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High Non-Wage Employment in India: Revisiting the ‘Paradox’ in Capitalist Development

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I. INTRODUCTION

One of the most startling features of capitalist development in India seems to be the fact that more than half of the working population is engaged in non-wage employment. Although one can account this fact to the high share of employment in agricultural activities that largely bears marks of pre-capitalist production relations, nevertheless, self-employment and other precarious forms of non-wage employment assume a large share even in non-agriculture. This is quite peculiar in the sense that capitalism is largely characterized by an economic space in which not only produces are turned into commodities but labour-power itself assumes the commodity form in way of wage labour. The worker works under control of the capitalist to whom the labour belongs and the product of labour is appropriated by the capitalist net of wages. The issue is further complicated because wage employment, in the Marxian sense, is the only source of surplus-value that the labourer creates by way of earning his/her living, precisely creating value beyond necessary labour time. The persistence of high share of non-wage employment in India and in other developing countries as well as a non declining floor if not a rising trend even in developed capitalism is worrying at the conceptual level as well. Sometimes the fact is attributed to cyclical fluctuations, that is self-employment mushrooms in periods of economic downturn when employability of the economy declines and non-wage segment swells as a micro-level countercyclical response. But this explanation is only partial because studies focus to a historical trend of declining influence of unemployment on self-employment. Hence, non-wage segment does not seem to be some ‘impurity’ that capitalism would eventually do away with, neither it is a temporary phenomenon that withers away during upswing.

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At another level the question arises that if non-wage employment and in a broader sense non-capitalist production relations persists then how does they interact with capitalism and what could be the reasons for the reproduction of such relations. This draws attention to the discourse on the mode of production that refers to the 'transition debate' in the early phase and later to the formal abstract level of complex understanding of engagements between different 'pure' modes of production. The interpretation of empirical evidence of the coexistence of multiple systems in most cases relies on various teleological assumptions. Presumptions of linearity in evolution in that context fails to acknowledge the non-wage segment as constitutive to capitalist determinations and views non-wage employment as some obstacle to fullest development of capitalist relations. In some other analyses, rising self-employment is viewed as something that signals some significant changes in the technological determinations of the production processes that favour greater autonomy. It is also sometimes represented as employment of last resort to people flushed out from capitalist industries due to rising organic composition of capital. Although these arguments might have some semblance to truth but limiting the explanation to technological dimensions would not help us to understand the interactions between non-wage segment and the capitalist sector.

Entering into the complex web of relations between self-employment, wage-employment and unpaid household labour this paper aims to capture the dynamics of self-employment in the capitalist totality of surplus production. The apparent unity of the producer and the means of production visible in self-employment could be contrasted against the alienation of labour from its object of labour observed in capitalist wage employment. And one can infer, self-employment in that sense signifies a rise in the autonomy of the labour and higher control in the work process or a result of flourishing 'entrepreneurship' that the neoliberal dispensation might have offered. Otherwise if we view capitalism as an exclusive terrain of wage-labour then rise in self-employment could be posed as the failure of capitalism in conquering alien spaces or at least a discord to the dominant mode of surplus production and appropriation.

This paper at the outset aims to situate the debate in a proper context and brings into fore the relevant themes from discourses in Marxian tradition to build up an understanding of the plurality of relationships that exist between various modes of production. Expansion on the one hand and contraction on the other, creation and decay explains the life-process of every living

organism and the resulting inclusions and exclusions in the case of capitalist dynamics gives us a broad framework to analyse the interface between wage and non-wage labour. The following section puts forward the nature and scope of self-employment primarily in the Indian context; section two identifies the ontology of self-employment within various facets of the debate on mode of production; section three in a political economy perspective focuses on the mutual determination of capitalist and non-capitalist relations in the process of accumulation. Finally some concluding remarks.

II. NON-WAGE EMPLOYMENT IN INDIA

The stylized fact of high non-wage employment in India calls for a closer look into the empirical evidence we get from various sources. Non-wage work takes two different forms, viz. self-employment and unpaid family work. A self-employed person might be defined as one who earns income by her/his own labour but does not sell labour power to some other in return for wages. A self-employed person is neither a wage earner who sells labour to others nor a rentier who could earn income without expending any labour. Although the self-employed person can employ other people in his/her enterprise in return for wages or salaries or might run an own account enterprise (OAE) without hiring any labour. Unpaid family labour is recognised in official accounting only when that labour helps in producing commodities. Otherwise the household labour that contributes in the production and reproduction of labour power is left out in any value calculation. Household labour is needed in transforming wage goods into subsistence basket but since it creates only use values and not meant for exchange such labour is not even recognised and banished from the ‘paid-unpaid’ determinations of labour process.

Table1

Percentage Distribution of Self-employed by Usual Status of Employment by Gender and Sector

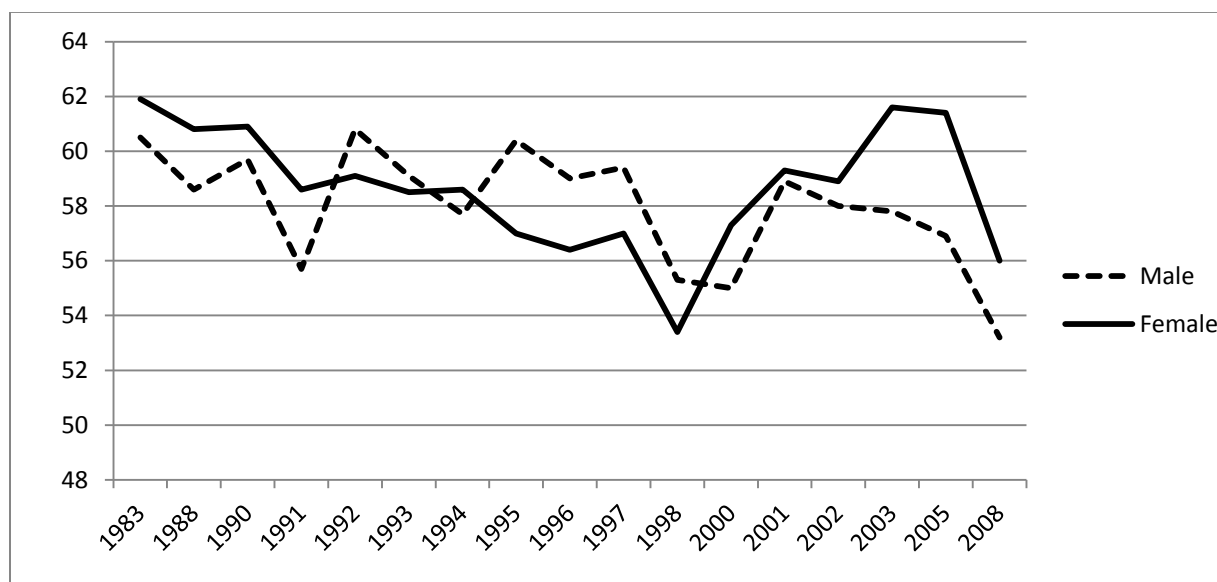
	Rural			Urban			Rural + urban		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
1993-94	57.7	58.6	58.0	41.7	44.8	42.3	53.7	56.8	54.7
1999-2000	55.0	57.3	55.8	41.5	45.3	42.2	51.5	55.8	52.8
2004-05	58.1	63.7	60.2	44.8	47.7	45.4	54.7	61.4	56.9
2007-2008	55.4	58.3	56.3	42.7	42.3	42.6	52.0	56.0	53.2

Source: NSS report on 'Employment and Unemployment Situation in India', 64th. Round

Table 1 shows the share of self-employed in labour force over the years. First, in 2007-08 the share of self-employed persons in rural and urban areas had been 56.3 per cent and 42.6 per cent respectively and considering total employment it had been consistently higher than half of the labour force. Second, self-employment in the female labour force had always been higher than the share of self-employed in the male labour force. Third the share of self-employment in the labour force had been consistently higher in the rural labour force compared to that in urban areas. Table 2 shows the share of self-employed by gender within the labour force during the period 1983 to 2008. In a span of more than two decades the Indian economy has undergone major policy changes although the share of self-employed both for the male and female labour force had been higher than half of the labour force in respective segments (Figure 1).

Figure 1

Share of Self-employed by Usually Employed Status over the Years by Gender



Source: Same as Table 1

In terms of share of self-employment within the male and female labour force we come across three distinct phases: period prior to 1991-92 the share of self-employment within the female labour force had been higher than that in the male labour force; between 1991-92 to 1998-99, the share of self-employment within the male labour force had been comparatively higher; and

during the period 1998-2008 the trend is again reversed, that is the share of self employment within the female labour force outstripped the share within male. One cursory comment on this pattern would be that the second period being the period of major adjustments for reforms a part of the male labour force would have slipped from wage segment to non-wage self-employment as a survival strategy. Otherwise the share of self-employed had been generally higher in the case of female work force and that precisely reflects the gender discrimination prevailing in the labour market in most of the developing countries. However, given the scope of this paper, the point that needs to be underlined is that the share of self-employed remained high above the fifty per cent mark across a fairly long period. This non-wage segment in any case is left out from the capitalist labour process; it survives at the margin and hardly being affected by any policy reforms.

Table 2 and Table 3 show the distribution of enterprises and employment by size categories of firms in the unorganized manufacturing segment. It can be seen from the tables that in 2005-06 we see that 91.6 per cent of rural enterprises and 71 per cent of the urban enterprises were own account enterprises. These enterprises provided employment to 76.5 per cent and 43.5 per cent of the rural and urban workers working in the unorganized manufacturing sector. We also see that the share of own account enterprises, that is those employing no hired labour had increased during the period 1994-95 to 2005-06 both in the case of rural and urban unorganized manufacturing space.

Table 2

Share of Unorganised Manufacturing Enterprises by Size of Employment

	OAE	2-5	6-9	Total
Rural				
1994-95	91.0	6.5	1.4	98.9
2000-01	92.3	5.6	1.3	99.2
2005-06	91.6	6.1	1.3	99.0
Urban				
1994-95	65.1	23.6	8.2	96.9
2000-01	70.5	21.4	5.9	97.9
2005-06	71.0	20.1	6.2	97.3
Total				
1994-95	84.8	10.6	3.0	98.4
2000-01	85.8	10.3	2.7	98.8
2005-06	85.6	10.2	2.7	98.5

Source: NCEUS (2009)

The NCEUS report on ‘The Challenge of Employment in India’ also reveals the fact that in 2004-05 within the rural self-employed workforce 32.55 per cent are own account enterprises and employers and 27.89 per cent are unpaid family workers. Furthermore the share of unpaid family workers within the self-employed segment has increased from 23.29 per cent in 1983 to 27.89 per cent in 2004-05. In the urban segment for the year 2004-05, 33.67 per cent accounts for own account enterprises and employers and 11.49 per cent of the self-employed are unpaid family workers. In the urban segment the share of unpaid family workers within the self-employed increased from 9.94 per cent in 1983 to 11.49 per cent in 2004-05.

Table 4 shows the distribution of enterprise and employment by size categories in the unorganized service sector. In 2006-07 we find that 90.14 per cent of the rural enterprises and 76.95 per cent of the urban enterprises are OAEs and they account for 80.25 per cent and 45.48 per cent of employment in rural and urban segments respectively in the services sector. We also see that the share of OAEs in providing employment in services in 2006-07 had been much higher than the contribution of OAEs in employment in unorganized manufacturing. This however reflects the generally held notion that it is easier to start up a new venture in the services sector as this requires relatively less physical capital compared to that in manufacturing. Expansion of the share of services in overall employment could be another reason of high share of self-employment in the total labour force.

Table 3

Percentage Share in Employment in Unorganised Manufacturing Enterprises

	OAE	2-5	6-9	Total
Rural				
1994-95	78.7	8.8	4.6	92.1
2000-01	79.2	8.5	4.5	92.2
2005-06	76.5	9.7	4.8	90.9
Urban				
1994-95	40.3	26.2	19.1	85.6
2000-01	44.6	27.6	16.3	88.5
2005-06	43.5	24.9	16.6	84.9
Total				
1994-95	67.0	14.1	9.0	90.1
2000-01	67.0	15.2	8.7	90.9
2005-06	64.7	15.1	9.0	88.8

Source: same as Table 2

Many studies related to the informal sector argue that the dynamics of self-employment is related to the cyclical fluctuations in the economy, in the sense that self-employment increases during downturn and its share declines in periods of high growth (Mead, 1994; Mead and Liedholm, 1998). The stability in the share of self-employment in India however does not provide much empirical evidence to such hypothesis. And this is primarily because of the following reasons: a) the underlying assumption in the above proposition is a positive relationship between growth and employment, that is in periods of upswing more labour is pulled into wage employment from the ‘reserve army’ in the waiting, but this hardly captures the current scenario of high growth accompanied by rising unemployment; b) the argument ignores the fact that because of a downturn as some might be thrown out of job and consequently shifted from wage employment to self-employment, the other possibility could be that many of the existing self-employing enterprises would simply be shut down due to lack of demand. And more would be the share of self-employment in the labour force the more is the probability of the first trend being outweighed by the second in balance; c) there could also be a process of self-exploitative fragmentation under way that might result to higher self-employment. This could be because of limited scope in vertical mobility for wage workers in small enterprises in the context of contested exchange between traders and producers and that might not necessarily be linked to macroeconomic fluctuations (Roy, 2007).

Table 4

**Percentage Distribution in Employment and Enterprises by Size Categories
in Unorganised Service**

	Share in Enterprises			
	Rural		Urban	
	OAE	Establishment	OAE	Establishment
2001-02	87.7	12.3	77.4	22.6
2006-07	90.14	9.85	76.95	23.05
	Share in Employment			
2001-02	70.45	29.54	47.43	52.57
2006-07	80.25	19.75	45.48	54.52

Source: NSS Reports on ‘Unorganized Service Sector in India’, 57th and 63rd. Rounds.

One strand of literature primarily looking into the changing technologies and related production organization takes note of the two following facts that favours autonomy: a) more the knowledge

component increases in the production, the more the autonomy of the person who possesses that knowledge increases and this perhaps explains why it favours self-employment in high-end service activities related to information technology and so on (Drucker, 1993); b) the second body of literature talks about ‘flexible specialisation’ as the post-Fordist paradigm of industrial production that creates a larger space for the smaller firms in a world of customized demand. The need for functional flexibility in the work process entails modularization and out-contracting that might favour a synergy between large and small enterprises (Piore and Sabel, 1984). These trends undoubtedly explain the growth of self-employment related to knowledge intensive activities but account for a miniscule part of the larger story that the majority of the self-employed in India are so not because of any choice but because of being deprived of getting wage employment. This denial of wage employment and fomenting of a large non-capitalist segment needs to be problematised since it is something inimical to what is conceived in capitalist growth. In the next section we try to locate this self-employed segment in the context of capitalist development and see how different modes of production mutually constitute each other, reproduces the interaction instead of vanquishing of one by the other.

III. REVISITING THE ‘MODE OF PRODUCTION’ DEBATE

In the Marxian scheme every society is characterized by a dialectical interplay of forces of production and relations of production, the former signifying human intervention upon nature and the latter capturing the relations between human beings engaged in productive activity. However the concept of ‘productive force’ although assumes causal primacy in social change in Marxian literature it is not unambiguously defined. In some texts it has a technical connotation while in others it encompasses broader aspects of social consciousness or class consciousness. Holton (1981) argues that such conceptual divergences led to differences in the interpretation of social change that finally crept into the seminal ‘mode of production debate’. Capitalist ‘transition’ was conceived in two separate strands of literature: a. one arguing that advent of capitalism was a fall out of universalisation of division of labour and spread of exchange relations; b. the other talked about the property relations perspective and class struggle that finally led to the demise of feudal relations in Europe (Tomich, 2004).

However this debate throws some light on the ‘pre-capitalist’ production relations that emerged in Western Europe during the period of transition. Dobb (1946) argued that the rise in capitalist

relations did not happen simultaneously with the decline in feudalism rather there was a phase of 'petty-commodity production'. Commoditisation of production took the initial form of simple commodity production where the producer sells his produce in order to procure other commodities for use. However commercialization of production that is transforming goods into commodities could not be a route towards capitalist production in itself because capitalism does not signify only production of commodities but a peculiar phase where labour power itself is turned into commodity. In the historical process of transition the segment of petty-commodity production underwent a social stratification creating property-less labour on the one hand and a 'kulak' yeomanry on the other who hired labour of others. Furthermore, creating a vast pool of property-less labour required a forced separation of the mass of producers from their own means of production that Marx characterized as the 'primitive accumulation of capital' (Marx, 1958; *Capital I, Part VIII*). Hence 'petty-commodity production' was conceived as a transitory phase in Marxian literature that could never withstand in the face of capitalist development (Moser, 1978). It is argued that there is an inherent expansionary tendency in capitalism that 'batters down all Chinese walls' in order to build a world of its own image. The destruction of non-capitalist relations take place either in forms of dramatic social change or it may happen gradually by way of erosion of the economic viability of the earlier system. The second reason for capitalist sway over 'pre-capitalist' relations accounts for the intrinsic trend of concentration and centralization of production. Capitalism favours concentration in order to reap the benefits of increasing returns to scale and therefore smaller structures find it difficult to survive in the face of capitalist competition. Whatever might be the reason, in the abovementioned debate, petty-commodity-production is a transient category that is supposed to wither away as capitalism develops.

As against this linear evolutionist perspective we come across a different reading of Marx flowing from Althusser that signifies the later phase of the mode of production debate. The concept of mode of production in Althusser *et al* (1970) is a 'complexly articulated' social totality conceived entirely in the formal abstract level. The related question was how the elements those constitute the complex totality articulate with one another and what could be the necessary conditions for reproduction of such relations. It is primarily to look at the dynamics of the internally differentiated complexly determined totality. In Althusser the concept of mode of production signifies an extended meaning. It is not only a specific combination of the forces of

production and relations of production but the determinate and specific relations of the former with economic moments as well as with other social mediations, political and ideological. The articulation of various elements in the mode of production is captured by the notion of 'overdetermination'. A notion that signifies a complex causality founded upon the respective mechanisms of condensation and displacement. The concept of 'overdetermination' was originally used by Sigmund Freud to describe the representation of dream thoughts in images constituted by their condensation of a number of thoughts in a single image. In this scheme of analysis none of the elements in the complex totality does enjoy causal primacy over others rather they overdetermine each other and get overdetermined in the same process. The elements of the mode of production exists in history in a 'floating state' and prior to their combination each being the product of its own history and none being the teleological product of the others or their history. Resnick and Wolff (1987) identified the ontology of the class and non-class processes that constitute the social totality. The class process is defined as processes involved in the production, appropriation and distribution of surplus and it is always a combination of class and non-class processes that constitute the totality. The fundamental class process involves production and appropriation of surplus product and the subsumed class processes include activities that create the conditions for the reproduction of the fundamental class process. These class processes are also conditioned by a range of non-class processes. Each process is both the cause and effect of other processes, that is, there is no causal primacy of the one over the other rather they exist in relations of interdependence called overdetermination. In this scheme, each process of accumulation involves a particular but determinate combination of class and non-class processes and acknowledges the theoretical possibility of structural coexistence of multiple modes of production. As a corollary what follows that there is no unique or optimal combination of elements or subsystems and institutions within capitalism that would necessarily triumph over other combinations. The advantage and specifics of one type of capitalism over another are typically dependent on their concrete historical path of emergence and evolution.

The above thesis views the capitalist mode of production as a radical departure from pre-existing modes, however the determination of the new is a confluence of overdetermined processes. Therefore, there is absolutely no ontological reason to think of 'pure' systems and at the same time neither there is any reason to believe that the coexistence of multiple systems is instructive of a failure in the process of evolving into some matured/pure capitalism. Rather the whole

discourse stimulates a discussion on plurality of possibilities instead of some simplistic linear understanding of history. The mode of articulation between constitutive elements in its specific forms is the real point of investigation and the study of articulation need not be viewed in the light of some pre-determined outcome. In other words, there seems to be no reason to believe that 'pre-capitalist' production relations are nothing but a passing phase and would eventually collapse into 'matured' capitalism consisting of only wage labour. Such teleological assumptions in fact aim to capture all contingencies in terms of necessities and believe that such necessities get fulfilled in the process of articulation.

Althusser views capitalist mode of production as the unintended and overdetermined effect of the "aleatory" and contingent "encounter" of the various historical processes. There is no necessity of the emergence of capitalism as such from the constituent elements floating in history rather it is a point of 'radical indeterminacy' that characterizes the existence and reproduction of a social system. Hence what follows also that existence of non-capitalist production-relations might not necessarily have to have a causal determination that is they do not necessarily be linked with capitalism for some purpose originating from the capitalist space rather they may exist as independent processes, of course having interactions with capitalism in various moments both overdetermining and being overdetermined in the same process. Apparently this argument seems to be allowing 'subjectivity' and 'pluralism' that makes political economic analysis too general but it actually entails analysis that is more complex and differentiated and calls for looking into how relations of intrinsic capacities are actualized differently in different situations.

In this context one important aspect of articulation between capital and non-capital is of course the asymmetric relation between the two. The non-capitalist site of production is not something auxiliary to the capitalist labour process, clinging as an appendage to the latter; rather it constitutes the wage although not recognized in value calculations. To the non-capitalist segment the articulation with the capitalist space might not be a binding in itself and even if it interacts, it might not be serving some pre-determined purpose either; rather this articulation can signify an intersection of two separate processes that have their own logic of existence. Therefore, the more important point of course is that non-capital has to express itself in terms of exchange relations in order to engage with the capitalist space, while it is also difficult for capital to intrude into all sorts of non-capitalist production processes. The household labour is a classic example of such a

site of non-class process that hardly gets represented in value calculations internal to the capitalist space. The conceptual act of assuming ‘subsistence basket’ as something synonymous to wage goods required as inputs to produce that subsistence basket is a silent process of ignoring the household labour that transforms wage goods into subsistence basket (Quick, 2004). The value of the labour power which is defined by the socially necessary labour required to produce the wage goods is constituted by a separate process of production in the household which is a non-capitalist site and never enters into the value calculations in the capitalist system. The non-capitalist site exists, get reproduced and play a constitutive role to capitalist labour process but that does not imply that they existed only to serve a specific purpose in capitalism. Non-capitalist sites may exist for reasons altogether different from the cause of interacting with capitalism but capital tie them up in exchange relations, although, do not allow them to be represented in value equations. The interface between capital and non-capital characterized by exchanges hardly happens on the basis of equivalence and suppressions are consciously ignored in capitalist discourse.

The next section focuses on the interaction between capitalist and non-capitalist space, various dimensions of their engagements both in terms of systemic articulation as well as in the realm of exchange captured in value-theoretic terms.

IV. LOCATING NON-WAGE EMPLOYMENT IN CAPITALISM

In the context of mode of production non-wage employment had traditionally been equated to petty-commodity-production where the small producer having her own means of production produces goods, exchanges with money in order to procure goods for use. Hence petty commodity production was conceived as a production process that produces no surplus and engages with capitalism only after finishing the act of production. Sanyal (2007) argues that today’s self-employment in the informal sector cannot simply be equated to the concept of petty-commodity-production, instead characterized it as the ‘need’ economy. The producer in the latter case usually starts the circuit with money, purchases inputs, produces commodities and then sells against money. The producer in this case engages with capitalism before completing the production process and the circuit assumes the form $M-C-C'-M'-C-C'-M'$ where M' in successive rounds is greater than initial money advanced but the difference between M and M' is spent on consumption. It is argued that in this case although the production is not primarily

organized for accumulation as happens to be the case in capitalist production, nevertheless, it cannot also be equated to subsistence economy that precludes any surplus. In any case whether defined as petty-commodity-production or the need economy, the question that obviously draws attention is that what relevance does this non-wage segment, an economy that is primarily destined to consumption have in reference to capitalism. In other words, how a capitalist fundamental class process of production and appropriation of surplus value is overdetermined by an array of subsumed class and non-class processes that involve non-capital in different moments.

There are arguments saying that largely the non-wage segments constitute the 'reserve army of labour' and they sustain by self-employment till they are recruited in formal sector jobs. The other implication being the informal segment helps cheapening the reproduction cost of labour power as goods and services produced in this informal segment mainly enter into the subsistence basket. Although partially true these arguments do not acknowledge the following facts: a. It is not always empirically true that a larger portion of the consumption basket of an average industrial labour originates in the informal sector and the purpose of reducing the value of the subsistence basket could be fulfilled even by producing wage goods through mass production (Schmitz, 1982); b. the reserve army of labour is relevant in capitalism in containing rise in wages in the capitalist segment but that need in any case does not explain such a vast segment of non-wage employment who would hardly be called for wage work in the capitalist sector.

Rosa Luxemburg (1951) was among the first to theorize the need for non-capitalist markets and argued that in the case of expanded reproduction a 'closed' capitalist system can never get rid of the realization crisis without a non-capitalist 'external market' that is used to absorb part of the surplus. While acknowledging the requirement of external stimuli Kalecki (1971) argued that in a balanced trade between capitalist and non-capitalist segment, that is if net exports is zero then non-capitalist segment plays no role in absorbing the unrealised surplus. This argument was also being advanced by Sweezy (1942) in his critique to Luxemburg's thesis. However Patnaik (1997) refuted the need for export surplus to stimulate investment in the capitalist sector. This is precisely because expansion of exports and contraction of import competing activities have asymmetrical effects upon domestic investment and the positive effects of the former would be larger than the negative effects of the latter. Second, balanced trade between two economies

might imply export surpluses from capitalist to pre-capitalist sector if the imports from under-developed economies are used to replace domestic pre-capitalist producers within the developed capitalist economy. Kalecki's principal point however was that in the absence of specific exogenous stimuli a capitalist economy would settle down at a state of simple reproduction and innovations do play the role of such stimuli introducing a positive trend into the system. Patnaik's theorizing of engagement with pre-capitalist sector although bears resemblance to Luxemburg's argument of the theoretical impossibility of capitalism existing in isolation but it is different in the sense that the necessity of engagement does not arise in order to realize the entire unconsumed surplus of the core as argued by the former rather it provides a 'reserve market' that stimulates investment. The central argument runs as follows: capitalism being a demand-constrained system has a tendency to move away further from the central position and there is obviously no spontaneous mechanism that ensures the functioning of the system within upper bounds of inflationary barrier and lower bounds of activity related to the minimum acceptable rate of profit to the capitalists. The coherence and the viability of capitalism can only be explained when the capitalist sector is ensconced with a pre-capitalist setting, when the distant reserve army consisting of a vast pauperizing mass created within the pre-capitalist sector and geographically separated from the reserve army at the core plays the role not only of containing real wages but also stabilizing the wage-unit and hence the value of money (Patnaik, 2008). The basic difference between Kalecki's analysis and that of Patnaik's lies in the fact that Kalecki implicitly assumes that a capitalist economy is viable at any rate of profit, while in Patnaik's scheme there is a minimum to the rate of profit and hence to the level of activity, slipping below which would make the system unviable. However what is common to all of the above analysis is the necessity of creating hegemony over the existing non-capitalist segment because only then the capitalists would be induced to the required level of investment.

The political and economic dimension of continuously creating the 'other', non-capitalist sectors is further captured in Harvey's notion of accumulation through dispossession (Harvey, 2003; Sharryn and Carbonella, 2008). The interaction between the capitalist and the non-capitalist segment especially in the neoliberal era is explained in terms of the inside/outside dialectics that comes into play depending on the cyclic search for new sources of capital. The neoliberal era signifies the restoration of capital's power over labour after two decades of working class empowerment attained through labour and urban social movements. At the same time it is also

the period of capitalists' attempt to appropriate, co-opt, confront and supersede the manifold achievements of the working class. Hence the inclusion/exclusion dynamics in economic relations is mediated by the dialectic of force and persuasion in the realm of politics. However the mode of accumulation in the neoliberal period represents a major departure from the expanded reproduction of the post-War Keynesian epoch. At that time the realization of excess capital was facilitated by mass consumption and large expenditures of the welfare state on account of public utilities and infrastructure. In the neoliberal era, on the contrary dispossession takes various forms of loss of entitlements. In the advanced countries the workers lost their pensions, welfare, national health care and jobs; elsewhere in indigenous and peasant communities people lost their natural rights on land, water, forests and plants and many of the public utilities are privatized. In a sense the intrusion of capital on the non-capitalist segment creates new avenues for accumulation through dispossession.

The above analysis is very much related to the non-temporal interpretation of Marx's paradigmatic formulation of the 'primitive accumulation of capital'. The idea of separation of producers from their means of production applies to both capitalist accumulation and the primitive accumulation of capital. It flows from the alienation of labour from the object of production and accumulation in capitalism reproduces the separation at an ever increasing scale. However the difference between the two being: in the process of capitalist accumulation it takes place by the silent compulsion of the economic relations while in primitive accumulation of capital the separation is imposed primarily through extra-economic force. And this use of extra-economic force did not subside with the establishment of capitalist relations rather called for any time when the capitalist class and the state deems a threat to the stability of the system, that is when the silent economic forces could not ensure the required minimum rate of profit.

In this context one might note that expansion of the non-capitalist segment in India and in many other developing economies includes to a large extent activities related to the services sector. These activities in most of the cases lie outside the realm of fundamental class process and hence the essentialist interpretation of capitalist mode of production would fail to acknowledge their role in constituting the capitalist class process. In other words the question simply is whether these activities do in any case play a role in the augmentation of surplus value or not. The underlying issue is of course pegged with the conceptual boundaries between productive and

non-productive labour. Productive labour is labour which creates surplus value and unproductive labour is that which is exchanged with money not in the form of capital but of revenue. Many of the activities related to commerce and finance are unproductive according to this definition. Marx however used the term 'indirectly productive' referring to activities related to the sphere of circulation. This is because the speed of circulation determines the turnover of capital and that further influences the mass of surplus value created. Hence although the activities in the sphere of circulation do not create value in themselves but play a significant role in realizing the values already created in the sphere of production. On the question of services in general Marx argued that commodity is a social mode of existence of a good that possesses some use value. The form in which labour materialized itself in the 'commodity' is absolutely irrelevant for this relation (Marginson, 1998). Hence, according to this argument commodities do not have to take a tangible or durable form. On the other hand for instance, the merchant or the trader although does not add any new value to the produced commodities nevertheless s/he plays the role of productive capital in its own right by outlays of capital on employment of labour and hence creating surplus value. Thus the expansion of the services sector does not necessarily imply a deduction from rather than an addition to the pool of surplus value. Therefore, the current trend in the rise of non-wage employment in the services sector is neither alien to the Marxian scheme of analysis nor is it incompatible with the broader framework which we use to capture the articulation between capitalist and non-capitalist segments.

Besides the broader politico-economic reasoning that addresses issues related to interaction between capitalist sector and the non-wage segment viz. self-employment, one needs to focus also on the interface between the two segments that takes place through the act of exchange. One of the major differences between the wage worker and a self-employed worker is that in the case of the former, wages are supposed to be paid independent of the act of sale of the produced goods; while the self-employed person can realize the return of his/her labour only after being able to sell the produce. The asymmetry between wage income and non-wage income actually reflects the inherent asymmetry between capital and non-capital where in the non-capitalist segment the self-employed is more vulnerable to cyclical fluctuations compared to the wage worker.

The asymmetry in exchange could further be captured at the conceptual level. Labour in capitalism assumes a dual character: one concrete, that signifies the particular dimension and specifics of labour that produces commodities as use values and the other abstract, that is universal, social and general producing exchange values of commodities. Differences of nationality, linguistic identity, gender, sexuality and so on are relevant only in the domain of concrete labour, they are actualized in producing differing use values but through the abstractions of social labour and labour time, heterogeneity is forcefully demolished into a system of structural coherence through the act of exchange. The law of value maintains the social division of labour in a commodity producing society and commodities exchange on the basis of equivalence of simple labour time only when all labour could be put to equivalence by the notion of 'abstract labour'. The reduction of the varied concrete forms of labour to abstract labour requires a forcible act of making everything being represented in terms of a labour measured in terms of 'average/normal' intensity. The concept of 'abstract labour' is interior to capitalism and that requires both mobility of capital and labour. In selling their commodities the capitalists of the various spheres of production realize the value of the capital consumed in their production. However, Marx argued in *Capital III* in analyzing the general rate of profit, that capitalists do not secure the surplus and related amount of profit created in their own sphere. 'What they secure is only as much surplus value and hence profit, as falls, when uniformly distributed, to the share of every aliquot part of the total social capital from the total social surplus value, or profit, produced in a given time by the social capital in all spheres of production.' (Marx, 1959; *Capital III*, *Ch.IX*).

Furthermore the cost of production in each sphere is specific but the profit added to them is independent of the particular sphere of production. The general rate of profit is determined by two factors which are as follows: a. the organic composition of capital in different spheres of production and the related rates of profit in the individual spheres of production; b. the distribution of the social capital in these different spheres. Hence what follows, if the organic composition of capital in a specific sphere of production is less than the average social capital, then the price of the product in that sphere of production would be less than the value of the product. If we assume for the time being that the self-employed producer engages with the capitalist sector to realize her returns on the basis of some equivalence it is likely that the shadow rate of profit that s/he could realize would not be enough to secure the value of the product

because in most of the cases the organic composition of capital would be less than the social average. Secondly the general rate of profit in the capitalist sector is constituted by an equal rate of exploitation and that is ensured by competition of labour that works through labour mobility. In the sphere of self-employment there is no reason to believe that this uniform rate of exploitation would be established in the act of exchange between capitalist and non-capitalist segment. The terms of trade between capitalist sector and the self-employed producer is completely arbitrary and accidental as it is impossible to establish a relation of equivalence in value theoretic terms. The capital advanced in self-employment is not 'capital' in the general sense, as these are hardly transferable to alternative sites of investments. It has to be applied in a way to valorize the family labour. In these situations, the markets for capital and labour are not separate and independent. They are both segmented markets, as the family labour cannot always have recourse to alternative occupations. However, the return to labour in self-employment, once entering into exchange with the capitalist segment, should be at least not more than the wage in the capitalist sector and that requires only the existence of a 'reserve army of labour' that is a supply of sufficient number of people looking for subsistence income. Hence, return in self-employment and wages in capitalist sector are mutually constitutive, one conditioning the other of course not on the same footing but on the basis of asymmetry what Chaudhury et al (2000) termed as 'mimicry of overdetermination'. The general tendencies however in any case do not preclude the possibilities and instances of earning relatively more in self-employment than wage-employment in a specific sector depending on the organic composition capital of the self-employed enterprise and degree of availability and mobility of the labour force in the specific segment, just as there is no need to believe that the worker's wage in capitalism has always to be equal to the minimum subsistence level. The final outcome is constituted by elements of political and historical specificities that act and interact upon the underlying economic tendencies.

Finally, if we assume a situation when 'Department I' producing capital goods and 'Department II' producing consumer goods support each other in appropriate proportion such that no possibilities of crisis because of under-consumption exists, then also there would be interaction between the capitalist and non-capitalist sector and that is precisely because of non-economic reasons. The 'reserve army of labour' as it is conceived is a relative over supply of labour power created primarily by increasing organic composition of capital. This reserve has further increased because of the dismantling of trade barriers between states. As Rodrik (1997) argued, increased

trade resulted in a rise in international competition that translated into greater elasticity of the domestic demand for the labor. This means that a worker is now competing with a much larger labor supply, that reduces its bargaining position and the first-order effect of trade appears to have been a redistribution of the enterprise surplus toward employers rather than the enlargement of the surplus itself. But beyond this ‘reserve army’ there is a simultaneous process of creating the ‘wasteland’¹, in the sense, those dispossessed were separated from the means of production but hardly been absorbed in the rank of capitalist labor force. This segment comprises of those unfortunate ones who are permanently denied of the ‘privilege’ of being exploited in the capitalist sector as wage labour. Sanyal (2007) argues that this is different from the conventional notion of the ‘reserve army of labour’. The patronage of the capitalist state by occasionally providing subsidised credits and inputs to this segment is not at all prompted by the economic necessity of maintaining a relative excess supply of labour that helps pushing down wages in the capitalist sector, but only driven by the political purpose of legitimizing the hegemony of the ruling class. Given the fact of the devastating nature of the present state of expanded reproduction together with the erosion of the welfare state, even if we ignore possibilities of realization crisis and assume capital to be self-subsistent, then also it requires to institute a surrogate safety net that takes care of the dispossessed by making provisions for the minimum level of subsistence. In other words, the engagement of capital with the non-capital in this context might be because of reasons that do not directly account for necessities related to surplus production or appropriation rather constitutes a subsumed class process serving a political purpose altogether.

V. CONCLUSION

Capitalism never existed in isolation in ‘pure’ and pristine form and has been overdetermined by all other elements of social life that includes separate processes of non-capitalist production relations. This does not however preclude the attempts to specify theoretically the essential characteristics of capitalism. But at the same time the non-essentialist framework refuses to limit the analysis based on a linear progression of history that finds non-capital as a subsidiary class process. On the contrary, capitalism engages with its exterior in domains of politics, economics and ideology and in the process both the segments get overdetermined by each other. No

¹ A term used by Amit Bhaduri (2008)

centrality is to be attached to the capitalist fundamental class process and therefore non-capitalist class processes are also to be conceived as constitutive to the capital system. Therefore co-existence of large non-wage segment with wage employment should not be viewed as a paradox in capitalist development.

The relation between capitalist and non-capitalist segment is a complex process and such interaction could not be captured by any simplistic one-dimensional causality. Non-capitalist segment exists primarily with its own causal historical determinations not necessarily to serve some purpose for capitalism. And the engagement does not necessarily originate from a priori systemic necessity but at the same time does not signify an intersection between isolated systems. The engagement in this case is a process of mutual determination although based on asymmetric relations. The interaction might be because of economic reasons, for instance: recurrent need of recruiting labour in the active labour force; pushing down the cost of production of the subsistence basket and using the compressible wage segment to attain stability in the capitalist system and so on or might flow from the political purpose of establishing hegemony over the non-capitalist segment although trade between the two might not necessarily follow. In sum intrusion of capital in the non-capitalist space refers to situations when silent compulsions of capitalist laws could not take care of the minimum rate of profit required for the existence and stability of capitalism. But otherwise also the interaction might be multi-dimensional involving non-class processes that directly contribute to the act of producing or appropriating surplus as well as those related to subsumed class processes that ensures the political stability of the capitalist fundamental class process. Therefore, the articulation entails a complex dialectics of force and persuasion that determines the interactive space mutually constituted by economic, political and ideological determinations.

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