‘RENT-SEEKING’, THE NEW POLITICAL ECONOMY AND THE NEGATION OF POLITICS

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'Rent-seeking', the new political economy and the negation of politics

1. The new political economy applied to LDCs: sidetracking the central problem

There is a saying in Bengali, 'Chorer mār gaiā baro', which means, 'The mother of a thief has a loud voice'. I am strongly reminded of that saying whenever there is yet another salvo on rent-seeking from economists who have been associated with the World Bank and the International Monetary Fund, two of the organizations which have thrived on monopoly rents and subsidized credit and which look after the interests of some of the most avid rent-seekers in the world, viz., the transnational banks and transnational corporations. These champions of free competition see only big government in the role of facilitators of rent-seeking and the politicians and bureaucrats legislating and administering such rent-seeking as the main beneficiaries of such rent-seeking activities. The activities of private monopolies earning rent or of the landlords whose income after all was classically known as 'rent' typically escape their eagle's eye.¹

A children's story in Bengali aptly illustrates their view of government, especially of government in the LDCs (Mitra Majumdar, 1924). Ramdhone Sarkar, a poor but clever young man, seeks employment with a king. The prince gives him a job but no pay. Ramdhone Sarkar proceeds to carry out his assigned duties in such a way as to cause inconvenience to house-holders and merchants, and then makes them pay him for altering his modus operandi so as to cause them less inconvenience. For example, the king orders him to measure the lengths and sizes of roads and houses in the capital. Sarkar proceeds to lay his chains down across people's houses, disturbing
their daily lives, threatening to pull down walls, etc. and making a thorough nuisance of himself. So the people affected proceed to pay him so that he carries out his measurements at less inconvenient times, and with less threat to the house owners' peace and property. Then he is given the job of counting the waves on the river. Sarkar proceeds to do so, and orders all boats to cease moving until he has finished his counting, since their movement would disturb the waves. Naturally the passengers, the boatmen and the merchants pay him in order to allow them to carry on their daily business. In this version of the story told by Mitra Majumdar, Sarkar deposits all his gains (are they illicit or legalized extortion?) at the feet of the king, who then rewards him with a well-paid post, and he goes ever higher in rank. Except for the honesty part in Sarkar's story, it epitomizes the view 'new political economy' holds of government and government regulation.\(^2\)

The concept of rent seeking is a direct byproduct of the 'new political economy', which started out as a development of the old 'interest group' or elite theory of politics associated with Robert Michels, Gaetano Mosca, and Vilfrade Pareto, and a host of their American followers (Bottomore, 1964). In its updated formulation, it seeks to explain most political developments as the outcome of competition between political entrepreneurs seeking to maximize electoral support and thereby maximize their incomes as well.\(^3\) The connection between the new political economy and the new right is clearly established through its intellectual genealogy. It runs straight through Ludwig von Mises, Friedrich Hayek and Joseph Schumpeter of the Austrian school to Milton Friedman, Anthony Downs, Gordon Tullock and James Buchanan of the Chicago-Virginia school (cf. Gray, 1989 and Helm, 1989b).
That wasteful expenditure is inimical to development was a cardinal tenet of classical political economy. But for Ricardo, or James Mill, or for that matter, Leon Walras or Henry George, the biggest single source of such wasteful expenditure and the major internal stumbling block against progress was the monopoly control of land by landlords. In India and the LDCs in general also, both before and after independence, landlords, and their role in the politics and economics of the countries concerned had been the subject of analysis by Wolf Ladejinski and George Rosen (1966) on the one hand, and such Gandhians and Marxists as J.C. Kumarappa, Bankim Mukherjee, Bhowani Sen, and Ashok Mitra (1968, 1979) and many other radical analysts of the Indian economy and society on the other. So there is nothing particularly novel about the idea of earning of rent as an obstacle to progress. What is novel is a deliberate restriction, and in some cases, an arbitrary redefinition of the concept of rent-seeking and its application to denigrate all government intervention and virtually abolish the domain of politics in LDCs (and in the developed economies as well).

In most LDCs from the Philippines through South Asia and Africa to Brazil and Peru, the biggest single group of rent-earners are still landlords and rich farmers. But in many countries, landlords, in collaboration often with transnational corporations, are busy transforming their estates into plantations owned by joint-stock companies (Grzybowski, 1990; and Lara, Jr. and Morales, Jr., 1990). Such a development, of course, has a long history in the so-called banana republics of Central America. On the other hand, the countries of East Asia which are the only ones to have experienced sustained economic growth, between 1965 and 1990, are all countries that had succeeded in getting rid of landlordism after the Second World War (Bagchi, 1987a, 1987b; Devo, 1987; Haggard, 1990). Any political economy exercise which fails to
take account of the effect of landlordism on the working of society and markets and the use of the surplus generated in that society, or take account of the influence of the abolition of landlordism on the incentive structures and the use of the surplus in LDCs can have but a rather feeble explanatory power.

Most of the LDCs, again with a few exceptions in East Asia, and a few scattered outliers in other parts of the globe, are plagued by a high incidence of poverty, high levels of illiteracy and infant mortality, a low expectation of life and a low degree of freedom (Dreze and Sen, 1989; UNDP, 1991 and 1992). In the 1980s, the degree of poverty increased in most LDCs outside East Asia, and the human development indicators in many cases went into reverse gear, especially in sub-Saharan Africa (Cornia, Jolly and Stewart, 1987, and Stein and Nafziger, 1991). Again, any political economy exercise that fails to explore the probable consequences of an extreme insecurity of life for the perceived trade-off between freedom of choice and the chance of survival is not explaining very much of the way the lives of the majority of human beings are influenced by larger social, economic and political factors.

Thirdly, most of the new political economy exercises are strangely silent about the influence of external geopolitical and economic factors (cf. Bagchi, 1971 and Toye, 1987 and 1991) although there is plenty of evidence that the strategic choices by the superpowers, and especially the U.S.A. and her allies, and the attitudes of transnational corporations, transnational banks, the IMF, the World Bank and internationalized domestic capital have strongly influenced the destinies of most LDCs. The policy choices of a typical LDC, especially in the 1980s, were overdetermined by the perceived self-interest of the dominant politicians, owners of
capital, the landlords and the bureaucrats in collaboration with the dominant external interests. The interest of the latter in forcibly 'opening up' the economy and various sequences of political acts, led the home country, with the inevitability of a Greek tragedy, into a debt trap. The political economy of attempts to roll the state back through measures of internal and external deregulation of trade and production, financial liberalization, and privatization would largely consist in trying to disentangle the knots of overdetermination in the interaction between the changing interests of the various fractions of the ruling class, the power exercised by the external interests and the sequence of events which seem to close all options to the ruling class except that of subservience to the dominant external interests. As the collaborating political elites glide into the crisis situation, the internationalized domestic capital, bureaucrats and technocrats, with help from the dominant external interests and very often, help from the government as well, launch a propaganda drive, and set up 'think-tanks' which seek to swamp both the media, and the academic establishment with neutral-looking policy documents directed towards the one goal of opening up the economy and clipping those wings of the government which seek, however misguided and however inadequately, either to protect domestic industry and infant technology or to succour the poor.

2. The rationale of state intervention and the fictive story of state intervention told by the new political economy

Economists have theorized about the relationship between the private and the public sectors in a private enterprise economy along two different trajectories. The first trajectory has
primarily used the concepts of normative economics (which is broader than 'welfare economics' in the narrow sense and also has a pedigree going back at least to the days of Adam Smith). The state should try to put in place laws and regulations which take care of external diseconomies generated by the private sector. On the other side, the state should also take the responsibility of providing those goods and services whose social benefits clearly exceed their social costs but which private individuals or firms might not find it profitable to supply (Baumol, 1952; Arrow, 1974; Helm, 1990b). The proponents of the new political economy have tried to upset even this part of the agenda of the state with the so-called Coase theorem (Coase, 1960) which is better styled as the Coase conjecture or even the Coase fallacy. This states, roughly speaking, that if property rights are well defined and can take care of all conflicts of interest, then people suffering from external diseconomies caused by the activities of another party can always negotiate a solution which will fully compensate the victims for the damage suffered by them. There are at least two major fallacies associated with such a conjecture. First, it is assumed that different parties to a negotiation regarding the sharing of costs and benefits have roughly equal bargaining power and that there is little chance of one party suffering all the costs while the other party walks away with all the benefits. The second problem with the Coase conjecture is the assumption that well-defined property rights are normal, and if they are not, property rights and contracts can be so defined as to take care of all contingencies. This assumption is no less absurd than the supposition that the whole system of markets and fully insurable uncertainty required for an Arrow-Debreu general equilibrium to hold can be actually observed or even conceivably prevail in the real world. To give an example from the Indian experience, the
Coase conjecture is equivalent to assuming that the slum-dwelling victims of the Bhopal gas disaster could have entered into a contract with Union Carbide, guaranteeing them adequate compensation for the eventuality of the release of the poison gas during the operations of the company.

Returning to the traditional domain of normative economics defining the agenda of the state (see, in this connection, Arrow, 1974), we should point to at least two other interconnected sets of objectives that were supposed to belong legitimately to the sphere of the state in all economies seeking to stimulate economic growth. The first was correction for market or coordination failures in the general area of production of goods and services (Dobb, 1960; Sen, 1960; Stiglitz, 1989). Market failures can arise in numerous ways. The economies of scale in the production of some goods and services may be too large for any private firm in a typical LDC to venture on the enterprise, especially if predatory invasion of the field by TNCs before the new venture has been established cannot be ruled out without explicit state protection. Similarly, the initial capital requirements may be too large for a private venture, especially if the market rate of interest is high because of the lack of development of financial intermediaries and the lure of employment of funds in speculation and usurious consumption loans. Again, private agents may lack information about the plans of one another and the state can try not only to act as a channel of information but also as an umpire ensuring that the different agents keep to their side of the bargain. Coordination of private economic activities and production of goods and services by the state would then come on the agenda of the state and would be designated as planning. Whether the elimination of 'the secondary uncertainty' (Koopmans, 1957) arising
from strategic calculations of private agents involves actual entry of the state as a producer or not will depend very much on local contingencies. In the case of India, for example, the state extended heavily subsidised loans to private steel producers even as it ventured on the production of steel in large, integrated steel plants.

Planning and state intervention did not have the objective only of correcting static market failures or sectoral market failures. They were also aimed at raising the rate of growth of the economy by raising the aggregate rate of saving and thereby supporting higher rates of investment in physical and human capital and in R&D activities. The source of a suboptimally low rate of saving had been variously identified as the 'failure of the telescopic faculty', and unimaginative myopia (Dobb, 1960, Chapter 1). Sen (1967) had added 'the isolation paradox' as an explanation of suboptimality in rates of saving and also provided a justification for state intervention in this area: an individual may feel that if he increases his rate of saving without being sure that other people are saving more, then his abstinence may merely enable somebody else to have a splash without adding to the welfare of the next generation by increasing the size of the capital stock at its disposal. In this case, the state may step in to guarantee that all individuals save more, through suitable schemes of taxation, deferred pay or forced saving in other forms.

An attempt was made (again mainly by the adherents of the new political economy) to show that individual saving can never be suboptimal. But Akerlof (1991) has argued that even in the USA, that haven of free enterprise, most of the elderly derive whatever incomes they have from pension plans (i.e., through forced saving
engineered by firms and other employers) rather than from financial assets that may be taken to be the product of their voluntary thrift.

State intervention aimed at raising the rates of investment may not be sustainable, (a) if there are serious mismatches between the output of the investment programmes and the expenditures flows generated by the private sector, and (b) if state plans for raising the rate of saving are defeated by the private sector failing to meet the gap between total national investment and public saving (cf. Bagchi, 1970). The latter failure may paradoxically take the form of burgeoning fiscal deficits since the state fails to tax the incremental incomes of those sections of the private sector which benefit most from its policies.

In many LDCs, the government embarked upon a conscious policy of state accumulation since it found many of the private financial institutions inadequate vehicles of investment and it did not trust the landlord class to save and invest enough. The strategy of incorporating the landlords in the state's agenda of accumulation may produce elite consensus but by and large it defeats the programme of accelerating economic growth because landlord power continually interferes with the functioning of the market mechanism, and depresses the incentive to invest on the part of most economic agents.

We have in the above sketch ignored one possible objective of state intervention, namely, to redistribute incomes and consumption so as to lessen the degree of inequality in the standards of living. I would claim that with a few exceptions among non-communist
LDCs (such as Sri Lanka and perhaps Costa Rica) the egalitarian impulse has been a rather feeble one among the motive forces activating LDCs governments. One reason for this has been a lack of clarity among policy-makers about the relation between a more egalitarian income distribution and economic growth. If only the rich save, then a less egalitarian distribution will accelerate growth. But if the rich save only a small fraction, and it is easier to tax the poor and use the proceeds mainly for accumulation, then an egalitarian policy stance channelling more incomes towards the poor may well lead to a higher rate of saving and growth. Alternatively, if better health measures and better education for the poor raise the productivity of workers, then again a more equalizing state policy may promote growth. Finally, redistributive policies may well iron out cyclical fluctuations and promote growth in the long run, if deficient demand plagues major sectors of the economy from time to time (on the assumption that the average and marginal propensities to consume vary inversely with the level of income per head). In an atmosphere of muddled thinking and lobbying by vested interests, economic policy-makers have generally turned their face against more egalitarian policies.

What has all this to do with the 'positive economics' of the new political economy? The new political economy derives most of its assumptions from the experience of the pork-barrel politics and the log-rolling tactics perfected by U.S. politicians. As Findlay (1991) rightly points out, that analysis has little relevance in countries run by various types of dictatorial or authoritarian regimes. But even within democratic regimes, when the proponents of new political economy claim that the state expands only because politicians want to raise electoral support by providing more jobs for the boys, or because bureaucrats gladly
connive with the politicians to create more situations to lord over and to derive both lucre and psychic satisfaction from, they are in effect denying the relative autonomy of the state that the more mechanical Marxists are accused of (cf. Miliband, 1969, 1972; and Poulantzas, 1972a, 1972b). What the new political economy refuses to recognize is that actual or aspiring capitalist groups may actually support the expansion of the state in their own long-term interest and that the growth-promoting politicians may enjoy wide electoral support by promising 'pies in the sky' and jobs in the distant future rather than jobs for the boys right now. Something like this happened in the near-consensus that the Indian elite displayed practically throughout the time that Nehru was Prime Minister of India (Bagchi, 1991a).

However, the different classes benefit very unequally from the growth-promoting activities of the state. The larger private sector groups tend to benefit disproportionately from protected markets, subsidised credit and other subsidised inputs provided by state enterprises. Landlords and rich farmers also wax rich from increases in state expenditure. These are the classes which then try to roll the state back because in their perception the state is grabbing too high a share of the national resources. There may be a 'crowding in' or complementary effect between state expenditure and private investment in the initial years. But this does not prevent allegations by private business of being crowded out by the state when capitalists cast a longing eye on profitable state enterprises or on foreign exchange resources used by the state in one form or another. Paradoxically enough, the pressure to change the policy stance of the state may grow especially when the private sector does badly in external markets, because then its need to get a larger share of the domestic market
and of increasingly scarce foreign exchange resources becomes all the more urgent. In their fight to grab the commanding heights manned by the state, the domestically powerful private capitalists and landlords may, of course, be helped by transnational corporations and their backers among international financial institutions (including the IMF and the World Bank) and by that section of domestic capital and the technocracy which becomes internationalized.

Over a time span of, say, fifty years, one can discern a predator-prey relationship between the private and public sectors in a private enterprise economy. As is well known from the epidemiological literature and from applications to growth cycles made by Goodwin and others (Lotka, 1956, Chapter VII; Goodwin, 1967; Gandolfo, 1971, Appendix III and Desai, 1973), under quite general assumptions about the behaviour of predator and prey, the population of the prey declines as the predator infests it, and then the population of the predator itself declines as its comestibles decline in volume, and then the prey population gathers new strength for the predator to feed upon it with new ferocity. If we picture the private sector as the predator and the state as prey, we can see that as the state extends its activities and helps produce more wealth, the well-heeled part of the private sector gathers strength and wants to occupy territory it regards legitimately as its own and gobble up state enterprises. But if the private sector fails to acquire telescopic sights and take over the accumulation function of the state or invest enough in R&D activities, or prevent the burgeoning of external diseconomies (pollution, depletion of exhaustible reserves, etc.) which eat into private productivity and profit, society, including even the wealthier part of the private sector, will demand the extension of state activities and relative or even absolute shrinkage of the territory occupied
by the private sector, and the cycle will start again. (We may well be witnessing the beginning of such a move to roll the private sector back in the U.S.A.).

As against this perspective, there is a tendency in the literature of new political economy to see the determined drive of the authoritarian or neo-liberal regimes in Latin America to cut down government involvement in the economy as mainly the result of the recognition that burgeoning national and international competitiveness and unmanageable costs of transactions and management through public enterprises have caused the obsolescence of the latter (see the studies brought together in Larrain and Selowsky (eds.) 1991; and Jones, Vogelsang and Tandon, 1991). The aggressiveness of TNCs and transnational banks out to grab valuable chunks of LDC public enterprises at a low price (in debt-for-equity swaps), the fiscal crises of the LDC states unable to tax the domestic rich or cope with the fall-out of the debt crisis and the spread of a Reaganite ideology have as much to do with the tilt against the public sector as with its real or imagined inefficiency.

As Alice Amsden (1991) pointed out in her comment on Jones, Vogelsang and Tandon (1991), the theorists of the new political economy seem to be singularly blind to private rent-seeking by dominant firms in a world of supposedly free competition, and of oligopolistic rigging of prices and sharing of markets in reality. In view of the failure of TNC magic to reflate the major portion of the world economy and the resurgence of a school of policy-makers favouring interventionist industrial policies and increasing concern with environmental damage and a demand for public concern to contain it, I would hazard the guess that the predator-prey cycle of public private enterprise alternation is likely to
reassert itself. (Of course, there is a trend towards increasing mercantilization of economic activity and the small-scale private sector may continue to gain even when the state again begins to take over capital and R & D-intensive sectors).

In political systems such as those of the LDCs in which external interests have become too powerful, this process of pushing the unproductive private sector back may become very difficult, because TNCs, transnational banks and domestic investors with strong foreign ties can invoke the sanctions of the OECD countries on their side. This is where new-style hegemonic control and old fashioned imperialism may become practically indistinguishable. Naturally, the new political economy would have nothing to do with such illegitimate crossing of the boundaries of discourse it has set for itself.

Interestingly enough, the resurgence of imperialism is often legitimised in the name of radicalism as well as of new political economy. The argument here is very simple. The project of building state capitalism was a project of the national bourgeoisie. The contradictions of that system converted the national bourgeoisie into comprador bourgeoisie. There is no other group to guard the boundaries of, and strengthen, the home market. Hence the only option left is to give up the project altogether and welcome all comers. But who are the candidates waiting to take over in the home economy? They are mostly wheeler-dealers, and transnational corporations. The transnationals may have a project of taking over domestic enterprises with valuable assets and increasing their share of the home market however narrow it might be. But why should a transnational want to complete the transformation of a society which proved to be intractable for the
national bourgeoisie? In these days of an active and volatile international market for firms, today's Glaxo may merely be the property of some unknown Taxan oil billionaire tomorrow. And what are the political resources at the command of the TNCs? They can control Presidents, Prime Ministers, whole houses of parliament, and can make and unmake dictators. But can they enter the interstices of landlord-dominated societies without middlemen?

The likelihood is that the country will be left not with state capitalism with landlords and bourgeoisie as allies but with TNCs as the top dogs and the landlords and the remnants of the domestic bourgeoisie as subordinate collaborators, with the disastrous consequences that have been too well documented for Ivory Coast, Liberia, Argentina, Brazil or Bolivia.  

3. Landlordism, rent-seeking and the dynamics of semi-feudal democracy

In their enthusiasm to demolish any classical, Marxist or even neoclassical propositions about the malign effects of landlordism, the adherents of new political economy have sought to demonstrate how, if contracts are suitably drawn up, the form of ownership ceases to matter and the market can operate to ensure the efficient allocation of scarce resources. The locus classicus in this respect is Cheung (1969). According to Cheung's analysis, it is the degree of riskiness and the relative values of transaction costs which would determine choices made by landowners and workers on the land as between fixed rents, share-cropping or wage contracts. Alfred Marshall had claimed that share-cropping would always
produce an inefficient solution, since given a market wage which is always available to the share-cropper or worker, labour use on sharecropped land would not be pushed to the point at which the market wage would equal the value of the marginal product, but only to the point at which the market wage equals half the value of the marginal product. Cheung's analysis amounted effectively to changing the value of the marginal product schedules and/or the cost schedule under different contractual arrangements and bringing the factor of risk into operation in deriving a solution. He upset Marshall's conclusion by changing the nature of the problem itself.

In a situation of endemic unemployment or of effective political domination of the countryside by landlords, however, the complete freedom of choice by landless workers or poor peasants postulated by Cheung is illusory. Moreover, admitting riskiness or uncertainty, especially of an uninsurable variety into the picture means that the nice theorems relating to the Pareto efficiency of a competitive price system can no longer be invoked (Radner, 1968).

In an underdeveloped rural area in which peasants are daily faced with the uncertainty of harvests, prices and survival, one 'choice' they are faced with is whether to seek the protection of landowners or not. Such a search regularly leads to the phenomenon of 'casual bondage' or casual clientelism observed all over India and other LDCs (Bagchi, 1973; 1976; Breman, 1974). The bondage involves not only the peasant's or labourer's use of his labour, but the use of his assets, and the produce of the land he operates, whether he owns it or rents it from the landlord. This is the interlinkage of markets so widely discussed in the literature (Bharadwaj, 1974; Bhaduri, 1984; and Bardhan (ed.), 1989).
Of course, bondage, usury and landlord domination in India and in most LDC have deep historical roots. The origins of the halis of south Gujarat (Breman, 1974), or the sevakias and the kamias of Bihar (Mundle, 1979; Prakash, 1990) or the pariahs of the Tamil districts (Kumar, 1962; Gough, 1981; Ramachandran, 1990) can be traced back to the pre-British days. But the persistence of bondage in colonial and post-colonial India has to be explained through processes of reproduction and transformation in later times. While the British formally abolished slavery in India in the 1940s, their structure of control over the interior of India was such that the message never got to many of the intended beneficiaries of their legislation. Even if the message got through in some way, given the landlord domination of the countryside, the bonded labourers had no effective means of procuring their freedom.

The abolition of anti-usury laws and custom and the introduction of formal transferability of bundles of rights in land delivered most of the peasants into the clutches of money-lenders generally in alliance (though on occasion in conflict) with the landlords. The process of de-industrialization, along with some demographic growth, especially in eastern India, rendered the traditional occupations of many members of the rural poor extremely insecure, if not non-existent altogether. When the peasants or landless labourers migrated and were employed in plantations, factories or mines, they exchanged one kind of servitude for another. Those of them (and they were the relatively lucky ones), who had homes and some land to go back to seasonally, were often living between a predial servitude and a rather coercive wage-slavery in the mills or mines (few tea plantation
workers were allowed or could afford the luxury of seasonal migration).

The conditions of existence of the landless labourers and poor peasants included their lack of access to vital areas of information, literacy, the formal legal system and a free exchange system. For them, the latter was fraught with the interlinkages of credit, labour, product and asset markets and interlinkages between market and nonmarket power. But as conscious human beings they had to negotiate these conditions with belief systems, information and support networks created by themselves and with strategies of active and passive resistance. In the face of apparently inexorable and uncontrollable forces impinging on their daily lives, they often fell back on inherited belief systems and community relations. Virtually none of the belief systems came without their stigmata of rationalizing inequality between men and women, men and men, or women and women. Furthermore, the channels of dissemination of such belief systems were often themselves allied with older structures of exploitation. Many of the controllers of older belief systems successfully made a transition to the status of purveyors of comfort, and communicators of belief systems that were adjusted to the new realities of predatory commercialization.  

Independence changed the racial character of the ruling class, and some of the worst manifestations of racialism as an ideology of power. Independence also made it possible for the rural magnates to become well-paid brokers of power for town-based lawyers and other professionals in politics. As the rural magnates became familiar with the levers of power running the government in the states and the Centre, they themselves aspired to the seats
of control and by the middle of the 1960s, in most parts of India, rural magnates participated fully in the government at the Centre and in most of the states.

However, in most rural areas of India, landlords and local magnates continued to usurp the monopoly of violence claimed by the modern state. Their methods of control of local resources including land, labour and credit, and government funds spent locally included and continue to include the electoral process, use of administrative and police power, and often private armies of their own. The use of such methods of control often appears to themselves and to the people they control only as an extension of traditional power exercised through casts dominance and caste solidarity, as against other subordinate castes. When the dominated sections of society organize against landlord-mortgagor-rich peasant power, they often do so in the name of caste solidarity or community solidarity. Thus even if caste taboos and community exclusiveness break down at the level of individual social behaviour, they may re-assert themselves at the political level. This congeries of landlordism, neo-traditionalist ideologies and participation in or manipulation of electoral process can be characterized as 'semi-feudal democracy' (Bagchi, 1985).

Whenever this complex of dominance—subordination, exploitation—resistance relations is threatened with breakdown through the success of resistance movements rupturing the structure at critical points, the ruling classes resort to more naked methods of repression. We then witness the emergence of the military—bureaucratic state not only in Pakistan, or Brazil or Chile, but also in those regions of a formally democratic country
such as India where the elite consensus at the top altogether fails to carry conviction with the common people (this applies to the 'disturbed districts' of Andhra Pradesh as well as to Punjab and Jammu and Kashmir, although in the last case questions of national identity are seriously implicated).

If the exploiters in a semi-feudal democracy are all the time exposed to the temptation of using military-bureaucratic methods, the resistors are also tempted to substitute token egalitarianism or token democracy for real egalitarianism or real democracy in their resistance movements and their struggles for liberation and transformation. Thus a struggle against landlords can turn into a conflict between a caste to which most of the landlords belong and a caste which is supposed to contain only the dispossessed. As the image of the real oppressor becomes blurred, so do the norms of equality, fairness and democracy.

A semi-feudal democracy is sustained by, and in turn leads to a slow rate of economic and social transformation measured crudely by rates of growth in per capita and industrial incomes, the speed of change of the occupational structure, improvements in rates of literacy and longevity, and speed of elimination of gender bias in incomes, literacy and access to opportunities of gainful employment. Such an environment of slow socio-economic transformation is not conducive to the growth of capitalist classes and productive enterprises which are capable of competing internationally in market sectors for new products, better products or less energy-intensive processes of production. The capitalists or landlords are also likely to find the task of governance at a low cost impossible to accomplish. In addition to their inability to generate enough domestic investment and
competitive technology, this would be yet another reason for their dependence on international capital and its coercive and monitoring apparatus.

In an interesting paper, Hayami (1991) has distinguished between an Asian and a Latin American land reform problem. In the former case, it is the contradiction between landlords and poor peasants or share-croppers which is the root of the problem of peasant poverty and peasant unrest. In the Latin American case, it is the contradiction between plantation capital and labourers or asset-poor farmers with restricted choices of crops and a restricted access to market which assumes the major form. The Philippines case, according to him, combines elements of both. However, it may be argued that the Latin American problem looms ahead of those countries with 'Asian' features which are now exposed to the full blast of TNC power in the wake of the LDC debt crisis. Home-grown landlords will be increasingly replaced by large corporations with international links, and farmers will be increasingly dispossessed. This development is all the more likely if the genetic engineering prowess of TNCs is allowed to be used to deprive farmers of their inherited gene pools of seeds of field crops such as rice, wheat, millets, cotton or oil seeds. Again, contrary to the implied or explicit tenets of new political economy, international, private rent-seeking may prove to be a far more dangerous weapon for the social disintegration of rural areas bedevilled with semi-feudal democracy or military-bureaucratic autocracy than rent-seeking by feebly managed public enterprises.
4. The new political economy and the negation of politics

It is widely recognized now that the new political economy which is affiliated to, if not founded on, neoclassical economics of the Austrian variety on the one hand, and the economic theory of politics on the other, is not only inadequate but very often pretty indefinite in its empirical predictions (Toye, 1987, 1992; Hindess, 1988). This predictive emptiness arises first because its specification of individual rationality in a world of uncertainty generated by unpredictable states of nature as well as the strategic behaviour of economic and political agents is much too narrow to be applicable to real world problems. Secondly, the new political economy when it makes a transition to interest group theory of politics is unable to account for the coherence of these groups, if not their constitution in the first place. Olson (1982) theorising about the rise and decline of nations flatly contradicts Olson (1971) who doubts the durability of any large groups pursuing a collective interest. If the earlier Olson is right, how can nations arise and endure in the first place, and how can trade unions which are impotent to bargain for any rise in real wages or any rise in the share of wages in total product, can yet act to thwart the growth objectives of some nations systematically and promote such objectives equally systematically in other cases?

I would argue that all theories which depend on individual utility or profit maximization and which deny that interdependence of the utilities of different persons or the interdependence of production possibility sets of different agents is important in any calculus of utility or profit maximization completely abolish the basis of all politics. It is possible to argue that even in
this extreme Hobbesian case, a state has to be there in order to see that the self-centred individuals do not cross the bounds of law, or violate one another's property rights. However, the desirability of a state does not tell us how it can be born in the first place, nor does it tell us what constitution it should have. There is no real agency to bring the state about, to chalk out its functions, or set its limits. Taking the European tradition alone, virtually all the political theorizing between the centuries of Machiavelli, Bodin and Hobbes and the present has been negated by the new political economy. Seen in this light, the denial of any legitimacy or efficacy to public enterprises under any conditions is only one aspect of the denial of any politics except in its most primitive and most inchoate form (Cd. Arrow, 1952, p.46). Most of the problems of democratic politics, whether egalitarian, interest-group-based, class-based, or even liberal in the old-fashioned sense, remain entirely outside the purview of new political economy. Ultimately, the new political economy proves to be not a rival to old political economy as defined from the heyday of the Scottish enlightenment to the Marxist, Gramscian and Weberian protagonists of the twentieth century, but a denial of any real social or political conceptualization altogether. In this sense, of course, it is a proper bed-mate of much of the ideology of free trade and free-floating finance masquerading as the distilled wisdom of economic theory (Bagchi, 1992).

Finally, the proper companion of the new political economy is not really neoclassical economics of the variety that Samuelson had characterized as the 'neoclassical synthesis', but the 'new classical macroeconomics', propounded by Robert Lucas,
Thomas Sargent and their co-legionaries. Thus, pace Robert Wade (1990, p.11), achieving macroeconomic stability is no part of the radical individualist's social programme. As propounded by the adherents of the new classical economics, government intervention is at best irrelevant, and at worst, mildly pernicious. It cannot be seriously pernicious according to their canon, because that would mean that individuals are not able fully to discount the likely consequences of government interference. According to this view, all business cycles originate in real causes and cannot be smoothed out or altered by monetary and fiscal policies. Thus the IMF-World Bank-sponsored structural adjustment policies cannot really swear by the sutras of the new political economy without seriously contradicting themselves. They can, of course, then fall back on interest-group or elite theory, but then they will have to face the question of how such groups cohere. Positing coherence in the long run under most plausible conditions will mean that individuals display such 'irrational' attitudes as class solidarity, commitment, altruism, patriotism and do not always behave like 'rational fools', to use Sen's apt phrase (Sen, 1977).

The problems of diversion of the social surplus into rents, persistence of social, political and economic processes strengthening 'rent-seeking', and of the dominance of under-developed rural areas by landlords, moneylenders, traders and petty bureaucrats, and increasingly, TNCs, using market and non-market power, utilising instruments of class-biased law and violating laws and human rights are real and complex. They cannot be conjured away by ideological lambasting seeking to de-legitimise all public action and all democratic struggles
aimed at curbing non-market power and power-blocks illegally usurping the functions of the state. We should try instead to strengthen theories of democratic politics and decentralized planning in regions peopled by desperately poor people, systematically exploited through the use of instruments of overt and hidden coercion. The economics of Ramdhone Sarkar has very little to contribute to such theorising.
FOOTNOTES

1. See, for example, the chapter on rent seeking in Meuller, 1989.

2. One can read a pun in the name of Ramdhone Sarkar. 'Sarkar' means government and it was a Mughal title conferred on government functionaries. 'Ramdhone' could mean somebody whose only possession is Ram. Thus the destitute Ramdhone proceeds to aggrandize himself as a government functionary.

3. For a convenient summary of the older literature and references, see Bottomore, 1964; for a lucid summary of the core of new political economy as applied to LDCs, see Findlay, 1991.

4. The case of Bolivia is particularly challenging to both the radical social scientists and to the advocates of IMF-style structural adjustment policies. In 1952 Victor Paz Estensorro became president of Bolivia for the first time as a result of the success of Movimiento Nacional Revolucionario and instituted a system of state capitalism, primarily by nationalizing the greater part of the mining industry, and instituting a moderate measure of land reforms. But he continued to encourage foreign capital and the settlement of foreign business communities (Smith, 1971, pp.325-332). However, in the 1980s the economy was in deep crisis and the average rate of inflation reached 11,858 per cent annually in 1985 (Ramirez and Lindenberg, 1989). Estensorro became president for the third time in that year, and declared a New Economic Policy, liberalized trade and rolled the state back. Five and a half years later inflation rates were down, but still well above international standards, per capita incomes continued to fall and capital continued to flow out (Klitgaard, 1991).

5. For a short analysis of the connection between predatory commercialization and the incitement for political or violent communalism, see Bagchi, 1991b.

6. For an attempt to conceptualise rural power relations along class lines, see Desai (1984).
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