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India and the agrarian question: Resolved or not?

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Abstract

The 'agrarian question', according to Marxism, ascribes to a collection of interconnected issues, essentially, the role of peasantry in production under capitalism, the institution of capitalism in agriculture, the importance of agriculture in industrialization and the battle against capitalism by paltry capitalists. In my personal opinion the agrarian question in the context of India has been partly resolved. Capitalist relations in agriculture has freed peasantry, encouraged private investment, improved productivity. However, the new agriculture strategy marked shift from the Junker route to American route of capitalism, thus benefitting a small privileged class at the expense of impoverished masses. Although liberalization did partially solve the question of a small market and access to capital, but the industrial base still remains weak to absorb the 'free' peasantry looking for opportunities outside the agriculture.

Keywords: Agrarian question, Resolved or not?, India

Introduction

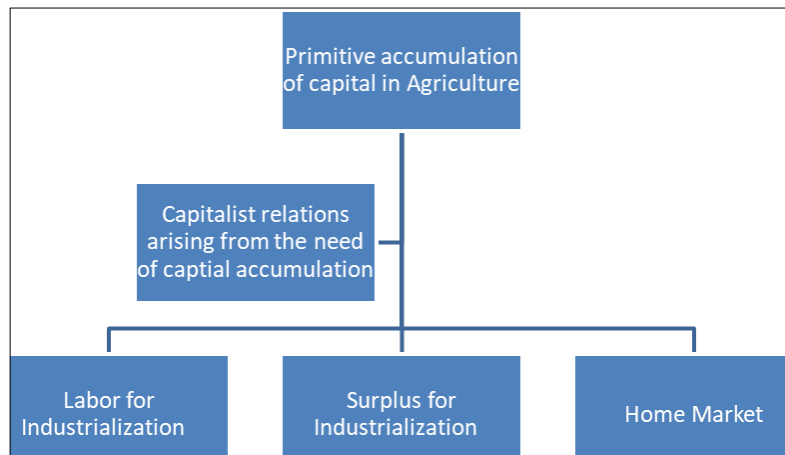
The 'agrarian question', according to Marxism, ascribes to a collection of interconnected issues, essentially, the role of peasantry in production under capitalism, the institution of capitalism in agriculture, the importance of agriculture in industrialization and the battle against capitalism by paltry capitalists. Notably, the agrarian question refers to the idea of 'agrarian transition', ideally from a society dependent on agriculture to an industrialized one. (Basole, 2016) ^[1] Few important characteristics of agrarian transition are highlighted by Bernstein (2004) ^[2] are –

- a. A new capital-wage labor relationship arises due to primitive accumulation of capital, replacing landlord – peasant relationship in agriculture. It also differentiates peasantry into various classes.
- b. The two routes to capitalist agriculture, according to Lenin are capitalism from below ('Junker Road'), and capitalism from above ('American road').
- c. The institution of capitalism in agriculture embodies competition and accumulation rather than subsistence or livelihood, thus driving productivity.
- d. Surplus from agriculture should be utilized for industrialization. However, this would depend upon the relationship between the agrarian class gaining surplus (rich peasants, capitalists) and industrial capital.
- e. Peasants would now be 'free' labor (i.e. free to move and free from ownership of land) as production would be entailing to profit-making rather to subsistence.
- f. Productivity in agriculture would lower reproduction cost of working class in urban areas and thus aid in accumulation of capital in industry.

The question of Resolving the agrarian question for transforming a non-capitalist to a capitalist economy has been of keen interest among past social researchers. According to Byres (1995, p.509) ^[3] "Unresolved agrarian question is a central characteristic of economic backwardness...a failure of accumulation to proceed adequately in the countryside...failure of class formation in the countryside... failure of the state to mediate successfully those transitions, which we may encapsulate as the agrarian transition."

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Structural change can be depicted as follows



Source: Basole (2016) [1]

The Indian experience

The legislation of land reforms in independent India served to achieve 4 goals – Abolition of intermediaries, improving contractual terms of tenancy regulation, consolidation of heterogeneous landholdings and redistribution of land held in surplus of the ceiling. While the government was successful in abolishing intermediaries and bringing about tenancy reforms, it failed to redistribute landholdings in surplus of the ceiling even after two sessions of reforms i.e. in 1950s and 1970s, due to the numerous exemptions present in the law and lack of political will (Kapila, 2009) [6]. Thus with the prevalence of monopoly of land, India followed a ‘Junker-style’ landlord capitalism for the first three decades. Abolition of absentee landlords paved for ‘mass eviction’ of tenants, who were free to migrate as well as own land. Relatively less resourceful peasants joined the class of wage laborers whereas others i.e. the rich peasants, purchased land and themselves became owners. (Patnaik, 1986) [9].

Post the two wars with China and Pakistan in 1962 and 1965 respectively and the two successive droughts in 1966 and 1967, India faced severe shortage of food grains. The crisis was so severe that the then Prime Minister sh. Lal Bahadur Shastri in 1965, asked the people to skip one meal a day, grow vegetables and fruits in their backyard and, farmers to grow an extra crop every season. It was during this period he famously promulgated the slogan ‘Jai Jawan Jai kisan’. (“India: The threat of famine, 1965) [5] This situation compelled government to extend rural credit, increase subsidies, introduce High Yield Variety seeds and introduce minimum support price for major crops under the ‘New Agriculture strategy’ (NAS). Since, the NAS was highly biased towards the farmers who were resourceful; it marked a paradigm shift from the Junker route (Capitalism from below) to the American route (Capitalism from above). As agriculture became profitable and output increased manifold, primitive accumulation of capital replaced the landlord peasant relationship with capital wage labor

relationship.

Table 1 depicts the capital formation in agriculture from the period 1981-82 to 2013-14. It shows that public investment doubled in the 4 decades since 1981, while private investment grew 8 fold during the same period. However, private investment was driven mainly by the richer farmers. Data on the distribution of agriculture loans by schedule commercial banks points out that the share of loans above 1 crore increased from 7.6% in 1985 to 63% in 2016 while loans below 2 lakhs decreased from 85% in 1985 to 8 % in 2015. (Ramakumar and Chavan (2007) [7] as cited by De Roy (2017) [4].

Table 1: Capital formation in agriculture, 1981-82 to 2013-14 (Rupees crore, 1999-2000 prices)

Year	Total	Public investment	Private investment
1981-82	24272	12723	11549
1985-86	24208	11248	12960
1990-91	38054	8938	29116
1995-96	27336	9560	17777
2000-01	45480	8085	37395
2005-06	62569	19940	42629
2010-11	92035	19854	72181
2013-14	95637	23191	72446

Source: Planning Commission of India and Agricultural Statistics at Glance-2014 as cited by De Roy (2017) [4]

The agriculture price policy initiated at the NAS aimed to provide incentive to farmers to adapt new technology by assuring them a guaranteed price for their produce. The agricultural price policy not only increased the prices of food grains but also encouraged inter crop shifts in land use. The area under wheat, rice cultivation expanded at the expense of coarse cereals (De Roy, 2017) [4]. The increase in prices marked the shift in agriculture - manufacturing terms of trade. Figure 1 shows that the movement of terms of trade during 1981-82 to 2013-14 in favor of agriculture, thus generating surplus for farmers.

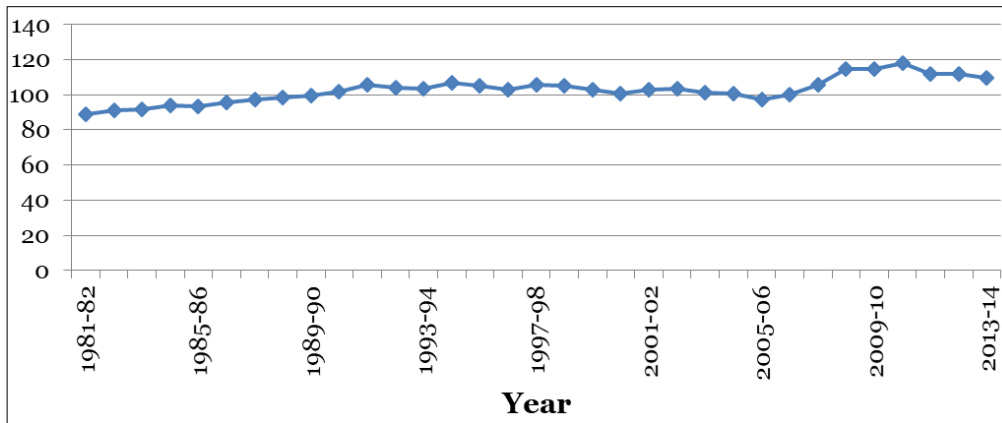


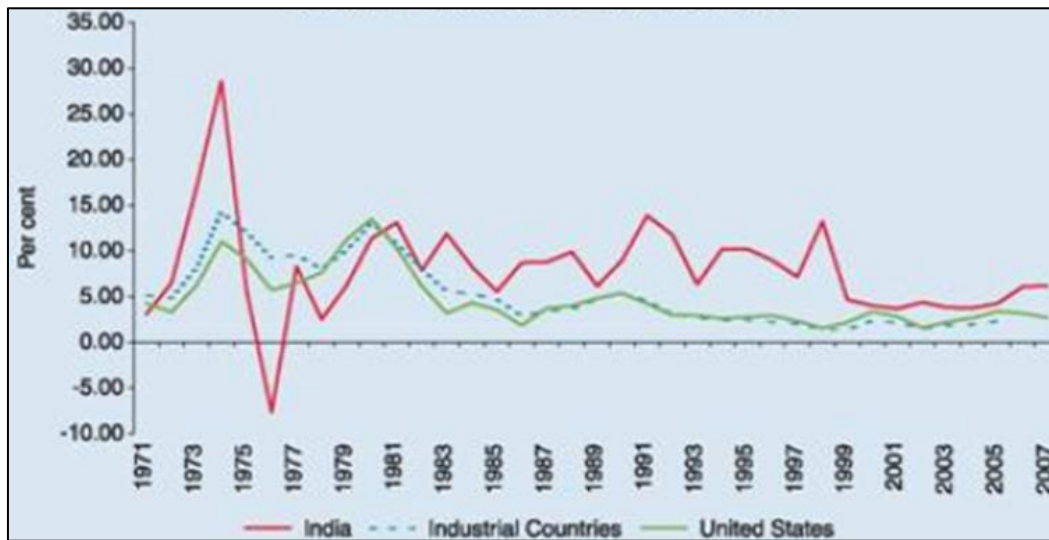
Fig 1: Movements of terms of trade in Indian agriculture (1981–82 to 2013–14)

Note: Base Year= 1990-91

Source: Price Policy Reports, Commission for Agricultural Costs and Prices as cited by De Roy (2017) ^[4]

However, one of the drawbacks was the rise in prices. Figure 2 shows that inflation rate of India is higher in

comparison to the US and other industrial countries during 1971 to 2007, except for the period 1975-81. High inflation redistributed incomes from net buyers (generally marginal farmers) to net sellers (Rich farmers) of food grains.



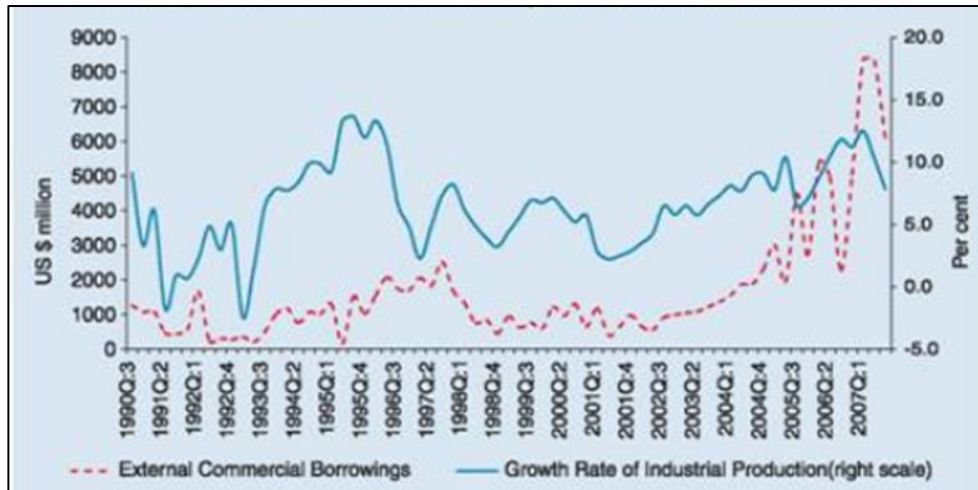
Source: Singh (2007)

Fig 2: Inflation rate of India in comparison to US and other Industrial Countries.

Since the benefits of the American route (capitalism from above) was mainly concentrated on certain section of the agrarian society, the market for goods of mass consumption remained small. A study in Haryana showed that 60% of households comprising small peasants and laborers remained under poverty line even after a decade of green revolution. (Patnaik, 1986) ^[9]. Therefore, failure of the agrarian policies to increase the purchasing power of impoverished masses resulted in a small market, adversely affecting the growth and of investment in industrial sector. Although, post liberalization Indian manufacturing was able to cater to the enormous international market, thus solving the problem of small domestic market, but free flow of imports and the presence of MNCs increased competition in the domestic market as well. Hence, post liberalization the contribution of industrial sector to GDP has remained

constant at 27%. (Kapila, 2009) ^[6]

Also, the surplus derived from agriculture wasn't diverted to development of industrial sector due to many reasons, one of them being the size of the market. Due to the lack of political the government was unable to tax agriculture surplus in the urban as well as rural areas, which could have been utilized for the development of Industrial base. However, with perfect mobility of capital between countries post liberalization, industries could now easily access foreign capital. External commercial borrowings (ECBs) have continuously risen since liberalization in 1991, but there seem to be no one to one positive relationship between ECBs and industrial growth. Further, post 2005 there is absolutely no correlation between ECB and industrial growth.



Source: Singh (2007)

Fig 3: External Commercial Borrowings and domestic Industrial activity

Conclusion

In my personal opinion the agrarian question in the context of India has been partly resolved. Capitalist relations in agriculture has freed peasantry, encouraged private investment, improved productivity. However, the new agriculture strategy marked shift from the Junker route to American route of capitalism, thus benefitting a small privileged class at the expense of impoverished masses. Although liberalization did partially solve the question of a small market and access to capital, but the industrial base still remains weak to absorb the 'free' peasantry looking for opportunities outside the agriculture.

The structural change of the India economy has been different from that of other countries such as Japan, Korea, Japan and China. While agrarian transition in other countries led to development of industrial sector, in India it led to development of services sector. Further, employment share of services sector is growing relatively slower than output because of the declining employment elasticity to output of the services sector overtime (Kapila, 2009)^[6].

Today, as most of the workforce is still trapped in low productive jobs in the agriculture, many questions remain. Can India develop its own path to structural change by creating avenues to productively employ disguised labor in agriculture sector? In the age of artificial intelligence and mechanization where low skilled jobs are limited, can the agrarian question be comprehensively addressed? Can education levels of the impoverished class play a significant role? How much should government intervene? These questions need to be further discussed and debated to comprehensively understand the agrarian question in the contemporary times.

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