Continuity and Change in Indian Capitalism

Mazumdar, Surajit

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Surajit Mazumdar

Ambedkar University, Delhi

Abstract: This paper explores the elements of continuity and change associated with Indian capitalism's transition to its liberal phase after 1991. While acknowledging the significant changes since then, it is argued that the origins, nature, and consequences of Indian liberalization cannot be understood without recognizing the important continuities between the pre- and post-liberalization phases. Its colonial origins and the absence of a thoroughgoing agrarian transformation, and other stable features associated with these, remain crucial for explaining the key and sometimes very specific outcomes being generated by Indian capitalism. Indian capitalism after liberalization is less different than what it was before than might appear at first sight, and some of the difference is only a reinforcing of its inherent characteristics. Indian capitalism has always exhibited a strong tendency for generating uneven development. The change implied in that uneven development lay behind the shift from a dirigiste strategy to liberalization, which in turn has made the uneven development tendency stronger. The paper concludes with some reflections on the 'Varieties of Capitalism' perspective with reference to the case of Indian capitalism.

The year 1991 certainly marks a discontinuity in the history of Indian capitalism, probably the most significant one since the country's independence from colonial rule in 1947. There was no fundamental political change comparable to that earlier event. Indian economic policy however made in 1991 a decisive break from the earlier strategy of 'planned economic development', a euphemism for a State-led process of capitalist industrialization and development. Instead of its relative autonomy maintained by the earlier strategy, Indian capitalism after 1991 has been pushed towards greater degree of integration into the global economy. The attempts at state direction of the course of the economy have been abandoned in favour of relying on spontaneous market forces. This has meant a shift in emphasis from the public sector to private capital as the driver of growth and a dismantling of the whole regime of controls that had been erected to partition economic activity between the public and private sectors and to bring the latter within the framework of planning.

India's shift towards economic liberalization has of course reflected a global trend. That it has been a significant enough development to be the basis for demarcating a very distinctive phase of the post-independence history of Indian capitalism would not be disputed by anybody. The only debate relates to the dating of the beginning of this phase, given that the more dramatic 'economic reforms' after 1991 were preceded by a limited liberalization in the 1980s. The transition to a distinctly new phase in the life-history of a particular capitalism does not however mean that it undergoes a complete change in its type. This holds true for Indian capitalism's transition to its liberal phase too. If attention is focused merely on the purely formal aspects of state economic policy and its rationalizing ideology, the Indian transformation would indeed appear to be dramatic – from a highly statist or coordinated market economy to a liberal one. However, if one goes beyond the surface a significant element of continuity can also be discovered between the past and the present of Indian capitalism. No understanding of the origins, the nature and the consequences of Indian liberalization can be complete without acknowledgement of these continuities. When these are taken into account, Indian capitalism does not appear to be on a trajectory where it is converging towards a universal model of liberal capitalism in the age of globalization. At the same time, its experience of standstill and movement also poses challenges in the path of developing a general analytical framework for understanding capitalist diversity.

The Prehistory of Indian Liberalization: The Making and Development of an Agriculture Constrained Third World Capitalism

Capitalism in India emerged almost by default in the second half of the 19th century when India was under colonial rule and Britain's most important colonial asset. At that time India's designated role in the British imperial order implied a particular position in the international division of labour. India had to serve as the most important market for industrialized Britain's export-oriented industry and was forcibly kept open for that purpose. At the same time India was also a large exporter of a variety of primary commodities, mainly produced by her agrarian sector, whose destinations were increasingly the industrializing economies of North America and Europe. India's large trade surplus was siphoned off through the colonial tribute transfer mechanism and played an important role in enabling Britain to meet her international payment obligations by offsetting her deficit. A small capitalist industrial sector emerged in such a background stimulated by the railway development the colonial rulers promoted for their own reasons. The dominant impact of the railways on Indian manufacturing, however, was the carrying forward of the process of de-industrialization, the destruction of India's traditional artisanal manufacturing industry, that had begun in the early part of the 19th century as British manufactured goods began penetrating the Indian market (Ray 1994). In other words, even as capitalist industry was establishing itself India was actually rapidly receding from her position as one of the great manufacturing regions of the world of the pre-industrial revolution era[1].

The Incomplete Emergence of Capitalism

The capitalist class emerged mainly through segments of the mercantile community using their trading activities as the springboard for entry into industry (Ray 1994). Trade and commerce had a long pre-colonial history in the Indian sub-continent, and a large international and domestic commerce also became an inherent feature of the colonial situation. It sustained a small group of relatively large European merchant firms and a much larger community of native merchants and bankers. In the period before the First World War, the near monopoly of Europeans in India's foreign trade, their control of the organized money market, their privileged status with the imperial government and their unity based on racial and cultural affinities, constituted the basis for dominance of the emerging modern industrial sector by European merchants. The balance started shifting towards the indigenous Indian capitalists after the War as the profitable opportunities for capitalist enterprise moved away from the sphere of international trade and towards the domestic market. The greater involvement of the native merchants in domestic trade now gave them a decisive advantage over their European counterparts. This growth of native capitalists and the rising tide of nationalism served to mutually reinforce each other.

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[1] Even if these are considered only very broadly indicative of what really happened, Paul Bairoch's estimates (cited in Simmons, 1985) bring out India's industrial regression during the 19th century. According to these estimates, India's share in world manufacturing production fell from just under 20% at the beginning of the century (it was nearly 25% in 1750) to under 2% by the end. During this period, India's per capita industrialization level fell to a sixth of its original level.

While the capitalist industrial sector did grow in the nearly century long period before independence, it remained a small enclave of the economy. At India's independence, it was still dominated by the relatively technologically unsophisticated light manufacturing industries, accounted for only 8 per cent of the economy's aggregate output and less than 2 per cent of employment. Even the surviving traditional manufacturing sector was larger in size. Agriculture continued to be the main sector of the economy, accounting for over half the output and three-quarters of employment. While it had not remained unchanged through the history of colonialism, Indian agriculture was still a primarily peasant agriculture in which no radical transformation had happened in the way production was organized or the techniques that were used (Patnaik 1999). Agricultural productivity was low and while agriculture supported an extremely wealthy class of landowners much of the agrarian population, which included not just a differentiated peasantry but also a class of agricultural wage-workers, remained in extreme poverty. There were also additional dimensions to the complexity of Indian society apart from the variety of classes making it up – in particular the continued survival of the institution of caste and the tremendous religious, linguistic, and cultural diversity of the Indian people.

Capitalism's original emergence in India was thus neither a product of any widespread reorganization of Indian society and nor did it result in one. The capitalist sector in the colonial period had served as the cradle for the emergence of new social classes and of conflicts amongst them[2]. The numerical proportions of these classes had however remained limited and

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[2] Intermittent strikes by industrial workers began in the 19th century, and a modern organized trade union movement came into being in the period after the First World War. The growth of Indian nationalism and the Russian Revolution of 1917 inevitably also contributed to the working-class and its movement going beyond mere economic struggles and acquiring an increased political orientation (Sen, 1997). It became a significant enough political force in Indian society for the ideas of 'socialism' to penetrate even into the mainstream national

each in their own way was underdeveloped. Much of the working class continued to have strong links with the countryside. The fractured development of the industrial capitalist class reinforced its underdeveloped nature so that its native component still strongly reflected its mercantile roots. It was not their mastery over production or technological innovativeness but instead accumulations through trade and commerce and their connections and skills in that sphere that had formed the basis for the emergence of India's industrial capitalist class (Ray 1994). This combined with the colonial background to shape an attitude towards technology of long-term significance. Technology was not something to be developed but simply something to be acquired in the market and from foreign sources. India's industrial capitalist class never fully shed this attitude acquired as a result of its specific origin.

The Making of the Corporate Structure

Capitalist enterprise in India also acquired certain durable institutional characteristics in the colonial period. An early emergence of a *corporate* sector was one of these, enabled by the enactment of a general incorporation law in the middle of the 19th century soon after a similar legislation in Britain. Both Indian and European enterprises made extensive use of joint-stock companies for undertaking industrial ventures in the colonial period with share capital issues as the major means for financing fixed investment (Rungta, 1970, Lokanathan, 1935). However, business corporations in colonial India never acquired the character of having extremely widely dispersed ownership. Capital was typically raised from a relatively small circle of people and the class of shareholders in India remained relatively small. Independent of this, however, proprietary

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movement, and for Indian capitalists to become self-conscious of the need to politically meet this challenge side by side with their battle against European dominance (Ray 1985).

control over companies was ensured by the extensive use of the *managing agency* system[3]. While instances of managing agency firms managing a single company were quite common, some European controlled firms pioneered the system of centralising control of a number of companies in a single managing agency firm – the *managing agency house* (Ray 1985). Indian controlled businesses also subsequently assumed a multi-company form and thus emerged the business group as the typical unit of decision-making in the Indian corporate sector.

The managing agency system was however only an instrument through which promoters of 'public' companies could gain virtually impregnable control over them individually and thereby centralize control over many. It did not reflect the emergence of any kind of 'managerial capitalism'. Indian business groups instead were typically family controlled firms. When they first imitated the European houses, they did not necessarily confine themselves to using a single managing agency firm for controlling a number of companies. After independence, they developed the mechanism of inter-corporate investments to play the same role and replace the managing agency system that was eventually abolished by law (Hazari 1966, Sengupta 1983). The legacy of the corporate structure created under colonial conditions is visible to this day.

Independence and the New Context: Opportunities and Constraints

India's independence did not change the basic economic structure that had taken shape under colonialism but did transfer power to dominant classes within that structure. On the one hand this set the stage for the active and instrumental use of the state to promote capitalist

[3] This system involved the contractual vesting of the responsibility for managing the affairs of a company to a managing agency firm in return for a remuneration or commission. However, notwithstanding their formal position, managing agents were not really providers of services for a fee. Instead they were in fact the active agents in promotion of companies they managed.

industrialization, which had not been possible as long as India had to be a colonial appendage. At the same time the presence of powerful landed interests severely constrained one such instrumental use of the state - to bring about the institutional reform in agriculture necessary to remove what was called the "built-in- depressor" in India's agrarian structure (Thorner 1956)[4].

The industrial capitalist class and landed interests were of course not the only forces acting upon the state of independent India. While this had not gone to the extent of threatening their dominant influence, the national movement had politicised to a degree other social classes too. One of its consequences was the coming into being after independence of a formal political structure of representative democracy based on universal adult suffrage. This also influenced the way in which the social conflicts inherent in the economic and social structure expressed themselves, developed over time, and were responded to.

For India's capitalist industrialization, the issue of agrarian reform had also acquired by independence an additional significance. This was on account of the disappearance by then of the agrarian sector's unutilized potential for supporting an industrialization process that had earlier existed. India's long-standing export surplus built on her agricultural exports had disappeared by the end of colonial rule. The contribution to state revenues of the once most important source, land revenue, had become insignificant while agricultural incomes had

[4] Though based on a highly oversimplified picture of the division of agrarian society into three main classes– *maliks* (landlords), *kisans* (peasants), and *mazdoors* (agricultural labourers) – it nevertheless served to highlight three important inter-related features associated with the agrarian structure. Firstly, the dominant position within that structure of a parasitic class of landed interests who, though they were only a small minority of the agrarian population, monopolized a major part of land ownership and extracted a significant part of the produce from tenant farmers in the form of rent, and usurious interest. Secondly, that such a structure was inimical to investments in agricultural productivity and gave rise to a prevalence of small-scale agriculture. Thirdly, even as it kept agricultural productivity low, it gave rise to a highly concentrated distribution of agricultural income meaning that the vast majority of the rural population had barely subsistence levels of income The figures given in Bettelheim (1977), pp. 25-26 would illustrate this: The average annual income per person in 1950-51 was Rs. 3200 for *maliks* who constituted 17% of rural households, Rs. 130 for *kisans* whose share in households was 45%, and Rs. 104 for the 38% of *mazdoors*. At the same time, the per capita national income was Rs. 265.2, which, as Bettelheim noted, was in any case amongst the lowest in the world.

been exempted from income tax. The population was larger and increasing and this was happening in the wake of the trend of declining per capita food production that characterized the last half century of British rule (Blyn 1966). The political implications of food scarcity were also rather different than those that prevailed in the 19th century, when the colonial rulers could permit exports of foodgrains even when millions died in the recurrent famines that characterized that period. Moreover, by independence very little surplus land was left to which cultivation could be extended. To add to all of this were the adverse effects of the partition which accompanied India's independence[5]. In such circumstances, let alone the limited ability of agriculture be a foreign exchange earner as it was earlier, food imports and imports of producer goods for industry (including agricultural raw materials) became potential competitors for scarce foreign exchange. Similarly food and cash crop production had also become potential competitors for scarce land. Unlike earlier when agriculture contributed majorly to state revenue, it became a potential claimant on the scarce resources of the state.

India after independence also confronted challenges from its international context, as did every Third World country attempting late industrialization. Independence did offer India an opportunity for reordering her international economic relations in the direction of promoting her industrialization. She could therefore take advantage of the new geo-political realities that emerged in the second half of the twentieth century and made conditions more conducive for the diffusion of industrialization to the Third World. Yet industrialization was not possible by

[5] This took outside the ambit of the Indian Union some of the most irrigated tracts of the sub-continent, a food surplus region, and major areas of production of the two most important industrial raw materials produced by the agrarian sector, namely cotton and jute.

completely disengaging from the international structure of capitalism in which, India, like many others to begin with necessarily occupied a subordinate position.

While India was a Third World capitalism, it would not be appropriate to call it a *dependent* capitalism if that expression implies a capitalism only capable of a responsive expansion to the expansion through 'self-impulsion' of the advanced economies (Dos Santos 1978). However, the autonomy of its dynamic and development were *relative*. One important reason for this had to do with technology, one sphere where the expression 'dependence' had a meaningful application. This was particularly because of the changes in the technological context for industrialization brought about by the scientific and technological revolution since the late 19^{th} century. In technological terms in fact, Indian factory industry by independence had fallen further behind the than it had been at the start of its development 90 years earlier. Like all late industrializations, a combination of partial dependence on imports of capital goods and substantive dependence on transfer of know-how in general was therefore a necessity for India's industrialization.

Indian Dirigisme and the Agrarian Constraint

The strategy of import-substituting industrialization and 'planned' economic development that was actually adopted after independence in India was one where the state in principle took on the role of guiding and directing economic activity. Restrictions on inflows of products, capital, and technology were one part of the strategy, though a window was always kept open for all of these. Indian *dirigisme* also partitioned non-agricultural economic activity between the private and public sectors. The public sector was supposed to dominate key industries and sectors such that it could occupy the 'commanding heights' of the economy. The private sector was allowed to dominate manufacturing activity with public sector financial institutions being, however, the main source of industrial financing. State direction of private investment in accordance with planned priorities was also part of the scheme. An elaborate system of controls on private capital was created for this purpose, the centrepiece of which was a system of industrial licensing.

The objective underlying the leading role of the state, notwithstanding the rhetoric of the 'socialistic pattern of society', was the acceleration of capitalist industrialization. At the level of detail the entire system appeared in many ways to be restrictive for private capital. The controls, and the manner of exercising them, sometimes evoked opposition from capitalists at the individual level as well as collectively. Yet Indian big business offered no significant resistance as the strategy was put into practice in the 1950s. They in fact had played an active part in the process of developing the basic blueprint of that strategy and the consensus around it in the closing years of British rule (Ray 1985). The interaction between businessmen and the future political leadership of the country that had taken place in that process carried forward the process of development of networks of relations between the worlds of business and politics. This carried within itself the potential for working at cross purposes to and even undermining the very planning process that it contributed in giving birth to. That is precisely what did eventually happen.

Private big business was not quite crushed under the heavy arm of the state under what came to be pejoratively called the "license-permit raj". Instead the Indian state failed to impose any meaningful discipline on private capital distinguishing the Indian case from others like Korea (Chibber 2004). Big business firms, with the assistance of the discretionary decision-makers in the state apparatus, routinely abused, manipulated, and circumvented the system of controls to their advantage. Clientelism, cronyism, and corruption came to thus extensively characterise the actual working of the control regime. It is widely acknowledged that this became more pronounced in the second half of the control regime, after circa 1970 (Goyal 1979, Kochanek 1987, Virmani 2004). To add to this were severe fiscal difficulties, partly a result of private capital successfully thwarting any significant revenue mobilization effort, and recurrent crises. After the mid-1960s these promoted short-termism in economic policy and a slippage of public investment growth. Clientelism and cronyism did not mean, however, that a fixed and exclusive set of favoured business firms remained the beneficiaries of state patronage throughout or that there were no other imperatives to which the state responded. In fact, the overarching setting of an interventionist economic policy regime also provided a context for significant autonomous state action. For instance, the period of the most intense economic difficulties, from the mid-1960s to the late 1970s, also saw the high tide of nationalization. Major sectors like banking, general insurance, mining, and oil came within its ambit. In addition, there was a spate of permanent government takeovers of many stricken private sector companies.

Overall, however, the ultimate consequence of Indian dirigisme remained very far from giving rise to a highly coordinated or organized capitalism. It was far less statist than appears as first sight. The public sector share did increase over time but only to about a quarter of national output by 1991, two-fifths of which was accounted for by general government. This however contrasted with the relatively steady share of the formal private sector, which remained at around 15 per cent. Tax mobilization and public expenditure levels also remained extremely low, at less than a fifth and 30 per cent of GDP respectively[6].

Agriculture, which was overwhelmingly private, was one of the key sources of the difficulties capitalist industrialization faced in India. Like Indian planning, the agrarian reform programme

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[6] For Central and State Governments together.

also fell well short of what were its stated objectives – the redistribution of land-ownership and provision of security of tenures. However, there were other ways in which the state did get involved in the agrarian economy and there were also incremental changes in the agrarian structure over time[7]. These contributed to a modest easing but by no means elimination of the agrarian constraint on industrialization. The slow agricultural growth with declining per capita production was replaced by a fluctuating growth of a slightly higher order barely above population growth and marked by a greater degree of regional unevenness (Rao, 1994; Patnaik, 1994). Over time, the dependence on food imports did come down, but only with per capita food consumption levels remaining relatively flat.

Apart from being unable to provide resources for financing capital formation in industry, a slow growing agriculture constrained industrial growth and generated instability in many other ways. It gave rise to supply side constraints which in turn also resulted in an inflationary barrier to industrial growth supporting public investment. A severe market constraint working through the slow growth of the "external" market in agriculture, a persistent *narrowness* of the domestic market for industry, and the inflationary barrier to public expenditure, was also a significant consequence. A narrow market also had a limited capacity to provide the base on which exports of manufactured products could be developed over time.

[7] The key areas of the State's intervention in agriculture after independence were public investment in agriculture and rural development in general; promotion of introduction of technological change involving shift to high-yielding varieties of seeds and increased use of inputs and some element of mechanization – including through subsidization of inputs and the facilitating of increased flow of subsidized credit to the rural sector; promotion of credit and marketing co-opertives, and intervention in trade in agricultural products, and particularly food – encompassing imports, government purchases as part of a price-support mechanism, a limited public-distribution system, and maintenance of stocks. The agrarian structure changed as a result of the cumulative effects of the impetuses provided by this state intervention, the spontaneous influences arising from within the agrarian structure and its interaction with the development of the non-agricultural sector, agrarian movements, and the operation of demographic factors

These constraints were not temporary but had a strong tendency of working towards reproducing themselves, in particular the market constraint. Limited industrial growth inhibited the growth of non-agricultural employment, and both were reinforced by the relatively greater capital- and import-intensity generated by the dependence of the industrial sector on demand from by the relatively well to do. This meant an increasing pressure on a land constrained slow-growing agriculture and the low-productivity non-agricultural informal sector as the population expanded. For a large part of the workforce, whether self-employed or in wage-employment, this made any escape from a low-income situation next to impossible. This in turn made for a tendency towards the Lewisian unlimited supply of labour situation becoming a permanent feature of Indian capitalism. This labour-market situation also inhibited the growth of wages in the formal private sector, where some kind of collective bargaining and protection through labour regulation were present. These strong tendencies towards persistent market narrowness, of the narrow spread of effects of economic expansion, were reinforced by the inflationary redistribution of incomes.

The Record of Indian Dirigisme

Overall, the achievements of India’s import-substituting industrialization between independence and 1991 were limited by its inherent historical constraints. These limitations were along many different dimensions.

The average pace of industrial growth was far more rapid than in the colonial era (Sivasubramonian 2000). India was however unable to achieve sustained spells of high industrial growth of the kind seen in some of her other Third World counterparts in Asia. Industrial investment remained limited and even the capacity created by this investment failed to be always fully utilized. Consequently while India’s industrial base became wider in terms of industrial diversification through a successive diffusion of industries, it remained narrow in terms of its scale. A diversified industrial sector came into being even as per capita levels of industrial production remained low. The industrial sector's share in aggregate output, including the part contributed by its informal component, crept up very slowly to just over a quarter by the end of the 1980s. Particularly since 1980, it was a growth of services more than that of industry which contributed towards faster GDP growth and the increasing share of the non-agricultural sector in total output (Mazumdar 2010).

Industrial expansion and even services growth contributed very little to the expansion of non-agricultural employment and shifts in the occupational structure. The large part of the workforce remained rural and employed in agriculture. To the extent that agriculture failed to absorb them, an expanding non-agricultural informal sector became the labour reservoir. Between them, they employed nearly 90 per cent of the workforce so that informal, irregular, and casual employment became the norm. Formal sector employment expanded more in the public than in the private sector, and formed the core basis for an expansion of the middle class. State intervention in agriculture also benefitted a stratum within the agricultural population including the upper segments of the peasantry. These two processes along with some expansion of informal sector small businesses founded on a low-wage context enabled some degree of market widening.

Iniquitous development under Indian dirigisme did give rise to significant social and political conflict. Authoritarian tendencies also emerged in response but parliamentary democracy survived and checked these tendencies[8]. The political structure however served more as a pressure valve rather than as an effective antidote to the iniquities inherent in the economic and

[8] The Emergency which lasted from 1975 to 1977 was the biggest test.

social structure. In doing so, however, it did combine with the interventionist policy framework to create some limited scope for redressal and a degree of social mobility. One area where this was visible was in the sphere of industrial relations in the formal industrial sector. The tripartite mechanism created for conflict resolution hardly worked towards generating a corporatist milieu or even to effectively enforce labour rights granted in law. Yet a greater degree of a pro-employee tilt was part of the general culture of the administration and other institutions like the judiciary than exists today.

On the foreign trade front, India ceased to be a mainly primary product exporter but did not succeed in becoming a significant exporter of manufactured products. Whatever limited exports happened were also dominated by low-tech labour-intensive products.

Import-substituting industrialization did not also generate sufficiently strong incentives for Indian industry to invest in development of its own technological capacity. It nevertheless enabled a significant, albeit also limited, development of Indian big business whose significance was to be fully revealed only after liberalization (Mazumdar 2008a).

The private large business sector of course grew with the overall growth of the economy even though its relative significance remained unchanged. The chief beneficiaries of this expansion were new and old Indian business groups. Foreign multinational firms always constituted an important component of the sector, but sectors they originally dominated were increasingly penetrated by Indian firms (Encarnation 1989). These Indian groups also reflected most the significant changes in the industrial spread of corporate capital that accompanied industrial diversification. At independence, these large business firms tended to be concentrated in a few traditional industries like the cotton and jute textile industries, mining, tea manufacture, etc. By the 1980s their presence in many of these had become limited or absent and these industries were rarely important for large firms. Instead big businesses were often built around presence in one or more of a range of other industries that had grown over different time periods such as steel and steel products, chemicals, cement, automobiles and automobile products, industrial and other machinery and consumer electronics. This expansion in newer and more 'modern' industries increased the level of technological sophistication that Indian big business dealt with. They learnt to find, absorb, adapt, and use technologies and technological advances across the industrial spectrum even if they themselves did not develop them. Instead of catering to low-income mass markets like that for cotton textiles, their production became geared towards markets that were generally narrower but with considerably higher average incomes. Big business and oligopolistic dominance also came in closer touch with each other as the industries into which Indian corporate capital spread by the end of the 1980s had a more concentrated character than the older textile industries.

The advance of Indian capitalists, the gaining of strengths they did not possess at independence, however had limits. The new and old constituents of Indian big business on the eve of liberalization had all grown in the sheltered environment provided by protectionism. They had built businesses that were mainly 'national', producing, selling in and raising finances from the domestic economy. Their scales of operation were considerably smaller than international scales and technological gaps still existed. The most important weakness however was their continued dependence on foreign technologies (Alam 1985, Tyabji 2000).

Industrialization did not produce thus in India the kind of overall transformative impact that it had in many other Third World countries. By 1991 India was also not amongst the likes of South Korea which had built internationally competitive firms and industrial structures. Despite these, the shift to liberalization happened. While it was initially triggered by a foreign exchange crisis, Indian big business support to it imparted durability to the shift. The basis for this support lay in the fact that both the strengths Indian big business had acquired through import-substituting industrialization as well as its surviving weakness on the technological front worked in the same direction (Mazumdar 2008a). Opening up was necessary for Indian business to get the kind of access to technology its new stage of development required. Thus the state-business consensus on liberalization has been as great if not more as it was on dirigisme.

From Dirigisme to Liberalization: A Regime Change?

India entered into the process of increased integration with the global economy with its background of failed institutional reform in the agrarian sector and a limited level of industrialization. These have proved to be significant in determining its subsequent course.

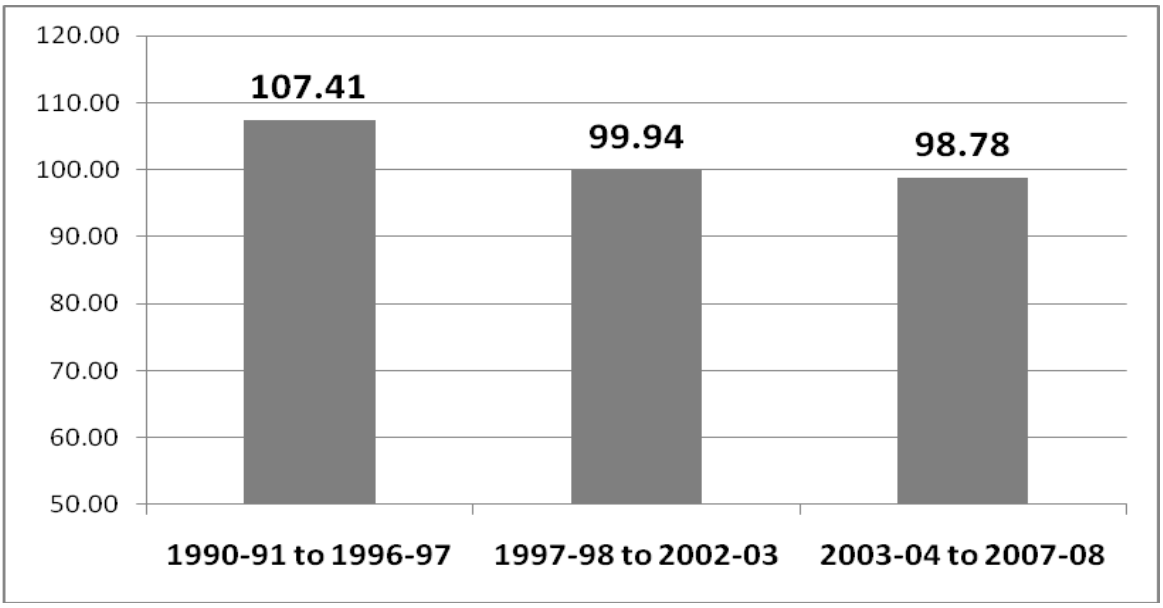
Agriculture, the Labour Market and Inequality

Completing the institutional reforms in agriculture was of course never part of the liberalization programme. Instead fiscal compression and other measures associated with liberal economic policies contributed to the emergence of the deep-rooted agrarian crisis in India since the 1990s (Patnaik 2003, 2007, Reddy and Mishra 2008). Over 200,000 suicides by farmers since then is one symptom. More generally, the agrarian crisis had adverse consequences for those still dependent on the sector for its livelihood, whose proportion has remained at around 57 per cent of the total workforce despite a sharp decline in agriculture's contribution to GDP. The only exit from the sector that has happened has been distress driven into the informal sector, even as a backward agriculture has contributed to holding down the reservation wage in non-agricultural activities.

Formal sector employment growth has also slowed down significantly after liberalization. One major reason has been the shrinking of employment in the public sector as economic policy has moved towards a greater emphasis on the private sector playing the leading role. The public sector share in aggregate GDP as well as that of the organized (formal) sector has declined from their levels in the early 1990s - from a fourth to a fifth and from 64 to 45 per cent respectively. Faster growth of the private formal sector has not on the other hand generated sufficient additional employment to compensate for the decline in public sector employment. Moreover, this additional employment even in the formal sector has been entirely of an 'informal' kind – irregular and casual and lacking the work benefits typically associated with formal employment. The pressures emanating from globalization and the attitudinal changes liberalization has brought to the working of public agencies and the judiciary has also made the context more hostile even for those formally employed (Bhattacharya 2007, Papola and Sharma 2004, Roy Chowdhury 2005). This has happened even though the legal framework of labour regulation has remained relatively unchanged. Generally there has been a movement towards increasingly flexible labour markets, erosion of collective bargaining and the greater role of capital in setting the terms of work.

The distinctive labour-market conditions associated with India's agriculture-constrained capitalism have therefore been reinforced by liberalization. India's workforce is not becoming less but more concentrated in the informal sector. Not only the vast bulk of those employed in agriculture, but also more than 70 per cent of workers in industry and services too, are employed in the informal components of these sectors. In addition the always fragile and limited leverage that the small segment of organized labour had enjoyed under dirigisme has also been severely eroded. One implication of this has been the holding down of wage levels even in the formal sector (Figure 1). In fact, the share of wages in industrial value added has been brought down to a mere ten per cent.

Figure 1: Index of Real-Wage per Worker in India's Organized Industrial Sector (2002-03=100): Average Annual Levels



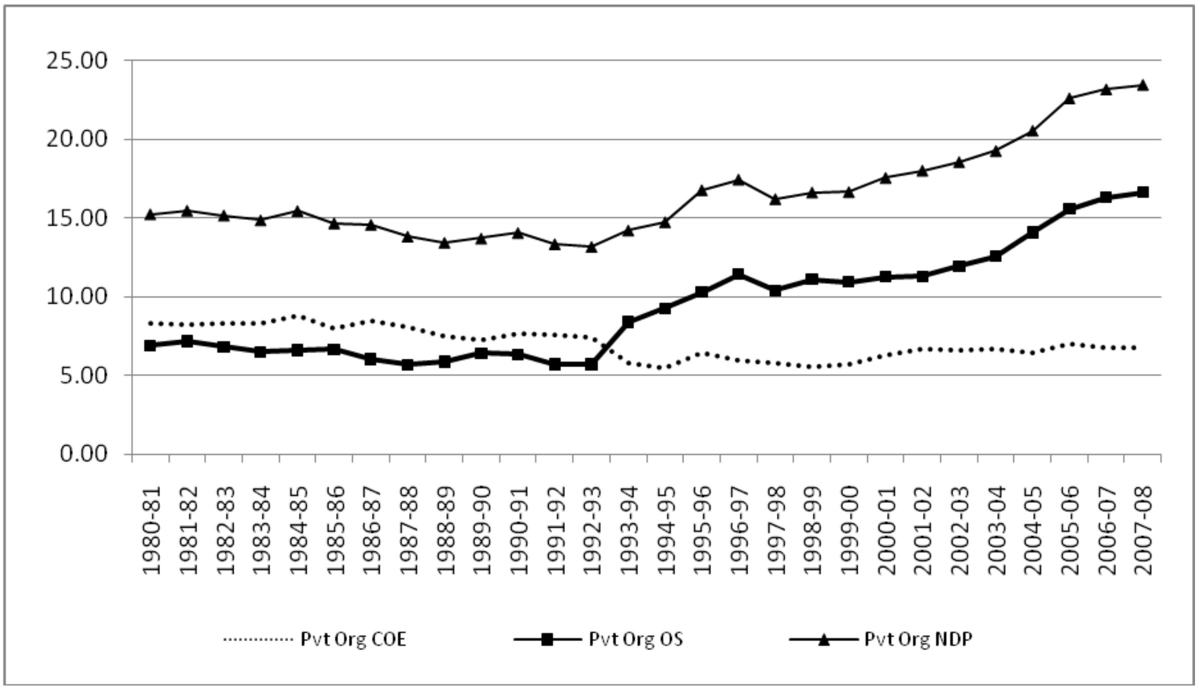
Source: Central Statistical Organization (CSO), Annual Survey of Industries and Government of India, Ministry of Finance, Economic Survey

In India's circumstances, these organized sector wage trends can be considered indicative of what has happened to a large category of incomes. Indeed, the grim agrarian situation has underlain the extremely low levels of income of a large part of the Indian population and their exclusion from the growth process under liberalization (Sengupta, Kannan and Raveendran, 2008, Vakulabharanam 2010). Even food consumption levels have fallen for large segments of the population from the already low levels of the pre-liberalization days.

The one segment of employees who have escaped income depression and stagnation associated with globalization have been the growing but relatively small number of white-collar workers in the formal private sector including those who have become part of a geographically mobile global work-force. Salaries in this segment have increased considerably and this in turn has exerted upward pressures on government salaries. These have enriched a segment of India's middle class many of whom have also consequently become vocal supporters of globalization and liberalization. However, the widening of the middle class that had been happening earlier has ceased. Indeed the relatively small increase in such high-salaried employees is indicated by the fact that the distribution of income within the private formal sector has shifted decisively in favour of surplus incomes. The share of compensation of employees in the sector's Net Domestic Product (NDP) declined from 55 per cent to 29 per cent between 1990-91 and 2007-08. This was at a time when the long-standing stability of the relative size of the private organized sector within the Indian economy was replaced by a rapid rise in its share of aggregate product. This went up from a little over 14 per cent of NDP in 1990-91 to nearly a quarter. At the same time, the share of compensation of employees in the private organized sector to the economy's aggregate NDP has on average been *lower* after 1991 than in the 1980s. In other words, surplus incomes have cornered the entire growth of the private corporate sector.

In recent times, India has drawn attention as one of the largest economies of the world and amongst its fastest growing. Yet its per capita income is still below the levels crossed in Western Europe and North America over a century ago, and a good distance behind even China, the other exceptionally large developing economy. Eighty per cent of the Indian population lives on less than two dollars a day. By any indicator therefore, India is still economically an extremely poor country which makes the trend of income stagnation and depression over large segments of its population a particularly striking phenomenon.

Figure 2: Shares of Private Organized Sector and its Components in India's Aggregate Net Domestic Product, 1980-81 to 2007-08 (Percentages)



Note: COE = Compensation of Employees; OS = Operating Surplus; PCS = Private Corporate Savings

Source: CSO, National Accounts Statistics

The Market Constraint and Industrialization

Liberalization in India has not only aggravated income inequalities but sharply reinforced the narrowness of her domestic market. This has resulted in a double squeeze on industrial demand. At one end the holding down of incomes of a large majority of the population has continued to keep them out of the market for manufactured goods. At the other, rising incomes of those already in the market has resulting in further diversification of their demand increasingly in favour of services. This has meant that the aggregate consumption demand pattern has been shifting in favour of services. The share of in consumption of manufactured commodities has been consistently declining despite the per capita levels of such consumption being very low.

Even its status as a low wage economy has not enabled Indian manufacturing find too many niches in the internationalized system of production characteristic of the globalization era where it is competitive. Developing East Asia in particular has enjoyed decisive advantages over India as a location for production for the world market. Indian industry has therefore remained mainly domestic market oriented; been at best a supplementary producer for the world market; and lived under constant threat of competitive imports from East Asia. India's manufactured exports have grown and in the current century also experienced some change in composition. The levels of these exports have however not been very high and imports of manufactures have tended to grown even faster. India's greatest export success after liberalization has in fact been in services and that too in a very specific category of information technology (IT) and IT-enabled services[9]. Consequently, the ratio of India's services exports to her merchandise exports is exceptionally high compared to global averages. A significant surplus in her invisibles trade (made up of a surplus in services trade and large inflows of remittances) have also kept India's current account deficit within manageable limits in the face of a ballooning trade deficit. India's emerging position in the international division of labour therefore appears to be quite different from many of her Third World counterparts.

In the absence of significant domestic and external market growth, industrial growth in India has become excessively dependent on demand generated by investment. This, under liberalization conditions has meant private corporate investment, which has a strong tendency to be concentrated in manufacturing. This, however, has made for instability in that investment and also industrial growth (Mazumdar 2008b). This has completely stalled India's industrialization process – while industrial production has been increasing, the share of industry and manufacturing in aggregate GDP stopped growing entirely in the mid-1990s (Mazumdar

[9] While salary levels in the concerned sector are exceptionally high by Indian standards, India's low-wage economy still underlies this export success. The additional factor has been the long-standing existence of an English-language based tertiary education sector, a legacy of both her colonial and dirigiste pasts.

2010). At that time this share was under 30 per cent, well short of peak levels attained not only in the advanced industrialized countries but even in the late-industrializing East Asian economies or countries in Latin America.

Growth sans Industrialization and Indian Big Business

With liberalization the Indian economy did not experience severe contraction of the kind Latin America and Africa had in the 'lost decade' of the 1980s. Nor was there any initial acceleration in growth from the levels attained in the 1980s, when India started growing faster than the world economy. The further acceleration happened only from 2003-04 onwards till the global crisis, but this was preceded by a six-year period of subdued growth starting in the second half of the 1990s.

Post-liberalization growth in India however has been even more services dominated than earlier. Services have not faced similar demand constraints as industry – income distribution trends, India's competitiveness in some fast-growing tradable services, and the non-tradable nature of many others have all contributed to this. India's output structure therefore has now started resembling the post-industrialization structures of the developed countries. However, unlike in their case, there is a vast gap between the services sector shares in output and employment in India.

If the corporate sector has managed to achieve unprecedented expansion under liberalization despite the constraints on industrialization, it is because business firms have found profitable opportunities in the fast-growing services and of late also in construction. These have consequently decisively displaced manufacturing as the principal spheres of private corporate activity. Indeed, the increased significance of the corporate sector in the Indian economy has been entirely on account of them (Table 1). Therefore, despite retaining an important presence in manufacturing, Indian big business can be said to be *de-industrializing* after liberalization.

Table 1: Share of Private Organized NDP from different sectors in India's Aggregate NDP

Sector	1990-91	1996-97	2002-03	2007-08
Agriculture	2.21	2.18	1.39	1.21
Industry	8.18	9.66	8.55	10.72
Industry excl. Construction	***6.44***	***8.03***	***6.83***	***7.39***
Services	3.88	5.70	8.62	11.51
Services and Construction	***5.62***	***7.33***	***10.35***	***14.84***
Total Private Organized	14.26	17.55	18.56	23.44

Source: CSO, National Accounts Statistics

Indian business groups have clearly been the principal beneficiaries of rapid corporate growth. In comparison to the period before liberalization, capital inflows into India did of course increase significantly after 1991. A major part of this has consisted of portfolio flows with even a significant component of direct investment, in the form of private equity, being of a similar 'financial' nature. In mobilizing finance Indian firms have gained directly from such flows as well as indirectly via their effects on the stock market, which acquired a greater prominence in corporate financing. The presence in India of foreign multinational firms through foreign direct investment has also certainly become more pronounced after liberalization, and they dominate a few sectors. Yet a foreign takeover of the Indian corporate sector has not happened. Instead, it is the lack of FDI into India that has been the chief concern of Indian big business and the state. Multinational interest in India been mainly of the market-seeking variety and remained limited in terms of its spread.

Indian firms have been more prominent than multinationals in pushing Indian manufactured exports. The same also holds for services exports though multinational firms are often major clients of Indian IT firms and have also set up their own captive units in India. Indian firms have played the dominant role in the other expanding services sectors and those where public sector dominance has been eroded by increasing privatization. These include sectors like telecommunications, banking, construction, retail, and oil and gas. At the same time Indian firms have also taken important steps in the direction of greater internationalization, mainly through acquisitions abroad (Nayyar 2008, Athukorla 2009). Here too foreign capital inflows have helped because India has mainly been a capital importer.

Indian big business thus has been able to find ample space for its own growth and development in the process of India's integration into the global economy. Partly this reflects the strengths it had acquired in the earlier stage of industrialization, but not the elimination of the old weakness in the technological sphere. Indeed, the evidence suggests that barring the pharmaceutical industry, there is no indication of any significant increase in the innovative capacity of the Indian private sector (Mani 2009). Even in pharmaceuticals, Indian firms lack drug development capabilities and have basically utilized their established strength in generics and licensing of molecules developed by their own R & D efforts to drug TNCs for further development (Chaudhuri 2008, Jha 2007). The pharmaceutical sector has also seen of late some prominent Indian firms getting taken over by international drug majors. In the other highly internationalized sector, software, innovative activity in India has been mainly by foreign R & D units (Mani 2009) and Indian firms have found their niche in a relatively subordinate position to the internationally dominant firms in the sector (D'Costa 2004). In other sectors Indian firms have circumvented their limited technology development capability in a variety of other ways like sourcing technology in parts or as wholes from specialized technology suppliers, outsourcing to foreign firms, and wherever possible through the older traditional routes of technological collaboration and joint ventures with multinational firms. The pattern of growth has also helped because in a number of services and construction activities, the role of self-development of technology in any case tends to be limited. Even the foreign acquisitions by Indian firms, enabled mainly by their financial strength, have been perhaps attempts to acquire missing competitive strengths like innovative capacity (Nayyar 2008).

The State-Capital Relationship under Liberalization

Liberalization has hardly meant either the 'retreat of the state' or the development of arms-length relationships between the state and private capital. Instead it has served as the background for an even closer relationship between the state and private capital, which has been important for the success of Indian capital in global competition and also reinforced its domination domestically.

One broad feature of Indian liberalization is that though there has been no ambiguity regarding its direction it has been a comparatively slow and gradual process. Instead of a one-shot adoption of free trade, protection levels were brought down in stages and still are higher than in many other parts of the world. Capital controls in general, and specifically the policy towards foreign investment, have also been progressively liberalized rather than at one go. The retreat from state monopoly in many sectors has also been undertaken in a phased and somewhat controlled manner. While creation of new public enterprises has virtually completely ceased and some old ones have been privatized, a significant public sector still survives in India today in many key sectors like oil and banking. This gradual and calibrated, and in some respects restricted, nature of Indian liberalization contributed to checking foreign acquisition of Indian assets, facilitated the adaptation and adjustment of Indian big business to the new competitive context, and helped them set themselves up in many of the new sectors opened up for private capital in which they had no previous experience.

Where liberalization measures resulted in significant threat to Indian business from foreign capital, the state also showed a willingness to take countervailing measures. One prominent example of this is the virtual killing of the 'market for corporate control' that was sought to be established in the initial flush of liberalization. Indian big business argued that it was unfair that while foreign firms were being allowed to hold large blocks of shares in companies, they were still subject to restrictions on inter-corporate investments. This made their companies apparently vulnerable to takeovers by big foreign firms. The state responded to big business lobbying and eased these restrictions and introduced other measures which would enable them to increase their stakes (Rao and Guha 2006). As a result, incumbent managements of most large companies in India, domestic or foreign controlled, became virtually immune to hostile takeover.

If Indian dirigisme had provided a setting and a smokescreen for clientelism, cronyism and corruption to be associated with the state-capital relationship in Indian capitalism, liberalization has done so to an even greater measure. One of its ideological justifications had been that liberalization would make market competition rather than cosy relationships with politicians and bureaucrats the ultimate arbiter of the fortunes of business firms. Experience has however shown this notion to have been a myth (Mazumdar 2008c).

State inaction or the failure to check the untrammelled functioning of markets, for which deregulation provides a handy rationalization, can in circumstances be the way in which tremendous benefits can be conferred on favoured business firms. Privatization of public sector firms and of different sectors, integral parts of the liberalization programme, also carried within them a similar potential. In almost all the major sectors that have been de-reserved and/or opened up for increased participation of the private sector - telecommunications, power, mining, petroleum and gas, banking, insurance, airlines, etc. - the state has had to set up the rules of entry and mechanisms for regulating them since these are not sectors where competitive markets can function. The withdrawal of the state in one form therefore necessitated its reappearance in another. Other markets like financial markets too where regulation is a permanent necessity. Public-private partnerships in infrastructure development including of Special Economic Zones (SEZs) have further institutionalized state engagement with private capital in what was originally primarily the state's domain.

Right through the liberalization period, the influence of extraneous considerations and favouritism over big-ticket decisions of the state have been talked about. A permissive attitude towards capitalist lawlessness has also been a perceptible feature of this period. Recent exposures of a massive scam in the allocation of spectrum to private telecommunication companies, of the active intervention and influence of big business houses in politics, of illegal mining, etc. have brought the existence of these phenomena into prominence. The real structural consequence of Indian liberalization has therefore not been the elimination of the state as an important factor in the economy. Instead it has been the increased leverage of private capital with the state by virtue of the fiscal and other restrictions imposed by liberalization and opening up on the latter.

Constrained in its ability to drive the economy's growth process through public investment, the state has to induce the private sector to play that role. Policy has therefore had to be oriented towards encouraging private investment and that too in a context of global competition. This placing of the private sector in a privileged position has also made the adoption of a friendly attitude towards it a part of the general culture of state functioning in India. In a federal set-up like India's, the leverage of private capital over the state has been enhanced by the competition for investment between states that liberalization has forced them into. At the same time large business firms which have established themselves in key sectors have increased their clout and thus influence on regulatory policy in them. Liberalization has also fostered a culture which greatly celebrates money-making with the all-pervasive erosion of values being its joint-product. This has increased the proneness to corruption of public officials, while the greater permissiveness towards international transactions has added a new dimension to the possibilities of graft. Moreover, in a globalized context, private business enterprises have also become the standard-bearers of “nationalism”, “national-interest”, and “national achievement” so that national success tends to be seen as something that coincides with their success. In this background, granting ‘concessions’ and providing ‘incentives’ to private capital, and maintaining through these the ‘state of confidence’ has become normal fare. The implications of these measures for state revenues have further reinforced the dependence on private capital. The state in India has also been actively involved in the process of private capital acquiring land on a vast scale for industrial projects, special economic zones, and real estate projects.

The status enjoyed by corporate capital in India and its voice and influence over policy making process, have perhaps never been greater than has been the case under liberalization. Using this, Indian big business enterprises have been able to secure significant individual and collective benefits and dictate policy priorities. Their stranglehold over the state has meant it effectively tilting against the interests of other claimants to the state’s attention – industrial labour, the urban and the rural poor, the agricultural and unorganized sectors. The narrow social base of development under liberalization has meant the absence of any broad social consensus on liberalization. Electoral verdicts have consistently revealed this, as have the overt conflicts erupting from time to time. Yet the march of Indian liberalization, actively backed by big business, has continued uninterrupted. This inability of the political structure to ensure the responsiveness of the state to the aspirations of large sections of Indian society, or more precisely a significant increase in the degree of this non-responsiveness, has been a perceptible change evoking comments like the following:

> "It is, then, plausible to suggest that this latest phase of independent India is characterized by an intensification of conflict in the economy, in the polity, and in the interaction between economy and polity. There can be no doubt that the need for conflict resolution is much greater than ever before. But the task has become more difficult. And the effort is much less." (Nayyar 1998: 3129).

Continuity and Change in Indian Capitalism: A Summing Up

From the colonial period to the current phase of liberalization, Indian capital has experienced a development or motion that has been more than mere quantitative expansion. It initially emerged in the shadow of colonialism and the dominance of foreign capital and then became the more dynamic segment of capital as the balance started shifting after the First World War. It gained further strengths through a relatively autonomous development within a domestic space after independence and then moved further on and stepped on to the world stage in the age of globalization. To that extent, Indian capitalism can be called an 'emerging' capitalism, whereby its location within the international structure of capitalism has been changing.

Through this development, however, associated with Indian capitalism have been some fundamental features that have proved to be durable and unyielding to change. These have played their part more in shaping the trajectory of Indian capitalist development. One of these is the existence of an agrarian constraint resulting from the initial incomplete development of capitalism. Albeit in somewhat different ways in the different stages of its development, the agrarian constraint has constrained capitalist development sufficiently as to prevent its own elimination. One specific expression of this has been Indian capitalism's inability to achieve a full-fledged industrialization. This in turn has reinforced the technological dependence of Indian capital, a feature that initially reflected both its larger context as well as the mercantile roots of Indian capital. A related consequence of the enduring agrarian constraint has been the creation of a permanent labour surplus situation and high levels of informalization. The consequence of these has been that Indian capitalism has been characterized by an inherent tendency for uneven development – an imbalance between the advance of its capitalist sector and its larger transformative impact on Indian society.

Neither of the above features of Indian capitalism or their expressions is disappearing under the impact of liberalization. If anything they are being reinforced and therefore are important qualifications to the notion of the 'emergence' of Indian capitalism, and more so perhaps than may be the case with many other important Third World capitalisms. Correspondingly, Indian capitalism's escape from a subordinate position in the international structure of capitalism remains significantly incomplete. Moreover, the evidence hardly permits an unequivocal conclusion that it is only a matter of time before it decisively moves into the core of global capitalism.

An integral feature of capitalism in India has also been the substantial reliance of capital, not only collectively but also individually, on state support to its development. The nature of the former kind of support has changed over time because of capitalist development, and that underlies the shift in economic policy from a dirigiste to a liberal one – from promoting a relatively autonomous development to enabling them succeed in global competition at home and abroad. In each stage the state has obviously not been unconstrained in its ability to support capital but it has remained an important factor in the economy throughout. Active manoeuvring by business groups to make advantageous use of this, something that originally may have come to them instinctively in view of their origins, have become an entrenched feature of business behaviour in India. This is also because as the state has historically evolved in India, it has also exhibited a persistent tendency to be so manoeuvred. Consequently, the spontaneity of Indian capitalism has not proved to be particularly amenable to taming by the state, allowing it to exert a decisive influence on its trajectory. Even if there composition has not remained static, Indian capitalism has always been characterized by the domination of the corporate sector by a relatively small number of business groups controlled by well-connected and powerful business families and individuals. Liberalization has not changed either of these but instead taken the business-state nexus to a different level where the stakes involved have become larger and the state's ability to act autonomously has become more restricted. Big business has always been a powerful social force in India. It has become even more so as capitalist priorities have pressed down harder on a state constrained in many new ways as a consequence of the opening up of India's economy.

Indian Capitalism and the Varieties of Capitalism Perspective: Some Reflections in lieu of a Conclusion

That capitalisms differ from each other in more than their surface features and that these produce variations in their working and the outcomes they generate has been a central theme in a significant corpus of literature emerging in the last decade and a half (Amable 2000 and 2003, Berger and Dore 1996, Dore et al 1999, Dore 2000, Hall and Soskice 2001, Hollingsworth and Boyer 1997, Kitschelt et al. 1999, Streek and Yamamura 2001, Whitley 1998 and 1999). The 'varieties of capitalism' (VoC) perspective is only one, though perhaps the most influential, of the 'variety' of perspectives that clearly exist in this literature. The similarities between them however are often far greater than their differences. One can therefore justifiably speak of a broader VoC approach united by a common core theme and many shared ideas. The state-capital relationship, the relationship between firms and the industrial relations system, the financial and corporate governance systems, and how all of these fit in with each other are often emphasized as the spheres in which capitalisms differ from each other. It is then argued that variations in these dimensions across economies are accompanied by the relative temporal stability of their specific configuration in each individual case. These make for differences in the 'institutional configurations', 'systems of coordination', 'production regimes', 'social system of production', 'business systems', 'modes of regulation', etc. that are characteristic of different capitalisms and condition their respective motions. Thus there are different 'types' of capitalism which exhibit different trajectories. The pace of growth, patterns of income distribution, the intensity and nature of innovative activity generated, the specializations they tend towards, and even responses to common pressures like those generated by globalization are some of the principal outcomes in which differences are said to follow from the differences in capitalist models. These provide the rationale for constructing typologies of capitalisms, the classic distinction being between Liberal and Coordinated Market Economies (LMEs and CMEs), which represent two ends of a spectrum along which individual economies may be placed.

The standard VoC literature, however, has not squarely confronted the issue of characterizing capitalisms outside the group of developed capitalisms which have been its principal focus (Peck and Theodore 2007, Becker 2011). At one level, bringing 'emerging' capitalisms into the frame, by providing additional proof of diversity in capitalism, should serve to reinforce the founding basis of the VoC perspective. The case of Indian capitalism discussed in this paper is an instance. Indian capitalism has certainly displayed a set of temporally stable characteristics, or continuities, and a related trajectory of movement over time which cannot be generalized to all capitalisms. Moreover, it is clearly not converging towards any universal model of liberal capitalism even as it is changing under impetuses created by changes in its economic policy regime and India's consequent increased integration into the global economy. The difficulties in extending the VoC perspective to capitalisms such as India's, however, lie elsewhere – in finding appropriate places for them in the existing typological schemes.

The first such difficulty is that the typologies designed on the basis of observed diversity in developed capitalisms may not be very well equipped for handling the job of classifying emerging capitalisms. An attempt to extend the varieties perspective to Latin American capitalisms for instance has resulted in the creation of a third type outside the LME-CME spectrum (Schneider 2009). That Asian capitalisms may be a distinct and yet heterogeneous group who cannot be easily fitted into the LME-CME dichotomy has also been argued (Carney et al 2009). This can also be said to hold for Indian capitalism, even if the LME-CME classification is not treated as a binary division. While it may always be possible to place it somewhere in the spectrum between the two extremes, the real issue is whether the most essential features of Indian capitalism that shape its working and outcomes can be given due weight in the process of such a placing. In other words, can it be said that the behaviour of Indian capitalism would be essentially similar to that of every other capitalism located in its vicinity in the LME-CME spectrum? It is very doubtful that the answer to this is yes, given the distinctive features of Indian capitalism. For instance, the presence of a significant agrarian sector and an agrarian constraint are clearly very important features of Indian capitalism that underlie so many other ones. These are, however, hardly the features one associates with either the most LME or the most CME type capitalisms.

One way of handling the increased diversity resulting from bringing 'emerging' capitalisms into the picture is of course the constructing of an array of capitalist types outside the LME-CME spectrum. The danger in this is that this may end up making the typology an empty descriptive exercise devoid of analytical significance (Becker 2011) – there may be too many types with no inner logic to their placing relative to each other. Indian capitalism, with so many distinctive features that are its own that it could well be classified as its own unique type, highlights this danger. This very distinctiveness of Indian capitalism may, however, be also put to very fruitful use in the process of constructing a meaningful typology of capitalisms. The extent to which it can handle the classification of the very peculiar case of Indian capitalism can be used as one important yardstick for assessing the strength of any typology.

Uwe Becker (2011) has suggested an approach which involves identifying a limited number of ideal types based on some common overarching criteria and then distinguishing between ideal types and actual cases. The latter could lie at different points in the field between the ideal types based on the degrees to which they approximate them. This, he rightly argues, also allows the typology to deal with change, something that the standard classifications were ill-equipped for given their static nature (Becker 2007).

Becker's methodological approach to dealing with the combination of heterogeneity and movement certainly appears to be a promising one. In principle it should be capable of accommodating a case like Indian capitalism, whose deep rooted continuities have been combined with very important changes, say in the transition from dirigisme to liberalization. However, an appropriate method has to be combined with an appropriate choice of criteria and corresponding set of types if it is to yield proper results. In this regard, the case of Indian capitalism indicates the importance of taking into account variations in space and time along two axes – the distance from what might be called a full-fledged capitalist industrial economy and the relative position in the international structure of capitalism. That Indian capitalism given the significance and character of its agrarian economy is clearly not a classic capitalist industrial economy cannot be disputed. Its historical origins have also firmly placed it in an unequal position in the international structure of capitalism. In any characterization of Indian capitalism these two factors which are essential elements in its temporally stable configuration cannot be ignored. They are simply too important in explaining the very distinctive set of outcomes Indian capitalism has produced in the longer run as well as in its more immediate liberalization phase. India, however, need not be considered entirely exceptional in this regard.

To a lesser or greater extent, a significant agricultural sector and being on the wrong side of international inequality were distinguishing features of many of today's 'emerging' capitalisms half a century ago. Since then, they have all moved from their initial situations but in greatly varying degrees and even perhaps directions. Few, however, can be said to have completely crossed over the multi-dimensional divide in global capitalism that existed then and consequently also exists now. It makes sense therefore to identify Third world capitalisms as a distinct type distinguishable from the advanced capitalisms of the core by a relatively temporally stable feature. The VoC perspective has been criticised for reifying the national economy ignoring the fact that no such economy is entirely autonomous (Watson 2003). What needs to be recognized is that in the process it has also not given importance to the hierarchical element in the mutual interaction of economies. Their position in this hierarchy, and not merely an autonomously emerging internal organization, may play an important part in determining the outcomes produced by Third World as well as advanced capitalisms, and by an intermediate category that may have emerged from the ranks of both.

At the end one might pose an additional question that is also suggested by the case of Indian capitalism – for instance by the combination of its 'emergence' and the numerous qualifications to it. Even if one can identify an appropriate set of ideal types, can there always be a clear line of variation between two ideal types that are distinguished on the basis of the same criteria? This question acquires significance in view of the fact that a single quantifiable variable does not decide the degree to which a particular capitalism approximates an ideal type. If actual cases do not coincide with ideal types, the actual variations between them or their changes over time may not also be along an 'ideal' path. How are these to be addressed in any typology of capitalisms? This problem may neither be a serious one nor an insurmountable one but it may be worth examining if this is so.

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