

## **Human Development and Public Policy: An Assessment of Marxist Ideologies in India**

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### **Abstract**

“Human development,” as a process of enlarging people’s choices, is a re-focused conception of development, in contrast to development seen centrally as economic growth. A study of human development policy grounded on economic and scientific fundamentals improves on a purely empirical approach to policy evaluation. This method, however, leaves unresolved whether human development is the infrastructure or the content of social activities, or whether it is both. Issues become complicated when human development is classified as a public good that is under-produced by society. Most Indian intellectuals and political activists take a synergistic position that action of state and citizens can be based on complementary embeddedness, whereas a vigorous leftist intellectual and distinguished economist Amiya Kumar Bagchi of Calcutta argues that “the relation of human development to economic growth” is a significant factor in mankind’s development, but full potential for comprehensive human development in India can be achieved mostly by restricting exploitative free market and dehumanizing national and international capitalism.

My study argues that Bagchi, who taught at many prestigious universities, including Cambridge University in England, powerfully reinforces the old theme that in the existing capitalist order, people receive less income than they produce. Capital, he adds, strives to tear down every spatial barrier to exchange and to conquer the world for markets. Although his thesis justifiably stipulates that human development has not meant citizens’ economic and social empowerment, he disproportionately ignores a series of related institutional and economic developments that have direct relevance in human development in India. My postmodern stance discounts Bagchi’s large-scale universal concepts in human development to conclude that in the principles of preclusion there are no set forms of reasoning that determine that one particular argumentation is relatively true. At best, we can establish a skeptical premise.

### **Introducing the Issues**

Amiya Bagchi, a former Professor of the renowned Centre for Studies in Social Sciences, has recently become the Director of the Institute of Development Studies in Calcutta. A winner of the prestigious Indian government’s “Padma Shri” national award, he theorizes in his significant works, including about 300 scholarly articles, about the dismal role of the Indian state, where capital constantly tries to expand the free market in order to realize “surplus value” harming the human development of the majority of Indians. He claims that the driving force in human underdevelopment in India is conscious will of capital<sup>1</sup> that is reinforced with the inroads of the

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<sup>1</sup> Marx’s idea of human development, being an abstract concept of the “human,” may not be available to Calcutta’s jute mills workers, argues Dipesh Chakrabarty, and as such a socialist politics is then not only “not possible” but also “impossible” to describe a labor history and human development within the “prefabricated” categories of Marxism. Chakrabarty claims that Marx, as a historicist, stands for a statist theory of development that situates Europe “as the site of the first occurrence.” A friendly critic of Chakrabarty, however, argues that Chakrabarty “anchors deconstruction to an existential politics” which is nothing but the radical “other within the structure of difference.” On the hand, in a rigid mode and with some justification, Bagchi views “the victory of European-led capitalism” as the major obstruction of “human development.” While Bagchi is engaged in the construction of the master narrative, Chakrabarty in his postmodern vein makes a quintessential claim that facts and representations are inseparable. What is clear from the readings of Marx is that his prediction about the degenerative role of colonialism

multinational corporations, unhindered flow external capital through commerce, and foreign direct investments. Karl Marx (*Das Kapital*) shows how commerce by stages transforms a non-capitalist production process into a capitalist production process, fully integrating it into markets so that all inputs and outputs become marketed goods or services. In the debate about India's human underdevelopment, especially sustained poverty of the majority, Bagchi introduces the concept of class conflict, rather than a Marxist "class struggle." However, consciousness of class is a European concept that involves an "outsider" imputing a politically appropriate, logically consistent and historically necessary set of universalistic beliefs to particular socio-economic agents.<sup>2</sup> Bagchi ignores that capital itself may become more abstract than concrete. It is questionable whether corporations should be treated as private individuals with rights like free speech. Since the state cannot effectively control the corporations, then new forms of political entity must evolve to gain more democratic participation in economic decisions.<sup>3</sup> Amartya Sen asks whether there is "anything other than exchange of equal values in the market,"<sup>4</sup> indirectly disagreeing with Bagchi's economic calculation in surplus value. Ludwig von Moses (1929) holds that the "surplus value" is purely subjective, and cannot be derived from other factors, because summary statements are about the average tendency, not about the entire complexity.

In 2006, about 40 percent of Indians did not have access to regular and adequate quantities of food. The United Nations Human Development Index (HDI), drawn largely on the work of Amartya Sen, is a composite of three dimensions of human development: longevity, prolonged education, and a decent standard of living. The index does not measure human "capabilities" per se, although it informs us about the impact of state priorities for various expenditures.<sup>5</sup> Our current concern is to examine the means to realize the potential spelled out by HDI, and to evaluate Bagchi's preconditions for the ability of the Indians to reduce poverty. As an indicator of extreme poverty, the poverty rate is also a yardstick for the goals of the Millennium Development (MDGs).<sup>6</sup> The nature of the socioeconomic environment is a

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has been justified, and Bagchi argues. See Bagchi, "Some International Foundations of Capital Growth and Underdevelopment," *Economic and Political Weekly*, vol. 7, no. 31/33 (August 1972), 1559-1570; Bagchi, *Perilous Passage: Mankind and the Global Ascendancy of Capital* (New Delhi: Oxford University Press, 2005), x; Vinay K. Gidwani, "The Limits to Capital: Questions of Provenance and Politics," *Antipode* (Oxford: Blackwell Publishing, 2004), 528-542; Dipesh Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton, NJ: Princeton University Press, 2000), 92-93; D. Chakrabarty, *Re thinking Working Class History: Bengal 1890 to 1940* (Princeton, NJ: Princeton University Press, 1989, *ibid.*, 213; Ashutosh Varshney, "postmodernism, Civic Engagement, and Ethnic Conflict: A Passage to India," *Comparative Politics*, vol. 30, no. 1 (October 1997), 2. However, in no sense, my study is a defence of the American Republic Party's pro-wealth free market system.

<sup>2</sup> Tom Brass, "Moral Economists, Subalterns, the New Social Movements, and the Emergence of a Post-Modernised Peasants," *The Journal of Peasants Studies*, vol. 18, issue 2 (1991), 197; E. P. Thompson in his essay about poverty writes how historians interrogate their sources in order to listen to the voices of the subaltern.

<sup>3</sup> Herman E. Daly et al., *For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future* (Boston: Beacon Press, 1992), 139.

<sup>4</sup> Amartya Sen, *The Idea of Justice* (Cambridge, Mass.: Harvard University Press, 2009), 163.

<sup>5</sup> The 1993 Humanist Manifesto is convinced that current acquisitive and profit-motivated society is inadequate to deal with human development. It recommends that a socialized and cooperative economic order must be established for equitable distribution of income, if possible. Humanists earlier believed in a shared life in the shared world, John E. Johnson, "Economic Justice in a Postmodern World," *Social Research*, vol. 60, no. 2 (Summer 1993), 95.

<sup>6</sup> Augustine Kwasi Fosu, "The Social Impact of Globalization: The Scope of National Policies," in M. Vivarelli and E. Leeds (eds.), *Understanding Globalization: Employment and Poverty Reduction* (New York: Palgrave Macmillan, 2004), 327-48; Amartya Sen, "Morality as an Indicator of Economic Success and Failure," *Economic Journal*, vol. 108 (1998), 1-25.

particularly salient determinant of the effectiveness of transforming economic growth to human development and poverty reduction. Two pioneers in human capital development, Theodore Schultz and Gary Becker, take specific issues such as development in education as a catalyst, prompting the skeptics to argue that the expansion in education does not cause growth but rather is a result of economic prosperity. Some Indian scholars argue that the existence of strong synergies among different components of human development means that integrated and simultaneous action on all dimensions of human capital, infant mortality, nutrition, and schooling, may be very cost-effective. A common theme in the existing literature in India is that the administrative capacity of the state to reach down to major segments of the population is crucial to widespread social provisioning. As Ramachandran observes, the Communist Party-led Kerala state government assimilated the most progressive features of diverse socio-political movements and gave the people a new equitable philosophical and political direction. Kerala's achievements are an example of the power of public action even in conditions of low production growth. K.N. Raj demonstrates that the relatively slow development of large- and medium-size industries in Kerala is perhaps due to the lack of entrepreneurs interested in industrial development. The sustained growth of human development in health, education, and poverty reduction in Kerala has been an eye opener to Bagchi, who now advocates the Marxist way as the primary strategy in human development in India. Although Professor Bagchi highlights various aspects of human deprivation in India, including "the two most easily measurable indices of advance in human development," namely, death rate and longevity,<sup>7</sup> his sustained focus is on poverty reduction and as such he is concerned is with the causative factors that largely contribute to high incidence of poverty.

Bagchi's two debatable issues about human development in India are examined: (A) Colonial "deindustrialization" disrupting individual indigenous textile workers as well as allied laborers; here his basic premise is that relative deprivation, arising out of deindustrialization, in terms of individual incomes can yield absolute deprivation in terms of human capabilities; and (B) Recent economic globalization causing poverty for both workers and the majority of Indians. He repeatedly gives instances of capitalism's internal contradictions, which make human beings redundant in the production process. He argues that there exists a social system - capitalism and colonialism - that is inherently exploitative and oppressive; the end result is enduring depressive human development in India,<sup>8</sup> where there is a "trend increase in the extent of poverty in most states of India over the years 1960 to 1970."<sup>9</sup> Bagchi's specific concern is poverty, adversely affecting human development; the causes of that poverty are the issues. However, he fails to argue that India's greater inequality among the people is due to many social reasons that dampen the poverty-reducing effort in economic growth.

### **Definition of Sustainable Development**

The Marxist vision of "sustainable human development" is based on the assumption that under capitalism and class-based societies, only a particular privileged class has the power to shift wealth from one class to another. It contemplates that the commanding socialist ways have the material possibilities of the integrated development of each and every one of a society to make

<sup>7</sup> Bagchi, "China-India-Russia: Moving Out a Backwardness, or, 'Cunning Passage of History'", *CHINA REPORT*, 43, 2 (2007), 140.

<sup>8</sup> Bagchi, "Review Article: Working Class Consciousness," *Economic and Political Weekly* (July 28, 1990).

<sup>9</sup> Bagchi, "Towards a Political Economy of Planning in India," *Contributions to Political Economy*, vol. 3 (1984), 28.

the task in development ever more fruitful. This way, going beyond the Western powers' designed UN Development Programs, emphasizes the surplus value of labor, regrets mobility of the producer in wrong directions, and points to capacities which, once developed, can be applied to new challenges, and thus is likely to be a process of self-realization in "sustainable human development."<sup>10</sup> Mostly in line with this aspiration and concentrating on peculiar Indian social structures, Professor Bagchi, an influential mentor of the progressive youths of Bengal, submits that the earlier colonial state and now the Indian "bourgeois" state, being pulled in different directions by a variety of interests, including the Weberian efficient but corrupt bureaucracy itself, with its strong "primordial" instinct for self-preservation are two detrimental factors. Additionally, he claims, the human development is negated by a growing high middle class, a small but wealthy elite of private entrepreneurs, often linked to Westernized business norms, as well as multi-national investors favoring controversial globalization, and the surviving body of state enterprises such as banks, have not been "human developmental." He differs from the theses of Robert Solow (1956), who places enormous emphasis on technological progress,<sup>11</sup> and Theodore Schultz (1961), who relies on "deliberate investments" in various forms for human capital growth.<sup>12</sup> Both of them place huge emphasis on general economic growth as a factor. For Bagchi, in contrast, the capitalist growth and poverty acceleration are linear outcomes of macro economic development, or follow-up effects of existing economic structuring. Avoiding universal this concept, Amartya Sen argues that "social development" is "quite central to sociological understandings of poverty. He argues that if economic efficiency in the sense of "pareto optimality" is the only criterion for the human development debate, then there is hardly any need for the general argument in "welfare-economic argument." Pareto efficiency does not necessarily result in a socially desirable distribution of resources, as it makes no statement about equality or the overall well-being of a society.<sup>13</sup> Pareto optimality, developed by the Italian economist Vilfredo Pareto, has been used in the studies of economic efficiency and income distribution. Informally, Pareto efficient situations are those in which any change to make any person better off is impossible without making someone else worse off. Here "better off" is interpreted as "put in a preferred position." Outcomes that are not Pareto efficient are to be avoided, and therefore Pareto efficiency is a criterion for evaluating public policies. If an economic allocation in any system is not Pareto efficient, there is a possibility for Pareto improvement, an increase in Pareto efficiency through reallocation, improvements to at least one participant's well-being can be made without reducing any other participant's well-being.

There is valid criticism against the argument of Kenneth Arrow's much publicized thesis that under certain conditions, the free market system will lead to a Pareto improvement outcome (the first welfare theorem, Kenneth Arrow), as there are externalities (social costs) and bad competition in real economies. Here the result does not rigorously establish welfare results for

<sup>10</sup> Paul Burkett, "Marx's Vision of Sustainable Human Development, *Monthly Review*, vol. 57, no. 5 (2009), 1-30.

<sup>11</sup> Carl Riskin, "China and the Human Development State: Paper Prepared in honor of Amiya Kumar Bagchi," (Department of Economics, Columbia University, 2007); Christian Welel, et al., "The Theory of Human Development: A Cross-Cultural Analysis," *Scholarship Repository* (University of California, 2002), in <<http://repositories.cdlib.org/csd/02-01> > ; Robert M. Solow, "A Contribution to the Theory of Economic Growth," *Quarterly Journal of Economics*, vol. 70, issue no. 1 (February 1956), 65-94; Annette Flanagin et al, "The Issues on Poverty and Human Development," *JAMA*, vol. 296, no. 24 (December 27, 2006).

<sup>12</sup> Theodore .W. Schultz, "Education and Economic Growth," in Nelson B. Henry, ed., *Social Forces Influencing American Education* (Chicago: University of Chicago Press, 1961), 46-88.

<sup>13</sup> Amartya Sen, "Markets and Freedom: Achievements and Limitations of the Market Mechanism in Promoting Individual Freedoms," *Oxford Economic Papers*, 45(4), 519-41.

real economies. Thus, Stiglitz argues that in the absence of perfect and complete markets, outcomes will be automatically “Pareto inefficient.”<sup>14</sup> Like Bagchi, he is legitimately concerned with the distribution factor in social development. Thus, in agreement with Stiglitz, Bagchi claims that “under most conditions,” it is possible that the free market system may lead to a Pareto efficient outcome in which gains of some people mean loss of many. However, Bagchi is more much assertive in stipulating that in a free market, market failure has inevitable two outcomes – sellers may have “positive cost” and in the other, buyers and sellers may not have “determinate influence,” and as such, capitalism operating in the free market almost always will exploit most of the people. Thus, he writes the “endemic unemployment in rural areas” in the developing world is an example of those market failures,” ignoring that the larger part of the Indian economy is yet to become market-oriented. The pecuniary culture has not yet pervaded the psychic of the rural Indians.<sup>15</sup> In Bagchi’s Pareto effect, there are the vital few and the trivial many. In contrast, in his characteristic comprehensive vein, Sen argues that there are plural concepts of equality beyond Pareto optimality, an idea absent in Bagchi’s assumption of free market system. Sen, on the other hand, justifiably argues that when advantage is equated only with utility, efficiency coincides with Pareto optimality. As the notion of advantage is changed, he argues, Pareto optimality cannot be defined as a necessary condition because utilities cannot be the only conditions for income distribution. Sen argues that the policy use of the Pareto criterion embraces “consequentialism” in which every choice is determined by goodness of the consequent state of affairs. He goes beyond welfarism as his classic human development thesis statement claims that the underlying cause of hunger is lack of access to food, rather than lack of food,<sup>16</sup> implying that development of various capabilities is the goal in human development, which can be achieved with strong ethical values and which is beyond the market system alone. Bagchi’s human improvement statement is based on the assumption that a situation cannot be improved without the equity of material resource allocation. Nobody denies that, but, what Bagchi ignores, in contrast to Sen’s contention, is that efficiency achievement is of real importance. Sen writes, “In assessing the market mechanism,” we need “to take note of the forms of the markets: whether they are competitive or monopolistic.” Like Nussbaum, Sen questioned the utility-driven practical ethics, thereby enlarging the scope of human understanding of development. As Sen argues, eradication of social poverty means efficiency in economy that recommends pursuing the capability approach to the problem of poverty, a means in which the state helps to ensure not only the well-being of individuals, but the capabilities individuals need to secure their own welfare and realize their own needs. This is “the substantive freedom to achieve alternative functioning combinations.”<sup>17</sup> Bagchi’s “class” diagnoses stand to be misplaced because a selective reading of factors leads to simplicity avoiding postmodern heterogeneity. Paul Krugman touches on the core chord as he argues that the economic “profession’s blindness” makes serious omissions, which according to another economist, implies “economic imperialism” that invades realms that are areas of sociology and political science as well.<sup>18</sup> It is hardly desirable to have faith in Adam Smith’s thinking that the market economy is a perfect self-regulating machine. During the 1930s and 1940s, many economists,

<sup>14</sup> Bruce Greenwald and Joseph E. Stiglitz, “Externalities in Economics with Imperfect Information and Incomplete Markets,” *Quarterly Journal of Economics*, 101 (1986), 229-64.

<sup>15</sup> S. K. Mishra and P. Nayak, “Socio-economic Dimensions of Globalizations in India,” Working Paper (2006).

<sup>16</sup> Amartya Sen, *On Ethics and Economics* (London: Blackwell, 1988), 16-18; Sen, *Development as Freedom* (New York: Anchor Books, 2002), 89.

<sup>17</sup> Amartya Sen, *Development as Freedom*, 75.

<sup>18</sup> Reporter, “The Curious Capitalist,” *Time* (October 26, 2009), 20.

were pessimistic about the market system's long-term prospects. Now, Sen argues that a Pigovian approach to free market is feasible. Arthur Cecil Pigou, a contemporary of Keynes at Cambridge, in his great work, *The Economics of Welfare*, draws a distinction between the private and social value in a free market system. The beneficial government sponsored railways has social and private costs because ecology is damaged by sparks from railway engines; thus, a social regulation is desired. The eminent English economist Pigou, who earlier did not agree with Keynes's state intervention, gives a verdict: a community's resources can be well distributed by checks and balances, and "we shall not endeavor to elucidate, not any generalized system." A student of the great teacher/economist Alfred Marshall of Cambridge, he believed capitalism would work most of the time but could malfunction occasionally; he made a distinction between the private and social value of economic activities in which social values must prevail.<sup>19</sup>

### **Marxist Social Theory: Human Development**

During the 1950s and 1960s, intellectuals in Calcutta found solace in the Marxist traditions in social and human development. Most of them, using classical Marxism, simply as a source for scissors and paste rationalization to justify current politics, inadvertently rationalized pure socialism, not communism, putting it in an altogether different tradition. They argued, on various grounds, that the task of the social movement simply was to fight within the existing politico-economic order to augment human development reforms, which would shift society toward Marxist social values.

Bagchi's genuine feeling for the ignored masses had its origins in the socio-political atmosphere in Calcutta during the turbulent period in the 1950s and 1960s when Nehru's import-substitution brought about food-shortages and rationing and when Congress Party's "socialist pattern" in the economy created myths which could not equal the emotional appeal of socialism's supposed equality. In China, Mao, who was called by the leftists in Calcutta during the 1970s as "our Chairman," effectively shut out the stagnant Chinese economy to bring partial energy by a regimental command economy, often attended by famine. Ignoring the message inherent in Friedrich Hayek's *The Road to Serfdom*, common citizens in West Bengal turned to leftist intellectuals, known as *budhi jibi*, who were better versed in socialist thought. Here, their intellectual power became social power.

Bagchi takes a strong exception to international foundations of India's underdevelopment.<sup>20</sup> His grand opposition to virtually all kinds of globalization stems from his intellectual concepts derived from a city that has dominated the Indian socio-political life since the *swadeshi* economic homemade goods movements in the early 1900s. Indeed, Calcutta fits the image of the world city hypothesis which has wide influence over a much larger area. Marcuse and van Kemper (2000) argue that cities like Calcutta and Rio are layered cities with "potentially polarizing significance of residential, workplace, and commercial layers."<sup>21</sup> A journalist, Sanjoy Chakrabarty, adds to suggest that "the bourgeois planning" has worked for the benefit of "the upper classes."<sup>22</sup> As a Calcuttan, Bagchi was molded by the Marxist ideology having a fertile ground in an age of anger, political frustration and economic stagnation. As he

<sup>19</sup> John Cassidy, "An Economist's Invisible Hand," Ramsey and Muspratt Collection, generated from internet on November 28, 2009.

<sup>20</sup> Amiya Bagchi, "Some International Foundations of Capitalist Growth and Underdevelopment," *Economic and Political Weekly*, VII (31033), (August 1972), 1559-80.

<sup>21</sup> P. Marcus and R. van Kempen, eds., *Globalizing Cities: A New Spatial Order* (Oxford: Blackwell, 2000), 7 and 92.

<sup>22</sup> Sanjoy Chakrabarty, "How Pepsi Broke into India," *Forbes* (November 7, 1989), 43.

admits, he was during the 1950s and 1960s greatly influenced by the Marxist works.<sup>23</sup> The anti-Hindu communal riots in East Pakistan brought to the “city of joy” 41.27% of all migrants to India. Congress Party’s compromise economic formulae widened the gap between the rich and the poor, and the middle classes gave a new interventionist edge to the cultural leadership. The middle-class literati had virtually no participation in the 1960s in the industrial sector; the commercial bourgeoisie, including the much-abused *Marwari* business community, dominated the economy of Calcutta. Meanwhile, ultra Marxist Naxalite violence and excessive police action created a tense situation in the city while the food movement of 1965 brought thousands into active politics, mainly within the Communist Party of India (CPM). The rapidly widening agitational politics among the industrial workers provided avenues for “vanguardist action by the politicized youth.”<sup>24</sup> Physically, the city was fluid and thus, Sanjoy Chakrabarty writes how richer parts of Calcutta faced the shortage of servants.<sup>25</sup> Certainly, the “bourgeois planning apparatus” worked for the benefit of the “upper classes,”<sup>26</sup> and as such, a new kind of Western entrepreneurial city had “increasingly carceral, dividing and separating populations” along “class, race, and sexual lines.” These provided Bagchi a platform for a singular view of trade and investment.<sup>27</sup>

Under the conditions, no criteria were applied by the progressive elements to test the link between political formation and the supposed social force. In West Bengal, the emerging “United Front” was not Lenin’s united front of the different sections of the poorer classes, communists, socialists and Congress party’s left. Often the enemy was capital itself; the desired victory meant emancipation of the State, and not the people. Admittedly, the social force of capital was very different, but the dominant social forces were much closer to Marx’s petty bourgeois, rather than industrial workers. Unlike Marx, who did not prefer any concessions to other social forces, Mao in an opposite mood sought a form of accommodation with the majority.<sup>28</sup> Mao’s view was a clear-cut rejection of the views of Marx and Lenin, and an expression of populism.<sup>29</sup> In Bagchi’s Calcutta, the heart of the problem remained with the definition of the “people.” The Narodnik movement in Tsarist Russia in the 1860s and 1870s adhered to this populist stance. It is interesting to observe that Marx himself grumbled in the 1880s about the invasion of the German workers’ party by rootless youths, “declassed bourgeois youth” with nothing but their brainpower to sell.<sup>30</sup> In the 1960s and 1970s, the sudden expansion of higher education in West Bengal was linked to the radical turbulence of the decade when the Mao’s Cultural Revolution (1966-76) sparked off radical movements in institutions of higher learning in the truncated West Bengal state. The concept of socialism and people’s liberation (from the exploitation of labor) became absorbed by the party leaders of the left, who fought against nationalist private capital and multinational business corporation. The social basis of the revolutionary change became

<sup>23</sup> Bagchi cited in Sudhir Chakrabarty, *Dhrubapada* (in Bengali language), vol. 11 (2007), 195.

<sup>24</sup> Partha Chatterjee, *The Present History of West Bengal: Essays in Political Criticism* (Calcutta: Oxford University Press, 1997), 170-175.

<sup>25</sup> Sanjoy Chakrabarty, “How Pepsi Broke into India,” *Forbes* (November 7, 1989), 43-44.

<sup>26</sup> P. Marcus and R. van Kempen, eds., *Globalizing Cities*, (Oxford: Blackwell, 2000), 74.

<sup>27</sup> M. Douglass and J. Friedmann, eds., *Cities of Citizens: Planning and the Rise of Civil Society in Global Age* (Chichester, John Wiley, 1998).

<sup>28</sup> Boyd Compton, *Mao’s China, Party Reform Documents, 1942-44* (Seattle: Washington State University Press, 1965), 247-48.

<sup>29</sup> Government of China, *Selected Works of Mao Tse tung*, vol. 3 (Peking, Foreign Language Press, 1965), 32.

<sup>30</sup> Marx’s Letter to Sorge, 19 October 1877, in *Correspondence of Marx and Engels, Selection, 1846-1895* (London: Lawrence & Wishart, 1934), 350.

equivocal.<sup>31</sup> Even, the well-known Marxist, Paul Sweezy, declares that the term “proletarian” applies to whomsoever he likes.<sup>32</sup> Indeed, in West Bengal, all independent power was then in the leaders’ hands, not in the hands of the class he likes to lead.

Bagchi’s wide-ranging nature of economic and social research, his role as a successful teacher, and his talent for sparking major scholarly disputes are all known in India, but his theory of economic development hardly takes into consideration the relative merits of various variables. Postmodernist Michel Foucault argues that the desire of a dominant intellectual group to retain power can enter into the very articulation of basic ethical and social categories; powerful intellectual groups can frequently define moral norms in ways that perpetuate their own superiority, defining justice. The postmodern realities posit that we face a variety of differing encounters, each of which calls for a different set of “appropriate” action.<sup>33</sup> As Gyan Prakash claims, modes of thinking which configure the developing nations in such irreducible essences as religiosity, underdevelopment, poverty and non-Westerness (as Bagchi does) are to be avoided. For Prakash, Marxist history, like certain other kinds of social history, unduly places Indian human development theme in a world context, as if India has hardly any specificity. Rosalind O’Hanlon and David Washbrook, wholly unconvinced by Prakash’s rejection of foundational (Marxist) history, argue that the problems created by forms of intellectual hegemony can only be overcome by adopting a rigorously objective foundational Marxist approach because only a “structural approach” to knowledge can enable them to engage effectively in the economics of emancipation for human development.<sup>34</sup> However, Marxist categories, perceived to be fixed, cannot be dispensed if orders of human progress are to be evaluated. It is equally true to argue that postmodern approaches to knowledge, which fail to take a materialist critique of capitalism, deny the under-privileged classes an opportunity to present themselves.

### **Meta Narratives: Bagchi’s “Civic Virtues”**

In 1984 the “top quintile” of India’s households enjoyed about half of the total disposable household income, while the “bottom quintile” had a share of only 7 percent. The distribution of assets was much more unequal.<sup>35</sup> The robust economic growth in India during the last two decades reduced poverty, with poverty incidence falling from 32 percent in 1993-94 to 23 percent in 2004-05 in the rural areas, but the gap between the wealthy and the poor widened.<sup>36</sup>

First, Bagchi argues that since “colonialism works by introducing and exploiting markets” the existence of “competitive equilibria in any economy using money” is most likely to

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<sup>31</sup> Nigel Harris, *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology* (Middlesex, England: Penguin Books, 1987), 183.

<sup>32</sup> Paul Sweezy, “China’s Economic Strategy,” *Monthly Review* (July-August 27/3), 9.

<sup>33</sup> Erving Goffman, *Behavior in Public Places* (New York: Free Press, 1963).

<sup>34</sup> Gyan Prakash, “Postcolonial Criticisms and Indian Historiography,” *Social Texts*, 31, issue 32 (1992); Rosalind O’Hanlon, “Recovering the Subject: Subaltern Studies and Histories of Resistance to Colonial South Asia,” *Modern Asian Studies*, vol. 2, no.1 (1988); David Washbrook, “After Orientalism: Culture, Criticism and Politics in the Third World,” *Comparative Studies in Society and History*, 34 (January 1992).

<sup>35</sup> Pranab Bardhan, *The Political Economy of Development in India* (Oxford: Basil Blackwell 1984), 6.

<sup>36</sup> K. Sundaram, “Employment and Poverty in India, 2000-2005,” *Economic and Political Weekly* (July 28, 2007), 3121-31; World Bank, “Wasting Away: The Crisis of Malnutrition in India,” *Report No 18667 IN* (Washington D.C., December 1998); Anil B. Deolalikar, “Human Development in India: Past Trends and Future Challenges,” *ASARC Working Paper*, University of California, Riverside (September 2007).



be a “hazardous affair.”<sup>37</sup> Thus, under colonialism the “major constituents of human development” were missing because of economic hierarchies, which stood in the way of full realization of “entitlement” (*Perilous Passage*).<sup>38</sup> His general “normative theory” of distribution is different from Sen (1988) who calls for the rights of the poorest, something further to the Rawlsian (1971) view, emphasizing basic needs rather than basic rights.<sup>39</sup> Judgment about social justice can accommodate different kinds of reasons and “evaluative concerns,” because a theory of justice relies on “partial orderings based on commonality of distinct rankings” drawing on different reasons of justice (A. Sen, *Idea of Justice*, 2009). Thus, Bagchi’s occasional defense of “moral values of the Indian merchants and bankers,” who prefer cut-throat competition inherent in Western “protestant ethic,”<sup>40</sup> may have only a partial ordering. Recent close scrutiny of Marx’s works reveal that Marx fully endorsed the technical accomplishments of the capitalist forces of production and “thoroughly” absorbed the Victorian faith in technological progress as the means by which humans could “outsmart and conquer nature.”<sup>41</sup>

Second, the Marxist strain in social capital theory is exemplified in the empirical cultural sociology of Pierre Bourdieu, who argues that social capital is determined by pre-reflective, satisfying networks and norms of consumption.<sup>42</sup> In contrast, in Bagchi’s Marxist strain, human capital is a pre-dispositional marker of class identification and conflict, whereas the democratic strain now sees human capital as the causally linked factors between associations and the real realization of the political egalitarian ideals of democracy. Because Indian capitalism remained subservient to capitalism in the West, he finds that the Indian economy remained “extremely vulnerable” to changes originating in advanced capitalist economies in which vertical societal capital restricts movement up and down. Highly polarized by reasons of income disparity, India stands accused of negative human development, despite physical proximity between the rich and the poor, he concludes.<sup>43</sup> In Bagchi’s assessment, the pre-capitalist mode of production is swallowed up by capitalism, an idea inherent in Marx’s capitalism’s dynamics.<sup>44</sup>

Grand universal concepts are being questioned by several postmodern analyses. In the face of many methodological problems relating to human progress, as observed in an improved

<sup>37</sup> Amiya Bagchi, “Markets, Market Failures, and the Transformation of Authority, Property and Bondage in Colonial India,” in Burton Stein and Sanjoy Subrahmanyam, eds., *Institutions and Economic Change in South Asia* (Delhi: Oxford University Press, 1996), 49-50.

<sup>38</sup> Bagchi, *Perilous Passage*, 4-5; 153-54.

<sup>39</sup> J. Segal, “What is Development?” *Working Paper DN 1* (College Park, MD.: Maryland: Institute of Philosophy and Public Policy); A.K. Sen, “Ethical Issues in Income Distribution, National and International,” in S. Grassman and E. Lundberg, eds., *The World Economic Order* (London: Macmillan, 1981); J. Rawls, *A Theory of Justice* (Oxford: Clarendon, 1971).

<sup>40</sup> Amiya Bagchi, *Capital and Labour Redefined: India and the Third World* (London: Anthem Press 2002), chapter on “Indian bourgeois,” 71-79, 298.

<sup>41</sup> Victor Wallis, “Socialism, Ecology, and Democracy: Toward A Strategy of Conversion,” *Monthly Review*, 44, no. 2 (June 1992), “Technology, Ecology, and Democracy: Toward A Strategy of Conversion,” *Monthly Review*, vol. 44, no. 2 (June 1992).

<sup>42</sup> P. Bourdieu, *Distinction: A Social Critique of the Judgment of Taste*, Trans by Richard Nice (Cambridge, Mass.: Harvard University Press, 1984), 249.

<sup>43</sup> Amiya Bagchi, *The Evolution of International Business 1800 1945, vol. 5: Private Investment in India, 1900 1939* (London: Routledge, 1972), 427.

<sup>44</sup> Immanuel Wallerstein, *The Modern World System* (New York: Academic Press, 1974); *World Systems Analysis: An Introduction* (Durham: Duke University Press, 2004); Jugen Osterhammel and Niels P. Petersson, *Globalization: A Short History* (Princeton: Princeton University Press 2005), 21; Bagchi argues that the logic of industrial capitalism trends to create problems for capitalist growth “everywhere except in some core countries,” Bagchi, *Capital and Labour Redefined*, 74.

methodology (Said), a post-structuralist approach to knowledge (Prakash), class-based analysis (O'Hanlon and Washbrook), and the search for a global order (Turner), a renewed attempt has been provided by postmodernism.<sup>45</sup> Judged by postmodern stance, it is argued that Bagchi “over generalizes the mercantilist” behavior of the Indian bourgeois and misses how it got radicalized in the process of late capitalist development,<sup>46</sup> and unduly equates the bourgeois with pro-imperialist.<sup>47</sup> As the historian Mukherjee submits, the Indian bourgeoisie can at best “actually demonstrate their desire to maintain capitalist system.”<sup>48</sup> In a bold generalized message, Bagchi argues that Indian “surplus” was used to finance the “build-up of the US economy” and ushering in Indian “deindustrialization” causing human deprivation.<sup>49</sup> In short, Bagchi’s stimulating “human development” frame ends up “overextended,” generating a debate about the relevance of intellectually and politically important issues on capitalism’s responsibility for human retardation and material poverty.<sup>50</sup> Both West Bengal’s ruling CPM party activists and leaders share Bagchi’s generalized explanations. A senior loco pilot and trade union leader, Chandan Kumar Sarkar of Calcutta remarked, “The central government’s privatization and economic restructuring by downsizing is the cause of limited economic growth.” A Communist party monthly journal writes, for resource mobilization the government should “strengthen public sector in banks and insurance.” A former Communist Chief Minister, J. Basu, summarizes the leftist view when he writes that five-year-plans’ “rationalization, modernization” meant only job loss.<sup>51</sup> Varied contexts are ignored in all these instances. As the economic historian Bose and others argue, regional economic growth, as opposed to Bagchi’s grand macroeconomic growth, has equal relevance to general contexts for growth.<sup>52</sup> Thus, his capitalist formations, expressed in several ways, rich merchants, industrial capitalists, high middle classes, and democracy, the global ascendancy of the West and the orchestrating of nexus between globalization and progress, are all up for fresh review in line with deconstruction. As Marxist historian Kosambi perceptively observes, “India is not a mathematical point but a very large country, a sub-continent with the utmost diversity of natural environment and historical course of development.” Legitimately rejecting Eurocentric inherent faith in the superiority of the Western economic development,<sup>53</sup> he ironically resorts to received knowledge, which became his

<sup>45</sup> Gyan Prakash, “Writing Post-Oriental Histories of the Third World: Perspectives from Indian Historiography,” *Comparative Studies in Society and History*, 32 (April 1990); Edward Said, “Foreword,” to Ranajit Guha and Gayatri Chakravorty Spivak, eds., *Selected Subaltern Studies* (New York: Oxford University Press, 1988).

<sup>46</sup> Pratyush Chandra, Review of Bagchi, *Capital and Labour: India and the Third World* (London: Anthem, 2002): See also *Review of Radical Political Economics* (Fall 2005), 550-554; B. S. Turner, *Marx and the End of Orientalism* (London: George Allen and Unwin, 1978); R. O’Hanlon and D. Washbrook, “After Orientalism: Culture, Criticism and Politics in the Third World,” *Comparative Studies in Society and History* 34, 1 (1992), 141-67. Two sound works on postmodern methodology are: A.L. Macfie, *Orientalism* (London: Longman, 2002), especially ch. 9; Steven Connor, *Postmodernist Culture* (Oxford: Blackwell, 1994).

<sup>47</sup> Bagchi, *Capital and Labour*, 1769.

<sup>48</sup> Aditya Mukherjee, *Imperialism, Nationalism and the Making of the Indian Capitalist Class, 1920-1947* (New Delhi: Sage Publications, 2002), 52.

<sup>49</sup> Bagchi, *Perilous Passage*, 140-143.

<sup>50</sup> Stephen Philion, Review of Bagchi, *Perilous Passage*, *Journal of World History* (December 2007), 528-532.

<sup>51</sup> My personal interview with Chandan Kumar Sarkar, of All India Loco Running Staff Association, Calcutta, August 2, 2009; Editorial, “Trade Unions,” *The Working Class, Monthly Journal of CITU Union*, vol. 39, no. 2 (July 2009), 5; CPM Party Editorial collection, *Selections from Jyoti Basu’s Speeches*, (in Bengali language) (Calcutta: National Book Agency 2002), 125.

<sup>52</sup> Sugata Bose, *A Hundred Horizons: The Indian Ocean in the Age of Global Empire* (Cambridge, MA.: Harvard University Press, 2006).

<sup>53</sup> Bagchi, *Perilous Passage*, 327-328; see also *Review of Radical Economics* (Fall 2005).

intellectual positivist power. He even goes further to question the socio-political norms of democracy, which he thinks, cause human miseries.<sup>54</sup>

Third, his unified destiny of man ruthlessly expunges particular rationalization, local industrial progress and globalization of goods and services. Both Gayatri Chakravarty Spivak and Homi Bhabha call for a careful deconstruction of the very structures of the dominant and marginal. One of the forms which this takes is an analysis which, instead of obediently adopting a marginal place itself, brings the margins into the center by adopting deconstructive critique to the dominant self-Marxist-histories of the West. Derrida's "deconstruction" may prevent a certain blind in all structuralist claims (structuralist anthropology of Claude Lévi-Strauss).<sup>55</sup> In essence, Professor Bagchi's human development thesis is based on the hypothesis that macroeconomic growth, designed by socialized mode in production, can increase the standard of living, and, as such, there is a need for a "real civil society" with strong "civic virtue." His general calls, for eradication of the neo-liberal economic reforms, challenge to the "power of big money, easy "de-concentration of income," and the introduction of the "appropriate state apparatus" – all appear to be the image that gives the axiom and formal model its appearance of "obviousness" or even "simplicity." Thus, Dipesh Chakrabarty demonstrates the problematic nature of applying conventional paradigms drawn from Europe's experience to the Indian context, raising questions about major hypotheses about social movements.<sup>56</sup>

Last, although he legitimately laments that the early literature on human capital in India did not formalize the relationship between economic development and human development investment, but he analyzes various types of capitalisms, including the Indian variety, not in terms of how much growth it made, but how much damage it had caused the human development. There is nothing new in his 1972 statement that the Indians faced capitalist profit maximizing objectives of "private industrial investment,"<sup>57</sup> and another meta-narrative in July 2009 writing that there has been a continuation of capitalism through "neo-liberal reforms," causing sustained "inequality" by denying the poor, women, and the "underprivileged" nutrition and expensive health care and education.<sup>58</sup>

However, the postmodern articulation of the margins has taken different forms, of which the most important is a model of simple inversion. Spivak's complex model of negotiation and mutual dependence between the East and West may bring a theoretical richness, but her theory falls into the very error that it seeks to correct, that is to say, fixation on and duplication of a

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<sup>54</sup> The Indian communist parties, including the influential The Communist Party of India (CPM), and other social and political leftist organizations of workers, peasants, agricultural laborers, students, teachers, youths and women under their leadership, being influenced by the prevalent socialist movements, have been the major agents of the politicization of the people of India in the broad field of human development. In his "magisterial work," in the words of Immanuel Wallerstein, Professor Amiya Kumar Bagchi has tacit affiliation with the CPM, solidly introduces a Marxist dialectical dimension to the regenerative role of "global ascendancy of capital."

<sup>55</sup> Gayatri Chakravorty Spivak, "Can the Subaltern Speak?," in Patrick Williams and Laura Chrisman, eds., *Colonial Discourse and Postcolonial Theory: A Reader* (New York: Columbia University Press, 1994), 66-111; Homi K. Bhabha, *The Location of Culture* (New York: Routledge, 1994).

<sup>56</sup> Dipesh Chakrabarty, *Rethinking Working class History: Bengal, 1890-1940*.

<sup>57</sup> Amiya Bagchi, "Deindustrialization in India in the Nineteenth Century: Some Theoretical Implications," *Journal of Development Studies* 12 (October 1976), 135-64; Amiya Bagchi, "Deindustrialization in Gangetic Bihar, 1809-1901," in Barun De et al., *Essays in Honour of Prof. S.C. Sarkar* (New Delhi: People's Publishing House, 1976); *Private Investment in India, 1900-1939* (Cambridge: Cambridge University Press, 1972), 4; Review article by Morris David Morris, "Private Industrial Investment on the Indian Subcontinent, 1900-1939: Some Methodological Considerations," *Modern Asian Studies* 8, 4 (1974), 535-575.

<sup>58</sup> Amiya Bagchi, "Missed Opportunities," *Asian News Network* (July 13, 2009).

binary model of the center versus the margin. As Richard King argues, in order to achieve desirable goal in the “provincialization” of Europe, analysts need to “problematize” the construction of a hyper real “Europe” at the center of History as well as the analogous constructs such as India and Europe. Homi Bhabha, who has never officially been in the postmodern subaltern circle,<sup>59</sup> offers a remedy in his version of “hybridity” that challenges the coherence of hegemonic unitary discourses, and rejects any discussion of totality because “[t]he postcolonial perspective resists the attempt at holistic forms of social explanation.”<sup>60</sup> Both the historical and economic theories are intuitively plausible and help explain a range of human underdevelopment in India. Bagchi’s modern rational insights do not speak economics’ whole truth, although his analyses of causation of human degradation have substantial depth.

### ***Colonial Deindustrialization and Deconstruction***

Professor Bagchi’s poverty related economic sub-theme in underdevelopment is made more manageable by a more limited “de-industrialization” concept, which, he presumes, led to severe industrial decline during the early part of the nineteenth century, generating a large fall in total demand and, as such, causing economic downturn, which sent back the industrial workers into agriculture, where wages and incomes were low. Whereas some recent foreign historians are somewhat skeptical about this acute “deindustrialization” theme, Bagchi often harks back to the glorious years of manufacturing in the eighteenth and nineteenth centuries, when Indian artisans produced calicoes and other fabrics of such appeal that England’s spinners, weavers and printers successfully clamored for import bans to protect their own livelihoods. As the colonial industrial policy became exploitative, Indian weavers, especially in north India were “thrown back on the soil” (Nehru, *Discovery of India*, 1946), an interpretation appearing in Bagchi’s assessment as a prime cause of poverty and underdevelopment of the people. How far the so-called “free trade” was imposed under Manchester pressure and how it related to the government’s role remain unclear. His implicit contention is that Indian industry was capable of reducing input costs and becoming competitive, if had received protection against low cost imports.<sup>61</sup> However, protection, which invites retaliation, is an outgrowth of recession.

Nationalists, such as R.C. Dutta, who derives his conclusion from incomparable government census material on decentralization and R. Palme Dutt maintain that the decline of the traditional handicraft industry without a compensating advance of modern industry (drain theory) made India subservient to British industry,<sup>62</sup> an explanation legitimately acting as a significant weapon in the nationalists’ critique of colonial rule.<sup>63</sup> The economist/political scientist Bagchi offers, with insufficient information, an exclusive explanation about the causes

<sup>59</sup> Sub-alternism is an intellectual project with members such as Shadid Amin, David Arnold, Gautma Bhadra, Dipesh Chakrabarty, Parth Chatterjee, David Hardiman, Sudipta Kaviraj, Gyan Pandey, Gyan Prakash, Susie Tharu, Gayatri Chakrabarty Spivak, and others. At one time it was virtually a Bengali project.

<sup>60</sup> Homi K. Bhabha, *Location of Culture* (London: Routledge, 1994), 273.

<sup>61</sup> Recession and retardation are examined in Bagchi and N. Banerjee, eds., *Change and Choice in Industry* (Calcutta, K.P. Bagchi, 1981).

<sup>62</sup> R. P. Dutt, *India Today* (London: Gollancz, 1940), 165.

<sup>63</sup> H.R. Ghosal, “Changes in the Organization of Industrial Production in the Bengal Presidency in the Early Nineteenth Century,” in B. N. Ganguly, ed., *Readings in Indian Economic History* (New York: Asia Publishing House, 1964), 128-29.

and consequences of deindustrialization, which was forced India to pay the “cost” of defeat, he claims.<sup>64</sup> The basic issue has been intensity of the consequences of deindustrialization.

Postmodernism does not mean anything goes, because modernism and postmodernism coexist in a symbiotic relationship in which postmodernism is more a form of consciousness under the structural framework of industrialization, rather than a new stage of historical development. Earlier stress on rational calculation is now blended with normative development. Within this context, objectivity is being synthesized with subjectivism and there begins a struggle with the correspondence between facts and values. With complex critical thought, Dipesh Chakrabarty denounces the historicist urge to force the infinite diversity of human experience into a single historical context and brings into play a different set of arguments centered on the theme of subalternity. Arguing that the problem of capitalist modernity should be viewed also as a sociological problem, he claims that Marxism brings all local events into an assimilating abstract human universal, but simultaneously he legitimately shares Marx’s desire of social justice in capitalist societies. Provincializing does not mean total rejection of positivist West. In this deconstruction, there is a meaning based on closed identities with open differences; no reading or context can totalize.<sup>65</sup> A basic tenet of deconstruction is that multiple factors of multiple levels of reasonings are well recognized; here, analysts have to find an exception to generalization in a text and push it to the limit so that a parochial generalization becomes absurd. Homi Bhabha rejects any discussion of totality because “[t]he postcolonial perspective resists the attempt to holistic forms of social explanation.”<sup>66</sup> Of course, like Chakrabarty, he argues that endless “relocation” to alternative sites of negotiation would once again reveal the irrationality of hegemony at that point, and thus he discards Jameson’s “cultural logic” in which the cultural elements “tend toward a totality.”<sup>67</sup> The objection here is to Marx’s explanation of the seemingly consensual relationship between the capitalist and the exploited, because that relationship only constitutes itself within the process of production. Such relationship is only conceivable with the European early rigid system of capitalism. Bagchi’s analysis in relationship between free trade and deindustrialization is Europeanization and re-colonization of mind. He reports that the colonial administration imposed “unjust land taxes” causing “insecurity” on the defenseless peasants, who were forced out of their “declining handicrafts,” and had to work in stagnant agriculture. It was by his estimate a “creative destruction” impoverishing the Indian “workers.”<sup>68</sup> It was destruction of one industry while supporting the other. Whereas Joseph Schumpeter’s phrase, “perennial gale of creative destruction” refers to organized business, Bagchi uses the phrase in connection with unorganized rural economy, particularly agriculture. It may be recalled that as a promoter of innovation, Schumpeter recognizes that healthy entrepreneurs can arise from the middle management as well. As the postmodernists Harvey and Caldwell argue, analysts cannot fully lay out rules and standards with reference to some “universal truth because it generates a tension due to differential change in the beliefs.”<sup>69</sup>

<sup>64</sup> Bagchi, *The Political Economy of Underdevelopment* (Cambridge: Cambridge University Press, 1982), 32. M.J. Twomey, “Employment in Nineteen Century Indian Textiles,” *Explorations in Economic History* 20 (1983): 37-57.

<sup>65</sup> Shadid Amin and Dipesh Chakrabarty, eds., *Subaltern Studies*, vol. 9 (Delhi: Oxford University Press, 1996), 126-64;

<sup>66</sup> Bhabha, *Location*, 173.

<sup>67</sup> Bhabha, *Location*, 177.

<sup>68</sup> Bagchi, “Land Tax, Property Rights and Peasant Insecurity in Colonial India,” vol. 20, no. 1 (October 1992), 1-49.

<sup>69</sup> D. Harvey, *The Condition of Postmodernity: An Enquiry into the Origin of Cultural Change* (Oxford: Blackwell, 1992), 112, 115; L.K. Caldwell, “Meaning the Transition to Post-Modern Society,” *Public Administration Review*

It is appreciable that Bagchi, agreeing with Parthasarati, calculates that cotton textile started from a low nominal but a high real base since the mid-18th century. Indeed, cotton since the Indus time has been the fabric of life and during the *swadeshi* economic self-reliance movement, rough cloths and coarse rice gained a new height in people's consciousness,<sup>70</sup> and in that sense, Bagchi's high significance attached to cloths industry conforms to the valued Indian social norms. Moreover, handloom cloth during the medieval period was an extremely important commodity and thus the weavers themselves were important commercially and politically. The beautiful cotton and silk handloom cloths which the weavers, who traditionally provided, as Bagchi observes, temple dancing girls to the satisfaction of conservative Hindus were foremost among the important commodities, which the British East India Company dealt in for long. The cloth woven in village centers was for local needs as well as for the wider markets which the far-roaming merchants catered to. Guilds of weavers were significant in local politics both in the north and south of India.<sup>71</sup>

### Causes of Deindustrialization

First, in his state-centered deindustrialization explanation, Bagchi argues that the government of British India was the "sole decoder" in the process,<sup>72</sup> because the state imposed high taxes and did not protect Indian industries, etc. Also, being conscious of the Chinese domination of South Asian trade for long, and of Indian advantage in some manufactures, England wanted to catch up to the more advanced manufacturing of Asia, he concludes.<sup>73</sup> My stance is not a defense of inherently exploitative colonial industrial policy. What I insist is that Bagchi ignored mini-narratives as he fails to realize that decreased state effectiveness and legitimacy, and above all, the colonial state's apparent inability to reduce, much less eliminate poverty, the most widely agreed-upon human development objective of Bagchi, might cast some doubt about deindustrialization caused by state. The Indian economic historian T. Roy finds that the English productivity gains in textile industry and the decline in sea rates due to world transport revolution made it increasingly difficult for Indian producers to be competitive in the world market. As a result England captured India's export market and then internal markets.<sup>74</sup> Some relatively new findings inform that volatility and poor economic performance can be reflective of much deeper institutional weaknesses, which contribute to deindustrialization.<sup>75</sup> Paul Krugman and Anthony Venables find that with the lowering of transport costs, there may be convergence

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35 (6) (1975), 569, 571; Manzoor A. Khalidi, "An Exploration into the Concept of Postmodernism," College of Management Sciences, Karachi Institute of Economics and Technology, Pakistan, 2007.

<sup>70</sup> John Keay, *India: A History* (New York: Grove Press, 2002).

<sup>71</sup> Richard A. Frasca, "Weavers in Pre-Modern South India," *Economic and Political Weekly* (Special Articles), vol. 10 (1975), 1119-1123.

<sup>72</sup> Tirthankar Roy, *The Economic History of India 1857-1947* (Delhi: Oxford University Press).

<sup>73</sup> Victor Lieberman, "Transcending East-West Dichotomies: State and Culture Formation in Six Ostensibly Different Areas," *Modern Asian Studies* 31 (1997), 499; Manoj Kumar Sanyal, Mandira Sanyal and Shahina Amin, eds., *Post Reform Development in Asia: Essays for Amiya Kumar Bagchi* (2009). Here Bagchi is seen as a strong critic of neo-liberal reforms, raising questions about inequality and poverty, food insecurity and hindered empowerment of women; Ashin Das Gupta, *Merchants of Maritime India, 1500-1800* (Aldershot, UK: Variorum, 1994).

<sup>74</sup> T. Roy, "Economic History of Modern India: Redefining the Link," *Journal of Economic Perspectives*, 16 (2002), 109-30; Sambit Bhattacharyya, "Five Centuries of Economic Growth in India: The Institutions Perspectives," in R. Jha, ed., *Handbook of South Asian Economics* (London: Routledge, 2010), 6.

<sup>75</sup> Acemoglu et al., cited in Sambit Bhattacharyya, "Five Centuries of Economic Growth in India: The Institutions Perspectives," in R. Jha (ed.), *Handbook of South Asian Economics* (London: Routledge, 2009).

of real incomes in which peripheral countries gain and core nations may lose.<sup>76</sup> In his investigative Ph.D. dissertation, Philip McEldowney (1980) observes that during the late eighteenth and nineteenth century, the British administration over various territories in India did not want absolute dominance to cover “all economic activities” of the Indians. The British generally allowed free flow of trade, abolishing taxes and tariffs of previous governments in India. In the domain of land control, direct interferences were limited. The taxed producer or land-holder had his own domain, the freedom to improve agricultural production on his own profits and initiatives. Under the British rules of political game, the British attracted Indians to collaborate with them in their “inclusive spheres of dominance.” To such supporters, the government merely recognized privileged status.<sup>77</sup> As Bagchi himself admits on several occasions and others agree, despite economic and administrative changes, landlords remained in a strong position over villages in the 1820s as well as the 1920s.<sup>78</sup> As Robert Frykenberg observes, the relationship between state and society was in the past largely determined by “traditional political processes” and “local influence?”<sup>79</sup> The state looked for not only “economic exploitation but also the political stability” of government and its legitimation. The “rhetoric of law” and not economy was found in most official writings.<sup>80</sup> Where government interests collided with village elites (as in Madras), officials managed some form of accommodation, citing financially sound rationale.<sup>81</sup> Thus, Bagchi’s binary opposition between domination and hegemony is inadequate to explain the state’s relationship with peasants and workers. The British rule began by coercion but wanted to legitimize its rule by getting consent from the rural masses as well as by maintaining some sort of social justice. Colonial property laws, trade policy and taxation policy might have increased landlessness and poverty, but at the same time, the policies had a positive impact on real income in agriculture up to the pre-war period.<sup>82</sup>

At most, his allied explanations have some validity. He correctly argues that collaborators, the landlords and merchants, who obtained surplus, switched their demands from home-produced to foreign-produced goods, and thus became an additional cause for deindustrialization. Before colonialism, the surplus value raised from the peasants by the government, merchants and landlords was used to sustain artisans whose products, in turn, were used by the surplus appropriation for various purposes. As the British set up a new administration, they laid a claim to a part of the surplus which they, as part of the imperialist design, sent to England. The draining of funds had a deindustrialization effect on the economy. Gradually, the commodity composition of the surplus had to change and for that the production structure had to be transformed as the indigenous ruling class began to consume the better class of craft products. In short, Bagchi finds only functional interrelationships between defined and undefined variables, and the problem is accelerated when he concentrates more on understanding

<sup>76</sup> Paul Krugman and Anthony Venables, “Globalization and the Inequality of Nation,” *Quarterly Journal of Economics*, vol. 111, Issue no. 4 (November 1995).

<sup>77</sup> Philip Fredric McEldowney, “Colonial Administration and Social Developments in Middle India, The Central Provinces, 1861-1922,” Ph.D. Dissertation, University of Virginia, 1980, 412.

<sup>78</sup> McEldowney, Ph.D. Dissertation, 321.

<sup>79</sup> Robert Eric Frykenberg, “Traditional Process of Power in South Asia: An Historical Analysis of Local Influence,” in Frykenberg, ed., *Land Control and Social Structure in Indian History* (New Delhi: Oxford University Press, 1979).

<sup>80</sup> Neeladri Bhattacharya, “Colonial State and Agrarian Society,” in Burton Stein, ed., *The Making of Agrarian Policy in British India 1770 1900* (Delhi: Oxford University Press, 1992), 140.

<sup>81</sup> David Ludden, “Anglo-Indian Empire,” in Burdon Stein, ed., *The Making of Agrarian Policy*, 185.

<sup>82</sup> Tirthankar Roy, *The Economic History of India*, 93.

the problems of industrialization in Western advanced countries having “modern” institutional frameworks. Many economic and non-economic variables in India’s deindustrialization were far more extensive than Adam Smith’s comment about “private frugality and materialistic ambition.”<sup>83</sup>

Second, one of his specific causes was the political pressure from wool manufacturers as well as the Indian authority as both first prohibited imports, then imposed heavy tariffs and even sought to forbid the very use of imported printed *chinzes* and *calicoes*.<sup>84</sup> In short, because decline in hand spinning in Gangetic Bihar was widespread, there was the decline in hand weaving in the mid-nineteenth century, and this decline of both spinning and weaving completed the process of deindustrialization having devastating impact on human development. Yes, in the 1750s exports of Bengal cloth declined and by 1760 the value of these exports had fallen to British Pounds 300,000. Bagchi argues that if India had been allowed to benefit from a naturally strong position in the world trade, the great mass of rural productive power would have been released and India’s per capita income would have been much higher. Because all other imports, he adds, were insignificant, compared to textiles and silver, the process of development would remain intact.<sup>85</sup> It is worth observing that the Indian government after independence used protection only to create a globally inefficient capital-intensive industry, which did not offer good employment.<sup>86</sup> What is clear is that there were complexities in import duties during the colonial rule. Until 1917, when a discrepancy was introduced between the import duty and the excise duty on cotton, colonial India did not have a policy of protection. An official report cited by P. Harnetty summed up the colonial government’s attitude describing how an exercise countervailing an import duty was imposed in 1896 “in order to deprive the tax of any protective character.”

Third, he, indeed, misses a significant link in the causative factor. The Viceroys, secretaries of state, the Indian Civil Service (ICS) and British business communities in India, all influenced the outcome of delayed industrialization. The members of the ICS, who had lost their preeminence to the “Manchester men,” had intellectually little respect for technological change per se, except insofar as it was useful. The heavy industries were remote, not a part of their education or experience of civil servants. Thus there was a poor showing of the government’s efforts at founding an iron industry.<sup>87</sup> Even if we accept his statement that employment in spinning and weaving was greatly reduced and human miseries were the consequences in rural India,<sup>88</sup> and a “very large share” of the deindustrialization had its source in the decline of cotton spinning,<sup>89</sup> how can we accept that the metropolitan capitalists (Indian and foreign) got hold of the economy, and the “peasantry” lost their land and the “artisans” lost “their professions,” giving “a visible sign of Hobson-Leninist theory of exploitation” caused by imperial economic

<sup>83</sup> P.J. O’Rourke, ed., Adam Smith, *The Wealth of Nations*, (New York; Atlantic Monthly Press, 2007), chapter 3.

<sup>84</sup> Sidney J. Chapman, *The Lancashire Cotton Industry: A Study in Economic Development* (Clifton, N.J.: 1973).

<sup>85</sup> Bagchi, “Reflections on Patterns of Regional Growth in India during the Period of British Rule,” *Bengal Past and Present*, vol. 95 (1976); K Chaudhuri, *CEHI*, vol. 2 (London, 1980), 844-45.

<sup>86</sup> A.J. Youngson, ed., *Economic Development in the Long Run* (New York; St. Martin’s Press, 1972), 169-70; P. Harnetty, “The Imperialism of Free Trade: Lancashire and the Indian Cotton Duties, 1859-62,” *Economic History Review*, Second Series, vol. xviii, no. 2 (August 1965); Harnetty, “The English Cotton Duties Controversy, 1894-96,” *English Historical Review*, vol. LXXXI, No. CCCV (October 1962).

<sup>87</sup> Daniel R. Headrick, *The Tentacles of Progress: Technology Transfer in the Age of Imperialism, 1850 1940* (Oxford: Oxford University Press, 1988), 296-296.

<sup>88</sup> Bagchi, “De-industrialization in India in the Nineteenth Century: Some Theoretical Implications,” *Journal of Development Studies* 22 (1978), 135-65.

<sup>89</sup> Jeffrey G. Williamson, “De-industrialization and Underdevelopment: A Comparative Assessment Around the Periphery, 1750-1939,” *Harvard Economic History Workshop* (December 1, 2004).



power?<sup>90</sup> Yes, the people and workers faced malaria and the destruction of minor wells and irrigations works, but the causative factor is disputed because occupational structure did not say anything about matters, such as labor's role in the production and the organic composition of capital.<sup>91</sup> His argument, uniform and linear, for the causes of deindustrialization faithfully follows Karl Marx's much-publicized declaration, "The misery hardly finds a parallel in the history of commerce. The bones of the cotton-weavers are bleaching the plains of India."<sup>92</sup> Indeed, Bagchi's suggestion that domestic expenditure on manufactures decreased does not give any clear indication about expenditure on agriculture. His examples of the destruction of native manufacturers, which made several artisan classes poorer in some areas are examples of the decline only over a given period.

Fourth, the informal secondary industry, which consistently outstripped large factories in employment and possibly in production during the colonial period, has never been given a significant place in the debate about the pace in deindustrialization in India,<sup>93</sup> and in this respect, Bagchi's examination of broadly defined secondary industries' role has raised new questions. Rothermund emphasizes the endogenous economic distortions, brought about by unequal relations on the land and on the manner in which the colonial state tended to legitimize these relations affecting the development of Indian local industries. Thus, the locus of historical industrial change may not be found to lie in the vagaries of mostly export performances.<sup>94</sup> Interestingly, some sources suggest that Indian cotton goods nevertheless continued to be exported indirectly and illegally.<sup>95</sup> Coarse fabrics continued to be woven in most areas for local consumption, and the finest specialties also endured. At best he can suggest that the weavers of coarse cloth had to reduce prices. Hand-weaving continued to be a source of livelihood for many, although it was no longer the link to the world economy. The 1901 Census reported that there were still 5.8 million handloom weavers and only 350,000 workers in machine mills.<sup>96</sup> In short, his "causes" are undefined contingent factors.

Fifth, the extortions of local rulers, tax collectors, or brokers were so oppressive that whole village would move away. Some Englishmen reported that "the weavers when disgusted leave behind Lamps in their Houses and remove to some other part of the Country, so that whole Towns are deserted in a Night."<sup>97</sup> Yet, cloth was the major item of trade in certain regions, and as such, a ruler jeopardized his source of wealth if his policies forced the weavers to flee. These craftsmen therefore retained some leverage, and some small fraction even earned moderate

<sup>90</sup> Bagchi, *The Political Economy*, 33-35.

<sup>91</sup> W.J. Macpherson, "Economic Development in India under the British Crown," in A.J. Youngson, ed., *Economic Development in the Long Run* (London: George Allen and Unwin), 135-35.

<sup>92</sup> Karl Marx, *Capital*, vol. 1 (New York: International Publishers, 1967); Max Weber, *General Economic History* (New Brunswick: Transaction Books, 1981), 558.

<sup>93</sup> Douglas E. Haynes, "Artisan Cloth-producers and the Emergence of Power-loom Manufacture in Western India 1920-1950," *Past & Present*, no. 172 (August 2001), 170.

<sup>94</sup> Dietmar Rothermund, *An Economic History of India: From Pre Colonial Times to 1986* (London: Croom Helm, 1988).

<sup>95</sup> Louise A. Tilly, "Presidential Address at the American Historical Association Meeting," *American Historical Review*, vol. 99, no. 1 (February 1992), 1-17.

<sup>96</sup> Census of 1901 cited in *Encyclopedia Britannica*, 11<sup>th</sup> edition, 1910; Peter Harnetty, "Deindustrialization Revisited: The Handloom Weavers of the Central Provinces of India, c.1800-1947," *Modern Asian Studies* 25 (1991), 508.

<sup>97</sup> K.N. Chaudhuri, *The Trading World of Asia and the English East India Company, 1660 1670* (Cambridge: Cambridge University Press, 1978), 252.

incomes.<sup>98</sup> Bagchi's "dislocation" beginning with deindustrialization seems to be an overstatement. Moreover, the very specific needs of their dyers' crafts could not have allowed them to move easily nor very successfully, so that to some extent the dyers and weavers might have been captive to locale. Thus, when Europeans set up their own textile production centers, dyers moved to escape the oppression of the political local rulers, but there is little doubt that, as a rule, dyers lived in economic and "social poverty."<sup>99</sup> And this "social poverty" needs to be verified.

Sixth, how much of deindustrialization was due to local supply side (demise of the Mughal Empire) and how much was due to the rapid world market integration remains an open question?<sup>100</sup> Jaslee Dhamija traces the popularity and decline of velvets and "figured velvets" to the Mughal rulers. She finds that when the Moghul Empire weakened, impoverished conditions caused a reduction of demand for the luxurious velvets. As a result, the royal *karkhana* (factory), where the sumptuous fabrics were produced, lost patronage. The craft deteriorated after the skilled weavers dispersed, and velvet weaving ceased with the fall of the Moghul Empire.<sup>101</sup> Several recent works single out intrinsic supply-side weaknesses and deficiencies of aggregate demand consequent upon the "dragging effect" of the slow or negative agricultural growth.<sup>102</sup> Some sources suggest that the market networks proliferated to interlink in a "layer effect," with an ever-increasing of international trade in which Indian artisans and merchants played a lucrative role. To assume that the English import was a determining disjuncture in deindustrialization is to assume the "non-policy-as-policy."<sup>103</sup>

Indeed, his description of the industrial sectors in Bihar's economy remains unclear because the organization of production in eastern India was not individualized and clearly differentiated. The Bengal Survey projected an image of Bihar as a peasant-artisan economy in which industrial sector and secondary sector did not rise. All over India, the "weaver-capitalists" dealing in machine-led industry with their power-loom manufacturing did not arrive in the production system until the early twentieth century; thus, Bagchi's definition of deindustrialization needs to be clarified; when did industrialization begin? His grand thesis suggesting that industrialization, based on European models, would help the poor in India even during a period of relative importance attached to local crafts can be questioned. His figuration of the Indian Industrial Man is preceded by an account of Western Economic Man. For him, the Western Industrial Man has become an agent of moral and material progress, and yet both are profit-oriented task-masters. His essentializing "Europe," is questioned by postmodern Dipesh Chakrabarty, who argues that Bagchi's "fixed" version of "economism" is apparently "rationality," but in reality implies only a kind of "economic calculus,"<sup>104</sup> based on standard European economic stipulations. Essentialism is the transformation of beliefs, ideas and

<sup>98</sup> Joseph Jerome Brenning, "The Textile Trade of the Seventeenth-Century Northern Coromandel: A Study of a Pre-modern Asian Export Industry," Ph.D. dissertation, Ann Arbor: Michigan, University of Wisconsin, 1975, 274.

<sup>99</sup> Moti Chandra, *Trade and Trade Routes in Ancient India* (New Delhi: Abhinav Publications, 1977), 228.

<sup>100</sup> David Clingingsmith and J. Williamson, "Deindustrialization in 18<sup>th</sup> and 19<sup>th</sup> Century India: Mughal Decline, Climate Shocks and British Industrial Ascent," *Explorations in Economic History*, 45 (2008), 209-34.

<sup>101</sup> Jasleen Dhamijia and J. Jain, eds., *Handwoven Fabrics of India* (Seattle: University of Washington Press, 1990).

<sup>102</sup> I. Habib, "Years to Social Change in Mughal India," *Indian Historical Review*, vol. 5, nos. 1-2 (July 1978-January 1979); Colin Simmons, "Deindustrialization and Industrialization and the Indian Economy, ca.1850-1947," *Modern Asian Studies*, vol. 19, no. 3 (1985), 593-622.

<sup>103</sup> C.A Bayly, *Rulers, Townsmen and Bazaars* (Cambridge: Cambridge University Press, 1983).

<sup>104</sup> Dipesh Chakrabarty, "Class Consciousness and the Indian Working Class: Dilemmas of Marxist Historiography," *Journal of Asian and African Studies* XX111 (1-2) (1998). Chakrabarty's observation has reference to Amiya Kumar Bagchi, "The Ambiguity of Progress: Indian Society in Transition," *Social Scientist* X111, no. 141 (February 1985), 3-14.

perceptions into a tendency to homogenize, and more illogically, to ignore what does not fit the given paradigm. The application of essentialism is preceded by its celebration among the leftist intellectuals in India.

### Results of Deindustrialization

First, in the struggle between “dualism of the formal and the informal,” between the industrial craft sectors and the “primary” sectors, dislocation in industrial craft sectors resulted in economic distress in which many workers “were rendered destitute through process of deindustrialization” (Bagchi 1976). He claims that severe contraction in handicraft industry,<sup>105</sup> and measurable decline in the cotton weaving and spinning sectors, forcing the active weavers to turn to agricultural labor or become small cultivators. Of course, he ignores that those follow-up occupations still remained profitable, not because weaving became less so.<sup>106</sup> Second, he assumes that the “dislocation” of the workers was far more serious than the dislocation experienced in Europe?<sup>107</sup> Other evidence from several authorities suggest that external price shocks facing India were quite modest compared to the rest of the world including Indonesia, Italy and Spain.<sup>108</sup> Third, his *Perilous Passage* (2005), written in a “combative style,” expresses “his humanitarian values” and an acute sense of frustration at the “unequal distribution” of income during the colonial deindustrialization era. His chief issue is serious loss of jobs creating new poverty “among the rural masses,”<sup>109</sup> an issue arising out of so-called “free trade.” Here his unemployment thesis mostly sees market transactions as usually inequality-breeding.<sup>110</sup>

Perhaps, his statistical data prove to be his most serious weakness in consequences. He relies on data collected between 1809 and 1813 by the East India Company Surveyor Dr. Francis Buchanan Hamilton and promptly estimates that between 1809-13 and 1901 the percentage of the working population, which relied on secondary industry in Bihar state, declined from 18.6 percent to 8.5 percent, causing “dislocation” of people employed in the spinning and weaving industry.<sup>111</sup> Opposition to his estimate comes from several sources. Colin Clark argues that dramatic deindustrialization took place during the late nineteenth century when workforce in mining and manufacturing declined from 28.4 percent to 12.4 between 1881 and 1911.<sup>112</sup> The Indian economist T. Roy finds that the share of the industrial workers was higher in 1800 than it was in 1900, and that being so, “strong deindustrialization” took place over the nineteenth century, arguing that cheaper imported cloth benefited the Indian consumers as well.<sup>113</sup> Buchanan’s list of spinners was collected by the surveyor in an arbitrary fashion. The surveyor

<sup>105</sup> Bagchi, *The Political Economy*, 101-02.

<sup>106</sup> P. Harnetty, “Cotton Exports and Indian Agriculture, 1861- 1870,” *Economic History Review*, xxiv (1971), 414-29.

<sup>107</sup> Marika Vicziany, “The Deindustrialization of India in the Nineteenth Century: A Methodological Critique of Amiya Kumar Bagchi,” *The Indian Economic and Social History Review*, vol. XVI, no. 2, 106-07.

<sup>108</sup> Jeffrey G. Williamson, “Globalization, De-Industrialization and Underdevelopment in the Third World Before the Modern Era,” Paper at Carlos University, Madrid (October 6, 2005).

<sup>109</sup> Bagchi, “De-industrialization in India in the Nineteenth Century: Some Theoretical Implications,” *Journal of Development Studies* 22 (1978), 135-65; Bagchi, “Deindustrialization in Gangetic Bihar, 1809-1901,” in Barun De, ed., *Essays in Honour of Professor Susobhan Chandra Sarkar*, 499-502; C.T. Kurien, “An Alternative History,” Book Review of Bagchi, *Perilous Passage* <<http://www.thehindu.com/2006>. Dated 03/10/2006>; *Perilous Passage*, 140-143.

<sup>110</sup> Tirthankar Roy, *Rethinking Economic Change in India*, 47.

<sup>111</sup> Bagchi, “De-industrialization in India in the Nineteenth Century,” 135.

<sup>112</sup> Colin Clark, *Conditions of Economic Progress* (London: Macmillan, 1950).

<sup>113</sup> Tirthankar Roy, *The Economic History of India 1857 194*.

often wrote the “number said to spin” and did not enumerate directly. Another problem was that raw materials were expressed in values, not in volumes.<sup>114</sup> Bagchi misleadingly converts the number of spinners into the number of people dependent on spinning to conclude that either the average spinner supported one other person besides himself or herself or that every spinner supported himself or herself only.

Second, what did the spinners earn and how did this compare with the needs of subsistence?<sup>115</sup> Arthur Lewis argues that the wages in underdeveloped countries were determined by a low level of subsistence costs, so that workers in exporting sectors were, by world standards, underpaid.<sup>116</sup> Even if prices were to increase, the demand pull would lead to an expansion, a rise in labor demand and a rise in money wages. In other words, via multiplier effect a rise in labor demand would mean rise in wages.<sup>117</sup> He overestimates the British mercantile capitalism by ignoring the role of changes in demand and technology having some positive results.<sup>118</sup> Robinson maintains that the underdevelopment is not merely a quantitative process to be measured by low per capita income, because it is a product of an underdeveloped technical and organizational structure that can yield only a small output per person. Supply constraints could be removed by investment in a broader sense by transport, irrigation and research. In this argumentation, there is no special reason (for poverty generation) attached to the decline to primary industry only.<sup>119</sup> By comparing the number of landowners in 1809 with those given in the 1972 Bengal Census, two analysts argue that there had been stability in the Indian agrarian society.<sup>120</sup> Rajat Ray raises an interesting issue: Did the monetary policy affect the opportunities available to or choices made by indigenous entrepreneurs?<sup>121</sup> When it is quantitative, critics argue, Bagchi rarely explains price and wage data. The middle classes had the need for more elegant varieties including dyed and patterned silk, Calico, and velvet, but the majority of rural people relied on traditional simple cloths.<sup>122</sup> In any case, a fall in the proportion of handicraft workers before 1880 would not necessarily imply a sustained fall beyond that date.<sup>123</sup> Also, deindustrialization can occur even in an economy which is in perpetual full employment, but where the unemployment of hitherto employed industrial workers constituted the hall-mark of deindustrialization. Since conditions vary so widely from region to region, the data required are such as can be gathered only by what Professor Gerschenkron calls “a great deal of patient monographic research.” Third, observing that there was a demand crisis

<sup>114</sup> Alastair Orr, “De-industrialization in India – A Note,” Department of Economics, University of Edinburgh, 2007.

<sup>115</sup> Marika Vicziany, “The Deindustrialization of India in the Nineteenth Century: A Methodological Critique of Amiya Kumar Bagchi,” *The Indian Economic and Social History Review*, vol. XVI, no. 2, 106-07.

<sup>116</sup> Lewis’s most famous contribution was “Economic Development with Unlimited Supplies of Labour,” *The Manchester School* (May 1954).

<sup>117</sup> Colin Simmons, “Deindustrialization and Industrialization and the Indian Economy, 1850-1947,” *Modern Asian Studies*, vol. 19, no. 3 (1985), 593-622; Tirthankar Roy, *Rethinking Economic Change in India*, 89-90.

<sup>118</sup> D. and A. Thorner, *Land and Labour in India* (New York: Asia Publishing House, 1962), chapter 6; J. Nehru, *The Discovery of India* (London: Asia Publishing House 1965), 299; Angus Maddison, *Class Structure and Economic Growth: India and Pakistan Since the Moguls* (New York: W.W. Norton, 1971), 56.

<sup>119</sup> Joan Robinson, *Economic Philosophy* (Garden City, New York, 1964), 20, 24-25, 121.

<sup>120</sup> Rajat and Ratna Ray, “The Dynamics of Continuity in Rural Bengal under the British Imperium: A Study of Quasi-stable Equilibrium in Underdeveloped Societies in a Changing World,” *Indian Economic and Social History Review*, vol. X, no. 2 (1973), 103028.

<sup>121</sup> Rajat Ray, *Industrialization in India: Growth and Conflict in Private Corporate Sector, 1914-47* (Delhi: Oxford University Press, 1979).

<sup>122</sup> K. A. Nilakanta Sastri, *A History of South India from Pre historic Times to the Fall of Vijayanagar*, 337.

<sup>123</sup> Russell Lidman and Robert I. Domrese, “India,” in W. Arthur Lewis, ed., *Tropical Development 1880-1913* (Evanston: Northwestern University Press, 1970), 319.

(Bagchi 1978), and the peasantization of the artisans leading to a development of semi-feudal society (Bagchi 1982), he concludes that it was capitalism without modern capitalist hierarchies. It was in line with Ranajit Guha's famous terms, "dominance without hegemony" in a semi-feudal economy.<sup>124</sup> Additionally, Bagchi observes that other rural and urban manufactures were also "ruined" partly by the rise of alternative source of supply and by government restrictions.<sup>125</sup> His chief critic, Morris David Morris, a noted American economic historian, claims that a fall in the world textile prices during the nineteenth century possibly raised the total demand of Indian cloth. Because the yarn prices remained halved, 1819-1880, and cotton prices fell by about a factor of four, it can be argued that the positive forces outweighed the negative ones of competitive destruction of income and jobs.<sup>126</sup> Bagchi ignores that there were some specific demands in Britain for white cloth, especially from Bengal.<sup>127</sup>

Indeed, Bagchi does not see the internal problems associated with capabilities. Sabyasachi Bhattacharjee observes that pre-modern smelting as done by the Agarias people kept labor productivity very low. Twenty men operating a furnace could make 50 to 100 kilograms of raw iron per day.<sup>128</sup> In short, Bagchi does not delineate the antecedents and causes or consequences. The exploitation of India during 1757-1813, Bagchi claims, was done through the legal monopoly of the East India Company aided by European merchants. The economic contradictions represent conflicts of interest that are structural in origin and so not transient, but with historical dimensions. Sudipta Kaviraj perceptively argues that the problems of reductionist Marxism emerge from the tendency to think of classes as actors on the level of social discourse. Classes do not determine the acts of the individual directly but through the political forms to which the individual belongs. Indeed, the non-Marxist intellectuals have found the non-privileged individuals as "subaltern classes," thereby giving attention to a variety of relations of domination and subordination besides the Marxist stress on the classes, such as the proletariat.

Bagchi has no means, or he does not feel the need to examine the spatial or regional aspects of industrial location and action. He hardly gives any detailed narratives of the Murshidabad "industrial" village clusters. Indigenous merchants and industrial capitalists had not been peripheral, but central to the world system of the late nineteenth century. It was a vast intermediate network enabling the deep local penetration and extensive global reach of colonial capitalism.<sup>129</sup> There were many large-scale industries and many unorganized small-scale industries.<sup>130</sup> Segments of craft industry gained from the international exchange in several ways, through available cheaper industrial materials and the increased purchasing power of consumers as the prices of finished products fell and rural incomes increased. Even after independence

<sup>124</sup> Ranajit Guha, "Dominance Without Hegemony and Its Historiography, in Ranajit Guha, ed., *Subaltern Studies I* (Delhi: Oxford University Press, 1982).

<sup>125</sup> Bagchi, "Deindustrialization in India," 135-64; Bagchi, *The Political Economy*, 82-83.

<sup>126</sup> Morris David Morris and Dharma Kumar, eds., *Indian Economy in the Nineteenth Century: A Symposium* (Delhi: Indian Economic and Social History Association, 1969).

<sup>127</sup> Dietmar Rothermund, "The Changing Pattern of British Trade in Indian Textiles, 1701-1957," in Sushil Chaudhuri and Michel Morineau, eds., *Merchants, Companies and Trade: Europe and Asia in the Early Modern Era* (Cambridge: Cambridge University Press, 1999), 351-67.

<sup>128</sup> Sabyasachi Bhattacharjee, "Cultural and Social Constraints on Technological Innovation and Economic Development: Some Case Studies," *Indian Economic and Social History Review* 3(3) (September 1966), 252-254.

<sup>129</sup> Rajat Ray, "Asian Capital in the Age of European Domination."

<sup>130</sup> D. Kumar, "The Economy under the Raj," *South Asian Review* 3 (4) (1970).

extreme poverty of the rural population limited the expansion of the market for industrial goods.<sup>131</sup>

Last, we may agree with him as he argues that by giving exclusive land rights to certain individuals, colonialism created an artificial surplus of labor; unemployment remained high.<sup>132</sup> Additionally, the low income of craftsmen was also adversely affected by the small group of European business firms, the “agency houses,” later on the “managing agencies,” virtually controlled all external trade and much of internal trade. Managing agencies had a quasi-monopoly on access to capital. But his argument that India was reduced to supplier of agricultural products and raw materials, and became a minor manufacturing country may not be the whole truth. It is hard to accept that de-industrialization led to a structured “society which has often been characterized as semi-feudal.”<sup>133</sup>

### **Leftist Globalization and Human Development**

The conventional wisdom is that economic globalization is a multidimensional process whereby markets, business firms, production, and national systems are integrated, at times rapidly, and often slowly, on a global scale. The pillars of this international transaction are international trade, foreign direct investment, migrations, and cross-border financial flows. Traditionally, globalization has been associated with the flow of Western economic, political, and social beliefs and institutions to many parts of the developing world. Contemporary globalization with technology and overseas investments has enabled India to defy an earlier assumption that India’s services-led strategy basically benefited the West. Now India races up the value-technology chain.

On a theoretical level, two basic theories of unequal economic globalization have emerged with two components: contingent factors and theoretical observations. The first one suggests that there is no long-term deterioration in the terms of trade between advanced and less advanced states, raw materials and manufactured goods; there can be fluctuations and no trend. Second, far from a theory of unequal exchange being necessary for any theory of imperialism, the substitution of countries for classes destroys the theory of imperialism. Yet, the heart of the theory of imperialism, the domination of the world market by a powerful group of states remains valid. But it does not mean static relationships between the geographical parts of the system would remain constant because manufacturing would be the general pattern in the developing world, a point earlier noted by M.N. Roy. Now, awareness of the world is that the economic seems always subordinate to the political, the market to the state and the world to Washington. But the process of capital accumulation on a world scale was not the creature of particular states or particular multinational institutions. The market re-emerged as the dominant force, reshaping the world in quite unanticipated ways. Recognizing the change is the first step toward rebuilding an effective critique of globalization.

Since 1972 when he was a student at Cambridge, Bagchi made direct links between economic globalization and its sequential and culminating generation of poverty among the majority of the Indian people. He writes, “We regard human fulfillment rather than accumulation of commodities as the central quest of social policy and the central area of inquiry in human

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<sup>131</sup> Angus Maddison, *Class Structure and Economic Growth: India and Pakistan Since the Moguls* (New York: Norton, 1971), 61; T. Roy, *Rethinking Economic Change*, 110-11.

<sup>132</sup> Bagchi, *The Political Economy*, 24.

<sup>133</sup> Bagchi, *The Political Economy*, 51-54.

science.”<sup>134</sup> Going beyond the Global South’s “latest neo-colonialism” concept in the globalization debate, he now claims that it is “rich men’s globalization,” which is moving toward human underdevelopment by hindering actual growth in the national macro-economy and impoverishing the general population, and in its wake globalization has created a new high middle class, who are set against equitable distribution of wealth. For him, the debate as to “whether free trade would equalize the fortunes of rich and poor countries” becomes “irrelevant,” because “tribute remittances” can take the place of trade, thereby raising “questions of political morality.”<sup>135</sup> Examining several of his ideas of globalization, of finance, capital, trade, and technology, we focus on two aspects: (1) Differences between Indian long traditions of globalization and Bagchi’s modern rational prescriptions; and (2) Tangible results in globalization in recent decades. In both instances, he largely follows a Marxist meta-narrative which needs to be deconstructed.

### Globalization and Indian Traditions

In ancient India, there had been warnings against cultural isolationism, as reflected in an Indian parable about a well-frog, the *kupmabdaka* (a frog) that lived its entire life within a deep well, knowing nothing. Kautilya’s state system stipulates that extended relationship “is a progressive advance from a condition of “Decline to that of Equilibrium and thence to that of Progress.”<sup>136</sup> The Indus Valley produced cultivated cotton and made sophisticated dyed cotton goods for export to Mesopotamia for profit. In Vedic India, wealth was expressed in terms of woven garments and household materials because they were held in high esteem both in India and abroad. In the first and second centuries A.D., Indian textile goods were supplied to the Mediterranean and East Africa, and by the fifth century Indian textile cloths were being traded in South Asia. Traders then engaged in business of perfumes, etc. Trade in perfumes was praised because it yielded very handsome profit.<sup>137</sup> During the Gupta era (320-535 A. D.), cultivation of cotton and the production of cotton textiles supported an export trade. Agnes Geijer, an art scholar, gives evidence from documented history that dyed or painted cottons of Indian origin were used in many parts of Europe, markets before 1500 A.D. or, as the authoress states, “before sea-trade era.”<sup>138</sup> By the mid-eighteenth century, India “virtually clothed the world,” but statistics about profit and loss are not available.

Traditional India’s claim of development and wealth through international trade, a feature in globalization, allowed traders to command seas and replace poverty with abundance. In a painting found in Vaisali dated fifth century A.D. there was a picture of *Sri Lakshmi*. It was in the fitness of Indian early traditions that *Lakshmi*, the presiding deity of wealth, was associated with ships which, in ancient times, brought untold wealth to the country. This seal also supports

<sup>134</sup> Bagchi, “Dualism and Dialectics in the Historiography of Labor,” *Contemporary Studies of South Asia, Africa and the Middle East*, vol. xix, no. 1 (1999), 109; Bagchi, “Contextual Social Sciences: Or Crossing Boundaries,” *Economic and Political Weekly*, vol. 31, issue 43 (October 26, 1996), 2877; Bagchi, “Working Class Consciousness,” *Economic and Political Weekly* (July 28, 1990), 199.

<sup>135</sup> Bagchi, “Rich Men’s Globalization: How Do Women and the Poor Fare?”, in Malini Bhattacharya, ed., *Globalization* (New Delhi: Tulika Books, 2004); Bagchi, “The Great Depression and the Third World with Special Reference to India,” *Social Science Information* (Sage Publication, 1979); Bagchi, “Political Economy: A Discourse of Mastery or An Apparatus of Dissent,” a contribution to the *History of Development Economies* (UNU/WIDER Project), 107.

<sup>136</sup> U. N. Ghosal, *A History of Indian Political Ideas* (London: Oxford University Press, 1957), 146.

<sup>137</sup> *Panchatantra* (Bombay: Privately Published, 1950), 6-8.

<sup>138</sup> Jasleen Dhamija and Jyotindra Jain, eds., *Hand woven Fabrics of India* (Seattle: University of Washington University Press, 1990).

the ancient maxim, *Vyapare Vastate Lakshmi* (in trade dwells *Lakshmi*).<sup>139</sup> After enumerating several kinds of professions, The *Panchatantra* praised trade and commerce because they yielded good name and money. In the overseas trade, the profit was from two hundred to three hundred percent, and for that, the state guards in the Gupta period guarded the trade routes.<sup>140</sup> Whereas Chandra (2007) describes the far-flung trade routes from India to the Roman Empire, Angus Maddison (2001) claims that the “globalization” linkages played a critical role in stimulating economic growth. Broadly speaking, economic historians agree that economic progress throughout ages was advanced by international trade, capital movement and technological and institutional innovation.<sup>141</sup>

Subrahmanyam, an economic historian, depicts a complex picture of dynamic economies in which foodstuffs were widely exported by land and sea, and rich merchants and political power-holders secured their positions. He adds that Indian traders blunted and countered Portuguese penetration by Indian “wealth, military manpower and commercial and political” acumen. Many people depended for their livelihoods on agriculture and handicraft production for distance markets; voluntary and mutually beneficial international trade was practiced.<sup>142</sup> Demonstrating deep knowledge of Indian social and economic history as well as wise use of company records, Das Gupta, a noted historian of Calcutta, describes a network of trade from Surat.<sup>143</sup> This globalized trade demonstrated the reshaping trade connections and globalization of trade between India and the rest, and certainly reflected on the quality, desire and complexities of early trade and Indian “portfolio capitalists.” Later on, the Western educated Indians, small in number, as well as the nationalists encouraged external trade as part of modernization of the economy. Between 1885 and 1900, the nationalists’ tactics of debate and discussion reflected the values of the educated class, who preferred more direct contact with the West. Wealth creation for human prosperity was a goal and in this sense, Bagchi’s modernity’s triumphal Marxist progressivism can take some lessons.

The postmodern geographer David Harvey, calls contemporary globalization “space-time-compression,”<sup>144</sup> which creates a shared immediacy and a virtual togetherness to produce the prerequisites of international social relations and networks, within which effective distance is considered smaller than geographical distance, an idea inherent in India’s ancient idea of “belonging to the world,” or *Vasundahra*, meaning the world is our family. Marx also allows different activities of work to be brought into commerce and conversation with each other. However, for Dipesh Chakarabarty, the radical other “subaltern” constantly challenges international capital which “claims to unity and universality.” In a more radical mode, Harvey’s workers’ lives and culture capture the predicament of Leftist political economy, asking where to find and how to construct spaces of resistance that may evade the “insidious reach of capital.” By constantly urging our attention toward the crisis-ridden international movement of capital toward

<sup>139</sup> Moti Chandra, *Trade and Trade Routes in Ancient India* (New Delhi: Abhinav Publications, 1977), 229.

<sup>140</sup> *Epigraphica Indica*, Vol. XX, 45; E.B. Cowell and F.W. Thomas, *The Harsa Carita of Bana* (translated), second edition (Delhi: 1961), 199-201.

<sup>141</sup> Nayan Chanda, *Beyond , Bound Together: How Traders, Preachers, Adventurers and Warriors Shaped Globalization* (New Haven, CT: Yale University Press, 2007); Angus Maddison, *The World Economy: A Millennial Perspective* (Paris: Organization for Economic Cooperation and Development, 2001); Shalendra D. Sharma, *China and India in the Age of Globalization* (Cambridge: Cambridge University Press, 2009), 132-33.

<sup>142</sup> Sanjay Subrahmanyam, *Improving Empire: Portuguese Trade and Settlements in the Bay of Bengal 1500 1700* (Delhi, 1990), 67, 74, 121; M.N. Pearson, *The Portuguese in India* (Cambridge: Cambridge University Press, 1987).

<sup>143</sup> Asin Das Gupta, *Indian Merchants and the Decline of Surat: C. 1700 1750* (Wiesbaden, 1979).

<sup>144</sup> David Harvey, *The Condition of Postmodernity*, 240.



“value in motion,” Harvey provides for Left politics an opening for criticism against the capitalist order. At the same time, Harvey also appreciates the ethics of “difference,” a difference which must resort to mediating universals. In contrast, Chakrabarty, despite his criticism of the meta-narrative of capital, can only muster a half-hearted attempt to accommodate capital’s international rule. His Bengali *adda* (friendly conversations) becomes a comfort zone for capitalism. Unlike Chakrabarty,<sup>145</sup> Spivak finds in “deconstruction” a political program that is more useful in showing international capital’s inbuilt exploitative nature. In contrast, Bagchi’s meta-narrative in globalization demonstrates only universality. His way to express the idea is to refer to supra-territoriality, in which Harvey’s “location, distance, and borders” no longer play a role in socio-economic relationships. He conforms to the thesis of Falk, Khan, and G. Sen, who contend that globalization and regionalization will “only” benefit the powerful economic entities, thereby marginalizing the weak regions.<sup>146</sup>

Bagchi’s strong anti-globalization theme runs through his two great works, *Private Capital* (1972) and *Capital and Labor Refined* (2002) arguing that national and international capitalist maneuvering does not develop “human capabilities” because it fails to reduce “poverty.” He charges that recent neo-liberal globalization via some trade and financial deregulations brought about “a higher degree of income while large groups of people have been bypassed,” and that even Mahatma Gandhi had misled the Indians by defending Max Weber’s competitive “protestant ethic,” which brought about “impulsive forces” of international “capitalism.”<sup>147</sup> In light of old Indian traditions and some current beneficial exchanges through economic globalization, his concept appears to be suffering from both pedantry and vagueness. Perceptively speaking, India’s earlier eras of simple means of transportation and natural boundaries (ocean and mountains) rarely proved to be insurmountable obstacles when there was a will to establish contact with the distant lands, whereas Bagchi looks for a simplified one-dimensional quantification, contaminating traditional values. A study by Bauman (1998) and Castle (1999) reveal that globalization has impacted greatly on cultural identity and social harmony among various social groups, making a dent in traditional enclaves such as urban-rural, men-women, caste-*dalits*, organized-unorganized and formal and informal.<sup>148</sup>

### Dimensions of Globalization

His economic globalization exhibits several pronounced elements. First, his criticism of the merchant capitalists is in line with Marx’s declaration, as Marx, in scornful reproach of classical economics in 1848 declared that “if the free traders cannot understand how one nation can grow rich at the expense of another, we need not wonder” and added that “within one country, one class can enrich itself at the expense of another.”<sup>149</sup> On another occasion, Marx argues that the development of merchant capital has been historical “premises” for the development of anti-people capitalist production.<sup>150</sup> Bagchi literally follows Marx’s paradigm arguing that

<sup>145</sup> Dipesh Chakrabarty, “A Small History of Subaltern Studies,” in Henry Schwartz and Sangeeta Ray, eds., *A Companion to Postcolonial Studies* (London: Blackwell, 2002), 468-69.

<sup>146</sup> All cited in Haider A. Khan and Zulfiqar, “Globalization and Regional Co-operation in South Asia: A Political and Social Economy Approach,” < <http://www.e.u-tokyo.ac.jp/cirje/research/03research02dp.html> > (March 2007).

<sup>147</sup> Bagchi, *Perilous Passage*, 328; Bagchi, *Capital and Labour*, 296-299.

<sup>148</sup> Z. Bauman, *Globalization: The Human Consequences* (New York: Columbia University Press, 1998); S. Castles, “India: Macroeconomic implications for the Fiscal Imbalances,” Research Paper at the Conference on Fiscal Policy in India, National Institute of Public Finance and Policy and the International Monetary Fund, New Delhi, 2004.

<sup>149</sup> Karl Marx, “Theories of Unequal Exchange,” *International Socialism*, no. 33 (London: Autumn 1986), 111-12.

<sup>150</sup> Bagchi, *Capital and Labour Redefined*, chapter on “Indian bourgeois,” 71-79.

international capitalists not only drained India's resources but also gave rise to a class of domestic capitalists, who caused human suffering by introducing new vigor in exploitation. In short, economic globalization and free enterprise, as Bagchi maintains, have not only led to "the feminization of labor but also "grinding poverty," accelerating the process of "migration" to the Middle East and the West.<sup>151</sup>

During the nineteenth century when globalization was taking shape, merchant capitalists, he maintains, with their "free trade" and exploitative investments in India caused hardship on the smaller traders and citizens. Merchant capital, in Marx's estimate, gained control of the financing trade sector and usurers' capital in order to make profits from interests on diverting funds from productive means of production. It is wrong to equate usurer/merchant classes, who are dependent on exploitation carried out by others, with capitalism as Gunder Frank does. Bagchi's argument is that a capitalist merchant class in India emerged to openly exploit the people, and this was possible, he adds, as the merchant classes influenced the society by allying with various government agencies. For Marx, this was possible because of the "Asian mode of production," with economic stagnation as the norm, whereas Bagchi targets merchant capitalists (Indian and as European), as the agents in unequal global trade. In India, he adds, merchants created two complementary banking systems, European-style banking and Indian style banking sectors, as a "mutually recognized division of spheres of activity" since 1860,<sup>152</sup> thereby shaping the merchants' material roles as the intermediary capitalists working as engines of commodity production, exchange and peasant indebtedness in India. In this process of negotiation, contestation, and appropriation of international trade and money, capitalist development took a sovereign imperative. As the distinctions between the private and public economic activities faded,<sup>153</sup> globalization in finances and businesses started to operate with an implicit state guarantee, giving the merchants an edge in borrowing money and expanding their overseas business. Despite the presence of presidency banks, common citizens' banking transactions remained non-existent, argues the "official State Bank historian," Bagchi.<sup>154</sup> However, it is wise to remember that the heavy infusion of public money into private banking was earlier shocking by Indian business traditions.

Second, during the recent decades, Bagchi observes, the well financed transnational firms, numbering only a few hundred, changed the market structure to make it oligopolistic on the world scale. Not only production but also technology and its development came to be controlled by the few Western giants. The ability of the developing countries, including a "soft" state like India, to resist was impaired by explicit pressure exerted by capitalist countries and their agencies, as well as by the inherent contradictions of the dependent capitalism.<sup>155</sup> These internal contradictions became apparent as India's economic liberalization and globalization "rocked" the country by "financial scandals often involving the top officials and politicians."<sup>156</sup> Trade, for Bagchi, becomes mostly globalized capitalism that buys low and sells high. Thus, India's post-independent "capitalist development," via economic internationalization and financial liberalization, has led to "unequal development," eventually preventing the growth of

<sup>151</sup> Bagchi, "Globalizing India: A Critique of an Agenda for financiers and speculators," 128-129.

<sup>152</sup> Amiya Bagchi, *The Evolution of the State Bank of India: The Roots*, parts one and two (Bombay: Oxford University Press, 1987), vol. 2, 518.

<sup>153</sup> Ritu Birla, *Stages of Capital: Law, Culture, and Market* (Durham: Duke University Press, 2009), 12.

<sup>154</sup> Bagchi, *The Evolution of the State Bank of India*.

<sup>155</sup> Bagchi, *The Political Economy*, 194-195.

<sup>156</sup> Bagchi, *Perilous Passage*, 321.

human development, he concludes.<sup>157</sup> The “perilous passage,” through neo-liberal financial deregulation and “fraudulent” practices, as exemplified by American Enron (2002), demonstrates, Bagchi claims, the evil social implication of “global crossing” of investment. So, he concludes, “ordinary holders of shares and mutual fund securities” today as well as general deregulation of Indian domestic financial system have led to “increased poverty and unemployment.”<sup>158</sup> To cite significant abuses of globalization he writes about Bombay’s power plant installation. The project in Dabhol in Maharashtra state was one of the eight fast-track foreign investment infrastructure projects set up as a result of the Indian government liberalizing economic reforms in 1991. The implicit argument of Bagchi is valid as he argues that the global system is primarily an exploitative capitalist system in which multinational corporations, such as Enron gain. But in this specific case, the economic historian Mehta, in an impressive dispassionate manner, argues that the main problem of Enron failure was at home. “There was a complete failure of every conceivable institutional structure,” including the government, the press, and the courts.<sup>159</sup> We may accept Warren’s (1980) version of Marxism to the extent that socialism is impossible without the development of the productive forces, but reject the implication that there is only one way for the productive forces to develop.<sup>160</sup>

Third, like Marx, Bagchi projects a simple idea in global division of industrialized and non-industrial backward countries and calls upon the poor countries to agitate against the globalized capital, brought by transnational institutions such as IMF, World Bank and WTO, because foreign interventions, through globalization, he submits, take away local rights, among others, of “Indian fishermen” and other “low income groups.”<sup>161</sup> His core versus idea is expressed also in a kind of dualism - dualism of “unfree” and “free” markets. To substantiate his argument, he observes that there was flow of capital during the Great Depression when the major movement of capital was from the developing world to the advanced metropolitan center rather than the other way round. The spread of “capitalist colonialism” led to uneven growth of capital to the advantage of capitalism that virtually enslaves labor.<sup>162</sup> Now, however, it is known that the post Cold War global bifurcation remains unreal, as emerging China, India and other nations assert trade and financial control more forcefully than before. Not doubt, in several Sub-Saharan states, the World Bank, IMF, and Export/Import Banks have assumed extra-ordinary fiscal power, but the view from Calcutta, New Delhi, Bangalore, Seoul, and Beijing are strikingly different. Even India, with its heritage of Hindu rate of growth at about 3 per cent in the past, has outperformed many Western countries, and Bangalore has become the “Silicon Valley.” Bombay, with its largest slums in Asia, has become a top financial center and premier film industry. Despite the protest of the Hindu fundamentalist *swadeshi* (home product) economic self-reliance, India is being integrated into the world economy. Cyber space has created new “virtual communities” irrespective of physical distance,” as globalization gets a strong handle on

<sup>157</sup> Bagchi, “Globalizing India: A Critique of an Agenda for financiers and speculators,” in Johannes Dragsback Schmidt and Jacques Hersh, eds., *Globalizing Social Change* (London: Routledge, 2000), 130, 136-137, 140.

<sup>158</sup> Bagchi, *Perilous Passage*, 321- 325.

<sup>159</sup> A. Mehta, *Power Play: A Study of the Enron Project* (New Delhi: Orient Longman, 2000), 177. For full arguments about socialist globalization, see Leslie Sklair, *Globalization*, 299-321.

<sup>160</sup> B. Warren, *Imperialism: Pioneer of Capitalism* (London: New Left Books, 1980).

<sup>161</sup> Bagchi, “The Parameters of Resistance,” *Monthly Review*, vol. 55, no. 3 (July-August 2003).

<sup>162</sup> Bagchi, “The Contradictions of Globalization,” *Comparative Studies of South Asia, Africa and the Middle East*, vol. XIX, no. 1 (1999), 106-121.

its geographical implications.<sup>163</sup> While the merits of the multinationalization can be debated, the way it is happening confounds simplistic notions of a stable global core and Marxist periphery. North-South dialogue has little significance. It is time that we put less emphasis on a universal process of socioeconomic development embodied in the notion of “history-as-progress.”<sup>164</sup> Postmodernism reinforces the theoretical emphasis placed by Chayanovian theory on the role of consumption, as distinct from production, in defining the subject.<sup>165</sup> In this emancipation of subject, the narrow “modern state” is increasingly obsolescent due to an excess in corruption, production and mal-distribution. With decreasing effectiveness, its exclusive claim to sovereignty has lost its credibility and legitimacy.<sup>166</sup> Strong suspicion is generated due to the failure of the modern developmental state.<sup>167</sup> Such a view necessarily signals emancipation as the object and attainable end of historical transformation along with interconnectedness.<sup>168</sup> In short, Bagchi ignores a reality in asserting that the Indian capitalists demonstrated a characteristic of European culture, rather than of business behavior as such.<sup>169</sup> Moreover, when globalization accelerated in the 1990s in India, “globality” no longer was anything but special. Yet, ironically, Bagchi recognizes that a successful developmental state actively should encourage “learning from foreigners,” adaptation of technologies to local conditions and introduction of “productive innovations.”<sup>170</sup> Amartya Sen has a point in explaining that analysts need to go beyond tracing voices coming from emerging countries (China, India, Brazil) in look into demands of nations with lesser economic stride (African states) and also to pay attention to the civil societies. He recommends a continuation of global economic and social exchanges.<sup>171</sup>

Fourth, various estimates suggest that “the fruits of economic growth have benefited,” though unevenly, “all sectors of Indian society.” For instance, in rural India, poverty was down by 27 percent, whereas urban poverty fell by 8 percent. India cut the share below the poverty line from 60% to 42% between 1981 and 2005, implying an annual reduction of 1.5% a year. India is now the second-most popular global destination for FDI, behind only China. Many economists lament that India is largely absent from the supply chains in East and South-East Asia that have come to exemplify globalization itself. The analysis of Martin Ravallion demonstrates that poverty reduction has links with global connections through vigorous manufacturing with globalization. Yet India’s record in reducing poverty, Bagchi’s genuine goal, pales in comparison with that achieved by highly globalizing China. China shows a 6.6% annual rate of poverty reduction between 1981 and 2005, and incidentally that also has strong links with global

<sup>163</sup> Martin W. Lewis and Karen E. Wigen, *The Myth of Continents* (Berkeley: University of California Press, 1997), 154-55.

<sup>164</sup> Ranajit Guha, *Elementary Aspects of Peasant Insurgency in Colonial India* (Delhi: Oxford University Press, 1983),

<sup>165</sup> A.V. Chayanov, *The Theory of Peasant Economy* (Homewood, IL.: The American Economic Association, 1966).

<sup>166</sup> Isvan Hont, “The Permanent Crisis of a Divided Mankind,” in John Dunn, ed., *Contemporary Crisis of the Nation State* (Oxford: Blackwell, 1995).

<sup>167</sup> Ashis Nandy, “The Beautiful Expanding Future of Poverty: Popular Economy as a Psychological Defense,” *International Studies Review*, vol. 4, no. 2 (Summer 2002).

<sup>168</sup> T. Evers, “Identity: The Hidden Side of New Social Movements in Latin America,” in D. Slater, ed., *New Social Movements* (Amsterdam: CEDLA, 1985), 254.

<sup>169</sup> Bagchi, *Private Investment*, chapter 8.

<sup>170</sup> Bagchi, “The Past and the Future of the Developmental State,” *Journal of World Systems Research*, vi, no. 2 (Summer/Fall 2000), 411.

<sup>171</sup> A. Sen, *The Idea of Justice*, 409.

trade.<sup>172</sup> The neoclassical growth theories have long claimed “convergence” in which poor countries will eventually catch up with richer ones in terms of level of per capita product or income. With caste system and bad school schools, India has serious domestic constraints.

On all the above discussed counts, Bagchi’s old and new globalization thesis loses its vitality as economic realities unveil. In 2005, net capital inflows to India amounted to \$25 billion, and by September 2007 it had reached \$66 billion. The reserve funds rose to \$312 billion in May 2008. High growth in the 1980s to the fiscal expansion, financed by external and internal borrowing, was encouraging (Ahluwalia 2002), and as result there arose openings of alternative markets for Indian goods (Panagaria 2004). As domestic markets were liberalized, concessional external finances arrived (Olekalnsa and Cashin, 2000). The argument here is that since India grew in the 1980s by borrowing, the country had little alternative but to open up economy to the international market forces.<sup>173</sup> The trend that surfaced when Tata’s Nano small cars came to market has resulted in a slew of new products for people with little money who aspire to a taste of a better life. Such inventions represent a basic shift in the global order of innovation. Indian companies in India now focus on how to improve, innovate, and distribute.

Basing his arguments on events between 1500 and 1850, the American sociologist Immanuel Wallerstein develops a theory of the “modern world system,” an interpretation of the expansion of the “capitalist global economy” as it originated in Europe. There was a development of “centers” and the “peripheries,” an idea swallowed up by capitalism in the theory of Marx. Since Wallerstein is not very interested in “outer arena,” Marx becomes a world economic historian and his followers remain indoctrinated with an ideological bias; ideology does not admit a contrary paradigm.

### ***Assessments: Bagchi’s Globalization***

First, geo-historical vision in globalization emphasizes European exceptionality, rather than modernization theory, in which he remains rooted in European ideas and institutional practices for development. An old study by Boeke (1953) found that it would be impossible to characterize a society in the economic sense, by the social spirit, the organization forms and the technique dominating it, because these aspects are interlinked.<sup>174</sup> Second, his contradiction is visibly apparent when he favors foreign trade with plenty supplies of private capital (Bagchi, *Private Capital*). Perhaps, he agrees, reluctantly, with the basic useful theses of Adam Smith that economic people specialize in doing whatever they do best and exchange it for something else and in the process more can be produced and everyone’s income and standard of living become higher, and also of David Ricardo whose theory of comparative advantage, posits that countries can benefit when they trade their surplus. Third, globalization’s worldview has multiple aspects, because a significant driving force in globalization lies not in the “economic” nor in the political sphere but in the realm of culture and ideology. It was Marxist and a communist militant Antonio Gramsci (1926-37), a Sardinian rebel in Fascist Italy and the first postmodern subaltern, who elaborated on Marx’s insight that the ruling ideas of an age are the ideas of its ruling class creating a theory of hegemony and a theory of classes of intellectuals whose “function” is to

<sup>172</sup> Banyan, “Land of Eastern Promise,” *The Economist* (November 21<sup>st</sup>-27<sup>th</sup>, 2009); Martin Ravallion, <econ.worldbank.org >

<sup>173</sup> M.S. Ahluwalia, “Economic Reforms in India since 1991: Has Gradualism Worked?,” *Journal of Economic Perspectives* 16(3) (2002), 67-88; A. Panagaria, “India in the 1980s and 1980s: A Triumph of Reforms,” Paper at the IMF-NCAER Conference, Delhi, November 14-16 (2003); S.K. Misra, “Socioeconomic Dimensions of Globalization in India,” *Working Paper* (2006).

<sup>174</sup> Cited in S.K. Misra, “Socioeconomic Dimensions of Globalization in India,” Working Paper (2006).

challenge the leading economic ideas. His *Prison Notebooks* has been a turning point in the history of Marxist ideas and their contemporary relevance; the book has introduced the relevance of culture in public exchange.<sup>175</sup> The socialization process through T V, and media, by which people learn what to want is increasingly taking place through what the theorists of the Frankfurt School has so accurately termed the “culture industry.”<sup>176</sup> While admitting the validity in Bagchi’s message that capitalist globalization propagates an integrated culture and ideology of consumerism through manipulation of existing consumption needs, it is safe to counter-argue that varied transnational-ideologies and practices are the nuts and bolts that hold the globalization system together.<sup>177</sup> Mere market practices cannot be used to circumvent the task of documenting the cultural effects on the people.<sup>178</sup> To conflate commerce with capitalism does not sharpen our understanding of social-historical process. As both Marx and Weber established, the mere co-presence of commodities and merchants does not yield capitalist social relations.<sup>179</sup> Last, globalization represents technological innovation as well. If Internet did not exist, the current rush to outsource information technology and service sector functions to Noida or Bangalore would not be occurring. One challenge for development economists and social historians is to demonstrate that globalization is not only about jobs and investments. There are human development issues with a moral element. Perhaps, the best single way to explain globalization in an Indian context is the value chain. There is even a value chain in services. As against this value system formation, Bagchi makes two claims that common citizens make systematic mistake in assessing impact of “physical assets and their productive powers,” because individuals do not correctly see the nature of “actuarial values.” There still does not exist an independent international socialist economy, market, or accumulation, as Stalin, had anticipated.<sup>180</sup>

### Conclusion

First, the genuine progress indicator (GPI), which adds to the GDP the value of housework and then subtracts from it the cost of pollution, loss of leisure, and resource depletion, has been constructed on an experimental basis. By this indicator, genuine progress has not been made, even in the US. Avoiding the intense debate about the measurement in success in human development, we can accept that the Marxist universal construct is not economically neutral. Indians are advancing the human development welfare according to the criteria of their cultural norms. Then there is the other India looking for a place in the world scene. In 2002 India became the fourth largest economy in purchasing power parity (PPP) terms. Owing to globalized competition, India has the second-largest pool of English-speaking technically skilled professionals in the world. Now, India demands a rightful place in the world market.

Second, the poverty alleviation programs in India have been essentially top-down ventures, which are heavily dependent on the government bureaucracy. As a result, the perceived

<sup>175</sup> Antonio Gramsci, “Notes on Italian History,” in Gramsci, *Selections from the Prison Notebooks*, trans. and ed., Quintin Hoare and Geoffrey Nowell Smith (New York: International Publishers, 1973).

<sup>176</sup> J. Bernstein, ed., *The Culture History: Selected Essays on Mass Culture* (London: Routledge, 1999).

<sup>177</sup> Leslie Sklair, *Globalization: Capitalism and Its Alternatives* (Oxford: Oxford University Press, 2002), 105-106.

<sup>178</sup> Joseph M. Bryant, “The West and the Rest Revisited: Debating Capitalist Origins, European Colonialism, and the Advent of Modernity,” *Canadian Journal of Sociology* 31(4) (2006), 403-444.

<sup>179</sup> Karl Marx, *Capital*, vol. 1 (New York: International Publishers, 1967); Max Weber, *General Economic History* (New Brunswick: Transaction Books, 1981).

<sup>180</sup> Andre Gunder Frank, “On Dalton’s ‘Theoretical Issues in Economic Anthropology,’” *Current Anthropology*, vol. 11, no. 1 (February 1970), 67-71.

needs of the poor do not get sufficient attention. Usually the employment creation projects are weakly integrated by the Indian government with area development, showing a lack of flexibility both in selecting activities that suit local resource endowments and environment, and in devising methods of implementation. Bagchi ignores Rajni Kothari's much-appreciated thesis that projects the Indian state as a centralized corrupt bureaucracy lording over the civil society. Bagchi's advocacy of socialist pattern of development may not be conducive to human development in India, which has the most regulated economy among the emerging nations. In conclusion, Bagchi's prediction of minimal growth of economy and negative human development is based on a fairly specific body of concepts and the deployment of rigorous logical tools, but he begins with characteristic pre-occupation with the centuries-old sequence of stages of economic evolution. His apocalyptic vision of the collapse of bad capitalism in India and its suppression by a new form of concepts is based on the idea of discarded "take-off" thesis of W.W. Rostow. Indeed, it is difficult for economic historians to formulate social theories. Professor Gerschenkron is essentially correct in stating that our natural temptation is to seek a single model of growth because long-term development cannot fall into a repetitive pattern.<sup>181</sup>

Last, Bagchi sees the institutional framework mostly in terms of the modes of production in semi-feudal, pre-capitalist, capitalist or even colonial, but ignores linkages between capitalism, national custom and governmental action. His is mostly an inductive approach that lacks other aspects in explanation for human development in India. Poverty of India, arising out of malfunctioning of globalization, is our specific issue, and one's values enter into the choice of problems on which one works. Bagchi articulates his individual political interests by stressing more distributional issues than problems of growth? His judgment that growth "in the socialist world" has been great seems to be an outdated obsession.<sup>182</sup> Indeed, he does not allow his enormous skills as a renowned economist to challenge the conventional leftist universalistic wisdom.<sup>183</sup>

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<sup>181</sup> Alexander Gerschenkron, "The Early Phases of Industrialization in Russia: Afterthoughts and Counter-thoughts," in W.W. Rostow, ed., *The Economics of Take off into Sustained Growth* (1963), 166.

<sup>182</sup> Bagchi, "Industrialization," in Ron Ayers, ed., *Development Studies: An Introduction Through Selected Readings* (Greenwich, England: Greenwich University Press, 1995), 655-677.

<sup>183</sup> Aditya Mukherjee, *Imperialism, Nationalism and the Making of the Indian Capitalist Class, 1920 1947* (New Delhi: Sage Publications, 2002), 27-29; 118, 388.

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