

A MODEL OF DEVELOPMENT BY DISPOSSESSION

AMIT BHADURI

Professor Emeritus, JNU, New Delhi
Honorary Fellow CDS

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Thiruvananthapuram

Section 1. INTRODUCTION

Both the words 'development' and "dispossession' have different meanings in different contexts. Our specific context is a poor, predominantly agrarian economy which is trying to 'develop' or transform its economic structure through high industrial growth. This development model is often presented as a process of 'creative destruction' of sorts. It destroys traditional livelihoods through forced dispossession of people in the countryside, mostly by the government for acquiring land and natural resources including common property resources like grazing land, forests, rivers, mountains and coast lines. Increasingly this has become an explosive internal problem in several developing countries, a problem exacerbated by the fact that these countries are late comers in the history of industrialization. They have no significant colonies and foreign lands to plunder nor can they imitate past colonizers who settled to acquire vast land and natural resources, not infrequently through genocide of the original inhabitants. Consequently the first hurdle to this style of development appears in the form of requirement of natural resources related to land. This obstacle is overcome through some form of internal colonization of the land of its own citizens who are relatively voiceless. The problem is more acute in countries that have not been sufficiently successful in generating steady export surplus or fortunate with natural endowments like oil to acquire the necessary natural resource through international trade.¹ However the context of the problem differs because of the nature of political accountability of the government in this respect. We analyse how development by dispossession is carried out through internal colonization in a multi-party democracy where elections are regularly held to legitimize the

process. Contemporary India is used as our point of reference although variations on the same theme would not be difficult to find elsewhere.

Several inter-related questions arise in this context which we try to answer precisely first with a stylized simple model displaying the inter-connections (Section 2) and then, with some relevant modifications of the model for connecting it to the politics of land acquisition (section 3). Our concluding observations (section 4) set the analysis in a wider context touching on a few broader issues particularly relevant of Indian economy and polity in recent years.

Section 2. THE BASIC MODEL

We explain some notations and assumptions using an arithmetical example which also illustrates aspects of the problem.

(a) We assume the economy has a traditional natural sector and a modern sector of organised industries with public and private ownership coexisting. No distinction will be made between the organised industrial sector and the private corporate sub-sector. They are lumped together for our present purpose, for having the common characteristic of considerably higher productivity per worker than in the traditional natural economy from which people are being dispossessed and displaced. The natural sector includes small peasants, tenants and also persons who derive diverse livelihoods in numerous ways from land and land based natural resources like river, water bodies, forest, mountains, deserts and coasts. This implies use rights related to livelihoods rather than changes in the ownership related to property becomes the central issue.²

(b) As an analytical device we assume an 'equilibrium' situation in employment and natural resource as the initial condition. It allows us to focus on changes in the relevant variables during a period as 'flows' while the corresponding 'stocks' inherited is assumed to be in equilibrium. This device is awkward in discrete period analysis, but continuous time treatment at least hides problems on this particular account. The assumption of initial stock equilibrium is essential to keep out the 'arbitrariness' of many possible different initial disequilibrium conditions for analysing dynamic adjustments. To put it more dramatically, the assumption of equilibrium as initial condition keeps out the arbitrary intrusion of 'history' into formal analysis.³ Thus we would be dealing with perturbation from an initial equilibrium brought about by land acquisition and trace to an extent the consequent dynamic adjustments in the 'flows' in the model.

Let n and c be subscripts for the natural and the corporate (or organised) sector respectively, and x_j be their respective labour productivity of sector j ($j=c,n$). The stock variables will be represented by capital and the corresponding flow variables by small letters. If l_n represents the number of laboures dispossessed at time t from the natural sector and, l_c the number absorbed in employment by the corporate sector, the changes in net output and employment caused by dispossession can be calculated from the above data as,

$$(1) \quad (x_c l_c - x_n l_n), \text{ with } x_c > x_n \text{ by assumption.}$$

The expression is positive, zero or negative implying growth of output, stagnation or decline in output respectively. In terms of proportional growth rate of output ,

$r = ((x_c l_c - x_n l_n) / (x_n l_n))$. When all dispossessed workers from the natural sector are employed in the corporate sector without any time lag i.e., $l_c = l_n$, and the rate of growth of output is at its maximum, $r_{max} = [(x_c/x_n) - 1]$ with zero unemployment. On the other hand, if none of the dispossessed find employment, $l_c = 0$ in (1) and the rate of growth is at its minimum, i.e.

$r_{min} = -1$ and unemployment at its maximum. In actual situations the growth rate would typically lie between these logical extremes for at least two important reasons. First, effective demand may not be sufficient for some reasons for the corporate sector to offer employment to all the dispossessed. Second, reallocation of labour with related skills and capital equipments is time consuming resulting in 'frictional unemployment' even under the best of circumstances.

Letting a_j stand direct and indirect land requirement per unit of output in sector j ,

(2) $a_j x_j = k_j$ = direct and indirect land and natural resource requirement per unit of labour employed in sector j .

Using (1) and (2) the impact on natural resource balance resulting from dispossession and development is given as,

(3) $k_c l_c - k_n l_n$.

Expression (3) is positive, zero or negative depending on whether development by dispossession leads to excess demand, exact balance or excess supply of land and natural resource acquired.

Consider the following example in the light of above.

	Corporate sector	Natural sector
Employment	$(dL_c/dt) = l_c = +4$	$(dL_n/dt) = l_n = -10$
Labour productivity	$x_c = 6$	$x_n = 2$

Output gain and loss	$x_c l_c = 6(4) = +24$	$x_n l_n = 2(-10) = -20$
Natural resource per unit of output	$a_c = 2$	$a_n = 0.50$
Natural resource per unit of labour	$(a_c x_c) = k_c = 12$	$(a_n x_n) = k_n = 1$

The example above implies, growth rate in output of $(24-20)/20 = 20$ percent and simultaneous decline in employment of $(4-10)/(10) = -60$ per cent. Given the newly employed to displaced ratio (l_c/l_n) , i.e. $4/10$, an exactly inverse productivity ratio of $(x_n/x_c) = 1:2.5$ in the above table would leave the output level unchanged but with 6 out of the 10 displaced unemployed. However, with the productivity of the corporate sector higher (or lower), i.e. $(x_n/x_c) = 1:3$ in the above table, the same level of unemployment coexists with a positive (or negative) growth rate of output.

In this example total natural resource needed by the corporate sector from (3) is, $k_c l_c = 12 \cdot 4 = 48$ while natural resource made available through dispossession in the natural sector is $k_n l_n = (1)10 = 10$. Thus $(10-4) = 6$ unemployed persons coexist with excess demand for land related natural resource of $(10-48) = -38$ units while output grows at 20 per cent. This points to a double deficit typical of corporate led development by dispossession, deficit in employment creation on the one hand, and deficit in availability of natural resource on the other.

Deficiency in demand or the limited size of the market often appear as the most serious problem in reallocation of labour from low productivity natural sector to high productivity corporate sector. In the example above the productivity of the corporate sector being three times higher, the market size has to be three times larger, if the corporate sector were to absorb all the displaced labour. This is unlikely in most instances through expansion of the

domestic market in the short period. And labour would certainly be dead in the long period unless a short period solution can be found.

Leaving out exceptionally successful export surplus countries (and India has not been one of them), the external market seldom provides the needed market. In any case it is a zero sum game; for every export surplus country there would be an import surplus case and development by dispossession cannot be a successful strategy in general for most developing countries.

Access to the external market raises another problem. Under globalisation products have to be standardized, internationally competitive with delivery on time. Both for imposing labour discipline which often means raising labour productivity without raising wage proportionately (lower unit cost) to extract higher surplus per worker and, for standardization of quality large corporations tend to shift focus on international competitiveness. Governments championing the ideology of promoting corporate-led transformation fully subscribe to this obsession with international competitiveness at the neglect of domestic market. The result is higher labour productivity without corresponding expansion of the market leading to shedding of labour in large businesses.⁴

Countering deficiency in domestic demand through expansionary fiscal policies is generally discouraged by governments subscribing to the dominant neo-liberal ideology of public finance which aims at improving the private investment climate (Kalecki, 1943). It propounds the idea of a minimalist state which would leave as far as possible economic activities to the private sector for seeking profit. This ideology of 'sound finance' to reduce budget deficit influences conservative fiscal policy to discourage public investment and deficit financing and compresses government spending on social welfare

affecting mostly the poor. Neither public consumption nor investment spending increases sufficiently and the limited size of the market poses a barrier to employment of the dispossessed labour.

The process of development by dispossession encounters another problem in the form of availability of land and natural resources apart from limitation of the size of the market. Land and related natural resources are not produced within the industrial system. This can be conceptualized by considering an inter-connected economic system of various sectors or industries transacting in a circular flow (Stone, 1961). It is a self contained system of production of commodities by means of commodities in each period where everything is produced inside the system except labour and land as primary factors (Quesnay translated by Kuczynski and Meek, 1972; Leontief, 1951; 1987; Sraffa, 1960; Pasinetti, 1977; Dorfman, Samuelson and Solow, 1958; S). However, because both land and labour are stocks, for dimensional consistency they enter the transaction matrix as flow of services from the stocks. Under the assumption of Leontief technology in a linear production system of fixed coefficients, the direct and indirect land and related natural resource requirement can be computed approximately through the Leontief inverse the input output matrix under certain assumptions. Short circuiting for the present purpose this issue of computation, we represent by k_j ($j=n,c$) the total land (including natural resources below and on the surface) service required per unit of output.

When more labour is dispossessed from the natural sector than is absorbed by the corporate sector, the surplus dispossessed labour try to eke out an existence somehow in the informal sector with a diverse range of economic activities and modes of occupation and employment. Under the assumption of

equilibrium in employment as initial condition, there is no inherited stock of unemployment. This sets an upper bound to employment in the informal sector as,

$$(4) \quad l_i = h \cdot (l_n - l_c), \quad 1 \geq h \geq 0$$

When some of the dispossessed cannot find refuge even in the informal sector, they become condemned as the most hopeless destitute, and $h < 1$; when informal sector absorbs them all in various forms of disguised and not-so-disguised unemployment, $h = 1$.

With k_i as total land requirement per worker in the informal sector, the net natural resource requirement in place of (3) becomes,

$$(5) \quad k_c l_c + k_i l_i - k_n l_n,$$

which is positive, zero or negative depending on whether there exists excess demand, exact balance or excess supply of natural resources.

Production by the informal sector means more output but it also means more demand for land related natural resources in various forms. Ironically this competition for natural resources arising from the informal sector usually has an unintended effect of reducing the productivity in the corporate sector. This may be described as the 'congestion effect' resulting in overcrowding in housing, transports, power, water and several other economic and social infrastructural facilities. The deteriorating quality of life and pollution has negative impact in many ways. It mostly remains unreported in media how life becomes harder, even shorter and brutal in the natural and in the informal sector. In the corporate sector it shows up through increase in absenteeism (ill health), late arrivals (traffic congestion), frequent disruption of power and water supply and irregular supply of inputs upsetting delivery schedules of

outputs. They combine to reduce labour productivity of the corporate sector from its technologically feasible maximum (q). We capture this negative congestion effect on corporate labour productivity through a specific function,

$$(6) \quad (x_c/q) = [1 / [1 + (k_{i,l_i} / k_{c,l_c})]]$$

Equation (6) specifies how realized productivity x_c decreases from its technologically feasible maximum q , as the ratio of the natural resource requirement of informal (k_{i,l_i}) to the corporate sector (k_{c,l_c}) tends to increase from some negligible quantity (zero) to some arbitrarily large positive number (infinity) with q as upper bound.

Natural resource balance obtains if,

$$(7) \quad k_{i,l_i} = (k_n l_n - k_{c,l_c}) \geq 0.$$

Inserting (7) in (6) and simplifying,

$$(8) \quad (x_c/q) = (k_{c,l_c} / k_n l_n), \text{ and also, } (l_c / l_n) = (k_n x_n / k_c q).$$

Equation (8) represents an equilibrium locus of supply of natural resources distributed among sectors incorporating a lower value of x_c compared to q due to competing claim for natural resource by the informal sector.

The natural resource balance in (8) has to be complemented by an analysis of the formation of aggregate demand which determines the size of the market which affects the extent of absorption of dispossessed labour in the corporate, and informal sector (Recall in the above arithmetical example we had arbitrarily assumed that 4 out of 10 dispossessed labourers found corporate employment).

The size of the market imposing the demand constraint is specified through expenditure(investment) income(saving) balance.

Let b_j = investment undertaken per unit of output in sector j ($j=c, i, n$) on the basis of expected demand. Thus increase in the flow of investment by the corporate and informal sector on account of land acquisition becomes,

$$(9) \quad (dI/dt) = \{b_c x_c l_c + b_i x_i l_i\} + g_e,$$

where $b_j x_j = v_j$ denotes investment per unit of labour in sector j ;

g_e = investment expenditure related to land acquisition (purchase, compensation etc) by the government. Equation (9) represents an investment function on the assumption that the level of investments $v_c l_c$ and $v_i l_i$ in (10) are investments made on expectation of sufficient demand for levels of output at normal capacity utilization. Equality between investment and saving ensures that sales expectations are realized with respect to output produced (Harrod, 1939).

Assuming fixed sectoral propensities to save (s_j), the increase in the flow of savings of the economy is given as,

$$(10) \quad (dS/dt) = (s_c x_c l_c + s_i x_i l_i - s_n x_n l_n) + g_s,$$

where g_s = savings by the government from sale and allocation of land;

$(-s_n x_n l_n)$ is the dis-saving by the natural sector caused by dispossession.

For simplicity of exposition (notations also) we would assume perhaps not too unreasonably that the dis-saving due to dispossession of the natural sector is balanced by the saving of the informal sector, i.e.

$$(11) \quad (s_i x_i l_i - s_n x_n l_n) = 0$$

Equality of incremental investment (dI/dt) and saving (dS/dt) on account of land acquisition determines the increase in output through aggregate demand. From (10) and (11), $(dI/dt)=(dS/dt)$ implies,

$$(12) \quad [(v_c l_c + v_i l_n) - (s_c x_c l_c)] + g = 0, \quad g = (g_e - g_s)$$

which in view of (4) can be written as,

$$(13) \quad l_c = \alpha^{-1} [(v_i h_n) l_n + g]; \quad \alpha = [(s_c x_c - v_c) + h v_i],$$

The close analogy with Keynesian income determination model in relation to the corporate sector can be made explicit by first noticing that the expression $(s_c x_c - v_c)$ in the square bracketed term is the same in as the usual Keynesian income adjustment stability condition that saving is more responsive than investment to change in output (per worker). Thus the entire the square bracketed term, $\alpha = [(s_c x_c - v_c) + h v_i] > 0$. Its equality with saving in (12) ensures that this expected level of output is realized as sales because the size of the market is just adequate to absorb that level of output.

The demand determined level of corporate employment l_c in (13) governs the level of land acquisition and dispossession l_n carried out by the government. While its politics would be explained in greater detail later, we may formally assume that under corporate led growth l_c is the independent and l_n the dependent variable. This leaves part or whole of the surplus dispossessed labour is employed in the informal sector as a residual category.⁶ Thus, given the corporate level of employment l_c , the sectoral distribution of employment and productivity are consistently being brought in line with the available supply of natural resources by the government through dispossession which is emphasized by rewriting equation (8) as,

$$(14) \quad l_c = \beta l_n, \quad \beta = (k_n x_c / k_c q)$$

The interaction between (13) and (14) captures how corporate employment proceeds with dispossession through land acquisition. This is encapsulated in a linear first order differential equation,

$$(15) \quad (dl_n / dt) = \theta [\alpha^{-1} (hv_i) l_n + g] - \beta l_n,$$

where the positive arbitrary constant θ may be set at unity for notational simplicity without loss of generality .

With $l_n(0)$ at $t=0$, the particular solution of (15) is ,

$$(16) \quad l_n = [l_n(0) - g / (\alpha\beta - hv_i)] e^{-[(\alpha\beta - hv_i) / \alpha]t} + g / ((\alpha\beta - hv_i)).$$

From (16) the equilibrium is exponentially stable if,

$$(17) \quad \beta - (hv_i) / \alpha > 0.$$

Substituting for α and β with original notations the stability condition is rewritten as,

$$(k_n x_c / k_c q) > [hv_i / (s_c x_c - v_c) + hv_i].$$

Taking reciprocals on both sides, rewriting the left hand side using (14) in terms of sectoral employment proportions, and subtracting 1 from both sides, we can reduce the above stability condition to,

$$((s_c x_c - v_c) / hv_i) > (l_n - l_c) / l_c \text{ or, } s_c x_c l_c > (hv_i l_i + v_c l_c).$$

It is essentially the same Keynesian stability condition that, in equilibrium saving by the corporate sector should exceed investment by the informal and the corporate sector taken together.

If stability condition (17) is satisfied, a positive equilibrium exists at,

$$(18) \quad l_n^* = g / ((\alpha\beta - hv_i) \text{ at } g > 0.$$

The existence of an economically meaningful positive equilibrium is linked with the stability condition through a positive value of $g > 0$. It is also important to note that in this flow equilibrium model, such an equilibrium (l_n^*) has a limited meaning in so far as it is characterized by a constant

positive rate of land acquisition given by (18) without acceleration or deceleration of that rate . This may be reckoned as sustainable in the short run but not in the long run, unless the rate of depletion of exhaustible resources can be countered through trade or technology.

Section 3. MODIFICATIONS FOR REALISM.

Although linear and highly simple in formal structure, the model presented above can accommodate useful modifications to throw some light on actual situations especially in the specific context of contemporary India. Since early 1990s India has relied increasingly on private corporations for achieving higher economic growth. This has brought into economic and political focus the issue of development by dispossession in a predominantly agrarian and poor multi-party democracy. Its economic aspects are inextricably linked with the political aspects. The abstraction of the formal model is meant to help in disentangling to some extent the economic from the political aspect.

As successive governments over the last quarter century shifted their emphasis from a state led model of industrialization to one of corporate led growth in a globalizing world, the question of creating a favourable climate for private investment assumed paramount importance. In so far as the traditional foreign exchange constraint is concerned, the government dealt with it by attracting mostly short term capital inflows and building up a large reserve despite persistent current account deficit. This aspect of the problem lies beyond the scope of the model because it deals with a closed economy.

In a capitalist democracy the state is necessarily more favourable to capital than to labour, and India has been no exception in this respect. And yet the question remains in a democracy how much the balance can tilt in favour of

capital to improve the investment climate. Despite the continued existence of massive poverty since political independence some sixty years ago and constant debates about wasteful subsidies to the poor (2.52 trillion rupees), effective subsidies to business by the government (under revenue foregone) since 2005 has been of the same order (2.50 trillion) on an annual average basis. And yet, these financial figures neglect the fact that the major instrument being used increasingly by the government to improve the climate for private investment is transfer of land and natural resources to private corporations including private land, related common property resources like grazing land, forests, mountains, rivers, water bodies, coast lines, underground mineral resources etc. They all require access to land in some way and in this respect the importance of land can hardly be exaggerated.

Land acquired by the state under the legal provision of 'public purpose' at arbitrarily fixed compensation promised usually only to owners of property without respecting users' rights.⁷ This usually means destruction of many more livelihoods of tenants, agricultural workers, boatmen, fishermen etc, not only of peasant cultivators than the corporate sector is able to create. Most land and related resource are transferred consequently to private corporations usually on exceedingly favourable terms, at times in the guise of 'public private partnership' to promote the climate for private investment.

However, land transferred is not necessarily land used for industrial purposes because private corporations are guided by the motive of profit in choosing between alternative uses of land including leaving it unutilized for future use and capital gains. This often results in diversion of land from manufacturing to more profitable real estate business or hoarding

underground mineral resources allotted for immediate use of industry (at times by selling them in future options).⁸

The natural resource supply constraint becomes tighter if only a fraction ($1 > z > 0$) of the composite natural resource 'land' ($x_n l_n$) acquired through dispossession by the government and allotted to the corporations is used by the latter. Using (5) to (7) in (14), β is replaced by $z\beta$. As a result, in the stable case the rate of adjustment to the equilibrium decreases as z increases in (16), until at a sufficiently low value of z the stability condition (17) is violated. In other words the structural stability of the land acquisition policy of the government can be at the mercy of the land hoarding policy of corporations.

Through logarithmic partial differentiation of (18) the comparative static result in the stable case follows ,

(19) $\delta l_n^* / \delta z = -[g\alpha\beta / (z\alpha\beta - hv_i)^2] < 0$, $1 > z > 0$, confirming a common sense proposition that a higher fraction of land used by the corporations reduces the pressure for acquisition of land.

From (2) and (14) the parameter β can be written as,

$$(20) \beta = (k_n / a_c q) = (k_n / k_c^{\max}),$$

where k_c^{\max} represents the technologically determined natural resource intensity of the corporate sector. Consequently, β decreases as natural resource intensity of the technology (k_c^{\max}) chosen by the corporate sector increases which tends to destabilise the system.

Substituting for α from (13) it can be seen that the expression $[hv_i / \alpha]$ in stability condition (17) increases with h because, $[\delta(hv_i / \alpha) / \delta h] = [v_i (s_c x_c - v_c) / \alpha^2] > 0$. Thus the rate of adjustment slows down in the stable case and the system becomes unstable beyond the critical value of $h = (\alpha\beta / v_i)$. From (18) using (13), (14) and (5) the comparative static result in this case follows as ,

$$(21) \left(\frac{\delta l_n^*}{\delta h} \right) = g v_i \frac{(1-\beta)}{(\alpha\beta - h v_i)^2} = g v_i (l_n - l_c) / l_n (\alpha\beta - h v_i)^2 > 0.$$

It shows that the rate of land acquisition increases as the fraction of dispossessed workers left to be absorbed by the informal increases in the open interval $1 > h > 0$.

Finally, the model exhibits the link between land acquisition and compensation. For the existence of a stable, positive economically meaningful equilibrium the condition $g > 0$ needs to be satisfied in equation (18). This requires the government to invest and compensate more than it receives on account of land acquisition. On the other hand if the government invests relatively little to acquire land say through low compensation, force and without local consultation but receives more from the corporations through land acquisition, the net balance $g < 0$. This would make land acquisition a lucrative business for the government but would endanger stability accelerating the process of forced land acquisition. Formally, the extent of net transfer g , from or to the government in equation (12) may be assumed to be linearly related to the quantum of land acquired. In case of the existence of a stable positive equilibrium with $g > 0$,

$$(22) g = \mu + \lambda l_n > 0.$$

$\lambda > 0$ implies that net surplus accrues to the government on account of land transaction with corporations, while $\lambda < 0$ implies net deficit due to payments of compensation, rehabilitation etc to the dispossessed.

Using (22) in (15) and (16) condition for stability (17) be reworked as,

$$(23) \left[\frac{h v_i}{\alpha} \pm \lambda - \beta \right] < 0.$$

Leaving aside issues of fairness and popular resistance, the land acquisition process is more likely to be stable when the compensation and rehabilitation policies are such as to entail net transfer to the dispossessed population ($\lambda < 0$)

from the government. On the other hand, when net transfer of land turns into a profitable business for the government ($\lambda > 0$), it may trap the government into an accelerating process of land acquisition with growing popular resistance.

Section 4. CONCLUDING OBSERVATIONS.

Highly schematized formal models are somewhat like cartoons. They illuminate a situation by highlighting some crucial features and their inter-connections, but may also mislead by omission of some other aspects. It requires stepping out of this simple model to understand why controversies over the terms and conditions for acquisition of land have been in the eye of the political storm in India. Transfer of land and natural resource to private corporations on highly favourable terms does not merely promote inequality and unemployment indicated in the model. It tends to transform the nature of the capitalist democracy in India through formation and alignment of the character of the classes.

It is becoming increasingly apparent that land and natural resource transfer justified by the government as the most potent way of improving the private investment climate for development leads to land grab by the corporations assisted by the government. This brings incomparably larger wealth to them within a much shorter span of time than profit from production and manufacturing could ever do.⁹ Ironically this also perverts the very private investment climate which the policy was meant to nurture; instead corporations compete among themselves for special favours for allocation of natural resources and land rather than manufacturing as the most profitable 'business'. The result is massive transfer of wealth in the form of land and

natural resources to politically favoured corporations is a particular version of 'crony capitalism' fostered by land and natural resource deals.

Scam and corruption in governance on a scale unknown before is the surface phenomenon of this process. The mutualism that develops between the government and these corporations is not just a matter of personal corruptions and gains. It begins to transform the nature of politics by raising corruption to the systemic level through re-orienting public policies. Like the polluted air one breathes, the atmosphere for economic policies is polluted by an over-whelming concern of the government for nurturing corporate wealth. The corporations return the favour to the political class with handsome donations to political parties.

The donations are large because the gain from grabbing land is larger. Its crippling effect on popular representation spreads. In the competitive electoral game of multi-party democracy, no party wants to be left handicapped in collecting funds for fighting elections and strengthening the financial base of the party influencing the Land and natural resource policies of every government in power. While in opposition all political parties tend to be highly critical, in power they fall in line quickly under similar compulsions. It results in a curious spectacle. On the one hand governments in power (in the states or provinces) 'race to the bottom' in giving special incentives to corporations; out of governmental power, the same political parties 'race to the top' in virulent rhetoric against pro-corporate policies.

The result is a growing disconnect and distrust between the elected representatives in government, and the vast majority of people threatened with unemployment, dispossession, destruction of livelihood. The growing gulf between them has to be managed in a poor people's democracy of one

adult one vote. This requires changing the content of representation, but keeping the form. The peculiarity of crony character of this capitalism arises from the fact that it is marked by instability in power balance. It goes out of government's control rather rapidly by changing the democratic content of governance, not its form. Crony capitalism gathers strength as their contributions to the election funds of all political parties to varying degree raise massively electoral expenditures. Higher 'entry price' to the electoral race of representing the people serve as a barrier to keep out effectively the vast majority of poor ordinary citizens as 'barbarians'. Corporate contribution through paid advertisements in media acts a powerful supporting device in manipulating public opinion, academics and journalists join in elaborating the virtues of a democracy of diminishing content .

The crux of crony capitalism is to transform the content but not the form of political representation in a democracy. With it crony nature forged by land acquisition policy and the show of a functioning democracy in a poor country, this requires significant transformation of the capitalist oligarchy itself. With its focus shifting from making profit in production to land grab facilitated by the government they take control of policies not merely through political parties, but participate more directly in elections and parliament by obtaining party nominations to fight elections in exchange of handsome donations.¹⁰ In contrast, traditional trade unions and labour movements are increasingly at a loss with the major source of profit shifting from exploitation of organized workers on the factory floor to land grabbing in distant country side where trade unions have hardly any presence.

Fragmentation of resistance from labour increases as the informal sector grows because of its typical characteristics. The unit of labour used in that

sector is often not contractual wage labour of the factory system but 'self-employed' whole or part of a family including children. Through longer total hours of work by the family unit as a whole, the family survives despite lower earning per hour. Unlike in the case of wage labour the distinction between profit and wage is blurred, blunting also the distributive conflict. Moreover, many in the informal sector do not often have a single employer as they combine several different part time occupations, often self-employment with part time wage labour.

'Legality' of many occupations in the informal sector is often vague. Without proper legal entitlement to resources they are both hunting grounds and minor hunters themselves for bribes and side payments of various sorts. Particularly in urban and semi-urban areas they are often not considered legally entitled to facilities like electricity, water supplies, schools, hospitals etc (especially without a permanent address). Yet their economic activities depend crucially on their access to these facilities. Illegality becomes an unavoidable compulsion giving rise to the strange spectacle of a large number of dispossessed citizens of a democratic country being forced to make a living by breaking laws or working through the labyrinth of legality, illegality and bureaucracy through go-between agents (Chatterjee, 2011; Sanyal, 2007). Living in an illegal context, legal labour rights by-pass them easily and trade unionism is replaced by the politics of 'service providers' to these people at times with the face of a new political party.

However, the relation between the formal and the informal sector in production is more complex than depicted in the model presenting a picture of conflict and cooperation. They may compete for example for share in the market for final product and infrastructure facilities raising congestion cost

for corporations. However, mutually beneficial relations may coexist in terms of sub-contracting arrangements and casual labour. One way of capturing this complexity would be to focus on unit labour cost rather than labour productivity of the corporate sector. Labour productivity may get reduced through congestion cost as postulated in the model, but wage cost may also be reduced simultaneously through casual labour and subcontracting making the outcome indeterminate in terms of unit cost.

The most important limitation of the model is undoubtedly its short term character forcing us to neglect the ecological implications of development by dispossession. With focus on the problem of balance between demand and supply natural resources for corporate led growth in the short term, we are forced to neglect irreversible damages to nature which might render achieving this balance impossible in the longer run. The problem looms large but lies outside the scope of the present analysis, much like the short-termism of democratic politics being practiced!

ENDNOTES.

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1. The original inhabitants are often the worst victims everywhere(U.S.A and Australia rare stark examples) as they had settled on some of the natural resource rich regions. In India they (Adivasis) form 8 percent of the population but about 40 percent of those dispossessed. Countries like China and India acquire land and natural resources through foreign investment and aid(China 1st, India 7th in rank). Interestingly they operate through the land market abroad, but at home mostly through the government.
2. The controversial 'impact assessment' of projects relates to partly to this issue of use rights and livelihood which can hardly be separated clearly from environmental issues in most cases.
3. The implication of this problem in the context of capital and growth theory was emphasized in Bhaduri and Robinson(1980). On this account this paper originally formulated in discrete time (see, Economic Yaklasim, Gazi University, Turkey, forthcoming) has problems of interpretation (like Hick's celebrated stock-flow IS-LM curve).
4. Edward Luce of Financial Times ,London reported that the corporate giant Tatas employed 85,000 workers in 1991 to produce 1 million ton steel which rose to 5 million tons in 2005 while employment fell to 44,000, i.e. almost 10 times increase in productivity in 15 years. Roach, chief economist of Morgan Stanley reported 24000 worker produced 1 million two wheelers in 1991 which rose to 2.4 million produced by 10500 workers in 2004 in Bajaj motorcycle factory, implying nearly 5.5 times increase in labour productivity. Many such examples are available (Bhaduri ,2009).

5. Although this investment function is exceedingly simple, it suffices for our purpose and analogous to Harrod's discussion of stability between the warranted and actual rate of growth (Harrod,1939). Our focus in present context is not the Keynesian income adjustment process through capacity utilization, but adjustment of natural resource supply to corporate demand (see equation 15).
6. We focus on the interior solution $1 > h > 0$ which is extendable to the corner solution $h=1$. Note however at $h=1$, $k_c > k_n > k_i$ emerges as a necessary condition in view of (4), but no such ordering seems possible in case of interior solutions.
7. The 'eminent domain' clause(1894) established sovereign right of the colonial Indian state on land. It continues to coexist uneasily with private or communal property rights which are limited by the right of the state to acquire land for 'public purpose' that has undergone (and is undergoing) successive revisions.
8. According to the 2012-13 Comptroller and Audit General Report of the Government of India, of the land acquired for Special Economic Zones(SEZ) initiated in 2005 at least 38 per cent remains unutilized and manufacturing industries account for only 9 per cent, while the 8 per cent of the employment target has been met.
9. The remarkably quick transition to the extremely rich elite of 'high net worth' individuals of the world, from 8 to 52 in less than a decade, would have been impossible through gradual accumulation of profit from production. Many among these newly emerged individuals of exceptional net worth are connected with transfer of land and natural resources (Gandhi and Walon,2012). Privatization by undervaluing assets of state enterprises had been a major route to creating overnight billionaires in Russia in recent years. The Indian way has been promoting land grab in the name of higher growth.
10. Various estimates are available about the increasing proportion of exceptionally rich people as members of parliament (About 60 per cent of the people's representatives are rupee millionaires in a country where at least 70 per cent live on a daily expenditure less than 20 rupees).

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AMIT BHADURI is Professor Emeritus at Jawaharlal Nehru University, Delhi, and is currently Visiting Chair Professor in Political Economy at Goa University and Honorary Fellow of CDS, Trivandrum. He has served as Professor of Political Economy at the University of Pavia, Italy, Reader at the Delhi School of Economics, and Professor at the Indian Institute of Management, Calcutta. He has been Visiting Professor at various academic institutions (Colegio de Mexico, Universities of Stanford, Vienna, Linz, Bologna, Bremen, and Trondheim). He was educated at Presidency College, Calcutta, Massachusetts Institute of Technology, and Cambridge University, where he received a Ph.D. in 1967. He has been awarded the prestigious Leontief prize for 2016.

Dr. Bhaduri's research spans several important fields including capital and growth theory, Keynesian and Post-Keynesian macroeconomics, and development economics. His contribution as an economic theorist lies in challenging the mainstream theory and analyzing the role of power in the market economy in a precise and yet compelling way.

Dr. Bhaduri has published more than 60 papers in leading international journals and is currently on the editorial boards of five of them. He has written ten books, including: *The Economic Structure of Backward Agriculture* (1982), *Macroeconomics: The Dynamics of Commodity Production* (1986), *Unconventional Economic Essays* (1992), *An Intelligent Person's Guide to Liberalisation* (coauthored with D. Nayyar) (1996), *On the Border of Economic Theory and History* (1999), *Development with Dignity* (2006), and *Growth, Distribution and Innovations: Understanding their Interrelations* (2007).



Centre for Development Studies

Prasanth Nagar, Ulloor, Thiruvananthapuram - 695011

Tel: 0471 2774200, 2448881, Fax: 0471 2447137

Website: www.cds.edu