low liquidity. Lastly, an investment in children's education ensures the stability of the family over generations. The Fordist labor process has developed concrete mechanisms to ensure reproduction of labor, as labor's way of life plays a crucial role within the accumulation cycle.

Fordist Institutionalized Labor: A Case Study of Call Centers in NOIDA (Ramesh 2004)

This section will describe the business process outsourcing industry in India, as an example of a Fordist institutionalized labor process. This description will be based on Babu Ramesh's (2004) study of call centers in NOIDA. This paper is based on the findings of a field study of 277 customer care agents from six call centers in NOIDA.

Call centers produce mainly voice based work and employ skilled[51] and educated workers. English speaking graduates between the ages of 26 and 28 are preferred. The firm attracts suitable candidates for the job through a myriad number of ways. Salary payments range from 8000-10000 INR per month, which is much more than what is offered by manufacturing industries at the starting level. Moreover, the workers were allowed a certain amount of leave every year. Attractive designations like 'Customer care executive' gave a sense of status to these jobs. Perceptions of higher career prospects also attract youngsters to the job. Constructing the workplace as a fun place is an important means through which the labor force is attracted. "The superior image of the work in the sector and vibrant ambience of the workplace – with sweeping glass and concrete buildings, factory row of jazzy computers……help in drawing educated and fun loving youngsters from urban middle class, who are fascinated with the western ways of living and modern work environments." (p. 492). This modern work environment with state of the art technology and indoor facilities such as gyms and cafeterias enable the firms to impress potential youngsters from the creamy urban layer. Ramesh has found lots of evidence from his survey to support the argument that call centers attract upper middle class city youth. All the respondents had completed graduation with a first class degree. 94% of the respondents' fathers had done a graduation degree. Moreover, 96% of the respondents were from forward castes. This profile of workforce allow the firms to minimize training costs. Further, firms outsource the recruitment of candidates to external agencies, who carry out the interviews and provide basic training to the candidates. Referrals are also a common mode of recruitment. There exist strong barriers of entry into this sector.

The organizational structures of the firms were similar and followed a vertical, pyramid shaped hierarchy with power and control flowing from top to bottom. At the top rung is the chief

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51 Computer literate, good communicator, good typing skills and command over English.

executive officer, assisted by one or two vice presidents, followed by a team of managers and team leaders reporting to the vice president. The agent is at the lowest end of the rung. If agents perform well, they are promoted to the position of team leader or trainer. BPOs follow a dualistic labor structure with the managers, team leaders and their seniors, consisting of the core, employed on a long term contract. Agents are given short contract tenures and are easily replaceable by new recruits. This allows the management to control the labor force and motivates the agents to work hard to get a promotion.

A typical BPO runs 24 hours a day and firms follow three-shift pattern, with each worker expected to work for 8-9 hours. Agents have a controlled work schedule with designated breaks. The workplace is designed to ensure close surveillance and monitoring of agents. There are separate floors and wings for managers and team leaders, entry to which is restricted to agents. Each agent is given a cubicle with a computer and a head set. Team leaders are usually positioned in a central point so they can easily monitor the agents. Automatic call distribution ensures that agents have to relentlessly answer calls. The calls are recorded by the firm and used to review an employee's performance. The technology induced efficiency requires agents to submit to highly controlled work environments similar to assembly line manufacturing. Agents are expected to meet daily targets of calls attended. Track cards are issued to individual employees to record achievements of targets as well as errors. A score is designated to each track card and a low score over a period of time is considered sufficient grounds for retrenchment. Annual salary increments are connected to agents' performances as recorded in the track cards. The human resource (HR) wing is given the task of camouflaging the work as fun, so agents do not resist the controlled work process. One effective strategy is to allow agents to customize their workplace and wear outfits of their choice to work.

The close monitoring, continuous assessment, odd working hours, intensive rhythm and dreary nature of work leads to several stress related symptoms amongst the agents. This leads to a high levels of attrition from the firm. Moreover, the company follows a strong philosophy of individualization with each agent guided and managed by individuals. Sharing and discussing workplace issues are strictly discouraged. Common areas and the firm's intra-net are closely monitored for any transgressions. Moreover, vertical mobility is linked with maintaining a friendly relationship with the management. The nature of the labor process is such that each agent works and each workspace is independent of the other. This absence of a feeling of collectivity amongst agents is constructed to avoid the formation of unions. The labor process is conceived in such a way that agents either get promoted, retrenched, or leave the job, while a new pool of potential agents are attracted to the firm for its high wages and attractive work environment. However, the attraction of higher pay needs to be juxtaposed by the fact that the majority of employees are educated in expensive institutions. Hence, there exist strong barriers of entry into the workplace, which are regulated by recruitment agencies.

Interdependencies Between the Labor Processes

This chapter has conceptualized three different modalities of informal labor processes in India. While they have been conceptualized as independent of each other, each of these labor processes are interconnected and interdependent. The division has been undertaken for analytical convenience. Each of these processes buttresses the others. The links between different processes can be subservient to or driving the dynamics of the others. In the following section I will elaborate on some these inter-connections.

Petty commodity production and reserve army of wage labor. Petty commodity producers control the pace and rhythm of their labor process. The ownership of means of production is an important mechanism through which loom owners control their labor process. However, petty commodity producers are crucially dependent on external merchants and money lenders for vital resources. After a few cycles of loss, these production units get expropriated by larger units. Once the loom owners lose their looms because of failures to repay their debts, they enter the ranks of wage labor. They are forced to sell their labor to other loom owners. The loom-less laborer will enter the ranks of wage laborers and will have no control on the labor process. Petty commodity producers separated from their means of production add to the reserve army of wage labor. This aids coercive informal labor processes as the larger the pool of reserve labor, the more bargaining power the owners have over their labor. This is a process through which petty commodity production supports coercive informal accumulation. This process has been described in detail with regard to the case study of handloom industries in Nadia district. In handloom industries it has been reported that Mahajans will expropriate looms from small loom owners. The larger loom owners employ coercive informal accumulation process and will employ the loom-less laborer as wage labor. Handloom industries provide an example of an industry where petty commodity producers and coercive informal accumulation exist together, and as explained in the above paragraph, one supports the other.

Fordist institutionalized workers and badli workers. Informal labor is used as a mechanism to control formal labor. Many large manufacturing units will employ badli/ short term contract workers to replace regular workers. The enterprise finds it easier to discipline workers through the threat of retrenchment rather than through other disciplinary mechanisms. This is becoming an increasingly common phenomenon in the current neo-liberal regime. In the case study about call centres in NOIDA, it was described that workers are given short contracts, and the labor process invests much more in attracting and training new labor to the firm through recruiting agencies, rather than in retaining employees. Such processes are quite common in factories too.

Breman (2003) describes how there is always a line of unemployed workers (badli) outside the factory gates. If any worker is absent from work, their day's labor is provided by the badli worker. The badli worker has an additional incentive to work harder, as the manager could replace an un-cooperative worker with the badli worker. Moreover, the badli workers are not part of labor unions and will be more willing to follow supervisors' orders. Badli workers form a system through which firms will discipline permanent workers. Informal workers are used to decrease the bargaining power enjoyed by formal labor within an enterprise.

Outsourcing. Another link between formal and informal labor is through the process of outsourcing. Outsourcing refers to the process in which firms will give responsibility for a part of the labor process to an outside firm. This bifurcation of the labor process allows firms to gain the benefits of two different modalities of labor processes. The larger firm will employ labor under Fordist institutionalized labor processes, and the process will be geared towards increasing labor productivity and retaining its own labor. The parts of the labor process which require relatively lower skilled labor will be outsourced. The outsourced firms will have contractual terms of providing a certain amount of output at a competitive market rate. Several outsourcing firms will vie for the same contract. The outsourced firms will use coercive informal accumulation processes. Since this part of the process requires semi-skilled labor, the outsourced firm will have greater bargaining power to employ coercive informal labor disciplining tactics. In essence, the process of outsourcing passes on the cost and effort of disciplining labor to an external agency. Since there is competition amongst such agencies, they will appropriate the surplus from such labor and sell it back to the larger firm at a lower cost than the original firm, in essence subsidizing the cost of the firm. Outsourcing is a process through which firms take advantage of multiple labor modalities to curtail the cost and effort required to induce labor power to work.

Dropouts from the labor process. There exist laborers who cannot cope with the exploitative modalities in coercive informal accumulation processes, and who don't have the option of returning to their rural households[52]. Marx has referred to this section of the population as paupers. He describes them thus: "The lowest sediment of the relative surplus population dwells in the sphere of pauperism. This includes the lumpen proletariat, vagabonds, criminals, prostitutes. This includes the demoralized, the ragged, and those unable to work." (Marx, 1867/1992, p. 797) These sections either cannot physically/mentally/emotionally cope with the pressures of the informal labor life, or have lived beyond the worker's average life span. He labels these laborers as victims of industry. These laborers will fall into the fringes of the urban capital economy and become part of the pauperized population. They could take up several different kinds of occupations which include beggars, scavengers, petty thieves, prostitutes and vagabonds. These sections are considered appendages of the accumulation process and both contribute to as well as siphon off surplus from the accumulation cycles.

Hybrid labor processes. All capitalist labor processes are not subsumed under one of these three labor processes. There can be hybrid labor processes. The following are two examples of common hybrid labor processes. The first is the putting out system commonly found in many unorganized industries in India. This labor process has elements of both PCP and coercive informal labor. For example, in the Tirupur knitting industries, we find tailors who own their own stitching machines, but are provided inputs, credit and designs from other merchants. Once the tailor finishes the stitching, he sells back the output to the firm owners at a fixed price. While the tailor owns the

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52 Village households were one of the elements which aid in the reproduction of labor power in informal coercive.

means of production, he has little freedom in the labor process and is completely dependent on merchants.

Similarly, there are labor who are working in Fordist institutionalized labor processes and get multiple benefits, but are easily replaceable as they are employed on short contractual terms. In our example of call centres, we found that the firms invested a large amount of resources in attracting and training new labor, so workers with lower productivity and motivation could be replaced. Hybrid labor processes can be analyzed with the framework conceptualized in this chapter, however some of the modalities might be different or the labor process might have elements from different modalities.

Role of the state in mediating the labor process. The state can affect the dynamics of interaction between labor processes through its policies. Through the provision of minimum wage laws, the state can increase the bargaining power of unskilled labor and decrease the degree of coerciveness undertaken in coercive informal accumulation. For example, the introduction of the MNREGA has increased the wage rates of rural laborers, especially women (Sahoo, 2013) and contributed to increasing the bargaining power of marginalized wage labor in rural areas. The state can provide subsidized essentials to marginal income classes and aid in their reproduction. This process also subsidizes the cost of the labor processes for firms. Such a process has occurred in the Indian economy. The size of the unorganized sector has expanded parallel to the increase in redistribution provided by the government. Over the 1970s and '80s the government introduced several redistributive programs. In this same period the output of the unorganized sector also secularly went up. The state can also provide subsidized inputs and cheap credit, and break up the dependent relations that petty commodity producers have with local moneylenders and merchants. The nationalization of banks in the 1970s allowed the state to provide cheap credit to petty producers, who would otherwise have been at the mercy of local moneylenders. Similarly, the state can also destroy petty commodity producers by making laws which make their operations illegal. For example, over the last two decades, roadside vendors and hawkers are being evicted from their usual places of operation on the roads. Such businesses do not have the resources to set up a permanent shop, hence they have to either bribe the police, or find a new place of operation which might not have the same profitability. The state has a strong role in mediating the interlinkages between different modalities of the labor process.

Conclusion

This chapter has theorized the role of labor processes in an accumulation regime and put forward a conceptual framework with which to analyze the labor processes in India. It has broken the structure of a labor process into three dependent divisions namely, relations of production, relations in production, and the worker's way of living. It has also conceptualized five reproductive mechanisms which ensure that the dynamics of each of this labor forces are maintained from one accumulation cycle to another. The mechanisms of reproduction are also referred to in the RA literature as modes of regulation. I have applied the regulationary framework to conceptualize three different modalities of labor processes existing in India. I have described the inter-linkages between each of these labor processes. These labor modalities are fairly stable and do not get transformed easily. However, the dynamics of interaction and their roles in buttressing an accumulation regime will change. A change in any of the reproductive mechanisms embedded within a labor modality will affect the inter-linkages between modalities. Crucially, a change in government policies will also affect the interlinkages between labor processes as has been indicated in the previous section.

Some tentative answers to the questions posed in the beginning of this chapter can be provided in conclusion. The rigidity in the labor structure in India is connected to the nature of the accumulation regime in India. This rigidity allows the maximum extraction of surplus for capitalist accumulation from a macro perspective. However, the dynamics and relationships of each of these labor processes will change as channels for surplus appropriation are exhausted. This could lead to transformations in the labor process through changes in accumulation dynamics, state policies and political changes. One reason for the rigidity to persist is the role of modes of regulation (reproductive mechanisms) in reproducing their conditions of existence. These reproductive mechanisms are structurally embedded within the capitalist system and can only change with a complete change in the larger dynamics of the system. The general framework elaborated in this chapter is helpful in understanding the structure of the labor process and its inter-linkages within the accumulation cycle. However, in order to study historically specific variants of a labor process, one has to buttress this general framework with an analysis of the historical conditions within which it is embedded. Such a task will be attempted in the sixth chapter of this thesis where concepts analyzed in the first five chapters will be used to describe the specific dynamics of the second economic regime (1965-79) of independent India.

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CHAPTER 5: MODES OF REGULATION IN INDIA II: MODES OF RELATION BETWEEN STATE AND ECONOMY

It was argued in Chapter Three that a strong interventionist state played a key role in shaping the development experience of India. Moreover, the role of the state in India was markedly different from that of Western developed countries in their earlier stages of development. It is my contention in this chapter, that the state is an important variable which distinguishes the experience of capitalism in India (and possibly other emerging economies) from the early developers. This chapter will theorize the relation between the state and the economy in India from a regulationist perspective. This exercise is necessary for this dissertation, as a framework is required to both typify the state within each regime of accumulation and understand how the state affects the dynamics of a regime.

This chapter surveys economic theories of the state and assesses their limitations for this thesis' framework. It surveys different attempts by the regulation school to theorize the state. It will take recourse to Jessop's (1982) theorization of the capitalist state to derive a framework with which to understand and periodize the relations between the state and economy, within regimes of accumulation in India. It develops this framework to analyze and describe the role of the state within each individual regime.

Economic Theories of the State

Neoclassical Theories of the State

Some of the popular neoclassical theories of the state are:

a) **General Equilibrium theories:** While there is no direct role of the state within a General Equilibrium model of the economy, the state does play a crucial role in providing welfare. This is because an economy could achieve multiple Pareto optimal equilibrium points. It is the function of the state to make a normative judgment between these points. The state is conceptualized as an ahistorical[53] and neutral[54] entity in this framework.

b) **Public Choice theory (Mueller, 2003):** Public Choice theory provides microeconomic foundations to a theory of the state. The state is not considered a neutral instrument, instead it is controlled by state functionaries, who favor certain groups over others. State functionaries are considered to be rational maximizers. They provide incentives to political supporters in the form of rents, subsidies, contracts, etc., to gain political support. The state functionaries try and maximize their utility, and the exchange relationship between the incumbents and their supporters is the essence of the state. This is an instrumental[55] theory of the state.

c) **Transaction Cost theory (North, 1981; Coase, 1960):** The role of the state is to maximize its own revenue, while minimizing transaction costs to maximize output. This could be achieved by the allocation of property rights. Different parties compete for the monopoly power of the state. The state is treated as a maximizing agent and a neutral instrument for intervention.

d) **Information Theoretic (Stiglitz, 1994):** Explains market failure as arising from absence of information. The role of the state is to provide information to avoid market failures. The state is treated as a neutral instrument.

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[53] A theory is considered ahistorical if it does not take into account historical specificity or the historical conditions which mediate the process being studied by the theory. General Equilibrium theories of the state are considered ahistorical, because they posit that an economy will achieve a general equilibrium, which depends on it fulfilling the conditions of the theory, irrespective of which time period is being considered.

[54] General theories of the state are considered neutral because the state is not considered to have any political or ideological bias. In a sense, the state is viewed as a firm, and makes decisions solely based on economic calculations.

[55] Instrumental theories are theories where one element of the structure serves an instrumental purpose in the overall structure. The state in public choice theories is an instrumental state, as the state will always prefers certain vested interest groups based on economic calculations. The state has no autonomy in decision making according to this theory.

e) **Theories of Rent-Seeking State (Evan, 1989):** Evans analyzed various models of the state. He argued that there are two main types of states. The first is the predatory state which has a corrupt political class whose main preoccupation is rent-seeking[56]. The control of such states' apparatus is held by a small group of personally connected individuals who plunder the country of its resources. Such states have little autonomy in decision making and no capacity to develop, as in the case of a country like Zaire. The second type of state is the developmental state, which has a cohesive organization and where state agents are selected on the basis of merit. As a consequence state agents are competent, conform to bureaucratic rules and are autonomous in their decision making. Such states are considered to have 'embedded autonomy' and have the capacity to develop as, for example, Japan. Evans' theories of the rent-seeking state are instrumental theories, as they conflate state power with the interests of state agents.

Neoclassical theories believe that the economy is an independent realm, separate from the political and the cultural. Moreover, they theorize the 'state' and the 'market' as independent and autonomous institutions. It is on the basis of this division that they proceed to the ideological claim that the market is the most efficient regulator of the economy. There is however a crucial difference between the liberal and the neoliberal views on the role of the state in the economy: while the former believes that the state should not intervene in the economy, the latter believes the state has to intervene in cases where the market fails. The difference in views is probably due to the different historical conditions that were prevalent when these views became popular.

Neoclassical theories of the state cannot explain how a state is formed or how the state is structurally inserted into a relation with the economy. This error is particularly glaring, since Karl

[56] Rent-Seeking refers to the process, through which state functionaries siphon off parts of surplus produced in the economy without providing any productive services.

Polanyi (2001) has shown that the state was a key variable in the rise of markets in early-developing countries. Secondly, neoclassical literature has not been able to account for the different political orientations of governments ruling a state, and how these account for economic outcomes. Thirdly, neoclassical theories have conceptualized the state as having an instrumental role in the economy. There is a lack of conceptualization of the role of state autonomy in economic processes. Lastly, because of the neoclassical insistence on studying only the economic role of state, their analysis misses the crucial role that state capacity[57] and state cohesiveness[58] serve in the development process.

Marxist Theories of the State

Marxist frameworks have a historically more sustained engagement with understanding the nature of the state and the role it plays in the economy. This is largely because Marx's works substantially dealt with the state. However, there is no consensus on what a Marxist theory of the state should look like, and there have been at least two contending theories of the state in Marxist literature. This is probably because Marx himself never got the opportunity to theorize the state, and the partial comments in his works can be contradictory and misleading. There is little consensus about which works Marx's theory of the state should be based on. While *The Communist Manifesto* is a popular option (Miliband, 1969/2009), there is a certain section (Poulantzas, 1978/2001; Aranowitz, 2002) of Marxists who considers his political histories like *The Class Struggles in France, 1848 to 1850* and "The Eighteenth Brumaire of Louis Bonaparte" as more relevant works.

The most popular interpretation of Marx's theory of the state was to conflate state power with class power, and view the state as an instrument through which the elite classes politically

[57] Refers to the ability of the state to transform the economy.
[58] Refers to the cohesiveness between different apparatuses of the state like judiciary, executive, bureaucracy, police force etc.

dominate society. This view is summarized with notable clarity in one of the most oft quoted parts of *The Communist Manifesto*: "The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie." (Marx, 1848, pp.82) Engels expressed the same idea in an equally famous passage: "The central link in civilized society is the state, which in all typical periods is without exception the state of the ruling class, and in all cases continues to be essentially a machine for holding down the oppressed, exploited class." (Engels, 1884/1969) This position was popularized by Lenin, who viewed the state as essentially bourgeois and an instrument of the repression of the working class. This would inform Lenin's statements that the labor movement needs to break the back of the state and take over state power, if they wanted to change the economic system. This position was most famously criticized by Poulantzas, who demonstrated that instrumental theories of the state are unable to differentiate between state power and state apparatus. A party cannot capture state power by capturing the executive. Poulantzas articulates this argument by citing several examples of labor or liberal democratic parties which came to power, but were unable to change the fundamental capitalist nature of the state. Furthermore, this theory does not explain why some states are more successful than others in controlling class antagonisms.

There is another interpretation of Marx's theory of the state, one which treats the state as an epiphenomenon or simple surface reflection of the dynamics occurring in the economic base. This division is based on Marx's framework of base and superstructure, where the structure of the state is seen as a surface reflection of a self-sufficient and developing base. The role of the state is to ensure the reproduction of the base and the laws of capitalism. The theory that most popularized this view was the State Monopoly Capitalism theory, which tends to periodize capitalism on the basis of the laws of capital accumulation. This view faces all the shortcomings of functional social theories[59], the

[59] Functionalist social theories are structuralist theories where the elements of the structure play a functional role in the overall structure. State Monopoly capitalist theories consider the state to have a functional role in the laws of capital

most important of which is that the state has no autonomy in its matters, and every state action is interpreted based on its function in the process of capital accumulation.

The debate about the Marxist theory of the state was re-opened in the 1970s, probably with the death of the popularity of the Keynesian altruistic welfare state. This debate was hotly contested between Ralph Miliband (1969/2009) (Instrumental theory of the state) and Nicos Poulantzas (Functional theory of the state). In the next section I will summarize and critique the two most well developed theories of the capitalist state in Marxist literature. Lastly, I will also survey Resnick and Wolff's (1989) non-essentialist theorization of the state, as they anticipate some of the critiques leveled against other Marxist theories of the state.

Ralph Miliband: Theory of the state in capitalist society (1969/2009).

"In the Marxist scheme, the "ruling class" of capitalist society is that class which owns and controls the means of production and which is able, by virtue of the economic power thus conferred upon it, to use the state as its instrument for the domination of society." (Ralph Miliband, 1969/2009)

Miliband wrote this book as a direct challenge to the pluralist theory of liberal democrats which regarded capitalism as classless, egalitarian and democratic. In this book, he attempted to empirically and historically show the relationship between the state and the capitalist class. He identifies the corporation as the initial reference point for defining the capitalist class. Members of the capitalist class are identified as those persons who occupy ownership and managerial functions of corporations. One of the most direct indicators of ruling class domination is the degree to which members of the capitalist class control the state apparatus through interlocking positions in its

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accumulation. The state has no autonomy in making its own decisions, instead all state action is interpreted in terms of how they mediate the laws of capital accumulation.

different apparatuses. The class composition of state elites creates "a strong presumption as to its general outlook, ideological disposition and political bias" (1969/2009, p. 55). One way to measure the degree of potential class domination is to quantify the extent to which members of a particular class have disproportionately colonized posts in the government apparatus.

While Miliband had no difficulty in defining the capitalist class, by his own admission, he had a harder time in theorizing the nature of the state and the means of political decision making. He observes that "the state is a nebulous entity," because the state is "not a thing, that it does not, as such exist". Instead he conceptualizes the state as "a number of particular institutions which, together, constitute its reality, and which interact as parts of what may be called the state system" (p. 49-53). For Miliband the state system is identified with a cluster of five institutions:

1) Government apparatus: elected legislative and executive authorities
2) Administrative apparatus: civil service bureaucracy, public corporations, central bank
3) Coercive apparatus: military, police, intelligence agencies
4) Judicial apparatus: courts, prisons
5) Sub-central Governments: state, provincial government, regulatory authorities

He emphasizes that the state is the interrelationships between the above institutions. This was an important heuristic device used by Miliband to respond to his critics, who branded his theory as a deterministic instrumental theory of the state. He points out that within his theory government power is not equivalent to state power. "The fact that the government does speak in the name of the state and is formally invested with state power does not mean that it effectively controls that power." (p. 49-50) This explains why even when labor or social democratic parties control the parliamentary and executive branches of the government, whether by election or revolution, this does not automatically entail their control over the military, police, civil service and legal system. The question that arises in this case is, how does the capital class capture state power? It in this respect that Miliband makes one of his most novel arguments, that the operational unity of state power is largely ideological. For Miliband, the conquest for state power is never absolute, it is never uncontested, and it is never complete, because it is an ongoing and contingent political struggle. A successful capitalist state is one in which the elite classes have managed to create the illusion of unity of state power through ideological means.

Miliband's main focus was on demystifying the liberal conception of the state. However, in responding to it, he actually reproduces the liberal tendency to discuss politics in isolation from its complex articulation of social forces. A major shortcoming of Miliband's theory of the state is its failure to embed the state within the laws of capitalist accumulation.

Nicos Poulantzas: Theory of the state: Political Power and Social Classes (1978/2001)

"The state has the particular function of constituting the factor of cohesion between the levels of a social formation. This is precisely the meaning of the Marxist conception of the state as a factor of order… as the regulating factor of its global equilibrium as a system." (Poulantzas, 1978/2001, p. 2)

In *Political Power and Social Classes*, Poulantzas (2009, pp. 1–33) claims that every mode of production can be understood theoretically in terms of the functional interrelations between its economic, political, and ideological levels: "Each level in a mode of production consists of structures that tend to reproduce and stabilize the mode of production and class practices that generate conflicts and contradictions within the mode of production." (Poulantzas, 2009, p. 37) A structure consists of one or more institutions that fulfill specific economic, political, or ideological functions necessary to sustain a particular mode of production. The economic structure for capitalist society is constituted primarily by the social relations of production. The political structure consists of the institutionalized power of the state. A stable social formation is one in which the structures at each level function together as an integrated system to maintain and extend the dominant relations of production and, hence, the ability of a dominant class to appropriate surplus value from a subordinate laboring class.

The Modalities of State Power are:

1) The technico-economic function at the economic level

2) The political function at the level of class struggles

3) The ideological function at the cultural level

Poulantzas defines state power as the capacity of a social class to realize its objective interest through the state apparatus. The basic structure of the capitalist mode of production generates contradictory class practices, dislocations, and crisis tendencies. It is this inexorable disruption of the capitalist system that necessitates a separate structure to specifically maintain, monitor, and restore its equilibrium as a system (99). This function is played by the state. Poulantzas fends off critiques about the deterministic nature of his theory of the state, by introducing class practices as a disequilibrating factor. These disequilibrating factors can't be solved at the economic level, and the state plays a crucial role in regulating these practices.

Poulantzas' theory would, however, have to face critiques of its functional-structural foundations. Namely, since the state had a functional dependency on the mode of production, it has no autonomy in its action. As a consequence within the framework the effects of state power are necessarily circumscribed by the dominance of capitalism so that, in the long run, they can only correspond to the interests of the dominant class. This claim implies that it is totally irrelevant who controls the state apparatus since it must maintain cohesion by virtue of its objective function.

Critique of economic theories of the state

Economic theories of the state have tended to treat the exercise of state power as a principle of explanation. For example, state inefficiency and a corrupt bureaucracy were frequent explanations by Indian economists, for the economy's failure to grow despite a broad consensus about capitalist industrial development since the time of independence. Such an explanation is limited because there are multiple factors which determined state actions, and state inefficiency and a corrupt bureaucracy were the result of certain historical factors. A theory of the state which does not regard state action as an explanation, would study the processes which led to state inefficiency and a corrupt bureaucracy. Jessop (1982) argues that rather than explaining specific events in terms of an immediate unexplicated exercise of state power, it is necessary to problematize the effects of state intervention and examine their specific institutional mediation and social bases. To overcome some of the deterministic aspects of economic theories of the state, state action needs to be treated as an explanandum[60]. This would require an informed theorization about the nature of the state and its relationship with the economy. I will attempt to theorize the capitalist state keeping such critiques in mind.

An alternative theory of the state: Resnick and Wolff: Knowledge and Class (1989)

Resnick and Wolff developed a non-deterministic theory of the state within their theorization of an anti-essentialist Marxist theory. Their framework depends on two crucial concepts: overdetermination, and a reworking of the Marxist notion of class. They define class as a particular social process of producing surplus labor. Marxian class analysis is then the theorization of

[60] a phenomenon that needs to explained

the overdetermination of the social process, that is, its interaction with all other processes that combine its condition of existence. They define overdetermination as "involving a distinct notion of causality characteristic of Marxian theory. If all entities are overdetermined, none is independent of any other. Each entity only exists as—or, is caused or constituted by—the totality of these different relations with all other entities." (1989, p. 4) The concept of overdetermination has consequences for the sort of explanation provided for explaining economic processes; in a way, Resnick and Wolff anticipate the sort of critique of economic theories that I have mentioned in the section above.

Within the above framework, the state performs the following processes: natural, economic, social and cultural. Each of these processes equally characterizes the state, and this framework does not privilege one process over the other. Hence the state is overdetermined. Resnick and Wolff (p. 231) conceptualize the state in their framework by identifying the class and non-class processes that comprise the social site called the state, and specify the interactions amongst and between them. One goal of this analysis of the state is to comprehend the overdetermined and hence changing contradictions amongst the processes that comprise the state. The broader goal is to comprehend the interactions between the state's contradiction and the class process in general. The state is characterized in this framework through a class analysis of the revenue and expenditure flows of the capitalist state.

Total State Revenue (R) = SV + ∑SCR + ∑NCR

SV → refers to capitalist fundamental class processes within the state like retained profits by public enterprises

∑SCR →refers to revenues generated from state subsumed class positions. These include distributed shares of surplus value to the state in the form tax, rent, interest, merchant fees etc.

$\sum NCR \rightarrow$ revenues paid by both productive and unproductive labor and by occupants of subsumed class processes.

Total State Expenditure (E) = $\sum SC + \sum X + \sum Y$

$\sum SC \rightarrow$ refers to payments securing the conditions of the existence of the state capitalist industrial enterprise which include expenditures of public sector enterprises.

$\sum X \rightarrow$ expenditures to secure the conditions of existence for the state's receipts of $\sum SCR$ from class processes. This includes infrastructural investments, subsidies and grants to private enterprise.

$\sum Y \rightarrow$ expenditures that secure the conditions of existence of its non-class revenues like social security, civil services, and administrative services.

Resnick and Wolff's theorization of the state has many lessons for constructing a non-essentialist theory of the state. Firstly, they emphasize the contradictory role of the state, and refuse to explain state action by essentializing one particular process in society. Secondly, they provide a framework to typify the state, by determining the class and non-class processes represented by state revenues and expenditures. Thirdly they provide a consistent way of typifying class, subsumed class, and non-class processes. However, there are limitations to this theory which affect what we can borrow from this framework. Firstly, by defining class as the crucial concept, they limit other aspects of the state, such as its functional dependence on the circuit of capital. Secondly, this framework fails to explain why some states are more successful than others in making interventions. Thirdly, by focusing solely on revenues and expenditures, it fails to take into account other kinds of state interventions, like changes in major policies, actions to expand the social bases of the state, etc. While the framework of the state provided in Knowledge and Class cannot be used for a r*égulation*ist analysis, it does have important lessons for constructing an anti-essentialist theory of the state.

A Regulationist Theory of the Capitalist State

A Survey of Regulationist Theories of the Capitalist State

There is a strong consensus within regulation literature, from its inception (Aglietta, 2001), about the importance of the role of the state in understanding capitalism and theorizing regimes of accumulation. However, there has been no consensus about how to frame the state alongside other Regulation school concepts. The earlier works of the Regulation school described the changing role of the state within regimes. More specifically, Aglietta defined the state in the extensive regime as "limited" as it didn't direct the dynamics of the first regime, and the state in the intensive accumulation regime as 'embedded' as it played a key role in directing the regime. The theorization of the French and US cases were extrapolated to argue that the state plays a determining role in managing all institutional forms within a regime. However, research on other countries (mainly Germany and UK) showed that this was not the case.

As a consequence, the Regulation school gave up its distinction between a limited and an embedded state "in favor of an analysis of state-economy configurations on the basis of the notion of the state as relational, integrated and complex." (Boyer & Saillard, 2002, p. 49). Delorme (2002, p. 115) has articulately argued that the difficulties of creating a general theory of the state, stem from the multiple ways in which the state is connected to the economy, as well as the larger macro role the state plays in determining the economy. There has been a constant tension in differentiating the coordinating role the state plays in the economy, and the role the government plays in legitimizing these policies. This might create the wrong impression that the state controls a regime, but it has also been demonstrated that the state apparatus is made up of many components, which have no unitary direction. There has been a further philosophical conundrum owing to the structuralist aspects of regulation theory. Lordon (2002, p. 130) has persuasively argued that there is no place for state autonomy in directing economic policy within the regulationary framework. He elaborates by stating that "within this set of structures (reference to modes of regulation), economic policy is but one amongst others, functioning according to its own self-adjusting mechanism in accordance with its role in the general arrangement of the mode of regulation". In the general context of "structural pre-determination", economic policy is directed mainly by compromises imposed on it, or the institutional forms to which it is related. In these conditions, economic policy generally lacks autonomy. The larger philosophical repercussion is that the state "being both interior and exterior, ……. is an arrangement that works within the mode of regulation, as well as an external support mechanism through which it is possible to act on the mode of regulation." (Lordon, 2002, p. 130) Delorme suggests that any theorization of the state must be explicit about its problematique and purpose, which provides a better basis for judging its efficacy. Moreover, he advises that the state should be theorized within the modes of relation between the state and economy, which expresses a reciprocal presence of the state and economy within each other, without determining each other.

The most comprehensive theorization about the capitalist state in the regulation tradition is by Bob Jessop (1982). He has provided a detailed set of guidelines to form a theory of the capitalist state, and avoids the trappings of constructing a general theory of state. He concedes that "any attempt to analyse the world must assume that it is determinate and determined," yet "it does not follow that a single theory can comprehend the totality of its determinations without resorting to reductionism of one kind or another" (p. 211). He stresses that "raw descriptions of particular events" and abstract speculations about the essence of politics or the a priori nature of the state are insufficient to explain the state and its actions. Instead a theory of the state should "attempt to explain the "contingent necessity' of specific conjunctures and their outcomes in terms of their various determinants." (p. 212) He highlights the importance of contingent necessity as an analytical device, which he defines as "….while the combination of different causal chains produces a determinate outcome (necessity), there is no single theory that can predict or determine the manner in which such causal chains converge and/or interact (contingency)." (p. 212) In order to construct a contingent theory of the state, he claims we must avoid three traps: empiricism which derives from an exclusive emphasis of appearances, reductionism that derives from an exclusive emphasis on one or more abstract determinations, and the subsumption of the 'particular' vs the 'general'. Instead one must engage in analyzing the many determinations that are combined—powers, tendencies, counter-tendencies, etc—within the theoretical framework.

According to Jessop every Marxist theory of the state should have the following:

1) It should be founded on the specific qualities of capitalism as a mode of production.
2) It should attribute a central role to class struggle in the process of capital accumulation.
3) It should establish relations between the political and economic features of society without reducing one to the other.
4) It allows for historical differences in the forms and functions of the state in capitalist societies.
5) It allows for the influence of non-capitalist classes and non-class forces in determining the nature of the state.

Theorizing the Mode of Relation Between State and Economy Within India

My theorization of the state has three purposes in mind. The first is to theorize the state as an explanandum, that is to construct a theory which explains state action through the notion of 'contingent necessity'. The second is to provide a basis of periodizing the state within each regime: such a typology is necessary to be able to identify what is unique or different about each regime. The third is to identify the reproductive mechanisms (modes of regulation) within the state, which ensure the stability of a regime of accumulation. This theorization will not provide a general theory of the state. The focus on the capitalist state is because the state is overdetermined, and it is impossible to analyze the multiple processes and sites through which the state functions. Moreover, we will distinguish between the state and the government. The state refers to all the apparatus of the state including the executive, legislature, judiciary, police and armed forces, policies, etc. The government refers to the elected representatives or the ruling party in the central government. The state is mutually determined by the capitalist economy and transforms slowly with the development of capitalism. The change from nominal rulers (monarchy) to elected rulers (democracy) was one of the major changes that the state went through with the development of capitalism. The rise of the developmental welfare state after the great depression of the 1930s is another example of a transformation in the state. The state apparatus and its relation with the economy is structurally embedded and does not transform regularly. The government and its policies are more conducive to transforming according to the needs of a regime. Changes in regime will lead to transformations in the government. However the government's ability to change the state-economy relation through policy is contingent upon the strength of the modes of regulation (discussed later in this section). Further, a breakdown in the modes of regulation can make government policies unsuccessful, and even culminate in the breakdown of a regime. The next section will describe a regulationist framework to typify the capitalist state in a regime and identify reproductive mechanisms (modes of regulation) within the government. I will then use the framework derived to describe the state in each of the regimes, analyze the government's attempts to change the state, and how modes of regulation mediate these changes. Lastly, this analysis does not try to understand the nature of the state and its relationship with the economy in general, as such a question would require a much more careful and comprehensive analysis of the state.

It has been well established (Chibber, 2006) that the Indian state has been committed to capitalist development since its inception in 1947. Though there are multiple theories from across the ideological spectrum to contest this claim, from the perspective of this thesis it is assumed that Indian state was committed to introducing and mediating capitalism within the economy.

I take recourse to Jessop's theorization of the capitalist state to construct a typology of the state in India. Jessop (1982, p. 228) has argued that the state should be seen as an institutional ensemble of forms of representation, internal organization and interventions. State forms and regime types can be distinguished in terms of differential articulations of the above listed ensembles. I use Jessop's typology of forms of capitalist intervention of the state, and try to characterize the relation of the state to the capitalist economy in each regime, through the major economic interventions which were introduced in that regime. Such an exercise provides us a basis for identifying the relation between the capitalist state and the economy within each regime. It will also provide a framework with which to analyze the nature of government intervention and the reasons for its successes and failures.

Jessop elaborates (p. 234) on four basic forms of capitalist state intervention:

1) **Substantive Facilitation (SF):** Policies through which the state reproduces certain general conditions of production within capitalism, which include the reproduction of labor power through redistributive policies, the provision of essential means of production like infrastructure, energy supplies and research, and development. These interventions would be beneficial to all capitalist producers.

2) **Formal Support (FS):** Policies through which the state alters the general external conditions of production in a particularistic manner and/or establishes external conditions favorable to particular forms of capital. This could be through change in laws or forms of public expenditure. It is left to the market forces to determine whether these changes are exploited by economic agents. Moreover, it is possible that only certain forms of capital have

the ability to benefit from such intervention. These measures could include changes in competition laws, investment criteria or conditions of access to decision-making bodies.

3) **Substantive Support (SS):** Involves the direct allocation of particular conditions of production to particular economic agents, rather than leaving it to the autonomous choice of market forces. For example licensing, restriction of investment, state credit etc.

4) **Direction (DI):** The state overrides the formal freedom of economic agents and directs that they either act or refrain from acting in certain ways. The state no longer relies on facilitating or supporting market forces, but intervenes through either directly participating in the accumulation process or restricting the freedom of economic agents.

Each of these categories indicate a different relation between the state and the economy and a different trajectory of capitalist development in the economy. The following table will categorize the capitalist interventions of the state in each regime within the above typology.

These categories will be utilized to typify the forms of capitalist intervention introduced by the state in each of the regimes. Each of these forms of state intervention in capitalism affects the relations between the state and the economy, and concomitantly the dynamics of capitalist development. The next section conceptualizes mechanisms through which capitalist state interventions are reproduced in each regime. These serve the function of modes of regulation[61].

[61] Labor processes have their own mode of regulation as described in the previous chapter.

Table 11

Typology of State Intervention in Each Regime

Nature of state Intervention	1950-65	1966-79	1980-91	1992-2009
Direction	State control of key industries/sectors, state planning mechanism	Capital controls like MRTP, FERA, nationalization of banks, ban on princely purses, land acquisition		
Substantive support	Licensing and Sectoral quotas	Green revolution, devaluation, re-allocation of credit		
Formal Support	State directed infrastructural investment, over-valued currency and protection of domestic industry, failed land reforms	Fall in public investment	Slashed import duties, reduced public investment	Disinvestment, privatization, devaluation, allowing entry of global capital, export encouragement, financial reforms
Substantive Facilitation		Redistributive policies under Garibi Hatao campaign (land credit re-allocation, liquidate debt)	Devaluation, IMF Loan, relaxation of licensing procedure and quotas, commitment to growth, redistributive policies	MNREGA and other redistributive policies

Mode of regulation in the state. Mode of Regulation or MoR within the state, refers to reproductive mechanisms which bring stability in state-economy relations and state interventions in a regime. Crucially, MoR impinges on the state-economy relation through the functioning of the ruling government. These reproductive mechanisms maintain the stability of capitalist state intervention in the face of contradictions. In essence, the success of capitalist state intervention depends on the robustness of the reproductive mechanisms of the state in a regime. A breakdown in these mechanisms would lead to a crisis in the government, and eventually a crisis within a regime. I identify three reproductive mechanisms in the state:

1) **Fiscal Deficit:** This figure represents the difference between government spending and revenues, net of borrowings. Fiscal deficit is indicative of the government autonomy in financing its own expenditures, and as fiscal deficit increases the government has to borrow from external agencies, in essence losing its autonomy in intervening in the economy. A high fiscal deficit weakens the government's ability to intervene in the economy. While fiscal deficit itself is a conjectural figure, a closer analysis of individual components of public expenditure can indicate if the current rate is sustainable or not.
2) **Sovereignty:** India is a democratic system, and the ruling party must get a popular mandate[62] before it can intervene in the economy. A strong government has a certain autonomy in its interventions, while a weak government or a coalition government has limited autonomy in the economy. For example while the UPA II (2008-2013) was trying to bring in FDI for the aviation and retail sectors, it had to provide subsidies and concessions to coalitionary partners like the Bahujan Samaj Party (BSP) to get their support for these policies. What is most interesting, is that though the BSP is not normally associated with neoliberal and market-friendly policies, it still agreed to support these policies. This example is meant to indicate that while weak/coalitionary governments can make major interventions in the economy, they have to provide concessions and trade-offs. Moreover, if the government fails to get a majority for its policies, it could be voted out of power. Such a crisis in the state could lead to a regime change as it did in 1979 and 1991, but it could lead

[62] Majority in the Parliament

to the formation of a new strong government, as in 2003, when the UPA came to power after more than a decade of weak coalitionary governments.

3) **State Ideology:** The state apparatus has many branches which serve different functions. However, the national government has to have a vision which organizes the working of its parts. This vision not only brings unity to the working of the state, but unifies the popular understanding of the state. Voters will tend to associate these ideas with the government, and will vote according to how loyal they have stayed to their initial vision. While the next section will describe the ideology of each regime, it will not delve much into the analysis of this reproductive mechanism, as it is not well theorized in economic literature and is more amenable to analysis through the perspectives of other disciplines. This is not to deny the importance of this mechanism, but instead to accept that it would require extensive analysis to fit into our larger schema and is worthy of a separate project in itself.

The following table will categorize the character of each of these reproductive mechanisms in each regime within the above typology:

Table 12:

Typology of Reproductive Mechanisms Within the State, in Each Regime

Reproductive Mechanisms	1950-65	1966-79	1980-91	1991-2008
Fiscal Deficit	Low	Increasing from 1974	High and explosive	High and Unstable
Political Sovereignty	Strong Majority	Weak Majority (split in Congress party)	Weak Majority	Weak, mostly Coalitions
Ideology/Hegemonic Project	Post-colonial state as driver of development	Socialism/Populism	Modernization/ Populism	Liberalization/ market friendly/ modern governance

The dynamics of a regime of accumulation, capitalist state intervention, crisis, and the mediating influence of mode of regulation are mutually determined. The regulationist framework for studying the state does not consider any of these elements to be reducible to the other. The dynamics of a regime of accumulation are shaped by the nature of capitalist state intervention, however the success of state intervention depends on the robustness of the Modes of Regulation in a regime. The breakdown in MoR will lead to a crisis. Moreover, the specific form of the crisis will determine the dynamics of the next regime and the nature of state intervention. RA theory considers a regime of accumulation to be overdetermined and this dissertation will study how each of these elements mediate each other instead of explaining one in terms of the other.

Typology of the State in Regimes in India

1950-67: Pre-eminence of planning and state capitalism. The 'Nehruvian' state was primarily a 'director' in this regime, as most of its interventions fall into this category according to the framework described above. This was achieved either through directly participating in the accumulation process by setting up public enterprises in key infrastructural and heavy industries, or by directing and disciplining other forms of capital through the planning process. Some of these directing interventions had consequences for other forms of capital. The licensing process benefited the large domestic capitalist class, who would capture licenses to deter other competitors from accessing the market. It also benefitted small scale industries who were allocated quotas in particular industries. These are substantive supports provided by the government, as it was directed to be beneficial to certain forms of capital. Public investment in infrastructure and import substitution policies were meant to benefit all forms of capital. However, the large capitalist classes benefited most from the subsidized public infrastructure and the protection from foreign capital. This was achieved through an overvalued currency and import quotas, as described in the third chapter.

Lastly, the lack of redistributive policies benefited both agricultural and industrial capital because it led to the dependence of landless peasants on external work and the creation of a reserve army of unskilled labor. The government in the Nehruvian regime, was the director of capitalism, both in terms of rhetoric and interventions in the economy. This complements the larger ideological project of the Nehruvian regime, which was to drive capitalist development in India to catch up with that of the developed world.

The success of the Nehruvian regime was largely due to the strength of the reproductive mechanisms in this regime. The Congress enjoyed a majority in Parliament and managed a low fiscal deficit, even though public spending and investment were very high. This was because the state earned a high tax revenue, especially from custom duties, and received generous aid from other countries. A stable fiscal deficit allowed the government a degree of autonomy in its expenditure policies. Robust MoR in the state provided conditions conducive for the Congress government to follow a state-directed heavy industry oriented form of capitalist development. The successful development of heavy industries requires consistent public investment. The Congress government managed to divert crucial resources to heavy industries – resources which could have been invested in other areas like agricultural development and redistributive policies. The strength of the MoRs allowed the Congress to curtail the influence of dissenters to their program, a category which included small and landless farmers, landless peasants, urban informal sector workers, etc. Moreover, other powerful vested interest groups like large domestic capitalists, large landholders and urban elite workers were supportive of the Congress regime, because they perceived the strength of the Congress government and its policies as beneficial to their own class interests.

While the state itself was not directly implicated in the crisis at the end of the regime, Nehru's death did lead to disharmony in the Congress and its eventual splitting in the next regime.

1968-80: Green revolution and populism. The Congress government under Indira Gandhi's leadership would continue to direct the economy in this regime, although as I shall demonstrate in the next chapter, this did not necessarily translate into better growth and development in the economy. While Indira's Congress government kept some of the crucial directing interventions of the Nehruvian state, it placed additional controls on capital. Domestic capital was limited by various regulations like the MRTP and FERA Acts. Foreign capital was placed under several constraints forcing many corporations to leave the economy. Lastly, the state took control of finances and capital investment through the nationalization of banks. These clamps severely constrained the functioning of industrial capital and consequently private corporate investment reached its lowest growth rate in this period[63].

The other major intervention in this period was the green revolution, which provided new technologies, soft loans and subsidies to farmers. While in theory these technologies were scale-neutral, large farmers (especially in the prosperous regions of Northern India) were in a unique position to take advantage of these measures. The green revolution was largely beneficial to large capitalist farmers and is considered in this framework as substantive support. The devaluation undertaken by the state to offset the Balance of Payment crisis of 1965-66 is also considered a substantive support, as it mainly benefitted capital involved in export, and exports did indeed grow over the 1970s. The fall in public investment, especially in heavy industries, in this period can be considered as a negative substantive support as it hurt all forms of capital. Moreover, private enterprise was not free to enter the sectors that the government had withdrawn investment from. Lastly, the redistributive policies introduced by the Indira-led government under the 'Garibi Hatao' campaign can be considered a form of substantive facilitation, as it aided in the reproduction of the

[63] See Graph 5, Chapter 3

laboring classes, and subsidized the wages that capitalists had to pay, especially to unskilled/underskilled workers.

The state remained a director of capitalism in this period under Indira, especially in rhetoric. There were some policies which are considered substantive facilitative interventions like the redistributive policies. These were introduced to garner support from marginal classes for state directed capitalism. However, Indira failed to find a balance between driving the capitalist development process and her populist policies. The green revolution created a powerful lobby of capitalist farmers, who would later play a part in bringing down Indira's government. In essence, while the state was a director of capitalism in intent, they also inadvertently became substantive supporters of certain forms of capital which would affect their own effectivity. The lack of clear leaders and vision in the Congress led to the split in the party in 1969. Both Congress parties kept part of Nehru's vision, but also brought in new policies to distinguish themselves from each other. The Congress (I) under Indira, stayed more faithful to Nehru's vision of state direction and socialism, but were forced to carve a new vote bank as they had lost a lot of their old support base to the Congress (S). Indira introduced populist and redistributive policies to gain support from the lower and marginalized classes. She was successful in her mobilization. However, the increasing expenditure made by the state (subsidies to farmers, redistributive policies) to gain a vote bank, pushed the fiscal deficit towards unsustainable levels. The state couldn't decrease its expenditures as that would hurt its voter base, and so it instead took commercial loans to finance itself. Two wars and rising oil price did not help, and the government's fiscal deficit spiraled out of control by the end of the decade.

The Indira-led Congress government[64] attempted to substantially change the state: first by trying to gain additional powers for the state through the land acquisition bill, and second by socializing the means of production of the economy by nationalizing banks. It additionally tried to change the structure of the state by changing the constitution to give greater power to the legislature over the judiciary. The failure in these attempts to change the state led the government to try and get absolute sovereignty by placing the country in a state of emergency. The government failed in its efforts to change the state-economy relation due to the weakness of the reproductive mechanisms in this regime.

The Congress under Indira was initially successful in its interventions, largely due to the fact that they mobilized popular support for their policies. By the end of the regime, the lack of popularity of socialist ideas, popular resentment towards the government's authoritarian policies and a high fiscal deficit led to the failure of the Indira government to change the state in this regime and eventually its loss of power in the Parliament. These factors led to the breakdown of the second regime and is indicative of the failure of the capitalist interventions made by the Indira-led Congress government.

1980-1991: Broad-based growth driven by consumption. This period marked a shift in the nature of the government's mediation within the economy, as a result of government failure to gain popular legitimacy for the directing role that the government had given itself. While the government was positive in its intent to shift away from directing capitalism, there was a lack of a coherent vision about what the role of the state should be vis-à-vis the economy. As a result, we find according to the framework provided above, that the government played a facilitative role in the economy, without directing these interventions towards any specific form of capital. The

[64] A more detailed account of the changes made by the Indira Gandhi led government is given in Chapter 6.

government's policies in this regime included a commitment towards growth and market, reduction of import duties, removal of licensing procedures in many sectors and substantially increasing funds allocated to redistributive policies. These forms of intervention in general benefitted capitalism, and allowed space for new capitalists and forms of capital to enter the economy. It is well documented by Harish Damodaran (2008) that new business houses like WIPRO, Reliance and capital from the agricultural sector successful entered the industrial and manufacturing capitalist sector. The government changes not only allowed the private capital sector to grow, but also allowed new capitalists to have a stake in the pie. While some of the policies did benefit specific forms of capital like looser import controls, overall the state in this regime can be designated as a facilitative state, which tended to intervene in the general conditions of the economy, and allowed economic agents to benefit through autonomous choices.

While the Congress managed to maintain its majority in the legislature for most of this regime, this majority was based on an extremely tenuous grasp. The Congress had to completely revamp its vision of the economy, and had to significantly increase its expenditures[65] to maintain its vote base. The tenuousness of state sovereignty is indicated by the loss of power of the Congress at the centre (after the Bofors scandal) and the string of coalitionary governments that came to power afterwards. While, the changing orientation of public expenditure drove the rate of GDP growth up, there existed an inherent instability within it, owing to an increase in fiscal indiscipline by the government and the feedback effects of a fall in public investment. The swelling expenditure by the government was funded increasingly by commercial borrowings. Fiscal deficits as a proportion of GDP increased from a manageable 3.5% to 5.5%[66] by the end of this period. Furthermore, an

[65] especially in subsidies and redistributive policies as described in Chapter 3

[66] See Chapter 3, Graph 4

increasing share of the borrowings was spent in debt servicing and transfer payments[67], which didn't generate returns. The state was caught in a trap of financing debt with more debt. This is indicated by the fact that interest payments became the largest component of state expenditure. The government initiated measures to change the relation between the state and the economy in this regime. The state moved from a directing role to a facilitative role in the economy. Private capital was given incentives to increasingly drive the process of capitalist development. The partial liberalization measures introduced by the Congress government in this regime were a result of the failure of state-directed capitalism in the previous regime. The initial piecemeal introduction of reforms was successful and the Congress maintained support from a variety of class bases including: domestic capital, agricultural elites, and small and marginalized peasant classes. However, the process couldn't be continued as both reproductive mechanisms of state sovereignty (parliament) and autonomy in expenditure (fiscal deficit) collapsed in this regime. Moreover, coalition governments led by VP Singh and Chandrashekhar attempted, albeit unsuccessfully, to remove the liberal reforms introduced by the Congress in 1989. The collapse of the reproductive mechanism led to the breakdown of the state-economy relation and led to a crisis ending this regime. The crisis of the state played a pivotal role in ushering in the next regime.

1991-2012: Neoliberalism. It is well documented that the state drastically changed its insertion in the economy by introducing liberal reforms and unleashing market forces. However, these characterizations might be a little too simplistic, as none of the interventions of the government in this regime can be classified as formal facilitative.[68] Most of the liberal reforms involved would be classified as formal support by the state, according to the regulationist framework

[67] See Chapter 3, Graph 6

[68] Interventions of formal facilitation (Jessop, 1982, p.234) type would be considered as minimal state intervention to buttress a '*laissez faire*' economy.

of the state conceptualized in this chapter. These are interventions which benefit all forms of capital. However certain forms of capital were better positioned to gain from it. Access to global capital, freedom from licensing procedures, easier terms for raising capital, and encouragement to export are measures which should benefit all capital, but were largely beneficial towards private corporate capital, as they had the resources and brand equity required to accrue the benefits of liberal reforms. Private corporate capital and the forms of capital involved in exports benefited most from the liberalization of the economy. Large capital managed to both procure shares in disinvested public sector enterprises and to bid in crucial sectors (telecommunication, infrastructure, energy) which were privatized. This is not to deny that market freedom was beneficial to new and smaller forms of capital trying to enter the market. This is especially true for the service sector which experienced a steady increase in growth in this regime. However, key macroeconomic variables[69] indicate that private corporate capital was the largest growing component of investment, and that investment and exports were the largest generators of aggregate demand in this regime. While the state receded from directing capitalism in this regime, it did not mean that private market forces determined the new drivers of capitalism in this regime. Instead, the government played a very active role in choosing the forms of capital that would drive this regime. Moreover, instead of playing a facilitative role as it had tried to play in the previous regime, the government had directly supported capital. Hence, the state does not withdraw from the capitalist economy in this regime, but instead plays a supportive role in the economy.

While the introduction of liberal reforms suggest the withdrawal of the state from the economy, in actuality we find that the involvement of the state in facilitating and mediating the economy with the private sector increased many-fold. Liberal reforms were not a simple dilution of

[69] As indicated in Chapter Three

government intervention to market forces, instead the state had to be careful about how it allocated each of the spaces in the economy that it withdrew from. In popular parlance, the change of the state from interventionist to pro-market was the larger ideological project of the state. However, we should add that modern governance and market friendly policies did not imply that the economy was left to the fetters of the free market. Instead, there was a steady devolution and decentralization of power to federal governments and autonomous committees/ regulatory bodies (TRAI, IRDA, SEBI etc.). The decentralized nature of decision making benefitted large capital, as they could outbid/out-compete and gain access to markets previously controlled by public enterprises, and make the large capital outlays necessary to enter nascent sectors.

The dynamics of state sovereignty completely changed in this regime, with coalitions being the norm rather than the exception. This was indicative of a general lack of hegemonic vision and a sharp increase in contestations in the economy. Further, as coalitions were the norm, the central government had to negotiate or make concessions to other smaller parties in order to get its own policies passed through the legislature. This impacted the fiscal freedom the government enjoyed. While fiscal austerity measures were an imperative for the government in this entire period, we find that it had little autonomy to do so. In the 1990s while the government did cut down on expenditures, this was mainly due to bringing down capital expenditures and earning revenue through disinvestment, and neither had any long term benefit to the state. Moreover, as interest payments continued to be a significant portion of expenditure, there was little that the government could do to substantially decrease their deficit. After 2000, the subsidy component of expenditure went up significantly, as the government felt pressurized to appease multiple class demands in order to maintain sovereignty. However, a significant increase in revenue collection, especially in corporate and personal tax, helped buttress these increased expenditures. The new form of state sovereignty mediated through coalition governments and increased autonomy in fiscal spending due to an increase in revenue, allowed the state to successfully change the state-economy relation. The success of the government was largely because of the stability of the reproductive mechanisms.

However, given that interest payments and subsidies are extremely unlikely to come down, the increasing fiscal deficit is symptomatic of the potential breakdown in the reproductive mechanisms and a concomitant breakdown of the current regime in the near future.

Conclusion

Unlike popular narratives of the role of the state in India in economic literature, this chapter argues that the role of the state in the economy never diminished. While the state was a definite director of capitalism in the first regime, it became an active supporter of capital in the last regime. The state was in a transitional phase in the second and third regimes because of problems with the reproductive mechanisms, and it wavered between being a director and a facilitator of capitalism in these regimes. While in the second regime, the government felt a crisis of sovereignty, in the third regime it faced a fiscal crisis. The failure to get a popular mandate for directing capitalist development in the second regime and the inability to finance partial liberal reforms in the third regime, probably led to the liberalization and privatization of the economy since 1991. However, across all four regimes the state has remained highly involved in the mediation of the private sector with the capitalist economy, and has pushed development in the directions that it believes is beneficial. Such a strong interventionist state since independence differentiates India's experience of capitalist development from that of many other countries, like the US and Western European countries in the 19^{th} century. The Indian state's commitment to democratic mechanisms differentiates it from other developed countries with strong states like the East Asian tigers and Japan. Hence, the state and its mode of insertion in the economy in India are probably unique on this count, and the dynamics of regimes are quite different from the other countries surveyed by regulation literature.

The benefit of a regulationist theorization of the state, one that studies state action as an explanandum, is that the above conclusion does not assume that the state was directly in cahoots with, or was an instrument of the capitalist classes. Instead, I argue that the coalition between the state and capital was a consequence of certain historical conditions (contingent necessity) of their existence. In other words, the dynamics of a regime, the robustness of reproductive mechanisms and the nature of the preceding crisis period have contributed to the relationship of the state and capital in India. The next chapter demonstrates the relationship between regimes, the state and capital. It provides a detailed descriptive history of the dynamics of the second regime and the role of the state, the informal sector and crises in determining the outcomes of the regime.

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CHAPTER 6: A REGULATIONIST HISTORY OF THE SECOND REGIME (1965-79)

This chapter uses the regulationist framework, derived in the last three chapters, to construct a descriptive history of the development of capitalism in the second regime. This analysis will focus on the dynamics of the second regime and how it developed from the crisis of 1965-66. Moreover, it traces how the instabilities generated by the dynamics of the second regime led to the next crisis in 1979. It focuses on the major policy changes of the regime, how different class forces influenced these policies, and the macroeconomic consequences of these policies. Lastly, it links reproductive mechanisms embedded within labor processes and the state, with the dynamics of this regime. On the whole this chapter demonstrates the nature and dynamics of capitalism in the second regime through a regulationist framework.

The Nehruvian Regime and the Crisis of 1965-66

The Nehruvian regime was focused on industrial development and self-reliance. The state channelized its resources towards the development of key infrastructural and heavy industries, and supported private heavy industries to develop in complementarity. It institutionalized the planning mechanism to ensure close coordination with private industries, provided protection from foreign competition, and subsidized imports and raw material to these industries. The focus on developing a self-reliant heavy industry-intensive form of capitalism came at a cost. Due to the lack of resources invested, the agricultural sector was largely left to the vagaries of the market and there were hardly any redistributive policies in place. What was probably more disturbing was that an economy aiming for self-reliance was heavily dependent on foreign aid[70]. External assistance increased from ₹6 crores in 1955-56 to ₹822 crores in 1966-67. External assistance component funded more than 90% (refer to Graph 1) of the current a/c deficit in this first regime.

[70] India was one of the highest aid-receiving nations in this era.

The crisis of 1965-66 was a consequence of the nature of capitalism in the first regime and was indicative of the shortcomings of this regime and the need for change. The crisis was itself triggered by a spectacular fall in agricultural production[71] and private consumption[72] due to two extensive droughts in 1965-66. India, having lost an expensive war with China and in the midst of another crucial one with Pakistan, did not have the resources to import food without serious consequences to budgetary surplus. It was at this crucial juncture that the US government started negotiating conditionalities tied to its PL 480 aid program. In the meantime, India had no other choice but to import food grains to compensate for the losses caused by the drought, and consequently unleashed crippling inflation upon the poor of the country. The imports severely damaged India's Balance of Payment position and undermined the state's effort to maintain an overvalued currency in order to protect imports. Lastly, Nehru passed away in 1964 creating a leadership void in the Congress and providing the opportunity for multiple vested-interest groups to struggle for control. The crisis had not only destroyed the dynamics of the Nehruvian regime but also created the conditions for change. This next section demonstrates how the dynamics of the second regime were an outcome of conditions created by the crisis of 1965-66.

The First Moment of Liberalization

Internal Struggles in the Indian National Congress (henceforth INC) and the weakening of the Planning Commission (henceforth PC)

Nehru had played a crucial role in ensuring the involvement of the Planning Commission in the policymaking process. Not only did he personally head the PC meetings, he also ensured that commission members were well positioned in ministry meetings. These steps ensured that

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[71] The primary sector shrank by 11 % in 1965-66. Refer to Chapter 3, Table 3.

[72] PFCE contribution share in 1965 was 2.61. Refer to Chapter 3 Table 2.

recommendations of the commission were to some extent implemented, and while the PC did not have the disciplinary powers to punish ministries that did not comply with its recommendations, as long as Nehru was the prime minister, it maintained its stature in policymaking circles. With Nehru's death, rightist vested-interest groups headed by Morarji Desai and Kamraj started vying for leadership. After a lot of lobbying and in-fighting the Congress chose a neutral candidate as its new leader, Lal Bahadur Shastri. Shastri had stature within the party, because of his role in the independence movement, but he had little experience in running the country and a very minimal vision for the economy. With Shastri at the helm, the INC slowly started demolishing the PC, which had been the most important institution or economic regulation within the Nehruvian regime, and played a key role in sustaining the heavy industry oriented model of capitalism. Within the first few months of Shastri's leadership the balance of power between the Planning Commission and the ministries was transformed. The PM divested the members of the Planning Commission of their long-standing privilege of indefinite tenure, and placed them on fixed-term contracts, in essence connecting their tenure to their performance in the commission (Frankel, 2005, p. 251). Moreover, Shastri stopped attending commission meetings and depended more on his newly-formed PM's secretariat headed by LK Jha. Aside from the dilution of the powers of planning, Shastri started appointing rightist minded diplomats to key positions in the ministry. While LK Jha was a strong advocate of liberalization, the appointment of C. Subramaniam to the agricultural ministry was a strong indication of the changes that were to come in this regime. The dilution of the powers of the PC continued after Shastri's death and culminated in its total revamping in March 1967, with the appointment of DR Gadgil as its head. Gadgil was a staunch critic of the powers of the PC, and turned the commission into an expert advisory body. He dismantled the PC's de facto controls over allocation of investment; instead resources were to be allocated based on a specific formula also referred to as the Gadgil Formula. Moreover, PC members were not allowed in ministry meetings anymore. In essence, while the PC could still make recommendations it no longer had the power or clout within the secretariat to influence policies. The demolition of the PC is considered the first step towards the breaking of the Nehruvian regime and provided the seeds of the future liberalization of the economy.

Devaluation and the Dilution of Import Substitution Policies

Following the drought and high inflation of 1965-66 and the vagaries of aid, the PC focused on diverting investments to encourage exports and curb the Balance of Payment deficit in the future. This would also be useful in decreasing the economy's dependence on aid in the future ("Check on Inflation: Plan Object", 1966). The American state[73] under Lyndon Johnson held back aid when it was required the most, during the agricultural crisis, even though the Ford Foundation and World Bank ("Bell Mission Considers Fourth Plan Reasonable", 1967) recommended that India should continue getting aid. The decision to withdraw aid was probably based on geopolitical considerations. and an outcome of increasing cold war hostilities. India, however was extremely dependent on aid to finance its import bill, and had to take action soon to curb the backbreaking inflation that was wreaking havoc on the economy and polarizing opinion against the central government. It was in light of the above factors that India decided to devalue its currency by 36% in March 1966 and implement other measures of liberalization like the delicensing of industries ("Delicensing of More Industries", 1966), and crucially the removal of import licenses in critical industries like fertilizers and agricultural machinery ("Imports Liberalized: 59 Industries Will Benefit", 1966). While it is well established that these liberalization measures were brought in under the duress of American pressure ("Devaluation Linked to Aid - Govt Note", 1966), the political pressure faced by the state ("Insidious Moves to Pressurise India", 1966; "C. M. Attacks Critics of

[73] The US were the largest providers of aid to India in the first regime.

Devaluation", 1966) forced the Indian government to argue that devaluation would benefit the Indian economy ("Impact of Devaluation on Plan: No Agreed Solution", 1966; "Impact of Import Policy Only After 18 Months", 1966). It was pretty clear that in the short run devaluation would hurt the economy as imports would become more expensive and, given the inelastic demand for crucial imports (food grains, heavy machines, agricultural inputs, and petroleum), the import bill and the balance of payments would continue to deteriorate. However, devaluation failed to convince the American leadership, and the promised American aid came much too late and was a lot less than promised. The economic upheavals probably influenced the state to embark on a radically different agricultural policy from that of the Nehruvian regime, and as a consequence vastly divert the direction and nature of capitalist development in the Indian economy.

Green Revolution: Liberalization in the Primary Sector

In the Nehruvian regime the primary sector was partially ignored with the majority of resources allocated towards industries. However, land reforms, redistribution of land and collectivization were some of the ideas that Nehru flirted with. In the Nehruvian regime, the basic philosophy had been to give land and control of means of production to small peasants, however the INC had never undertaken radical redistribution, as a large part of their vote base came via the patron-client networks of large landlords. Nevertheless, the crisis of 1965-66 and the dependency on US aid had built a certain consensus amongst the polity about the need for self-reliance in the primary sector. The Fourth Five Year Plan (pp. 14) announced that it aimed "to achieve self-reliance as early as possible. The highest priority will be given to all schemes of agricultural production which will promote exports". This became the primary goal of government strategies and a whole slew of measures was implemented to make commercial agricultural production more productive and profitable. This was made possible by the appointment of market-oriented C. Subramaniam as the head of the agricultural ministry. Subramaniam took up a two pronged policy of increasing the productivity of the sector through subsidies, and increasing distribution through price incentives. This was in light of the fact that hoarding by agricultural traders in times of drought had recently exacerbated the effects of the crisis. In July 1964 Subramanium announced the decision to establish a food grain trading corporation with branches throughout the country, which would compete with private traders in purchases in the open market to build up food stocks, and not resort to price controls and compulsory procurement of stocks. This progressive liberalization culminated in a slew of policy measures later dubbed as the Green Revolution. The Fourth Five Year Plan (pp. 26) stated:

> "the broad objective of the fourth plan is the transformation of agricultural production from a traditional way of life to industry increasingly based on considerations of investment and return…high priority will be given to the physical inputs needed by agriculture such as fertilizers, pesticides, agricultural implements etc…. the new strategy which has been devised to raise agricultural output in intensive cultivation in areas where irrigation is assured. Improved seeds of food grains will be used…Inputs like fertilizer, better seeds, pesticides, technical advice and know-how which are essential for raising agricultural production will be made available to the farmer".

In short, these measures took the most efficient path to increase agricultural production, which was to provide loans, subsidized inputs and technical know-how to farmers in highly productive well-irrigated lands. An industrial equivalent of this would be to give cheap loans and subsidized inputs to the largest private industries. The policymakers were well aware of the fact that they had essentially encouraged market driven capitalist production in the primary sector, and these measures would further skew the already highly uneven distribution of gains in the primary sector. The government tried to assuage discontent by listing some land reform policies in the 4th plan (Frankel, 2004, p. 28) and emphasizing the fact that these measures were scale-neutral and could be undertaken by farms of any size. This claim has been debunked by Frankel (1972) who has demonstrated that even if we take the case of the biggest beneficiaries of the Green Revolution, the farmers located in Ludhiana district in Punjab, we get ample evidence against the claim of scale-neutrality of Green Revolution technologies. The gains made by large farmers (above 25 acres) in this district far outdid the gains made by medium farmers (10-20 acres). While cheap credit was available to both classes of farmers in Punjab, returns on investment were lower for medium farmers because these technologies were not scale-neutral. For example, tube wells and tractors provided maximum returns to investment in holdings of 25-30 acres. However, medium farmers in Ludhiana continued to take loans to mechanize production, leading many of them to become indebted to banks following one bad year of crop production (Frankel, 2004, pp. 12-31). Ludhiana is a good example because it is one of the few areas in India where there are substantial medium sized farms; in most other areas like the Gangetic plains the average landholdings are about 1-2 acres.

The measures introduced under the Green Revolution did lead to self-reliance in food stocks by the 1970s. The primary sector grew at 2.6 % in this regime as opposed to 1.77%[74] in the first regime. However, it comes as no surprise that the increased production came mostly from the prosperous regions of Punjab, Haryana, Bengal and Tamil Nadu and led to a steady increase in intra-rural spatial inequalities. The increasing inequalities would lead to the spread of discontent amongst rural masses and lead to further political destabilization within the state.

De-Stabilization of Government and the Congress Split

The economy couldn't escape the consequences of the 1965-66 crisis even by the end of the decade. Green revolution technologies did not immediately increase food production, although it led to increasing inequality in the rural economy, and rural consumption inequality increased from 7 in

[74] Refer to Chapter 3, Table 3

1968 to 8.2 [75] in 1977-78[76], as the gains from the technologies were reaped by only a few. High prices and the crippling inflation continued, which forced increasing agitation amongst the fixed income earning class. Moreover, India's dependency on aid, especially from the US, was hurting the economy. The US was not satisfied with devaluation, and was lobbying for more liberalization measures. Most controversially, the US was willing to increase investment in India, on the grounds that its companies would get a stake in agricultural industries especially fertilizers. However, American-owned fertilizer companies would import crucial imports instead of using inputs made in India. This would further dilute India's BOP balance and provide a channel of diverting resources from India to abroad. The fall in US aid[77] in this period and the concomitant diversion of government income to food imports led to a fall in public investment[78]. Lower growth rates, increasing prices, lower wages and agricultural inequality, and the macroeconomic dynamics of this regime described in Chapter 2, had led to growing anger amongst the masses. This was expressed through an increasing number of agitations, strikes and labor militancy ("33 Gheraoes in Calcutta in 2 Months", 1969) in this period.

There had been a lot of infighting within the Congress with the Syndicate headed by the right-centric Desai looking to control the organization and change its orientation. However, the party placed a young Indira Gandhi as its Prime Ministerial candidate in the 1967 elections. The Congress won a majority in the Lok Sabha elections. However, its total seat tally was significantly lower than in the previous parliament, and it lost power in many state elections. The seats lost by the Congress had been quite evenly distributed amongst leftist (CPI, CPI M), rightist (Jan Sangh,

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75 Refer to Chapter 3, Table 4

76 Refer to Chapter 3, Table 4

77 The external assistance component of the capital account fell from 831 crores in 1967 to 377 crores in 1972-72. Refer to Chapter 3, Graph 6.

78 The proportion of public investment in total investments fell from 33% in 1964-65 to 21% in 1973-74. Refer to Chapter 3, Graph 5.

Swatantra Party) and state parties (DMK, Akali Dal). This was a clear indication ("Government Urged to be Alive to Winds of Change", 1967) that the Congress status quo at the centre was diluting. Moreover, while Indira was the PM, there was a clear tussle for power within the Congress, with the older heads trying to push Indira to follow their commands. The failure to break out from the shadow of the crisis created the conditions necessary for a split in the Congress, and a consequent radical change in government policies and vision.

Infighting Within the INC

The losses faced in the 1967 election had led to a lot of reflection within the INC and eventually the Congress Working Committee (henceforth CWC) came up with a (quite radical) 10-point program to rebuild the party's core philosophy. These recommendations included: the nationalization of banks and insurances, export encouragement, the ban of princely private purses, curbs on business monopolies, and land reforms. The 10-point program was a reflection of the influence of leftist elements in the INC, and the growing belief that the economic hardships of the masses would lead to revolutionary and radical politics. The CWC felt that it was important for the INC to capture this base, and include some of the radical political currents arising in their larger polity. The 10-point program was ratified by Indira, who sensed that she could maintain her hold on the party by mobilizing support from the younger leftist influences in the party. These trends however alarmed the rightist old guard (Kamraj, Desai and the Syndicate), especially since former princes and large businesses were an important source of funds and support for the party. Moreover, the Syndicate had successfully started diluting Nehruvian policies over the last three years, only to find Indira pushing the INC back towards socialistic[79] policies. The debates and struggles within the INC eventually got concentrated on the issue of nationalizing banks.

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[79] Socialist policies are defined here as policies which socialize the means of production.

In principle, the nationalization of banks was seen as necessary, as the country had a shortage of investible resources and most of the institutional credit was directed towards larger business houses. With softer loans provided as part of the Green Revolution package, there was an increasing consciousness that investment resources had to be more equitably distributed. However, there was great differences in how it should be implemented. The nationalization of banks ("Banks Takeover Will Help Credit Planning", 1967) entailed a complete takeover of large banks (those with more than 200 crores asset base) by the state, and the distribution of capital according to government mandates. This would radically change the structure of capitalism in the country, with the state monopolizing the financing stage of the accumulation cycle. While it would diffuse funds to the less profitable small scale industries and the primary sector, it would force large private enterprises to raise their own funds or/and re-invest profits. This would curb their ability to enter new or incipient industries and expand. The socialist implications of such policies were unmistakable. The rightist elements weren't against the nationalization of banks, but wanted to implement it in a more diluted form referred to as 'socialist control of banks' ("Banks Urged to Implement Social Control", 1967). This essentially meant having a more diversified board of directors in banks, and having board members from diverse (economics, rural management, accounting) backgrounds. This would provide checks on banks from diverting most of their resources to few profitable large private enterprises. While in hindsight the policies do not seem very different, at that time they represented two vastly different visions for the economy ("Gap Between Right and Left Group in Congress as Wide as Ever", 1969). The first, which was closer to Nehru's regime, envisaged state control of capitalism; while the second ("Social Control Plans Unchanged: Desai", 1967; "Desai Opposes Total State Control of Means of Production", 1969) envisaged dilution of power amongst private stakeholders of capitalism, while the state itself receded from being directly involved in the economy.

Congress Split in 1969

The infighting in the Congress was representative of the divergent class base of the party: large private companies, white collar (Fordist) labor, former princes and the rich landlord class represented by the Syndicates and small scale businessmen, and peasant farmers and marginalized (caste, religion) classes represented by the leftist elements. There had been a certain consensus amongst the masses about Congress rule in the first regime owing to Nehru's influence, and the positive perceived role of the Congress in the independence movement. The failure of the Nehruvian regime to address the needs of the poor had led to a growing unrest amongst the discontented. Divergent interests within the INC would lead to a fierce set of institutional upheavals in 1969.

Amidst all the infighting, Indira Gandhi took matters into her own hands, and in the Faridabad session of the All-India Congress conference in April 1969, without warning, she sent a note titled 'Note on Economic Policy' ("Resolution on Economic Policy", 1969) to the Working Committee as an alternative to Subramanium's liberalization-centric proposals. Her planned changes (Frankel, 2004, p. 248) included: proposals to appoint a monopolies commission, banning the entry of big businesses in the consumer goods industry, reorienting credit policies to favor new enterprises, and a ceiling on unproductive expenditure by private corporations. Party president Nijalingappa had sharply criticized public enterprises and the growing burden they were placing on the public coffers. Indira Gandhi came to the defense of public enterprises in her own speech claiming "that heavy industries had to be set up in the public sector not only because private entrepreneurs were not interested in projects of long gestation periods but also because such large undertaking should not be entrusted to individuals" ("Clash of Views of PM and Congress President at Party's Plenary Session", 1969). However, the INC put up a united front to the public in order to prevent further dissolution of power ("Ideological Showdown Averted at Faridabad", 1969). This consensus lasted for a short time until the death of the consensus Presidential candidate Zakir Husain in May 1969. The Syndicate started pushing for its own candidate as the next president, with the hope that they could topple Indira from the Prime Minister's post with their own candidate as President. Indira countered unexpectedly by dismissing Moraji Desai as Finance Minister on July 16. She placed herself as Finance Minister and immediately announced her intentions by declaring the nationalization of the 14 largest banks in India on July 22 1969 by a presidential ordinance. She justified her move in a broadcast on Radio ("Bank Nationalisation", 1969) stating that "control over the commanding heights of the economy is necessary particularly in a poor country where it is extremely difficult to mobilize adequate resources for development and to reduce the inequalities between different groups and regions". She further indicated that the classes she was creating policies for were "the millions of small farmers, artisans and other self-employed persons. A bank can be a source of credit which is the very basis for any effort to improve their meager economic lot". She also strengthened her position in the government by helping her own candidate V.V. Giri win the presidential election[80]. The Syndicate had no real response to this grab of power by Indira, and acceded to a split in the hope that Indira wouldn't be able to keep power without their support.

The Populist[81] Turn under Indira Gandhi

Indira continued to blaze a socialist trail, and followed bank nationalization with a bill to abolish princely privileges and private purses and restrictions on monopolies. This was followed by a bold move to bring about land reforms by amending the land acquisition bill to give stronger powers

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[80] Largely with support from leftist opposition parties

[81] The Social Cleavage Theory of party organization argues (Biju Kumar, 2004) that the strength of a party depends on its relationships with different social groups. Parties in power give different things to different social constituencies to garner support for their policies. Populism is an instrument of mobilization or sustaining electoral support of a certain group. It refers to the set of policies which distribute goods and services directly to certain sections of the population. Populism also frequently uses popular symbols or slogans to mobilize groups, like Indira's 'Garibi Hatao' campaign. Populist policies affect the fiscal autonomy of the ruling party and are generally difficult to sustain. Historically, populist policies have been introduced to distract certain classes from other policies which structurally change the economy and are potentially detrimental to those classes.

to the state to acquire land from private parties. The primary beneficiaries of the status quo of the Nehruvian regime (large industrialists, white collar professional classes and princes) decided to use judiciary methods to oppose these changes and successfully got the Supreme Court to stay these bills. Indira, having lost the traditional supporters of the Congress, had successfully captured the imagination of the masses by attacking industries and princes ("Bill on Privy Purses in Current Session: PM Reaffirms Aim", 1970; "Govt not Averse to Taking over all Banks: Stabilisation First", 1970). She was not in a position to dilute her policies, and took a radical move to amend the constitution such that it could remove judicial intervention from the legislature (Lakhanpal, 1970). However, she could not get legislative support for these changes.

Having initiated a set of radical socialist policies, Indira had no other option but to continue with her policies ("Mrs Gandhi's First Instalment of Socialism", 1970). In a move which was part desperate and part inspirational, she decided to call for a new round of elections in the hope of capturing the legislature to push through her policy changes. This came as a surprise to the Syndicate and oppositional parties which did not anticipate that Indira's Congress could win the elections without their support. Indira, sensing that she needed to carve out a new vote base, took advantage of the sympathy she had garnered for her socialist policies from the masses, and initiated the 'Garibi Hatao' campaign. This campaign included piecemeal redistributive policies (rural land redistribution, liquidation of rural debt, urban land ceiling laws, re-allocation of credit), continued attacks on the vested-interest groups in the country, and a whirlwind campaign tour of the country. Much to the Syndicate's surprise, Indira won the general election of 1972 with an absolute majority. With control of the legislature, she went about implementing the policies she had promised and a whole gamut of piecemeal changes ("Statement on Economic Policy", *Minutes of Congress Working Committee Meeting*, Dec 23 1972) which belied any particular economic vision. We will refer to the policy under Indira's regime as populist as they were intended to benefit/harm specific sub-classes without necessarily impacting the general economy. For example, important policies of the past, including the Industry Policy Resolution of 1956 and the Green Revolution, were left untouched.

The core ideology of the Indira government was to remove poverty and inequality and achieve self-reliance (approach to Fifth Five Year Plan) and policy documents were liberally peppered with reference to socialism, preventing the concentration of power in a few hands and focusing on production not profits. However, most of Indira's policies seemed reactive rather than following any specific plan. Fresh from election victory, the economic policy adopted at the Gandhinagar session of the AICC in October 1972 stressed on the following policies: reducing unemployment and job creation, meeting minimum basic needs, house sites for landless labor, land ceilings and reforms. Moreover, the government nationalized general insurance companies and coal mines, and introduced a whole gamut of resolutions to restrict monopolies and control the composition of the board of directors of companies. By 1974, there was increasing restlessness amongst the polity as there had been hardly any gains with regard to poverty alleviation, while crippling price rises were causing havoc to fixed income classes. Desperate to regain public opinion, Indira, in the span of few months, adopted a slew of policy reforms which included curbs on dividends ("Further Curbs on Issue of Bonus Shares", 1974), freezes on wages and benefits ("Curbs on Dividends: Compulsory Deposits of Extra Wages and DA", 1974), raids to clamp down on hoarders and public announcements that all income would be regulated and taxed to curb inflation ("All Kinds of Income to be Regulated: PM", 1974). However, in the budget following these announcements, none of these measures were implemented ("Proposals Belie Expectations", 1974).

Indira was soon frustrated by the realization that she couldn't implement her more radical measures as the judiciary kept overturning the amendments. Facing political dissent from both the far right and left and increasingly losing popular support, Indira decided to announce a state of emergency in July 1975 in order to bypass the judiciary and implement the policies she believed would lead to radical social change. Another bold set of measures called the 20 Point Program ("Broadcast on AIR", 1975) was announced. They included land redistribution, ceiling on land ownership, housing for the landless, liquidation of rural indebtedness, and piecemeal policies towards aggravated sections including subsidies to students, worker participation in industrial decisions, allocation of credit to small entrepreneurs, subsidies to informal service industries, projects for marginal farmers and agricultural laborers, etc. More importantly, Indira successfully passed a bill to allow the government to amend the constitution without judicial intervention. The period of emergency and the latter part of the 1970s saw the economy witness a prosperous period with increased growth and much improvement in the trade balance. However, the INC failed to implement any of its more radical policies as it didn't have the organizational strength to make ground-level changes. For example, while in principle land could be forcefully redistributed to marginal farmers, these farmers could not successfully cultivate the newly acquired land, since they had no new source of credit. So even if peasants could legally own redistributed land, they were still dependent on exploitative money lenders and landlords for funds, and the rural status quo was maintained. The INC's failures demonstrated that radical social change was not possible within the framework of executive and judiciary checks and balances within which the economy was embedded. Since the emergency no major political party has promised socialist ideals. The failures of the Indira regime pushed the Indian economy firmly in the path of market driven capitalism.

Making Sense of the Indira Regime: The Class Basis of Indira's Policies

What was the nature of capitalism in the Indira regime? How did policies affect the accumulation regime? Who was controlling the accumulation process? Which classes were benefitting from it?

Upon a cursory glance, it would appear that the economy was essentially still a state-led capitalism model, in continuance with the Nehruvian tradition. The strongest indication of this is the manner in which the state tried to control the financing stage of the accumulation regime, by nationalizing banks and insurance, and re-allocating credit to certain classes (small scale enterprises, peasant farmers) which did not have access to the formal money market. Moreover, the state tried to determine the classes which benefitted from this regime, through multiple policies (de-licensing, reallocation of credit, land redistribution). However, there were significant policy changes which would indicate that the state wasn't directing the accumulation regime, in the same way that it did during the Nehruvian regime.

The Green Revolution had inserted market driven capitalism into the agricultural sector. The state subsidized finance, means of production and inputs, and provided incentives for farmers to produce on a commercial scale. The state also diluted the importance of public enterprises in driving the industrial sector. There was a steady drop in public investment in this period and a strong indication that the state was withdrawing from its role as the controller of the 'commanding heights of the economy'. It would appear that the state was still directing capitalism in this regime, although as I will argue below, this was not through a certain vision of capitalism, but out of a regime of incentives and constraints created by a series of reactionary policies.

Prem Shankar Jha (1980), has provided an illuminating account of the class basis of the Indira regime. I use his writings to make sense of the Indira regime. Jha argues that the state clearly created conditions benefitting commercial agriculture and peasant farmers. It also curtailed the growth of heavy private industries and the bargaining powers of organized labor. The complex set of policies (both successfully and unsuccessfully) created a regime of incentives and constraints which benefitted the unorganized sector in general and the intermediate class in particular, because they could avoid or work around the legal tangles created by the licensing era. I demonstrate this argument through an analysis of specific policy changes made in this regime and their impact on particular classes.

The Attack on Heavy Industry

There was a secular decline in public investments in this period and it is well established that public enterprises were used below capacity. This led to a fall in demand for industrial goods, especially for many large private industries which were dependent on public enterprises and the railways for demand of their goods. Further, the licensing system was inimical to new investments and expansion into new markets. Industrial licensing was required for investment above ₹25 lakhs. This was increased to ₹2 crores after 1974. Some estimates (Jha, 1980, p. 83) conjecture that it took 400 days for an application to pass through various departments. This was not conducive for large scale investment dependent on timing. The state made it progressively easier for small scale industries, by exempting them from licensing in 128 industries and providing easier terms of credit from 1970 onwards. Over the years (Jha, 1980, p. 87), the government imposed stringent and often unrealistic price controls on vital commodities like steel, cement, aluminum, copper, zinc, coal, ships, fertilizers, bulk drugs, chemicals and ferro-alloys. By contrast consumer industries such as refrigerators, air-conditioners, pop-up toasters, blenders, radios and record players, soaps and detergents, cosmetics, cigarettes, alcohol, and hotels were subject to no price controls. This affected heavy industries who were involved in the core sectors subjected to multiple price controls. However, hardly any of the 128 industries which the government had reserved for SSI suffered from this handicap. Thus in industry after industry, while the final product (for example automobiles) was subject to price controls, the components that were produced by small scale ancillary units were not. The above-mentioned discriminatory policies curbed heavy industrial development and increased the profitability of small scale industries by removing various regulatory controls.

Curb on the Bargaining Powers of Organized Labor

While organized labor had been one of the largest beneficiaries of the Nehruvian regime, its political powers were severely curtailed in the 1965-66 regime. The continuous inflation and its deleterious effects on fixed incomes had led to militant strikes and agitations to increase wages in keeping with price rises. Indira Gandhi, especially during the Emergency, initiated a variety of regulations, under the garb of controlling inflation, to render unions useless. The state banned strikes and gheraoes (the primary instrument of wage bargaining), and froze emoluments (dearness allowance, gratuity, etc) other than regular wage increments. Complementarily, the home ministry under Yashwantrao Chavan expanded the powers of the Central Reserve Force and the army, to being called in by state governments to protect property from labor agitations.

Market-Driven Agriculture Sector

I have already indicated in the beginning of this sub-section how the Green Revolution benefited large and medium farmers. Moreover, the long-promised land reforms only perpetuated the hold of large farmers and peasant proprietors on the benefits from this sector. Land reforms failed to give land to the tiller, and instead created a class of peasant proprietors (Jha, 1980, p. 111). The first round of reforms had three features: a ceiling on individual instead of family holdings, which secondly allowed the resumption of land for personal cultivation up to this ceiling, and thirdly gave the tenant the right to buy land in excess of the ceiling. The first two clauses enabled the zamindars to appropriate land up to the ceiling permitted to each member of the family from the tenants[82] who had previously cultivated it, and to sell a good part of the surplus to smaller farmers. What little land was left was taken over by erstwhile middle men who had previously collected land rents from the peasants on behalf of the zamindars. Farmers with a marketable surplus in both good

[82] This class was referred to as ‘Footloose Labour’ by Breman, in a work with the same title.

and bad monsoon years benefited greatly. While in good years they could benefit from the high procurement prices provided by the state, in bad years they could hoard their stocks and sell at artificially escalated black market rates.

Regime Driven by Intermediary Classes

Jha has argued that intermediary classes were the main beneficiaries of this regime, partially by design and partially by being able to benefit from the complex networks of rules and regulations created by the state in this regime:

> "The power of the intermediate class is based not only on its growing share of the national product but also on its sheer numerical dominance. While the total number of wage earners in industry does not exceed 13-14 million. Against this, the number of farmers cultivating 10 acres or more amounts to nearly 11 million. Add to this 5 mil (sic) shopkeepers, a mil (sic) or so bus, truck, taxi and scooter rickshaw operators, 4 (sic) mil self-employed and their relatives in the unorganized sector, making the intermediate class the largest single class in the country." (Jha, 1980, p. 103).

Kalecki (1967) uses the term 'intermediate regimes' to classify political regimes in which the lower middle class and rich peasants perform the role of the ruling class. He argues that in the early stages of development, big business allied with the remnants of the feudal system drives the process of capitalist accumulation. However, due to certain specific conditions, the capitalist accumulation process in under-developed countries is driven by intermediate classes. The conditions he identifies with this phenomenon were the numerical dominance of the intermediate classes, independence from dominant classes, and the existence of state-driven capitalism. He defines the intermediate classes as lower middle classes positioned between capital and labor. This includes small proprietors in agriculture, industry and commerce, self-employed and professional classes. Rich peasantry[83] is also identified as a part of the intermediate class. The key identifying criteria for these classes are those who earn part of their income through capital (land, money, property, social capital, skills) and part through labor. One of the crucial analytical value of intermediate classes is that they do not have a homogenous class interest. The perpetuation of intermediate class domination requires a strong state which directs the process of capital accumulation. The state plays a crucial role by providing basic infrastructure and productive assets which require heavy over-head costs, and putting in place a set of directed policies which benefit intermediate classes.

Small scale enterprises benefit from licensing and price controls. Over a hundred industries were reserved exclusively for the small scale sector. Price controls were placed on eighty-four major commodities produced by large business houses. Small scale enterprises functioned in consumer industries which had no price controls and were fairly free to change prices according to market demand. The nationalization of banks led to a re-allocation of credit to small scale enterprises and the service industry[84]. Similarly, intermediate classes, moneylenders, for instance, in the agricultural sector appropriated land when the owners could not repay debt. I have also indicated above how grain traders gained a large part of the benefits created by the Green Revolution through hoarding of stocks. Aside from these direct benefits, the intermediate class benefited from not being regulated, as they were too small in size to be covered by industrial regulations. Moreover, these classes benefitted tremendously from the crippling inflation which affected the economy for most of this regime: the rich farmers from higher food prices, the traders because of the opportunities for black marketing, and the owner-entrepreneurs because they were able to slip through the

[83] Rich peasants organize the process of production, with hired labor. They might also derive income from money-lending.

[84] Especially transport and communication sub-sectors

government's price and tax net. Another law which encouraged the intermediate classes was the voluntary disclosure scheme which allowed holders of black money to 'launder' it after paying the requisite tax on it. Significantly this tax rate of 30 to 60 per cent was far lower than the rates paid by honest taxpayers. The ostensible purpose of the scheme was to reduce the amount of black money in circulation. The real purpose was to aid the self-employed, who held most of the unaccounted income in the country. The lower tax rate on black money made this preferential treatment blatantly obvious. The self-employed and small business section profitably employed mark-up pricing in period of shortages.

The rise of the intermediate classes in this regime was partly because it represented an important mass vote base for the Congress (I), but also because the enterprises they ran were small enough to avoid government regulation. In fact, the intermediary classes represent a predatory form of capitalism, one where the surplus is appropriated by the middle classes. The intermediary classes and informal labor processes would become the foundation of the liberalized Indian economy and would be the drive behind the growing unorganized service industries.

Crisis of 1979

In 1979, the economy experienced its worst crisis in terms of growth rate which fell by 6%[85]. The crisis was symptomatic of multiple instabilities which had developed over the course of this regime. The crisis had been catalyzed by a drought and a fall in agricultural production by 12%.[86] The heavy controls placed on industry in this regime, led to a sharp fall in private corporate investments[87] over this period. The reduction in private corporate investment was a result of the fall

[85] See Chapter 3, Table 2
[86] See Chapter 3, Table 3
[87] See Chapter 3, Graph 5

in profitability[88] of large investment due to price freezes and licensing procedures. Moreover, public investment was also steadily reduced, as a consequence of the increasing diversion of government resources to revenue expenditures. The crisis was affected by the industrial sector which generated a negative growth of 1.8%[89].

On the external front, devaluation had led to a steady increase in the import bill in this period. While the growth of exports had been significant in this period, the unstable international economy (two oil price shocks in 1973 and 79, and the end of the Bretton Woods international monetary system) in the '70s had led to an increase in the imports bill from ₹2062 crores in 1967-68 to ₹7806 crores in 1979. This was in sharp contrast to the increase in imports from ₹650 to ₹1368 crores[90] in the first regime. While in the first regime India had financed its import bills by liberal aid and soft loans, external assistance was phased out in the second regime and the government was forced to borrow at commercial rates to finance the growing import and petroleum bills. In general, the government revenue expenditures had been shooting up in this period. This increase in government expenditure was a consequence of higher defense expenditures (due to the Bangladesh War in 1971), increasing wage and salary bills in the public sector (high inflation had led to a constant increase in the wage bill), increasing subsidies (Green Revolution, redistributive policies) and increasing interest payment (increase in commercial borrowings in this regime).

The increasing revenue expenditures had multiple consequences: first this led to a drop in public investment, and second the government had to find new sources to finance this expenditure as revenue could not be increased at the same pace in a stagnating economy. The government financed its expenditures through deficit financing and commercial borrowings. While the first

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88 See Table 2

89 See Chapter 3, Table 3

90 Refer to Chapter 3, Graph 7

contributed to the growing inflation in this period, the second led to a vicious spiral of increasingly funding interest payments by taking further loans. The net fiscal deficit increased many-fold from ₹780 crores in 1970 to ₹5110[91] crores in 1980. While the rise in fiscal deficit was not comparable to the one India would face in the beginning of the 1990s, it still represented a growing culture of financial profligacy of the state in order to gain political popularity. Lastly, the policies of the Indira regime had led to the alienation of classes which had benefited in the first regime (private industry, organized labor, etc.). These alienated groups politically mobilized following the emergency and pushed the Congress (I) out of power. The loss of hegemony of the Indira government led to the dilution of Indira's policies and brought the second regime to an end.

The crisis was initiated by a drought in the agricultural sector. However, the crisis was itself the culmination of multiple instabilities that had developed in the second regime. These instabilities were a consequence of the dynamics of capitalism and state policies in this regime and the nature of this crisis would determine the nature of capitalism in the next regime.

Modes of Regulation

In this section I focus on how the dynamics and policies in this regime affected the modes of regulation (reproductive mechanisms) embedded within labor processes and the state.

Labor process. It was argued in Chapter 4 that state policies can affect the inter-linkages between different labor modalities. This section will describe concrete examples of such impacts.

There was an attack by the state on organized labor. This included a freeze on benefits and dearness allowances which form part of the relations in production of organized labor. The state also curbed workers' unions' bargaining power by banning strikes and gheraoes. This was part of the

[91] Refer to Chapter 3, Graph 4

reproductive mechanism of the relations of production. These policies changes affected the dynamics of Fordist instutionalized labor processes. The loss of bargaining power led to a secular fall of wages of formal labor in this regime.

Coercive informal accumulation processes benefitted from the displacement of agricultural labor following the states attempt to introduce land reforms. Landlords evicted tenants out of fear of losing their land to them, while money lenders appropriated land from small farmers who took loans to improve their production but failed to pay them back. The vast eviction of landless labor from the agricultural sector led to the creation of a class of migrant workers referred to by Breman (1996) as 'footloose labour'. These migrant workers were hired by jobbers for informal labor processes. The sheer numbers of the class meant they had little bargaining power, and their lack of power led to the reproduction of the slave-like relations of production in these labor processes. The introduction of redistributive policies under the 'Garibi Hatao' campaign contributed to the reproduction of labor power for labor hired under coercive informal accumulation. They received subsidized grains and necessities through the public distribution system. The state indirectly subsidized the cost of owners of coercive informal accumulation production units, by contributing to the reproduction of labor power.

Petty commodity producers benefited tremendously from the re-allocation of credit by the state and state protection in functioning in certain sectors. Access to loans allowed PCPs to lessen their dependency on money lenders and as a consequence keep a larger part of accumulated profits. Moreover, petty commodity producers were part of the intermediate regime which benefitted from the state policies and dynamics of controls and shortages as described in the above section.

As a consequence of these developments in the reproductive mechanisms in labor processes, organized industry deteriorated and organized labor's share of income remained stagnant at 83%

[92]for most of this regime. The unorganized sector grew exceptionally in this regime, this was partly a result of increased profits accumulated by PCPs, and increasing sources of migrant labor availed of by informal labor processes. Capital's share of income increased from 62% in 1965 to 69% by 1973-74 in the unorganized sector[93].

State. I have demonstrated in this chapter that the state does not determine a regime. Instead, the state's actions are constrained by historical conditions and influenced by the dynamics within a regime.

The state was a director of capitalism in this period, as it determined and controlled the process of capitalist development through policies and regulations. While both the public and private organized manufacturing sectors stagnated in this regime, unorganized labor processes and service industries grew substantially as they benefited directly from certain state policies, and indirectly by escaping state regulations and controls. While the state directed the trajectory of capitalism, it did so by creating conditions conducive for certain forms of capitalism to develop, rather than directly participating in the accumulation process, as it had done in the first regime. The withdrawal of the state from the formal economy was quite divergent from the state in the first regime, and this dynamic would evolve steadily over the next regime/s.

The state had also moved away from Nehruvian policies, and focused more on socialistic (nationalization of banks, acquisition of land, restriction on capital and labor) and populist (Green Revolution, redistribution of land to the landless) policies. This was a result of the breakdown of political sovereignty (reproductive mechanism) after the split of the Congress in 1969. Many of Indira's policies were a direct result of the crisis in this reproductive mechanism. Indira initiated

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[92] See Table 2
[93] See Table 2

socialist and populist policies to mobilize a new voter base, and the feasibility of these policies was probably not a major criterion in their introduction. The regime grew at an impressive pace of 4.7% in the years that Indira managed to have a majority in the legislature (1972-77). However, political stability was not enough to push through the radical policies that Indira had initiated, and a nation-wide protest following the Emergency led to the end of Indira's rule and any possibility of socialist policies.

Indira's regime saw a steady hike in expenditures (especially revenue) as the state tried to appease multiple classes through subsidies and redistributive policies. While the Nehruvian state had restricted its expenditures and focused resources on heavy key industries, the Indira state had instead directed its resources to appease supportive classes. Part of the increased expenditures were funded by deficit financing and part by commercial borrowings. This was a departure from the soft loans and aid which had financed the excesses of Nehruvian expenditures in the first regime. Such a trend of fiscal profligacy combined with unstable means of financing had weakened the state's ability to maneuver its policies. While the increasing fiscal debt (reproductive mechanism) was one of many instabilities in this period, it would become a driving force by the next regime.

The modes of regulation determine the direction of capitalist development in a regime. In this regime, they led to the rise of unorganized labor processes as the major beneficiaries of the accumulation regime, and this in turn led to drastic changes in state policies from the first regime and increasing fiscal profligacy. A breakdown in these reproductive mechanisms—organized workers' strikes following the Emergency, the Congress losing the elections in 1978, and spiraling fiscal deficit—contributed to the crisis that ended the second regime.

Understanding Government Actions through the Concept of Contingent Necessity

Indira's turn to socialist and populist policies, can be understood through the concept of contingent necessity. The Congress government she headed in the beginning of the second regime had slowly started diluting the institutions which dominated the Nehruvian regime, and had liberalized the agricultural sector. There had been no indication that Indira had not approved of these policies. After the Congress split, Indira was forced to mobilize a new vote bank and radically changed her political strategy. This is not indicative of Indira's preference for socialist policies. Her policies were reactive, and formulated to overturn the policies introduced in the beginning of the second regime. This was an outcome contingent on political dynamics (the Congress split), policy changes from the Nehruvian regime (loss of power of the Planning Commission, liberalization in agriculture) and the changing geo-political situation (intensification of the Cold War and concomitant withdrawal of aid by the USA).

Indira's attempt to change the constitution and place the country in a state of emergency was not a result of her being power-hungry. Instead it was a culmination of a multitude of events which include the economic dynamics of the regime (low growth and industrial stagnation), changing geo-political situation (war with Pakistan, OPEC price rises) and the political situation in the country (protests against her policy, the judicial system overturning her policies). The state of emergency imposed by Indira was an outcome of contingent necessity.

Conclusion

In this chapter I have demonstrated how regulation theory can be applied to understand the specific historical dynamics of a regime of accumulation. It demonstrates how the crisis of 1965 determined the nature of the second regime. Moreover, it charts the development of the second regime, and establishes how the instabilities in this regime culminated in the crisis of 1979. It also shows how the dynamics of a regime are not pre-determined, and class movement can affect outcomes in an accumulation regime. Lastly, this chapter exhibits how the MoR is determined by a regime of accumulation. The dynamics of the regime affect different labor processes in different ways. Similarly, the state is determined to a certain extent by the dynamics of the regime (crisis tendencies, drivers of growth), but also by contingent historical conditions (internal political struggles, and external conditions like OPEC price rise) in which it is embedded.

A regulationist history of this period gives us certain findings which are contrary to popular beliefs about the Indian economy. Primarily, the first moment of liberalization in India probably occurred in the mid-sixties and not in the eighties as has been claimed by other literature (Kohli, 2005; Corbridge & Harriss, 2000; Nagaraj, 2012) on the history of the modern Indian economy. Secondly, in some ways the evolution of the economy to a large capitalist and market driven form of capitalism was paved in the seventies, especially with the realization that socialist policies were not possible in a democratic setup. In some ways Indira's imposition of the Emergency was done to initiate radical socialistic policies and by-pass democratic mechanisms (legislature and judiciary). The failure of the Emergency influenced Indira to undertake liberalized reforms in the third regime. Thirdly, some of the instabilities of the third regime like exploding fiscal deficit and eroding balance of payments have their roots in the second regime. Lastly, a regulationist history demonstrates that historical outcomes are not pre-determined but are the result of the interaction of multiple forces. Such an idea is contrary to other accounts of economic history which trace outcomes to the role of the state and market in an economy.

Tables and Figures

Table 13

Factor Shares in Organized and Unorganized Sectors (1965-66 to 1974-75)

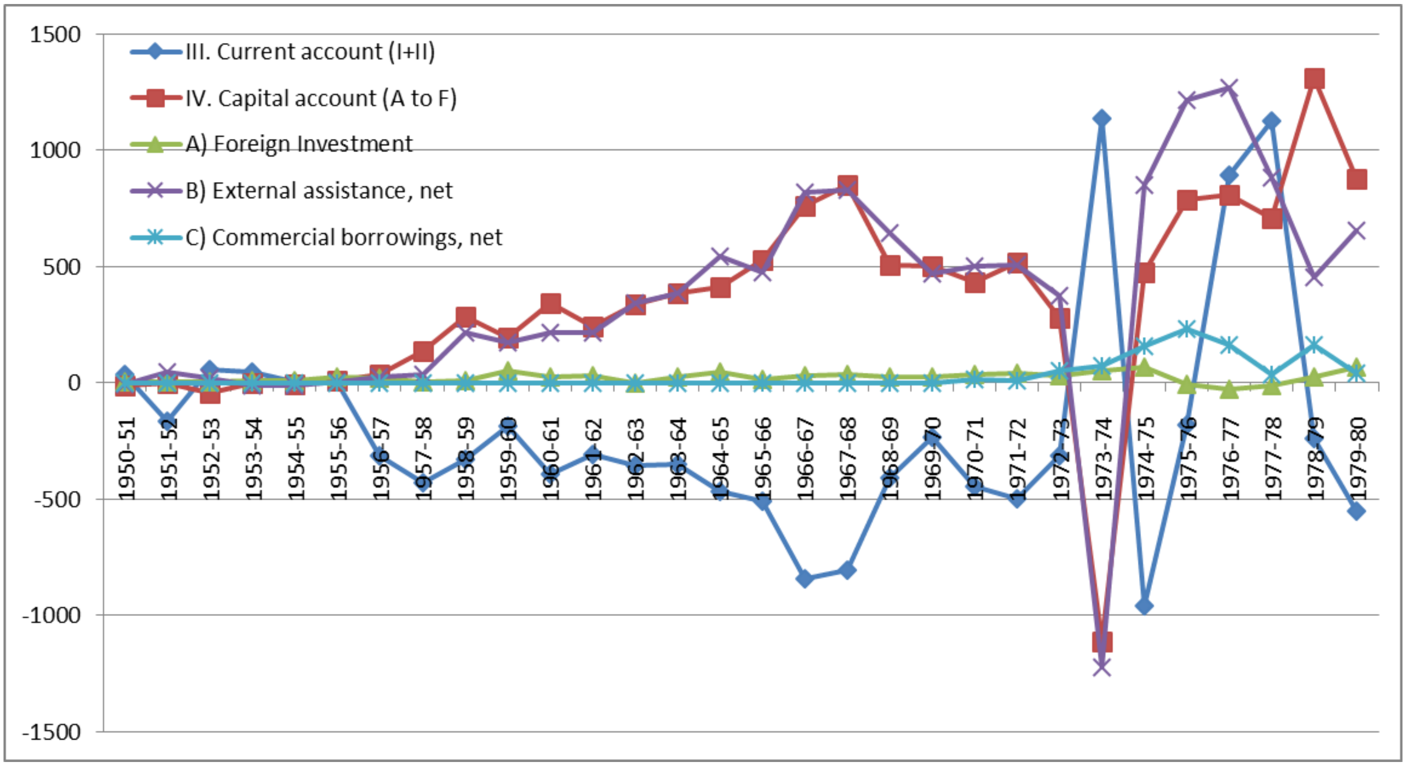
	Organized Sector		Unorganized Sector	
	Capital Income	Labor Income	Capital Income	Labor Income
1965-66	17	83	62	38
1966-67	17	83	63	37
1967-68	16	84	63	37
1968-69	17	83	62	38
1969-70	17	83	63	37
1970-71	17	83	64	36
1971-72	17	83	64	36
1972-73	17	83	65	35
1973-74	16	84	68	32
1974-75	16	84	69	31

Calculated by author.

Data Source: National Accounts Statistics, Factor Incomes (Base Year 1999-2000)

Graph 8

Composition of Capital account from 1950-81 to 1979-80



Source: RBI Handbook Table 143: Key Components of Balance of Payment

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CHAPTER 7: CONCLUSION

Analytical Categories of Periodization

This dissertation theorizes a periodization for the Indian economy in order to frame the dynamics of change and the role of crisis in the development of the economy. It applies the analytical category of a regime of accumulation to do so. Regimes of accumulation provide a theory and a framework with which to understand the logic of macro-economic dynamics within a specific period. Each regime of accumulation is a period of stable growth and distribution. Each regime culminates in a crisis due to the in-stabilities inherent within the dynamics of a regime. A crisis forces changes in the economy, leading to the formation of a new regime. Each regime is qualitatively different from the previous regime, and comparisons between regimes will depend on the evaluative tools applied. Regimes can be characterized based on growth rate, inequality, dominant classes and the role of government policies.

The third chapter periodizes the growth and accumulation dynamics of the Indian economy from 1950-2012 within regimes of accumulation using the RA framework. It argues that the Indian economy witnessed four qualitatively different regimes of capitalist growth and distribution since independence. It further uses a methodology derived by Kotz and Zhu (2011) to identify drivers of growth in a regime, data on inequality to derive distribution trends, and government policies to identify state orientation. This dissertation applies these trends to typify the nature of each regime and identify the instabilities within it.

Importance of Crisis and Contingency

This dissertation was framed to address certain questions: Is Indian capitalism susceptible to a crisis? Is economic theory capable of identifying a crisis? Based on RA literature, this dissertation concludes that crisis is symptomatic of the nature of capital accumulation which is unstable and contradictory. Crises are indicative of the contingent nature of accumulation. There exists no automatic mechanism to ensure reproduction of an accumulation cycle, and crisis is a normal state for a capitalist economy. Moreover, the nature and dynamics of a regime are contingent on the previous crisis. The process of capital accumulation is riddled with crisis and contingency.

This dissertation hypothesizes that there exist modes of regulation embedded within a regime, which ensure the stability of a regime. The form of the modes of regulation are determined by the dynamics of a regime and the socio-political context. Crises are a result of the inability of reproductive mechanisms to stabilize the contradictions within a regime. A crisis, however should not be considered an abnormal state for an economy to be in. Instead, a crisis is resolved with the formation of a new regime of accumulation.

Chapter 6 demonstrates how crises determine a regime of accumulation, and how an accumulation regime is determined by contingency. It provides a detailed account of how the second regime (1966-79) developed from the crisis of 1965 and led to the crisis of 1979. The crisis of 1965 was a culmination of three major instabilities, namely, low food production in the economy, dependency on aid to finance development plans. and the breakdown of the Congress hegemony at the center. Each of these instabilities determined the dynamics of the second regime. The Green Revolution which included liberal reforms, introduction of new technologies and state subsidization of agriculture inputs, was a result of the fall in agricultural production. Devaluation of the exchange rate and financing of the fiscal deficit through commercial borrowing were used to reduce the dependency on foreign aid. The split in the Congress was a repercussion of the breakdown of the Congress's hegemony at the center. These dynamics characterized the second regime. However, with a breakdown in reproductive mechanisms, the instabilities within this regime led to a crisis in 1979. The focus on the agricultural sector led to ignorance of the industrial sector, and a concomitant drop in manufacturing growth and investment. The dependency on commercial borrowing led to a sharp decline in the government's fiscal sustainability. Lastly, the split in the Congress culminated in the breakdown of popular support towards the government and the introduction of a state of emergency.

This above account indicates that crises are crucial determinants of the dynamics of a regime, and cannot be considered an abnormal state for an economy.

RA Theory for Post-Colonial Economies

The third chapter argues that the Indian economy has witnessed four qualitatively different regimes of capitalist growth and distribution since independence. It concludes that it is not possible to discern a specific trajectory of capitalism in India, though there is enough evidence to suggest that the trajectory of capitalist development was different from both the early developed countries in the West and the late developing countries in East Asia. Some of the primary differences have been:

1) The inability of the Indian agricultural sector to be self-sufficient and generate sufficient demand for industrial goods.

2) Heavy registered industries haven't driven the growth process uniformly; neither has their share in the GDP increased steadily.

3) Services have become the fastest growing sector in the economy.

4) Exports have played a minimal part in the growth process.

5) The inability of the manufacturing sector to absorb excess labor from the primary sector, has led to a dual labor system, with a small minority of privileged formal sector employees and a large mass of exploited informal sector workers.

These conclusions had led me to re-think the applicability of the RA framework in studying the Indian economy. The RA framework had been developed primarily based on studying the dynamics of capitalist development in developed countries like USA, UK, Japan, France and Brazil. There is a dearth of RA school analysis on the process of capitalist development in the newly-developing countries of the Global South. Moreover, the RA tradition has tended to study capitalism in countries after they have fully matured, and not studied the process through which economies transition from a feudal-colonial economy to a capitalist economy. Given the differences in India's experience of capitalist development, I have modified the analytical framework on modes of regulation and theorized institutions that were specifically important in India's case. I have identified informal labor processes and the capitalist state as important institutions mediating capitalist development in India. I developed the concept of modes of regulation in the third and fourth chapter to understand how these processes (a strong interventionist state and the informal labor process) contribute to the specificities of capitalist accumulation in India.

Importance of Modes of Regulation

Chapter Four theorizes how labor processes are embedded within the accumulation regime, different modalities of labor processes in India, reproductive mechanisms within these labor processes and the inter-linkages between different labor processes. Some tentative conclusions about the importance of informal labor processes in India have been made based on this framework. The rigidity in the labor structure in India is connected to the nature of the accumulation regime in India. The rigidity allows the maximum extraction of surplus for capitalist accumulation from a macro perspective. However, the dynamics and relationship between each of these labor processes will change as channels for surplus appropriation are exhausted. This could lead to transformations in the labor process through changes in accumulation dynamics, state policies and political changes.

The reason for the rigidity to persist is due to the role of modes of regulation (reproductive mechanisms) in reproducing their conditions of existence. These reproductive mechanisms are structurally embedded within the capitalist system and can only change with a complete change in the larger dynamics of the system.

Chapter Five typifies the nature of government intervention in every regime, and identifies reproductive mechanisms which determine government autonomy in influencing the dynamics of a regime. Based on this conceptualization, this chapter argues that the role of the state in the economy has never diminished. While the state was a definite director of capitalism in the first regime, it became an active supporter of capital in the last regime. The state was in a transitional state in the second and third regime because of problems with the reproductive mechanisms and wavered between being a director and a facilitator of capitalism in these regimes. While in the second regime, the government felt a crisis of sovereignty, in the third regime they faced a fiscal crisis. The failure to get a popular mandate for directing capitalist development in the second regime, and an inability to finance partial liberal reforms in the third regime, probably led to the liberalization and privatization of the economy starting 1991. However, the state across all four regimes has remained highly involved in the mediation of the private sector with the capitalist economy, and has pushed development in the directions that it believes are beneficial. Such a strong interventionist state since independence differentiates India's experience of capitalist development from many other countries, like the US and Western European countries in the 19th century. Its commitment to democratic mechanisms differentiates it from other developed countries with strong states like the East Asian tigers and Japan. Hence, the state and its mode of insertion in the economy in India is probably unique on this count, and the dynamics of regimes are quite different from other countries surveyed by regulation literature.

Policies to Delay Crisis in the Current Regime

Chapter Three argues that there is a very real possibility of the economy entering a new phase of crisis. Some of the instabilities identified in the current regime are: enclave-led growth driven by large domestic capital and Fordist institutionalized labor, fiscal instability, rising inequality and neglect of the agricultural sector.

RA theory posits that crises are a result of breakdowns in the modes of regulation. Policy changes which directly influence modes of regulation can delay an oncoming crisis. Some policy prescriptions, based on the framework theorized in this dissertation are:

1) Empower petty commodity producers such that they can contribute to the growth process. This can be achieved by the provision of subsidized credit and the creation of market cooperatives for PCPs. This will decrease the expropriation of surplus from PCPs by external agents. The accumulation of surplus will allow PCPs to expand and contribute to the growth of GDP. Such a policy would also generate growth in the agricultural and unorganized sector.
2) Provide redistributive benefits and enforce a set of minimum labor laws to decrease the current extent of exploitation of labor power in the coercive informal accumulation processes. Redistributive benefits will strengthen the mechanisms of reproduction of labor power, while the enforcement of minimum labor laws will decrease the extent of exploitation in relations of production. This will contribute to decreasing the level of inequality.
3) The government needs to increase its tax revenues in order to maintain fiscal sustainability. Some changes in taxation policy which should be explored are: taxation of large scale

agriculture, transparency in the system of taxing the professional and service industry, and linking of tax benefits gained by large corporations to their performance.

Future Research Avenues

My project has contributed to the RA tradition by extending the RA framework to study the experience of India. Moreover, I have modified RA concepts of modes of regulation to understand the dynamics of transition from one regime to the other in India. I have theorized informal labor processes and the mode of relation between the state and the economy. These modes of regulation will be key to understanding capitalist development in other post-colonial economies.

There are some areas of research which my project opens up. Some of the key areas of future research are:

1) A descriptive regulationist history of the first (1950-66), third (1980-91) and fourth regimes (1991-2008).

2) Application of the regulation framework to understand the economy under the UPA II (2008-2013) and the NDA (2014-current) governments.

3) Application of the regulation framework to study other large post-colonial economies like Argentina, South Africa, China and compare their dynamics to India's.

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