

SOUTH-SOUTH FORUM ON SUSTAINABILITY

Lingnan University, Tuen Mun, Hong Kong

12-14 December 2011

The Impact of Neo-liberal Policy on Indian Peasantry

Arindam Banerjee

The sustainability of small-scale cultivation, which largely characterizes Indian agriculture, though not in a homogeneous or undifferentiated manner, has been one of the important casualties of the trajectory of neo-liberal policies into which the country embarked upon in the early nineties. Driven by fiscal fundamentalism, this amounted to a veritable withdrawal of the state from economic operations, more so from agriculture. A host of policies adopted like the rationalization of input subsidies, downsizing of incentive pricing, decline in public investments, shrinking public extension services and contraction of institutional credit availability in rural areas all precipitated a widespread agrarian crisis with deflation in farm incomes and emergence of indebtedness among the peasantry (Patnaik, 2002; Reddy and Mishra, 2009; Banerjee, 2009).

The liberalization of trade in agricultural commodities and the thrust on export-oriented agriculture has been inimical to the interests of the Indian peasantry given the extent of capitalist development and competitiveness that certain sections of the peasantry had achieved after independence. The increase volatility in crop prices meant that average returns to the large investments undertaken by farmers for a shift to commercial cultivation were mostly inadequate. Coupled with this squeeze in farm incomes, the intensifying dependence on moneylenders for credit requirements in the wake of shrinking formal credit availability has resulted in the tragic phenomenon of mass farmer suicides in the country.

In this context, revisiting the peasant classes throws light on the new constraints on agriculture under the neo-liberal regime. This also elaborates on the agrarian change that rural countryside in India has undergone in terms of the capacity of rich and upper peasant classes to drive the process of capital accumulation and growth in the agricultural sector in a sustainable fashion.

Apart from the reforms in agriculture in the neo-liberal period since 1991, the only other major agricultural reforms undertaken in independent India had been the multi-pronged strategy for agriculture introduced in the mid-sixties, famously known as the Green Revolution strategy. This had triggered crucial changes in the agrarian structure and led to a paradigmatic shift in growth of the agricultural sector in the country. A whole range of policies ranging from technical changes like the introduction of HYV seeds and chemical intensive cultivation to institutional interventions like escalated procurement of crops from farmers at a minimum support price and expansion of credit coverage of small and marginal farmers were envisaged and implemented

during this time. In the milieu of these policies, the most critical agrarian change that ensued was the adoption of own-cultivation by large landowners in the country, hitherto living off ground rents earned by leasing out land to tenants and shying away from direct investments in their lands.

An assessment of the farm incomes and investments by different peasant classes, both the net labour exploiting upper peasantry (closer to capitalist farmers) and the lower peasantry who are net sellers of their labour power to the rich peasants, by studies based on primary data from the field in certain regions of the country and from countrywide secondary data (from National Sample Surveys) reveal the contemporary economic conditions of the Indian peasantry. Such assessments invariably expose the non-viability of peasant cultivation and high levels of indebtedness for the poor and small peasants. However, these assessments additionally point out that even the labour-exploiting rich peasants, who also control most of the productive assets, are unable to achieve a social reproduction; undertaking productivity-enhancing farm investments were a far cry. Depression of consumption levels or consumption loans from informal sources or default on existing credit liabilities are the only way in which they can drag themselves into the next production cycle. Indebtedness and immiserisation has penetrated the upper peasantry in the country under the neo-liberal regime.

A peasant-class analysis distinctly brings out the constraints that prevent the realization of surpluses across the peasantry. Volatile and inadequate prices, rising input costs and inability to improve upon farm technologies by even the upper peasantry classes all lead to low value-addition in cultivation. Low returns cause farm indebtedness, a large part of which is to informal sources. This further depletes large portions of surplus generated from cultivation.

It is evident that the agrarian crisis has also considerably affected the upper peasantry classes, like rich farmers, who had been steadfastly driving the capitalist development of Indian agriculture, particularly after the Green Revolution. Under neo-liberalism, these classes have been fleeced of their capacity to continuously re-invest their surpluses into agriculture. It is precisely this reason, why the agricultural sector as a whole has suffered stagnation in capital formation and growth in the economic reforms period, when the other sectors in the economy has witnessed much higher growth. What we have experienced is effectively an arrest of the overall capitalist development of Indian agriculture under the influence of neo-liberal policies.

The Indian peasantry is not of a homogeneous nature by any measure. Intra-peasantry contradictions between the different peasant classes continue to manifest themselves through their engagements in the labour and land markets. However, the greater and more stringent contradictions that the entire peasantry has to grapple with in the input, output and credit markets, and with the policy of state withdrawal from agriculture, relegate the more generic intra-peasantry contradictions to secondary importance.

In other words, the primary relation of labour exploitation in farm production is no more a sufficient condition for capital accumulation in agriculture. The unfavourable exchange relations (in output, input or credit markets) that nearly all sections of the peasantry face currently have stunted the capacity of rich peasants in undertaking large technology-enhancing farm investments. With immiserisation and indebtedness having unambiguously permeated

among the middle and rich peasants also, the peasantry as a whole faces a more fundamental contradiction with neo-liberal policies of the ruling elite, driven by the hegemony of finance capital.

This is not to deny that a minority among the rich peasants or capitalist landlords have accumulated wealth during this protracted period of agrarian crisis. However, they have done so precisely by taking the crisis as an opportunity and tapping on these unequal exchange relations in associated markets to extract super-normal surplus from the rest of the peasantry. However, the recent growth pattern in the Indian economy has meant that a lot of this agricultural surplus extracted by this miniscule section of the rural ruling class has not been reinvested in agriculture, where profits rates have remained low for a long time now, but redirected to rapidly growing and speculative sectors like real estate or lifestyle services in urban and semi-urban areas. This has further reinforced the stagnation in growth and technology in the Indian agrarian sector.

REFERENCES:

- Banerjee, A. (2009) 'Peasant Classes under Neo-liberalism: A class analysis of two states' *Economic and Political Weekly*, Vol. 44(15), April 11
- Patnaik, U. (2002) 'Deflation and Déjà vu: Indian Agriculture in the World Economy' in V. K. Ramachandran and M. Swaminathan eds. *Agrarian Studies: Essays on Agrarian Relations in Less-Developed Countries*, New Delhi, Tulika.
- Reddy, D. Narasimha and Srijit Mishra (2009) *Agrarian Crisis in India*, OUP, New Delhi.