

## **The "Sink" for Indian Capitalism\***

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The distress to which lakhs of migrant workers were suddenly exposed by the Narendra Modi government's decision to announce a three-week-long lockdown at four hours' notice with zero planning, has also highlighted a crucial aspect of the Indian economy. This consists in the fact that the village, with its agriculture-based economy and joint-family system, continues to remain the support-base for crores of urban workers who are perennially exposed to the vicissitudes of life under capitalism.

When they were suddenly made income-less and homeless, and were literally thrown on the streets, the overwhelming thought in their minds was to get back to their villages, even if it involved walking hundreds of kilometres. In interviews to journalists, many said that back home in the village they might at least get some employment as harvest-workers for the rabi crop. The village, in short, and the agricultural sector, remain the "sink" for Indian capitalism.

Contrary to the myth propagated by its spokesmen, capitalism does not absorb all the petty producers whom it displaces. Capital accumulation is invariably accompanied by labour-saving technological change to an extent that precludes the absorption of all those it displaces together with the natural increase in the work-force. It is invariably characterised therefore by the existence of a "sink", a space that gathers all the miserable, distressed population. In metropolitan capitalism this "sink" was provided by the temperate regions of white settlement to which mass migration occurred from Europe. In these new lands, the migrants managed to get a reasonable standard of life by, in turn, displacing the original inhabitants, the Amerindians, from their land.

In the classic English debate on poverty and the industrial revolution, even those like Eric Hobsbawm who had argued that poverty had increased after the industrial revolution had conceded that things had begun to improve in England in the 1820s, and had attributed this fact to capital accumulation finally making a dent on destitution. In fact however it was not capital accumulation, but emigration, which picked up after the end of the Napoleonic wars, that had made the difference. European capitalism's "sink" which turned out not to be so distressing after all, was the "new world", the regions of temperate settlement.

But in tropical colonies like India where those displaced by the onslaught of metropolitan capitalism had nowhere to emigrate, the "sink" was the domestic agricultural sector, where distress and misery continued to accumulate alongside the accumulation of capital in the metropolis. After independence, there was an interlude of dirigisme when some increase in per capita agricultural output took place, though its benefits were unevenly distributed across rural classes; and an increase in employment opportunities outside of agriculture occurred that was a little ahead of the rate of growth of the work-force. These two developments led to a marginal improvement of living standards within agriculture unlike the worsening that had been occurring in the last half century of colonial rule. But now we are back again with neoliberal capitalism when those in the "sink" are witnessing a reduction in their living standards.

No amount of talk about India emerging as an “economic superpower”, or as a “5-trillion dollar economy” can hide this fact that peasant agriculture continues to be a “sink” to which the distressed urban workers return, and which is witnessing growing distress over time instead of being benefited by the process of capital accumulation pulling away workers from it. Behind the so-called “successes” of the Indian economy under neoliberalism, is this ever-growing distress within the “sink” in which ironically the majority of the country’s work-force is concentrated and which determines, as we argue below, the conditions of the entire Indian work-force.

An implication of the fact that agriculture acts as a “sink” for the Indian economy is the following. The bargaining strength of the urban workers, including even the organised ones, is closely associated with the per capita incomes of the agriculture-dependent working population, ie, excluding the landlords, the capitalist farmers and those rich peasants who have diversified out of agriculture.

Even the unionised workers in India are not entirely cut off from their rural roots, and their capacity to go on a sustained strike in the sectors where they are employed, often depends upon the degree of support that they can get from back “home”. It depends in other words on the material conditions that prevail back home, for which we have taken per capita real income of the working people in agriculture as the index.

We can therefore visualise the conditions of life of the entire working people in the economy, consisting of workers, peasants and agricultural labourers, moving up or down synchronously. The trigger for this synchronous movement can come either from the side of agricultural growth or from the side of urban employment growth, and these two in turn are inter-related. If the per capita real agricultural income of the working people in agriculture falls because of the withdrawal of government support for the agricultural sector, then it causes a downward synchronous movement of the conditions of the entire body of working people in the economy; likewise if the capacity of the urban economy to provide employment falls below even the natural rate of work-force growth, then there is a synchronous downward movement for the entire working population. These two factors, as already mentioned, are inter-related; and under neoliberalism both factors operate.

But that is not all. There is a cumulative dynamics under neoliberalism which keeps pushing the economy further and further in the direction of a worsening of the living standards of the working people. Let us assume, to start with, that the capacity of the prevailing growth rate in the non-agricultural sector to generate employment falls below the natural rate of growth of the work-force. This capacity, it may be recalled, depends not just on the growth rate itself but also on the rate of technological progress that accompanies it.

If the growth of the natural work-force itself cannot be absorbed by the employment opportunities created by growth, then the condition of life of the working population falls across the spectrum. This necessarily means an increase in the rate of exploitation in the economy, which, in terms of conventional national income accounting, manifests itself in an increase in the share of economic surplus in total GDP.

The rate of labour-saving technological progress itself however depends on the share of economic surplus in total output, since the pattern of demand of those living off the

surplus is closer to metropolitan life-styles. Such life styles are not only much less employment-intensive to begin with but are also subject to rapid transformation in a further machinery using and employment-reducing direction. Hence, with an initial increase in the rate of exploitation, the tendency is for a further increase in the rate of exploitation.

We are talking here of real per capita incomes of the working people, so that this further and further increase in the rate of exploitation means a worsening of their absolute living standards, which means an increase in the extent of absolute poverty.

This is exactly what has been happening in India, where the proportion of population not able to access the benchmark nutritional norms used officially to define poverty in India has increased during the neoliberal period. These norms, it would be recalled, are 2200 calories per person per day in rural areas and 2100 calories per person per day in urban areas. According to the National Sample Survey, the proportion of people unable to access this benchmark level in rural India increased from 58 per cent in 1993-4 to 68 in 2011-12. Likewise, the proportion unable to access the norm of 2100 calories per person per day in urban India increased from 57 per cent to 65 per cent between these two dates.

The Covid-19 pandemic will worsen greatly the magnitude of poverty, since it will lead to a massive increase in urban unemployment as it has already done. But the mechanism through which this increase in poverty happens across the entire spectrum was demonstrated during the lockdown, namely, by the mass migration back towards the village by those suddenly rendered destitute in urban areas.

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