

Old Question, New Twist

## Land and Factory: Peasants and Proletariat

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*'Sudhu bighay-duee chhilo more bhuin, arr sob gachhay rhiney. Babu bollillen, Bujechha Upen, a jomi loibo kinay.'* –  
Rabindranath Tagore.

(A poor farmer, Upen, was left with about an acre of land after paying all debts to the village shark, who grabbed that tiny strip of farm-land, too.)

GOVERNMENT OF INDIA intends to table a bill on Land Acquisition in the next session of the Parliament. Now, at the evening of May 13, 2011, just when the West Bengal Assembly election results were out scraping the Left Front Government, a CPI (Communist Party of India) boss was reported to have begged the Trinamul Congress chief for an alternative draft of the bill. Was it a strategic ploy? What have the old-CPI, let alone the younger CPI (M), done for land-and-industry? What constructive role had they played for a synergic advancement of agriculture-and-industry, peasantry-and-proletariat, despite the CPI's claimed global wisdom?

Compensation for land acquisition in Singur was fixed by the Left Front Government at the market price plus fifty percent of it, the latter in consideration of future price rise and the owner farmer's commitment of no litigation. In the case of Rajarhat, money offered by private promoters to farmers was Rs 4,000 per cottah. Within five years the current market price rose 750 times to as much as Rs 3 lakh or more and continued soaring, of which the original land-owner got no share.

For an acre of land, is the market-price an appropriate compensation in the present context? Jan Tinbergen, the Nobel Laureate economist, had argued that the market price of a commodity in general is distorted by the prevailing market structure (monopoly, oligopoly, monopsony), institutions, rules and regulations. For investment decision in the public sector, Tinbergen advised using what he called the *shadow price*, which is shorn of all non-economic pollutions. The Planning Commission played with it for a while. It figured out the shadow price of dollar at Rs 18 at that time, while the official fixed rate was Rs 8; this discrepancy is an indicator of scarcity of foreign currency in India.

More meaningful is to distinguish between what is called the use-value of a commodity, and its market-value, that is, the market-price. The *perceived utility* of a thing constitutes its use-value, which has no necessary connection with its market-price. To a patient the use-value of a medicine may be beyond a thousand rupees while its market-price is far below it.

In a competitive capitalist economy the market price of an asset is measured by the business accounting rules of so-called 'present value' of the cash flows expected from the asset during its lifetime. In the case of a poor farmer, his family derives many a benefit (as many as four benefits in all) from a strip of farmland. In Tagore's poem, Upen's family could have survived with even one acre of land, which the shark took away.

Suppose, agriculture requires two inputs: land and labour. There are two kinds of farmers: rich and poor, both owning land. A rich farmer has a large holding which he works with hired labour; the small farmer has a tiny strip of land on which he uses family labour.

Assume that the price of crop per acre is Rs 150. A rich farmer spends Rs 100 on hired labour. So his income is Rs (150 - 100) = Rs 50. By contrast, the entire crop accrues to the poor peasant. So his income is full Rs 150. Per acre income (in monetary terms) is therefore three-times higher for a poor peasant than for a rich farmer: 150 versus 50.

Only rich farmers can *buy* land, the poor farmers could not. Under the circumstances, what is the market-price per acre of land? By the business accounting rules, the answer is : Rs 500, assuming the interest rate in money-market at 10 percent.<sup>1</sup> To a poor farmer, what is the use-value of his land, counted by the same accounting rules of the market? It is at least Rs 1,500, and probably more.<sup>2</sup> This

discrepancy between the market-price and the use-value for the farmer is significant. Unfortunately, the government of West Bengal at the Singur-Rajarhat era did not either know or care for it.

A farmer living on a meagre, farmland receives something invaluable from his land in addition to the annual crop, namely, a sense of security for his entire family. For him, this boon adds use-value to his plot of land. To be sure, a poor peasant family draws, not one or two, but as many as four kinds of use-value, viz. (a) *assured employment of family members*; (b) *income from crop by way of accrued profit and rent, over and above the virtual wages*; (c) *a sense of family security*; and (d) *social esteem accorded to a landowner, however miniscule, as opposed to the customary derision thrown at a wretched landless person in villages*. Of these four use-values, the last two, i.e. sense of security and social esteem, are incommensurable with standard monetary measurement: money can't buy *these twins*. A substitute job for the unskilled farmer along with the market-price of land as compensation would only perpetuate his family's agony across generations to come. That low-paid job is hardly better than a bite of opium to soothe his pain of penury.

For the Rajarhat and the adjacent IT (information technology) townships the government of West Bengal gave a free hand to private promoter-investors to procure land directly from farmers. Here, average size of a plot-holder's land is only one-twelfth of an acre, vide the data of Singur (one thousand acres of land, twelve hundred owners). At this rate, for a field of 100 acres to set up a plant, an investor has to go door to door of no less than one-thousand-two-hundred contiguous plot-holders. No wonder, a formidable nexus of beneficiaries and intermediaries lined up, evidently beginning from the high echelon of state government all the way to fearsome land mafias.

A seventeenth-century philosopher-scientist, Francis Bacon, was commonly regarded as the originator of the saying: "Knowledge is power." He was the first philosopher to confidently assert that application of science would bring forth improvement of human welfare. In science, more perhaps than any other field of human enterprise, progress was possible and, indeed, had occurred. Science enriching the knowledge of educated persons had existed for four hundred years; and as a source of economic technique for two hundred years. In this brief period it has been a powerful revolutionary force.

Of all branches of the economy across the world, industry is the one which has fast absorbed the benefits of science and thereby enabled comprehensive economic expansion. Given the extent of poverty in the country, India requires decisive economic achievement, that is to say, industrialization is compulsory. Moreover, a country sans economic clout has virtually no place in the international comity.

Water is for agriculture what oxygen is for human beings. Nobel Laureate economist, Joseph Stiglitz, interviewed at BBC News in 2007, said: "India had not managed its farm sector properly—water was already a precious commodity in large parts of the country where water table was falling. *India is living on borrowed time*." In villages electricity is practically non-existent. Land is used extensively, rather than intensively, leading to lower yield.<sup>3</sup> Intensive cultivation with adequate inputs can release some of the present farm-land to industry, without prejudice to food security in the country. After all, industry needs no more than, presumably, one percent of the total cultivated area of India.

A rural society consists of two broad groups, namely, the gentry and the peasantry (including landless labourers). The gentry opposes land acquisition not so much because of the loss of an economic asset like land, as because of the associated depletion of political power over the established social hierarchy, which is another, perhaps more lucrative, source of economic gain. By contrast, a peasant has only a modest plot of land. The justice of history and economics warrants the government and industry to extend transitional munificence to the peasant family—transition of the family to reclaim its legitimate place in society.

Therefore, all children and teenagers living within the distance of, say, 20 miles from the perimeter of new industrial zone should be offered *full support for study and training as far as a student would go in his/her academic pursuit*. All present members of the affected peasant family should be provided with their lifelong subsistence, through job or otherwise free.

Accordingly, schools, colleges, vocational institutes, hostels, hospitals should be established around the industrial zone jointly by industry and government. The facility is meant for free service to those who have suffered one way or the other in the course of building industry. This ring of human progress initiative is mindful of three dimensions: healing injuries of the past, mending the life at present, and enlightening the future of those who have made heroic sacrifice of their land—they are *freedom fighters*, freedom from social and economic bondage.

Then, as the child of a peasant would grow up in course of time and pass through school, college and university becoming a doctor, engineer, accountant, scientist, or poet, industries would be there to welcome him. The child of a peasant would no longer necessarily have to be a peasant himself.<sup>4</sup> The vicious circle of poverty and social injustice will be broken once for all. Today's problem is not just economic or political, but in essence about human progress: the question is as much of how to raise more crops in paddy-fields, as of how to enable the peasant to be what he is potentially capable of being. There could be no better process to rehabilitate the peasants displaced by land acquisition and at the same time to promote industrialization which in turn would help agriculture.

### Notes

1. The market price of an asset in a competitive market is measured by the "present value" of cash-flow expected during its lifetime which is infinite in the case of farmland. Let  $x$  denote the annual cash-flow constant overtime, and  $r$  the discount rate. The asset lasts for ever. Then market price of the asset would be  $x/r$ . By this formula, the market price of one acre of land to a rich peasant is given by:  $50/0.10$ , at the discount rate of 10 percent; it amounts to Rs 500.
2. By the same formula, the use-value of one acre of land over its infinite lifetime to a poor farmer is given by:  $150/0.10 = \text{Rs } 1500$ .
3. "South Asian work practices in agriculture are not "labour-intensive" in spite of the very large labour force and the often high man/land ratio; the labour input is low in terms of man-hours and is of low efficiency" (Myrdal 1968: 1254, also 432-33). The cognate of it is low yield of land. The efficiency of labour is related to the instruments and inputs they work with and wages they get. Man-hours as well as labour efficiency can improve, and output rise, with adequate and timely supply of water and other means of production.
4. A brief history of the formation of lowly strata of society, i.e. scheduled castes, and of outcasts off the society, i.e. tribals, is as follows. Peace and trade during the reign of Gupta emperors (300-500) had stimulated village settlements by private enterprise; rural economic output grew. Meanwhile, the urban nouveau riche, so fond of Mediterranean coral, exotic wines and slaves for household service, concubines and entertainment, the art and craftsmanship of Roman-Greek world, and the like, crossed the economically tolerable limits of foreign exchange accounts. Coins of precious metals, silver and gold, profusely drained away to pay for the excessive imports, causing a critical shortage of coin-money in circulation for bulging farm produce markets. In order to stem the financial crisis the crown took an ingenious step of assigning caste-balanced artisans to every village such that barter exchange within the village would do, without using coins. Each village came to have its precisely required numbers of blacksmiths, carpenters, potters, and other artisans, adding up to exactly 12 in total. Each artisan received a small plot of land to till at his spare time. In addition, each was entitled to a certain portion of harvest from the peasants. Every village thus became self-sufficient, cash-free, and disconnected from other villages and the rest of the world. The caste system was thereby sealed firmly upon the rural society. The economy became stagnant, incapable of absorbing additional hands; unemployment mounted. Caste-groups prevented the mastery of finer technique. Very few could, because of caste, skin cattle, tan the hides, or work in leather, all low occupations. Some tribal people might become basket-makers, without learning how to weave cloth or spin yarn. On the other hand, given the social rigidity, not every village could support a whole guild of blacksmiths, leather-workers, or bark-weavers. The unfortunates headed towards wilderness for ever and turned into "tribals" ever since (Kosambi 1975; Sau 2006a, December 2; 2009:146).

### Sources

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