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**Singur and the Political Economy of Structural Change**

**by**

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## Abstract

The paper explores the controversy that has surrounded the West Bengal Government's land acquisition programme in Singur and situates it within the overall context of economic growth and transformation. It argues one of the most adversely affected groups as a result of the acquisition is relatively large farmers for whom agriculture is a source of profit and accumulation and not livelihood and subsistence. This might explain in part why the resistance has been so strong. The paper argues that equitable and sustained growth is possible only by reducing the share of agriculture in the labour force and that the current strategy of the West Bengal Government may not be sufficient to guarantee a significant decline in that share. Any equitable growth strategy has to therefore focus on maximising the generation of non-farm rural employment.

(Keywords: Singur, agrarian transformation, peasant differentiation, structural change)

## Singur and the Political Economy of Structural Change

Mritiunjoy Mohanty

What is now called the Singur controversy was sparked off by the decision of the West Bengal Government to acquire 997 acres (affecting approximately 12,000 owners) of agricultural land for granting to the Tata Group to set up a 'small car' factory in the state. The land the government wants to acquire is located about 40 kms outside Kolkata in five revenue units (mouzas) in Singur block of Hooghly district in the Indian state of West Bengal. According to the West Bengal Government, the Tata Group chose the land from among five alternate sites offered them. Given the intensity of cultivation and population pressure in West Bengal, its government has always maintained that it would be difficult for expansion of non-agricultural activities to take place without incorporating land currently in use by agriculture. The acquisition of land has faced stiff resistance. This paper is an attempt to understand the need to acquire land and the resistance it has faced, the interests and stakes involved, the underlying strategy of growth and whether or not it might deliver growth with equity.

The paper is divided into four parts. Section I deals with the land acquisition programme, the associated compensation package and the rationale for the acquisition. Section II discusses the agrarian economy of Singur and how economic growth has resulted in peasant differentiation. Section III looks at four of the more important issues of contention in the acquisition programme and analyses interests that might be at stake. Finally Section IV discusses the stylisation of structural change that underpins the acquisition, its adequacy in the current Indian context and related issues of political economy.

**I. The Land Acquisition Programme and the Compensation Package:** Even though the broad elements are reasonably well known, for the sake of clarity it might be worthwhile spelling out the land acquisition programme and the related compensation package. The West Bengal Government wants to acquire 997 acres (affecting

approximately 12,000 owners) of agricultural land to sell to the Tata Group to set up a 'small car' factory in the state.

For the land being acquired, West Bengal's Left Front Government has fixed compensation on the following basis: landowners are to receive Rs 8.7 lakhs per acre for single-cropped land and Rs. 12.8 lakhs per acre for double-cropped land; registered share croppers are to receive 25% of value being offered to owners, i.e., between Rs. 2-3 lakhs per acre.

The Land Acquisition Act suggests that, in case of acquisition, recorded bargadars be paid up to six times the net average annual income from the land. The WBIDC claims that 25% of land value being offered bargadars is more than six times the net average annual income from the land.

The West Bengal Government claims that care has been taken to leave triple-cropped land out of the acquisition process, proof of which can be sought in the irregular plot being offered the Tatas.

According to the West Bengal Government, by early December 2006, 7500 man days of work had also been created in the area to offset some of the employment lost by agricultural labour, who otherwise might have been employed on the land that has been acquired. In addition, the Left Front Government has put in place a training programme for providing skills to those who wish to seek employment in the 'small car' factory that the Tata's wish to put up. According to the Government, by early December, 1855 people, 1409 of whose land has been acquired and 446 of who are landless agricultural labourers, had enlisted in this government funded programme. Training for the first batch of trainees has already begun in a newly established training institute in the area.

For the Left Front Government, acquiring land in Singur is a beachhead as it seeks to change both gear and strategy in an effort to sustain the economic growth that West Bengal has seen in the last three decades or so. As the West Bengal Government's Industries Minister, Nirupam Sen, put it in a recent interview, land reforms (that secured tenancy rights and were initiated when the Left Front was elected to power in West Bengal in the late 1970s) were never an end in themselves. In the same interview, speaking about the rationale behind the government aiding the setting up of the 'small car' factory, Sen said, "[T]he automobile industry which is coming up, along with the ancillaries that it is going to bring, will have an enormous impact on the manufacturing sector and on small and medium enterprises. It is a question of not just those who are losing land, but also of the economic growth of the State ... [A]fter successful land reforms, the decentralisation of panchayati raj, and the growth we have achieved in the agrarian sector, if we do not go for industrial development, then the entire economy of the State would go to ruin ... [f]or sustainable growth, the development of the manufacturing sector is vital. Automobiles is an industry that draws huge manufacturing activities both in the small and in the medium-scale enterprises .... [A]nywhere in the world, whether in South-east Asia, China or Japan, it is the small and medium enterprises

that provide maximum employment and that is going to be one of the most important milestones in the industrial development of our State.” [Frontline, December 16-29 2006]

Sen’s point – that West Bengal today needs to focus on manufacturing value added and manufacturing jobs so as to be able to sustain economic growth - is an important one and we will return to it below. And wherever one stands in this debate, it is not a standpoint that can or should be easily brushed away. Therefore if there is, as it would appear, a reasonable case to be made for state aid (in the form of, among other things, acquiring arable agricultural land) to foster private-sector led industrialisation and the state has a reasonable package for compensation and rehabilitation, then why has the Singur project generated so much controversy? Why has there been so much resistance? Even if one were to dismiss, as many are apt to do, the Trinamool Congress’ Ms. Mamata Banerjee’s political campaign (including her 25 day hunger strike), spearheading a motley political coalition ranging from the far right to the far left, as grandstanding and opportunism in the hope of reviving a flagging political career, it would be both blind and foolish not to recognise that her campaign has resonance because there is resistance on the ground.

And resistance there has been. Between 9<sup>th</sup> May and 27<sup>th</sup> September 2006 there were 9 meetings between various arms of government and local representatives, including 4 with the ‘Krishi Jami Raksha Committee’ (KJRC, the formal name of the political coalition that brought together 19 organisations that opposed the sale of farm land to set up the factory) or their representatives to discuss modalities of land acquisition. But despite extensive consultations, the Government’s own records suggest that no consensus emerged from these meetings on how to take the process forward. Clearly there were issues on which one section of farmers and the Government did not see eye to eye. Not only is it the case that negotiations between KJRC and the Government were fruitless, starting from 25<sup>th</sup> May, when the visiting Tata team was gheraoed and had to be rescued by the police, local resistance has been flagged by any number of sit-ins and rallies organised by KJRC and other political groups.

On 25<sup>th</sup> September, the day when payment for acquired land began to be disbursed, the block office was surrounded by a large number of protestors, numbering in their thousands. What happened there is unclear but the police finally resorted to a lathi-charge in which a large number of people were injured and one died of injuries sustained. And finally, just prior to beginning of fencing operations in early December, in face of sustained efforts by political groups to occupy the disputed land, the police resorted to firing to clear the area and the administration imposed Section 144. And it was under Section 144 that fencing operations were carried out. So clearly there has been sustained resistance to the land acquisition process.

## **II. The Agrarian Economy of Singur and Peasant Differentiation**

Therefore if there is, as it would appear, a reasonable case to be made for state aid to foster private-sector led industrialisation and the government has (as I will argue later) a reasonably progressive compensation package, why has there been sustained resistance to land acquisition? Before we address that issue it might be worthwhile trying to understand the economy of the area a little better by examining a bit of data that both the

Government and the 'Krishi Jami Raksha Committee' (KJRC) agree on<sup>1</sup> and see what that analysis might suggest.

The total population of the five revenue units where land is going to be acquired is 24,048. This population is divided into 7,710 main workers, 1,034 marginal workers and a non-working population of 15,304 (see p.7-8, West Bengal Government Status Report on Singur). If we consider main workers, 33% are engaged in agriculture and if we take main and marginal workers together, then 35% are engaged in agriculture. This compares favourably with the all-India, as well as West Bengal, average, where more than 55% of the employed workforce works in agriculture. The rest of the working population, i.e., 65%, is employed in non-agricultural occupations.

Therefore despite the fact that the area where land acquisition is going to take place is, by all accounts, a prosperous agricultural area, it is considerably less agrarian than West Bengal on average. That is to say agriculture is not the mainstay of providing either income or employment in the area. By that yardstick it is more urban than rural. The population, it appears, is also relatively better educated. One estimate puts literacy levels at around 75%. The fact of being relatively well educated is corroborated by information provided in the Government's Status Report on the educational qualification of those who are undergoing training as a part of the government's rehabilitation package (Annexure, p. 9-13). Among the first batch of 179 trainees, only 18% had education levels of less than class X and 9% were graduates or more.

We know that there are approximately 12,000 people with land titles who will be compensated as a part of the land acquisition process. However as we have seen, in the five revenue units taken together there are a total of 8,744 workers (both main and marginal) of which only 35% (3055) is in agriculture. Of these, 1320 were classified as having 'cultivation' as their main occupation and another 156 with 'cultivation' as their marginal occupation. Therefore there are only 1476 people who would be classified as peasants or farmers one way or another, suggesting widespread absentee landlordism in the area (even after accounting for the fact that some land title holders probably belong to the same household).

There are a few other aspects about agriculture in the area that have come to light in the course of this debate, which might be germane to this discussion. First, most single-crop peasants rely almost entirely on family labour for agricultural operations. Second, there is also evidence, however, that there is both perennial (what are called 'garir kishen' from Bankura, Bardhaman and other parts of Hoogly) and seasonal (from as far afield as Jharkhand) in-migration of agricultural and non-agricultural labour into the area. As a result, according to one estimate, the agricultural labour force employed in the area is effectively double of the 1579 currently recorded as being employed as agricultural labourers. Even if that estimate is seen to be too high, what probably cannot be dismissed

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<sup>1</sup> See for example the note written by the Paschim Banga Khet Majdoor Samity (a member of the KJRC coalition) titled 'Brinda Karat's Untruths'. With regard to untruth 4, the note says "The total number of main workers in the five mouzas where acquisition is taking place is 7710". This is the same number that is used in the WB Government's Status Report (p7-8).

is significant in-migration of labour. Third, is the evidence of reasonably substantial private investment in irrigation and mechanisation - privately owned mini deep tube wells, diesel-run mini pump sets for lift irrigation and power-tillers in the area.

Given the above, what can we infer about the economy of the area? First, all evidence – double and triple-cropped farming, in-migration of labour, private investment in irrigation and mechanisation etc – suggests that not only is it an agriculturally prosperous area but that commercially viable capitalist farming has taken root. Second, despite the fact that it is an agriculturally prosperous area, agriculture is not the most important source of income and employment and as a result there are land-owning households where agriculture accounts for a small proportion of household income and employment. The shift away from agriculture would then explain the high degree of absentee landlordism. In all likelihood, a large proportion of single cropped land is also in households where agriculture accounts for a small proportion of household income and employment.

Third, given that only 17% (1320/7710) of the employed workforce is classified as being ‘cultivators’ (which would include both owner-farmers and bargadars), landowners who practice multiple crop farming probably also lease-in a lot of land. Fourth, bargadars (both registered and unregistered) probably also account for a significant proportion of the cultivated area. Fifth, and therefore there are in all probability both owner-cultivators and registered bargadars who use the land-lease market to operate as relatively large capitalist farmers and conduct agricultural operations on the basis of hired, often migrant, agricultural labour.

Therefore sustained agricultural growth in the overall context of diversification away from agriculture has produced a differentiated peasantry – a large number of small land-owning households where income and employment from agriculture now constitutes a small proportion of total household income and employment; and a smaller set of relatively larger landowners and tenant farmers who use the land lease market to expand agricultural operations, allowing them not only to grow but to accumulate as well. This would also fit in with the fact that Singur already has a fairly active land market.

In other words a small rural bourgeoisie has emerged that is driving the capitalisation of agriculture in the area. Given prior land reforms, sustained agricultural growth and somewhat improved access to education has meant that the emergence of a rural bourgeoisie has not happened alongside the pauperisation of the small peasantry, as would otherwise have been the case, but the emergence of an incipient rural middle class that has diversified away from agriculture in terms of income and employment. In a sense, this is the best kind of agrarian transformation that one can hope for – capitalisation of agriculture happens alongside an occupational diversification away from agriculture.

Notice that for the emergent rural bourgeoisie – i.e., land owners who lease in large amounts of land and registered bargadars who use the land lease market to operate as relatively large farmers – the compensation offered by the government would be deemed

as being completely inadequate. The land owner would be compensated on the basis of owned area, which in this case would be substantially smaller than his/her operated area; and the registered bargadar in any case gets only 25% of land value as compensation. Perhaps most importantly, land for both of these sets of farmers is a source of accumulation and profit, not just income and employment. From that standpoint compensation levels would certainly be inadequate.

I have of course assumed that most single-cropped households have diversified away from agriculture as a means of income and employment. Given what information we have, I feel this is a reasonable assumption. However, to the extent that there are (and will be) peasant households with single-cropped lands for whom agriculture still accounts for the bulk of household income and employment, whether they gain or lose from the compensation package will depend on whether they find alternate employment (and of what kind) after selling their land. If there is reasonable uncertainty about being employed, then in part due to issues related to food security, these peasant households might be unwilling to sell because without land they would also (apart from looking for work) need to buy their grain, which they currently grow, from the market. And perhaps the worst off among peasants is the unregistered<sup>2</sup> bargadar who loses access to land and being unregistered has no claim to compensation either.

### **III Land Acquisition and Issues of Contention**

We are now in a position to discuss the major areas of contention between the Government and the KJRC.

**Issue I:** The Government claims that it has letters of consent for 952 of the 997 acres that will be acquired. The KJRC says that they have letters from at least 300 farmers, with land holdings of 184 acres, saying that "we have not and will not give our land to Tata Motors".

According to the West Bengal Government Status Report, by 2<sup>nd</sup> December 2006, out of the required 997 acres, payments had been made for 635 acres of land to 9020 land title holders (p.3). The report also says that by 4<sup>th</sup> December 2006, "post-award consent had been acquired for 332 acres" (p.3). The report noted that there remained about 3000 title holders and bargadars who had not been paid as yet. There are a couple of points that need to be noted about the above. First, it is more than likely that some of the 'post-award consent for 332 acres' acquired by the administration between 2<sup>nd</sup> and 4<sup>th</sup> December was the result of 'persuasion' rather than being voluntary. As a result, with the backing of a full-blown political campaign on the issue of land acquisition, some of those who had been 'persuaded' might have decided to change their minds and declare their true positions to the KJRC, i.e. that they did not want to sell.

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<sup>2</sup> An unregistered bargadar would typically also be resource constrained, i.e., not have sufficient money to invest in land improvement and cultivation. Therefore as part of the rental contract the landlord would invest and as a result the unregistered bargadar's share (typically 1:1) would be lower than that of a registered bargadar (3:1) who would be expected to meet all investment costs of cultivation. In return for the landowner's investment however, the bargadar would agree not to register his/her tenancy, because registration would entail a legal commitment for the tenant to receive  $\frac{3}{4}$  of the farm output.

Second, if one compares average land size of those to whom payments have been made (9020 claimants for 635 acres) with those to whom as yet no payment have been made (3000 land title holders for 332 acres), it is clear that it was the smaller title holders who were the first to sell to the government, and the larger land holders held out and were probably ambivalent. The fact that it is the larger landholders who are holding out is confirmed by the fact that the KJRC reports that they have 300 farmers with land holdings of 184 acres (2.5% of landholders accounting for 18.5% of the land to be acquired) who have signed letters stating that they do not want to sell. Our analysis suggests that landowners who lease-in land stand to lose from the compensation package, and it is the larger landowners who are more likely than small holders to lease in land. Therefore all evidence would seem to suggest that the consent, if given, of large landholders was probably not consensual and that it is they who are resisting acquisition the most.

Given the above, it would seem reasonable to conclude the following: 75% (9,020/12,000) of the title deed holders sold their land to the government voluntarily; the remaining 25% may be broken up into three different sets - a small proportion of landowners who are relatively large farmers and account for a large proportion of the cultivated area and engage in capitalist agriculture and whose economic interests are clearly hurt by the acquisition; another group of small landowners who might not want to sell their land for food security reasons, given that acquisition threatens their livelihood interests; and finally a group whose livelihood interests are not threatened but who might be holding out for a 'better deal'.

**Issue II:** The West Bengal Government has said that 90% of the area being acquired is single cropped.

It would appear that the basis for the government's claim is somewhat dated. Be that it may, it is almost certain the 90% figure is an overstatement. Going by the not unreasonable assumption that the 300 farmers who have given letters to the KJRC are large farmers, then at least 18.5% of the land is double if not triple cropped. If we assume that all single-cropped land has already been sold to the government (635/997), given that they have the most to gain from the compensation package, then 35% of the land is double cropped. The extent of double cropped land therefore probably lies somewhere between 18.5 and 35%. It is however worth noting that the more there are single-cropping peasant farmers (whose livelihood interests are affected) who have not sold, the lower the proportion of double-cropped land there is. Therefore 35% is the outer limit and all likelihood, the proportion is lower.

**Issue III:** The KJRC claim that the Government is acquiring land for the benefit of the Tatas at one third the market price

Whereas it is always a tricky matter establishing what a 'fair' valuation of land (or any other long-lived asset for that matter) is, there is very little evidence to suggest that the government has actually underpaid landowners. Indeed all evidence would point in the



other direction, i.e., that the government has tried to evolve some mechanism of a reasonable price, using some variation of capitalised future earnings, assuming of course that the land remains in agricultural use. One might argue that registered bargadars who get only 25% of land value as compensation get a very raw deal. Whereas that is a moot point, it must also be remembered in this context that the Left Front Government's land reforms only gave bargadars usufruct and not ownership rights and has awarded them compensation in keeping with legal requirements of the Land Acquisition Act.

It is worth noting however that the value of the land to title holders (and therefore the fairness or otherwise of compensation) is not determined by what the market (or buyer, when a buyer is willing to pay higher than the market price) but also a function of what proportion of household income and employment is accounted for by agriculture. If the bulk of household income is from non-agricultural sources, then the compensation on offer is more than fair. If however, agriculture is the main source of income and more importantly, employment and if land is not a source of profit, then the adequacy of the compensation package is dependent upon what kind of alternative employment is available. In case there is reasonable uncertainty about finding alternative employment, then food security concerns might mean that peasants might be unwilling to sell despite a 'good' price for land. Notice that among peasants whose livelihoods are dependent on agriculture, the worst affected are unregistered bargadars because they are not entitled to any compensation whatsoever. For both these sets of people however the best solution is to try and improve their probability of finding alternative employment. If, however, for the farmer, land is a source of accumulation and profit then clearly the compensation package is insufficient.

Therefore the KJRC is wrong to claim that the WB Government is underpaying for the land. However there are peasants whose livelihoods are dependent upon agriculture and for them issues of alternative employment might need to be addressed. What they (the KJRC, that is) probably would like to say but cannot publicly demand, is that the current offer price does not make economic sense for the rural bourgeoisie.

**Issue IV:** The Nagrik Mancha claims that there could be up to 2400 bargadars and the Sanhati Udyog has claimed that there are probably 1200 unregistered bargadars.

Whereas the Government's claim of approximately 400 registered and unregistered sharecroppers (bargadars) almost certainly is an underestimate, given information about the number of cultivators already noted above, our analysis would suggest that the claim of both Nagrik Mancha and Sanhati Udyog is way off the mark and the Government's estimate is perhaps closer to the actual number.

What then is the upshot of all of the above? First, given the compensation package, the Left Front Government of West Bengal is correct when it claims that unlike in other states, the process of land acquisition has happened without pauperising the peasantry. Indeed, as one would expect of a progressive government, some care has been taken to ensure that the interests of the small landowners and the incipient rural middle class, who constitute the overwhelming bulk of the 12,000 land title holders, have been taken care

of. For most of these people, in all likelihood, household income and employment has diversified away from agriculture and therefore it is in their best interests to sell what small plots of land they have and the price they have been offered is fair. This would explain why for the most part land sale has been voluntary.

Second, however, there is an emergent rural bourgeoisie, accounting for a small proportion of the title holders but a significant proportion of the land acquired, whose economic interests (as in profit and accumulation) have probably been adversely affected by the acquisition. What evidence there is would suggest that it is from this group that the fairly vehement resistance has come and what consent (for land sale) there is has in all likelihood been non-voluntary. This group is joined by a small (in terms of proportion) set of peasants (both landowners and unregistered bargadars) whose livelihood interests are probably at stake and for whom what is critical is alternative employment.

If one leaves the last group aside (whose employment outlook in any case it is possible to positively influence through training etc), in changing its growth strategy, in effect, the Left Front Government has chosen to further the interests of the industrial bourgeoisie directly at the expense of the rural bourgeoisie. They are certainly a far cry from the “non-registered sharecroppers along with landless labourers” who some observers have characterised as being the “worst sufferers” of the land acquisition programme. Equally important, given the significant presence of capitalist farmers, it would be incorrect to characterise this resistance, as some have, as a peasant movement.

If, as I have sought to demonstrate above, the Left Front Government has been progressive in the design of the land acquisition programme and the associated compensation package, it has been less than progressive, indeed verging on the undemocratic, in the implementation of this policy. And this is no small matter, not only because of the Left Front’s avowed espousal of democratic politics, but also because in a democratic polity, process is about as important as the objective. And debate and discussion, even if strongly contested and acrimonious, is the cornerstone of that process. By and large, not only does this help in evolving a majority opinion, if not a consensus, around contentious and difficult issues but, given that nobody is endowed with perfect knowledge, it also ensures that all possible and feasible options have been explored.

Unfortunately, both in the choice of strategy and its implementation, the Government of West Bengal, has adopted a ‘my way or the highway’ attitude. Provocation by ‘vested interests’, and there certainly has been more than enough of that, can hardly be an extenuating circumstance. Sometimes an ‘eye for eye’ does make the whole world blind. And this is doubly unfortunate because it is only a progressive government that has the theoretical wherewithal to understand that it is the very dialectics of successful growth that necessitates a change in strategy. But if the manner of choosing and the implementation of that choice is undemocratic or seen to be so, then it redounds on that choice and undermines an effort that perhaps only a progressive government can make.

#### **IV. Economic Growth, Structural Change and the Political Economy of Strategic Choices**

Growth and structural change: The rationale for a change in strategy - the need to generate industrial employment in small and medium enterprises so as to maximise overall employment generation - was articulated in the statement of the Industries Minister of the West Bengal Government quoted earlier. The rationale is important because it recognises that all development experience suggests that long term economic success depends upon sustained increases in labour productivity alongside full employment (or close to) of all available resources, including that of labour.

Therefore all successful development experience<sup>3</sup> has been associated with two processes: first, accelerated employment growth that has allowed a shift of labour from relatively low productivity primary sector (agriculture) to relatively higher productivity secondary (industry) and tertiary (services) sectors; second, a close link between industrialisation and productivity, i.e., rapid industrialisation has been associated with rapid increases in productivity levels. Some will argue that it is possible to bypass industry and have service sector driven productivity growth. Personally, I would disagree, but this is not the place to enter that debate. What cannot be contested is that rapid non-agrarian growth is associated with rapid increases in productivity levels. Given the above, successful development has been necessarily associated with a significant decline in the share of agriculture in both output and employment.

The decline in the share of agriculture in both output and employment as per capita income increases is not to be confused with a decline in agriculture itself. In fact, both agricultural output and productivity of land and labour increases, even as the share of agriculture in total output and employment declines. Indeed it is increasing agricultural productivity that allows (or forces) labour to shift out of agriculture. Second, increasing productivity in agriculture is not necessarily linked to an industrialised mechanised agriculture that is environmentally degrading. Indeed it has been long established that environmentally sustainable agriculture with small and medium farms can be both highly productive and economically viable. It just requires investment (and a policy regime) of a different kind of investment. Therefore to posit the issue as one of choice between agricultural and industrial growth is both incorrect and equally importantly, misleading

Put differently, in a largely agrarian economy as most under-developed economies are, productivity growth is driven by capitalisation of agriculture and the generation of productive non-farm employment, allowing labour to move away from agriculture. In a capitalist market-driven economy, the former requires the emergence of a forward looking rural bourgeoisie and/or the state and the latter the growth of manufacturing and later the services sector. The quicker both these processes work the quicker economic development is achieved. The slower either of these works, the slower the overall rate of productivity growth. But notice that even if both processes work well and therefore agriculture itself grows and becomes more productive, the share of agriculture in both

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<sup>3</sup> Any good book on development economics would have a discussion on the relationship between productivity growth and structural change. For a relatively recent discussion of this relationship see Chapter V in Unctad (2003).

output and employment declines and as a consequence so does the relative position of the rural bourgeoisie (assuming they remain focused on agriculture) vis-à-vis the non-rural bourgeoisie. That is to say, the process of growth itself marginalises the position of rural bourgeoisie and sometimes puts its interests at odds with those of the non-rural bourgeoisie.

The process of successful development sketched above is neither smooth nor automatic. First, as is well known and Unctad (2003) notes, in market based economies, the employment of labour displaced due to the capitalisation of agriculture is not assured. If it is not absorbed, growth might happen alongside increasing under-employment and unemployment. In the 19<sup>th</sup> century, industrial revolution Europe partly solved the problem of absorbing the labour made surplus by the capitalisation of its agriculture by massive migration to USA and Australia. But Japan and South Korea, both late comers to development, successfully absorbed surplus labour from agriculture in industry and services. It can hardly be a coincidence that both of the latter two countries had undertaken successful land reforms.

Second, countries such India and China that have begun climbing the development ladder even later, industrialisation in particular and non-agrarian growth in general tends to be more capital intensive and therefore non-agrarian growth produces fewer jobs (relative to the phase when today's developed economies were industrialising) at every level of income. This, i.e., the declining employment elasticity of output, gets accentuated by increased levels of competition induced by globalisation. As a result, for the current crop of late industrialisers, the rate of decline in the share of the labour force employed by agriculture tends to be much slower. In India, for example, even though agriculture's share in GDP has declined to a little more than 20% it still accounts almost 60% of employment!

Clearly then, that such a large proportion of the labour force continues to be employed in low productivity (relative to that of industry and services) agriculture means that benefits from growth are very unequally shared, going to a small proportion of the labour force employed in urban areas. For West Bengal (and indeed, India) therefore the generation of non-farm employment of a kind that allows labour to move out of agriculture is absolutely key to both growth and a more equitable distribution of the benefits of growth.

The situation is made even more complicated by the fact that a very large proportion of the labour force currently employed in agriculture has very low levels of education (on average between 2-4 years). However in the last decade or so, the bulk of the non-farm jobs being generated (mostly in urban areas) in the economy requires average education levels of between 7-8 years, if not more<sup>4</sup>. That is to say that job generation of the kind witnessed by the Indian economy does not match the skill profile of the bulk of available labour, thereby forcing people to remain in agriculture for much longer than they would care, and in turn, increasing both rural under-employment and unemployment. Whereas the above is an all-India story, it captures economic development in West Bengal reasonably well, with the proviso that given sustained agricultural growth in the state for

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<sup>4</sup> See Mohanty (2006) for a discussion on the changing pattern of employment generation in India.

the last three odd decades, incomes in agriculture have fared much better than in other parts of the country.

In a scenario such as this, the state (indeed the country as a whole) faces some very critical and indeed difficult issues. Clearly, sustained increases in productivity are key to economic growth and therefore the state has no option but to accelerate process of industrialisation (or non-agrarian growth). But as we have seen simply industrialising (or non-agrarian growth) is not enough – it does not necessarily produce either the quantity or the kind of jobs that allows people to move out of agriculture into better paying higher productivity non-farm jobs. Therefore it has also to be a kind of industrialisation (or non-agrarian growth in general) that leads to the generation of rural non-farm jobs that allows for labour employed in agriculture to move out, in case it so desires. And if there is insufficient generation of better paying non-farm jobs, then progressive economic policy should try and ensure that the income from land is enough to sustain a reasonable livelihood.

Political economy of structural change: The stylisation of structural change sketched above would then explain why the LF government has chosen to aid a private sector led industrial project. But granted that industrialisation is necessary to sustain economic growth, if the process of growth in any case marginalises the rural bourgeoisie, why pick a strategy that directly pits the interests of the rural bourgeoisie against that of the industrial bourgeoisie, particularly given that by all accounts it is a forward looking bourgeoisie, interested in investing in the capitalisation of agriculture? Or put differently, why target multiple cropped arable land for acquisition?

The answer, at least to me, is not very clear. In part of course it may be explained by the fact that this is the preferred choice of the Tata Group. But that can hardly be the entire explanation. Some part of it might have to do with the fact that there is very little fallow land available in West Bengal (according to the state government only 1% of total area) and any change in land use is going to necessitate acquisition of agricultural land. It may be that it was also politically expedient, given that this is an area dominated by the Trinamool Congress, which as it turned out also politically represented the interests of the rural bourgeoisie. Given that the rural bourgeoisie would resist, it is better that it be in Singur and the political battle be between the Trinamool combine and the Left Front, rather than elsewhere where the rural bourgeoisie might be a part of the broad left coalition and then the political battle might have been fought within the Left Front.

And if the Left Front wins this battle with the rural bourgeoisie of Singur and not too heavy a political price is paid, then the terms of future settlements and negotiations would have been set and a signal sent to rural bourgeoisie elsewhere, irrespective of whether they are part of a broad left coalition of forces or not. And to be sure, on this path of industrialisation there will be other direct battles between the rural bourgeoisie and the state, acting on behalf of the industrial bourgeoisie. But notice that even where it comes to picking a battle with the rural bourgeoisie, which it considers necessary for achieving its broader goal of industrialisation, the Left Front has tread very carefully. As we know the most productive triple-cropped land has been left out of the land acquisition process

and therefore even though it is the interests of the rural bourgeoisie that have been hurt the most in Singur, it is not as if they have been wiped out.

And just as well that it might tread carefully. Because it is not clear that the Left Front's chosen strategy of industrialisation in West Bengal, will necessarily generate the amount and kind of non-farm employment that will allow labour to shift out of agriculture. Given the educational requirement of modern manufacturing jobs, there is no evidence, for example, that the sort of non-farm jobs that will be brought to the state by the Tata 'small car' factory and its ancillaries will be able to absorb the sort of labour that is currently employed in agriculture. And if it does not, then as we have noted earlier, the growth puzzle has not been solved.

The final irony of all this is that success in Singur – in the sense of generating non-farm industrial employment – does not imply that the model will be successful elsewhere. As we have seen earlier, Singur is much less agrarian than the rest of West Bengal. With only 35% of its labour force employed in agriculture and a relatively better educated labour force, Singur has already made the transition. The true success of this strategy will be when it will be able to absorb surplus labour in those parts of the state (and the country) where agriculture still accounts for 50% or more of the labour force with fairly low levels of education.

And if it does not, then necessity, both economic and political, might again force the LF to build alliances with the same rural bourgeoisie that it is trying to marginalise today and generate non-farm rural employment that will absorb the labour that will (has) be (been) made surplus in agriculture. And perhaps even adopt a strategy of what Prabhat Patnaik (2006) has called, in a somewhat different context, "a defence of small and petty producer". Just as well then that the Left Front treads cautiously in this matter.

What might such an alternate economic strategy look like? First, it would focus not only on maximising output but also employment growth, so as achieve full employment (or close to) of available labour. Second, focus on accelerating the decline of the share of agriculture in the labour force. Third, substantially expand the coverage of the NREGA and emphasise non-farm rural employment. Fourth, a strategy therefore where rural incomes grow faster than urban incomes. Fifth, provision of universal and compulsory education up to high school and access to tertiary education across caste, gender and religion. Sixth, a strategy that substantially slows down the pace of integration of the economy, particularly in agriculture, into the global market, so that price pressures on those who are least able to protect themselves are eased somewhat. And finally, a strategy that has democratic backing at the most decentralised level of political governance available. It is worth pointing out that, for India as a whole, some part of this strategy was in place in the 1980s and saw the fastest increase in non-farm rural employment ever witnessed in our economy and also the most rapid decline in poverty.

At any rate, the above is merely a sketch of an alternative. Hopefully this contribution clarifies some of the issues involved in the Singur controversy and at least begins the debate about a viable alternative. These are issues that need to be debated more carefully

and thoroughly, so that growth happens in manner that is both more inclusive and equitable. The LF Government's strategy is at least an attempt in that direction. They can perhaps do better, both in terms of design and debate. To thwart it would adversely affect both state's development and progressive economic policy. To not debate it would mean that we do not attempt to find better and more progressive economic policies to achieve more equitable and sustained growth.

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