

# The Rise of the East: A non-western path?

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## Abstract

The European (and its variants) path to capitalism is predicated on a capital-intensive, labour-displacing growth strategy and therefore necessitates accumulation by dispossession, or what Marx called primitive accumulation, and colonisation. The East Asian path on the other hand is predicated upon a labour-absorbing growth strategy and therefore makes feasible accumulation without dispossession. Japan's attempt at hybridizing the two paths ended in an imperialist debacle. The subsequent extension of the East Asian path has been contingent upon the market space provided the imperialist hegemon, USA. Arrighi has argued that China's growth strategy, until the mid-1990s, had followed the East Asian path and therefore accumulation without dispossession, resulting therefore in only a partial proletarianisation of the peasantry, in part the outcome of a dynamic agricultural sector. In contradistinction the paper argues that in India the peasantry is also partially proletarianised, but at least in part due to an agrarian crisis which itself is largely the outcome of neoliberal economic reforms. But the existence of a partially proletarianised peasantry and its resistance to the expropriation of land on behalf of big capital makes feasible, for both China and India, alternative, non-western, paths to growth, centered on accumulation without dispossession. Whether this comes to fruition is dependent upon the conjuncture, but it also underlines the importance of including petty-producers within the ambit of a struggle against big-bourgeoisie, imperialism and globalization.

Keywords: Marx; capitalism, accumulation; primitive-accumulation; accumulation-by-dispossession; accumulation without dispossession; peasantry, proletarianisation; land-scarce; labour-surplus; labour-absorbing, labour-displacing; East-Asian; European; contestation; politics; political economy; contestation from below

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## Meeting Peter Leuprecht

Since the winter of 2003, for reasons of the heart, I have been visiting Montreal twice in the year for about a couple of months each time. During the early years, my temporary research home during those visits used to be the Centre for Developing Area Studies (CDAS) at McGill University. Largely, again for reasons of the heart, but also because I was a little tired of travelling and needing a break from teaching, I decided to take a two-year leave of absence from my parent institution, the Indian Institute of Management Calcutta in Kolkata, India where I teach economics, and live in Montreal starting July 2006. I had written to Rosalind Boyd, then Director of CDAS, among others, enquiring about the possibilities of spending time as a Visiting Researcher or some equivalent position. Rosalind suggested that, given my research interests in economics and political economy, I might want to write to Peter Leuprecht who had moved from being Dean at the McGill Law faculty to become the Director of Institut d'études internationales de Montréal (IEIM) of Université du Québec à Montréal (UQAM). Rosalind Boyd and I are good friends and I will always be grateful to her for that suggestion.

On writing to Peter, he wrote back saying that IEIM would be happy to host me. I still remember that I had been struck by the cordiality and warmth of the email. At that point we had not met, but his email was welcoming and reassuring. I reached Montreal in the middle of the Construction Holiday and I remember my first meeting with Peter in early August. What struck me most was the spry positive energy he exuded and how prepared he was. He had gone over my CV carefully and we discussed my research interests, a little about his work and then he came around and saw the office room I had been given. In all our interactions it is this solicitousness that has always stood out. In his quiet unobtrusive fashion he ensured that I became a part of IEIM, met other colleagues and research students. The two years at IEIM were very productive and I never felt an outsider. This was largely Peter's doing, even though I hasten to add that had an excellent relationship with all my colleagues.

Over the course of many conversations I learnt about his contributions to the cause of human rights both at the Council of Europe as well as the UN. What shone through in all this was his understated passion for and his commitment to the notion of justice and human rights. For me what was very attractive about his approach was its inter-disciplinarity. His understanding of history and politics clearly informed and shaped his view of both justice and human rights. Finally Peter is a great raconteur, a voracious reader, enjoys good food, understands and appreciates good wines. All of which for me are most important. Our families are now very great friends and my spouse Dolores Chew and I hold Peter and Michaela Leuprecht in great esteem. It is an honour to contribute a paper to this volume. I chose the subject of my paper partly because of one of Peter's current research projects – notions of non-western rationality and human rights – and partly because some of the ideas expressed here have been developed in conversations with him.

# The Rise of the East: A non-western path?

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As the centre of gravity of the global economy slowly but inexorably moves from the West to the East, this paper looks at the possibility of devising a non-western path to growth and well-being, more in line with the regions resources. It is divided into seven sections: Section I looks at the evolution of agriculture in China and Japan in line with its defining feature of land-scarcity; Section II discusses the contrasting European and East Asian paths of transition from agrarian to industrial societies from the standpoint of its impact on the dispossession of the peasantry; Section III looks at the Japanese experience of hybridizing the East Asian and Western paths; Section IV discusses China as an instantiation of accumulation without dispossession; Section V looks at the rise of China and India and its impact on the global economy as well domestic growth outcomes; Section VI discusses how in India accumulation by dispossession results in only a partial proletarianisation of the peasantry; Section VII concludes with the possibility altering paths of accumulation and the role of contestation.

## I: Scarce land and East Asian agrarian change

East, South-East and South Asian societies have been characterised by a scarcity of arable farming land relative to the populations that they have had to support. Therefore average farm sizes tend to be small even in comparison with European let alone US benchmarks. For example during the 19<sup>th</sup> and early 20<sup>th</sup> century, as Bray (1986: 115-16) notes, the average farm size in East Asia was between 1 to 3 hectares. According to Heywood (1996: 115) at the time Japan industrialised around the late 19<sup>th</sup> century, 70% of Japanese farms were 0.5 hectares or less and 90% had holdings of 1 hectare or less. Even though farm size in India was never as small as in Japan, in 2004/5 almost 50% of farmers owned less than 1 hectare and more than 70% owned 2 or less (NCEUS(2007) quoted in Basole and Basu (2011: 44) . In comparison, average farm size in France in 1882 was 14 hectares! (Heywood *ibid*).

Given this institutional specificity – scarcity of arable land - Sugihara (2003), extending the work of Akira Hayami (e.g., 1992) and Shigeru Ishikawa (e.g., 1967, 1978, 1991) for Japan, argues that East Asian societies are special because traditionally they have been able to devise labour and land use patterns in keeping with this specificity. Hayami had pointed out in 1967<sup>1</sup> that England and Japan had followed paths in keeping with their endowments of economic resources. Given that Japan was endowed with relatively more labour and a scarcity of capital, it had followed a more labour-absorbing path of growth, or what Hayami called the “industrious” revolution. On the other hand, given its relative scarcity of labour, England had followed a technology-based and labour displacing path of development, or what is popularly known as the ‘industrial’ revolution.

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<sup>1</sup> Hayami’s 1992 article is the English version of his 1967 article which is in Japanese.

Second, as Ishikawa pointed out, traditionally, wet-rice based agriculture in Japan had a distinctive labour absorption pattern. This pattern was largely due to the focus on increasing land-productivity (or what is the same thing, economising on the use of land) given that land was the scarce factor. Prior to mechanisation of rice cultivation land productivity increased due to increases in the input of labour and afterwards (of mechanisation that is), land productivity continued to increase even as labour input declined. Hence total output increased, land productivity increased and equally importantly, agriculture was labour absorbing with the implication that labour productivity stayed the same or increased slowly (see Ishikawa (1967, 1978, 1991)). Japan therefore made best use of its scarce asset - land – as well as its abundantly available asset – labour. Sugihara (2003) argues that by the 15<sup>th</sup> century China had developed labour-intensive techniques of rice cultivation<sup>2</sup> and this later spread to Japan<sup>3</sup>. Be that as it may, 16<sup>th</sup> century East Asian agriculture showed a clear convergence towards labour-intensive rice cultivation techniques focussed on increasing land-productivity and its diffusion to other crops. This technique of labour-intensive rice cultivation spread to Korea and later to Taiwan and after the World War II became the standard ILO prescription for agriculture in the early stage of development.

The typical East Asian peasant therefore had a very small plot of land cultivated largely with family labour from which she tried to maximise the output of rice and use all available labour effectively in both agricultural and non-agricultural activities. As Sugihara (2003: 90)<sup>4</sup> based on an earlier work notes, “for a rural household the ‘main’ agricultural work remained rice cultivation. Both non-rice cash crop production and proto- industrial work of all sorts were called ‘additional’ work, whether performed by household members or hired labour”. The combination of agricultural and non-agricultural work is crucial because simply continuing to add more labour to a small and fixed plot of land would have run into the Ricardian problem of diminishing and low marginal productivity where additional labour adds little or nothing to total output. But labour-absorbing technology and institutions ensured that peasant families maximised household incomes but did not fall into the so-called Ricardian trap.

Division of labour and specialisation occurred but was within the household and was gender-based with men undertaking agricultural work and women proto-industrial work such as silk-reeling and weaving<sup>5</sup>. Again as Sugihara (2003:92) notes, in the 18<sup>th</sup> century, even with the coming of ‘modern’ industry, this kind of rural household manufacturing remained competitive because allocation of ‘surplus’ labour within the household to non-agricultural work did not incur any additional cost unlike the factory where a wage would have to be paid for each worker. The key institutional feature which makes output growth and diversification within the household feasible and competitive is that the peasant is not

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<sup>2</sup> See also Boserup (1965) in this regard. She details both the land-augmenting and labour-absorbing technological change in China that allowed for increase in cultivated area and an yields. She also notes introduction of new crops from the Americas.

<sup>3</sup> According to Maddison (2007: 311) from 7<sup>th</sup> century onwards, Japan had modeled her economy, society and institutions on China. The Japanese gave up the Chinese model only in the 17<sup>th</sup> century once they caught up with China. In 1720, the ban on western books was lifted translations of Dutch writings played a significant role on transmitting European ideas on science and technology Maddison (2007: chapter 2). Japan’s official drive to catch-up with the West began in 1867.

<sup>4</sup> The observation is on the basis of his 1996 paper.

<sup>5</sup> On gender division of agricultural and proto-industrial work in England of that time see de Vries (1994).

separated from her piece of land even as farming becomes market-oriented and/or capitalist.<sup>6</sup>

## **II: Transitions and dispossession – Europe and East Asia compared**

This is in stark contrast to what has been called the European path of transition to capitalism where the peasant was separated from attachment with the landlord's land through a process of what Marx called "primitive accumulation" and which he identified as a necessary precondition to the growth of capitalism<sup>7</sup>. Based largely on the England's transition from feudalism to capitalism, the process of primitive accumulation, by severing the peasant's attachment to land, created the capitalist farmer and unattached wage labour, setting the stage for the accumulation of capital through the appropriation of surplus value as profit. Accumulation was now market-driven, where the capitalist farmer/capitalist and the wage labourer appeared as free agents to buy and sell labour power, for one to make a profit and the other to receive a wage. But wage is a cost that has to be economised through labour-displacing capital-intensive growth that enhances labour-productivity. Accumulation and growth is driven by the desire for profit and this built-in driver gives capitalism its dynamism as well as its inherent tendency towards crises of over-production and/or underconsumption. European capitalist agriculture (and capitalism in general) was therefore dynamic<sup>8</sup> because it adopted scale-driven growth and constantly sought new technologies and new avenues to make profits and remain profitable. But it also meant that the market determined wage had at least to be enough for labour to reproduce itself, i.e. cover some socially acceptable minimum in terms of food, clothing and shelter.

The major differentiator therefore between the East Asian and European paths of agricultural growth and accumulation is in labour-productivity. The European path is predicated on labour-displacing technological change and as a consequence, continually rising productivity of labour. The East Asian path on the other hand, used labour-absorbing technological change and was therefore was able to absorb growing populations mostly without recourse to checks such as famines and epidemics. As a result however, labour productivity was either stagnant or grew very slowly, ultimately constraining overall growth.

This pattern of technological and institutional change led to what Mark Elvin (1996) called a "high-level equilibrium trap". Analysing China's growth experience between the 14<sup>th</sup>- early

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<sup>6</sup> The Hayami-Sugihara definition of the 'industrious' revolution as an institutional mechanism that focuses on raising land-productivity and labour-absorption (implying stagnant or slow-growing labour productivity) while maximizing household incomes is very different from that of de Vries (1994). In de Vries, adult male real wages rise on the back of increases in labour productivity, allowing female labour to switch back to laboring within the household. De Vries does not seem to be aware of the Hayami-Sugihara definition of the 'industrious' revolution in the context of land-scarce East Asia nor Sugihara of the former's discussion of the industrious revolution within the context of industrial revolution England.

<sup>7</sup> Harvey (2003) in his reformulation of Marx's notion of "primitive accumulation" has called it "accumulation by dispossession". He has also however argued that it (dispossession) is not merely a necessary precondition to the growth of capitalism but, given its contradictions, inherent in the very logic of capitalism, i.e., under capitalism accumulation can happen only through dispossession and the use of geographical expansion as a "spatial fix".

<sup>8</sup> For a critique of this view see Patnaik in Patnaik Utsa and Sam Moyo (2011). In it Patnaik argues that English agriculture was not particularly dynamic at the time of the Industrial Revolution in terms if increases in agricultural productivity. That this did not constrain growth was because of food and agricultural imports from England's tropical colonies.

19<sup>th</sup> centuries Elvin argued that technological and institutional change allowed Chinese agriculture to grow and maintain high levels of land productivity but that by the end of his period it had run out of dynamism and had little impetus to introduce a radically different technology such as the European labour-displacing type. Indeed, path-dependency of land-productivity enhancing technological and institutional structures constrained China in adopting labour-displacing technology and effectively trapped China in a high-level equilibrium.

All this to say that on the eve of the industrial revolution in Europe, East Asia and South Asia were reasonably prosperous and not very far behind Europe (see also Bagchi (2005: 135-66 and 179-94)). Indeed as Maddison (2007: 174, 310-11) demonstrates, Japan and China had been able to absorb large increases in population without a fall in incomes and had rates of GDP growth similar to that of Europe. Per capita income in both however was lower than Europe. Be that it may, even as the high level equilibrium trap of a land-productivity based growth strategy constrained East Asia in the 18<sup>th</sup> century, England, followed by Europe and North America (and other white settler outposts that absorbed labour made surplus by Europe's industrialisation) surged ahead on the basis of a capital-intensive, labour-productivity based growth strategy (see e.g., Bagchi (2005), Arrighi (2007) and Maddison (2007)).<sup>9</sup>

In the 19<sup>th</sup> century China went into decline in part because of fissiparous tendencies that it was not able to contain and in part because its inward-looking growth strategy constrained its ability to fashion a response to British expansion and imperialism (Arrighi (2007: 321-44); Maddison (2007: 160-67)), finally culminating in the peasant-led communist revolution of 1949. As was noted earlier (fn3), inward looking Tokugawa Japan changed tack in the 18<sup>th</sup> century by opening up to the West and under the Meiji restoration of the late 19<sup>th</sup> century officially adopted the European model of capital-intensive industrialisation to catch-up, culminating in the Japanese imperialist debacle of World War II. Post war, under US hegemony, Japan caught up with the West and until 1995 East Asia (excluding China and Japan) secularly narrowed its gap with the West. Since 1970 and 1980 respectively China and India have narrowed the gap with the West, though the narrowing has been significantly faster for the former than the latter (see Arrighi and Zhang (2010: Table 1)).<sup>10</sup> Sugihara (2003) and Arrighi (2007) have argued that China's rise is a continuation of the East Asian path to development.

### **III: The Japanese hybrid, colonialism, US hegemony and accumulation without dispossession**

If Japan's adoption of a capital-intensive and labour-productivity based growth path helped her break out of the 'high level equilibrium trap' of a land-productivity based one, the Japanese path, as Sugihara (2003: 113) has argued, did not fully converge with the western

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<sup>9</sup> As to why Europe surges ahead with the Industrial Revolution and China stagnates is a matter of a very lively debate. For recent contributions to this debate see Bagchi (2005) and Arrighi (2007: 24-32).

<sup>10</sup> Since the financial crisis of the early 1990s, Japan has lost some ground to other developed countries. Since the Asian Crisis of 1997, East Asia has lost some of the ground that it has covered in terms of narrowing of the gap. China and India's secular narrowing has not been affected by either the 1997 Asian financial crisis or the 2008 global financial crisis. This is in part due to the fact that both have maintained capital controls and therefore their financial integration into the global economy has been partial.

path. In re-fashioning its growth strategy, Japan retained some of the central aspects of the earlier one – it chose to economise on the use of capital and scarce natural resources and where possible to maximise the absorption of labour. As Sugihara (2003: 99) notes “[u]nlike most of its Western counterparts, East Asian technology aimed at the most effective use of labour wherever capital and labour were substitutable.” As a result, the East Asian adaptation of the Western capital-intensive model retained its intrinsic emphasis on mobilising human (as opposed to non-human) resources and used more labour and less energy per unit of output than the original. The East Asian adaptation then has the following features: it does not dispossess the peasant of her land; emphasises rural-industrialisation so that rural labour can, as the Chinese say, “leave the land without leaving the village”; and finally, retains its focus on labour absorption even as capital-intensive technological change is adopted.

This possibility of adapting a foreign, and potentially superior, growth path to domestic factor endowments and requirements was precluded in large parts of South-East and South Asia because these were colonised by industrialised European nations which then imposed a purer form of labour-displacing capital-intensive growth model rather the more appropriate hybrid adopted by East Asia. It will be recalled that we had noted right at the outset that East, South-East and South Asian economies are characterised by an abundance of labour and an acute scarcity of land. Therefore capital-intensive labour-displacing technological change would not have been appropriate in these economies. Not only did colonised economies adopt an inappropriate growth model, but traditional proto-industrial and manufacturing activities got wiped out through a process of de-industrialisation, affecting both current (then) and future growth paths.<sup>11</sup> This is not to make some teleological argument that had colonialism not intervened all land-scarce Asian economies would have adopted some variant of the East Asian model. After all China and Japan took very different paths and the Chinese transition is still unfolding. Rather that had colonialism not intervened, whatever choices that would have been made would have been shaped in important ways by the central economic institutional feature of being land-scarce and labour-surplus economies.

One outcome of Japan pursuing a more labour-intensive industrialisation strategy was that she inserted herself into the international division of labour through the export of labour-intensive goods. After disruption as a result of WWII, this insertion into the global economy got re-instated, but this time under US hegemony, in the post-war world. With economic growth, as Japanese wages increased and Japan moved up the value-added ladder, the export of these labour-intensive goods moved to other East Asian economies in what Akamatsu (1961, 1962) has called the flying geese model of regional integration and growth. It is important to note that the hegemony of the USA and its aim of containment of the socialist Soviet Union is crucial to the renaissance of the East Asian path because she gave preferential access to the US market to her Cold War allies, allowing for the flourishing of the labour-intensive, flying-geese, export model (Ozawa (2003), Arrighi (2007) and Chandra (forthcoming)).

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<sup>11</sup> For the Indian experience of de-industrialisation as a result of British colonialism see Bagchi (1976, 2005, 2010). For a re-assessment see Clingingsmith and Williamson (2005). See also Bagchi’s (2005: 153-54) critique of Clingingsmith and Williamson as being “misleading”. See also Chattopadhyay (1975) and Krishnamurthy (1983).

Coming from a very different standpoint than Sugihara, Hart (2002: 200), in her comparative exploration of growth and accumulation in South Africa in contradistinction with China and Taiwan, while discussing the success of rural industrialisation based growth strategies in the latter two countries, pointed out that “The political forces that drove agrarian reforms in China and Taiwan were closely linked and precisely opposite. Yet in both socialist and post-socialist China, and in “capitalist” Taiwan, the redistributive reforms that *defined agrarian transformations were marked by rapid, decentralized industrial accumulation without dispossession from the land.*” She (2002: 201) goes on to argue “That some of the most spectacular instances of industrial production in the second half of the twentieth century have taken place without dispossession of the peasant-workers from the land not only sheds light on the distinctively “non-Western” forms of accumulation ... *they denaturalise dispossession.* To appreciate their wider significance and political potential ... revise the teleological assumptions about “primitive accumulation” through which *dispossession is seen as a natural concomitant of capitalist development*” (see also Hart (2009: 8-11)). [emphases added]

#### **IV: Accumulation without dispossession and China**

In reformulating Sugihara’s thesis about East Asia’s industrious revolution and incorporating Hart’s insight about the importance of rural industrialisation in China and Taiwan’s strategy of accumulation without dispossession, Arrighi sets out to “revise the teleological assumptions about “primitive accumulation”.

Arrighi (2007: 91-92, 365), extending Harvey (2003), argues first, that accumulation by dispossession is not a precondition for the development of capitalism but a part of its process of creative destruction. In capitalism’s current phase of growth, the hegemon, USA, has not been able to create a world state but a world market. In this world market however, China/East Asia have turned out to be far more effective competitors, given their strategy of leveraging human (as opposed to non-human) resources.

Second, the differentiating factor in China’s extraordinarily rapid and consistent growth post the Deng reforms of 1978 has been, until the mid-1990s, decentralised rural industrialisation led by township and village enterprises (TVEs) alongside a growth in agricultural output and productivity. This in turn allowed rural labour to “leave the land without leaving the village”<sup>12</sup> without dispossessing the peasant from her land, and thereby protecting rather than “destroying the economic independence and welfare of agricultural producers”. Therefore intensive cultivation of small plots of land was combined with industrial and other non-agricultural work, akin to Sugihara’s East Asian ‘Industrious Revolution’<sup>13</sup> and in keeping with her own traditions of the 15<sup>th</sup> – 16<sup>th</sup> centuries. China therefore is the latest instantiation of the East Asian path of accumulation without dispossession<sup>14</sup> (Arrighi (2007: 361-67))

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<sup>12</sup> See Arrighi and Zhang (2011) on how this slowed down migration out of rural areas.

<sup>13</sup> Arrighi (2009: 85) however has qualified his position. “I am not as optimistic as Sugihara in thinking that the East Asian tradition of ‘industrious revolution’ ... may ... at least play an important role in whatever hybrid formation is going to emerge.”

<sup>14</sup> See also Arrighi (2009: 78-79) and Arrighi, Aschoff and Scully (2010)

Third, he argued that TVEs must not be viewed merely as a mechanism of absorbing surplus rural labour. TVEs were dynamic because they expanded the size of the local (as opposed to national or international) market and improved the productivity of labour. To quote him, “[b]y reinvesting profits and rents locally, TVEs have expanded the size of the domestic market and created the conditions for new rounds of investment, job creation, and division of labor” (Arrighi (2007: 364))<sup>15</sup>.

Fourth, in the global South, in terms of human resources, the outcomes of accumulation strategies that have used dispossession (if one were to generalise on the basis of the Southern African experience) vis-à-vis those that have not are starkly different. As Arrighi, Aschoff and Scully (2010: 437) argue “Just as the Southern African tradition has ultimately narrowed domestic markets, raised reproduction costs, and lowered the quality of the labor force, so the East Asian tradition has simultaneously expanded domestic markets, lowered reproduction costs, and raised the quality of the labor force.”

Fifth, Arrighi and Hart note the importance of contestation in shaping accumulation strategies. While critiquing Harvey’s notion of accumulation by dispossession, Hart (2009: 9) notes “[w]hat gets lost in the conception of accumulation by dispossession is the constitutive role of contestation ... including the key role of peasant struggles and redistributive land reforms in propelling East Asian industrial growth in the latter part of the 20th century.” And as Arrighi (2009: 79) observes, Chinese peasants and workers have a millenarian tradition of protest and rebellion against injustice that has even shaped dynastic transitions. The Maoist peasant revolution was a continuation of that tradition and protest is alive and well in both rural and urban China and the fear that it might turn into a rebellion continues to shape the Chinese Communist Party’s attitudes to reform, particularly in the resistance within the Party to the full-scale privatisation of land and the revival of the welfare-state (see Andreas (2010: 84) and Arrighi and Zhang (2011)).

Sixth, as Arrighi (2007: 370) notes, even though acceleration in per capita income growth in China is a post-1980 phenomena, attainments in basic welfare – e.g., increases in life expectancy and adult literacy – were gains of the Maoist period. Therefore the phenomenal acceleration in per capita income growth over the last three decades in China is built on the “[e]xtraordinary social achievements of the Mao era.” This not only underlines the point made earlier about the emphasis of the East Asian path on human resources and the quality of the labour force but its juxtaposition with the European/USA capitalist path to growth makes it even more stark and remarkable. As Bagchi (2005: xiv-xv) notes what is a somewhat underappreciated fact, “[T]he advantages reaped by European ruling classes ... were at the expense of the suffering of millions of people ... [T]his was imposed in the cause of mobilising dispossessed labour ... for accumulation and went hand in hand with the proletarianization of European labour”.<sup>16</sup>

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<sup>15</sup> On the importance of TVEs, both in terms of politics and economics, to post-Mao growth in China and the role of Chinese state in promoting and sustaining them also Andreas (2010: 66-69). See also Arrighi and Zhang (2011) on reinvestment of TVE profits locally and in the village.

<sup>16</sup> For a detailed analysis of the impact of the rise of capitalism in Europe on the basic welfare – life expectancy and literacy - of the laboring masses in both the colonizing and colonized economies see chapters 5-8 and 13-18 in Bagchi (2005).

Finally, and perhaps most controversially, Arrighi (2007: 351-78), has characterised China as having followed a market-driven but non-capitalist path to growth<sup>17</sup>. And if (and the jury is still out on that) China does sustain a market driven but non-capitalist path to growth it will be returning to a path charted out during an earlier period of Chinese hegemony which saw peaceful inter-state relationships between China, Korea and Japan driven by trade rather than warfare (Arrighi (2007: 329-336). And if that were to happen, the contemporary Chinese ascent would be peaceful and not marked by wars of expansion that characterise the expansion of European/US capitalism in search of a “spatial fix” a la Harvey (2003). Perhaps equally importantly, it opens up the possibility, as Arrighi (2007: 389) says, “that China will be in a position to contribute decisively to the emergence of a commonwealth of civilizations truly respectful of cultural differences.”<sup>18</sup>

## **V: The rise of China and India – outcomes and potentialities**

For Arrighi and Zhang (2011) the rise of China and to lesser extent India is important, because the two account for all the narrowing of income inequalities between countries and reductions in global poverty (see Table 1) and they have not followed Washington Consensus policy prescriptions. Without the two, inequality between countries would have worsened and poverty levels would have remained unchanged, evidence that neoliberal prescriptions of the Washington Consensus have failed as a developmental model. And despite the fact that the Washington Consensus would like to claim credit for the success of China and India, less biased opinion would beg to disagree. Reforms in China and India have been gradualist, as opposed to the shock therapy advocated by the Consensus (see Stiglitz (2003: 124-5) for China and Ahluwalia (2002) for India). Both maintain capital controls, offer limited currency convertibility on the capital account and the banking sector is largely publicly owned (see Galbraith (2004), Ghosh and Chandrasekhar (2009: 726)). There is a significant public sector in both and the state continues to be an important actor, though more influential and effective in China than in India (see Arrighi (2007: 358-9)) and Kohli (2010: 185). The fact of incomplete integration into the circuit of international finance is particularly important, because finance is a key driver of both neoliberal economic growth as well capitalism’s tendencies towards outward expansion (see Harvey (2005) and Arrighi (2007: 90-94)).

Finally, the global financial crisis of 2008 added a new dimension to the rise of China and India. The fact that China and India recovered reasonably quickly from the crisis led some analysts (see e.g., Bergsten (2008), Economist (2008)) to believe that they would be able to

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<sup>17</sup> It is not just institutions of neo-liberal capitalism that have claimed that China’s success is the result of the adoption of the Washington Consensus prescriptions (see Wade (2004)) but scholars on both the left and the right have characterized China’s trajectory as capitalist. See for example Harvey (2005) and Hart-Landsberg and Burkett (2005) on the left and Huang (2008) on the right. But as Andreas (2008: 141) notes Arrighi is right that significant aspects of the Chinese economy are non-capitalist but that Harvey and Hart-Landsberg and Burkett are right too – “Chinese entrepreneurs and their foreign partners, with strong and effective state support, have created ... the world’s most efficient system of extracting surplus labour”. Therefore as Arrighi (2009: 92) maintains, whether China is capitalist or not remains “an open question”. Andreas (2010) critiques Huang for mis-reading the Chinese growth trajectory and not recognising the guiding role of the state in shaping the accumulation process – a central theme in Arrighi’s view of China.

<sup>18</sup> And if this possibility is actualized, then it would answer the question Bagchi (2005: xv) poses as to why China’s ascent would have made a difference to way the world was (and by implication, the way the world is).

absorb the shock of demand contraction in developed economies. But as Harvey (2009: 93-94) points out, if this is the new 'spatial fix' for the growth of capitalism, "we are switching to a new pattern" which we understand only imperfectly.

Even though growth in China and India has helped narrow inequalities between the global South and the 1<sup>st</sup> World<sup>19</sup>, the high-growth phase has been deeply unequalising within in each country. China's Gini coefficient, a measure of inequality, increased from 29.1 from 1981 to 41.5 in 2005.<sup>20</sup> In the post-reform period, for India, the same measure rose from 30.8 to 33.4 from 1993 to 2005. It is worth noting that in 1981 at 29.1, China's Gini coefficient was lower than India's which stood at 35.1 (see Ravallion (2009: 31 Table 1)).<sup>21</sup> Therefore, while China and India have charted their own growth trajectories and have not slavishly followed the prescriptions of the Washington Consensus, particularly in resisting the dominance of finance capital,<sup>22</sup> the sharp increases in inequality within each of these countries suggests that there are significant aspects of economic policy that are seriously neo-liberal (see Harvey (2005), Andreas (2008) and Ghosh and Chandrasekhar (2009)).

As India enters a new phase of growth and accumulation (see Mohanty and Reddy (2010: 57)) there has been some excited talk about India overhauling China in terms of growth rates. But as Sen (2011) notes "[i]t is surely rather silly to be obsessed about India's overtaking China in the rate of growth of GNP, while not comparing India with China in other respects, like education, basic health, or life expectancy." Which perhaps brings us to the nub of the matter - despite the recent acceleration, growth in India has not been labour absorbing (see Patnaik (2007), Chandrasekhar and Ghosh (2007)). Not only has the economy not generated sufficient non-farm jobs as a result of which movement of labour away from agriculture is very slow, but agricultural growth itself has seen a secular decline<sup>23</sup> as a result of which the relative surplus labour in agriculture, which is the lowest productivity sector, has increased.<sup>24</sup> As a result, as Mohanty (2011) points out, India has a combination of high

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<sup>19</sup> Though as Arrighi (2009: 78) one should keep in mind that income levels in China and India are still very very low. China's per capita income as a proportion of first world incomes has risen from 0.8% in 1980, but in 2005 was still only 4.6%. Similarly India's income as a proportion has risen from 1.1 in 1980 but at 1.9% in 2005 is even lower than China's (see Table 1, Arrighi and Zhang (2011)).

<sup>20</sup> Arrighi and Zhang (2011) quote sources where the Gini coefficient rises from 0.28 in 1983 to 0.47 in 2007. That would take it close to Latin American levels. At any rate whether we use Ravallion (2009) or the sources that Arrighi and Zhang quote, what is undeniable is that there has been a sharp increase in inequality in China. Arrighi and Zhang note that the increase in inequality has also come about alongside an increase in inter-generational and intra-generational mobility. But as they also note, it has begun seriously affecting social stability. In addition, there is at least some informal evidence that intra-generational mobility has declined.

<sup>21</sup> India's Gini coefficient is on consumption rather than income and therefore overstates the difference between China and India. If we factor in access to land, education and health, inequality in India would increase sharply.

<sup>22</sup> Though as Ghosh and Chandrasekhar (2009: 737) point out, post the global financial crisis of 2008, the Government of India has, "bucked the trend" and moved towards closer integration with global financial markets. See also Mohanty (2011).

<sup>23</sup> As Mohanty (2011) argues, the decline is at least in part the result of neoliberal financial sector reforms introduced in 1993. But as Balakrishnan (2010) points out there are also longer-term issues related to declining investment and environmental degradation.

<sup>24</sup> See Patnaik Utsa (2007) on the slow decline in the share of agriculture in total employment. See Balakrishnan (2010) on the secular decline in agricultural growth and see Mohanty (2009) and (2011) on the secular increase in the relative surplus labour in agriculture. Mohanty (2011) also establishes that in China, for the period from 1978 to the early 1990s, there is a secular decline in relative surplus labour in agriculture.

rates of per capita income growth alongside very slowly declining levels of poverty. Between 1981 and 1993, poverty levels in India declined from 59.8 to 49.4%, and from 1993 to 2005 from it declined further to 41.6%, with a slight slowing in the rate of decline after 1993, the beginning of the reform period (see Ravallion (2009: 31 Table 1)). In comparison, over the same periods, China's poverty levels, starting from a much higher base fell much more rapidly – from 84 to 53.7% between 1981 to 1993 and then to 16.3% in 2005! China's growth has therefore been much more pro-poor than India's as a result of sustained growth in agriculture and the human development gains made in the Mao era – both features that Arrighi (2007) stresses upon (see also Ravallion (2009: 19, 22)).

It is not just poverty that declines much faster in China. China performs much better than India on almost all aspects of human development. As Sen (2011) points out “Life expectancy at birth in China is 73.5 years; in India it is 64.4 years. The infant mortality rate is fifty per thousand in India, compared with just seventeen in China; the mortality rate for children under five is sixty-six per thousand for Indians and nineteen for the Chinese; and the maternal mortality rate is 230 per 100,000 live births in India and thirty-eight in China. The mean years of schooling in India ... to be 4.4 years, compared with 7.5 years in China. China's adult literacy rate is 94 percent, compared with India's 74 percent. ... literacy rate for women between the ages of fifteen and twenty-four ... is still not much above 80 percent, whereas in China it is 99 percent. ... a very substantial proportion of Indian children are ... undernourished (depending on the criteria used, the proportion can come close to half of all children), compared with a very small proportion in China. Only 66 percent of Indian children are immunized with triple vaccine ..., as opposed to 97 percent in China.” Human development outcomes in China and India are therefore just as Arrighi, Aschoff and Scully (2010: 437) predicted - accumulation without dispossession leads to improvements the quality of labour and life-chances whereas accumulation by dispossession worsens the quality of labour. And India has followed almost a quintessential accumulation by dispossession strategy, particularly in this first decade of the 21<sup>st</sup> century<sup>25</sup>.

## **VI: India – agrarian crisis, dispossession and partial proletarianization of the peasantry**

But accumulation by dispossession in India has had one unexpected outcome – instead of proletarianising the peasantry and concentrating land in the hand of relatively large landowners, the reverse has happened. The average size of owned and operated landholdings in India has secularly fallen and largely due to decline in the average holdings of large, medium and small farmers (see Basole and Basu (2011: 42-44)). Yet declining productivity and profitability in agriculture (Balakrishnan (2010)) and the associated agrarian crisis of the last two decades (see Patnaik Utsa ((2003), (2007)) has meant that output from these farms is not enough even to guarantee peasant subsistence. Therefore land cultivation accounts for less than half of total farm household incomes, with the rest being accounted for by wages and petty production (Basole and Basu (2011: 50)).

So in India as well rural labour has had to “leave the land without leaving the village” but in the context of a stagnant rural economy which does not provide sufficient non-farm rural

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<sup>25</sup> This has been widely documented. See Ramakrishnan (2011) for a more recent elaboration of the process.

employment, the exact opposite of the dynamic Chinese case. Therefore in both China and India there has been a partial proletarianization of the peasantry, but one is the outcome of accumulation without dispossession and the other of accumulation by dispossession! Equally importantly, it would seem to complicate typologies Arrighi sets out, where accumulation strategies defined the process of proletarianization of the peasantry, which in turn implicated growth outcomes.

Be that as it may, as Mohanty (2008) in what he calls “the return of land hunger” in India notes, “[i]n the face of a lack of non-farm opportunities, rural or otherwise, for many small-scale farmers access to land was the only insurance against starvation. Many farmers therefore, despite the agrarian crisis, were simply unwilling to sell the little land that they owned. The previous inability to push through land reform then came back to haunt the urban bourgeoisie ... Similarly, Adivasis<sup>26</sup>, long frustrated by lack of development and opportunities in their areas, were now unwilling to sign away their traditional rights to common property – just when the urban bourgeoisie wanted, and needed, land the most.” This unwillingness to sell land or give up access to livelihood sources has led to widespread and sustained resistance to acquisition of farm and forest land by federal and state (provincial) governments on behalf of domestic bourgeoisie and multinational capital (MNCs) (see Frontine (2011)).

## **VII: Conclusion: Contestation, politics and alternate paths**

This resistance from below feeds into one of the most truly remarkable aspects of India’s democracy – that in India it is the poor and not the rich who are more likely to vote.<sup>27</sup> In the last couple of decades or so, it is the poor who have consistently and in larger majorities exercised their democratic right at the ballot box.<sup>28</sup> And in India the vast majority of the middle (OBCs) and lower castes (Dalits), Adivasis and Muslims are poor<sup>29</sup> and the poor overwhelmingly belong to these groups.<sup>30</sup>

The radical intent of the Indian Constitution around the issues of land and caste (see Mohanty (2011)) then has manifested itself in the political space and the rhetoric of equality enshrined in it has been partially delivered, perhaps in ways not envisaged by its framers. Political space today is much more plural, and parties and groups dominated by upper castes play a much less hegemonic role than even 30 years ago. Access to political power is more equitable across social groups and at least some socio-economically marginalised groups have achieved legislative majorities and formed governments to an extent unimaginable in 1950. And all of these are the results of movements from below around land and caste that have characterised Indian politics.<sup>31</sup> The widespread resistance to the

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<sup>26</sup> A loose equivalent would be the Canadian First Nations.

<sup>27</sup> See for example, Alam(1999) and Khilnani (1996)

<sup>28</sup> Yogendra Yadav (2000) calls it the “second democratic upsurge”.

<sup>29</sup> See Mohanty (2006: 3782)

<sup>30</sup> See NCEUS (2007) on how socially narrowly based India’s growth has been and how the overwhelming majority of middle castes (OBCs), lower castes (Dalits), Adivasis and Muslims are poor and vulnerable.

<sup>31</sup> See for example Jaffrelot’s (2002) study of the rise of lower castes in northern Indian politics in what he calls the “silent revolution”.

acquisition of farm and forest land in the current phase of accumulation by dispossession is of that lineage.

The fact that in India it is the poor who vote, that parties representing socio-economically marginalised groups have gained political power and the widespread resistance to the acquisition of farm and forest land, has placed the issue of land and land acquisition squarely on the political and legislative agenda<sup>32</sup> despite attempts by the big bourgeoisie and the political elite to finesse it. And if, and it still remains a big if, as a result land can no longer be expropriated at will, then it will bring to fore the issue that poverty cannot be solved without addressing land-hunger, and therefore the possibilities of accumulation without dispossession have to seriously explored. It will then open up the possibility of addressing issues of social exclusion and mobility because these cannot be addressed without confronting caste-related inequalities and broad-basing education and employment opportunities to include the millions of uneducated landless labourers who are also largely middle and lower castes (OBCs and Dalits).

Similarly sharply rising inequality and illegal appropriation of peasant land in China has led to widespread rural and urban revolt.<sup>33</sup> And this revolt has meant that accumulation by dispossession strategy unleashed by Jiang Zemin including super-exploitation of migrant labour, has slowly been reversed by Wen Jiabao and Hu Jintao including the revival, albeit nascent, of the welfare state in rural China.<sup>34</sup> New rules that have been put in place for urban land acquisition, prohibits governments from forcibly seizing homes, puts significant constraints on developers and local governments and mandates consultation with land-rights holders, payment of market rates for land as compensation and prohibits demolition until relocation has been taken care of.<sup>35</sup> Similarly, extending the Wen-Hu rebalancing process, the 12th Five Year Plan will increase public spending in housing and medical insurance in both rural and urban areas; from 2011 onwards, expenditure on education will be increased to 4% of GDP; substantially increase minimum wages; and a commitment that rural and urban incomes will rise in tandem.<sup>36</sup> Little wonder that the Financial Times laments that there has been a renaissance of “the Mao cult” and that there is deep ideological split within the Chinese Communist Party in which “for now the factions arguing against ... liberalisation are clearly in the ascendant”.<sup>37</sup>

This process is of great political import because as Patnaik (2010) has argued “To the extent that a rupture is taking place between the capitalists ... and the petty producers [peasantry] ... is also going to be politically very significant for the fortunes of capitalism” And as Arrighi (2009: 80) notes “If rebellions of the Chinese subordinate classes materialize in a new form of welfare state, then that will influence the pattern of international relations over the next twenty, thirty years. But the balance of forces between the classes in China is still up for

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<sup>32</sup> See for example Venkatesh (2011).

<sup>33</sup> See Selden and Lee (2007), Arrighi (2007: 375-78), Arrighi and Zhang (2011)

<sup>34</sup> See Arrighi and Zhang (2011) and Arrighi (2007: 369). Which is why Sen (2011) is so wrong when he argues that Chinese decision-making happens “with relatively little democratic pressure from below.” Though also see Selden and Lee (2007) who argue that whereas the Chinese government is responsive to individual and even group protests, it tries to quell any notions of collective protest and response.

<sup>35</sup> See Wines and Anfield (2010).

<sup>36</sup> See Lam (2011) quoting the Xinhua New Agency.

<sup>37</sup> See Hille and Anderlini (2011)

grabs at the moment.” Therefore if India can switch to accumulation without dispossession and China can return to that path, both would have charted truly non-western paths to growth and well-being. But today at least that possibility exists.

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