

On Bureaucrat Capitalism

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“The 1969 political resolution of the CPI (M-L) had noted that, along with feudalism, comprador-bureaucrat capitalism is “one of the two main props” of imperialism. The ruling classes were analysed as the “big comprador-bureaucrat bourgeoisie and big landlords”. The public sector was analysed as “state monopoly capitalism, i.e., bureaucrat capitalism”. The fostering of the growth of comprador-bureaucrat capitalism by imperialism and social imperialism was directly related to their interest in continuing the “unbridled exploitation” of the Indian people.

“This clarity on the character of the big bourgeoisie and the nature of the capitalism underlying it, fostered by and serving the interests of imperialism, was a decisive rupture from the confusion created by various brands of revisionists. It was guided by the breakthrough achieved by Mao Zedong, through his class analysis of China, in understanding the nature of the bourgeoisie in oppressed countries. These positions are commonly accepted by the Marxist-Leninist movement. Yet the understanding is not identical. For example, some consider comprador and bureaucrat bourgeoisie as factions of a single class. Some others view them as separate classes. It is also argued that this form of capitalism applies only to the state sector, the public sector. There is further the question of applying the Maoist concept of bureaucrat capitalism in analysing and understanding the nature of on-going transformations taking place in rural India.

“Before proceeding further we need to deal with the concept of “distorted capitalism”. It is often used, mistakenly, as a synonym of bureaucrat capitalism. The qualifier - “distorted” - is believed to sufficiently clarify that this is a particular type of capitalism, one which is not independent. But, merely recording that the capitalist relations being fostered here are distorted, that they are qualitatively different from those in the capitalist (imperialist) countries, is of little use. The issue to be explained is the nature of the “distortion”. That these relations serve imperialism is only one aspect of the matter, only one of the manifestations of “distortion”. As defined by Mao, it is also “closely tied up with... the domestic landlord class and the old-type rich peasants”. Bureaucrat capitalism is, in Mao’s formulation, “comprador, feudal, state-monopoly capitalism”. The links with imperialism, feudalism and the state, all three, must be kept in mind. In our view the formulation “distorted capitalism” conceals the essence of the matter. Similarly, the term “crony capitalism” is also insufficient since it

addresses only the aspect of the close relation of this capital with political lobbies. The waxing and waning of the fortunes of different comprador groups in direct relation to their proximity to political centres is no doubt an important characteristic of the capitalism seen here. But all the same it is still only one aspect. Therefore neither of these terms can replace the comprehensive, scientific rigour provided by Mao's formulation "bureaucrat capitalism" and its definition. This needs to be reasserted. The nature of capitalism in a semi-feudal, semi-colonial country like ours is comprador as well as bureaucratic. It is comprador because it serves the interest of imperialism and develops under its tutelage. It is bureaucratic because it survives and develops on the basis of state patronage.

"Here attention must be drawn to the contribution of comrade: Gonzalo, who was the Chairman of the Communist Party of Peru (PCP). He reiterated the centrality of Mao Tsetung's concept of bureaucrat capitalism in analysing oppressed countries. He applied and developed this concept. It was specified "... bureaucratic capitalism is the capitalism that imperialism generates in the backward countries, which is linked to a decrepit feudalism and in submission to imperialism which is the last phase of capitalism. This system does not serve the majority of the people but rather the imperialists, the big bourgeoisie, and the landowners." Further, "... bureaucrat capitalism is no more than the path of imperialism in a semi-feudal and semi-colonial country and without semi-feudal and semi-colonial conditions there would be no bureaucrat capitalism." This clarifies that the deepening penetration of imperialism in the villages is the development of bureaucrat capitalism and that it will never lead to the elimination of feudalism. Feudalism will be retained in one form or other. Bureaucrat capitalism is not just a matter of imperialism and the big bourgeoisie; it also serves the big landlords.

"In a speech Gonzalo had pointed out, "Bureaucratic capitalism develops three lines within its process: a landlord line in the countryside, a bureaucratic one in industry, and a third, also bureaucratic, in the ideological sphere." He added, "This is without pretending that these are the only ones." (The National Question, 1974) Bureaucrat capitalism is promoted by imperialism through the transformation of feudalism. In the post-1947 period, under neo-colonialism, this has been mainly done through the comprador-bureaucratic bourgeoisie. This transformation is not a supersession of feudalism by capitalism. It is an intermeshing of both. This is the particularity of this form of capitalism. Therefore, similar to the marking of semi-feudal relations by bureaucrat capitalism, bureaucrat capitalism is also marked by feudalism, in our situation caste-feudalism. This is true of both industry and the ideological sphere. Furthermore it is important to keep this in mind while examining the question of the superstructure, including political power.

“The growth process of bureaucrat capitalism begins with colonialism. Once colonial domination was consolidated, the old caste-feudalism no longer remained the same. It was subordinated and enmeshed in the worldwide imperialist web. A share of the surplus of kings and landlords, though extracted through the old caste-feudal methods of exploitation, was now channelled into the formation of bureaucrat capital. Often they themselves were directly involved in setting up industries, railways and plantations. When modern big industries were being set up in Kerala in the late 1940s, the Thiruvithamkoor monarchy invested Rs. 11.44 crore as capital and loans in 16 big enterprises, collaborating with imperialist capital from the U.S, Britain, Canada, Germany, Belgium and Switzerland. Caste-feudalism was made into the social base of imperialism precisely through such transformations, which were simultaneously the process of growth of bureaucrat capitalism.

“The comprador-bureaucrat bourgeoisie had the leading role in the ruling classes’ alliance to which British colonialism transferred power in 1947. It was consolidated during the 1960s-70s spurt in the growth of bureaucrat capitalism. This leading role is an attribute of its origin rooted in the growth of bureaucrat capitalism, namely its emergence under conditions of subservience to imperialism and along with the imperialist transformation of feudalism. This leading role was not gained on its own strength vis a vis caste-feudalism. It is not at all a matter of capitalism displacing or subordinating caste-feudalism. Caste-feudalism lost its leading role through the consolidation of colonialism. It is dominated primarily by imperialism, not bureaucrat capitalism. Being a distinct class the comprador-bureaucrat bourgeoisie has its distinct interests. While this at times may give rise to contradictions with some or the other imperialist power, it can never act independent from imperialism as a whole. The leading role of the comprador-bureaucrat bourgeoisie does not give it unfettered rights or privileges within the ruling classes’ alliance or in deciding policies. Ultimately it is imperialism that matters and imperialism needs both feudalism and bureaucrat capitalism as its main props. Therefore every step taken by the state in the direction of furthering bureaucrat capitalism also recreates room for some caste-feudal elements and relations transformed according to the needs of imperialism, even while certain other elements and relations get eliminated or suppressed.” This lengthy quote, from a paper presented by Porattom (Kerala) in a symposium organised by Struggle India at Kolkata in 2011, gives a concise summary of the topic dealt with in this paper.

The theses of bureaucrat capitalism and the characterisation of the Indian big bourgeoisie as comprador-bureaucrat has been under attack from various hues of revisionism. The CPM argued that this class can’t be termed comprador since it had taken up industrial production during the colonial

period itself. According to it, that term can only be applied to a trading class. This argument is being repeated by some who wish to present themselves as adherents of Marxism-Leninism-Maoism. Instead of ‘seeking truth from facts’, they have sought to back up their views with a selective choice of quotes from Mao Tsetung. The claim is made that Mao and the Chinese Communist Party (CPC) were “...unequivocal in characterising the comprador bourgeoisie as a commercial-bureaucratic bourgeoisie.”¹

Going through Mao’s writings, one sees a steady deepening in his understanding. In 1947, he puts forward the following definition: “During their twenty-year rule, the four big families, Chiang, Soong, Kung and Chen, have piled up enormous fortunes valued at ten to twenty thousand million U.S. dollars and monopolised the economic lifelines of the whole country. This monopoly capital, combined with state power, has become state-monopoly capitalism. This monopoly capitalism, closely tied up with foreign imperialism, the domestic landlord class and the old-type rich peasants, has become comprador, feudal, state-monopoly capitalism.”² Evidently, he is not talking about a commercial class. Yet, in the view of the ideologues of the Revolutionary Workers Party of India (RWPI), “...comprador bourgeoisie is always, without exception, commercial and bureaucratic....the industrial capitalist class can never be comprador...”.³

Mao’s definition was a synthesis of the studies carried out by the CPC. One of them was authored by Chen Po-ta. Titled ‘China’s Four Big Families’, it gave an account of the various sectors of the economy they were controlling. This included banking, power plants, heavy and light industry, chemicals, textiles, iron and steel. After the defeat of Japanese imperialism, these four families expanded their control. They took over its factories and other assets and entered into collaborative arrangements with US corporations. The four big banks of that time, owned by these families, had total control over the whole economy. Such are the facts.

Coming to India, Suniti Kumar Ghosh, in his path breaking work ‘*The Indian Big Bourgeoisie*’, had demonstrated how the comprador bourgeoisie transitioned from trade to industry. He wrote, “Industrial capitalism did not develop in India independently on autonomous lines. It is not the class contradictions and class struggle within the Indian society that lead to the emergence and growth of

¹ Anvil, September 7, 2024.

² The Present Situation and Our Tasks, Selected Works, Volume 4.

³ Disha Sandhan, No: 6.

industrial capitalism. On the contrary, it was capitalism, which had developed elsewhere, that urged by the laws of its own development promoted the growth of some industrial enclaves, dependent on it, in the midst of the vast semi-feudal economy in this subcontinent.”⁴ He also established that they continued to be tied to imperialist capital. Their contradictions with the colonial power were acknowledged and examined. It was shown that they remained non-antagonistic. The contradictions a section of them had over textile imports and tariffs has always been trumpeted by the CPM to deny their comprador character. The RWPI parrots this. Contradicting such superficial views, Ghosh explained how this also involved the contradictions between different sections of the British bourgeois. It did not indicate any ‘national’ character on the part of the Indian mill owners.⁵

Several studies published since then confirm the analysis made by Suniti Kumar Gosh about the origins of the comprador industrialists and the nature of their contradictions with British colonialism. Chandravarkar notes, “The inception of the cotton-textile industry was neither the result of a structural transformation in the Indian economy nor the outcome of a logical progression from trade to industry. Rather, as we have seen, merchants who had been subordinated in the export trade in raw cotton sought an outlet in spinning and weaving to hedge against its fluctuations. This pattern of diversification to spread their risks and protect their capital was to characterise the subsequent development of the industry.”⁶ Tyabji wrote, “Industrial enterprises arose only in fields which had the fortuitous leeway created by the exigencies of the overall colonial balance of payments system, made evident by the growth of cotton and jute textiles and the subsequent concession to sugar manufacture.”⁷ “This system of tariffs mainly aimed to protect British capital in the inter-war period and maintain ‘stability’ in the British empire but it also provided limited concessions and protection to Indian capital as a result of the imperative on the colonial state to accommodate basic demands from Indian capital and maintain it as an ally in the face of a rise in labour militancy since the 1920s. The

⁴ The Indian Big Bourgeoisie, Suniti Kumar Gosh, Subarnarekha, 1985.

⁵ “It would be wrong to achieve that Lancashire represented the interest of British capital as a whole... Mathew. J. Kust writes, “Lancashire resisted its development (that of the cotton textile industry in India) but the British textile machinery manufacturers favoured it as it served to promote their exports. Hence they gave the Indian textile industry technical assistance, supplier's credit and other help while Lancashire agitated at the same time for economic policy to dissuade its growth.”, *ibid*.

“In 1865 cotton still accounted for 40% of Britain's domestic exports. By the late 1930s it represented only 10%... Before the First World War cotton gave way to coal and engineering as the largest employers of labour in Britain. Other growing industries had equal claims to consideration in the formulation of inter-war commercial policy. The new Midland industries... favoured imperial preference rather than free trade (preferred by Lancashire-km).”—The End of the Imperialism of Free Trade, Clive Dewey in *The Imperial impact*, edited by Clive Dewey et. al, University of London, 1978.

⁶ The Origins of Industrial Capitalism in India, Rajnarayan Chandavarkar, Cambridge University Press 1994.

⁷ Forging Capitalism in Nehru's India, Nasir Tyabji, Oxford University Press, 2015.

concessions to Indian capital, however, were arbitrary, discriminatory and often short-lived.”⁸, was how Das Gupta explained ‘unity and struggle’ of Indian compradors and British imperialism.

Suniti Kumar Gosh’s work was an outstanding example of meticulous analysis, drawing on available sources. Instead of debating it with the rigour it demands, the RWPI satisfies itself with rhetorical flourishes. It ends up with this formulation—“...a bourgeoisie that is neither national (because it does not share any interest with the Indian people), nor comprador (because it is not politically dependent...) and even less, an imperialist bourgeoisie (because the import of capital ... is much more than its export of capital...)... In our opinion, the Indian bourgeoisie can be characterised as the Junior Partner of Imperialism...”⁹ The question was the character of the Indian big bourgeoisie. The answer is something reminding one of the Vedic chant, ‘not that, not that, not that...’ The RWPI derides the scholarship of Suniti Kumar Ghosh as subjective, while resting smug with its vague determination of class character, employing formulations like ‘interests’. A strange amalgam of the CPM and the SUCI (Communist).

The transition of a section of compradors to industry was also a process of the growth and deepening of bureaucrat capitalism. Shoots of proto-capitalism had already emerged in various regions of the sub-continent well before the entry of colonial powers. The growth of colonial trade initially gave a boost to it. So much so that “By the late seventeenth century for some rulers revenues from the trade stimulated by cloth manufacturing had become essential for state finances.”¹⁰ But once colonial power began to be established and consolidated, all further growth gradually became subordinated to its needs and dictates. Trade, local manufacture and cropping patterns shaped and directed by the colonialists took hold. This was how bureaucrat capitalism emerged. However, it must be noted that this was not simply an import of colonialism. The emergence and growth of bureaucrat capitalism was also a process of drawing in and transforming existing relations. Local manufacture and trade had already led to the spread of monetary transactions to such an extent that it became a topic of cultural discourse.¹¹ If we see the changes in the relations of production in the state of Mysore that developed independently for 40 years even after the British aggression in 1757, we can see that there was a

⁸ State and Capital in Independent India, Chirashree Das Gupta, Cambridge University Press, 2016.

⁹ Subversive Interventions, Abhinav Sinha, Rahul Foundation, 2019.

¹⁰ The Transition to a Colonial Economy-Weavers, Merchants and Kings in South India, 1720–1800, Prasannan Parthasarathi, Cambridge University Press, 2004.

¹¹ “It can turn enemy into friend, friend into servant, and servant into loyal son – Wondrous are the ways of money! From even the worst of perils, it can lead a king to safety: Sowing dissension in the enemy’s camp.” from ‘Rayavacakamu’, a Telugu text produced in the late sixteenth or early seventeenth century. Quoted in *ibid*.

possibility for the emergence of capitalism in India. In this state the hegemony of landlords (*palegars*) was ended and a strong modern centralised state was established. There were nearly one lakh permanent employees and other one lakh part-time employees in the government administration. This apart there was a regular army of one and a half lakh soldiers and another one and a half militia called *kandacharas*. The land of landlords, waste land and lands not cultivated for more than ten years were distributed to poor peasants and Dalits on the basis of land only to the tiller irrespective of caste and religion. Irrigation facilities were expanded in a large way. One-third, i.e. 38 percent of the total cultivable land was brought under irrigation. This resulted not only in the growth of per capita productivity of land but a considerable growth in the production of ordinary goods. Commodity-money relations expanded. Manufacture also developed, mainly in textiles and armaments.¹²

Once colonial power was established its surplus extraction through trade and land revenue demands further accelerated and promoted the monetisation of local economies. Caste-feudalism was transformed into semi-feudalism.¹³ This transformation had a dual nature. While many of its earlier features were eroded or even eliminated, some of them were strengthened. New ones emerged. This was accompanied most often by the demise of the old landlords and emergence of new ones. Similarly, the earlier traders were displaced by a new crop, wholly dependent on the colonialist power. Throughout all of this, caste remained as a decisive socio-economic-cultural determinant. Hence, Brahmanism, adapted to new circumstances, was at the core of the world outlook of the emergent comprador class from its very beginnings.

In our context, the inter-twinning with feudalism seen in bureaucrat capitalism was manifested in several ways. One of them was the role played by caste in capital formation, its reproduction and in the constitution and control of the labour force exploited by it. Then there was the investment of feudal surplus in comprador enterprise. Feudal landlords and royalty also entered industry directly, collaborating with imperialist monopolies. The Hyderabad Allwyn Limited was an example. It was started as a joint venture of the Nizam of Hyderabad and Allwyn. This sort of inter-twinning is commonly seen in all the oppressed countries, though they will display variations in their concrete forms. One sees this for example in 21st century Thailand, where the Crown Property Bureau is the biggest landholder in the country and has investments in many significant economic sectors such as

¹² Making History, Saki, Vimukti Prakashana, Bengaluru, 1998.

¹³ The 1856-57 census carried out in the Malabar district of the East India Company's colonial possessions had noted that 25% of the population were not dependent on agricultural income. The 1871 census record that 25% of the population were wage labourers. — from Ryotwarium Company Statum, Abhilash M., Other Books, 2022. (Malayalam)

resource-based industries, iron and steel, battery, plywood, sanitaryware, petrochemicals and many more.¹⁴ In our country too, the feudal wealth of erstwhile royalty and its landed property continue as active participants in comprador-bureaucrat industry, plantations and service enterprises. The plantations of the erstwhile Kochi and Travancore royalty are one example.

The deepening of bureaucrat capitalism also means the continuing transformation of caste-feudalism. I have given a broad overview as follows:

“The fortunes of bureaucrat capitalism being directly related to impulses from imperialism and mediated through the active role of the state, this is equally true of its emergence and spread in the rural sector. The bourgeois state has always played an active role in the capitalist transformation of feudalism. England’s enclosure laws were an example. But, the role of the state in promoting bureaucrat capitalism in the agrarian sector of an oppressed country is qualitatively different. In the former case, the state’s role was limited to creating favourable conditions, through regulations and laws, for the growth of agrarian capitalism. In the latter, the colonial state directly implanted and grew bureaucrat capitalist relations, transforming feudalism into semi-feudalism. The neocolonial state continues to play this role through direct and indirect means.

“The canal systems built by the British Raj in pre-partition West Punjab and in the Godavari, Krishna deltas were of this nature. Increased productivity led to greater class differentiation of the peasantry and the growth and strengthening of the rich peasantry along with the landlords. They received a further push through the ‘Green Revolution’. State intervention was not limited to infrastructural development. It encompassed inputs as well as capital, advanced as credit, to enable implementation of this package. In some cases minimal land reforms were also carried out. What is notable of these developments is the secondary role of internal agency. Its impetus was, and continues to be, overwhelmingly external. Not only from outside the rural sector, but more essentially, from outside the country. Quite naturally enough, the rural classes that benefited the most, even entrepreneurs who have emerged, are of a hybrid type. Their existence is bound up with bureaucrat capitalism and imperialism through heavy dependence on them for finances, resources and markets. It is also tied up with persisting caste-feudal relations and values. This is seen in their economic activities, whether in agriculture, industry or services. Caste and Brahmanism remain key media of their sustenance and reproduction. Such is the inevitable outcome of the growth of bureaucrat capitalism.

¹⁴The Crown Property Bureau in Thailand and the crisis of 1997, Porphant Ouyyanont, *Journal of Contemporary Asia*, 38:1, 2008.

“The emergence and development of capitalism, whether through a radical revolution or gradual evolution, was always accompanied by a fundamental and comprehensive transformation of existent value systems, culture, and social norms, of the whole ideological realm. Unlike this, the persisting, living presence of the old in the new, distinguishes bureaucrat capitalism. This is not a matter of comparing it with some generic type and identifying where it lacks. Western capitalism’s claim to be ‘the universal model’ rightly stands debunked today. But that does not mean that the distinguishing features of bureaucrat capitalism can be reduced to the inevitable uniqueness of every particular process of historical evolution. The fact that those features are common to all oppressed countries, even if modulated by country-specific features, drives in the point that they are something more. This is capitalism of a different type.”¹⁵

This ‘persisting presence of the old in the new’ can be seen in all the policies formulated by the state to promote the deepening and spread of bureaucrat capitalism. Take the case of the broadening of institutional credit to rural areas. This was part of the ‘Green Revolution’ package and meant to facilitate the market for new inputs like hybrid seeds, chemical fertilisers and so on. The need to expand institutional credit and reduce dependence on informal money-lending was presented as a crucial component of rural development from the early days of the Five Year Plans itself. Current data leads some to the conclusion that this has been achieved in the main. Well, that is true, in figures. Institutional credit is now dominant in rural credit. But if one goes beyond appearances a different reality would emerge. As such, official data readily accepts that the great majority of the peasantry—marginal, small landowners and landless tenants—depend on private sources for their credit needs. Even in Punjab, supposed to be an example of the development of capitalism in agriculture, their credit source is quite often the local landlord. That is not all. A good chunk of institutional credit, from banks and co-operative societies, ends up as usurious capital deployed at atrocious rates by moneylenders, landlords, commission agents or rich peasants. Studies on rural credit note that the promotion of commercialisation of agriculture have not only encouraged the rise of the trader but also his associated lending activities.¹⁶ In Punjab this has led to a situation of peasants getting alienated from their land and ending up as tenants of commission agents.

¹⁵ ‘If Not Reservation Then What?’, Of Concepts and Methods, Ajith, Kanak Publication Centre, 2020.

¹⁶ “The growing commercialisation of Indian agriculture has encouraged the rise of trader-moneylender, as the formal sector finance is inadequate to meet the growing credit requirements of agriculture.”, Persistence of Informal Credit in Rural India, Narayan Chandra Pradhan, RBI Working Paper Series No. 05, 2013.

The Punjab government had carried out a survey of rural debt in 1997. While the growth rate of agricultural production was 5.05 per cent between 1960-61 and 1990-91, the annual rate of increase of cost of production per acre was 11.2 per cent in paddy, 9 per cent in wheat and 9.80 per cent in cotton. This forced the peasants into indebtedness. 81.61 per cent of short term loans had been advanced by the commission agents who bought up produce from the peasants and sold them seeds, fertilisers, pesticides and other inputs. 70 per cent of the credit needs of small and medium peasants (land size up till 10 acres) were met by these commission agents. 40 per cent of the peasants who had short term loans were indebted to them. A peasant who is unable to pay up the loan or the annual interest mortgages his land to the commission agent. 13.6 per cent of the peasants had already done this. Though they continue to labour on that land, in effect they have become tenants on their own land. They must pay a share of the annual surplus as rent to the agent, now in the form of the annual interest on their loan. Rent is paid from the sale of produce to the commission agent, not handed over as a share as it used to be done in the past. Even then, it is not a capitalist transaction, measured and administered in purely monetary terms. Its essential nature is that of a dependent, forced transaction, a concrete manifestation of persisting semi-feudalism. If the peasants are unable to pay up and close their loan within a few years they will have to sell the land to the commission agent. In an issue taken up by the Bharathiya Kisan Union (Ekta) it was discovered that a commission agent had grabbed 56 acres from 19 families and converted another 54 acres into leased land. He had paid 50,000 Rupees per acre when the going rate was ranging around one and a half lakh Rupees.

Commission agents have near complete domination in the rural areas of Punjab. Seeds and fertilisers are sold at prices they fix. Many a time goods sold are fake. At harvest time they force the peasants to sell off their produce at low prices. Acting as middlemen in the government's grain procurement they collude with officials and loot the peasants. Being dependent on them the peasants usually don't challenge such acts. They are forced to bear with the arrogant attitudes and usurious exploitation of the commission agents. Such instances vividly show us how economic compulsions give birth to non-economic coercion and dependence, and how feudal relations are recreated as a natural offshoot of neo-colonial agrarian transformation, of the growth of bureaucratic capitalism.

Is the continuation of private money lending an aberration? No. It was, and continues to be, a component of state policies. After noting that it accounts for 70 % of rural credit and calling for the promotion of institutional credit to replace it, an RBI report of 1954 went on to record, "... any realistic system of rural credit should seek to incorporate him (the moneylender-KM) in itself rather

than compete with him or wishfully expect to eliminate him.”¹⁷ In the years that followed there was a steady expansion of the banking system in rural area, with a forceful push in the 1970s and ‘80s. Yet, after all that, a Technical Group of the RBI, submitting its report in 2007, cites ‘expert opinion’ proposing a comprehensive financial system based on ‘bank-moneylender linkages’, and calling for recognising moneylenders as ‘legitimate agents of economic activity’.¹⁸ Feudal forms of exploitation like usurious money-lending were not to be eliminated. They were to be modified and incorporated. That is precisely how bureaucrat capitalism operates and grows. We must go beyond appearances to get to its essence.

To go deeper into the character of tenant farming seen today, I quote the following from my study on agrarian relations in Keralam, considered as a State where semi-feudalism has been ended through land reforms:

“Tenant farming can be grouped into four types, the form of rent payment being the criterion. They are — a fixed amount of money or share of crops being paid as rent, share cropping, paying rent through doing free labour for the land owner. All four of them exist in Keralam. Labour rent exists in the form of doing free labour to tend coconut saplings, or planting and tending rubber saplings for the first three or four years, and being allowed to do intercropping in the remaining land. Share cropping is commonly seen in paddy cultivation. Sometimes a share of the agricultural cost is borne by the land owner. A variant, where the land owner bears the whole cost and the tenant pays it back by giving an extra share of the crop along with that fixed as rent, also exists. In such cases, the price of the product given as repayment is calculated at half the market rate. This difference approximately works out to an annual rate of interest of 200 per cent. Share cropping with the land owner advancing only the seeds or his drought animals too can be seen. In the latter case the tenant has to bear its cost by doing some free labour for the land owner. Quite often, nearly two thirds of the share cropper’s product share has to be sold to meet production costs. Rent is actually a share of the surplus remaining after deducting costs. Therefore, even when the product is shared equally, the rent will be above 50 per cent.

“Rent in the form of a fixed share of product or amount of money exists across all crops. The practice of fixing rent through auction is also prevalent here. While the land owner, enjoying the status of ‘farmer’ gets all sorts of subsidies, nothing of this is given to the real cultivator. Both co-operative

¹⁷ All-India Rural Credit Survey, RBI, 1954.

¹⁸ Report of the Technical Group for reviewing legislation on money lending, RBI, 2007.

capital and usury capital participate in the exploitation carried out through lease farming by becoming the source of credit to the tenant.

“Though the rent in paddy cultivation is less than that in commercial crops, the share of rent and of other forms of exploitation like interest in the surplus is higher on the average... The rate of exploitation... in general... is above 50 per cent, with the highest being 75 per cent. Most of the cultivators covered in the investigation were either landless or poor peasants. The surplus they gained ranged from 1,105 to 18,360 Rupees. Hence, even the highest surplus would amount to a monthly income of barely 1,500 Rupees. Let alone accumulation, this would not even suffice for bare existence. This is representative of the lease farming done by the poor in rural Keralam. It isn't their regular occupation, it provides a subsidiary income. The surplus gained through lease farming is used for house repairs, buying clothes or gold. Those doing paddy cultivation too usually sell their share of the crop. A few years back, before the pressure for leased land had gone up, a few among them could gain a better share of the surplus, accumulate it and buy small plots of paddy land. Since then the rent rate has gone up and this opportunity has disappeared. In general the fall in employment opportunities has given rise to the tendency of storing up the paddy share rather than selling it, in order to ensure food security.

“There is yet another category of lease farmers who invest capital on a large scale and employ labour. More seen in commercial crops like banana, pineapple and ginger, it also exists in paddy cultivation. In some cases they too pay rent exceeding 50 per cent... A report in the ‘Kerala Kaumudi’ newspaper (February 17, 1999) carried a report on a farmer doing lease farming in 20 acres of paddy land in Kuttanad. The cost of production per acre was given as 7000 Rupees. It is expected that he would obtain 8000 Rupees worth of paddy per acre (19 *meni* – 19 times the sown seed) at 725 Rupees per quintal. The rent is not mentioned. (Most probably it has been included in the cost, as is usually done by lease farmers.) It is also not clear whether cultivation was done in one or several places. However, it is evident that cultivation on such a large scale demands the employment of a lot of agricultural labourers and that the farmer is a person capable of investing one and a half lakh Rupees. If we take that the actual cost of *punja* cultivation to be 4000 Rupees, rent will come to 3000 Rupees, roughly 70 per cent of the surplus. It is said that 500 Rupees worth of hay can be obtained per acre. If this is added to income, rent will be 67 per cent of surplus. This example shows us how the existing land relations obstruct even large scale cultivation.”

“It would be idiotic to presume feudalism as soon as one hears of rent. But it would be even more ridiculous to conclude that all that appears as rent is capitalist ground rent because a feudal tenancy system has been formally ended; particularly in a society like ours. The matter can only be settled through concrete analysis of really existent tenancy. The examples we have discussed and studies on the tenancy seen in Kuttanad clearly show that the rent paid by peasants is not some surplus-profit exceeding an average profit. It has often grabbed even a share from the deferred wages of the tenants’ own labour. Lease farming can only be a subsidiary occupation for them because the surplus remaining after paying rent doesn’t suffice for a living. Even if we were to stick to the written word of the ‘Capital’, it must be admitted that these instances correspond more to the pre-capitalist rent mentioned by Marx.

“Once the payment of rent with money becomes common, its capitalised value too will begin to emerge. Land transactions will increase. These are indices of transformation of the feudal mode of production and rent. They had already started appearing in caste-feudal Keralam, well before the colonial period. Under colonialism it became widespread, now influenced by new factors. In common with other regions of the sub-continent, money relations and the land market grew up and spread out in Keralam during the modern period, mainly under this influence of the global imperialist system. Along with that, a market in agricultural crops and new variations in rent and tenancy, at once subject to the pulls and pushes of the imperialist market and the pressures of semi-feudalism, also took form.¹⁹ At a basic level, these tendencies continue to govern this sector in Keralam. Once the 1970 Land Reform formally ended the existent tenancy system and gave legal sanction to land ownership of those who are not dependent on agriculture, the consequent growth in agricultural commodity production and new markets, and the acceleration of speculation in land have added more features to these tendencies. Forms of rent similar to capitalist ground rent and differential rent can now be seen in Keralam. For example, in the pineapple farming seen in Ernakulam district, wet land rent was above that of garden land, even though the cost of production was higher. The reason for this was the greater productivity of the former type of land. It can also be observed that rent rates go down as one moves further away from the main market. Such variations in rent are similar to differential rent. Its basis lies in conditions of commodity production in leased land and the emergence of a more or less permanent market for this particular crop (pineapple) in this area (a 200 tonne processing plant has

¹⁹ The relation between the capitalised form of feudal rent and land price was not the same throughout Keralam even during the colonial period, when a formal tenancy system existed. Between Malabar where complete legal protection was given to feudal landed property and Thiruvithamkoor where tax replaced rent, and commercial cropping and the market came into wide existence, it couldn’t have been so.

been established here with foreign aid). Even though such forms of differential rent are possible in social conditions where a general market price is yet to develop, and the average market price of agricultural produce is still not controlled by an average profit rate, they still don't separate out from semi-feudal rent. Rather, such local specificities indicate the opposite.

“A look at factors influencing rent rate in different areas gives further confirmation. In most of the crops, the rate of rent was decided by the local demand for leased land and its availability, rather than productivity of land and market proximity. Since most of the tenant farmers are landless and poor peasants, and this is a subsidiary occupation, demand for lease land is determined by the conditions of their livelihood, the prospects of their main occupation. Supply is governed by the willingness of land owners who are not dependent on agrarian income or are unable to cultivate it due to various reasons. A common lease market hasn't yet taken form. This localism offers yet another proof of the semi-feudal nature of lease forms seen in Keralam. In... Kuttanad paddy cultivation... the lowest rent is seen in the region of higher productivity. A similar situation was observed in banana cultivation. The rent for one banana sprout was 5 Rupees in the better irrigated Madikai area of Kasargod, while it was 7 Rupees in the less endowed Ambalathara. The surplus-profit in Madikai went to the tenant, not to the land owner. One of the reasons for the rent not going up in Madikai was the balance between demand and supply of lease land. Meanwhile, higher demand was not the sole reason underlying the higher rent seen in Ambalathara. The limitations of subsistence farmers, lacking in economic and social mobility prevents them from going to Madikai. That too has to be factored in. They were governed, in their demand for leased land and in its limitations, by the pressures of livelihood. It was not a case of capital roaming around in search of profit.

“Exceptions are of course seen. In an example seen in the mid-lands of Keralam, a family that owned only one and a half acres could buy up 4 acres with the surplus accumulated in pineapple lease farming, supported with a loan. They later went on to take 5 acres of land on lease and did ginger cultivation, employing 20 workers. The newspapers have at times carried reports of instances where land was being bought in sizeable acreages from the surplus gained in lease farming. It is noteworthy that such examples of lease farming too are not free from the localism of the rent market.

“Earlier we had referred to the role played by the willingness of land owners who don't need to cultivate their lands in deciding the availability of leased-out land. This is a major factor impeding an accurate estimation of the informal leasing that came into existence after 1970 and its rent rates. There is no economic basis by which one can calculate this willingness. Unlike the old landlords, they don't

face the economic necessity to lease out their lands. The concern that leasing out land might lead to losing it also goes to hinder the stabilisation of lease farming. Trust, local acquaintance, previous relations and similar non-economic impulses guide the decision of whether their land should be leased out and to whom. One also comes across land owners who hand over their land for vegetable or tapioca farming for free. Though written agreements are becoming common, the rent market is still governed by indeterminacy. Its negative fall out is borne by subsistence peasants. There is no guarantee that they can continue with lease farming. If the same plot of paddy land is not available beyond a year, the *varambu* work (side banks of fields), necessarily done in paddy cultivation, is lost. Therefore, a number of lessees do it partially or even avoid it. This affects productivity and, consequently, a loss in income.”²⁰

The rural investigations underlying these observations were carried out in the mid-1990s and early 2000s. A quarter century has passed. What is the present situation? In Kuttand, one of the major paddy cultivation regions of Keralam, the rent per acre has gone up to 30,000 Rs. Going by the opinion of a young farmer, engaged in paddy cultivation on leased-in land for several years in Kuttanad, one would need at least 50 acres to get a surplus sufficient to maintain middle class life standards. Almost all of his agricultural operations are mechanised and he gets an assured price since the output is purchased by a government agency. Yet, even at that acreage, this does not allow accumulation. It is still subsistence farming. Since the past one and a half decades or so, the government has been subsidising paddy cultivation in a noticeable manner. This even includes the payment of a fixed amount per hectare to the landowner, over and above what he or she gets as rent from the tenant. Out of the subsidy of Rs. 30,000 per hectare given to those willing to cultivate fallow lands, Rs. 5,000 is for the owner of the land. Thus, bureaucrat capital sustains and facilitates unproductive ownership of land and its tool as a means of exploitation. It also opens up a profitable avenue for its own investment through institutional credit to the tenant. While the price offered by its agencies is better than that given by private paddy mill owners, it is still less than what is needed to allow accumulation. Another person, who does farming on 10 acres of lease land as a side-occupation, pointed to a telling facet of tenant farming—it gives one prestige in society and acts as a reference for getting loans. It may be noted that it is not the value of collateral that counts. Rather, it is the ‘social value’ of being engaged in farming that matters. Investment of capital (quite often institutional credit), wage labour, modern

²⁰ Taken from an upcoming English edition of ‘Bhumi, Jati, Bandhanam’, published in Malayalam in 2002.

inputs, mechanised operations, sale of produce—all the ingredients of capitalist agriculture can be ticked off. Yet, it would need extreme empiricism to declare this seeking of ‘social value’ as capitalist!

Co-operative societies are an important convergence site of bureaucrat capitalism and semi-feudalism. They are funded, and re-capitalised, through the Central government’s NABARD, in its turn initially seeded by the World Bank. They also garner a good share of the surpluses of local exploiters, mainly landlords. Co-operative capital is thus a mix of imperialist, bureaucrat capitalist capitals and local, semi-feudal, surpluses. Controlled by factional coalitions of the local exploiters through elected party panels, they are not just a source of easy credit for them. It is a recorded fact that this credit is also deployed as usurious capital. These institutions are a potent means of exercising power. By ways of the right to grant or deny loans, insist on mortgage recovery or postpone it, the landlords and other local exploiters are able to impose relations of patronage, a prominent aspect of ‘*naattupramaanitham*’ (local hegemony) on the poor and middle peasants. This is also done through other types of co-operatives, such as industrial ones. There, the promise or denial of employment is deployed as means of control. Panchayats, which now have budgets running into crores with Central-State funding, are also means of dispensing patronage.

The employment of the co-operative form in bureaucrat capitalism’s transformation/restoration of caste-feudalism can be seen in the following example. 1756 acres, were seized as surplus land from a landlord as part of the land reforms in Keralam. It was distributed among 1600 poor and landless peasant families. This was done on condition that they would all become members of a collective farm to be tasked with cultivating that land. In effect their landownership became a formal affair. It was more like a share in the collective farm. The very structure of the collective was such that they were bound to it in perpetuity. They didn’t have the right to dispose of their land or utilise it according to their choice. They couldn’t even identify their ‘own’ piece of land since such marking out became ‘unnecessary’ with the formation of the collective. Other than possession of a piece of paper that recorded their ‘ownership’ they had nothing new. In all senses they were made dependent on the director board. The board not only exercised control, it became the *de facto* owner. What passed as collective land ownership was in fact corporate land ownership of the board members. They acquired this position through the backing of the government and its capital investment. In other words, this was another form of bureaucrat capitalist ownership – the corporate form of bureaucrat capitalist landlordism. In the production relation that contained this new form of ownership, the *de facto* owners put on airs of *savarna* landlordism, used the levers of patronage and lorded over the real toilers. The

peasants remained trapped in ties of dependence, a status having more in common with their earlier one under the old landlord, than their new one as 'owners'. Meanwhile one of the director board members came to 'possess' 50 acres, and another 26 acres, individually! The corporate form of bureaucrat capitalism thus spawned new additions to the private form of landlordism.²¹

The entry of the compradors into industry and the emergence of a bureaucrat faction, the means and forms of the transformation of feudal relations – all of this varies from country to country. In India the emergence of a bureaucrat faction can be traced to the entry of the royalty of native States into modern sectors of the colonial economy. The initial surplus they invested as capital came from feudal revenues. But, through these investments, they also became participants in the growth of bureaucrat capitalism. They used the governmental power they had, within the limits set by the British, to facilitate it and favour one or the other section among the compradors. They themselves entered comprador trade and also became bureaucrat capitalists through setting up plantations or factories.

The State is both a facilitator and site of capital accumulation in oppressed countries. In many of these countries, government owned industrial and service concerns, financial institutions and savings aggregators like insurance companies and large trading companies exist along with private corporates. The entry of the Indian State in a big way into industry and trade through State-owned companies since the transfer of power in 1947 led to the swelling of the bureaucrat faction.²² It is now mainly composed of the topmost echelons in the public sector; executives of government companies in industry, finance and trade. For a long period they were the main, or even sole, players in some sectors of the economy. The bureaucrat faction is just as much comprador as the chieftains of the private sector concerns. Being a distinct faction it has its specific interests, different from those of the private comprador faction. However, the relation between both the factions has always been complementary. Both, the public and the private complement each other, even while pursuing their specific interests and having non-antagonistic contradictions with each other. They form two factions of a single class, the comprador–bureaucrat bourgeoisie.

The borderline between these factions is by no means rigid. Political leaders, members of the higher bureaucracy, upper echelons of the armed forces and others from the top levels of the state machinery

²¹ Porattom paper, op cit.

²²“At a certain point in its development this capitalism is combined with State Power and uses the economic means of the State, uses the State as an economic lever and this process gives rise to another faction of the big bourgeoisie, the bureaucratic bourgeoisie. This gives rise to a further development of bureaucratic capitalism which was already monopolistic and becomes, in turn, State-owned.”, ‘On the National Question’, Gonzalo.

amass wealth by appropriating public funds or getting bribes for favouring one or the other foreign or local corporate. Employing this as capital through close relatives or benamies they themselves become comprador corporates. In recent years, owners of big private concerns have directly joined the political class as parliament members or ministers. The private monopolies needed the growth of the public sector as a condition for their own growth. Over the years, the line of differentiation between these factions has steadily blurred.

Following the compulsions of the turn of the imperialist system to neo-liberalism, the political representatives of the Indian ruling classes (from left to right) have promoted privatisation of public assets. Policies favouring private corporates have been adopted. Even then it is noted that the “... the State remains an important actor in the economic arena and decisions of state or quasi-state institutions play an important role in determining the quantum and distribution of economic benefits. The State’s role: in granting property rights in land and for the exploitation of natural resources; in influencing the development of infrastructure and its pricing; in influencing the value of property; its power to grant tax benefits; the awarding of government contracts, etc.—all create opportunities for granting favours of tremendously large economic value.”²³

Bureaucrat capitalism remains as Mao Zedong wrote, ‘comprador, feudal, state-monopoly capitalism’.

²³ Crony Capitalism and India: Before and After Liberalisation, Surajit Mazumdar,
<http://mpira.ub.uni-muenchen.de/19627/>