

Agrarian Change and Pre-capitalist Reproduction on the Nepal Terai

Fraser Sugden



**Doctor of Philosophy
School of Geosciences
University of Edinburgh**

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Abstract

Nepal occupies a unique global position as a peripheral social formation subject to decades of relative isolation from capitalism. Although the agrarian sector has long been understood to be dominated by pre-capitalist economic formations, it is important to examine whether contemporary changes underway in the country are transforming the rural economy. There has been an expansion of capitalist markets following economic liberalization and improvements in the transport infrastructure. Furthermore, neo-liberal commercialisation initiatives such as the Agriculture Perspective Plan provide the ideological justification and pre-conditions for the broader process of capitalist expansion, despite the pro-poor rhetoric. However, just as neo-liberal poverty alleviation strategy is flawed, there are also shortcomings in many Marxian understandings of the transition from pre-capitalist to capitalist agriculture in peripheral social formations. There is a tendency for political-economic theorists to assume the inevitable 'dominance' of capitalism, contradicting considerable evidence to the contrary from throughout the world. The central objective of this thesis is to understand how pre-capitalist economic formations have been able to 'resist' capitalist expansion in rural Nepal. There is a necessity to understand the mechanisms through which older 'modes of production' are reproduced, their articulations with other economic formations – including capitalism – and how they are situated globally. As a case study, one year's fieldwork was completed on Nepal's eastern Terai using both qualitative and quantitative methods. The research suggested that surplus appropriation through rent in a mode of production which can only be described as 'semi-feudal', has for a majority of farming households impeded accumulation and profitable commercialisation, a precondition for the emergence of capitalist relations. Semi-feudalism has been reproduced for decades internally by the political control over land and externally by Nepal's subordinate position in the global economy. The latter process has constrained industrialization and rendered much of the peasantry dependent upon landlords who have no incentive to lower rents. The economic insecurity which has arisen in the context of semi-feudal production relations has allowed further forms of surplus appropriation in the sphere of circulation to flourish, through for example, interest on loans and price manipulation on commodity sales. This further hinders profitable commercialisation amongst both semi-feudal tenants and also owner cultivators who farm under what can be termed an 'independent peasant' mode of production. Even wealthier independent peasant producers who could potentially become capitalist farmers are constrained both by high cultural capital expenses, oligoposnistic activity by industry in the capitalist grain markets, and Indian rice imports which depress local prices. Furthermore, development initiatives which could potentially facilitate capitalist transition through the introduction of productivity boosting techniques have had limited success under the prevailing relations of production and the associated ideological relations of caste and gender. The above findings are of crucial significance if one is to develop policies and political strategies for equitable change in peripheral social formations such as Nepal.

Declaration

In accordance with the University of Edinburgh regulations, I declare that this thesis is my own work except where stated.

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Acronyms

ADB – Agriculture Development Bank (The main government run microfinance bank in Nepal)

APP – Agriculture Perspective Plan

APP-IAP – Agriculture Perspective Plan Implementation Action Plan

APP-ISP – Agriculture Perspective Plan Implementation Status Report

APROSC – Agricultural Projects Services Centre (Consultancy firm responsible for APP)

CPN(M) – Communist Party of Nepal (Maoist)

CBO – Community Based Organisation

DDC – District Development Office (District level government office responsible for development activities. Its local level counterpart is the VDC)

DAP – Diammonium Phosphate (Variety of fertiliser)

IPM – Integrated Pest Management

LSMS – Living Standards Measurement Survey

RRN – Rural Reconstruction Nepal, (Nepali NGO involved in some development activities in Jhorahat).

SRI – System of Rice Intensification

VDC – Village Development Committee (A division of local governance in Nepal. Each district is divided into a number of VDCs).

Glossary of local terms*

Acār – Chutney

Adhiyā – Literally ‘half’, a sharecropping arrangement whereby half the crop is given to the landlord as rent.

Āphno mānche – Literally ‘one’s own people’, referring to those within the power laden social networks individuals use to access resources, often in return for favours at a later date.

Asār – Monsoon month in Hindu calendar between June-July when rice is planted

Bandh – Literally ‘closed’, a political strike. Although they can occur when just one sector goes on strike, general strikes, when called by political actors, compel other businesses and sectors to close. General strikes are often enforced through violence and intimidation.

Baniyā – A Maithili speaking middle-caste present on both sides of the border. They traditionally have strong involvement in business activities.

Bantar – Indigenous ethnic community of the eastern Terai. They are one of the largest ethnic groups in Bhaudaha and Thalaha VDC.

Basmati – An aromatic variety of rice. It yields a high price in the market, and is rarely consumed by producers, instead being sold for eventual consumption by wealthy urban classes.

Bighā – Predominant measure of Land common in the Nepal Terai and India. One bigha = 0.67 hectares

Birtā – A form of tax free land tenure offered to members of the Rana ruling elite during the late nineteenth and early twentieth century.

Birtāwala – Hill based elites who were recipients of tax free *Birta* land grants.

Chait – Spring month in Hindu calendar between April and May. The term is also used to refer to a variety of early paddy planted during this month and harvested at the beginning of the monsoon.

Cāmal – Processed uncooked rice.

*System of transliteration from Devanagari script to roman script based upon that used in Turner, R. L., 1931. A comparative and etymological dictionary of the Nepali language. K. Paul, Trench, Trubner, London

Chaudhari – Tharu tax collector and administrator in the pre-Rana years. The position was replaced with that of the *jimidar*. Today *chaudhari* is often used to refer generically to the members of the Tharu ethnic group, many of whom use the term as a surname alongside the name of their sub-caste.

Chuirā – Beaten rice, a popular snack which is often made from lower quality *Chaite* paddy.

Dhāmi – Faith healer/traditional doctor

Dhān – Nepali term for paddy as it appears in the field and following harvest. After it is processed and husked it becomes *chamal*, and after it is cooked it becomes *bhat*.

Dhimal – Indigenous group of the eastern Terai residing in the northern half of Morang and Jhapa districts.

Dāuro – Firewood for cooking.

Gobar – Cow Dung (dried and used for fuel)

Guthi – A form of land ownership associated with religious institutions. This is the only form of non *raikar* tenure which remained legal following the abolition of *birta* tenure.

Hāt Bajār or *Hātiya* – Nepali term for a periodic market. Each rural locality usually holds a *hātiya* once or twice a week in a set location.

Hariyo mal – An effective form of organic fertiliser derived from the leaf fodder of the plant Ipil-Ipil (*Leucaena leucocephala*).

Haruwa – A bonded labourer who works for a household for a set period of time.

Jana Āndolan – Literally ‘people’s movement’, the *Jana Adolan I* refers to the uprising to overthrow the Panchayat regime in the early 1990s. The *Jana Andolan II* refers to the 2006 uprising against the resurgent monarchy which culminated in the ceasefire between the Nepal Army and CPN (M) and the declaration of Nepal as a republic.

Jhagar – Indigenous community of the Northern India/Nepal who reside in small populations in the eastern Terai. They are traditionally forest dwellers who are thought to have migrated to Nepal in the last few hundred years from the Chotanagpur plateau region of India. Known in India as *Munda*.

Jimidār – Tax collector during the Rana years. They were generally resident in the community and were responsible for collecting tax from the peasantry. Farmers whose ancestors were *jimidars* maintain a degree of political and economic power today.

Jirayat – Taxable lands granted to Rana tax collectors or *jimidars* as payment for their services.

Kamat – Large landed estate.

Kamtiya – Village based functionary for absentee landlords, responsible for overseeing the estate and collecting rents.

Kānchi – Most commonly consumed variety of rice in the Terai. It is also the main crop produced and sold by the farming households.

Kaṭṭhā – Measure of land common in the Terai. There are 20 *kaṭṭhā* in one *bigha*.

Kaṭṭhāwala – Merchant specialising in the purchase and distribution of grain.

Khawas – Ethnic group residing in northern and central parts of Morang district who are believed to have ‘separated’ from the Tharu community. There is controversy as to whether or not they constitute a separate ethnic group from the Tharu.

Kushuwaha – Maithilī speaking middle caste who are traditionally vegetable producers and reside in both Nepal and India.

Madesi Āndolan – Mobilisation which included Maithili and Bhojpuri speaking caste Hindus and some Terai indigenous groups in the Spring of 2007 and again in 2008 to mobilise for greater rights and representation for Terai ethnic groups in the constitution writing process.

Maithilī – An Indo-European language spoken in the historical region of Mithila on the plains of Northeast Bihar, India and the Eastern Nepal Terai. Morang is on the fringes of this region. The Mithila region has a rich artistic culture and complex caste system.

Malpot – Office during Rana years where *jimidars* would take the grain collected as tax for channelling to Kathmandu.

Mālik – Respectful reference to somebody in a position of authority or power, usually in an employment context.

Mansuli – The next most commonly consumed variety of paddy after *Kanchi*.

Marwari – Powerful business community of Indian origin who own many rural businesses (including money lending and grain trading) and factories in Morang.

Mauja – Administrative sub-division during early Gorkhali and Rana years. There were several Mauja in each Parganna.

Maund – Most common unit of weight used by farmers and merchants on the Nepal Terai. 1 maund is equal to approximately 40 kg.

Mohi – Tenant farmer holding official tenancy rights to their cultivated land

Morang Byāpār Sangh – Translates literally as ‘Morang Business Organisation’ – an organisation for businessmen and industrialists in Morang.

Muluki Ain – Rana state’s civil code, which institutionalised the caste system.

Musahar – Dalit community that resides throughout the eastern Terai and north Bihar. They prefer to be referred to by the more respectful term *Rishidev*.

Parganna – Administrative sub-division during early Gorkhali and Rana years.

Rādhā 12 – A variety of rice very similar to *Kanchi* in character and price.

Raikar – Form of land tenure where the state is the official landlord and cultivators make tax payments to the government. Today, all land except *guthi* is officially *raikar*, although tax is low and cultivators have effective private property rights to their land.

Ranas – Series of feudal hereditary Prime Ministers who ruled Nepal from 1846 to 1950.

Rajbanshi – Indigenous community who inhabit the Terai plains from Morang to West Bengal, India, where they are also known as *Koch*. They were historically from a very powerful nation, the Kochila state, with the capital in *Koch Bihar* in present day West Bengal.

Rishidev – More respectful term for Dalit community more commonly known as *Musahar*, residing throughout eastern Terai and north Bihar.

Ropāĩ – The process of transplanting rice seedlings from nursery to main plots

Roĩ – Bread, the unleavened variety is a major staple in the Terai of Nepal and much of Northern India.

Rupee (Rs) – Nepali currency. £1 = Rs 120 ~

Satar – Indigenous community of the Northern India who reside in small numbers in the eastern Terai. In India they are known as the *Santhal*.

Ṭekkhā – Form of land rental contract whereby a fixed rate of a chosen crop (usually *kanchi* or *mansuli* paddy) is decided prior to harvest and paid to the landlord on an annual basis.

Terai – Nepalese term for the plains that skirt the foot of the Himalaya, including Morang district.

Thāru – Largest indigenous community of the Terai. They are traditionally forest dwellers but now live a largely sedentary life.

Vijayapur – Historical kingdom encompassing much of the Terai east of the Koshi up until its annexation by the Shah dynasty of Gorkha.

Zamindār – Indian term for large landlord. Not to be confused with *jimidar*, who is a Rana era functionary and tax collector.

Metric / Local measurement conversion table

Local unit of measurement	Metric conversion
1 kaṭṭhā	0.17 hectares
1 bighā (20 kaṭṭhā)	0.67 hectares
1 maund	40 kilograms
1 bora	50 kilograms

1 Introduction

1.1 Background

1.1.1 Political transition and underdevelopment in Nepal

Nepal has undergone dramatic political changes over the last two decades. In 1990, mass protests fuelled by disaffection with the ruling elite culminated in Nepal's monarchy restoring elected, multiparty democracy. The events of the period brought much hope amongst the population that the development failures of the last half a century could be rectified (Thapa, 2004). However, a decade on, limited economic growth and persisting, deeply entrenched poverty and structural inequality drove an escalating People's War by the Communist Party of Nepal (Maoist). The authoritarian backlash against civil society by the Nepali state in the context of the escalating conflict in the countryside fuelled a wave of republicanism and an urban uprising against the monarchy. This set the groundwork for a coalition between the CPN (M) and mainstream parties and an end to armed conflict on the conditions that the monarchy would be overthrown and a new constitution written.

Nepal is now at a unique political and economic juncture, with the establishment of a republic and the impending re-writing of the constitution. In this context there has been an intensification of debate over the root causes of underdevelopment over the last two centuries and the reforms necessary to reverse these trends. It is not yet an appropriate time to discuss whether the new government will succeed in reversing these processes. However, growing public disillusionment with the increasingly unstable coalition which continues to serve elite interests, violent excesses by all political factions, and ethnic unrest, suggest otherwise. Nevertheless, a case study on the trajectory of agrarian change from Nepal's eastern plains and the continued dominance of pre-capitalist formations, can offer some insights into the fundamental causes of underdevelopment in Nepal, given the importance of agriculture to livelihoods throughout the country. It can also identify shortcomings of strategies which seek neo-liberal agrarian transformation such as the Agricultural Perspective

Plan. An analysis of agrarian change can identify the macro and micro level structural social relations which must be challenged for the emergence of a more equitable economic formation in the 'New Nepal'.

1.1.2 Agrarian transition in an era of globalisation

The claim to know the trajectory of transition from pre-capitalist to capitalist economic formations has been fiercely contested since the days of Marx, a debate with important political consequences for millions of rural people in lower income countries. However, interest in the subject and Marxism in general has declined significantly in recent years as scholarship has increasingly fallen under the influence of both post-structural cultural theories on the one hand and neo-liberal approaches on the other. Nevertheless, the 2008-09 financial crisis which has revealed some of the contradictions of the global capitalist economy has in some ways served to remind scholars of the importance of Marxian understandings of change and continuity. Meanwhile, the contemporary social and economic transformations as well as stagnation in peripheral countries under neo-liberal restructuring suggest that it is also a suitable juncture in which to re-engage with debates on economic transition.

However, any re-examination of Marxian theories of agrarian transition also requires a consideration of the flaws in scholarship on the subject up until the present. The most notable is the tendency for theorists to assume the inevitable dominance of an 'all powerful' capitalism (Gibson-Graham, 1996). Where the preservation of pre-capitalist economic formations or 'modes of production' is acknowledged, it is often assumed to be functionally articulated with a dominant capitalism. However, some studies, particularly from the Althusserian tradition, have more adequately understood the mechanisms through which pre-capitalist formations have been perpetuated through time and to a greater or lesser degree have been able to resist full capitalist subordination (Dupré & Rey, 1979; Meillassoux, 1980; Singh, 2007; van Binsbergen & Geschiere, 1985; Wolpe, 1982a; 1982b). It is necessary to draw

upon some of these insights to understand the micro level processes through which pre-capitalist economic formations continue to perpetuate themselves locally in the economic context of the early 21st century, with significant political and economic consequences. However, it is equally important to understand the contradictory nature of the global economy, whereby capitalist processes at a worldwide scale themselves perpetuate the preservation of older economic formations at a local level through both economic, political and ideological mechanisms.

1.1.3 Why study transition?

Why, one may ask, is it important to understand the trajectory of capitalist development in the periphery? Firstly, one can better understand how it differs from the historical European national experience by introducing the context of imperialism. It can be argued that any ‘capitalist’ development under imperialism which does occur in industry or agriculture will be largely subordinate to capital from more developed regions. This blocks ‘full’ capitalist transition and often facilitates a ‘drain’ of profits out of peripheral social formations.

An examination of these processes allows one to better understand the ideologies which facilitate the expansion of this subordinate form of capitalism and the intensification of global inequality. Neo-liberal theories and their manifestation in both national economic strategy and rural development strategy are particularly relevant in this context. In low income countries throughout the world, government and donor led development strategy seeks to integrate rural populations into global markets, particularly through the commercialisation of agriculture (Akram-Lodhi, 2008; Ellis & Biggs, 2001; Sugden, 2009). The pro-poor rhetoric of these policies however, glosses over the exploitative class relations associated with capitalist subordination. By exposing the real processes these ideologies seek to mask, one can better formulate alternative strategies for policies which act in the interest of the poor and vulnerable.

Secondly, and most crucially, it is important to understand why particular economic formations are able to 'resist' capitalist development. There are forms of surplus appropriation within these pre-capitalist formations which constrain peasant units of production from engaging in profitable commercialisation and accumulating in the first instance. This can perpetuate relations of production, exchange and circulation and associated forms of surplus appropriation which further the impoverishment of vast strata of rural populations in peripheral regions. Ironically, neo-liberal theories gloss over not only capitalist class relations, but those associated with pre-capitalist formations may block capitalist development of any kind. Pre-capitalist economic formations may even achieve stability through articulating with capitalism (Dupré & Rey, 1979; Meillassoux, 1980; Singh, 2007; van der Klei, 1985).

An examination of the complexities of economic transition in the periphery whereby there may be complex combinations of capitalist and pre-capitalist economic formations reinforced both internally and externally, allows one firstly, to formulate policies capable of improving the economic wellbeing of the majority. Secondly, it also allows one to better understand the complex ways in which class power is exercised. By doing so it reveals the multiple contradictions against which 'class struggle' must be directed, as well as the class alliances necessary to carry this through.

1.1.4 Agrarian transition in Nepal

Nepal presents an ideal case study to examine these processes in an extreme form. It is a country which has long been situated at the periphery of the South Asian as well as the global economy where capitalist development has thus far remained limited (Blaikie et al., 2001; 2002; Seddon, 1987). For generations it was ruled by a feudal monarchy, which until the mid-twentieth century did little to encourage growth in industry or agriculture and benefited from an unequal dependent relationship upon India which intensified underdevelopment (Blaikie et al., 2001; Mishra, 2007). In the last ten years, as with most developing countries, Nepal has been subject to an

aggressive programme of economic liberalisation (Rankin, 2004). In this context the 1996 Agriculture Perspective Plan envisaged a transformation of Nepali agriculture (APROSC, 1995; Cameron, 1998). Although it did not explicitly seek to develop 'agrarian capitalism' as it is traditionally understood, by seeking to expand commodity production by smaller farmers through ideologies of self-help and entrepreneurship, it justified the broader process of capitalist expansion under neo-liberal globalisation.

Based upon previous research experience in Nepal, my initial objectives were to challenge the APP's credentials as a poverty alleviation strategy. I hoped to highlight the problematic assumption of the APP that profitable petty commodity production could emerge without differentiation and the development of capitalist and proletarian classes. It was anticipated that this thesis could subsequently examine the process of capitalist transition in Nepali agriculture in the context of economic liberalisation and how it differed from the European transition in terms of its impact on poverty alleviation and livelihoods. The ideological bias of the APP could then be revealed as diverting attention from the forms of exploitation which accompany capitalist expansion. Meanwhile it would also be possible to examine the potential for class struggle under emerging rural capitalism or the state led strategies for a more equitable rural development.

However, initial probing in 2006 which formed part of my MSc thesis suggested that altogether different processes explain the limited impact of Nepal's agrarian strategy on poverty alleviation, particularly in my field site on the eastern lowlands, or *Terai*. The evidence suggested that pre-capitalist modes of production were constraining households from producing a surplus which could facilitate profitable commercialisation, with or without capitalist differentiation. This not only discredits the assumptions of the APP, but the failure in the first instance of profitable commodity production to emerge also rules out many of the assumptions of classical theories of capitalist transition.

Based upon an understanding of pre-capitalist economic formations or ‘modes of production’ which acknowledges complex mechanisms of reproduction and relationships with capitalism and other economic formations, this study seeks to understand the dynamics of agrarian change in Morang. The insights raised will have broad implications for development policy in Nepal as well as strategies for class mobilisation by progressive political forces. This contribution is particularly significant in the context of Nepal’s recent political changes.

1.2 Researching ‘modes of production’

A central Marxian concept that this thesis seeks to examine is the appropriation of *surplus*. This refers to the proportion of the physical product or value produced by a labourer in a set period of time which exceeds what is required to meet the subsistence needs of themselves and his/her family (Marx, 1974). In peasant based pre-capitalist economic formations, it is the accumulation of a surplus which is necessary for profitable commercialisation and capitalist development. In order to understand what has constrained capitalist development therefore, one must examine the mechanisms preventing households from accumulating a surplus. This can be best understood through an analysis of the ‘mode of production’, the system of production and set of social relations that characterises all societies in one form or another, and determines to a greater or lesser extent, what happens to the surplus product (Althusser & Balibar, 1968, 212-216).

The component parts of a mode of production which must be examined include firstly, the ‘relations of production’, or the producers’ access to the means of production, which in turn has a tendency to determine the *primary* mechanism through which surplus is appropriated and used. Crucially, under modes of production where the surplus is appropriated by a *dominant class*, the *subordinate class* from whom it is extracted face difficulties accumulating. Secondly it is necessary to identify the ‘forces of production’ which refers to the type of labour and technology utilised which influence the level of output (Althusser & Balibar, 1968).

Thirdly, the 'mode of production' concept must be extended to encompass the mechanisms which reproduce these relations and associated forms of surplus appropriation after each productive cycle. This entails an examination of the sphere of 'circulation', within which there may be secondary forms of surplus appropriation, as well as the 'political' and 'ideological' levels of the social world. In order to understand the types of surplus appropriation which may hinder accumulation and capitalist development in both the sphere of production and circulation, it is necessary to identify how modes of production are articulated, and how these formations are situated in the broader global economy.

For this analysis, the key concern is to identify exactly how the pre-capitalist appropriation of surplus conditions household's capacity to engage in profitable commercialisation, shaping the trajectory of capitalist development. If surplus appropriation represents a constraint to accumulation, it is necessary to examine whether or not producers can escape from the current production relations or the power of pre-capitalist surplus appropriating classes can be undermined. Conversely, it is important to identify whether households can yield a surplus without structural transformation, through for example, increasing output by extending the hours of work or developing the forces of production.

1.3 Objectives

This research aims to identify the trajectory of agrarian transition in rural Morang and how this differs from the changes envisaged in both Nepal's agrarian strategy and classical Marxian theories of capitalist development. These issues are approached through two primary research questions:

- 1) What are the existing 'modes of production' in rural Morang? To examine this three sub-questions are asked:
 - a. How have these modes of production and the shifting levels of dominance between them evolved over time?
 - b. What is the character of each mode of production? In particular, what are the 'relations of production' and the associated forms of surplus appropriation?
 - c. How do productive units under each mode of production interact with the market or 'sphere of circulation' and which mechanisms of surplus appropriation exist through these relations?

- 2) How have these forms of surplus appropriation both shaped the capacity for farms to engage in profitable commercialisation and blocked the transition to a new (capitalist) mode of production?

In addressing these questions, attention is paid to the internal complexity of each mode of production and its forms of surplus appropriation, including economic, political and ideological processes, how they interact with other modes of production, and how they are situated globally.

1.4 Field Site

The study is based upon one year's research in Morang district, located in the sub-tropical Terai (plains) in the South – East Nepal (See Figure 1-5 and 1-6). Research was conducted in three Village Development Committees (subdivisions). My base VDC was Jhorahat, 10 km from central Biratnagar, the second largest town in Nepal and an industrial hub. Jhorahat is centred on a small bazaar settlement that is home to shops, agricultural merchants and two large weekly markets or *hātiyas* (see Figure 1-7). A tarmac road passes through, linking the bazaar to Biratnagar to the South and the East-West highway and forested frontier to the North. The bazaar area is home predominantly to Nepali speaking Brahmin and Chettri castes whose ancestors migrated to the region from the hills two generations ago. The southern portion of Jhorahat VDC meanwhile is home to the smaller indigenous Jhagar and Bantar communities. To the north meanwhile is the large village of Pidarboni, home to the indigenous Thāru ethnic group and a smaller settlement of the *dalit* Rishidev (Musahar)¹ community. I was based in Pidarboni village for much of the year's fieldwork with four separate field assistants, whose contributions to the research have been extremely valuable.

Aside from conducting research in Jhorahat VDC itself, we travelled out during the daytime for fieldwork in a further two VDCs. The first is Bhaudaha, a neighbouring VDC of smaller more scattered villages to the southeast which is away from the road and entirely rural, served by only one *hātiya* in the small bazaar of Jhostol (Figure 1-1). It is home predominantly to the Bantar community with smaller settlements of Jhagar in the village of Mandirtol and another indigenous group, the Rajbanshi, in the village of Sitpur. The second is Thalaha which lies to the east of Jhorahat and like Bhaudaha, is mostly rural, with remote scattered villages home once again, to primarily the Bantar community with smaller Thāru, Brahmin-Chettri and Jhagar settlements. There is only one small *hātiya* and tiny bazaar in the centre of the VDC and another in the remote village of Hurhuriya on the banks of the Lohandra river.

¹ Most of these individuals prefer their community to be referred to by the more respectful term *Rishidev*, over the more commonly used term *Musahar*, which contains negative connotations.

Figure 1-1: Plains of Morang: The region is one of the most fertile in Nepal, and grain staples such as paddy and wheat are cultivated intensively.



Figure 1-2: Jhorahat bazaar: This is the focal point of the VDC, with a pitched road connecting it to the major urban centre of Biratnagar



Figure 1-3: Bantar village in Bhaudaha VDC



Figure 1-4: Hurhuriya village in Thalaha VDC. Thalaha is the most remote of the three study sites.



Fig 1-5: Location of Morang in Nepal

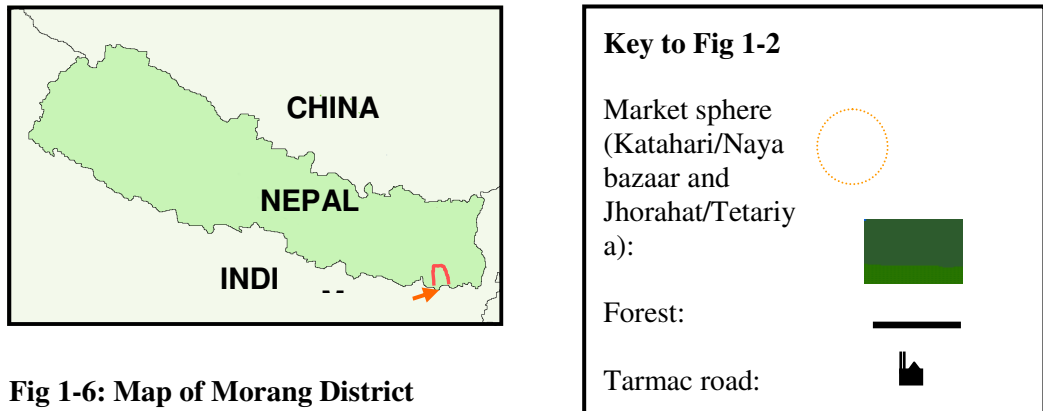


Fig 1-6: Map of Morang District

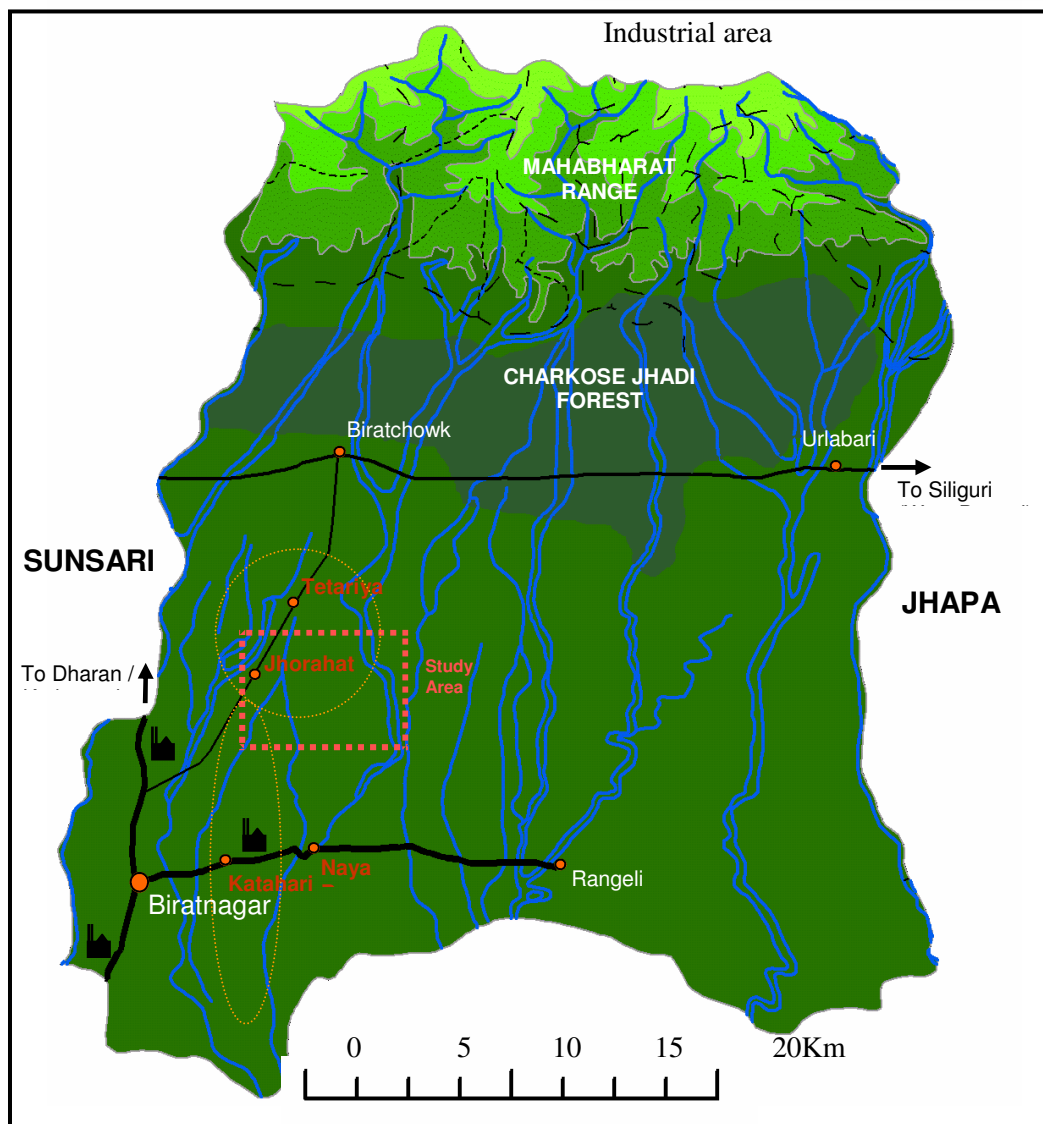
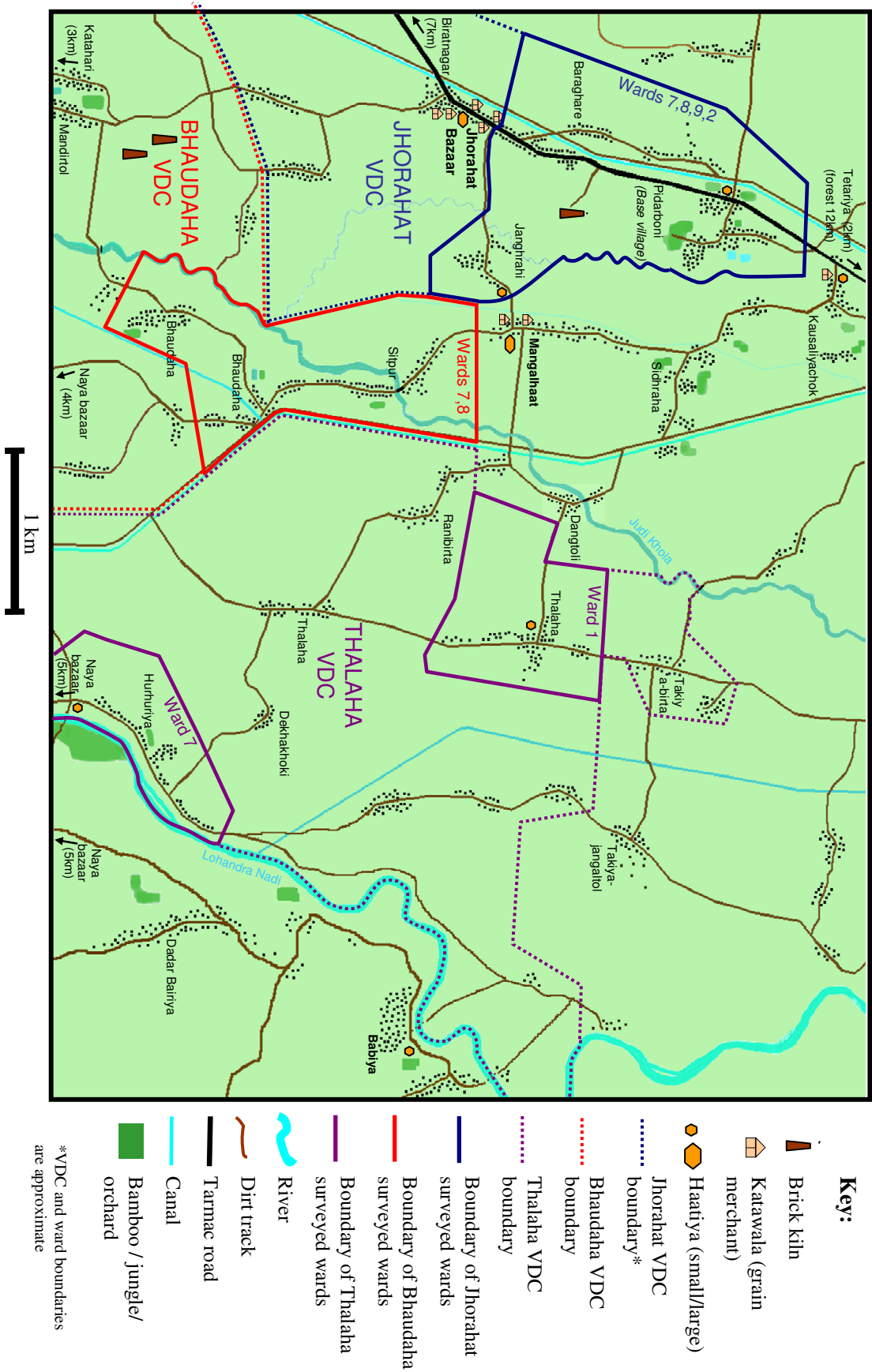


Figure 1-7: Map of study area displaying surveyed wards and VDC boundaries



The plains are waterlogged for half of the year, and agriculture is thus dominated by paddy cultivation which occupies most of the cultivated land during the monsoon in all VDCs. The landscape is partially transformed again in the winter when a crop of wheat, pulses and mustard is grown, and in spring a smaller paddy crop is cultivated by some farmers. Other crops include jute, vegetables, mangoes, and betel nuts. Given the accessibility of the area, the cost of transporting goods to the market does not create as much of a constraint for commodity producing farmers as it does in other parts of Nepal. Similarly, agricultural services from the government and NGOs are more easily available than elsewhere in the country. As a consequence, Jhorahat, Bhaudaha and Thalaha have arguably much potential for the profitable commercialisation envisaged in Nepal's agrarian strategy. This may in the long run encourage capitalist development. Given that the focus of this study is on the impact of *class relations* on agrarian transition rather than geographical isolation, it is useful to choose a region that, at least in the vision of neo-liberal policy makers, already has many of the pre-conditions for market expansion.

1.5 Structure of thesis

The first two chapters are theoretical. Chapter 2 identifies key concepts such as the 'mode of production' and 'social formation', and stresses the importance of understanding their reproductive mechanisms through time and how they are situated in the broader global economy. Potential trajectories of agrarian transition in Nepal based upon such an approach are subsequently outlined. Having identified the global dynamics which have undermined capitalist development of industry in Nepal, the potential for capitalist development in agriculture is discussed. While capitalist differentiation within the peasantry may occur, other possible outcomes are reviewed such as the articulation between pre-capitalist and capitalist modes of production. It is argued in this context that pre-capitalist forms of surplus appropriation allow older economic formations to persist in the context of capitalist expansion. Pre-capitalist reproduction is facilitated by both articulations with other modes of production and

political-ideological processes. Examples of pre-capitalist modes of production relevant for Nepal such as semi-feudalism are reviewed.

Chapter 3 examines Nepal's Agriculture Perspective Plan and identifies the neo-liberal ideologies behind it which render the plan 'functional' for an expanding capitalism, despite the 'win-win' rhetoric. It also outlines fundamental ironies as the APP not only diverts attention from the negative impact on the poor as a consequence of the capitalist exploitation which may emerge following its implementation. It also ignores the resilience of pre-capitalist modes of production which may hinder capitalist expansion in the first instance.

Chapter 4 summarises and justifies the methodological approach utilised to examine the research questions outlined above and identifies the trajectory of agrarian transition and modes of production in Nepal. It examines both epistemological issues and the process of data collection, while engaging with issues of reflexivity and ethics.

Chapter 5 addresses research question 1a which seeks to identify the 'modes of production' and their shifting levels of dominance and historical evolution over time. It begins with a historical analysis of the Morang economic formation from the mid-18th century onwards, and the means through which feudal lords have maintained their control over landed property on a political and ideological as well as economic level. This provides richer understandings of the pre-capitalist mode(s) of production present in the study area today, which are named as either 'semi-feudal' or 'independent peasant'.

Chapter 6 begins by identifying three categories of farmer according to their capacity to meet their subsistence needs or accumulate through agriculture. From the outset therefore it is possible to identify those who have the potential to become capitalist farmers or the profitable middle farmer class the APP envisages. The chapter goes on to address research question 1b, by examining the 'relations of production' which shape how surplus is appropriated. The majority of households are tenants without

their own access to land who are therefore subject to high surplus appropriation by absentee landlords through rent. Only those owner cultivators under the independent peasant mode of production are found to retain their surplus at the stage of production.

Question 2 is subsequently addressed and seeks to understand how these forms of surplus appropriation hinder profitable commercialisation within large segments of the rural population. It suggests that the 'semi-feudal' relations of production and surplus appropriation through rent are the most significant factor hindering the production of a profitable surplus. While the urban elite's control over land impedes profitable commercialisation, the lack of alternative employment outside agriculture reproduces their class power and prevents any fall in rents over time which could allow limited accumulation *without* land redistribution. Rather than industry pulling farmers out of agriculture, the sector remains underdeveloped, and there is an articulation of modes of production, with the aggregate surplus being shared between landlords and industrial employers.

The chapter proceeds to examine the potential for farmers to boost productivity and develop the 'forces of production' through input investment to compensate for semi-feudal surplus appropriation. It is suggested however that the relations of production, combined with a necessity for cultural capital investment, present a fundamental barrier to the development of the productive forces. Cultural capital investments present a constraint even to those independent peasant cultivators not subject to ground rent and are associated with older relations of production. The availability of institutional credit fails to reduce investment barriers, with households instead falling into non-repayable debt for basic inputs to both micro-finance institutions and merchant capital. This chapter also explores the impact of different type of rental contract for tenants and the role of landlords in encouraging technological change.

Chapter 7 address question 1c and seeks to examine the sphere of circulation through which productive units are linked to the market, and to identify the associated forms

of surplus appropriation. The economic and political processes which determine the share of surplus appropriated by commercial and interest bearing capital, which together constitute 'merchant capital' are identified. It is suggested that semi-feudal relations of production significantly impact the rates of exploitation in this context. The chapter also recognises the economic and political mechanisms of surplus appropriation by industrial capital, offering evidence of another limited articulation between capitalist and pre-capitalist modes of production. The final section identifies indirect forms of surplus appropriation through the market which occur as a result of the higher productivity of farmers in India in the context of an open economy, which depresses local prices. This is intricately connected with the geopolitical weaknesses of the Nepali state. These multiple forms of surplus appropriation through the sphere of circulation further hinder households from accumulating and engaging in profitable commercialisation.

Chapter 8 examines issues which are also of relevance to question 2. It seeks to understand means through which households can develop the forces of production and boost productivity without the need for investment. It singles out a number of non-economic knowledge resources which have the potential to significantly boost yields. However, it is found that differential access to new agricultural knowledge is associated once again with the dominant pre-capitalist relations of production, while the gender dynamics of agricultural knowledge dissemination and the intra-household division of labour impedes its successful application.

2 Capitalist expansion and pre-capitalist reproduction in peripheral economies

2.1. Introduction

This chapter engages with the crucial debate on the transition from pre-capitalist subsistence based agrarian economies to capitalism. Classical developmentalist Marxian theories have assumed the inevitable differentiation of the peasantry in the context of expanding commodity production, processes one may expect to be occurring in Nepal in the context of economic liberalisation and commercialisation initiatives. However, it is argued that in order to understand the trajectory of agrarian change it is necessary to firstly examine the complex structure of ‘mode(s) of production’ on the ground and the mechanisms of surplus appropriation which impede profitable commercialisation and accumulation. To do so not only requires an analysis of the combination of ‘relations’ and ‘forces’ of production, but the mechanisms through which the mode of production and the associated forms of surplus appropriation are reproduced after each productive cycle. Secondly, it is necessary to understand how modes of production interact with each other a structured whole or ‘social formation’. Thirdly, it is crucial to understand how social formations are situated globally. An important consequence of such an analysis is that class is a complex entity, and sites of struggle entail an alliance of actors positioned at multiple positions in the class structure.

To apply these concepts to Nepal, section 2.3 proceeds to briefly examine the extensive literature on the blocked development in industry in Nepal. It is essential to understand these processes given that the character capitalist transition in agriculture is intricately connected with developments in industry. Most notable in frustrating industrial development in Nepal is the class alliance between foreign capital and a comprador bourgeoisie which has dominated the bureaucracy. This has blocked the organic development of capitalism in Nepali industry up until the present, processes which have been intensified under economic liberalisation.

Section 2.4 subsequently examines the literature to identify possible paths of agrarian transition in Nepal. A body of scholarship has emphasised the dissolution of pre-capitalist modes of production under neo-liberal globalisation as capital expands to realise new sources of surplus value. In the context of distorted industrial development in peripheral social formations such as Nepal where there are few alternative livelihood options, full or partial differentiation would release a vast 'reserve army' of cheap labour into the global economy. Alternatively, pre-capitalist modes of production, most notably those based upon petty commodity production, would persist. However, there would not necessarily be accumulation, with peasant households supplying the capitalist sector with surplus through the sphere of circulation in a functional 'articulation' with capitalism.

Nevertheless, by assuming the inevitable dissolution of pre-capitalist economic formations or their 'functional' articulation with capitalism, inadequate attention is paid to situations whereby pre-capitalist modes of production are able to retain relative autonomy so they are not subordinated to capitalism. The peasant farm for example, has a tendency to resist differentiation through overwork and may even avoid commercialisation in the first instance. However, the most significant process which has impeded the subordination of older economic formations to capitalism is the perpetuation of pre-capitalist forms of surplus appropriation.

For example, influential studies of 'lineage' modes of production in Africa have identified forms of surplus appropriation and distribution which 'block' the expansion of capitalism to the point that extra-economic coercion is sometimes necessary for their subordination (Dupré & Rey, 1979; Meillassoux, 1980; Singh, 2007). In the context of Nepal on the other hand, a mode of production with a propensity to resist capitalist expansion is semi-feudalism (Bhaduri, 1973; Bharadwaj, 1985). Under semi-feudalism, surplus appropriated through the relations of production and circulation obstructs peasant accumulation. These relations are often reproduced through political and ideological processes, as well as through articulations with other modes of production. However, even if articulations remain limited, it is argued that the perpetuation of semi-feudalism can only be understood

Fraser Sugden: Agrarian change and pre-capitalist reproduction on the Nepal Terai

in the context of the uneven dynamics of capitalism. In the context of industrial stagnation in peripheral regions, the failure of industry to draw households out of agriculture increases their dependence upon feudal exploiting classes, thus reproducing the older economic formation.

The chapter concludes by emphasising the need to understand the internal complexity in modes of production and their mechanisms of reproduction if one is to adequately understand the trajectory of agrarian transition in Nepal. This requires an analysis of class relations both between and within households.

2.2 Theorising modes of production

2.2.1 Pre-capitalist economic formations in Nepal

Nepal is a country commonly understood to be dominated by pre-capitalist economic formations, particularly in agriculture, with capitalism only existing in an underdeveloped and dependant form in urban areas (Bhattarai, 2003; Blaikie et al., 2001; Seddon, 1987). In recent years however, a series of policies have been introduced to commercialise the agrarian sector, through initiatives such as the Agriculture Perspective Plan. The liberalisation of the Nepali economy and expanding transport networks have simultaneously served to open up previously isolated sectors to new markets (Rankin, 2004).

In this context, classical Marxian theory would assume that expanding capitalist markets would set out the preconditions for the disintegration of older pre-capitalist economic formations in agriculture. The peasant enterprise, defined as the subsistence oriented family farm utilising primarily family labour (Shanin, 1973), is the basic unit of production in Nepal's pre-capitalist agrarian economy. To Marx the peasant is destined to be disintegrated through differentiation and concentration of the means of production, separating labour and capital (Marx, 1974, 713-715). The

inevitable demise of peasant production is summed up as an almost apocalyptic prophesy in Volume 1 of *Capital* where Marx stresses that:

“It must be annihilated; it is annihilated. Its annihilation, transformation of the individualized and scattered means of production into socially concentrated ones, of the pigmy property of the many into the huge property of the few, the expropriation of the great mass of the people from the soil, from the means of subsistence, and from the means of labour, this fearful and painful expropriation of the mass of the people forms the prelude to the history of capital” (Marx, 1974, 762).

In agriculture therefore, the emergence of a class of landless proletarians and an agrarian bourgeoisie of large farmers would represent the development of true agrarian capitalism. Referring to the proletarianisation of the population Marx earlier states that: “The expropriation of the agricultural producer, of the peasant, from the soil, is the basis of the whole process” (Marx, 1974, 716).

Lenin for example, developed an influential theory of agrarian transition whereby the peasantry is separated from the land through the natural economic dynamics of capitalist development. Basing his analysis on the Russian agrarian transition, Lenin (1960, 172-187) argued that the peasantry in the late 19th century was composed of commodity producing large farmers, a majority of middle peasants and a rural proletariat composed of land poor farm workers. It was argued that the poorer middle peasants did not have the technology or assets to profitably commercialise, producing just enough to survive and a marginal surplus. Being often heavily in debt and highly vulnerable, they were forced into selling their land to emerging capitalists. These marginal producers entered the landless proletariat, while those who could accumulate entered the growing agrarian bourgeoisie. The destruction of pre-capitalist economic formations in both agriculture and industry were said to occur simultaneously and support each other. The development of urban industry destroyed traditional village industries through the provision of cheaper manufactured commodities. This simultaneously created the need for cash, driving more farmers to commercialise and encouraging further differentiation. Meanwhile,

the dissolution of subsistence farming contributed to the development of a “home market” for commodities, thus further supporting the development of capitalist industry as well as agriculture (Lenin, 1960, 312), a point also raised by Marx (1974, 745-749).

This has often been interpreted as representing a universal trend in pre-capitalist economies. In a South Asian context, studies in India (Byres, 1981) and Pakistan (Niazi, 2004) have provided evidence of such differentiation whereby the promotion of new agricultural inputs offers commercialisation opportunities. Land poor farmers who lack capital to invest in commercialisation are forced to sell their land to growing class of ‘capitalist’ farmers (Byres, 1981; Niazi, 2004). However, if differentiation naturally follows the expansion of commodity markets, how does one explain the considerable evidence of non-capitalist economic formations persisting in agriculture throughout the world, with weaker tendencies of differentiation (Aguilar, 1989; Bernstein, 1977; 2001; de-Janvry, 1981; Mann & Dickenson, 1978)? This raises serious questions regarding how one understands the transition to capitalism, particularly in less developed countries.

With regards to Nepal, while there has been some acknowledgement of the limited extent of capitalist social relations (Bhattarai, 2003; Blaikie et al., 2001; 2002; Seddon, 1987), there is a shortage of recent scholarship which has examined the changes in the agrarian sector following the liberalisation of the economy, agricultural commercialisation efforts, and expansion of infrastructure. Most importantly however, there is a need for more research which seeks to understand how pre-capitalist modes of production themselves have achieved stability over time in Nepal. Essential to understanding these processes is an examination of the mechanisms of surplus appropriation which have hindered accumulation amongst peasant units of production (Banaji, 1977; Bernstein, 2003; 1977; Bhaduri, 1981; 1986; 1977; Bharadwaj, 1985).

In order to better understand what these processes of surplus appropriation are and how they have impeded agrarian transition, it is necessary to explore the dynamics of

pre-capitalist modes of production. Such an analysis requires firstly, an examination of how they are reproduced through time on an ideological, political as well as economic level. Secondly it requires an exploration of how pre-capitalist modes of production connect with other economic formations, relations which may result in further mechanisms of surplus appropriation. Thirdly, it is crucial to understand how Nepal is positioned in the worldwide capitalist economy and how this connects with the preservation of these older modes of production. In other words, Nepal's very non-capitalist character arises from its particular form of integration into the complex hierarchy of social formations subject to the laws of motion of a global capitalist mode of production.

2.2.2 Modes of Production and Reproduction

Modes of production and mechanisms of reproduction

It is necessary now to engage with the key conceptual framework through which one can understand these three issues. Only then can one engage with debates on agrarian transition in peripheral regions and identify which processes may have shaped the 'pre-capitalist' character of Nepali agriculture.

Important theoretical insights can be gained from the Structural Marxian tradition. Louis Althusser pioneered the school of Structural Marxism which sought to reformulate Marxian political economy to counter critiques of economism and essentialism (Resch, 1992, 70-74). A central concept of Structural Marxism is the 'mode of production', which refers to the mechanism through which material production takes place, a universal feature of the social world. To Althusser and Balibar (1968, 215) the 'mode of production', is constituted by three functional 'elements', the labourer or producer, the means of production, and the appropriator of surplus labour. These three elements are structured by two 'connections' which were touched upon in chapter 1 (Althusser & Balibar, 1968, 215). Firstly, there is the relation between the labourer and the means of production, or the *forces of production*. Secondly, there is a property relation or the *relations of production*,

which defines the how surplus is appropriated and how it is used. The specific combination of these ‘elements’ and ‘connections’ are what determine the historical specificity of a mode of production (Althusser & Balibar, 1968, 212-216). Implicit in the analysis, is the fact that each ‘mode of production’ is driven by particular ‘imperatives’, or as Singh (2007) terms it a ‘teleology’. This can include for example, the accumulation of surplus value under capitalism, elite consumption under feudalism, or subsistence under modes of production based upon independent owner-cultivation.

Reproduction and the three ‘levels’ of the social world

Althusser and Balibar (1968, 264) state that in order to understand ‘modes of production’ it is insufficient to simply examine the variations in the combination of relations and forces of production. One must also understand how particular configurations are reproduced. This is essential if one is to understand the perpetuation of particular forms of surplus appropriation which block the development of capitalism.

The analysis of reproduction requires an analysis of not just one production cycle or ‘circuit of capital’ whereby labour and the means of production are purchased to produce a commodity which is sold. It is instead necessary to understand how each individual circuit of capital within the mode of production is linked, relying upon one another and being united in a systemic relationship (Althusser & Balibar, 1968, 258; Wolpe, 1982b, 8). It is necessary to examine: “the relation between the *totality* of social production and its particular forms (branches) in a given *synchrony*” (Althusser & Balibar, 1968, 264). To Marx (1956) for example, under capitalism, units of production in different ‘departments’ support one another, i.e. department I produces the means of production and department II produces wage goods. Other forms of capital such as merchant enterprises play a mediating role between departments (Marx, 1956).

The process of capital circulation through which enterprises sharing particular relations and forces of production are linked may therefore represent an effective 'extension' of the mode of production, providing a material basis for its reproduction. Perhaps more significantly however in understanding reproduction, are non-economic processes (Althusser & Balibar, 1968, 258). To Althusser and Balibar there are three *levels* of the social world, the *economic*, the *political* and the *ideological*. The political and ideological levels, representing the *superstructure* are an integral part of a given mode of production aside from the economic level, which represents the base or *structure* (Althusser & Balibar, 1968, 216-224).

The more specific role played by the three levels in the reproduction of a mode of production is clarified in Althusser's essay *Ideology and State Apparatus*. Althusser (1971, 128) states that under capitalism the continued accumulation of surplus value depends upon the reproduction of both the *forces* and *relations* of production. The reproduction of the *forces of production* entails the reproduction of both labour power through subsistence wages and the renewal of the means of production through investment in constant capital. It is here the sphere of circulation as a reproductive mechanism becomes apparent. It allows the capitalist to purchase raw materials from department I to reproduce the means of production while reproducing labour power by paying wages, which in turn depend upon the production of consumer goods in department II (Althusser, 1971, 128-131). Ideological processes also reproduce labour power through educational institutions which teach workers behaviour and skills for the workplace (Althusser, 1971, 131-134).

However, it is in the reproduction of the *relations of production* and the associated mechanisms of surplus appropriation that the role of non-economic processes is most significant. The relations of production are reproduced primarily through property rights and the ideological and political mechanisms which support them (Althusser, 1971, 148). This is particularly important as to Althusser; the relations of production are the determinate 'connection' in a mode of production. Control over the means of production determines how the productive forces are reproduced. The processes

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which reproduce the relations of production therefore constitute the primary reproductive mechanism of the mode of production as a whole.

'Extended' concept of the mode of production

Wolpe (1982b) builds upon the work of Althusser and Balibar to draw a distinction between the concept of an *extended* mode of production and a *restricted* mode of production. The mode of production in the *restricted* sense refers simply to a combination between relations and forces of production within individual enterprises but does not encompass the mechanisms through which this mode is reproduced. The mode of production in the *extended* sense meanwhile refers to a wider structure which includes specific mechanisms of reproduction. These include the relations with other enterprises and ideological and political mechanisms which ensure the reproduction of the entire mode of production as an economic system (Wolpe, 1982b, 38-39). It is the latter definition of the mode of production which will be used throughout this study.

Modes of production and social formations

As was suggested above, modes of production do not exist in isolation, but coexist and articulate with others, often with flows of surplus between them. These links are essential to examine if one is to understand the trajectory of economic change. Althusser refers to a broader entity than the mode of production, the *social formation*. A social formation, is understood as a 'totality' under which there are the three 'levels' of the social world and several co-existing modes of production articulated in a functional unity (Althusser & Balibar, 1968). It is asserted that one mode of production is normally 'dominant', although this can be either capitalist or non-capitalist. Althusser and Balibar (1968, 207) thus define a social formation as a "totality of instances articulated on the basis of a determinate mode of production."

In order to understand the reproduction of an economic formation therefore, one must not only examine its interaction with other circuits of capital under the same

mode of production, but its relation with circuits which falling different modes of production. In this context the sphere of capital circulation is not simply the extension of a single mode of production but can mediate articulations which facilitate the reproduction of multiple economic formations. For example, a pre-capitalist producer may rely upon capitalist markets to sell commodities or purchase inputs and reproduce. Furthermore, political and ideological processes can support particular articulations between modes of production just as they facilitate the perpetuation of individual economic formations.

A global hierarchy of social formations

Connected with the need to understand how a mode (s) of production relates with others is a requirement to understand how each mode and the 'social formations' they constitute, are situated globally. This requires an examination of processes such as imperialism and uneven development and is particularly important if one is to understand agrarian transition in Nepal. To Blaikie et al (2002, 20), the Nepali economic system represents "...the incorporation, combined with enforced preservation, of non-capitalist modes of production within a global system dominated by capitalism." In other words, Nepal's very 'non-capitalist' character can only be understood with reference to where the country is situated in the global and regional capitalist system.

To the French Marxist Charles Bettelheim, all national scale 'social formations', are situated within a broader "world wide capitalist mode of production" composed of a complex hierarchical structure of national economies (Bettelheim, 1972, 295). The level of dominance and character of the capitalist mode of production within each social formation is however, variable, and in peripheral social formations pre-capitalist modes of production may dominate.

This global capitalist mode of production is subject to a "twofold tendency" (Bettelheim, 1972, 293). Firstly, it reproduces the relations and forces of production at the scale of each national social formation, including the reproduction of specific

forms of domination between capitalist and non-capitalist modes of production. Secondly, at an international scale it reproduces the unequal relations between these social formations. As with the reproduction of modes of production themselves, the reproduction of these broader relations between social formations, mediated by the worldwide capitalist system, are 'overdetermined' by political and ideological processes (Bettelheim, 1972). It is therefore essential to understand how each mode of production is positioned globally and how this both affects its character and shapes its relations with other modes in the social formation.

Modes of production and essentialism

Thus far it has been argued that to understand the forms of surplus appropriation which shape the dynamics of agrarian change, one must examine the complex constitution of relations and forces of production and how they are reproduced on an economic, political and ideological level. It is also necessary to examine relations between modes of production and how these articulations are situated globally. The complex means through which these multiple processes in the social whole are constituted by each other is known to Althusser (1969) as *overdetermination*.

While this is a useful framework for understanding the trajectory of agrarian transition in Nepal, it is necessary to engage with some of the criticisms the Structural Marxian position has been subject to in recent years. A body of work within the post-structuralist Marxian tradition has sought to re-conceptualise the Althusserian understanding of overdetermination to challenge the structural certainties of concepts such as 'mode of production' (Chakrabarti & Cullenberg, 2001; 2003; Gibson-Graham et al., 2001; Gibson-Graham, 1996; Resnick & Wolff, 1989; 1982₂). They seek to identify the complexity and fluidity of the economic world. Economic structures are reframed as 'processes', and doubt is even cast upon the presence of a unified global capitalist economy, which is instead represented as constituting a decentred totality of 'multiple capitalisms' (Gibson-Graham, 1996).

While the move by poststructuralist Marxism to identify complexity in economic formations is useful, Glassman (2003) stresses the need to maintain a notion of *structure* in understanding economic processes. To Harvey (1996) the dialectic mode of enquiry within which Marxism is embedded, requires an understanding of the social relations and processes which create structures and ‘things’. This exploration of processes and flows contrasts with positivism, which understands material ‘things’ and structures as self evident and fixed. However, while such dialectic approaches by their nature reveal heterogeneity and fluidity in the systems of the social world, one must still seek to identify the structures within which such complexity is realised. An approach which fails to do so in Harvey’s (1996, 58) words “appears to have little chance of producing anything except a vast panoply of insecure and shifting concepts and findings”. It is necessary to identify what are termed “generative processes”, relations which share a common character in time and space. As Harvey (1996, 58) suggests, the scholar must: “try to identify a restricted number of very general underlying processes which simultaneously unify and differentiate the phenomena we see in the world around us”. Although they may produce diverse outcomes, they also produce “permanences,” or particular structures which persist through time.

In this context the extended concept of ‘mode of production’ represents one such permanence, a set of social relations which persists through time and space. It is through an analysis of ‘reproduction’ that the utility of the concept becomes more apparent as it explains how the mode of production becomes a ‘permanence’. To Althusser and Balibar (1968, 259) “reproduction appears to be the general form of permanence of the general conditions of production, which in the last analysis englobe the whole social structure, and therefore it is indeed essential that *it should be the form of their change and restructuration too*”. Importantly, one is no longer simply examining combinations of relations and forces of production, but how economic formations reproduce themselves through ideological and political relations and the economic mechanisms which link multiple enterprises.

It must be emphasised however that the ‘mode of production’ is an abstract tool for understanding social formations rather than constituting a ‘model’ of societal evolution (Raatgever, 1985; Resch, 1992). Thus while Althusser and Balibar’s Structural Marxism is interested in “periodisation”, the ways in which historical successions of structures are organised, it is approached in a radically different way from developmentalist (largely Stalinist) interpretations of Marxism. It must be emphasised that Structural Marxism does not intend to classify societies into a pre-ordained set of modes of production, or arrange them into an evolutionary set of ‘stages’ (Raatgever, 1985). Instead it seeks to examine the dominant mode of production in a social formation at a given historical conjuncture and understand the processes through which it is preserved or undermined. To Resch (1992, 84) “The problem addressed by the concept of mode of production is one of producing knowledge rather than classifying data.”

This study therefore will proceed to use the ‘mode of production’ concept as an analytical instrument to understand the reproduction and transition between particular economic structures in rural Nepal over time. In this context however, it will not attempt to distort empirical observations so they fit into a universal trajectory of transition from peasant production to capitalist agriculture, as many interpretations of Marx and Lenin have proclaimed. Instead it will seek to identify ‘modes of production’ on the ground to identify concrete structural ‘permanences’, and from there understand the dynamics of both reproduction and change.

Modes of production, class and crystallised power

Of significant political importance when using mode(s) of production as an analytical tool is how it affects one’s understanding of class. ‘Class’ can be defined as a particular social group within which individuals share some commonality. In Marxism this commonality is understood to arise from three criteria, firstly, whether or not one owns the means of production, secondly, the degree to which one has control over the labour process, and thirdly, whether one either produces or appropriates the product of surplus labour, a process commonly termed

‘exploitation’ (Gibson-Graham, 1996, 49). It is generally understood that the first condition, access to the means of production, plays an important role in determining the latter two, a phenomena summed up in the term ‘relations of production’. As was established above, the relations of production imply a property relation and a mode of appropriation of the social product. As Resch (1992) points out, class power is exercised through direct ‘intervention’ by an individual who owns to the means of production to collectivity control the labour process and appropriate the product of surplus labour. However, there are complex issues to be resolved in understanding ‘class’ in the context of specific modes of production

Firstly, in some modes of production there may not be social control over the means of production and an ‘exploiting’ class per se. There may be initial appropriation of surplus, but redistributive mechanisms which compensate for this at a later stage (Resch, 1992). Examples include *adivasi* (indigenous) mode of production in India prior to capitalist and feudal subordination, whereby the mode of production is driven by reciprocity and survival of the community (Singh, 2007).

Secondly, one must also acknowledge that households or even individuals may occupy more than one class position (Chakrabarti & Cullenberg, 2001; 2003; Gibson-Graham, 1996). In fact, the ‘articulation’ of modes of production itself often occurs as a result of individuals labouring in more than one economic formation (van Binsbergen & Geschiere, 1985b, 260). In this context even if the pre-capitalist mode of production does not entail the appropriation of surplus labour, the individual may still be subject to exploitation through labouring part time in the capitalist sector (van Binsbergen & Geschiere, 1985b). Furthermore, surplus can be appropriated *outside* the relations of production in the sphere of *circulation*, when for example pre-capitalist producers supply commodities to capitalist markets and are unfavourably remunerated (de Janvry, 1981; Deere & de-Janvry, 1979).

A number of scholars from the post-structural Marxian tradition have proposed in this context that class be presented not as a category but as a ‘process’, defined by the appropriation of surplus labour, which appears in multiple forms, and is

something fluid and shifting (Gibson-Graham et al., 2001; Gibson-Graham, 1996; Resnick & Wolff, 1989). Glassman (2003, 686) however, criticises this tradition by stressing that while class can be effectively understood as a ‘process’, in many contexts it also represents a permanence, a manifestation of forms of “crystallized power”. In such contexts a particular configuration of class relations ‘overdetermined’ by economic, political and ideological relations may persist over time and space.

This understanding is not incompatible with the structural concept of ‘mode of production’. It simply means that a configuration of class relations may involve not only a single but multiple modes of production which are structured in relations of dominance and achieve relative stability over time and space. Therefore, while the dominant mode of production may not in itself define the class position of the individual or household based upon singular ‘relations of production’, the structure of the broader social formation can determine the multiple forms of surplus appropriation they are subject to. The household or individual therefore still inhabits a ‘position’ within the broader class structure and it is still possible to identify collectivities of shared interests. While acknowledging the fluidity of both modes of production and their relations with others in Nepal, it is thus crucial to understand the structures setting the boundaries within which these shifting relations operate.

Glassman (2003) stresses that identifying the relative importance of particular sets of class relations which persist over time is of strategic political significance for identifying sites of class mobilisation. By identifying forms of ‘crystallised power’ one can identify the relative importance of class struggle in one site as opposed to others. Central to this argument is Althusser’s analysis of the Russian revolution. Classical readings of Marx have assumed that revolutionary change occurs in the context of a single basic ‘contradiction’ between the forces and relations of production which is embodied in a contradiction between two classes. However, Althusser (1969, 99) follows Lenin himself to argue that the Russian revolution was ‘overdetermined’ by an accumulation of multiple economic and non-economic contradictions, both of global and local origin, that fused to form a *ruptural unity*, a

single national ‘crisis’. As a consequence, revolutionary struggle was led by an alliance of classes, or as Althusser (1969, 99) terms it the “class-divided popular masses”.

A third and final intervention necessary to expand the understanding of class and ‘modes of production’ is the need to acknowledge that class relations exist within the household. Although intra-household relations are central to lineage based modes of production where the primary form of surplus appropriation is between the youth and the elders (Dupré & Rey, 1979; Meillassoux, 1980; 1973b), they also occur under modes of production such as capitalism where the primary form of surplus appropriation is from a class *external* to the household. For example, the disproportionate share of labour performed by women represents an additional form of exploitation and ‘class position’ individuals are integrated into *within* the household (Benholtd-Thomson, 1982; Deere & Leon de Leal, 1982; Folbre, 1982; Gibson-Graham, 1996; 1992). While this study is concerned primarily with the broader relations between peasant units and exploiting classes, it is still crucially important to understand intra-household class relations. They increase one’s understanding of the operation of the mode of production itself and can on some occasions can shape the trajectory of agrarian transition, particularly given that women’s work is essential for the reproduction of family labour power (Benholtd-Thomson, 1982). Unequal relations within the household represent another form of ‘crystallised power’ against which class struggle can be directed.

2.3 The Development of Capitalism in Nepali Industry

2.3.1 The ‘blocking’ of the development of the productive forces in industry under the Ranas

It is now necessary to more directly apply the conceptual framework outlined above to understand the economic formation in Nepali agriculture and the processes of reproduction and change. As was suggested above, this requires an analysis of how

modes of production interact within a social formation. In the Nepali context, it is important to examine the dynamics of capitalist development in *industry*, a process which exercises a powerful influence over the trajectory of agrarian transition in many peripheral regions (Bharadwaj, 1985). An analysis of industrial development also offers important insights into how the trajectory of economic change in Nepal is intricately connected with the *global* processes of imperialism and uneven development.

To reiterate Bettelheim's (1972) argument, the worldwide capitalist mode of production serves to reproduce both uneven development *between* social formations and the modes of production *within* them. The interesting contradiction in this context is that in peripheral regions, the reproduction of unequal relations between social formations tends to undermine the emergence of capitalist relations and forces of production at the national scale, particularly through blocking the development of industrial capitalism (Bettelheim, 1972, 293-294). This in turn, impacts capitalist transition in other sectors such as agriculture. In this context, social formations may be dominated by the worldwide capitalist mode of production "*externally*", while as a consequence of the unequal relations between social formations, the degree to which capitalism has actually achieved dominance *within* a given social formation may remain limited (Bettelheim, 1972, 298).

How therefore does one understand how these processes have shaped the character of Nepali industrial capitalism? While there has been considerable literature on the topic (Bhattarai, 2003; Blaikie et al., 2001; Chitrakar & Weiss, 1995; Khanal et al., 2005; Pradhan, 1984; Sharma, 1997), it is useful to explore Nepal's 'blocked' industrialisation through the Marxian conceptual framework outlined above.

Emmanuel's (1972) theory of unequal exchange has been influential in understanding processes of global uneven development. It asserts that unequal wage rates between core and peripheral regions combined with immobility of labour means that poorer countries must pay more for goods they import than those they export, thus intensifying underdevelopment, particularly in industry. While intricacies of

Emmanuel's thesis are not important here, what is significant is Bettelheim's critique. To Bettelheim (1972), such theories which place the market at the centre of analysis divert attention from the fact that the underdevelopment resulting in so called 'unequal exchange' is rooted in *production* relations. While Emmanuel assumes wages are an independent variable which 'determine' global uneven development, to Bettelheim low wages are associated with the particular relations of production and development of the productive forces in a given social formation¹. Therefore, it is only through an examination of *modes of production* within peripheral and core social formations that global uneven development can be understood.

Bettelheim (1972) stresses that the laws of motion of the worldwide capitalist mode of production reproduce in peripheral social formations, forms of economic specialisation, relations of production, and ideological and political processes which "block" the development of the forces of production (Bettelheim, 1972, 293-294). This process of global uneven capitalist development was established towards the end of the middle ages when transformations in the relations of production allowed a superior development of the forces of production to be established in what was now to become the imperialist core (Bettelheim, 1972, 290). This structure was perpetuated through the colonial era and into the present day. The higher development of the productive forces in the emerging capitalist industry of the developed regions allowed surplus to be extracted on a relative basis and the accumulation of a greater mass of surplus value, unlike the lower productivity peripheral regions. Capital continues to converge in these regions of higher productivity, increasing the total mass of surplus value in the core economies, facilitating accumulation and the further revolutionising of the productive forces

¹ Wages are determined by both the productivity of labour and the particular production relations within a social formation (e.g. coexistence of capitalist and pre-capitalist relations). It is important to acknowledge however, that this does not mean wages are determined solely by the 'economic level'. They contain ideological and moral elements and can vary according to the effects of class struggle, in turn shaping the particular production relations. However, this does not mean they are an independent variable, but suggests they are simultaneously determined by economic, political and ideological elements (Bettelheim, 1972, 287). If one accepts Althusser's notion of determination 'in the last instance' by the economic level, one would acknowledge that lower wages are themselves associated with the unequal development of capitalism on a world scale its tendency to reproduce the particular relations and forces of production within the social formation.

(Bettelheim, 1972, 303). It is in this context Bettelheim seeks to explain the international division of labour which is reproduced by the worldwide capitalist mode of production whereby core economies are able to dominate the production of manufactured goods while peripheral economies become oriented to produce low technology primary products (Bettelheim, 1972, 290).

This 'international division' of labour has been complicated in recent years by the growth of manufacturing in many peripheral economies. However, this more realistically represents a new manifestation of uneven development with the rise of transnational business and the export of capital to the periphery, rather than constituting a transformation in international economic relations² (Kiely, 2005). The actual degree of capital 'redistribution' remains limited, and the proportion of manufacturing imports originating in less developed countries remains less than 10% for all developed countries (Kiely, 2005, 42).

Nepal in this context inhabits an unusual position within the global division of labour in that it lacks a formal colonial history and exports even of primary products are therefore comparatively low. However, its industries have been subject to the same processes which have blocked the development of the productive forces as other peripheral economies. The difference however, is that the predominant economic relationship behind this process is with capital from another peripheral social formation, India. Although capitalism in India remains vastly underdeveloped when compared to the imperialist nations (Alavi, 1990; 1975; Omvedt, 1990)³, this has not prevented a smaller scale but highly significant core-periphery relationship develop between Nepal and India (Blaikie et al., 2001).

Nepal first appeared as a single state with roughly its present frontier following the expansionist campaigns of the Shah dynasty of Gorkha in the eighteenth century. The most important source of revenue for the feudal rulers of this new "tributary

² This leads Kiely (2005) to critique theories of 'post-imperialism' claiming the 'end of the third world' whereby the mobility of capital is undermining uneven development.

³ It has been argued that industrial development in India was constrained through its export orientation under colonialism, whereby agricultural production was oriented to producing food and raw materials for the imperialist economies (Alavi, 1975, ; 1990, ; Omvedt, 1990).

state” was the taxation of the peasantry⁴ (Blaikie et al., 2002; Mishra, 2007; Regmi, 1988; Seddon, 1987). However, there were restrictions on imports, and some efforts to encourage local artisan and craft production (Pradhan, 1984; Sharma, 1992). Revenues from trade however became increasingly important, particularly following a coup by the aristocratic Rana family in 1846, who were to rule as hereditary prime ministers for the next century (Mishra, 2007; Sharma, 1992). In this context, imports of British-Indian manufactured goods damaged many domestic cottage industries, stalling the precursors to capitalist manufacturing. Blaikie et al (2001, 2002) record how cottage industries such as metalworking and leatherworking were severely undermined in the West-Central region towards the late 19th and early 20th centuries as a result of the influx of imports from the south.

In order to explain the early disintegration of Nepali industry, one can not understate the importance of the new political relationship between the Rana elite and the British imperialists. Just as modes of production themselves are reproduced on both an economic and non-economic level, Bettelheim (1972) stresses that central to the reproduction of unequal relations between social formations are ideological and political processes, most notably class alliances. This is important to understand as Bettelheim stresses that underdevelopment occurs not through one nation exploiting another, as is suggested by Emmanuel, but exploitation by specific classes in each respective region.

To Bettelheim, the distorted development of industrial capitalism in peripheral regions which concentrates resources in sectors such as commerce, provision of services to imperialist firms and service enterprises, strengthens a ‘comprador bourgeois’ rather than a national industrial bourgeois. The interests of the dominant classes of both the core and periphery thus coincide (Bettelheim, 1972, 307). The state in conjunction with imperialist institutions therefore may actually be hostile to the development of national industry, and ensure the social-formation retains its subordinate place in the international division of labour. This alliance served to

⁴ At the beginning of the nineteenth century it constituted four fifths of the total state revenue (Mishra, 2007).

reproduce the unequal relationship not only between the Indian and metropolitan economies (Ghosh, 1988), but also between the Indian and Nepali economies.

In Nepal under the Ranas, there was little evidence of an emerging domestic capitalist class, or 'national bourgeoisie' to challenge the ruling elite on a political level (Blaikie et al., 2001; Mishra, 2007). The Rana nobility represented a classic comprador class who benefited from the unequal relation between two social formations. Blaikie et al (2001) coin Lenin's concept of "semi-colony" to describe Nepal's relationship with British ruled India from the mid-nineteenth century onwards. The British imperialists guaranteed the Rana's a symbolic 'sovereignty' so long as they provided the colonial state troops at times of need and allowed the British limited access to Nepal's raw materials such as timber. Furthermore, the Nepali rulers were expected to allow them access to a captive market for British-Indian manufactured goods (Blaikie et al., 2001).

In a dependent relationship, the Nepalese feudal ruling classes were enriched from the imposition of taxes on the import of manufactured goods from India and exports of raw materials such as timber (Bhattarai, 2003; Blaikie et al., 2001; 2002). Revenues were used to import luxury commodities for the ruling elite (Seddon, 1987). Up until the mid-twentieth century therefore, the feudal elite was primarily 'extractive', collecting taxes and maintaining law and order rather than being 'productive' and encouraging industry and development (Blaikie et al., 2001; 2002; Pradhan, 1984). Most capital which could be potentially be mobilised remained in the hands of the Rana aristocracy and was primarily invested in land or in overseas accounts. They had few incentives to generate other forms of wealth (Karan & Ishil, 1996). Although there was a growing merchant capitalist class, they were not involved in production but in the import-export business (Regmi, 1977a). Many members of the Rana elite were themselves able to enrich themselves from these mercantile activities (Seddon, 1987). Although there were some industrial establishments in the Terai towards the end of the Rana years, they utilised mostly Indian capital (Regmi, 1977a).

2.3.2 Rhetoric of ‘development’ and continued subordination of Nepali industry

Industry during the Panchayat era

The overthrow of the Ranas in the 1950s coincided with the global rise of independence movements throughout former colonies and the rise of notions of state led developmentalism. A short lived multi-party ‘democratic’ period gave way to the restoration of the Shah monarchy that set up the partyless *Panchayat* system. The Panchayat years saw the foreign aid potential of state-led development, and a series of five year development plans were produced (Whelpton, 2005). Efforts were made to encourage industrialisation, beginning with the 1960 Industrial Enterprise Act which provided numerous tax incentives for the establishment of new manufacturing industries (Karan & Ishil, 1996).

Efforts at establishing import substitution manufacturing in the 1970s had some initial impact on the economy by facilitating an increased supply of domestic manufactured goods (Food and Agriculture Organisation, 2003). However, the legacy of political alliances hostile to domestic industrialisation had put Nepali enterprises at a severe disadvantage in a competitive regional economy and many rapidly went into liquidation (Regmi, 1977a). As Blaikie et al (2001, 197) suggest, “any industrial establishment in Nepal faces the immense disadvantage of being at the periphery of the Indian capitalist economy.” Nepali producers could simply not compete with the cheaper commodities being imported from the south, and increasingly now, from China to the north (Blaikie et al., 2001; Food and Agriculture Organisation, 2003; Regmi, 1977a).

Manufacturing establishments in Nepal suffered from low productivity, putting them at a disadvantage in the context of international trade (Pradhan, 1984). In Volume 3 of *Capital*, Marx (1967) states that within an enclosed capitalist economy variations in the rate of profit to capital advanced as a result of productivity differences would be equalised by competition. However, Mandel (1975, 83) emphasises that

equalisation of rates of profit often does not occur on an international scale. Within certain branches of production, the much greater productivity of the industries in more developed regions mean that less productive firms in peripheral economies are unable to compete in the first instance. This in turn prevents the generation of capital to develop the productive forces to levels which would yield profit rates equivalent to the economy wide average, thus reinforcing an international division of labour (Mandel, 1975).

Similarly, in Nepal, the legacy of industrial stagnation left the country with economically obsolete second hand plants and machinery (Pradhan, 1984; Regmi, 1977a). The difficulties competing with Indian industries in this context prevented the generation of capital to develop the productive forces, further reducing their competitiveness. Bhattarai (2003) observes that the organic composition of capital in Nepali manufacturing industry remained low when compared to other countries, preventing increases in the productivity of labour. It was recorded that the capital-labour ratio in manufacturing increased only by 14.1% between 1965-1976/77. In the same period meanwhile, there was a 5% decline in the proportion of the total capital invested in machines and assets, with capital being predominantly invested in sectors such as construction (Bhattarai, 2003, 221).

It was not only the problem of capital formation which prevented increases in productivity but that of capital utilisation. Pradhan (1984) notes that investments were under-utilised, and between 1970-71 to 1980-81, reported that average capacity utilisation did not exceed 72%. There were a lack of adequate maintenance facilities and skills and shortages of spare parts were commonplace (Regmi, 1977a). In addition, Nepali industries remained at a competitive disadvantage as a result of high relative costs of production due to inadequate transport infrastructure and power supply, not to mention bureaucratic constraints (Pradhan, 1984). There were also shortages of raw materials, many of which had to be imported (Pradhan, 1984)

In 1974-75, the manufacturing sector contributed to just 4.2% of Nepal's GDP (Karan & Ishil, 1996). According to Bhattarai (2003), the sector remained

“distorted”, representing Nepal’s position in the international division of labour and its unequal trade relationship with India. Using ‘use-based’ classifications (see EPW Research Foundation 2009)⁵, it was noted that the few manufacturing industries present were dominated by low value non-durable consumer goods such as the processing of agricultural commodities, with only marginal development in the durable consumer goods and intermediate goods sector and virtually no production of capital and basic goods, all of which had to be imported (Bhattarai, 2003).

On a political level, industrial stagnation continued to be reproduced by a bureaucracy which serves the interests of a comprador mercantile elite in alliance with Indian capitalists. There was limited evidence of an emerging domestic capitalist class, or ‘national bourgeoisie’ to challenge the ruling elite on a political level (Blaikie et al., 2001; Mishra, 2007). The ruling elite and the merchant capitalist class with which they are allied continued to benefit from the structure of economic dependence, often being involved in the import-export trade, with no incentives to break it, despite the official government rhetoric (Blaikie et al., 2002; Neupane, 2003; Thapa, 2004). Nepal was thus far from acquiring a ‘developmentalist state’, with severe consequences for initiatives which sought to promote independent industrialisation (Blaikie et al., 2001).

Capitalist ‘super-profits’

To Bettelheim, the process of industrial retardation in peripheral regions is reinforced further by direct appropriation of surplus by firms from more developed regions. While higher rates of profit can be captured by industries from developed regions through productivity differentials, these are a result of the ‘normal’ functioning of the

⁵ ‘Use based’ classification include firstly, *consumer non-durable* goods, representing products which are consumed immediately, such as food products, cosmetics, textiles. *Consumer durable* goods include those which are produced for consumption but have a longer life, such as furniture, bicycles and TVs. *Intermediate* goods are semi-complete inputs for industry such as paints, assembled metal products, and individual components and accessories. *Capital* goods represent those used to directly produce new goods and facilitate capital formation such as machines. Finally, *basic* goods include bulk raw materials to be used for further production in agriculture, manufacture or construction such as chemical products, metals and fertilisers (EPW Research Foundation, 2009)

Marxian law of value on a global scale (de-Janvry, 1981)⁶, Bettelheim (1972) distinguishes such indirect transfers of surplus from the ‘direct’ forms of surplus appropriation which occur when individual firms from the industrialised countries seek “exceptional profits” by taking advantage of the unequal global relations between social formations (Bettelheim, 1972, 305). This can be compared with Lenin’s notion of ‘super-profits’, which refer to a “...surplus of profits over and above the capitalist profits that are normal and customary all over the world” (Lenin, 1964). Such processes can be better understood in the context of the expansionist tendencies of capitalism under imperialism as more industrialised nations seek to avert capitalist crises (Kiely, 2005; Mandel, 1975). To Harvey (1982; 2003), this entails a process whereby capital in the more developed regions expands into peripheral regions to seek a “spatial fix” for the crisis of falling rates of profit which is inherent to capitalism⁷.

Direct transfers of surplus value sought by capital from more developed regions in these contexts include for example, the use of monopoly power by firms to manipulate the price of the commodities bought from or sold by the periphery to below their market values, yielding a monopoly rent, thus further worsening of the terms of trade for the subordinate economy (Bettelheim, 1972; Mandel, 1975). Entire branches of production may be monopolised by firms from developed economies due to institutional arrangements or prohibitively high start-up costs

⁶ To Mandel (1975) commodity imports to peripheral regions from higher labour productivity firms in the core will lower the local market price, resulting in lower profits for local producers and a transfer of surplus value to the more productive firms of the core.

⁷ To Marx (1967) there is a tendency within capitalism for the rate of profit to fall as the competitive drive to boost productivity increases the levels of investment in constant capital (means of production) in proportion to variable capital (labour). Although this shift, termed the rising ‘organic composition of capital’, increases the amount of surplus value, it decreases the rate of surplus value to capital advanced, or the rate of profit. This is because only variable capital or *labour* yields surplus value, not the means of production itself (Marx, 1967). Harvey (1982) reiterates Marx’s emphasis however, that a fall in the *rate* of profit is of course accompanied by an increase in the total *mass* of profit across the economy. The volume of surplus value in the economy therefore does not increase at the same speed as the amount of capital seeking to capture it, leading to a crisis of over-accumulation whereby capital is devalued. Capitalism must thus expand to locate new sources of surplus value and new avenues for profitable investment.

(Mandel, 1975, 72)⁸. In Nepal for example, Indian industries were themselves able to move into the distribution of goods within the country, allowing them to exercise monopoly power over these markets (Blaikie et al., 2001).

Meanwhile, one of the most significant sources of such surplus profits to Lenin (1987) as discussed in *Imperialism*, is made available through the export of capital to peripheral regions. While the lower average development of the productive forces combined with ideological and political factors result in lower average wages in the periphery, the introduction of more advanced technology can yield temporary surplus profits so long as wages remain low (Bettelheim, 1972, 286)⁹. This process is particularly relevant in Nepal, given the high rates of foreign (particularly Indian) capital invested in Nepali industry (see Chitrakar & Weiss, 1995). Many of the industries which were established in Nepal during the 1960s and 70s did not reflect the investment of Nepalese but Indian capital, and most of the profits were repatriated, thus hindering accumulation and the long term development of the forces of production in Nepali industry (Bhattarai, 2003). Capital was invested not only as shares but through granting loans to Nepali industrialists. It was estimated by Regmi (1977a) that the Biratnagar Jute Mills Ltd, established at the end of the Rana years, had to pay an estimated 70 percent of interest on loans from Indian enterprises to purchase raw Jute.

Economic liberalisation and Nepali industry

Shortly before the restoration of multiparty democracy, Nepal was subject to an IMF imposed neo-liberal adjustment program. The policies of structural adjustment can be interpreted as a political process which underlies the latest phase of the internationalisation of capital, whereby the remaining 'obstacles' to the further expansion of the capitalist mode of production are removed (Chandra, 2004; Harvey, 2003). The opening up of capital markets offers firms from developed

⁸ This process began in the early stages of imperialism in the mid 19th century whereby unrestricted imports of manufactured commodities from the core destroyed traditional industries in peripheral colonial social formations (Mandel, 1975).

⁹ Note that low wages are associated with the relations and forces of production and not an independent variable as Emmanuel suggests.

regions even greater sources of profit in the periphery to offset capitalist crises (Harvey, 2003; Kiely, 2005). In the context of Nepal, this process included the further encouragement of foreign capital investment from the mid 1980s onwards (Chitrakar & Weiss, 1995)¹⁰. Firms continue to be attracted to Nepal by temporary profits arising from its lower labour costs¹¹ (Khanal et al., 2005) and the inflow of Foreign Direct Investment increased from \$US 11 million during 1990 to US\$23 million in 1997 (Khanal & Shrestha, 2008). As of 2008, 28% of the registered foreign owned firms are Indian, 13% are Chinese and 9% are from the US (Department of Industry, 2008).

Table 2-1: Use based classification of manufacturing industries 2006-07

Industry type	No. of establishments	No. of employees	Gross fixed assets at year's end (000sRs)	Value of output (000s) (Rs)	% total value of output	Total Value added (000s) (Rs)	% total value added
Consumer non-durable goods	1	126,626	52,219	87,786	52%	26,668	65%
Consumer durable goods	301	4258	699	1,430	0.009%	507	0.01%
Intermed. goods	672	28,699	10,316	58,013	35%	8,714	21%
Basic goods	207	7729	9,688	20,586	12%	4,795	12%
Capital goods	4	No data	No data	No data	No data	No data	No data
Other	20	538	234	142	0.0008%	56	0.001%
Total	3290	167,853	73,155	167,815	100%	40740	100%

*Adapted directly from Central Bureau of Statistics 2006-07 Census of Manufacturing Establishments dataset.

Despite the significant increase in manufacturing establishments following economic liberalisation (Mahat, 2005) which has led to marginal development of capital goods and basic goods industries, the distorted structure identified by Bhattarai (2003) which was present in the 1960s and 70s persists into the present day. Table 2-1

¹⁰ 100% cent foreign equity participation in large and medium sized industry is now permissible in Nepal, with no restrictions on the repatriation of invested funds (Khanal & Shrestha, 2008).

¹¹ The index of labour cost per worker in Nepal is 77% lower than India and 56% lower than China (Khanal et al., 2005)

displays how consumer non-durable goods such as food products and textiles represent 52% of the total value of manufacturing output and 65% of the value added. Intermediate goods which include semi-complete inputs for industry such as timber, glass and metal building materials represent 35% of the total value of output and just 21% of the value added. Basic goods such as bulk raw materials represent only 12% of both the total value of output and the value added. Similarly, consumer non-durable goods representing long lasting finished products constitute a mere fraction of the value of output and value added in manufacturing industries. Although there was no data on the value of capital goods, the fact there are only 4 establishments suggest its development is also limited.

The existing manufacturing industries remain subordinate to foreign capital. Most inputs as well as machinery and tools still need to be imported, and many firms therefore appear effectively to be individual units of production with relatively limited local forward and backward linkages (Khanal et al., 2005). Doubt has been cast on the capacity for foreign owned industries to facilitate the diffusion of expertise and know-how to domestic industrialists (Athukorala & Sharma, 2004). There is little involvement of foreign owned firms in deepening their involvement in the economy through for example research and technological 'spin-offs' (Chitrakar & Weiss, 1995).

Foreign capital investment itself has been suggested to remain far lower than it could potentially be, with firms being deterred in the first instance by political instability (Mahat, 2005) and continued infrastructural constraints (Athukorala & Sharma, 2004; Khanal et al., 2005). Meanwhile, the removal of trade barriers following economic liberalisation have increased the strain on those few domestically owned industries that have been established, reinforcing the dominance of Indian capitalism in Nepal (Khanal et al., 2005; UNDP, 2002). The remaining small scale 'cottage industries' have been particularly badly hit (Khanal et al., 2005).

Table 2-2: Balance of trade: Total value of Nepal's annual imports and exports (millions of Rupees)

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Total exports	49822.7	55654.1	46944.8	49930.6	53910.7	58236.2
Exports to India	21220	26030	27956	26430	30777.1	39448.4
Exports to other countries	28602	29624	18989	23501	23134	18788
Total imports	108505	115687	107389	124352	136277	132187
Imports from India	47428	54701	56622	70924	78739	83836
Imports from other states	61076	60986	50767	53428	57538	46351

(Source: Nepal Rastra Bank, 2008)

In the context of the constraints outlined above, Nepal's trade deficit has continued to grow (See Table 2-2) (Khanal et al., 2005). While the 1997-2002 Ninth Plan had projected an average annual industrial growth rate of 7.7% during the five year period, performance remained at an average of only 2.7% (Asian Development Bank, 2003). By the fiscal year of 2002 the growth rate had declined to -3.3%, mainly due to -10% growth rate in manufacturing (Asian Development Bank, 2003).

2.4 Understanding the trajectory of capitalist development in peripheral agriculture: Insights for Nepal

2.4.1 Differentiation and development of 'reserve army' of labour

The argument thus far, based upon the literature, has suggested that unequal relations between 'social formations' and the associated political alliances have 'blocked' the development of the productive forces in Nepali industry. While it is evident that as with many low income countries, Nepal is far from developing large scale industrial capitalism, how does one go on to understand the trajectory of capitalist development in agriculture in such peripheral regions? This is a topic which has been the subject to considerable controversy in recent decades (Akram-Lodhi, 2007; Alavi, 1990;

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Bernstein, 2003; 2001; Byres, 1981; de Janvry, 1981; Patnaik, 1999; 1990; Thorner, 1982). While it is not necessary to re-examine this debate, it raises some important insights that must be reviewed in order to explore the potential processes of capitalist transition or stagnation in Nepali agriculture.

As has been stressed thus far, in order to understand the trajectory of capitalist development in peripheral agriculture it is necessary to examine both the internal dynamics of older modes of production, and how they are situated in relation to other modes within the social formation and the broader global capitalist economy. Even if the capitalist mode of production in industry is weak as a result of global uneven development, this does not imply that a capitalist mode of production will not emerge in agriculture. Instead this mode of production is a primary site of capitalist development in peripheral social formations given the international division of labour and global demand for agricultural commodities. This assertion can be backed up by a body of literature implying that capitalist development in agriculture is still 'inevitable' in peripheral regions. In this context, the small scale family farm which is the central unit of production in many pre-capitalist agrarian formations is still destined to be dissolved, particularly under economic liberalisation (Akram-Lodhi, 2007; 2008; Glassman, 2006; Oya, 2001). Could this cast doubt over the future of pre-capitalist modes of production in Nepal?

In Nepal, traditional peasant industries have already been broken down, making households increasingly dependent upon the market (Blaikie et al., 2001). This was a precursor to commercialisation and capitalist development in Lenin's classic theory. Unlike historical Europe however, it is international imports which have completed this process rather than domestic industrial development, which is of course limited in many peripheral regions. Aside from this there has been extensive government and donor led promotion of commercial production of new commodities for local and international markets through the Agriculture Perspective Plan, an explosion of microfinance schemes, and a rapidly expanding transport infrastructure (Blaikie et al., 2001; Rankin, 2004). In this context one may expect capitalist social relations to develop in Nepali agriculture.

It has been suggested that capitalist differentiation will be even more powerful under neo-liberal restructuring given the withdrawal of the state support mechanisms which offered limited protection for marginal producers. Oya (2001) demonstrates how the effects of agricultural market liberalisation in Senegal vary according to the class of the farmer, intensifying the process of differentiation. Furthermore, many of the high value export crops introduced under commercialisation programs have such high start up costs that they exclude more marginal producers (Bernstein, 2003, 13).

An important suggestion is that differentiation in peripheral regions is accelerated in the context of the drive by capital from more developed regions to avert crises and locate 'super-profits'. Marx and Lenin's analyses of agrarian transition were based upon 'national' capitalist development in historical Europe. The process of class differentiation in the modern day periphery is similar, but the nature of the proletariat which emerges is suggested to be quite different and has been argued to provide an exceptional source of profit for an expanding capitalism (Bernstein, 2004). The root of this phenomenon can be located in the relation between agriculture and industry. To Lenin (1960 545), the loss of employment which occurred through the destruction of peasant industry and agrarian class differentiation in Russia was compensated for by the growth of manufacturing industries, creating an industrial workforce which initially grows disproportionately to the agricultural workforce¹². In peripheral countries such as Nepal however, the development of manufacturing industry has been impeded by Nepal's structural position within the worldwide capitalist economy (Bhattarai, 2003). The process of proletarianisation thus releases a global 'reserve army' of labour, often engaged in increasingly insecure and oppressive wage employment (Bernstein, 2004; Walker, 2008), often under conditions of unfreedom (Brass, 1997). Industrial development in such contexts is no longer able to generate sufficient employment to absorb the labour force released in the process of class differentiation and provide a 'living wage' to the population (Bernstein, 2004).

¹² This occurs because the total labour force in industry increases on an absolute basis, (while declining relative to value of constant capital). Meanwhile in agriculture, there is an absolute decrease unless cultivated area can be increased (Lenin, 1960, 40)

To Harvey (2003), the presence of this labour ‘reserve army’ is functional to capital under imperialism as it locates a ‘spatial fix’ to its crisis of falling rates of profit. It is thus in the interests of capital from core regions of the global economy to intensify the spread of capitalist relations to previously isolated peripheral regions. In order to ensure the release of this labour force he even goes as far as to argue that there is been an intensification of differentiation by *extra-economic* means. In the contemporary periphery for example, this is characterised by the appropriation of land for capitalist investment and the privatisation of common property resources, often with the support of foreign capital (Harvey, 2003)¹³. Akram-Lodhi (2007, 1442), referring more specifically to agriculture, terms this process of forcible separation “neo-liberal enclosure”¹⁴. He points to the growth of an export-oriented capitalist sub-sector in many less developed countries under the control of international agro-business. This sector has flourished through the drive for cheap wage foods to increase rates of relative surplus value in core industry, and is increasingly displacing independent peasant producers in peripheral regions. In countries such as India, dispossession of peasants can also make way for non-agricultural services in Special Economic Zones (Patnaik, 2007).

2.4.2 Articulation of modes of production and reproduction

Articulation of modes of production

While economic liberalisation, expanding markets and the drive by capital for new sources of profit may cast doubt over the stability of pre-capitalist modes of production in peripheral regions, does capitalist subordination necessarily require that older economic formations be ‘dissolved’? It has been argued that surplus value

¹³ To Harvey, this process of ‘accumulation by dispossession’ is not restricted to the periphery, but occurs in the core though for example, the intensification of privatisation and the creation of new property regimes.

¹⁴ Examples include the privatisation of collective farms in former socialist countries and of communal lands such as the ejidos of Mexico, to make way for corporate agribusiness (Akram-Lodhi, 2007).

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can be located *within* pre-capitalist modes of production as capitalism expands in peripheral social formations.

Bettelheim (1972) outlines a process he terms ‘conservation-dissolution’. He states that as capitalism increases its dominance “...non-capitalist forms of production, before they disappear, are ‘restructured’ (partly dissolved) and thus subordinated to the predominant capitalist relations (and so conserved)” (1972, 297). While it is suggested that a process of rapid dissolution of non-capitalist modes is predominant in social formations dominated by capitalism with a greater development of the productive forces, ‘conservation-dissolution’ is the main tendency in social formations where capitalism is not yet dominant. As Bettelheim (1972, 297-298, original emphasis) suggests:

“Inside social formations in which the capitalist mode of production is not directly predominant, that is, in social formations that are capitalist social formations because they are subordinated to the capitalist mode of production through the world market (but in which other modes of production predominate), the main tendency is not to dissolution of the non-capitalist modes of production but to their conservation-dissolution”.

Bettelheim stops short of specifying the actual mechanisms through which pre-capitalist modes of production are restructured and conserved, as is observed by Wolpe (1982b). Nevertheless, it is necessary to reiterate Althusser and Balibar’s conceptualisation outlined above that social formations consist of *more than one* mode of production, coexisting in structures of dominance. Understanding change in one mode of production therefore requires an analysis of how it relates with others. To Althusser, the transition between modes of production is by no means linear and simplistic, but is characterised by complexity and historical specificity (Althusser & Balibar, 1968, 196-197)¹⁵. This complexity emerges from the tendency for subordinate modes of production to persist as “survivals” articulated to the emerging

¹⁵ Althusser and Balibar (1968) for example, argue that Marx’s model of a dualistic class structure, drawn from the English example was never intended to reflect reality, but was an “ideal average” or “purified form” of capitalism. He goes on to argue that “...he [Marx] analyses it on the assumption that there are only ever two classes present in his object (a situation that never existed anywhere), and that the world market is entirely subject to the capitalist mode of production, which is just far from reality”

dominant mode of production¹⁶. In this context, pre-capitalist modes of production may coexist, supplying surplus to the capitalist sector. As was discussed at the outset of this chapter, it is necessary to examine the forms of surplus appropriation which may have constrained accumulation in agriculture. In this context, a drain of surplus between pre-capitalist and capitalist modes of production may result in differentiation and the development of a capitalist class structure to be significantly more limited. This set the theoretical framework for a body of work investigating the complex articulations between modes of production (Bradby, 1980; Dupré & Rey, 1979; Foster-Carter, 1978; Meillassoux, 1980; Raatgever, 1985; Singh, 2007; van Binsbergen & Geschiere, 1985a; van der Klei, 1985; Wolpe, 1982b).

'Functional' articulations and 'disguised proletarians'

A first theory of articulation suggests that the peasant unit of production which characterises pre-capitalist economic formations persists without differentiation following commercialisation, but fails to yield a profit for producers given the pricing mechanisms of capitalist markets. In this context, a number of studies have outlined means through which petty commodity production in peripheral social formations is functionally articulated to supply surplus to the capitalism (Alavi, 1990; 1975; Banaji, 1977; Bernstein, 2003; 1977; 2001; de-Janvry, 1981). de Janvry (1981) terms this process "functional dualism". Marx himself hinted at this possibility in Volume 3 of *Capital* in his discussion of the destruction of rural domestic industry. Although capitalist industry destroys the small scale village industries, intensifying the creation of a home market, it also relies upon it from time to time. Marx suggests that: "in particular branches, at certain points, it [capitalist industry] calls them up again elsewhere, because it needs them for the preparation of raw material up to a certain point" (Marx, 1967, 748).

To Banaji (1977, 34), the perpetuation of petty commodity production subservient to capital normally occurs when it is integrated to merchant or industrial capital as a

¹⁶ See for example, Balibar's analysis of the 'manufacturing' mode of production as an intermediary stage between European feudalism and capitalism (Althusser & Balibar, 1968, 237-239)

“quasi-enterprise” through the sphere of circulation. Rather than the small farm operating independently, a capitalist enterprise controls the input and outputs used and what is produced. In this context the price is manipulated and depressed through monopsony power so it essentially represents a “concealed wage”. Historical examples include the colonial enterprises which used coercion to set up particular commodity production regimes (Banaji, 1977). In the contemporary context contract farming epitomises this trend, whereby smallholders are institutionally linked to larger capitalist enterprises, often under conditions of relative unfreedom in terms of control over what is produced and the prices received (White, 1997). In such contexts, peasant farmers exploit their own labour, by working for more than is necessary for their own subsistence, and create a surplus which is initially appropriated by the household itself (Banaji, 1977; Bernstein, 1977). However a large proportion of the surplus may be extracted by the buyer, making them effectively “disguised proletarians” (Bernstein, 1977, 69). The lack of accumulation meanwhile, prevents any capitalist differentiation.

Again, these articulations can be understood in the context of the position of peasant producers within a broader worldwide capitalist mode of production, whereby the surplus appropriated provides a source of exceptional profits for firms from industrialised economies through the provision of cheap wage goods or raw materials. Similarly, it may provide high rates of profit for local ‘capitalist’ firms, including those dominated by foreign capital (de Janvry, 1981). Such processes have been intensified under neo-liberal globalisation, which both destroys petty commodity production in some circumstances while also preserving it in others (Bernstein, 2001).

There is another circumstance in which peasant economies may persist under capitalist conditions through “conservation-dissolution”, which to de Janvry (1981) also represents a form of ‘functional dualism’. This can occur when there is not necessarily commercialisation and an emergence of petty commodity production, but *partial* differentiation whereby the peasant producer maintains enough land to supply the capitalist mode of production with cheap labour (Bernstein, 2001; de-Janvry,

1981). Both Lenin (1960, 177-178) and Kautsky (1988, 166) observed the tendency for peasants to engage in labour outside as well as working on their own land. As workers already have some security from subsistence farming, capitalist enterprises can pay less to their workers and maximise the appropriation of surplus in value form. The presence of these “allotment holding wage workers” therefore prolongs the life of subsistence agriculture under capitalism (Lenin, 1960, 177). Under neo-liberal globalisation, Harvey (2003) suggests that the use of this cheap semi-proletarian labour in peripheral regions represents another source of high profits to avert capitalist crises. As Bernstein (2001, 39) argues, poor peasants “form part of an expanding reserve army of labour in the countryside and in the cities and towns of large areas of the imperialist periphery”.

Dangers of assuming capitalist dominance

Two possible outcomes of capitalist penetration into a pre-capitalist agrarian economy such as Nepal have thus far been identified: one whereby differentiation occurs and peasant producers are gradually split into wage workers and capitalist farmers, and another whereby they persist but only so long as they are ‘functional’ to capital, supplying surplus through cheap labour or commodities. Is it possible however, that neither of these outcomes are realised in Nepal and that pre-capitalist modes of production are persisting in relative isolation, despite expanding markets, improved transport infrastructure, and commercialisation initiatives? As of 1997-8 Blaikie et al (2001, 2002) suggested that there was little evidence of either capitalist differentiation or middle-farmer led commodity production (with or without accumulation) in the West-Central region of Nepal, and doubted that Nepal’s Agriculture Perspective Plan would significantly alter this situation.

The discussions on articulation or ‘functional dualism’ outlined above highlight the important idea that pre-capitalist modes of production can be preserved. However, in many ways they have much in common with theories asserting the dissolution of the peasantry. Both bodies of literature appear to assume the inevitable *subordination* of pre-capitalist economic formations based upon peasant farming to capitalism in the context of economic liberalisation, the monetisation of the rural economy and global

demand for agricultural commodities. The use of terms such as ‘disguised proletarians’ or indeed ‘functional dualism’ itself suggest that the persistence of older economic formations is *dependent* upon capitalism.

van Binsbergen & Geschiere (1985a) argue however, that in peripheral regions capitalism does not always emerge spontaneously and undermine older economic formations when they come into contact with expanding capitalist markets. While there may still be loose articulations, with flows of surplus between modes of production and alliances between pre-capitalist and capitalist dominant classes, one can not assume the older economic formation is subordinate or functional to capitalism.

Peasant overwork and resistance to differentiation and commercialisation

There is evidence that pre-capitalist modes of production can effectively resist capitalist differentiation through *internal* mechanisms. As was suggested above, the political-ideological processes which reproduce the relations of production and their associated forms of surplus appropriation play an important role in reproducing the entire mode of production after each productive cycle. One phenomena which could explain why differentiation does not occur under modes of production based upon peasant farming is the ideological value attached to land ownership, and the drive by peasants to retain their holdings, no matter how unprofitable they are (Shanin, 1973). This resistance to differentiation is often made possible through ‘overwork’ and ‘under-consumption’ which in the long term can perpetuate relations of production based upon the independent land owning unit of production. This phenomena was initially observed by Kautsky (1988, 142), who suggests that competition from modern industry will not necessarily lead to the dissolution of small enterprises, but may cause them to persist through the overwork and under-consumption of the workers.

However, this may still entail the entire surplus being supplied to the capitalist sector. It is suggested in this context that even when peasant farmers are integrated

into the market, they will continue to sell when prices drop to rates which yield a return far below the average rate of profit. Even when output (and also input) prices cause an erosion of households' subsistence needs, peasants may continue to produce by using their labour more intensively (Dyer, 2004), a process Bernstein (1977, 64) terms the "simple reproductive squeeze". Although such rates may cause capitalist farms to cease production, the peasant producer would intensify the use of family labour on the land through overwork in order to continue production and retain their holdings (Bates, 1984; de-Janvry, 1981; Lehmann, 1982; Shanin, 1973). In fact, much of the literature on 'functional' articulation outlined above does acknowledge the presence of such a dynamic. The tendency for overwork reinforces articulations with capitalism by intensifying the supply of cheap produce and labour to the capitalist sector¹⁷ (Banaji, 1977; Bernstein, 1977; de Janvry, 1981). This is facilitated by the fact that unlike under capitalism, peasant producers are driven by subsistence rather than profit (Marx, 1967, 805). The assumption remains however, that the peasantry inevitably becomes *subordinate* and functional to capitalism, giving away its entire surplus. However, surely peasant producers can persist alongside capitalism through such mechanisms without such subordination. In many cases for example, peasant producers may resist their transformation from subsistence producers into petty commodity producers in the first instance (Bates, 1984). Furthermore, they may seek to avoid unnecessary 'risks' such as the introduction of innovations which could lead to the loss of land and differentiation (Shanin, 1973).

This may explain why coercion is often required to subordinate peasant producers. For example, as Banaji (1977) noted, colonialism entailed small farmers being coerced into producing for the market, and *direct* political intervention to control prices ensured the supply of surplus for capitalism. A similar argument applies to discussions of capitalist differentiation. Although capitalist differentiation may occur through natural processes whereby capitalism develops within the pre-

¹⁷ If there is a surplus product to sell therefore it is considered something which cost the farmers little, and is often sold at a value that does not remunerate them for the labour realised to produce it. A portion of the surplus-labour of the peasants, is in Marx's terms "bestowed gratis upon society" (Marx, 1967, 806).

capitalist mode of production in the context of market expansion, Harvey's (2003) notion of 'accumulation by dispossession' suggests otherwise. It refers to situations whereby extra-economic force is required to implant capitalist social relations. Although Harvey does not actually engage with the internal dynamics of pre-capitalist modes of production, the fact that external force is necessary is evidence that pre-capitalist formations are often more stable than one may first assume, a point even echoed by Marx himself.

Pre-capitalist forms of surplus appropriation: Lessons from the 'lineage' mode of production

One can not assume however, that forms of surplus appropriation that block profitable commercialisation only occur through articulations with capitalism. The second and most significant mechanism through which pre-capitalist peasant based modes of production persist is through the appropriation of surplus by *pre-capitalist* dominant classes, impeding accumulation.

To identify these pre-capitalist forms of surplus appropriation it is necessary to examine the diversity of modes of production based upon the peasant unit. In a given mode of production, the productive unit may still be the family farm, and it may still be reproduced in part by peasant 'overwork'. However, there may be more complex combinations of relations and forces of production and mechanisms of reproduction which distinguish it from other pre-capitalist formations also grounded in peasant farming. A body of literature which includes an analysis of complex pre-capitalist modes of production which can resist capitalist expansion is provided by the French radical anthropologists of the 1970s such as Pierre-Philippe Rey and Claude Meillassoux in their analysis of what are termed African 'lineage modes of production'. In early colonial Africa, although production was carried out primarily on family farms (the 'peasant' unit of production) and through hunting-gathering, the primary flow of surplus was between youth/women and the male elders (Dupré & Rey, 1979; Meillassoux, 1973b). These relations of production and the associated forms of surplus appropriation were reproduced not so much through control over the

means of production but through control over the means of *labour reproduction* in the sphere of circulation, i.e. the allocation of wives and the associated exchange of prestige goods. Youth were compelled to produce a surplus for the elders in order to ensure they access a bride (Dupré & Rey, 1979; Meillassoux, 1973b).

Rey stresses that while articulations with capitalism occurred in African lineage modes of production; these articulations did not 'explain' the perpetuation of this economic formation. In fact, the internal mechanisms of the lineage mode of production impeded capitalist expansion (Dupré & Rey, 1979). The exchange of goods produced by capitalism initially facilitated the reproduction of the lineage economic formation leading to mutual co-existence (Dupré & Rey, 1979, 205). However, for the reproduction of this system, the primacy of exchange relations and their symbolic meaning rather than production relations meant that lineage elders who controlled the surplus had little interest in accumulating to expand the production of subsistence goods. To Rey, this presented a fundamental obstacle if capitalism was to develop the forces of production, restructuring the 'traditional' economic system in order to yield surplus value in the form of labour or commodities (cf. Resch, 1992).

Once again, it was only the *coercive* power of colonialism which was according to Rey, able to break the lineage mechanisms of reproduction by implanting capitalist relations of production, using primarily political mechanisms (Dupré & Rey, 1979). This occurred through the colonial state building infrastructure, establishing plantations and commodity production, while forcefully establishing taxes and monetising the economy so households require cash, thus encouraging wage labour (cf. Resch, 1992). This destroyed the autonomy of the lineage mode of production, rendering it subordinate to capitalism. van Binsbergen & Geschiere (1985a) thus stress that the diversity of pre-capitalist economic formations mean there is considerable variation in the mechanisms through which capitalism subordinates them. Social formations dominated by older economic formations can follow unusual trajectories of change on contact with the market. They stress that it is

necessary for the scholar to examine *how* capitalism was and is able to establish dominance, noting that this often requires complex measures, including coercion.

It is important to acknowledge however, that even when pre-capitalist modes of production are successfully dominated by capitalism, their economic, ideological and political mechanisms of reproduction are never entirely dissolved. While extra-economic coercion may subordinate older formations to capitalism in the first instance, individuals may seek to preserve the older system, as Singh (2007) demonstrates with reference *adivasi* social formations in India¹⁸. The economic and political reproduction mechanisms of the older mode of production may even be preserved on a political level to serve the interests of capitalism. Rey for example notes that the colonial state in Africa sought to protect the hierarchy of chiefs which facilitated the control over land, enforcement of property rights, tax collection and the conscript of labour (cf. Resch, 1992)¹⁹. Meillassoux (1980) similarly suggests that in the context of migrant labour in Southern Africa, it is not only in the interests of capitalism to sustain subsistence agriculture in the villages. It seeks to preserve the entire tribal social structure and its familial institutions which offer social security for workers and cheapen the reproduction of their labour power. A more recent example was the native reserve system under Apartheid South Africa (Wolpe, 1982a).

While it is yet to be established whether or not economic formations akin to the lineage mode of production are present in Nepal, the importance of examining the complex reproductive mechanisms of the pre-capitalist modes of production and their associated forms of surplus appropriation is of even greater importance in a

¹⁸ The requirement for cash amongst Madhya Pradesh *adivasi* households following the penetration of capitalism through extra-economic means undermines the traditional redistributive system of labour and commodities which once ensured the social formations' survival. Households attempt to counter labour shortages and maintain the traditional redistributive economy through increasing the number of family members. However, this has the opposite effect by creating a shortage of subsistence goods. What is important to note here however, is the drive by households to preserve the older economic formation.

¹⁹ Dupré and Rey (1979) suggest that following decolonisation in Africa, the social formation is characterised by a lineage mode of production and a politico-administrative system combining elements inherited from both economic formations. The colonial capitalist mode of production however, remained dominant.

country such as Nepal. Many of the direct political interventions to implant capitalist social relations seem less likely to have occurred on the same scale as some of the studies outlined above. Nepal was never directly integrated into the colonial project in South Asia and thus was not subject to many of the coercive measures which subordinated pre-capitalist economic formations to capitalism. Even in the present day, unfavourable terrain combined with a relatively weak developmentalist state mean that international agri-business and other institutions which could complete this process have yet to make significant headway in rural areas and Nepal lacks a strong export oriented sub-sector²⁰.

Pre capitalist forms of surplus appropriation: Semi-feudalism

A powerful pre-capitalist mode of production which deserves particularly close attention is that of semi-feudalism. Semi-feudal mechanisms of surplus appropriation are argued to be highly significant in hindering accumulation and the transition to capitalist development throughout South Asia (Bhaduri, 1981; Bharadwaj, 1985). Such an economic formation is suggested to remain widespread in parts of Nepal, particularly in the Terai where this study is focussed (Bhattarai, 2003; Blaikie et al., 2001; Seddon, 1987).

The semi-feudal mode of production is primarily dominated once again by the peasant *unit* of production, but one in which the farmer does not own their land. The relations of production are thus typically characterised by phenomena such as sharecropping, with high pre-capitalist ground rent paid to feudal landlords who appropriate much of the surplus (Bhaduri, 1973; Thorner, 1982). As with capitalism, the relations of circulation are necessary for units to reproduce their means of production and labour power. However, under semi-feudalism, forms of surplus appropriation often flourish in this sphere as well, with merchant capital

²⁰ Of course, this does not mean to say that capitalism can not emerge without extra-economic coercion in Nepal. Bradby (1982) for example, criticises Rey for overlooking cases throughout the periphery whereby an expanding capitalism can undermine pre-capitalist modes of production through competition alone. Nevertheless, by understanding the economic, political and ideological mechanisms through which a diversity of pre-capitalist modes of production are reproduced, one can better understand how they can potentially persist over time, even co-existing with capitalism.

playing a parasitic role. This occurs through both usury and ‘compulsive’ market participation on highly unfavourable terms, often enriching a mercantile elite who sometimes are also the landlords (Bhaduri, 1981; 1986; 1973; Bharadwaj, 1985). In such cases, the unproductive ‘drain’ of surplus by landowners and merchants to meet the needs of simple reproduction only, and the pauperisation of the poorer strata of the peasantry, block the development of the productive forces. This constrains the emergence of profitable commodity production from which capitalist development would emerge (Bhaduri, 1981; 1973).

However, most analyses of semi-feudalism fail to adequately acknowledge the ideological and political mechanisms through which these *relations of production* and the associated forms of surplus appropriation are reproduced through time. As was suggested above, to Althusser (1971), capitalist relations of production are reproduced through the ideological and political processes which separate labourers from the means of production. Relations of production which can be characterised as ‘feudal’ in character however, are reproduced primarily through the mechanisms which perpetuate control over land resources by an elite (Meillassoux, 1973a; Raatgever, 1985). In the context of Nepal, one must be aware of not only legal property rights to land, but the integration of landlords into the bureaucracy since the Rana years (Regmi, 1988; 1977b; Regmi, 1978), and how this may have facilitated their continued control over land resources.

It is also important to be aware of ideological processes such as caste. To Meillassoux (1973a), feudal exploiting classes could legitimate their control over land and the agricultural surplus by setting up a status order against the reality of class relationships. Caste acts an “ideological screen” which hides the social reality which has evolved over Indian history with shifts in the character of feudal class power (Meillassoux, 1973a). Caste plays a role in the relations of circulation as well as production such as in the patron-client *jajamani* networks of exchange. Under this system, households specialising in particular trades are bound by material obligations by a patron from a higher caste. In return the patron grants their clients the means of subsistence, protection and gifts. To Meillassoux, (1973a) this is significant not as a

form of exploitation but through placing the patrons at the apex of the circulation of commodities, hindering the development of market exchange and preventing the emergence of a rival bourgeoisie class²¹. However, *jajmani* exchanges can also play a more directly exploiting role. By lower castes accepting 'gifts' from those higher in the hierarchy under the guise of moral obligation, mechanisms of exploitation are camouflaged, aiding semi-feudal reproduction (Rankin, 2004; Vasavi, 1998).

However, one can not assume that semi-feudal modes of production represent archaic economic formations which simply 'co-exist' with capitalism. In understanding how they may affect the trajectory of agrarian change, it is necessary to examine once again, the *articulations* between semi-feudalism and capitalism. This can both protect such modes of production and their mechanisms of reproduction, or lead to their dissolution. Key points to articulations of feudal economic formations with capitalism in the context of historical Europe whereby the burgeoning capitalist class relied upon the feudal mode of production for the supply of agricultural produce to towns and for the extra-economic coercion which could separate the peasants from the land and release a labour force for urban capitalism (cf. Resch, 1992).

In the Indian context, Alavi (1990; 1975) suggests that feudal landlords were supported by the British imperialists. They were able to exercise coercion over their tenants to maximise the accumulation of surplus. Meanwhile, the surplus which was not appropriated by landlords was absorbed into the economy of the imperialist core through the pricing system set up by the British, blocking expanded reproduction in agriculture and capitalist differentiation (Alavi, 1975). In this context, the control over land and ability to exercise extra-economic power was of utility to the imperialists by maximising the supply of cheap produce.

However, such forms of articulation once again, involved the *extra-economic* power of colonialism, whereby alliances were forged with the landed elites and the

²¹ Nevertheless, the expansion of markets from outside may undermine the autonomy of these relations (Vasavi, 1998).

peasantry was coerced into entering the market, processes which are unlikely to have occurred in Nepal. Nevertheless, looser articulations may emerge, and even if there is not a transfer of surplus, there is evidence that the capacity for semi-feudalism to persist in rural South Asia is still intricately connected with the broader dynamics of capitalist development both within the social formation and in the worldwide economy.

It has already been established how the capitalist mode of production already present in many peripheral social formations is distorted in character as a result of the global division of labour, with limited industrial development. The stagnation of industry means that the huge surplus labour force released through capitalist development in agriculture will not necessarily be absorbed into a nascent industrial sector. Instead there is under employment and the release of a huge 'reserve army' of labour subject to increasingly insecure and unfree forms of capitalist exploitation. However, there is evidence that in the context of semi-feudalism, the processes which undermine capitalist development in industry can actually reinforce the power of pre-capitalist modes of production in agriculture.

Bharadwaj (1985) for example, argues that an underdeveloped industrial base in certain regions of India can reproduce the power of landlords as farmers lack alternatives. In the English case, the process of commercialisation dissolved feudalism. This can be partly attributed to the simultaneous growth of capitalism in industry as well as agriculture, which acted as a pull for labour out of agriculture, undermining the reliance of farmers upon feudal classes (Bharadwaj, 1985). In this context it was in the interests of feudal lords to develop the forces of production or lower rents in order to encourage more profitable tenants to remain as tenants, eventually becoming capitalist farmers. Alternatively it may have provided the incentive for landlords to themselves become capitalist farmers and expel the peasantry.

However, in the South Asian context, imperialism has undermined the industrial base, offering few alternative livelihood options for farmers in many regions. Pre-

existing inequalities in land ownership therefore results in a preponderance of marginal producers reliant upon land as a means of subsistence. As the pauperised base of the agrarian structure can not raise the capital to access the land market, and the risk of not securing non-agricultural employment is so high, the only option for farmers is to bid for leases. The high competition for tenancies forces up rates of rent above the value of land (Bharadwaj, 1985).

Meanwhile, the parasitic role of usury and merchant capital under semi-feudalism can be better understood when one acknowledges the absence of alternative livelihood options. Both Marx and Kautsky, although recognising the parasitic nature of merchant capital and usury under pre-capitalist conditions, suggest that it plays a 'productive' role for the long term process of capitalist development. To Kautsky (1988), the increased dependence of households on the market and need for cash following the destruction of household industries facilitates the rise of the merchant and money lending class who act as intermediaries in expanding markets. Indebtedness increases the rate of differentiation as farming households sell their land, speeding up the process of capitalist development in agriculture. However, the growing rural proletariat does not only obtain wages in the agricultural sector, but in the growing industrial sector, which pulls them out of agriculture. Eventually small farmers do not even try to compete with larger farms as their main source of income is off farm labour, particularly in industry (Kautsky, 1988).

In 'backwards' regions of India however, Bharadwaj (1985) maintains that handicrafts industries have already been undermined, creating a need for cash. However, this is a result of manufactured imports from abroad rather than domestic industrial growth. This same process occurred in Nepal with the imports of both Indian and British made manufactured goods (Bhattarai, 2003; Blaikie et al., 2001). However, in the absence of a growing industrial sector, Bharadwaj (1985) stresses that ties of dependence develop between peasant producers and merchant and usury capital whereby loans are taken to meet cash needs. To settle debt, farmers are compelled to sell their produce, often at highly unfavourable rates (Bharadwaj, 1985). Although the presence of commercialisation suggests that there may still be

some articulations with capitalism through the sphere of circulation, capitalism is by no means powerful enough to undermine semi-feudal production relations.

In such contexts, propertied classes such as landlords and merchants have few incentives to develop the productive forces in agriculture and invest capital when a dependant peasantry provides multiple sources of surplus (Bhaduri, 1981). As Bharadwaj (1985 15) argues, “Where possibilities of exploiting labour become almost limitless there is less incentive to improve productive forces, that is, undertake productive investment”.

This suggests a contradictory process, as the distorted development of capitalism which normally provides exceptional sources of surplus value can actually hinder the drive by capital to expand. Blaikie et al (2001, 2002) note that urban and industrial employment in Nepal remains limited and temporary, and there is a chronic “absence of options” for farmers out with agriculture. In order to subsist, households thus remain reliant upon agriculture or are forced to sell assets or migrate (Blaikie et al., 2001). It is therefore necessary to question whether or not in the context of Nepal’s underdeveloped industrial economy, there will be sufficient alternative livelihood opportunities which can undermine feudal relations.

Internal complexity in modes of production

In order to better understand modes of production in rural Nepal and the processes through which they are perpetuated, it is important to return to the argument at the outset of this chapter on the complexities of modes of production and associated class structures. To Althusser, and Marx himself, the mode of production was only intended to represent an abstract entity, or ‘ideal type’. It is important to leave space for fluidity in both the character of modes of production and their interactions with others.

It must be re-emphasised however, that this does not mean rejecting concepts such as the ‘mode of production’ and the associated forms of ‘crystallised power’. Instead it

entails giving space for complexity *within* a given set of structural relations or ‘generative processes’. By analysing articulation of modes of production itself without assuming capitalist dominance one acknowledges the complex constitution of the rural class structure and associated forms of power. However, one must also examine complexities within the ideological and political mechanisms through which modes of production are reproduced, and the contradictory effects such mechanisms may have in the context of economic change.

Althusser’s (1969) analysis of the complex role the non-economic levels of the social world can play in social reproduction highlights this point. He argues for example that ideologies are not simple reflections of economic processes but have their own logic, and on some occasions can themselves shape the character of economic relations. The classical Marxian approach considers the core concept of superstructure, represented by the state and its legal, political and ideological forms, as a simple reflection of the economic base, which constitutes the relations and forces of production. To Althusser however, the superstructure is not a necessary condition of the base, but has its own essence and logic (Althusser, 1969). For example, in the transition between modes of production, ideological “survivals” persist, even after the transformation is complete. These survivals can continue to shape the relations of production under the newly constituted social formation (Althusser, 1969, 115). With this understanding it is possible to occasionally uncover situations whereby ideological processes can have outcomes which contradict the reproductive mechanisms of the mode of production into which they initially emerged. This has implications for any attempt to understand capitalist transition in Nepal.

For example, Rankin’s (2004) study in the Kathmandu valley notes how lower castes’ capacity to perform ritually defiling work has offered them opportunities for better paid off-farm labour. In the context of the Kathmandu valley, one of the few regions in Nepal undergoing moderate capitalist development, caste ideologies which once reproduced a particular set of pre-capitalist relations, now have a contradictory effect. By facilitating the movement of low caste labourers into the non-farm

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economy, they have undermined the ties of interdependence into which low caste people have been integrated for generations (Rankin, 2004)²².

Similarly, van Binsbergen & Geschiere (1985b) point to religious cults and their associated ideologies in Zambia. Although these initially arose in the context of an articulation of the lineage mode of production and colonial mercantile capitalism, they have now developed into exploitative structures in their own right. While new ideologies have emerged in the context of modern articulations with capitalism, cultic formations continue to reproduce particular specific relations of exploitation within the lineage mode of production. Such religious practices sometimes even take on an impetus of their own, and autonomously 'create' new relations of production. It is therefore important not to jump to conclusions as to the associations between the symbolic and material worlds (van Binsbergen & Geschiere, 1985b).

Althusser argues however, that complex non-economic relations still emerge in the context of the overall process of material production and social reproduction, and thus economic processes are "determinate in the last instance" (Althusser & Balibar, 1968, 216-224). For example, although the ideologies in the above examples such as caste or cultic religions may appear autonomous from the mode of production, they both still arose in the context of a particular set of economic relations. With regards to caste in Nepal, one would expect that in the long term, new ideologies may emerge to reflect the new class relations, and this has already been observed in Kathmandu with a class based social status slowly displacing that of caste (Liechty, 2003).

The notion of 'determination in the last instance' does not imply that the social world is 'reducible' to the economic, but instead this understanding "sees the material process of production and social reproduction as conditioning (enabling and constraining) various kinds of overdetermined outcomes in various social domains" (Glassman, 2003, 685). In other words, the economic system and the process of reproduction creates the objective conditions for the political system (Althusser &

Balibar, 1968, 224). While this notion is still open to debate, it highlights the importance of in depth analysis to identify the economic structures which may underlie particular ideological and political formations, no matter how complex or 'autonomous' they may appear on the ground.

Intra-household relations and the mode of production

Understanding complexity within the modes of production into which Nepali farmers are integrated into also entails addressing the silence on behalf of decades of Marxian scholars on class relations and flows of surplus *within* the household (see Benholtd-Thomson, 1982; Deere & Leon de Leal, 1982; Folbre, 1982; Gibson-Graham, 1996; Kabeer, 2001). Studies in agrarian communities in India (Agarwal, 1992), and Nepal (Nightingale, 2006; Rankin, 2004) have identified how the performance of culturally defined gender identities shape a particular exploitative distribution of labour within the household whereby women perform a distributionally greater share of labour while reaping less of the rewards. The 'overwork' of women, while not necessarily influencing the reproduction of the relations of production, may facilitate the reproduction of the forces of production. For example, unpaid female reproductive labour in agrarian communities can 'cheapen' a households' labour power, either under capitalism or in an articulation between a subsistence based mode of production and capitalism (Benholtd-Thomson, 1982). This has important consequences for understanding the trajectory of agrarian transition and the types of articulations which emerge. Similarly, the dynamics of labour allocation under particular gendered divisions of labour may constrain the introduction of particular technologies or crops, as Schroeder (1997) demonstrated in the Gambia, affecting the course of agrarian development.

2.5 Conclusion

In sum, it is evident that in order to understand the trajectory of agrarian transition in Nepal, it is crucial to be aware of the processes which have hindered the accumulation of surplus and capitalist development in agriculture. This requires firstly, a broader understanding of pre-capitalist modes of production themselves, accounting for the multiple mechanisms of surplus appropriation through both the relations of production and circulation. It is also necessary to understand the economic, political and ideological mechanisms which facilitate the reproduction of these pre-capitalist formations after each productive cycle.

Secondly, it is important to understand how older formations articulate with capitalism and the new forms of surplus appropriation which may emerge, without assuming they are subordinate or functional to capital. Thirdly, it is necessary to examine how the relations and articulations between pre-capitalist modes of production and capitalism (and their impact) vary according to the broader processes of the worldwide capitalist mode of production. In Nepal, the distorted development of industrial capitalism is intricately connected with the broader dynamics of the worldwide capitalist economy and historically established political alliances between a comprador bourgeoisie and foreign capital. The limited development of capitalism in industry however suggests that there are likely to be few alternative livelihood options for farmers. While on the one hand this may provide sources of exceptional surplus value in the context of capitalist differentiation in agriculture, on the other hand it may reinforce the power of semi-feudal exploiting classes, and actually hinder the expansion of capitalism.

Finally, it is necessary to recognise the potential for complexity and contradictory processes within pre-capitalist modes of production, and of the class structures, ideological and political formations which may be present. For example, one must acknowledge that the superstructure can have relative autonomy from the base. However, an appreciation of complexity also requires an analysis of class relations at

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the household scale, most notably intra-household flows of surplus such as those associated with gender relations.

3 The Agricultural Perspective Plan, neo-liberal ideology and capitalist expansion

3.1 Introduction

It has been established that in order to understand the trajectory of agrarian transition in Nepal it is necessary to explore the complex mechanisms through which pre-capitalist modes of production are reproduced both internally and through their position within the worldwide capitalist economy. In this context however, how does one understand the policy interventions by the Nepalese state and donors which have sought to promote agrarian development? Before examining the actual dynamics of agrarian transition on the ground, this chapter seeks to better understand the ideological processes behind Nepal's development strategy and how these policies may potentially shape the trajectory of rural change in Nepal.

One of the most significant development strategies released by the Nepalese government in recent years is the Agricultural Perspective Plan. It comes at a time when small farm commercialisation figures centrally in rural development policies throughout the world, and envisages a transformation of the agrarian sector and the emergence of profitable middle farmer led commodity production. However, this chapter demonstrates that while the APP is cloaked in optimistic pro-poor rhetoric, it reflects on an ideological level, the broader process of capitalist expansion under neo-liberal globalisation. The APP expects the rural poor to perform an entrepreneurial subject position and participate in markets and lift themselves from poverty. However, in reality, it glosses over the forms of exploitation associated with the emergence of capitalism in peripheral social formations. It overlooks two potential outcomes of agrarian commercialisation which release new sources of profit for capital to the detriment of producers. These include the differentiation and the release of a 'reserve army' of labour and the articulations between petty commodity production and capitalism. The APP also reinforces ideologies of comparative advantage that reproduce the position of the Nepalese social formation within the global division of labour.

The chapter concludes however, by examining initial evidence which suggests that the impact of the APP on the agrarian sector is limited. The framework for this research is thus laid out by suggesting that the APP, although glossing over capitalist modes of exploitation, also diverts attention from pre-capitalist modes of production and their associated forms of surplus appropriation. These pre-capitalist class structures can potentially both reproduce the impoverishment of large segments of the rural population while also preventing accumulation and the expansion of capitalist social relations in the first instance.

3.2 The Agriculture Perspective Plan

In 1996 the Nepalese government along with its international donors introduced the Agriculture Perspective Plan (APP), which outlined a 20 year plan for rapid agricultural growth and general prosperity. The APP was created with much optimism and populist pro-poor rhetoric and was a central aspect of Nepal's reinvigorated development strategy in the period following the restoration of democracy. The 9th five year plan from 1997-2002, identified the APP as the principle policy instrument for achieving poverty reduction and pledged a commitment to its full implementation (Food and Agriculture Organisation, 2003). It has figured in each subsequent national development plan up until the present.

The APP's primary aim is to encourage smallholders to shift from subsistence production to the production of high value, market orientated agricultural produce (APROSC, 1995, ; Cameron, 1998). It simultaneously aimed to increase the agricultural growth rate from less than 3 percent in the past twenty years to 5 percent during the next 20 years, and to increase per capita food production from 277 kg to 426 kg by 2017. The APP promotes the market orientated production of both traditional grain staples such as rice and wheat, and higher value cash crops and vegetables (APROSC, 1995). The strategy for promoting smallholder commercialisation in the Terai has been largely 'technology driven'. The focus has

been on facilitating commercial production through irrigation and transport infrastructure and extension services to promote new technologies and commodities (APROSC, 1995).

The APP evolved from earlier unsuccessful attempts at agrarian development in Nepal from the 1960s onwards when 'development' first began to figure in Nepalese government rhetoric. International donor agencies in Nepal, alongside the Panchayat government of the time, made several efforts to promote smallholder agricultural development and commodity production through plans such as the FAO's Perspective Study of Agricultural Development for Nepal in 1974 and the Governments Ten Year Agricultural Development Plan in 1973 (APROSC, 1995). These policies can be understood in the context of broader trends in rural development policy over the years. Throughout much of the 1950s and 60s, state development policy in peripheral countries was dominated by the Modernisation School, whereby the emphasis was on encouraging growth in the modern industrial sector (Peet, 1999). Government policies were heavily biased towards urban areas. Agricultural development was restricted to large scale plantations and the rural peasantry was expected to play a 'passive' role in economic development, whereby they would supply resources to the modern sector which would eventually expand to replace them (Ellis & Biggs, 2001). However, the late 1960s and 1970s saw an increased recognition by policy makers that the 'top down' growth strategies were not meeting the needs of the poorest households, particularly in rural areas where it was argued that most poverty is concentrated (Corbridge & Jones, 2005), and there was a rise in the concept of 'development from below' and an interest in agricultural led strategies of economic growth (Stöhr, 1982).

Rather than focussing wholly on the development of the few key industrial sectors through import substitution industrialisation, which in Nepal was largely unsuccessful, donors and national policy makers increasingly sought to mobilise the resources of all the sectors of the national economy (Stöhr, 1982). This involved projects that utilise the potential of individuals or groups at the micro level through small scale, labour intensive activities capitalising on local people's skills. It was

claimed by policy makers that mobilising the resources of the vast population of households engaged in subsistence orientated smallholder or ‘peasant’ agriculture would be an effective means through which to offer economic opportunity to the poor (Ashley & Maxwell, 2001, ; Ellis & Biggs, 2001). These policies were justified on the premise that they would facilitate poverty reduction while simultaneously stimulating national economic growth from below, alongside large scale ‘urban biased’ projects (Ellis & Biggs, 2001, ; Stöhr & Taylor, 1982). The shift in policy towards favouring smaller family run units rather than commercial estates led to the birth of what Ellis and Biggs (2001) term the “small farm paradigm,” a theme which has persisted in discourses of rural development in various manifestations up until the present.

The major question which arises in this context is how one should interpret the Agriculture Perspective Plan. It has been argued that the increased emphasis throughout the world on utilising the smallholding family farm as an engine for so called ‘development from below’ is connected with the broader dynamics of neo-liberal globalisation (Bernstein, 2001, ; Ellis & Biggs, 2001). While it is cloaked in pro-poor rhetoric, it appears that the APP is intricately connected with neo-liberal restructuring and the drive by capital to expand into previously isolated regions of the periphery. The question is therefore, whether or not the implementation of the APP will facilitate the development of capitalist class relations in rural Nepal, or the subordination of pre-capitalist modes of production to capitalism.

3.3 Ideology and capitalist expansion under neo-liberalism

3.3.1 Structural Adjustment and capitalist expansion

As was established in chapter 2, Nepal has been subject to economic liberalisation since the mid-1980s. Neo-liberalism, the ideology which underlies the restructuring process, is as a political theory grounded in neoclassical economics. It understands unrestricted markets as being the most effective way to deliver people’s needs, as

opposed to forms of state led central planning and market regulation (Dasgupta, 1998, ; Peet & Watts, 1993). The International Monetary Fund and the World Bank have played a significant role in ensuring that less developed countries are integrated into this new global economic order (Gore, 2000, ; Peet, 1999, ; Rankin, 2004). Crucial to structural adjustment are cut backs on public spending to reduce fiscal deficits while encouraging private enterprise in service provision (Ghosh, 1998, ; Oya, 2004, ; Peet, 1999). Akram-Lodhi (2007, , 1445) summarises restructuring as an endeavour to “compress the state, to enhance the role of markets in social and cultural life, and in doing so broaden and deepen the role of capital and the capitalist mode of production in the countries of the South”. As was suggested in the previous chapter, by opening up new sites for investment by multinational capital, restructuring serves the interests of capitalists in imperialist regions as they search for new sources of surplus value to counter falling rates of profit (Harvey, 2003).

Of greatest significance for understanding the APP however, are the micro-level policies associated with neo-liberalism. They mediate the shifting relations between the global capitalist mode of production dominated by the core industrialised economies and pre-capitalist modes of production within peripheral social formations. These micro-level policies can intensify the subordination of pre-capitalist modes of production to capitalism through their destruction as well as ‘conservation–dissolution’. In Nepal, there is evidence that the APP and its associated ideological framework facilitates the intensification of this process whereby capitalist markets are extended into previously more isolated social formations. It is to these ideologies we now turn.

3.3.2 Neo-liberal ideologies of rural development

Mobilisation of ideology through rural development policy

As was outlined above, political and ideological relations support the reproduction of global unequal relations between social formations. In Nepal and elsewhere, long

established political alliances between the foreign and ‘comprador’ bourgeoisie have for example, reinforced the subordination of Nepalese industry to foreign capital. However, just as the British Empire was collapsing there was an emergence of new foreign interests through ‘aid.’ The volume of aid to Nepal from major donors such as India, China and the West increased substantially from the 1960s onwards (Blaikie et al., 2001).

The direct imperialist interests of foreign enterprises and many outside governments (especially India) in Nepal are obvious. However, the international development sector represents a more complex set of imperatives. At one extreme the rural development agenda of the World Bank and IMF, who were of course instrumental in restructuring Nepal’s economy, represent interests compatible with those of imperialism. However, at the other extreme are the micro-level rural development policies introduced through donors and INGOs, within which policies such as the APP have emerged. At first glance the latter appear to represent a separate set of class interests from those associated with IMF and World Bank sanctioned capitalist expansion. They may include some more ‘progressive’ agendas representing the struggles of the peasantry. However, an in depth analysis of the ideologies behind a significant number of ‘pro-poor’ rural development policies and programs suggest the class interests they serve are not entirely different. Despite the rhetoric, many offer what is simply a more ‘subtle’ ideological justification for both the further subordination of Nepal within the global economy and the further subjugation of pre-capitalist modes of production in the search by capital for new sources of profit.

Hall (1980) usefully combines the Althusserian notion of ideology with Gramsci’s notion of hegemony to understand the means through which the ideological and political levels of social formations interact with the economic level. Hegemony is defined as a system through which a dominant class achieves “total social authority,” often through non-coercive means, not only at the economic level, but at the political and ideological level (Hall, 1980, , 331). Hegemony is constantly reshaped as it seeks to adapt the superstructure of society in order to ensure the expanded reproduction of capital (Hall, 1980, ; Rankin, 2004). At the national scale, it is

exercised in its political and ideological forms through both state and civil society institutions.

However in the context of capitalist globalisation, Peet (2002) notes how neo-liberal hegemony can be exercised at a supra-national level. It can be imposed upon peripheral social formations through what he terms academic-institutional-media complexes¹ representing the power blocks in the global economy (Peet, 2002, , 57-60). In the context of less developed countries, while poverty alleviation policies are implemented domestically through the institutions of the nation-state, they are informed considerably both directly and indirectly by the ideologies of institutions such as the World Bank and major bilateral donor agencies. The assertion that neo-liberal ideology is exercised through infiltrating the existing state structures in peripheral countries is compatible with Gramsci's claim that hegemonies are exercised through a process of negotiation which encompasses an alliance of classes, rather than being imposed by a singular class (Hall, 1980).

3.3.3 Ideology of the agricultural entrepreneur

Self-help and neo-liberalism

Larner (2000) argues that neo-liberalism is more than just an economic policy framework, but is a "system of meaning," that frames people's subjectivities in particular ways. Althusser introduced the notion of interpellation, which is regarded as central to the process through which hegemonic ideologies are exercised and social formations are reproduced. Althusser (1971) states that "...all ideology has the function (which defines it) of 'constituting' concrete individuals as subjects." Ideology confers people with a seemingly natural subject position which governs how they are expected to perform. Korteweg (2003) for example, utilises

¹ According to Peet (2002, 57-60) organisations subsumed under the concept "academic-institutional-media (AIM) complexes" include not only institutions such as the World Bank and development agencies, but media institutions and universities who diffuse ideologies through reports, articles and popular media.

Althusser's concept to examine how American single mothers are encouraged to perform the subject position of a self-sufficient masculine worker-citizen in the context of welfare reform. This parallels a number of Foucauldian inspired studies that suggest neo-liberalism has led to the replacement of the welfare state with a form of governance that encourages individuals and institutions to behave in conformance with the norms of the market (Larner, 2000, ; Rose, 1999). They encourage people to see themselves as entrepreneurial subjects responsible for their own welfare (Rose, 1999).

In the context of countries such as Nepal, there is evidence that it is through donor led neo-liberal ideology that governments frame poverty alleviation strategies in the context of the withdrawal of state social support that characterised the 'basic needs' development initiatives of the 1970s and 80s (Peet, 1999, ; Stöhr & Taylor, 1982). As in most peripheral countries that are undergoing liberalisation, there have been cut backs in Nepal on the low levels of state social security that was made available prior to restructuring such as subsidised credit, and a privatization of key public services (Rankin, 2004) ². In this context, development policies expect citizens to perform an 'entrepreneurial' subject position based upon the values of individual autonomy and independence compatible with neo-liberalism, rather than an identity which embodies entitlement to social and political rights (Kamat, 2004, ; Mayer & Rankin, 2002, ; Rankin, 2004). All citizens, including the poor, are encouraged to find their own solutions to their livelihood needs through utilizing their own skills and resources to 'seize' the opportunities made available by the global economy (Rankin, 2004, ; 2001). As Kamat (2004, , 169) argues: "The individual is posited as both the problem and the solution to poverty rather than as an issue of the state's redistribution policies or global trade policies".

In a similar vein, the smallholder commercialisation promoted in the APP provides the ideal means through which the rural poor can perform such an entrepreneurial

² Furthermore, in 1986, the government launched a short lived Basic Needs Program, which sought to meet the populations' minimum needs in food, clothing, shelter, primary healthcare, education and security. This was phased out following economic liberalisation (APROSC, 1995)

subject position. At the time the APP was released, peasant farm commercialisation was viewed by key external funders as the ideal means through which small farmers could 'liberate' themselves from poverty through the market. It was anticipated that the commercial production of high-value commodities would offer significant 'economic opportunity' for small scale farmers, who could utilize their own skills to produce and sell cash crops to accumulate wealth (APROSC, 1995, ; Nepal National Planning Commission, 1997, ; 2004).

This parallels global policy shifts. The 2008 World Development Report by the World Bank is entitled "Agriculture for Development" and has placed considerable emphasis on the need to commercialise family farms to alleviate poverty through for example, the promotion of new crops and technologies, research and extension and enhanced access to credit (Akram-Lodhi, 2008). On the first page, it states:

"While the worlds of agriculture are vast, varied, and rapidly changing, with the right policies and supportive investments at local, national, and global levels, today's agriculture offers new opportunities to hundreds of millions of rural poor to move out of poverty. Pathways out of poverty open to them by agriculture include smallholder farming and animal husbandry, employment in the "new agriculture" of high-value products, and entrepreneurship and jobs in the emerging rural, non farm economy" (World Bank, 2008, 1).

Referring to the 2008 report, Akram-Lodhi (2003, , 1155) suggests that it seeks to "bring competitive entrepreneurial farmers further and deeper into better enabled markets."

Releasing the entrepreneurial potential of the peasantry: Implementation of the APP

The APP proposed a number of interventions which would release the entrepreneurial spirit of the peasantry and encourage profitable commodity production. As with many development initiatives, there is evidence that the understanding of human economic behaviour the APP mobilises is grounded squarely in the principles of neo-classical economics and rational choice theory. Such understandings of the social world state that individuals are self-interested and

act “rationally,” making decisions according to the likelihood that the outcomes will maximise their personal utility (Goldfield & Gilbert, 1995, ; Green & Shapiro, 1994). It is conventionally stated that “utility” refers to things that make one directly ‘better off’ such as wealth or power (Green & Shapiro, 1994). It is assumed therefore in the APP that the provision of certain interventions will offer entrepreneurial ‘rational’ peasant households the incentive to commercialise.

The implementation therefore included six proposed ‘priority inputs’ (APROSC, 1995). Many of these interventions were unsuccessfully implemented during the five year plans of the 1970s and 80s and it was anticipated in the APP that their effective provision today will offer commercialisation incentives to smallholders and pave the way for rapid rural economic growth and poverty alleviation (Nepal Department of Irrigation, 2005). These include ‘transport’, such as the building of roads which will expand agricultural markets (see Figure 3-1), ‘irrigation’ to boost yields and ‘rural electrification’ which will cheapen the use of farm equipment. A further three ‘priority inputs’ include ‘fertiliser’ with initiatives to improve the supply of quality nutrients, and ‘technology’ with an emphasis on improved research and extension (APROSC, 1995).

A final ‘priority input’ is ‘credit’. Microfinance schemes have increasingly been promoted as important means through which to provide the conditions that encourage small farmers to commercialise in less developed countries (International Fund for Agricultural Development, 2006). In Nepal, the schemes have increased considerably in rural areas throughout the country (APROSC, 1995, ; Maharajan & Takahatake, 2002, ; Shrestha, 2003). Loans can be used for example, to purchase chemical fertilizer or shallow tube wells and to develop animal husbandry and high value crop production (APROSC, 1995).

Figure 3-1: Loading cabbages for transport to Indian market in Dhankuta district: Expansion of the transport infrastructure to expand agricultural markets was a ‘priority input’ of the APP



Figure 3-2: IPM demonstration plot in Morang district: Agricultural extension to promote high yielding techniques and introduce new crops was another ‘priority input’ of the APP



Many of the interventions designed to provide the incentives for commercialisation are specific to the neo-liberal era, being increasingly market led rather than state led. Although under neo-liberalism the state provides the infrastructure and services to encourage commercialisation such as the APP's 'priority inputs', it has abolished many of the *direct* economic support mechanisms that were once regarded as crucial to agrarian development. Such state support was central to the small farm paradigm of the 1970s and 80s which regulated prices, protected markets and offered subsidies to smallholders (Ellis & Biggs, 2001). Nevertheless, such cutbacks are legitimated through arguments that suggest the competitive, entrepreneurial potential of smallholders is restricted due to state intervention in markets (Oya, 2001). This argument is evident with regards to the withdrawal of state distribution of subsidised inputs in less developed countries (Barrett, 1997, ; Barrett & Mutambatsere, 2005). Rather than being reliant upon state run outlets, farmers can buy fertiliser in a 'competitive' private sector. Thus the farmer has a 'choice', allowing them to maximise utility through choosing the outlet that offers the most favourable prices and variety (Barrett, 1997).

Interestingly, there is evidence that the policy makers formulating the APP sought to maintain some forms of direct state support for farmers, resisting the growing neo-liberal orthodoxy. The APP offered continual support for state subsidies in fertilizer and irrigation (APROSC, 1995, ; Deraniyagala et al., 2003)³. Additional subsidies were also proposed for shallow tube well irrigation (APROSC, 1995). However, the power relations inherent in the relationship between Nepal based policy makers and external donors have ensured the dominance of conventional neo-liberal ideology. Conditions attached to the 1998 Second Agricultural Program Loan (SAPL) from the Asian Development Bank required Nepal to eliminate these subsidies and promote private sector distribution of inputs (Deraniyagala et al., 2003). It is stated that a liberalised private sector will more efficiently provide rural producers with high quality goods and offer greater choice, as well as leading to reduced government expenditure (Nepal National Planning Commission, 2003).

³ It proposed for example that 13% of the priority input investment is to be allocated to fertiliser subsidies.

As was outlined above, the development sector has complex objectives\ and in this context hegemony is not imposed, but is exercised through a process of a negotiation and alliance building by different interests. As Rankin (2007) argues, the diffusion of neo-liberalism does not represent an imposition of a universalizing ideology. Instead, it articulates and negotiates with existing national networks and discourses⁴. In Nepal therefore, there was clearly some resistance to neo-liberalism, although it was unsuccessful. When interviewing a policy maker involved in the formulation of the original APP, he stressed his frustration with this situation when I asked about the potential for subsidies being reintroduced:

“Given the dependence of Nepal on donors, I see that only as a remote possibility. Subsidies will not be introduced no matter how loudly the government yells... and even during this entire period of political revolution, all the finance ministers, yes all the finance ministers and the vice chairman of National Planning Commission, they are all supporters of the neo-liberal market. They want a minimum role for the government... the government body’s role is only to facilitate, regulate, play a political role, and everything else is for the private sector... and I think donors also have a handle here in really influencing what the government emphasizes, I think it’s basically World Bank and IMF, supported by some other big donors. So they will not let Nepal reintroduce subsidies.”

The respondent also suggests that orthodox neo-liberalism has been successful in shaping agrarian policy not only through coercion by international financiers but through the support for the free market offered by those at the top of the planning hierarchy. This is could perhaps be associated with the history of alliances between the comprador bureaucratic elite and imperialism.

⁴ Rankin (2007) identifies similar conflicting interests within the microfinance sector, whereby domestic policy makers have resisted the donor led imposition of neo-liberal discourses. Policy makers schooled in an era which favoured state support for the poor attempted to accommodate social protectionist objectives in the context of economic reforms to the credit sector.

3.3.4 Ideological justification of capitalist expansion

Thus far it is clear that the APP has introduced a series of interventions designed to unleash the entrepreneurial spirit of the peasantry. While this reframing of the subject position expected of the rural poor can be understood as an effective ideology which justifies the withdrawal of state social support, there is evidence that these ideologies play a far more important role. This is apparent when one observes that Nepal lacked a strong developmentalist state which provided significant social support to the poor in the first place. A more noteworthy function of neo-liberal ideologies of 'self-help' and entrepreneurship is their capacity to legitimise and facilitate the expansion of capitalist social relations into previously isolated sectors.

The APP can therefore be interpreted as legitimising and making possible the further integration of the Nepalese peasantry into global capitalist markets, realising new sources of surplus value for capital. How though does this occur? As was discussed in chapter 2, the commercialisation of agriculture can set forth a process of differentiation. Peasants become dependent upon the market and the more successful farmers emerge into capitalist producers, while poorer farmers are reduced to becoming landless labourers. In peripheral regions such as Nepal where there are few alternative livelihood options, this releases a 'reserve army' of labour willing to work for low wages.

However, is this the actual 'intention' of the APP? Amongst Nepal's national policy makers, concepts such as entrepreneurship and self-help justify the withdrawal of state support. However, it would be difficult to argue that they themselves *directly* seek full differentiation and the establishment of large farms and a release of a reserve army of proletarian or semi-proletarian labour. Instead, the focus of the APP is largely on middle farmer led agricultural growth⁵. It seeks poverty alleviation through the development of what Marx would term 'petty commodity production', whereby family farms produce for the market while still owning their means of

⁵ Although it acknowledges that the more marginal farmers should join the labour force, the strategy seeks the consolidation of a commodity producing middle peasantry rather than the polarisation of the rural class structure.

production (Mann & Dickenson, 1978). The APP could potentially justify the subordination of middle peasant producers whereby they supply cheap commodities to capitalism with few opportunities for accumulation. However, this directly contradicts the APP's pro-poor rhetoric.

How therefore does one understand the ideological role played by the APP? Most importantly, the APP is effective for capitalist expansion as it is *depoliticising*. It diverts attention from the exploitative micro and macro class relations which emerge in the context of commodity production, regardless of their particular manifestation by promoting an unfeasible model of growth. The popular notion in rural development policies such as the APP that *profitable* petty commodity production can persist without differentiation has been long criticised from a Marxian perspective (Bernstein & Byres, 2001, ; Byres, 1979). It has been argued that small farm commercialisation strategies in a neo-liberal era are based upon notions of an "average representative farmer" (Oya, 2004, , 3). They fail to account for historically specific forms of economic stratification in rural areas and the potential for differentiation (Bernstein & Byres, 2001, ; Oya, 2004). This raises serious questions regarding the vision of a dynamic 'middle farmer' led agrarian transformation in the APP. Similarly, the APP overlooks the possibility of articulations between capitalism and petty commodity production which would result in an appropriation of surplus through the market mechanism, impeding accumulation (de Janvry, 1981).

The neoclassical economics in which the APP is grounded, with its roots in methodological individualism, neglects to understand the economy as embedded in social relations, assuming it is composed of abstract profit maximising individuals. Such theories therefore fail to acknowledge the role of deeply entrenched structures that condition individuals' behaviour as much as profit maximising desires (Little, 1991). This separation of the social from the economic which is made to appear 'natural', is thus a crucial element of the ideological process through which neo-liberalism informs development policies and operates alongside the interpellation of entrepreneurial subject positions upon rural populations. Brown (2006) suggests that

depoliticisation is central to the neo-liberal project. Social problems such as economic inequality are framed in market terms and technocratic solutions are suggested, diverting attention from the exploitative social relations of capitalism itself (Brown, 2006).

The APP in this context, by emphasising entrepreneurship as the core to poverty alleviation, glosses over the exploitative class structures associated with the integration of rural populations into capitalist markets. However, it serves the imperatives of imperialist globalisation by not only providing the ideological justification, but the actual *conditions* which allow the expansion of capitalism. These include the institutions and infrastructure to facilitate the subordination of peasants to capital. If this facilitates differentiation, it would increase the pool of cheap – often semi-proletarian – labour for firms seeking to invest in Nepal both today and in the future, as well as increasing the potential supply of migrant labour. The development of a peasant sector providing surplus to capitalism in a ‘functional’ articulation of modes of production appears unlikely to occur as an immediate consequence of the APP’s implementation, as little focus was placed on the likes of contract farming and agribusiness. However, by expanding capitalist markets, the APP sets the conditions for such subjugation in the future.

Comparative advantage, supply and demand-led linkages, and poverty alleviation

The depoliticisation inherent in the APP not only justifies the integration of the peasantry into capitalist markets, it also reproduces the structural location of the Nepalese social formation within the global economy. The emphasis on small farm commercialisation is compatible with ideologies of ‘comparative advantage’ which have been given renewed importance under neo-liberal globalisation (Bernstein, 2001, ; Patnaik, 2007). Rather than attempting to advance their position in the international division of labour through state ownership or protection of key domestic industries, natural resource rich, labour surplus low income countries, are expected to orient their economies to the export of primary goods and labour intensive manufactured products (Fonda & Gereffi, 1992, ; Patnaik, 2007). Such

theories represent an effective ideology which underlies neo-liberal globalisation, grounded in the assumption that ‘the market’ will allocate world resources in the most efficient way possible (Piene & McMichael, 2003). As was discussed in chapter 2, the further diversion of resources from industry further blocks capitalist industrial development (Harvey, 2003). This of course also facilitates the realisation of ‘super-profits’ for firms from more developed regions, increasing their monopoly over peripheral markets and expanding opportunities for the export of capital. Furthermore, the combination of limited industrial development and capitalist differentiation in agriculture is essential if a ‘reserve army’ of labour is to be released in the first instance.

In line with assertions by the World Bank (World Bank, 2008)⁶, the APP states that Nepal’s ‘comparative advantage’ lies in the production of higher value agricultural commodities and labour intensive agro-products (APROSC, 1995, ; Nepal National Planning Commission, 2004). Such policies are further supported by the assertion that Nepal is a country with nearly 80 percent of its population employed in farming (Nepal National Planning Commission, 2004). In this context the smallholder is central to national economic growth strategy. The APP states that:

“The engine of growth will be agriculture. It dominates employment through its direct and indirect influences, is the largest component of Nepal’s gross national product, has great potential for technology-based increases in resource productivity, and has strong multiplier effects on other sectors of the economy” (APROSC, 1995, , xvii).

With regards to agricultural exports, it is suggested that Nepal can take advantage of its vast altitude related climatic differences and produce off-season vegetables, which cannot be produced in India during the summer months. Meanwhile, the Terai can focus on the commercial production of grain staples, primarily for the domestic market, alongside some high value exportable commodities (APROSC, 1995).

⁶ The 2008 World Development Report claims that while agricultural development is crucial to poverty alleviation, it can also be the sector most central to economic development. In the context of less developed countries it states that: “...comparative advantage in the tradable sub-sectors will still lie in primary activities (agriculture and mining) and agro-processing for many years, because of resource endowments and the difficult investment climate for manufactures” (World Bank, 2008, 8).

If Nepal's comparative advantage lies in agriculture, and resources are to be diverted away from industry, how does the APP claim to be able to realise national economic development? The work of economists such as John Mellor Bruce Johnston have been particularly influential in this regard, an unsurprising outcome given that Mellor's consultancy firm operated alongside a Nepalese NGO, the Agricultural Projects Services Centre (APROSC) to develop the plan. The first element of Mellor's theory of agricultural led national development mobilised in the APP is the assumption that agricultural growth has a 'multiplier effect' on other sectors of the economy, and that industry emerges spontaneously from a dynamic agricultural sector (APROSC, 1995). This is based upon the premise that the introduction of new technologies in agriculture increases rural incomes and boosts the demand for consumer goods, facilitating rural led industrialisation (Johnston & Park, 1995, ; Mellor, 1976). The 2008 World Development Report itself mobilises an identical argument where suggests that:

“When agricultural incomes are spent on domestically produced non tradable goods and services, it stimulates demand for domestic industry and services. Production links proceed forward by fostering growth in agro processing and food marketing and backward through demand for intermediate inputs and services (World Bank, 2008, , 34).

The second element of Mellor's strategy evident in the APP is the type of envisaged industrial development, which remains well in line with theories of comparative advantage. The APP suggests that the government should focus on strengthening the existing industrial structure based upon agro-processing and other durable consumer goods industries. It asserts that the sector will expand naturally through the rural growth linkages accrued from improved agricultural incomes (APROSC, 1995). These labour intensive industries where Nepal has a 'comparative advantage', include garments, tobacco and leather production⁷ (UNDP, 2002). To Mellor (1976), such industries are both labour intensive rather than capital intensive, and have the

⁷ Both 9th and 10th Plan's industrial strategy is based upon the development of such industries, alongside sectors such as hydropower (Nepal National Planning Commission, 1997, 2003)

most potential to develop in the context of agrarian growth. It is asserted that capital goods such as petro-chemicals, steel and fertilizers should be imported (Mellor, 1976).

The final element of Mellor's argument in the APP is the assertion that such small scale industries offer indirect poverty alleviation benefits to more marginal households (APROSC, 1995). Mellor argues that the growing demand for labour through the multiplier effect offers improved employment opportunities for poorer farmers and landless labourers who perhaps can not benefit directly from commercialisation (Mellor, 1976).

Not only does Mellor's vision of profitable petty commodity production appear highly unlikely given its failure to engage with class, the spontaneous development of a dynamic industrial sector appears equally misguided. His prediction of rural growth linkages have been challenged on an empirical level (see Dunham, 1991). Furthermore, his approach fails to challenge foreign (primarily Indian) capital's monopoly and dominance in manufacturing over the decades, and the diversion of resources away from industries producing higher value capital and basic goods. In other words, such a policy would merely reinforce Nepal's position in the global division of labour.

3.4 Initial evidence of shortcomings in APP implementation

3.4.1 The impact of the APP on poverty alleviation

Despite the rhetoric and predictions, as one may expect, evidence suggests that the Agricultural Perspective Plan has had a questionable impact on poverty alleviation over 13 years after its initiation. This is asserted in the APP Implementation Status Report (IDL Group, 2006). Although aggregate reduction in the population living below the poverty line⁸ in the mountains and hills had between 1995-6 and 2003-4

⁸ Poverty line determined by calorie requirement. The minimum calorie requirement as the basis for the poverty line in the APP was 2256 calories.

exceeded APP targets by 17.3% and 10% respectively, the Terai had fallen short of targets by 3%, despite it having been the area with supposedly the greatest poverty reduction potential (IDL Group, 2006). Much of the poverty reduction in the hills and mountains, has been attributed to remittances from male migration to the Gulf and Malaysia and not agrarian transformation (IDL Group, 2006).

Furthermore, the poverty alleviation which has been achieved has not been shared by all socio-economic groups. In the same period, the share of those classified in the report as 'small farmers' living below the poverty line increased from 45-54% and the share of 'medium' and 'large' farmers decreased from 26-18% (IDL Group, 2006). The APP-ISP goes as far as to question the degree to which the decrease in wealthier households living below the poverty line is attributable to agricultural development. Despite the envisaged 'rural led' economic growth, the reduction of poverty was significantly greater in urban areas than rural areas, and the ratio of rural to urban poor has increased from 2:1 to 3.6:1 (IDL Group, 2006).

As of 2006, the Human Development Index for Nepal remains the lowest in South Asia and is positioned at 138th out of the 178 included countries (Nepal National Planning Commission, 2007). Many in Nepal have held the state's continued failure to guide national development as responsible for such conditions (Thapa, 2004). It has also been a prime explanation for the resentment and disillusionment with the subsequent governments that served in the late 1990s and early twenty first century (Thapa, 2004). Inevitably, this disillusionment led to the dramatic political changes which unfolded towards the turn of the century, such as the armed struggle by the CPN(M), promising an alternative economic system (Thapa, 2004).

3.4.2 'Techno-fixes' for perceived shortcomings in the APP

In this context, solutions to the perceived failures of the APP to meet its poverty alleviation targets have focussed on removing the technical constraints which have prevented 'rational' farmers from receiving the incentive to enter the market, rather than engaging with structural relations of power at a macro or micro scale. The 2006 Agriculture Perspective Plan Implementation Action Plan (APP-IAP) for example, seeks to continue the work of the original APP, but with numerous modifications (IDL Group, 2006). It suggests that development institutions did not successfully provide farmers with the 'priority inputs' such as infrastructure and services which would encourage commercialisation (IDL Group, 2006). The APP-ISR explains these failed interventions primarily by citing overall organisational problems and lack of coordination between different departments responsible for plan implementation (IDL Group, 2006). For example, between 1997/98 and 2003-4, although targets were exceeded in increasing the area under surface irrigation, the area under groundwater irrigation (mainly in the Terai) remained at only 25% of the APP target, despite the promotion of shallow tube well irrigation as a central element of the plan (see Table 3-1). Similarly, the target for rural road construction for the first 10 years of the plan was for 3312km to be built, when in fact, only 840km was actually completed (IDL Group, 2006).

In many cases, government budget allocations were well below those recommended in the APP. For the first three years of the plan from 1996-1999, recommended government expenditure on agriculture, irrigation and forestry was targeted at Rs 10,256 million. The actual expenditure turned out to be Rs 6575 million (constant prices 1996/7 levels) (ANZDEC-Ltd, 2002). Similarly, in 1997-98, investment in agricultural research and extension was 92% of the APP target, but by 1998-99, it had dropped to 57% (Deraniyagala et al., 2003). Furthermore, The Agricultural Sector Performance Review (ANZDEC-Ltd, 2002) states that in 2002, 33 percent of farmers had still received no assistance from extension services.

Table 3-1: Progress of APP in meeting irrigation targets

Type of Irrigation	APP Target for Irrigation coverage from 1997/98-2003/04 (hectares)	Achievements as of 2003/04 (hectares)	% Progress of APP targets
Surface Irrigation	90,400	128,175	141%
Groundwater Irrigation	171,600	444,478	25%
Total	262,000	172,653	65.9%

(Source: IDL Group, 2006)

One can certainly not deny that there were significant institutional failures in the delivery of the APP. It is even possible to situate these failures within the context of Nepal's distorted capitalist development and the persistence of a feudal and comprador bourgeoisie within the bureaucracy, obstructing the emergence of a strong developmentalist state (Blaikie et al., 2001). There is evidence that the old political culture of elitism, clientelism and corruption remains widespread within the state's development institutions (Blaikie et al., 2001, ; Thapa, 2004). Furthermore, the already weak states' capacity to carry out vital development work such as agricultural service provision has been undermined by the increased emphasis on the role of NGOs in development under neo-liberal restructuring (Blaikie et al., 2001). There is now also a wide range of development activities being carried out by uncoordinated, unrepresentative private sector institutions. The piecemeal nature of development work in Nepal has often resulted in an inability to strategically coordinate programs (Blaikie et al., 2001, ; Dhakal, 2006).

However, a successful provision of the APP's priority inputs would simply represent another 'techno-fix' to address agrarian development obstacles which are inherently *structural* and rooted in class relations. Nepal's 10 year Maoist insurgency which continued for much of the period of APP implementation was suggested to be an additional significant factor which had hindered the provision of 'priority inputs' (IDL Group, 2006). Ironically however, the conflict itself was believed to be a product of Nepal's long standing and deeply entrenched class inequalities (Thapa,

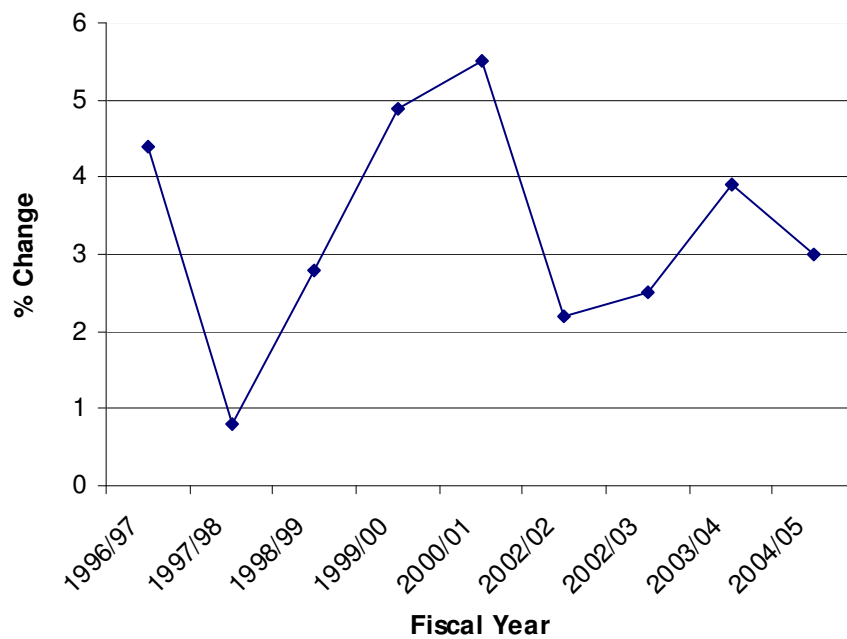
2004). A meaningful engagement with the class structures within social formations such as Nepal therefore may reveal some of the deep flaws inherent in the APP.

3.4.3. Pre-capitalist modes of production and the APP

A Marxian theory of agrarian transition which accepts the presence of class relations suggests significant shortcomings in the APP. The failure to acknowledge class differentiation casts doubt upon the APP's capacity to alleviate poverty through middle-farmer led commodity production in the long run. However, these approaches still predict some dynamic change in the agrarian economy. Acknowledging that some of the priority inputs have been implemented, albeit below the APP targets, one would expect that as a prerequisite for full or partial capitalist differentiation, there would be an emergence of commodity production and the gradual displacement of less profitable producers.

However, there is thus far limited evidence of this occurring. One expected outcome of capitalist development in agriculture would be economic growth in the sector. The Ninth Five Year Plan from 1997-2002 set a target for the country to achieve 4 percent agricultural growth in the first three years of the plan followed by steady growth above 5% (ANZDEC-Ltd, 2002). In reality however, Figure 3-3 demonstrates that the average growth rate of agriculture as a component of GDP from fiscal years 1995/6 to 1999/00, the first phase of the Agriculture Perspective Plan, remained at 2.94% (ANZDEC-Ltd, 2002). Subsequently, with the exception of the fiscal year 2001/02, it remained well below 5% (MOF, 2006).

Figure 3-3: % Change in gross domestic product in agriculture



GDP at 1994/95 Prices

(Source: Nepal Ministry of Finance, 2006)

Initial evidence thus casts doubt upon the capacity of the APP to stimulate the emergence of the small scale rural agrarian capitalism which it envisaged. As Blaikie et al (2001, , 299) state:

“The APP’s vision of a generalised dynamic agricultural transformation, creating new social classes and new patterns of investment and accumulation, as well as induced linkages and multiplier effects associated with rapid growth in manufacturing and services within Nepal- shows no signs of being realised yet, more than five years after the Plan was initiated.”

Blaikie et al (2001) point to the fact that much of the peasantry whom the APP has targeted, continue to live with livelihoods based primarily upon subsistence production, labouring and seasonal migration. Even amongst the wealthier strata of the rural population, commodity production is low, and when it is prevalent, it is dominated by traditional methods and does not act as a major source of accumulation.

This brings us back to the arguments raised in chapter 2, that pre-capitalist modes of production are often able to resist the encroachment of capitalism, to the point that only extra-economic coercion is able to undermine them. In the context of the APP's policies, there was little evidence of extra-economic coercion. Any capitalist differentiation one would expect to transpire would occur through 'natural' economic processes associated with the strengthening of more profitable farmers. In this context, could it be possible that pre-capitalist modes of production in rural Nepal present a barrier to the expansion of capitalism through the APP?

A fundamental irony of the APP's neo-liberal ideologies is that not only do they divert attention from capitalist axes of exploitation, but of pre-capitalist class relations such as semi-feudalism, which may hinder the expansion of capital in the first instance. A more rigorous analysis of pre-capitalist modes of production themselves, while acknowledging Nepal's macro-economic situation, may cause one to doubt the APP's capacity to promote any form of significant profitable commodity production in rural Nepal in the first instance, including forms which will lead to capitalist development. This would challenge both the APP and classical developmentalist Marxian assumptions on the trajectory of agrarian change.

3.5. Conclusions

The Agriculture Perspective Plan represents a drive by the Nepalese government and donors to expand the commercialisation of agriculture in rural Nepal, and envisages rural economic growth based upon profitable 'middle farmer' led commodity production. The interventions associated with the APP arguably have the potential to stimulate some form of dynamic change in the agrarian sector. While the middle-farmer led agrarian transformation appears an unlikely scenario, one may expect the APP to expedite the emergence of capitalist dominance in Nepalese agriculture. The focus on poverty alleviation through smallholder commercialisation is understandable in the context of World Bank and IMF hegemony in shaping rural development policy. The neo-liberal ideologies inherent in the APP divert attention

from class relations and the potential subjugation of the peasantry to capitalism through either differentiation or articulation of modes of production. On a subtle level therefore, the APP serves the interest of capitalist expansion within the periphery, realising new sources of surplus value.

However, a fundamental paradox of the neo-liberal ideologies behind the APP is that they also have the potential to divert attention from the *pre-capitalist* modes of production in rural Nepal. The APP envisages the spontaneous transition from a pre-capitalist economic formation to one based upon profit oriented commodity production in the same way that classical Marxian readings of agrarian transition assume the automatic emergence of capitalism. In order to examine the trajectory of agrarian change in Nepal and outcomes of the APP's interventions, it is necessary to examine the modes of production on the ground and how they may resist the emergence of capitalism.

4 Methodology and Techniques

4.1 Introduction

This chapter initially provides a justification for the political-economic approach used, acknowledging its weaknesses, while outlining how these will be addressed. Section 4.3 describes how the epistemological approach taken merits a combination of both quantitative and qualitative data. It justifies the choice of study villages, before describing the process of sampling, quantitative and qualitative data collection, and how access to the community was gained. Section 4.4 engages with the issue of reflexivity and ethics in the research process.

4.2 Methodological issues

4.2.1 Non-essentialism and Marxian political economy

In recent years Marxian political economy has been marginalized as a means of understanding changes in the human condition in favour of more post-structural epistemologies. Its theories, which are based upon abstract fixed categories, have come under scrutiny for their failure to account for difference and complexity in the social world (Castree, 1999; Corbridge, 1990). Marxism's role has always been to destabilize the assumptions of neo-classical economics and the supposed benevolence of the "invisible hand" of the market (Castree, 1999). However, there has been a move away from Marxian political economy at the very time when there has been a growing ascendancy of free market capitalism throughout the world and a consequent exacerbation of global inequality and uneven development (Castree, 1999; Corbridge, 1990). The crucial relevance of Marxian political economy also becomes apparent when investigating the dynamics behind the blocked capitalist development in Nepali agriculture, a process which I argue can not be understood without reference to Nepal's structural position in the globalised capitalist economy.

Marxism is a theoretic approach uniquely suited to challenge the assumptions of neo-classical economics that individuals will automatically respond to new marketing opportunities promoted in agrarian policy. Through an engagement with class relations, it can identify the processes which have constrained the emergence of profitable commercialisation. It can thus reveal how the “freedom of choice” so called “rational” individuals are assumed to exercise in neo-liberal economics is largely illusory, and the behaviour of agents is largely a function of their particular structural location. Marxian engagement with neo-liberalism however, has been overly focussed on identifying the emergence of capitalist class relations (Akram-Lodhi, 2007; 2008; Harvey, 2003). This study hopes to extend the scope of Marxian political economy itself in moving away from developmentalist interpretations which implicitly assume the inevitable dominance of capitalism. While still engaging with class relations, this thesis seeks to better understand those associated with *pre-capitalist* economic formations. It examines how they achieve stability in ways which both limit the success of neo-liberal poverty alleviation strategy but also impede the emergence of capitalism.

However, in order to investigate the constraints to profitable commercialisation at a village level in Morang, and the ‘reproduction’ of pre-capitalist economic formations, how does one attend to the criticisms Marxism has received for its perceived ‘essentialism’? Two elements of the approach taken attempt to address these concerns, both of which were touched upon in the previous chapter.

Firstly, this study follows the Althusserian tradition of Marxism in attempting to move away from interpretations which assume a universal trajectory of economic change. Rather than superimposing pre-existing theoretical categories on the complex social reality it seeks to identify structures which persist in time and space, or forms of ‘crystallized power’ (Glassman, 2006). As Harvey (1996) argues, a dialectic approach does not seek ‘ontological security’ or reductionism. Instead it seeks to understand common generative processes and relations. The ‘mode of production’ represents one of these structures or ‘generative processes’. It is a particular set of social relations associated with the *production* process which

achieves some stability at particular geographical and historical junctures. Given that the process of material production is a universal feature of all societies, the mode of production can be argued to represent an extremely important form of ‘crystallised power’. The character of particular modes of production however, varies considerably in different societies and the task of the Marxist researcher is therefore to identify its unique character and the mechanisms through which the set of relations it constitutes achieves stability (Raatgever, 1985; van Binsbergen & Geschiere, 1985).

The second associated element of the approach taken in this study which addresses the post-structural critique of Marxism is to be open to complexity within the ‘modes of production’ identified. It is thus important to be aware of situations whereby individuals are able to exercise agency within the economic structures into which they are integrated. Similarly, it is important to be aware of social processes which do not simplistically reflect the predominant mode(s) of production, particularly when examining ideologies associated with caste and gender and their material manifestation. In other words the Marxist researcher must be aware of ways in which the ‘superstructure’, representing the realms of politics and ideology, can have some autonomy from the economic ‘base’.

4.2.2 Research design and justification of methods

Ethnography

The challenge to understanding the social world through concepts such as modes of production emerges from the fact that they are theoretical constructs which facilitate understanding particular structural relations but can not actually be ‘observed’ on the ground (van Binsbergen & Geschiere, 1985). In order to avoid the temptation of either attempting to ‘fit’ the observed social world into a pre-existing evolutionary set of modes of production or glossing over their internal complexity, it was clear that an extended study would be necessary with an in-depth ethnography. An ethnography would offer insights into the internal complexity of the observed social

formation and the temporally and geographically unique combination of social relations and trajectories of change. For this reason it was decided to focus on a single set of communities rather than a broader district or regional level analysis. I could therefore be immersed in the local culture and also generate rapport with the local population. However, as local level modes of production are articulated at far broader geographical scales, it was also necessary to situate the processes in the broader context. For this reason, while an ethnographic study of the village – the scale where production itself takes place – was the focus of the study, it was also necessary to carry out some analysis at the sites outside the community which shape the character of the local economic formation. Most notably, these included sites of exchange such as markets. Even if fieldwork was not carried out at external sites, efforts were made to ensure the village level analysis examined how local processes interact with those at broader geographical scales.

Morang was selected as a research district. It is a region which arguably has much potential for profitable commercialisation, a precondition for the kind of market oriented production sought in the APP or capitalist development. It has excellent transport connections, so the costs of transporting goods to the market do not create as much of a constraint for commodity producing farmers as they do in other parts of a country dominated by remote hill communities. For similar reasons, agricultural services from the government and NGOs are more easily available than elsewhere in the country. If profitable commercialisation and capitalist development can not occur in this region, its feasibility in more remote communities seems even less likely.

After visiting numerous communities throughout Morang district, I chose to base myself in a Pidarboni, the large Tharu and Dalit village in Jhorahat VDC where my assistant and I rented a basic room with a local Tharu family. I also researched in the neighbouring VDCs of Bhaudaha and Thalaha, where I travelled during the daytime and returned in the evening for a welcome plate of *dhal bhat* (rice, lentils and curry). The three adjoining VDCs were chosen to represent the ethnic diversity of the Terai. They lie on a frontier between the three main cultural regions which constitute

Morang and neighbouring Sunsari district. The region to the north is predominantly former forest land with extensive settlements of hill migrants. To the west and east the settlements are home predominantly to indigenous plains ethnic groups such as the Tharu, while the southern belt bordering India is dominated by Maithili speaking castes with cultural ties extending south of the border. All three cultural groups are represented in the chosen VDCs.

Quantitative Survey

Once a community had been identified, the next stage of this research was to identify the most suitable techniques. In terms of understanding the forms of surplus appropriation, a quantitative survey is an effective tool. It offers the study some 'external validity', producing data which is generalisable to the study area in ways which would not be possible through a series of in-depth qualitative case studies. This method must not however be interpreted as meaning the statistics claim to represent an objective truth in the positivist sense (Sheppard, 2001). They are an essential tool to any study which seeks to understand what Lawson (1995, 452) terms "relational ontologies" through which objects take on meaning through their relation to others, which in this case are relations of class, caste and gender. Statistical techniques can in this context be used in an exploratory sense to identify complex processes rather than to prove deductive models (Lawson, 1995; Sheppard, 2001). Furthermore, statistical analysis can be used to critique positivist approaches such as the neo-classical economics used to justify neo-liberalism, "on their own terms" (Sheppard, 2001, 549).

Given that the family farm is the basic unit of production from which one would expect profitable commercialisation and eventually capitalist farming to emerge, the household was naturally selected as the most suitable unit for analysis and data collection. A household survey was therefore developed. While I entered the field prepared to uncover complexity in the social relations observed, it was still required that the process of data collection in the survey be driven by my Marxian conceptual framework. This was necessary if I was to address the research questions and

identify forms of ‘crystallised power’. While compiling the survey form therefore, a checklist of issues to be addressed was created.

Research question 1a) aims to identify the modes of production and their evolution over time, while question 1b) attempts to understand its composition and the forms of surplus appropriation associated with the production relations. The quantitative survey proved particularly effective in identifying the components of the mode of production, providing an extensive bank of data on the ‘forces’ of production as well as the ‘relations of production’ through which surplus is appropriated. In order to understand the diversity in forms of surplus appropriation, it was ensured that the survey covered the multiple stages of production (See Appendix 2). Questions dealt with households’ access to land, the rent payments by (or to) the household and the labour performed by family members on other farms. To gain an understanding of the forces of production, it was necessary to ask detailed questions regarding the inputs and tools used by households.

In order to address question 1c), it was necessary to gather data on forms of surplus appropriation within the sphere of circulation. This ensured that the survey covered data relating to prices received for crops and interest payments on loans. To gain stronger insight into these relations, a second series of quantitative surveys of agricultural merchants who purchase crops from farmers was conducted, gathering information on both prices and market structure (See Appendix 3).

The second research question examines how these forms of surplus appropriation shape the trajectory of agrarian transition. It was therefore necessary to include questions which offered insights into whether or not profitable commercialisation was emerging (See Appendix 2). Sections of the form attempted to identify signs of accumulation, such as the levels of market participation, investment in new technology, inputs or productive assets. The form was also designed so as to identify signs of households making a loss, such as the selling of assets. This data could then be compared with data on surplus appropriation. Initial impressions when beginning

the fieldwork prompted me also to include questions on issues such as cultural capital investment.

To address each of these questions it was necessary to identify the relationships between modes of production. A starting point is to recognise the first form of articulation whereby households produce under the pre-capitalist mode of production while labouring in the capitalist mode of production. Data was thus collected on all the outside forms of labour performed by household members (See Appendix 2). As Van Binsbergen & Geschiere (1985, 260) argue, articulation of modes of production is “realised in the social life of the individual”. The second type of articulation occurs when pre-capitalist producers sell their commodities in the capitalist market. The data on market participation and prices received was able to offer some insights into this form of articulation.

Qualitative methods

It was clearly apparent when planning this research that the quantitative data collected in the survey could only give initial insights into the two main research questions. For example, when dealing with the first research question and its sub-queries, such data was insufficient to provide historical data on the evolution of the mode of production relevant to question 1a. Historical data can be most effectively gathered through qualitative oral testimonies. Furthermore, quantitative data could tell me little about mechanisms through which particular forms of surplus appropriation and modes of production as a whole are reproduced after each productive cycle. As discussed in chapter 2, this often occurs through *political* processes which are best observed qualitatively (van Binsbergen & Geschiere, 1985). Ideological mechanisms are also central to the reproduction of pre-capitalist economic formations. Van Binsbergen & Geschiere (1985) stress that when examining pre-capitalist modes of production, ideology requires a particularly deep qualitative analysis. By its nature it is something innovative which escapes the repetitiveness of social phenomena researchers have a tendency to search for.

However, it was not only the need for data on the non-economic reproduction of social relations which required qualitative data. All the core economic relationships outlined in the survey required a deeper analysis. This raises the issue of ‘internal validity’. While quantitative data gives the study ‘external validity’, or a degree of generalisability which may be attractive to policy makers, research also requires ‘internal validity’, an indication that the reported results are actually caused by the factors the data suggests (de-Vaus, 2001; Robson, 1993). This is particularly important when the study is seeking not to just identify relationships (such as forms of surplus appropriation), but to better understand the processes which give rise to these relationships (McKendrick, 1999). For example, research question four seeks to identify how particular forms of surplus appropriation shape the trajectory of capitalist development. In this context quantitative data only provides possible indications as to the causes, but qualitative data allows people themselves to identify the impact of particular structural relations on their lives (Lawson, 1995). As Yin (2003) argues, qualitative case studies are particularly suitable for studies where the research objectives are based upon explanatory “how” or “why” questions rather than exploratory “what” or “where” questions.

It was therefore decided to ‘triangulate’, combining qualitative and quantitative methods (McKendrick, 1999). An extensive quantitative survey was used to identify relationships, while qualitative techniques were used to understand some of the causal processes behind them. The first form of qualitative data collection proposed was a series of in-depth semi-structured interviews with farmers.

When designing the questions, it was not simply a case of exploring in greater detail what was identified in the quantitative survey. It was anticipated that entirely new processes would be uncovered, particularly when certain phenomena such as political and ideological reproduction can not be identified statistically. Furthermore, it was likely that the qualitative analysis would uncover unexpected forms of production and surplus appropriation which it may not be possible to capture quantitatively. In order to identify such processes however, it was evident that my qualitative interviews had to remain as open ended as possible.

It was also hoped that an open ended approach would allow me to identify potential fluidity within all of the structural processes identified. In development research, Kabeer (2001) emphasises the importance of open qualitative personal testimonies in seeking to understand the complexities behind livelihood decisions. Uncovering complexity in modes of production for example, entails the identification of unusual outcomes of particular economic relationships. Individuals can for example exercise agency within the structures in which they are embedded. This applies not only to economic relationships, but also to the ideological and political processes with which they are associated. Nightingale (2006) for example, demonstrates how gender and caste ideologies in Nepal are contested and fluid, being influenced by other identities and being performed in particular ways in different contexts with complex outcomes.

While the household was the unit of analysis for the quantitative surveys, it was hoped that qualitative surveys would allow me to gather data of more specific relevance to individual lives. This is particularly important given that there may be deep divisions or even class relations within the household such as between men and women (Chakrabarti & Cullenberg, 2003; Deere & Leon de Leal, 1982; Folbre, 1982; Gibson-Graham et al., 2001; Gibson-Graham, 1996; Resnick & Wolff, 1989). Only individual testimonies can provide detailed insights into these intra-household class relations.

Other interviews

Yin (2003) warns against being reliant upon only one source of evidence, which in this case, would be testimonials from villagers. I therefore aimed to supplement the data gathered from the semi-structured farmer interviews with more informal discussions with merchants and with two urban based landlords. I also planned a series of informal qualitative interviews with women farmers to discuss gender inequality issues.

Aside from this, informal discussions and three semi-structured interviews were also carried out with local and national government officials and staff from NGOs, who in many cases had a rich knowledge of my chosen study area and policy issues. Most crucially, such exchanges proved particularly useful for understanding some of the processes occurring at broader geographical scales. I also sought to triangulate my quantitative data with pre-existing national level data sets. There was also a wealth of locally specific statistical data stored in government offices in Biratnagar.

Participant Observation

Another form of data collection which I anticipated would offer further insights into the complexity within rural modes of production was participant observation. By residing within a village I hoped to observe day to day farming practices and social interactions within the community and better understand the livelihood decisions of local people. Even if participant observation did not offer me insights *directly* relevant to my research objectives it would provide me with a better understanding of the social dynamics of the community and provide valuable background information.

4.3 Data Collection Process

4.3.1 Quantitative data collection

Cluster approach

Clearly the complex nature of this study required a combination of techniques gathering both quantitative and qualitative data. It is now necessary to outline the actual process of data collection, beginning with the collection of survey data. Although we carried out participation observation and qualitative research throughout the three VDCs, eight wards¹ or subdivisions were selected to focus on for the survey, two each in Bhaudaha and Thalaha respectively, and four in Jhorahat. Out of these eight wards, 20% of the population were selected to be sampled (See

¹ Each VDC contains 9 wards. We decided to use wards to delimit our clusters as it would make the work of greater use to local development agencies and government service providers, while making the results comparable to other ward level data which may be available on the VDCs.

Appendix 1). The alternative option would have been for a smaller sample to have been collected from the entire VDC. However, a number of reasons prompted me to focus on 'clusters'. Firstly, the process of data collection was difficult. Each day it entailed cycling between my base village Pidarboni and the neighbouring villages both within Jhorahat VDC and in Bhaudaha and Thalaha VDCs and going by foot between households. Remote Thalaha VDC was particularly difficult as it could only be reached by an indirect two hour round trip by bicycle from Pidarboni along rough tracks. The collection of survey data was carried out during the mid-day heat, as this was the time when more local people were resting and therefore had free time to participate in the study. Villages in Morang are often dispersed and repeated visits to homesteads were often necessary to find senior household members to request their participation. These difficulties made a geographical cluster approach most practical. Secondly, and most crucially however, by focussing on smaller geographical wards, we became better known in the communities, and better relations of trust could be built with local people in the process of carrying out the research.

Based upon an examination of the census data for each VDC, these wards were selected to represent a roughly proportional share of the specific ethnic communities present. Furthermore, they were selected so a reasonable geographical spread could be achieved to capture regional specificities within the three VDCs, such as differing access to transport facilities. While the selected wards of the first VDC, Jhorahat are located on a secondary trading road between Biratnagar to the south and the main highway to the north, those in Bhaudaha lie several kilometres east of the road. The selected wards from Thalaha are located a further several kilometres east of Bhaudaha. The wards were also selected to cover the two separate marketing regions where farmers travel to sell their produce, firstly Naya bazaar and neighbouring Katahari, and secondly, Jhorahat and its neighbour Tetariya.

Sampling

While many studies in Nepal use the electoral register as a sampling frame, this is not always reliable, as households that have been unable to gain citizenship rights are occasionally omitted from the list. Therefore, to create a sampling frame, a map was made of the chosen wards, and each household was given a number (see Appendix 4). The process of drawing up the map generated considerable interest amongst local people, and proved an effective way to ‘break the ice’ with community members. Furthermore, a map made locating households much easier, especially if the household needed to be revisited and respondents requested not to have their names placed on the form. Random sampling ensures the study is generalisable or maintains “external validity” (de-Vaus, 2001). A random number table of 20% of the total was therefore generated using statistical software, and households were chosen based upon numbers in the table.

Conducting the survey

The process of data collection involved visiting households marked on the map. If adult household members were available, my field assistant and I would introduce ourselves and explain the purpose of our study. We were generally welcomed warmly, and people were willing to participate in the study (see Figure 4-1). However, sometimes we were asked to return later to speak to a more senior (or male)² household member who they felt would be able to give more accurate answers.

Given the cultural diversity of the VDCs, multiple local dialects are spoken. As there was a large population of hill settlers and the entire media, bureaucracy and education system is in Nepali, most people were proficient in the language. As I am a competent Nepali speaker I chose to carry out most surveys in this language, while hiring a field assistant to facilitate. Four field assistants were hired throughout my

² While women appeared to have considerable knowledge of issues relating to production, access to credit and farmer training, when we reached the section on the prices received for crops we were often asked to return to speak to a male household member. This itself provided interesting data, suggesting that it is generally men who participate in marketing activities.

time in the field. Three were from Kathmandu, while one was local. The local field assistant completed the longest phase of research and as he was proficient in most local dialects, I chose to complete the survey of the more remote Thalaha VDC with him, as some people there were less comfortable with Nepali.

Figure 4-1: Completing quantitative survey with respondent in Thalaha



By the end of the study, the total sample size was 181, and surveys were carried out with all but four of the sampled households. One household opted out of the study, while we were unable to make contact with individuals to interview from the other three omitted households. With regards to surveys with the merchants, we aimed to survey the entire population of grain traders in the four bazaars where farmers from the selected wards sell their produce, Katahari, Naya bazaar, Tetariya and Jhorahat. We completed surveys with 36 traders, omitting two traders who were unwilling to participate in the study.

Secondary data

Accessing secondary statistical data proved particularly challenging, and as a result, I was not able to use as much as I had hoped. Some data was available online such as the Nepal Census of Manufacturing Establishments and the Nepal Living Standards Measurement Survey. Meanwhile the Agriculture Office and INGOs had some published data reports which I received by email. However, some of the most interesting district level data was not available in digital format, and was stored in offices in Biratnagar. We were able to access some interesting price information from the Morang Merchants Association. However, this required most of a day in a back room, copying and translating data recorded in hand written ledgers. The staff from the Agricultural Inputs Corporation personally prepared us a record of fertiliser prices on request. In both cases, accessing this material relied upon the goodwill and time of the staff, for which I am much indebted. I had hoped to collect some data on land transactions from the Land Revenue office, but unfortunately staff were unable to supply this data for practical reasons. Although a digital database is being prepared which I had been promised access to, it was not yet complete at the time of writing.

4.3.2 Qualitative Data Collection

The process of participant observation was carried out throughout my time in the field and I kept a notebook with me at most times to record interesting findings. Given that continuous note taking may cause discomfort amongst research participants, I sometimes preferred to write up my findings in the evenings on my return from the field. I also made efforts to observe particular events relevant to the research, such as farmer field schools and local political meetings. Two days were also spent observing transactions with a grain merchant or *katawala* in the market of Naya Bazaar.

While qualitative data collection in this sense was a continuous process, one challenge I faced was deciding who to approach for semi-structured farmer interviews. In order to understand intra-household class relations, I made efforts to interview both men and women farmers. Furthermore, I endeavoured to interview a spread of households from different socio-economic groups (see Appendix 1-2). Potential interviewees were therefore in most cases selected from the sample already generated during the survey, so I already had detailed economic information about each household. However, individuals with whom we had built strong relationships were often interviewed even if they were not part of the initial survey. Interviews were generally arranged in advance, by approaching potential interviewees to request their participation in the study and to ensure they were in a position to give their time. Often repeated visits were necessary. It proved more difficult to arrange semi-structured interviews in Bhaudaha and Thalaha and thus fewer were completed there (See Appendix 1-2). These communities were further away, making repeated visits more difficult. Furthermore, as a result of the greater levels of poverty in these VDCs, household members appeared to spend longer away from home to labour in the off-farm economy, making it more difficult to arrange the longer qualitative interviews. However, rich qualitative insights were often gained while carrying out quantitative data collection, and discussions often emerged spontaneously following the completion of the survey.

Although a provisional question order was set in an interview guide for the semi-structured farmer interviews, this was adapted as appropriate to allow the interview to flow smoothly and facilitate open discussion (compare interview guide in Appendix 5 with sample transcript in Appendix 6). Mikkelsen (1995) suggests that in order for development research to remain participatory, one must be flexible as to the order in which questions are asked, and allow the interviewee to talk freely about what issues are important to them. An interview that flows smoothly generates better rapport and facilitates a more natural conversation, potentially giving the researcher access to richer data (Mason, 1996; Rubin & Rubin, 1998). Efforts were also made to 'probe' and create new questions when necessary, to learn more about interesting issues raised by the participants. This was also used to display empathy towards the

interviewees, demonstrating that we were interested in what they have to say (Rubin & Rubin, 1998). As with the quantitative surveys, most qualitative interviews were carried out in Nepali, with the exception of some of our focus group with women farmers, which was carried out in the local Tharu language.

Several interviews were carried out following a 'chance encounter', such as the interview with an absentee landlord and merchant (see Appendix 1-3). I therefore did not follow a set interview guide. For my three interviews with development workers and the two interviews with Kathmandu based policy makers (see Appendix 1-3) a set of appropriate issues for discussion was separately prepared for each interview, tailored according to the interviewee's specific position. I also engaged in a vast number of informal 'chance encounter' discussions with farmers, merchants, landlords, development workers and policy makers throughout my time in Nepal. These occurred in bazaars, on buses, at village tea shops and even in Biratnagar cafes. Although they did not qualify as interviews per se and did not follow any set guide, the notes from each discussion made later, helped to inform my results.

4.3.3 Access

From previous visits to the region I had a number of acquaintances who were able to act as 'gatekeepers', introducing me to local people and explaining the purpose of my study once I had selected my study VDCs. Some local NGOs also provided me with useful contacts. However I was careful not to rely too much on such contacts to avoid the risk of being automatically associated with a particular development project. This would have potentially created false expectations about the outcomes of my research, leading to ethical dilemmas.

Gaining access to the merchant community proved a little more difficult given that they are a well organised, close knit business community and somewhat more suspicious of unfamiliar individuals. We therefore chose to do all the merchant interviews towards the end of the fieldwork period, giving the community an

opportunity to familiarise themselves with us, thus reducing potential suspicion. The one exception to this case was Katakari bazaar, where I had lived with a merchant family during previous research. Conducting interviews here was thus greatly facilitated as I was already well known to many of the traders and had developed local friendships.

4.4 Reflexivity and the research process

4.4.1 Reflexivity and Marxism

Critical social scientists have long challenged the positivist assumption that research can be ‘objective’ and value free, whereby the neutral academic seeks to uncover the ‘truth’ of the social world (Denzin, 1998; England, 1994; Reinharz, 1997). It is argued that researchers are not as England (1994, 85) terms it “dematerialised, disembodied entities”, but that the collection and interpretation of data is inherently personal. A reflexive approach thus acknowledges the role that the researcher plays in shaping the knowledge produced. This concern is intricately tied to the inherently unequal relationship between the ‘researcher’ and the ‘researched’ whereby the scholar has the power to appropriate and represent the voices of others (England, 1994). An engagement with reflexivity will not remove these power relationships from my research. However, an acknowledgement of the situated nature of the knowledge I produce at least represents an admission that my findings are an ‘interpretation’ of individual voices rather than a representation of an objective reality. Furthermore, by engaging reflexively throughout my time in the field I was better able to engage with ethical questions associated with these power relations and take practical measures to address them.

Unfortunately the issue of reflexivity has been largely overlooked in Marxian analyses of the social world. However, a reflexive analysis is not necessarily incompatible with Marxism unless one takes a positivist approach to the discipline. As Kitching (2002) argues, while positivist interpretations of Marx have sought to ‘explain’ the social world and uncover objective truths, this was never his actual

intention. Instead, Marx's work was an act of persuasion, an understanding of the social world that aims to identify political possibilities and encourage class mobilisation.

In the context of this study, my Marxian understandings of the social world is utilised not to identify underlying truths but to explore some of the pre-capitalist and capitalist class contradictions present in rural Nepal, and in the process identify both sites of class mobilisation, while outlining the flaws in state policy. However, I accept that my interpretation of these processes is only partial, and intricately shaped by my own positionality. A reflexive admission of the situated nature of my knowledge does not entail a *denial* of structural phenomena such as modes of production and their associated forms of surplus appropriation. Instead, it entails an acknowledgement that my own identity is likely in multiple ways to have shaped my interpretation of these structural relations and how individuals are positioned within them. It is now necessary to reflect on my time in the field in order to understand means through which my positionality shaped the data produced.

4.4.2 Development, modernity and expectations

Representing modernity

A body of literature has sought to understand how signifiers of identity such as the researcher's race, gender or social status, can affect the way participants interact with them, and can subsequently influence the data collected (Denzin, 1998; Reinharz, 1997; Richards & Emslie, 2000; Sultana, 2007). My position as a scholar from the Western world may in some ways affected my interactions with local people. Pigg (1996) argues that development projects in rural Nepal are seen to represent a notion of development and progress, or what is locally known as *bikas*, which stands in opposition to the "traditional" village world. She suggests that being seen as modern and cosmopolitan is valuable for many villagers, due to its symbolic and status value, and can help them in gaining access to social networks and even employment. During research on faith healers, she observed how local people adapted their

responses in ways that would represent them as being modern and "developed" (Pigg, 1996).

I was particularly careful about how my positionality as a Western researcher would affect my interactions with respondents. Even my three research assistants, although Nepali citizens, were from the Kathmandu valley and were therefore also viewed to some degree as representing the modern world. The risk was certainly present that respondents would also seek to present themselves in ways which could be interpreted as 'modern'. While I was, in the words of many respondents, from a '*bikasi desh*' (developed country), the term *bikasi* was also used throughout the research to describe new techniques, agricultural inputs and even hybrid livestock. Many larger farmers spoke to me with pride regarding their use of certain *bikasi* inputs, and may certainly have exaggerated the benefits of using them to be perceived as 'modern'. Nevertheless, this was certainly not a universal trend. Many more senior farmers we met appeared by no means ashamed to express their disappointment with new techniques and technology, and expressed pride in 'traditional' methods of cultivation and inputs. Both sets of testimonies themselves provide fascinating insights into the rural social and cultural dynamics.

False expectations and political solidarity

Intricately connected with my positionality as somebody representing 'modernity' are the underlying expectations of some respondents from my presence in the field. As a researcher from a western university, some local people thought I may have been associated with one of the many INGOs operating in Nepal. I was often asked if I was planning a project in the study area. This relationship is likely to have shaped the responses of research participants in many contexts. However, false expectations are also a significant ethical dilemma in development research (Pratt & Loizoz, 1992; Sultana, 2007). This became more acute given the severe economic hardship many respondents were suffering. Care therefore was taken by my field assistant and I to make it clear to participants that I was only a student researcher and was not planning any development project in the region.

Nevertheless, eliminating false expectations does not tackle the ethical dilemma raised by Gleeson (2000) and Chouinard (2000), that researchers are granted privileged access to the essential knowledge of marginalised groups, while the “researched” themselves often stand little chance that their lives will be improved through the study. By taking up their time and giving nothing in return, this reinforces their marginalised position. This is an issue I was particularly aware of when granted access to often quite moving and upsetting stories of people’s day to day hardships as they endeavoured to fulfil their basic needs.

To reduce these unequal power relations, my field assistant and I made every effort to ensure participants were content to take part in the study. I also attempted to make the research a two way process. This involved giving respondents a chance to question me on topics of their choosing (see England, 1994; Winchester, 1996). Interviews and surveys often switched around towards the end, where I would be asked lengthy questions from subjects ranging from lifestyles and weather in Europe to my family background. Such conversations helped make the research a positive experience for both parties.

However, I also felt that a degree of commitment to social justice would address some of these ethical dilemmas. In conversations, respondents frequently made requests such as “tell our government and your government about our problems.” I therefore made it clear to respondents that although I am by no means linked to any political movement, I will try to disseminate my findings at a level which can inform the political questions facing Nepal at this time of state building and transition. Given the unequal power relations inherent in research, I felt there was an ethical obligation to honour these demands of villagers, that their voices be heard, and ensure my research findings reach a relevant policy making and political audience.

While acknowledging that research findings do represent a ‘situated’ form of knowledge, Scheper-Hughes (1995) stresses that this should not deter researchers from taking an explicit political stand in their outputs. Although this itself entails

ethical concerns, in the context of clearly observable forms of oppression, it would be equally unethical for the researcher to remain neutral and disengaged (Scheper-Hughes, 1995). As discussed above, Marxism is by its nature grounded in identifying political possibilities. I have therefore prepared a paper on land inequality in Morang which is to be published in Nepali to contribute to government political debate on land reform. I have already contacted officials associated with the Ministry of Land Reform and Management with whom I will share my findings. Furthermore, efforts will be made to publish findings of my research not only in Western journals but in academic and non-academic publications within Nepal and South Asia which are read by a politically active population.

On a more practical level, a short summary of key findings and issues raised by respondents was produced and disseminated amongst some of the larger NGOs working in Morang. I frequently met staff from the agricultural office to share data on some of the agricultural problems facing the district. Although their initiatives may not advocate radical structural change, they are involved in practical development activities within the district which impact the lives of local people in more subtle ways, and I wanted to ensure that some of the issues raised by respondents were heard by these institutions. Once again though, I made it clear to those development staff that these were simply my *interpretations* of the social processes observed based upon a single case study. I could not claim to speak for the local people, and my findings could not be read as an objective list of development problems to be addressed.

4.4.3 Local politics in action and the research process

'Strategic' use of the researcher by respondents

While the power relations between the researcher and researched is inherently unequal, this not always a one way process. Few (2002) observes that the arena for research can be one in which power relations are played out, noting that respondents may try to further a political goal through their interactions with the researcher.

While carrying out some interviews, respondents did not only expect something from us, but attempted to use our presence in the field to further their own political goals in ways which may have shaped individual responses. This process was particularly evident on one occasion when my field assistant and I were asked by the management committee of a local development project to use 'our contacts' in the INGO funding the project to increase their budget.

Again, the nature of these interactions appeared to be associated with my identity as someone from the Western world. It was thus often assumed I would have some *afno manchhe* (literally, one's own people) working for international aid agencies in Kathmandu or Biratnagar, a much sought after well paid field of work for educated rural people. On several other occasions I felt that respondents were using their interactions with me strategically and requests to find a job for a relative or friend in Kathmandu were not uncommon. I had to continually re-emphasise that I was in fact only a student researcher and by no means well connected to the Kathmandu development establishment and its circuits of power.

Political unrest, suspicion and distrust

The broader political situation in Nepal at the time of the research may also have affected my interactions with respondents and the knowledge produced. This fieldwork was conducted in the aftermath of the ten year civil war between the Royal Nepal Army and Maoist revolutionaries. The armed conflict initiated in 1996 had created numerous constraints for researchers. Suspicion of outsiders had restricted the openness of people. This limited the possibilities of data collection, especially with regards to politically contentious issues, discussion of which may have encouraged the participant to appear to be siding with a particular party.

However, the dramatic political changes that have occurred over the last two years with the 2006 signing of a ceasefire between the Maoists and the government have changed this significantly. Given that the armed conflict was over at the time of research, I was generally greeted warmly by local people, and experienced less

suspicion with regards to my motives than previous research I had carried out in the neighbouring hill district of Dhankuta during the conflict time.

However, although the ceasefire was in effect for the duration of my time in the field and the Maoist fighters were in state recognised camps, unrest did continue. The election to the constituent assembly, which had the task of writing the new constitution, was held while I was in the field. Similar to many elections in South Asia, tensions and election violence did occur sporadically. Meanwhile, there had been growing unrest over the last two years by political groups representing the ethnic groups of the plains. Frequent protest programs and *bandhs* (general strikes) were organised by such groups who were campaigning for greater political autonomy in the ‘New Nepal’ following perceptions that the new government lacked commitment to reversing centuries of ethnic discrimination against Terai people. There were rumours of violence, and in some regions to the south of Morang, ex-Maoists were said to have even split from the party to establish armed ethnic movements.

Given the increasing influence of the Maoists in the post-conflict state there was fear amongst some wealthier villagers of Maoist reforms such as land redistribution and tax policies. As a consequence, respondents from more prosperous households were very occasionally hesitant to discuss personal economic data such as the ownership of assets. As we were often unknown, there was a fear that we may be developing records for the Maoist led coalition government. The most significant risk of unreliable questionnaire data was probably that of deliberate misreporting, whereby wealthier respondents chose to under-estimate the size of their holdings as a result of these suspicions. This however raised ethical concerns which are far more important than potential data limitations. It was crucially important that I minimised any suspicion or discomfort caused by my presence amongst my respondents and the wider community.

In farmer interviews I attempted to reduce suspicion by making it clear in our introductions that I was an independent student researcher. Although I informed

respondents that my research will be used to inform policy, all data would be completely anonymous and treated confidentially. I simultaneously made every effort to develop 'rapport' with research participants, to reduce unease, generate trust and facilitate a mutually beneficial interaction (Baxter & Eyles, 1997). This proved easier given that I was living in the community and made an effort to spend time in each new village to get to know local people before beginning interviews or surveys. Having spent many months on the Nepal Terai in the past, I had a certain understanding of the culture as well as a good grasp of spoken Nepali. This helped me considerably in building up trust with my interviewees, facilitating in the sharing of information. Many participants who were initially hesitant quickly became more comfortable with my research later on in the fieldwork. Friendships were also made with some interviewees and we frequently received invitations back to homes or even to events such as family weddings.

With regards to interviews with merchants, I had prepared a letter using university headed paper in Nepali describing our research and its purpose, emphasising the confidentiality of any results. This helped considerably in gaining their trust, and was also distributed to farmer interviewees on request. The risk of unreliable results was also reduced by avoiding questions relating to asset ownership when examining market structure, and instead basing our analysis on the quantities of grain bought and sold over the last year and market rates. Merchants showed little discomfort at divulging this information.

I also made contact with the local authorities before beginning fieldwork to gain permission to work locally and informing them of the purpose of my research. Visits were made to the Morang Chief District Officer in Biratnagar and the VDC offices of each of the three study VDCs. In regions where my field assistant was unknown, I made every effort to ensure that people understood his role (i.e to help me with data collection and translation). This was particularly important to minimise suspicion and also to ensure his own safety and security throughout the fieldwork.

Political unrest and direct harm

There were more direct sources of harm to respondents from our research aside from discomfort and suspicion. The direct discussion of sensitive issues such as illegal activity or the political unrest could potentially cause direct physical harm to respondents, who could be subject to retribution from the party against whom information is given. My research was not dealing directly with sensitive issues, so participants were under no circumstances pressurized to reveal any such information. Even when sensitive information was voluntarily given by respondents, it still had the potential to cause them harm if it was revealed in findings which were made public. Publication of information about local level disputes and conflicts may also carry similar risks. I therefore made every effort possible to ensure the confidentiality of the data. This involved keeping all cassettes and interview forms in a safe place in a locked room while in the field and removing everything when I left to be destroyed following the completion of data analysis. No names will be mentioned on publications produced.

I also made it clear to respondents that interviews could be terminated at any time if they were no longer comfortable. This was particularly important given that bystanders were often present. Furthermore, when using the cassette recorder, I ensured that participants knew they were welcome to turn it off at any time if they wanted to reveal delicate information. Similar sensitivity had to be shown when carrying out participant observation. One merchant had kindly invited us to observe his “business in action”. However during a discussion on loan arrangements with one farmer we were requested not to take notes. In this way we took care to avoid being viewed by our respondents as intrusive during the data collection.

4.4.4 Gender relations and access to women’s voices

Although we completed our statistical questionnaires and interviews with both male and female respondents, gaining access to knowledge on issues relating specifically to gender relations from women farmers proved more difficult as all my field

assistants and myself were male. Not only did this make female respondents less at ease, but some interviews were also carried out within ear shot of male neighbours or family members. Even access to interview women in the first instance proved difficult amongst some members of the Tharu community and the Maithili speaking castes, whereby contact between females and unknown males is less common, making it necessary to exercise appropriate cultural sensitivity.

This in itself offered interesting insights into the participation of female farmers in public life, in some ways enriching my data. However, in other ways this was a disadvantage, as it made it more difficult to access women's testimonies and experiences of the social structures my research sought to understand. To facilitate data collection, we employed a local female field assistant to help us arrange and carry out a series of interviews with women farmers in a private space, as well as two focus group discussions where we could specifically discuss gender issues (see Appendix 1-3). As a local person she already had a strong level of rapport with the women we interviewed, and this facilitated a dialogue that gave us some insights into women's lives, although arguably less than we would have achieved had all of us been female. Nevertheless, my presence as a male and relative stranger may still have shaped the character of the data I collected. Furthermore, many of the women with whom interviews and focus groups were arranged were those with whom my assistant was familiar. There was therefore a risk of only gaining information from particular socio-economic groups. Nevertheless, we specifically requested our field assistant to arrange interviews with households from different castes or wealth groups.

4.4.5 Mistranslation in surveys

Although the quantitative survey remained an essential research tool, several data collection and translation challenges arose from the attempt to use western quantitative methods to understand the complex social world of the Nepal Terai. It is therefore important to acknowledge the possible ways in which this may have shaped the kind of data collected.

For example, when beginning the surveys I noticed there were several questions which appeared to supply inconsistent results. For example, when asking farmers about the use of inputs over the last year, I discovered that some farmers had been reporting the use of inputs over the last season only. This is because most farmers tended to think in terms of seasons rather than years when discussing their cultivation practices. However, as I began to better understand the cultural world of the farmers I was able to fine tune the survey form and question format to deal with potential misunderstandings. Households from the first round of data collection were subsequently revisited to repeat the problematic questions.

A second challenge of quantitative data collection was the fact that respondents could not always easily recall or estimate economic data. While most individuals had a fairly good idea of their yields of different crops over the last year, some displayed difficulties recalling exact amounts. This applies particularly for crops such as vegetables which are not harvested all at once, instead being picked then consumed or sold according to household needs, making an estimate of total volume difficult. Fortunately, such crops comprise only a small proportion of the annual harvest. Estimating the volume of the grain crop which is by far the largest component of the total annual harvest was much easier for farmers. Although it is not harvested all at once, each paddy or wheat crop is generally weighed at some point, either by the merchants to whom grain was sold or at the village mill where grain is husked for a small fee.

4.4.6 Use of a field assistant

Practicalities of working with a field assistant: Language

As discussed above, I employed four field assistants, three of whom were from Kathmandu while one was local. The use of a field assistant posed further data collection challenges and opportunities which may have shaped the knowledge produced. My competence in Nepali was not sufficient for the discussion of complex issues and my field assistant therefore acted as a translator, especially for

qualitative interviews. Women were often less familiar with the Nepali language, and therefore many of the interviews and surveys completed with women farmers were carried out in the appropriate local language. While this was not a problem when I was working with my local field assistant and with the female field assistant who assisted us with interviews with women farmers, my outside field assistants were of course unfamiliar with local languages.

Given the multiple language barriers, the risk of misinterpretation or missing important data is always present in such situations. Nevertheless, if the respondent informed us that they were not comfortable in Nepali we would request if anyone else in the household would be interested in participating, returning to the household at a later stage if necessary. Furthermore, most interviews were recorded with the consent of interviewees and later transcribed and translated into English with the assistance of a Kathmandu based translator (see Appendix 6).

Use of a field assistant and 'insider/outsider' research

The use of a field assistant may have shaped my understanding of the social world in more complex ways. A number of studies have attempted to break down the binary division between the 'outsider' and 'insider' (Merriam et al., 2001; Merton, 1972; Naples, 1996). This literature stresses that every social grouping is characterised by internal diversity and the insider-outsider binary does not account for the countless differences and similarities which define the level of social and cultural distance between the researcher and researched.

Although my 'local' field assistant who worked with me for the longest period was from within the community, being a male still posed difficulties in accessing women's voices, which is why we employed a local female assistant for some interviews. Similarly, my other three field assistants, although from Nepal, were from vastly different parts of the country, and had resided in the Kathmandu valley for much of their lives. They could therefore be considered, like me, as much an 'outsider' as an 'insider'. At the same time all my field assistants and myself

maintained a degree of political commitment and at many points we felt momentarily united with those research participants who shared our vision for social justice.

However, rather than identifying the degree to which one is an ‘insider’ or ‘outsider’, it is more valuable to acknowledge and celebrate how the four field assistants’ specific and diverse positionalities contributed to the research in unique and valuable ways. My ‘local’ field assistant, from the Tharu community of a nearby village, had a rich knowledge of local customs and farming practices, providing me with valuable understanding about local life. Furthermore, his knowledge of local language and pre-existing social connections facilitated considerably in gaining access to communities in many contexts. On the other hand, being with a local person also increased levels of distrust. We felt that respondents were quite justifiably less comfortable divulging personal information and testimonies in front of acquaintances.

I did not face such distrust however, when working with my three field assistants from Kathmandu. As one would expect, they did not have such a deep understanding of, and access to local communities. Nevertheless, as individuals who have resided their entire lives in the country, each assistant contributed unique vision and understandings to the research, often from a comparative perspective based upon their own life histories in Nepal. Furthermore, as relative ‘outsiders’ in the community, my assistants and I were able to view and interpret the observed social world from a more neutral ‘outsider’ perspective. We also shared a passion to understand and compare the unique processes observed with those we were familiar with from our own backgrounds. I was therefore able to benefit from lengthy and extremely valuable evening discussions with my field assistants where we sought to interpret the processes we had researched during the day. This involved comparing our day’s observations in our Morang village with those for example, from my own childhood in rural Scotland or my field assistants’ upbringing in other parts of Nepal.

4.4.7 Location of interviews

Elwood and Martin (2000) point out the impact that interview location has upon the process of the interview and the data which is collected. I felt it was important where possible for dialogues to take place in quiet, private locations, so respondents felt relaxed describing their experiences or discussing personal economic information. Interestingly, whether or not this was possible often depended upon the architecture of the respondents' homesteads and whether or not there was a 'private' space for visitors. The Brahmin and Chettri homesteads are generally self-contained behind hedges and trees with a veranda where visitors could sit, while Tharu homes usually have a large central courtyard which is cut off from the street (see Figure 4-2). Although curious neighbours would occasionally visit, these sites proved excellent for interviews, and were quiet, private and cool.

However, in the poorer, more densely populated Rajbanshi, Bantar and Jhagar villages, finding a quiet space for interviews proved much more difficult, with the exception of some wealthier households. Courtyards were not always well enclosed and often very small, and visitors would sometimes be given a mat to sit on facing the street under the thatched eaves (see Figure 4-3). Many interviews were thus carried out with a large number of people present, including crowds of children, and any effort to seclude ourselves would have been likely to cause suspicion in the community. It is important to be aware in this context that interviewees may not like to publicly criticise certain people or practices, a problem raised by Elwood and Martin (2000). Furthermore, interviewees may have downplayed their participation in practices which could be thought of as exploitative to appease bystanders (including myself). There may have also been discomfort in divulging personal economic data in the surveys in front of others raising both ethical and data reliability issues, despite the fact that most villagers did appear quite aware of their neighbours' economic status. Nevertheless, for the quantitative surveys my assistant and I made extra efforts to ensure surveys were carried out in a more private location. At one point we had to terminate a survey given the growing crowd of onlookers.

Figure 4-2: Tharu village in Dangraha VDC: Tharu villages are normally made up of a network of enclosed courtyards linked by narrow lanes. Such courtyards are excellent private sites for interviews and surveys with household members.



Figure 4-3: Focus group discussion outside temple in Rishidev community near Kathari: In poorer communities private space is often scarce. The informal discussion with some labourers that a visiting scholar and I had begun rapidly generated a large crowd. With so many people, the focus group did generate a lively discussion.



There were however, some positive elements of 'public' data collection, particularly with regards to the qualitative interviews. Many of such interviews gradually turned into focus group discussions, with multiple people contributing, offering richer insights. For some interviews, my assistant and I were actually invited to public spaces such as village tea shops or *chautaras* (village resting place). Such interviews generally attracted a number of participants and proved highly fruitful, and facilitated the generation of rapport with local people.

4.8 Conclusion

It has been established that Marxism remains a useful, politically committed means through which to understand the social world. However, it is important to utilise a 'non-essentialist' approach which emphasises the creation of knowledge rather than attempting to fit the social world into a pre-determined model. This also entails an understanding of the complexity and fluidity within the modes of production identified at a given juncture. For this study, an extended ethnography is necessary to examine the geographical and historical specificity of the modes of production present in rural Morang and their complexity. This requires a combination of both quantitative and qualitative techniques. However, by using abstract concepts such as 'modes of production', one can not claim the *full* complexity and fluidity of the social world. Nevertheless, it must be acknowledged that these structural understandings are not mobilised as a tool to represent reality, but remain a generalised interpretation of the social world that is strategically necessary if one is to identify relations of power which persist over time and space and identify sites of struggle.

The data collection methods utilised to complete this ethnography included an extensive quantitative survey, participant observation and a series of qualitative interviews. Although I made every effort to ensure that I generated a rich bank of data using rigorous techniques, it is important to recognise that the knowledge of structural processes produced from this study is not an objective reflection of a

concrete reality, but is 'situated'. My positionality and the relationship between research participants and myself has in numerous ways shaped my interpretations of the social world. This raises numerous ethical dilemmas with regards to my power to represent excluded groups. By critical reflection of my positionality and the research process, further ethical issues emerge such as false expectations by local people, and the fact that my research is unable to directly improve their lives.

Although the unequal power relations in the research process can never be removed, there are measures which can be taken to mitigate them. Firstly, I have realised the importance of remaining politically committed and ensuring that my research reaches an audience capable of bringing forth social change. Secondly, by engaging reflexively with the research process I recognise that my knowledge is an interpretation and does not claim to 'represent' the reality of research participant's lives. It simply seeks to identify likely contradictions in the social structure and possibilities for long term political change.

5 The evolution of feudalism on the far-eastern Terai

5.1 Introduction

Before analysing the economic processes which have constrained the emergence of agrarian capitalism in the case study villages of Jhorahat, Bhaudaha and Thalaha, it is important to trace the political economic history of the far-eastern Terai region in which they are situated. The evolution of the predominant feudal mode of production on the Morang and neighbouring districts over the centuries has been intricately connected with the changing in policies and interventions of the Nepali state.

Although labour and tax obligations and the establishment of an early administrative apparatus are likely to have begun feudal subordination in rural Morang before the 18th century, it appears that the process was consolidated following the region's annexation into the Kingdom of Nepal in 1774. The new Nepali state under the Shah dynasty and then the Ranas, appropriated a large portion of the agricultural surplus as tax. Meanwhile, the administrative system at a local level and land grants enriched a minority of indigenous cultivators and high caste Brahmin and Chettri members of the nobility. They became a landlord class who extracted rent from tenants simultaneously with the appropriation of surplus by the state. Their control over land was reinforced by their integration into the state apparatus, thus reproducing the feudal mode of production and its mechanisms of surplus appropriation.

In the early twentieth century, the development of property rights and the monetisation and devaluation of land tax made it more profitable to rent land and encouraged a growing concentration in land ownership. In this context rent, rather than tax, became the predominant form of surplus appropriation. While this consolidated a shift in the feudal mode of production, family cultivators with personal plots who paid taxes directly to the state rather than rent to landlords, gained effective ownership rights to their land. While this consolidated a shift in the feudal

mode of production, an independent peasant mode of production emerged within the rural population who still had access to private plots of land.

There were further changes following the fall of the Rana dynasty. The indigenous landed classes lost much of their estates due to land reforms, population growth and indebtedness. The Brahmin and Chettri landlords were more successful in maintaining their control over land resources, most notably as a result of their influence within the bureaucracy. There was a simultaneous shift towards absentee landlordism as Brahmin and Chettri landlords, who once lived locally, migrated to urban areas, while a new class of wealthier members of the urban population made land purchases in the villages. Although independent peasant cultivation persists, the new semi-feudal mode of production based upon absentee landlordism remains entrenched in large parts of rural Morang up until the present. This economic formation and the associated forms of surplus appropriation have been reproduced on a political level through the influence of landlords on government policies, and ideologically through the relations landlords build up with tenants within communities.

5.1. The development of feudalism in Morang

5.2.1 Morang prior to the Gorkhali invasion

The history of agrarian change in Morang, as in much of the Terai, is highly complex, and understanding the origins of the current social formation requires a piecing together of oral histories collected in the field combined with historical research such as compiled state records and Mahesh Chandra Regmi's excellent series of studies. The most significant period in shaping the present day agrarian relations was between the founding of the Kingdom of Nepal by the Gorkhali dynasty in the late 18th century and the collapse of the Rana regime in the mid-twentieth century. This saw the consolidation of a feudal mode of production on the eastern Terai, important dimensions of which persist to the present day.

There are few historical records from the far eastern Terai prior to the founding of the Nepali state. However, the region east of the Koshi river, which incorporates present day Morang¹ district, is believed locally to have fallen under the influence of numerous kingdoms over the centuries. The historical population of the far eastern plains is thought to have been sparse and composed primarily of adivasi ethnic groups such as the Thāru, Bantar, Satar, Jhagar and Rajbanshi. Which groups can trace an ancient ancestry to the region is unclear, as is the rigidity of these ethnic divisions (see Guneratne, 2002). It has been reported that the Rajbanshi migrated to the region from present day Assam and Burma in the 10th century (Bhattarai, 1996) while local Jhagar sources claim their community migrated to the region more recently from Chotanagpur in central India. Regardless of their origins, it is evident that these communities are the earliest recorded inhabitants of the region.

The lack of written records prior to the founding of the Nepali state makes it extremely difficult to reconstruct the historical 'mode of production' in earlier periods. However, accounts of the region by an early East India company source, Francis Buchanan Hamilton, shortly after the Gorkhali victory in the early 19th century, reported that the indigenous peoples of Morang carried out a form of slash and burn agriculture and hoe cultivation (Hamilton, 2007). The present day relics of co-operative institutions such as collective labour regimes, and historical studies of adivasi communities elsewhere in the sub-continent (see Singh, 2007)², suggest that early settlers in Morang may have originally been incorporated into a redistributive mode of production driven by the survival and reproduction of the clan rather than accumulation of wealth.

¹ Under the Sen and Gorkha dynasties, Morang was a larger district which encompassed the region from the Koshi river to the Mahananda river, just over the border in West Bengal. It incorporated Sunsari, Jhapa and present day Morang district. To this day these three districts share cultural and economic similarities, and thus my discussion of 'Morang' (in this chapter only) will refer to this broader geographical entity.

² According to Singh (2007) the *adivasi* social formation in India traditionally produces little surplus product consisting only of necessary labour time. The imperative of this economic formation is the survival of its members rather than accumulation of wealth. Any potential accumulation which does take place is undermined by redistributive systems, which can be read as representing the reproductive mechanism of this economic formation. He argues, like Rey, that it is only taxation and other coercive measures of capitalism and/or feudalism which restructure this mode.

The degree to which feudal centralized state formations had an influence over these early forest dwelling communities and their indigenous forms of economic and political organisation before the Gorkhali invasion, is unclear. The Sen Kings of Makwanpur in central Nepal had annexed the region following the overthrow of the Koch kingdom³ in 1553, taking control of the old capital centred on Vijayapur near present day Dharan (Subedi, 2005). Although the new Vijayapur based rulers were thought to have been Magar, an ethnic group of the central hills, they had relied upon the support of Limbu chieftains from the eastern hills as its ministers (Acharya, 1973; Subedi, 2005), thus representing the beginning of a pattern of hill dominance over the eastern Terai. Historical studies of the Sen state contain some of the earliest recorded evidence of an administration system with feudal tax appropriation capabilities (Regmi, 1970)⁴, although this may have existed earlier.

This is likely to have begun the subordination of the older mode of production to feudalism before the Gorkhali conquest. The introduction of taxation and compulsory labour obligations would have hindered the redistribution of surplus within the community. Meanwhile the emergence of an administrative bureaucracy to collect tax for the feudal rulers at a village level⁵ is likely to have led to the rise of a wealthier indigenous class and undermined redistributive norms. Indeed, reports of cash crops exports from the eastern Terai to British ruled India from the early 18th century (Seddon, 1987, 9) suggests not only early articulations with mercantile capitalism, but indicates that some households were yielding a sizeable surplus above their subsistence needs and may have been accumulating wealth.

³ *Koch* refers to the Kings' origins in Kooch Bihar in West Bengal. The term is also used to refer to the Rajbanshi ethnic group suggesting that the eastern Terai may have been part of an indigenous Rajbanshi state.

⁴ According to early East India company sources, the Vijayapur based kingdom had introduced a taxation system based upon that used by the Pathan rulers in northern India prior to the rise of the Mughal Empire (Regmi, 1970). While tax was appropriated from the peasantry by the Sen rulers, a tribute was paid to the Nawabs of Bengal (Acharya, 1973)

⁵ Singh (2007) records this process amongst the Bhils of Madhya Pradesh following invasions from the outside and the penetration of an external state apparatus into the adivasi social formation.

5.2.2 Agrarian relations under the rising Gorkhali state

It is, however, the rise of Prithvi Narayan Shah's Gorkhali state which appears to have consolidated the development of a feudal mode of production on the Morang plains. The power of the bureaucracy in Morang and its capacity to appropriate surplus increased considerably following the overthrow of the Sen kings in 1774 by the Shah dynasty (Regmi, 1969). This era saw the far-Eastern Terai becoming, in effect, an internal colony of Kathmandu, the capital of the new kingdom of Nepal, whereby resources would be channelled to the centre to fund the dynasty's expansionist campaigns. According to Francis Buchanan Hamilton (2007), the state revenues were generated by the sale of forest produce and elephants, timber and the rental of pasture lands to Indian herdsmen. However, it was the taxation of the peasantry which was of the greatest importance to Kathmandu. As of 1851 it was reportedly contributing to 76% of total tax revenue (Regmi, 1988).

The feudal tax collection machinery was expanded in rural areas and indigenous cultivators operated small personal holdings while making extensive payments to the state. This was sanctioned by the legal classification of all land under a tenure known as *raikar*, which allows individual households to operate personal plots while the state remained the ultimate landlord (Regmi, 1977b; Regmi, 1978). The tax burden on the indigenous population increased considerably in the period, with the state absorbing much of the surplus of the peasantry, while reserving the right to extract compulsory labour service or *jhara* for work such as construction and defence (Mahat, 2005; Regmi, 1977b; Seddon, 1987). This consolidated a feudal mode of production based upon state landlordism. As discussed in chapter 2, feudal economic formations are reproduced after each productive cycle primarily by control over land, obliging tenants to continually re-enter the labour process. In the context of the far-eastern Terai, the control over land resources was backed up by the political, legal and military authority of the Kathmandu rulers, a relation of power which would persist for generations. This perpetuated forms of surplus appropriation which have hindered accumulation within a vast strata of the peasantry.

The expansion of the rural administration also led to an intensification of social stratification within indigenous communities, facilitating the emergence of a powerful, but diverse, local nobility and further undermining the older indigenous mode of production. On lands operated under the predominant *raikar* tenure, the hill based state employed wealthier families from the indigenous Thāru, and sometimes Rajbanshi community, to act as tax collectors. A *chaudhari* was placed in charge of each revenue collection division or *parganna* to extract tax in kind from the peasantry, while a number of lower level functionaries operated at the level of each locality or *mouja* (Regmi, 1988). The *chaudharis* and lower level functionaries were granted salaries and land assignments for their services (Regmi, 1988; 1970). This created an indigenous nobility with large taxable personal lands. These could be sub-let to poorer peasants without access to their own holdings, resulting in a division of the surplus product between the state and the local landlord.

The period also saw the rise of an absentee landlord class. Alongside the *raikar* system of state landlordism was a form of property right known as *birtā*, where vast grants of forest land were distributed to members of the hill bureaucratic elites (see Figure 5-1) (Regmi, 1989; 1977b). *Birtā* owners had de facto private property rights to their estates, which essentially operated as semi-independent feudal vassals, often with their own administration. They would extract rent and labour service obligations from the indigenous population, many of whom were encouraged into previously untouched areas to clear the forest and settle. Some peasants would cultivate *birtā* land alongside personal *raikar* holdings which were often too small to sustain a family (Mahat, 2005). Most the actual *birtā* landlords, however, were based in the hills, only visiting during the harvest (Feldman & Fournier, 1976; Lal, 2002). Given the importance of land to income and social status in Nepal at the time, such land grants assured that the nobility who received them remained loyal, strengthening the authority of the Kathmandu rulers (Regmi, 1977b).

Figure 5-1: The plains present day of Babiyabirta VDC: This region to the east of Thalaha was once part of an extensive *birtā* estate. Today the descendents of many former *birtāwalas* continue to own large tracts of land and extract rent from the urban areas where they reside.



Figure 5-2: Ruins of former *jimidār* tax collection and administration office from the Rana years to the west of Jhorahat: Here grain would be collected to be channelled to Kathmandu.



As part of the policy to expand the cultivable area to meet revenue demands, immigration from India was encouraged, with landless peasants settling on the plains, driven by both famines and natural calamities in Bihar (Seddon, 1987). The existing indigenous groups were now joined by Maithilī speaking Hindu castes from the south that cultivated plots of land across the entire eastern Terai and paid tax or rent to their respective overlord (Guneratne, 2002; Seddon, 1987). The waves of immigration, bringing in new cultivation practices and forms of social organisation are likely to have further dissolved what remained of the older indigenous modes of production. There was by now an emerging class of culturally and economically diverse tenant cultivators, all subsumed under the same feudal relations of production.

5.2.3. Agrarian relations under the Ranas

Introduction of jimidāri system

Following the ascendancy of the Rana rulers in 1846, the economic importance of the Terai to fund the regime both through revenue from timber, which was sold to the British, and agrarian taxation, continued to grow (Guneratne, 2002). A more rigorous form of tax collection in the Terai was introduced in this context. A new post of tax collector known as the *jimidār*⁶ replaced that of the *chaudhari*, and had strict tax collection responsibilities for one or several *moujas*, alongside certain administrative duties. Under each *jimidār* were several *patuwaris*, functionaries expected to assist in the collection of taxes and maintenance of accounts (Regmi, 1978) (see Figure 5-2 and Figure 5-3).

It was recalled by respondents that in the *mouja* in which Jhorahat was once a part, there were around four *patuwaris*, one of whom resided in Pidarboni. The *patuwari* collected the grain from villagers and transported it to the home of the *jimidār*, before being taken to the district tax, or *Malpot*, office. Many of the original

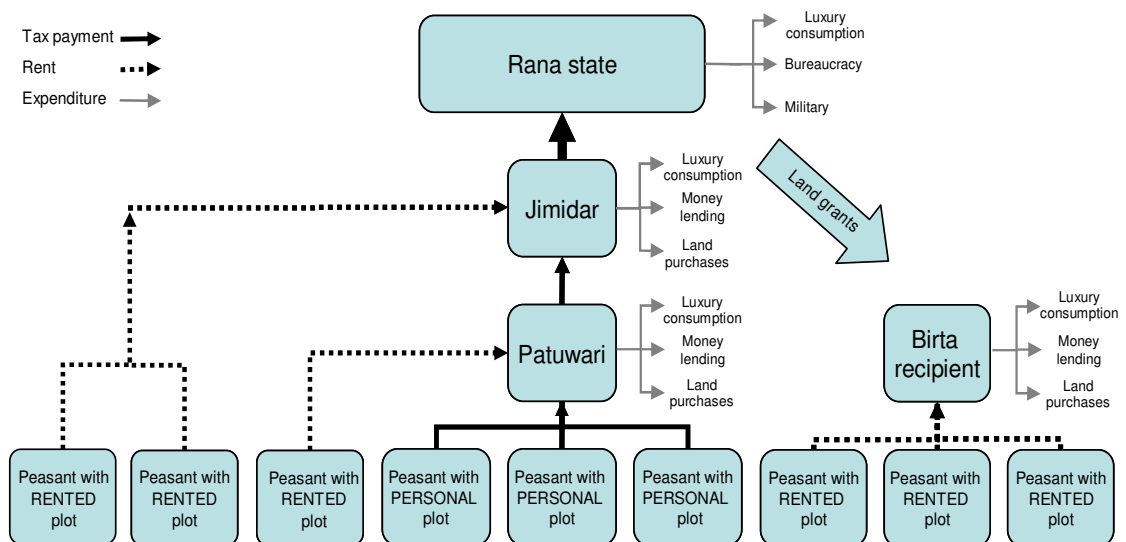
⁶ Regmi (1977) usefully clarifies that *jimidār* which means ‘functionary’, should not be confused with the term *zamindār*, used in India, which simply refers to a landowner.

chaudharis were converted into either *jimidārs* or *patuwaris* under the new system (Regmi, 1988; Regmi, 1978). However, Regmi (1988) notes that preference for *these* positions was often given not to the traditional landed gentry at the *mouja* level, but to elites with strong connections to the bureaucracy, usually from the dominant Brahmin and Chettri caste from the hills (Guneratne, 2002; Regmi, 1988; 1977b). In some circumstances, Hindu castes of Indian descent were also given the positions (Regmi, 1977b). Unlike the *jimidārs* however, it was required that *patuwaris* be from the local community under their jurisdiction, and thus an indigenous elite retained some power (Regmi, 1978) (see Table 5-1).

Table 5-1: Different types of landholder by ethnicity in Morang under the Ranas

Land holder	STATE OWNED <i>RAIKAR</i> LAND			PRIVATE <i>BIRTĀ</i> LAND
	Peasant cultivators	<i>Patuvari</i> landlords	<i>Jimidār</i> landlords	<i>Birtā</i> landlords
Predominant ethnic group	Thāru, Rajbanshi, Indian origin middle castes, Jhagar, Satar, Bantar	Thāru, Rajbanshi, Indian origin middle castes	Thāru, Rajbanshi, Brahmin and Chettri (from hills)	Brahmin and Chettri (from hills)

Figure 5-3: Simplified model of the distribution of the agricultural surplus during the Rana years in the eastern Terai



In order to maximise tax revenues, incentives were given to *jimidārs* to intensify the clearing of the forests and bring in more peasants from India to cultivate the land where indigenous farmers were unavailable. In return for their services, *jimidārs* were, like the *chaudharis* who preceded them, entitled to a percentage of the tax revenue collected while also being rewarded with land grants. Yadav (1984) reports that a *jimidār* who clears the forest would be given 10 years tax exemption and a tenth of the reclaimed land as a personal tax free *birtā* which could be let out to tenants. They were also entitled to additional grants of uncultivated *jirayat* lands, which did not include full property rights, but allowed the *jimidār*, as well as cultivating them alone, to sub-let lands to new immigrants or local farmers to yield rents, as long as taxes were paid (Regmi, 1977b). Patuwaris were also able to access land through their appointments (See Figure 5-3) and, together with *jimidārs*, they extracted rent from tenants on their private holdings as well as a portion of the tax appropriated from the remainder of the peasantry. This local nobility also had the power to appropriate unpaid labour from the peasantry. For example, to clear jungle from their *jirayat* holdings *jimidārs* reportedly were allowed to appropriate the unpaid labour of one ox team from each settler family each year (Yadav, 1984).

During the Rana years, the forests continued to be felled (see Figure 5-4). Local people in the study area reported that during this period, hunting-gathering and shifting cultivation lost its significance as a form of subsistence. By this stage most of the population had become sedentary subsistence farmers and labourers under the predominant feudal mode of production. Market oriented production and accumulation, which could have facilitated capitalist development was hindered by the high rates of surplus extracted through taxation.

Nevertheless, there was still some limited commodity production in Morang, particularly of jute (see Figure 5-5) the taxes from which made an additional contribution to government revenue (Regmi, 1988). The export of these commodities to India combined with growing imports of manufactured commodities (Seddon, 1987) could be considered as a loose 'articulation' between the semi-feudal mode of production in Nepal and the emerging colonial capitalist economy in India.

Figure 5-4: Jalthal forest in Jhapa district: This is one of the few large areas of untouched forest in the far-eastern Terai, along with the Charkose forest along the foot of the hills. The felling of the jungles intensified during the Rana years and continued up until the 1960s, with permanent impact on the livelihoods of the indigenous peoples.



Figure 5-5: Fields of Jute near Kathari: Although today only a small number of farmers produce the crop, it was historically an important export from the Morang plains.



The Rana period also saw some development of the productive forces with the introduction of new techniques and increased agricultural output (Seddon, 1987). Although this may have been driven in part by Rana policies, population growth appears a more likely explanation. Although *jimidārs* were supposed to encourage innovation and development in agriculture, Regmi (1977b) asserts that their operations remained primarily restricted to the parasitic activities of tax collection, rent collection from tenants and usury.

Land inequality continued to increase under the Ranas. The *jimidārs* were able to increase their personal holdings of taxable land to sub-let by illegally claiming land which should have been distributed to new settlers. Aside from this, the Ranas continued to give out tax free *birtā* grants to political elites from the hills, primarily from the Brahmin and Chettri ethnic groups, thus intensifying land inequality (Regmi, 1977b) (see Figure 5-3). By now though, *birtā* estates had lost some of their administrative autonomy (Regmi, 1977b). It was reported locally that there had historically been several large *birtā* estates in the study area, the most notable of which was the formerly forested region to the east of Thalaha VDC across the Lohandra river in Babiyabirta VDC (see Figure 5-1).

Transition from state to private land ownership

There was a shift in the character of the feudal mode of production from the end of the 19th century whereby individual tenant-landlord relations became more significant than the tenant- *jimidār*-state relations which had characterised the earlier Rana years. In this context the primary mode of surplus appropriation in rural Morang and much of the Terai shifted from state tax payments to tenant-landlord relations. Once again, this was facilitated, not through natural economic transition, but primarily through extra-economic interventions by the state.

The first state intervention was the gradual development of property rights for *raikar* land. These rights allowed cultivators to become the de-facto owners of their land rather than tenants of the state. These new rights gave cultivators the ability to buy or sell the *raikar* land they operate so long as tax is still paid (Regmi, 1977b). This

encouraged *jimidārs* to further expand their holdings while also providing an incentive for other wealthy individuals both from the hills and local communities to buy land. As Regmi (1977, 192) argues: “*Raikar* landownership rights were now prized not because they yielded an opportunity for personal labour and subsistence, but because they created a new avenue for profitable investment and were therefore a source of unearned income.” This further increased concentration of land and set the conditions for the intensification of the parallel set of feudal relations of production already established by *birtā* owners and *jimidārs*, whereby land is sub-let to poorer tenants.

The second significant state intervention however, was the monetisation of land tax for *raikar* lands. Land taxes which became monetised by the start of the 20th century remained static despite rapidly rising commodity prices, meaning that the *raikar* landowner needed a smaller quantity of grain to meet tax obligations (Regmi, 1977b). In Mahottari district to the west of Morang for example, Regmi (1977) notes how paddy prices increased nine fold between 1940 and 1961 despite static monetary tax rates. This made it easier for landlords to rent out excess holdings, as tenants could more easily retain a surplus beyond their subsistence needs after paying tax, yielding a profit which the landlord could extract (Regmi, 1977b). Devaluation of tax and the rising concentration in landed property which accompanied it consolidated ground rent as the primary form of surplus appropriation, and is the origin of the predominant form of landlordism in today’s Terai.

The devaluation of land tax and the development of property rights to land, however, also facilitated the emergence of an entirely new mode of production. Those indigenous and Indian settler peasants who were not working as tenants and cultivated personal *raikar* holdings, paying tax directly to the state, now became the effective owners of their land. With falling rates of tax they were able to retain a large portion of any surplus for themselves. There was therefore an emergence of a class what Seddon (1987, 142) terms “independent peasant producers” alongside the predominant tenant class. From now this form of cultivation will be termed the ‘independent peasant mode of production’. Although it is likely to have contained

relics of the older economic formation, the main production relations were now characterised by access to one's own means of production and the retention of the surplus product for household use, with much smaller tax payments. However, this group was small in number. As of 1948 it was estimated that 23% of farmers in rural Morang owned less than one bighā each, while some *jimidārs* possessed up to 22,000 bighā (Regmi, 1977b, 118). While this group dominates hill agriculture (Seddon, 1987), the evidence from Morang suggests that as of the mid-twentieth century, only a small number were fortunate enough to become independent owner cultivators.

The blocked development of an independent peasant class can be understood when one observes that with the monetisation of land tax came the rise of debt, a new form of subordination. Although the value of rents were declining, their monetisation created a need for cash, encouraging further commercialisation amongst the tax paying peasantry and often increasing levels of indebtedness to money lenders (Regmi, 1977b). The simultaneous destruction of cottage industries by Indian imports was, however, likely to have been equally important in intensifying commercialisation and indebtedness. While to Lenin (1960) and Kautsky (1988) monetisation often drives capitalist differentiation, on the Terai it led to further transfers of land from poorer farmers to larger feudal landowners. The emergence of property rights for land also meant that land could now be left as collateral for loans, causing many peasants to lose their land if they defaulted (Regmi, 1977b). Villagers in Jhorahat VDC also noted how *jimidārs* and even lower level *patuwaris* were able to expand their holdings by confiscating land from those tenants who were unable to pay their tax. The family of one state functionary from the Thāru community of Jhorahat had reportedly diversified into money lending themselves, further increasing their land holding in the process by acquiring the property of borrowers defaulting on loans. Regmi (1977b) suggests that transfers of land also occurred through deception and coercion, turning many marginal farmers into tenants for the growing landlord class.

By the mid-twentieth century, while the relations of production remained largely feudal in character, the distribution of surplus had now shifted in favour of a growing

landlord class rather than to the state. There were two types of landlord. Firstly, there was a locally based landlord class who had emerged from both Brahmin/Chettris and indigenous state functionaries such as *jimidārs*. Although the powers of the indigenous elites were declining, many still had considerable holdings. The Thāru landlords' wealth was legendary in the villages of Jhorahat VDC. In Pidarboni village, they kept elephants for transportation and ceremonial purposes on the outskirts of their homesteads. Reportedly 8 bighās (5.4 hectares) of land was required to support one elephant alone. This contrasts starkly with the normal holding size estimated by respondents to be sufficient to support a family of 6 which stands at 1.5 bighā (1.01 hectare). Aside from the local landlords, there was also an absentee landlord class. These included the predominantly Brahmin and Chettri *birtā* owners. There was also, however, an emerging urban-based absentee landlord class, as political elites from the growing industrial town of Biratnagar, many of whom had employment within the bureaucracy, began to purchase land in the rural hinterland (Regmi, 1977b).

Another shift in the rural social formation in Morang during the later Rana years was growing articulation with capitalism. Although crops had been exported to capitalist markets for generations, the development of early industries in Morang are likely to have led to a supply of labour to an emerging (albeit weak) industrial capitalist mode of production. The first joint-stock company in Nepal, the Biratnagar Jute Mills, was established in Morang in 1936 with Indian capital (Karan & Ishil, 1996). Other enterprises established locally during the period included the Morang Cotton Mills, the Judda Match Factory and the Morang Sugar mills (Regmi, 1977a). It is likely that growing cash needs increased the imperative for wage labour as well as the production of crops for the market, as is observed by Singh (2007) amongst the Indian adivasi communities. However, Regmi (1977a) reports that only a small portion of the peasantry were able to find work in the new industries in Nepal, and many even utilised better skilled Indian labour.

Emergence of caste

A change to the Morang social formation between its annexation by the Gorkha dynasty and the mid-twentieth century was the emergence of caste relations. The communities of the Morang plains have always been diverse. Although Maithilī speaking middle and low castes were slowly settling the Morang plains from India, the population was predominantly composed of indigenous groups. These diverse communities such as the Thāru and Rajbanshi were never integrated into the South Asian ritualised caste hierarchy or *varna*⁷. This stands in contrast to the regions of the Terai west of the Koshi river and along the Indian border where there have for generations been far greater populations of Maithilī speaking caste Hindus from multiple positions in the classical hierarchy, allowing a more established caste system to develop.

However, looser caste relations in rural Morang have still developed over the generations. To Meillassoux (1973), the actual caste hierarchy in South Asia is far more complex than the classical categorisation of the *varna*. New groups emerge within the bounds of the classical hierarchy, and the position of some groups is contested and flexible. The *varna* emerged at a specific period of Indian history under particular production relations. Subsequent transformations to this classical hierarchy at a given time and space is intricately connected with the historical evolution of the modes of production in the Indian social formation (Meillassoux, 1973). In the context of the Terai, there is evidence that caste emerged as an ideological mechanism to legitimise the control over land by the elite and facilitate the reproduction of the feudal mode of production.

The first form of ideological stratification emerged through the Rana policies in the mid 19th century. The 1854 *Muluki Ain* or civil code, not only clarified legislation relating to land tenure and social practices, but sought to institutionalise the relations

⁷ The *varna* divided the population in order of status. At the top was the *Brahman*, who exercised religious functions, followed by the *kshatriya* or warrior caste. In the middle were the *vayshia*'s who were traditionally merchants or farmers. At the bottom were the sudra, the labouring or 'servant' castes, and below that were untouchables or *dalits* (Meillassoux, 1973).

between castes at a state level (Höfer, 1979). In the classical *varna* hierarchy, the priestly Brahmins are positioned at the top, followed by the Chettri (known as *kshatriya* in India). As the feudal elite were predominantly Nepali speaking Brahmin and Chettris they could place themselves at the top of the institutionalised hierarchy to justify their continued economic and political power. Meanwhile, Nepali speaking occupational castes and numerous Maithilī speaking low castes who had migrated from India were placed at the bottom, again based upon their position in the classical *varna* hierarchy, and were divided into ‘touchable’ and ‘untouchable’ (or dalit) categories (Höfer, 1979). Indigenous communities of the hills and Terai meanwhile, who were not even part of the classical hierarchy, were granted an intermediate position. They were broken down into ‘enslaveable’ and ‘non-enslavable’ alcohol-drinking castes, which were placed above the touchable or untouchable low castes, but below the Chettri. The Thāru in this context were placed at the bottom of the enslavable alcohol drinker category in the Muluki Ain (Höfer, 1979). While the Thāru were important state functionaries, their lower position gave some legitimisation for the Kathmandu based Brahmin and Chettri ruling establishment to appropriate surplus from the Terai. It could also justify the local level feudal relations between Brahmin and Chettri *jimidārs* and *birtā* owners and indigenous and lower caste Indian tenants.

The exact position of the other Terai indigenous groups such as the Rajbanshi, Bantar and Jhagar was not specified in the Muluki Ain⁸. Nevertheless, it is clear that there is an informal caste hierarchy within the indigenous population of Morang which appears to have evolved in parallel to shifts in the mode of production. Singh (2007) notes how in adivasi communities in India, communitarian principles and rituals were central to the reproduction of the earlier mode of production which was based upon hunter-gathering and shifting cultivation and driven by redistributive norms. However, the subordination and articulations of these modes of production to both capitalism and feudalism undermined these imperatives and led to economic

⁸ Interestingly, Hofer (1979, 100) notes how one Terai ethnic groups such as Meche, actually petitioned the government to have their caste status assessed and confirmed. Their wish was fulfilled in a later amendment of the Muluki Ain.

stratification within communities. This has also led to growing changes in ritual associations within adivasi groups and the creation of new divisions (Singh, 2007).

A similar process appears to have occurred in rural Morang. Stratification between and within adivasi communities, on account of their historical subordination to the feudal mode of production, facilitated the emergence of an informal 'caste' hierarchy. The Thāru, who played the most significant role as functionaries for the state, and within which a land owning class had developed, began to consider themselves 'higher' status than poorer indigenous groups such as the Rajbanshi, Jhagar and Bantar. Even within the Thāru group, hierarchical divisions developed. For example, the Khawas sub-group, who reportedly had greater positions of power within the tax administration apparatus, apparently began to claim a separate 'superior' lineage from the Thāru. Similarly, some reports suggest that the Rajbanshi split off from a broader ethnic group known as the Koch during the Rana years. This was initiated by indigenous elites who wished to separate themselves and those other clans which had adopted the Hindu customs of the Brahmins and Chettris (Bista, 1976, 134; Höfer, 1979, 73). The emergence of these pseudo-caste divisions within the indigenous Terai groups thus provided ideological justification for the feudal relations within and between these ethnic communities.

5.2.4. Downfall of the Ranas and attempted land reforms

Land Act of 1964 and further reforms

The period following the overthrow of the Ranas in the mid-twentieth century saw further evolutions to the feudal mode of production in rural Morang. After 1951, when 'rural development' began to figure more prominently in government rhetoric, a series of attempts were made at land reform, culminating in the 1964 Lands Act. The reforms abolished the *jimidāri* system, while *birtā* tenure, which comprised 36% of the total land in Nepal as of 1959, was outlawed (Regmi, 1977b). All land was now officially *raikar* tenure with the exception of *guthi* lands, those owned by religious institutions. The Lands Act set the ceiling for land ownership at 25 bighā

for the Terai, set agricultural rents at a maximum of 50% of the crop and made efforts to introduce tenancy rights (Adhikari, 2006; Regmi, 1977b).

Avoidance of reforms

By 1972, the government had acquired approximately 50,000 hectares of land. However, this represented only 3% of the cultivable area, and it was estimated that only 22,000 hectares were actually redistributed, benefiting only 10,000 households (Regmi, 1977b). Despite the rhetoric of land reform, as of the present day there has been only limited progress in reducing concentration of landed property and undermining the feudal mode of production on the plains of Morang, particularly in the study VDCs of Jhorahat, Bhaudaha and Thalaha. Many of the political elites of hill origin, such as the recipients of *birtā* grants, and Brahmin and Chettri *jimidārs* were by various measures able to avoid reforms. It was estimated by villagers in the study VDCs that some landlords still own holdings ranging from 20 to 70 bighā, especially in Bhaudaha VDC. The only change is that many more of these Brahmin and Chettri landlords who were once resident in villages have now moved to urban areas. Many landlords, however, have always been absentee.

There are a number of explanations for the persistence of this landlord class. The owners of larger 'class A' *birtā* grants were compelled to give up their estates and the tenants received ownership rights to the land, thus becoming independent peasant cultivators. However, many owners of smaller 'class B' *birtā* grants, retained their lands as it was simply converted into *raikar* tenure making landlords liable for taxes while cultivators continued to work as tenants under semi-feudal production relations (Regmi, 1977b). While in the study area it was difficult to ascertain which lands belonged to the recipients of *birtā* grants, it was reported locally that many of the descendents of these '*birtāwalas*' continue to own vast estates and collect rent from their homes in urban areas.

The most significant mechanism through which large landlords retained their estates, however, was through conscious avoidance of the reform process. In many cases,

landlords registered themselves as cultivators while renting out the land to tenants unofficially (Regmi, 1977b). We were informed of a woman who married into a powerful landed family, and had inherited up to 70 bighā of land. During the land reform she made papers in the name of some of the tenants, but continued to extract rent as a landowner. While the original tenants have moved on, we were told with much amusement of how the son now wants to sell some of her land, but can not find the tenants in whose name it was originally registered! Another practice said to have been widespread in rural Morang was the registration of land in the name of different family members. There were even several rumours of married couples having legal divorces so some land could be registered in the husband's name and some in the wife's name, although these reports are difficult to verify. One farmer from Bhaudaha described how a land owner from a neighbouring village was able to bypass the land reform process:

“There was a landlord with 75 bighā of land. He kept a kamtiya [locally based agent] to look after it. After hearing the rumour of land reforms they named some in their daughter's name and some in their relative's name”

Even high level staff in the Morang land office stated that ‘officially’, no landlord owns more than 5-6 bighā of land, but, as it is all registered in the name of different family members, their estates are likely to be far larger. Khanal et al (2005) cites a lack of commitment and sincerity of the government and ineffective institutional arrangements for the implementation of land reforms. Furthermore, there has been inadequate policing of legislation relating to land ceilings (Blaikie et al., 2001). Understanding these implementation failures, however, requires a reiteration of the importance of land to political authority over the last two centuries. As outlined above, *birtā* grants incorporated the feudal lords within the state bureaucratic alliance (Mishra, 2007). Furthermore, many of the *jimidār* posts were appointed to Brahman and Chettri's loyal to the government during the Rana years. Landlords continued to be the major support bases of the king during the Panchayat Era in which the first land reforms were established, often influencing implementation agencies and personnel (Khanal et al., 2005). Political power in this context remains central to the

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reproduction of feudal relations of production and the forms of surplus appropriation which hinder accumulation.

Changing structure of the landlord class

While Brahmin and Chettri political elites have been able to retain their control over land, a significant change following the collapse of the Rana regime, in particular in Jhorahat, Bhaudaha and Thalaha, was the decline in the indigenous Thāru nobility. The close links to the bureaucracy amongst the landlords of hill origin gave them an advantage over the indigenous landlords in avoiding land reforms. Although there are still some wealthier Thāru landlords in Morang, it was reported in Jhorahat and Bhaudaha that many of the indigenous nobility had lost much of their estates following the reforms.

It was not only the land reforms, however, which led to the decline of the landed classes. Firstly, land was lost over the last half a century through population growth. Unlike the Brahmin and Chettri landlords, many of whom were absentee, agriculture was the primary source of subsistence for indigenous households, and the land was often divided amongst sons. Secondly, and most significantly, the former indigenous nobility had been selling their estates over the last few decades due to financial insecurity. It was reported that just as the Thāru landlords had been able to accumulate lands through money lending, they themselves had fallen into cycles of indebtedness in later years to urban based landlords and local money lenders. The causes of growing indebtedness are difficult to verify, although the increasing monetisation of the economy and market expansion appears to be partially responsible. There is in this context a growing culture of consumerism and rising expenditures for life cycle ceremonies such as weddings amongst indigenous landlords, many of whom had few other sources of cash income. This will be explored greater detail in the next chapter.

We met one marginal farmer from the Rajbanshi community of Bhaudaha whose grandparents had owned 360 bighā of land extending as far as Biratnagar, including

what is now some of the most expensive real estate in the district. However, the family was in debt and unable to pay the land tax, resulting in much of the land being confiscated. The remaining land was divided amongst the sons, and now his household owns a mere half a bighā. It was also claimed that many indigenous land owners did not know the full financial value of their land and were misled into selling it to urban based landlords, often for a marginal price.

Just as the Thāru landlords were losing their economic power, landlessness was also increasing rapidly amongst the remainder of the indigenous peasant population. Many of those who had property rights to small parcels of land under the independent peasant mode of production were now also losing their land through indebtedness, forcing them to become feudal tenants. One elder in Pidarboni described how the smaller producers lost their land:

“The farmers were poor and they could not even afford for food so they use to take loan from the rich people. The farmers were charged with interest which was very high, because of which the farmers could not pay it back. Instead they gave their land to the rich people”.

It is important to ask who the traditional landed elite have sold their holdings to. While it is likely that some of the land was absorbed into the estates of the urban based landed elite such as the descendents of *birtā* recipients and Brahmin and Chettri *jimidārs*, there has also been a rise of a new class of absentee landlords who are still purchasing land. This echoes Regmi (1977b), who suggested that land remained a profitable source of investment following the land reforms. It was estimated that the Lands Act maintained agricultural rents at a level that ensured landowners continued to receive an income equivalent to that which would be achieved had they invested in other sectors (Regmi, 1977b). In this context, growing prosperity in Kathmandu and the town of Biratnagar have continued to encourage the purchases of land by town dwellers. The rise of a new class of landlords also supports Regmi’s (1977) observation that the emergence of de facto ownership rights

in land has made ascriptive rights less important, and the traditional landed elite have been undermined by the rise of a non-ascriptive land owning class.

Figure 5-6: Settlements on the forest fringe in Urlabari VDC, north Morang: This was one of the most recent regions to have been settled from the hills, in the second half of the 20th century. The region around Jhorahat was once similar in character before the felling of the remaining jungle.



The second half of the twentieth century also saw a demographic shift in the population of the villages throughout the Terai. The government encouraged considerable migration of hill settlers to the Terai plains following the malaria eradication programs of the 1950s. Most of this population comprised of enterprising peasants escaping poverty and overpopulation in the hills, and they generally colonised former forest land as owner cultivators (see Figure 5-6). In the Western Terai in particular, many indigenous peoples such as the Thāru lost their land to the new settlers either through fraud or sales due to debt (Guneratne, 2002). This may have occurred in Morang, although to a lesser extent than in the Western Terai. At least in the communities where this research was carried out, it appears

that most land was lost to the absentee landlords, as the new settlements of hill people adjacent to Jhorahat bazaar were primarily in former forest land (see Figure 5-6), having less impact on indigenous groups⁹. Those whose ancestors have settled from the hills in the study area were generally not significantly more prosperous than the Thāru. Many migrants are Brahmin and Chettri and have retained their high caste status over the Thāru and other indigenous groups. Although this may have facilitated their access to more favourable and larger holdings of former forest land, it does not appear to have allowed them to ‘displace’ indigenous land owners. Furthermore, while most new migrants settled as owner cultivators, joining those farmers who cultivated under an independent peasant mode of production, many were unable to secure parcels of land and became tenants for the absentee landlords.

In sum, there has been a change over the last half century from feudal system whereby the monopoly over land was shared between an indigenous landed elite and a predominantly Brahmin and Chettri political elite, to a new mode of production whereby surplus is appropriated by an absentee landlord class. Although the relations of production are feudal, the absentee landlord class is increasingly diverse, and also now includes urban professionals as well as the traditional ‘feudal’ elite. This, alongside the increased influence of market forces in the rural economy mean that it is nowadays better termed a ‘semi-feudal’ mode of production. This mode of production however, continues to be reproduced by the concentration of land ownership within this absentee landlord class and its political support mechanisms.

Although the primary mode of surplus appropriation remains rent payments in kind, the rise in absentee landlordism has brought with it some smaller changes to the relations of production. Until quite recently, each of the resident landlords from both

⁹ It was however, evident from local discussions that some of the indigenous groups who had resided in the jungle fringe to the north of Morang *may* have been displaced by the new settlers. It was reported that the population of indigenous groups such as the Dhimal and Satar had declined significantly in north Morang over the last half a century and the population is almost entirely comprised of ‘settlers’ in many VDCs. However, these facts are almost impossible to verify, and it is unclear as to where this indigenous population migrated. As most of the new settlers were (and continue to be) owner cultivators, while opportunities for tenancy were less, the indigenous groups may have migrated to the south to join the growing class of sharecroppers in the areas dominated by absentee landlordism.

the hill settler and Thāru elites had a sphere of influence stretching beyond the boundary of their actual estate or *kamat*. They may not actually own all the land, but within this sphere of influence they had much power locally and would each season draw labourers to work on those holdings which had not already been leased out. All the workers would gather their harvest in the one place and receive a certain share of the crops for their labour. Local elders recalled how in the past they were very afraid of the landlords, feeling that they needed to please them if they wanted work. This system of employing local agricultural labour on their estates had however ended as existing landlords have relocated in urban areas and the indigenous landed class has declined.

Nevertheless, existing absentee landlords continue to have a strong influence in their former *kamats*, and elements of the system have remained in the modern era. However, rather than working on the land which is primarily operated by tenants, workers from a *kamat* are provided with jobs in urban areas. These favours, which facilitate an articulation of the rural semi-feudal with urban capitalist modes of production, often take the form of a classic patron-client relationship. By offering a perceived 'favour' to local people, their position can be legitimated.

Later attempts at land reform and political power

Land reforms did not cease after the 1960s. There was renewed rhetoric of land reform in the 1990s following the restoration of democracy. Could this have gone some way as to reduce the concentration of landed property? The CPN-UML government of the mid-1990s instituted the Badal Commission to look into land reform issues, but little came of the report (Adhikari, 2006). Under the government of Sher Bahadur Deuba in 2001, there was limited progress with a reduction in the Terai land ceiling from 25 to 10 bighā, while landlords were prohibited from renting out more than 4 bighā to any one household (Adhikari, 2006). A rigorous implementation was promised in order to gain support at the time of the escalating Maoist insurgency (Adhikari, 2006). However, none of these policies appear to have changed the land ownership structure in rural Morang.

Given the infiltration of landed interests into the bureaucracy, it is understandable that land reforms have failed, and policies have been ineffective. One policy maker in Kathmandu, when asked about the prospect of land reform, stated:

“It [land reform] is a very sensitive issue. It is directly linked with the power structure of important families and power interests... and the donors themselves off and on they send some mission to look into the land issue... Their main mandate is poverty, and ending deprivation, but no one dares raise the land issue.”

He went on to discuss the various land reform commissions which have come and gone over the last few decades:

“The [land reform] commission submits the report to the government and then the government changes, and nothing happens. And there were several land reform commissions. Each comes out with a grand master plan, a land reform plan. There is no political commitment to change. And it’s probably is not unique to Nepal... The power structures are incompetent, corrupt and are too preoccupied with scheduling for their own family groups.”

This quote not only suggests a lack of commitment to land reform and the continued shaping of policies to meet elite needs, but offers insights into the social dynamics of the feudal bureaucracy. The concept of *āphno mānche*, which literally translates as ‘one’s own people’, is widespread in Nepal and refers to one’s own social networks. If one offers favours to their *āphno mānche*, particularly if the recipient is in a high status, they can expect a return in the future such as employment or access to essential services. The operation of these often caste or kin based networks of patronage have been highly significant in shaping the behaviour of members of the bureaucracy since the Rana years (Bista, 1991). In the case of the quote above it is suggested that policy makers are not interested in change, but in ensuring the needs of their elite social circles are met.

Landed classes are also able to shape policy at a local level through their control over the vote bank. Villagers reported that landlords included leaders from all the mainstream political parties. The landlords use patron-client relations with their tenants such as offering them menial jobs to encourage villagers to vote for their parties, (including parties against land reform), thus further reinforcing their economic power. Similarly, it was reported that land owners from the major parties would give out 'false' ownership papers to tenants to win short term support. Only after the elections would the tenants realise they were not valid.

5.3. Agrarian structure today

In order to understand the relevance of these processes for the focus VDCs of Jhorahat, Bhaudaha and Thalaha, it is useful to examine the survey data on land ownership in 2007-8. In the survey it is evident that 79% of sampled households that are engaged in agriculture have access to less than 1.5 bighā (1 bighā = 0.67 hectares) of land, while only 9.4% have more than three bighā (see Table 5-2)¹⁰. A substantial 58% of the total cultivated land amongst sampled farmers in the three VDCs of Morang is not owned, but is rented. 47% of cultivating households meanwhile are only tenants, 37% are tenants who also own parcels of land, while only 16% are purely owner cultivators (see Table 5-3). The fact that some households own land, although plots are small, suggests that a mode of production based upon independent peasant cultivation persists in rural Morang. However, it is clear that the majority of households participate predominantly in the semi-feudal mode of production.

The village survey reveals that 73% of the holdings rented by sampled households belong to absentee landlords and 5% belong to both absentee and local landlords. Discussions locally suggest that the absentee landlord class is composed of both the descendents of Rana era village functionaries or *birtā* recipients who now reside in

¹⁰ 1.5 bighā is the amount of land suggested by respondents to be sufficient to support a typical family of 6 people (average family size in sample 5.6).

urban areas, as well as professional classes who invested in land more recently. Rent is appropriated in kind. On some occasions landlords use it directly to meet the grain needs of their urban based extended family, while in other cases it may be sold immediately and converted into cash. It is unclear as to what happens to this surplus when it is converted into cash, but initial discussions suggest it is used primarily for further consumption purposes rather than being reinvested.

The remaining 22% of land belongs to local farmers, family members or religious institutions (*guthi*). The lack of large land owners who actually reside in the selected VDCs is understandable given the decline of the traditional Thāru land-owning elite, although there are some in nearby villages. The local households who do lease out land do not appear to be big landlords. For example, out of the sampled households only 6% rent out land to poorer farmers. However, as the average area of land rented out is only 1.75 bighā, such households can not be classified as a local landlord class of comparable wealth to the *jimidārs* and other functionaries of the Rana years. It appears that most of these households lease out their land after family members find alternative skilled employment outside agriculture or have migrated to the Gulf or Malaysia, making investment in cultivation no longer viable or practical. The rent is used to directly meet the subsistence needs of those who remain in the village rather than being accumulated. This practice is particularly common amongst well educated Brahmin and Chettri households seeking a path out of agriculture.

A remaining question, however, is the relevance of this trend across the eastern Terai. The sample from Morang can be compared with the sample data for the eastern Terai encompassed in the 2003/04 Nepal Living Standards Measurement Survey (LSMS) (Central Bureau of Statistics, 2004). Table 5-2 suggests that while inequality in the distribution of land within the peasant population is slightly higher in the sample from Morang, both data sets suggest that a clear majority of farmers own holdings of less than 1.5 bighā. Meanwhile, a small proportion (9% sampled households in the Morang survey and 11% in the NLSS survey) own holdings of more than 3 bighā. Initial evidence thus suggests a highly skewed land ownership structure in both the selected study villages and the eastern Terai as a whole. In

terms of landlord-tenant relations, the tenancy situation in the selected VDCs of Morang appears to be particularly acute (see Table 5-3). Nevertheless, the LSMS sample for the entire Eastern Terai still suggests that 30% of the total operated land is under tenant cultivation, and that 61% of households are involved in tenant farming, either on its own, or in combination with owner cultivation. It is evident therefore that through the historical processes outlined above, semi-feudalism remains a powerful economic formation not just in Morang district but across the eastern Terai.

Table 5-2: Distribution of agricultural households by holding size

Sample	% Households with less than 1.5 bighā	% Households with more than 3 bighā	Average holding size (bighā)
Sampled VDCs in Morang	79%	9%	0.7
NLSS data from eastern Terai	66%	11%	No data

Table 5-3: Percentage of total land under owner and tenant cultivation and percentage of households engaged in owner, combined and tenant cultivation

Sample	% total operated land under owner cultivation	% total operated land under tenant cultivation	% Households only engaged in owner cultivation	% Households engaged in tenant & owner cultivation	% Households only engaged in tenant cultivation
Sampled VDCs in Morang	42%	58%	16%	37%	47%
NLSS data from eastern Terai	70%	30%	39%	45%	16%

Where the study VDCs differ from the remainder of the eastern Terai is in the predominance of absentee landlordism. There is no data directly associated with absentee landlords in the LSMS survey. However, while the percentage of total operated land which is under tenant cultivation is 30%, the percentage of total *owned* land rented out by rural Terai respondents is only reported to be 10%. As the LSMS data was collected from rural areas, and assuming the sample is representative, one would expect that the shortfall of 20% is a result of urban based absentee landlords who are not included in any of the survey sites. This is, of course, significantly lower than the 73% in the surveyed VDCs of Morang.

While the survey data suggests that the practice of absentee landlordism is particularly high in the selected VDCs of Morang district, why it is less common elsewhere in the eastern Terai requires further analysis. It may be the case that the indigenous nobility in other eastern Terai districts were more successful in retaining their holdings. Similarly, the fact that the study area is near Biratnagar, Nepal's second largest urban area, appears to be one of the reasons there were so many absentee landlords. Other Terai districts may not have been subject to the same volume of land purchases by urban professionals in recent years, transactions which helped precipitate the decline of the indigenous land owning class. Areas nearer urban areas have the greatest agricultural growth potential given their proximity to markets, state support services and favourable transport infrastructure. The importance of studying the impact of absentee landlordism in these areas is therefore all the more important. The VDCs in this study can therefore be considered a case study highlighting the means through which several important aspects of the Terai's land ownership structure and the associated modes of production constrain market access. These include the inequality in access to the means of production and surplus appropriation through rent by both absentee and local landlord classes.

5.2. Conclusion

It is evident that over the last three centuries, a feudal mode of production has become predominant in the agricultural communities of rural Morang, although different interventions by the state over the decades have caused it to undergo internal transformations and evolution. From the founding of Kingdom of Nepal to the early Rana years, the peasantry were subject to the simultaneous appropriation of tax from the state and rent by the local landlords who were themselves part of the feudal state apparatus. However, the development of property rights, monetisation and devaluation of land tax, and associated increases in land inequality, have led to the emergence of rent as the primary mechanism of surplus appropriation. There has meanwhile been a shift in the structure of the land owning class, with a decline of the

indigenous nobility, the entrenchment of the now predominantly absentee Brahmin and Chettri landed elite, and the growing ownership of land by urban professionals.

Independent peasant cultivation does exist throughout the eastern Terai. However, despite its internal mutations, semi-feudalism remains the predominant mode of production in the study VDCs and large portions of the eastern Terai, although its internal complexity will be examined in subsequent chapters. Central to the reproduction of semi-feudal relations of production over the generations has been the political power of the landlord class within the bureaucracy, which has consistently served their interests. As will be discussed in subsequent chapters, the associated perpetuation of feudal mechanisms of surplus appropriation has played an important role in hindering the emergence of either profitable commodity production or agrarian capitalism on the Morang plains.

6 Relations of production, surplus appropriation and agrarian stagnation

6.1 Introduction

This aim of this chapter is to understand the character of the relations of production present in Jhorahat, Bhaudaha and Thalaha, and how the associated forms of surplus appropriation condition households' capacity to engage in profitable commercialisation. Such a transformation, particularly amongst the middle peasantry, would be essential if the APP's envisaged profitable petty commodity production is to emerge. It would also precede any capitalist development and differentiation in agriculture.

The chapter begins in Section 6.2 by examining the character of the contemporary relations of production and primary forms of surplus appropriation. Based upon the survey data, three categories of farming household are developed and their market participation analysed: 'Small farmer' households represent those unable to meet their subsistence needs through agriculture; 'medium farmers' can reproduce through agriculture but are not accumulating capital, while 'large farmers' represent the few households showing 'capitalist' tendencies. In Section 6.3 it is argued that the low levels of profitable commercialisation amongst 'small' and 'medium' farmers can be explained by the predominant semi-feudal mode of production into which they are integrated whereby much of the surplus is appropriated through ground rent. It is argued that while these forms of surplus appropriation combined with the control over land by the urban elite hinder households from entering the land market, levels of rent remain high as a result of the competition for tenancies in the context of industrial stagnation and a lack of alternative viable livelihood options. The use of outside labour represents another component of the relations of production, whereby labourers have surplus appropriated by cultivators while simultaneously being exploited by landlords. However, only wealthier producers utilise outside labour to facilitate accumulation.

Furthermore, although men and women are subject to the same relations or production, there are micro-level class processes within the household, whereby women perform a disproportionate share of the aggregate necessary and surplus labour time. This further hinders households from increasing productivity and yielding a saleable surplus.

Section 6.4 explores whether the enhanced use of productivity boosting agricultural inputs to develop the productive forces is able to increase the profitability of agriculture. It is revealed that capacity to do so is intricately tied to the relations of production. In section 6.5 it is suggested that even the use of basic annual inputs of fertiliser and labour do not facilitate the development of the forces of production but cause 'small' and 'medium' farmer households to fall into cycles of indebtedness. Their subsequent subordination to usury or 'interest bearing capital' represents another form of surplus appropriation. Microfinance banks in this context have done little to prevent households from turning to private sources of credit. Indebtedness has been worsened by the non-agricultural expenses households are subject to, the most notable of which are cultural capital expenses. They have in many cases even impeded the 'large farmers' from accumulating capital and expanding their holdings, while causing 'medium' and 'small farmers' households to sell their land and become tenants.

Section 6.6 examines how another aspect of the relations of production, the type of rental contract, also impacts both the likelihood of households to produce a profitable surplus and the development of the productive forces. It is suggested that tenants who rent land through share contracts have fewer incentives to intensify the allocation of labour or inputs. A further question which is explored in section 6.7 relates to whether or not landlords can play a 'progressive' role in developing the forces of production through the provision of advice and supervision. It is suggested however, that the absentee nature of most land ownership and the lack of interest in agriculture within the landed class mean the supervision costs outweigh the benefits in terms of enhanced profits.

6.2 Subsistence Priorities, Retention of a surplus and Implications for Class Dynamics

6.2.1 Categorisation of households according to their capacity to retain a surplus

Paddy or *dhān*, is the most important subsistence crop produced by farming households in Morang district. Not only is it viewed as an essential food staple, but its production is central to the culture and way of life of the Nepali plains (See Figure 6-1). As it requires large amounts of water, it is planted in the monsoon month of *Asār* (June-July). When the rains subside and the dry winter months set in the paddy is harvested. The farmers subsequently plant a crop of dhal, mustard or more often wheat, the flour of which is used to make *roṭī* (bread), another important staple food (see Figure 6-2). For 30% of households, the wheat harvest is followed by a smaller harvest of irrigated spring rice or *chait dhān*. These staple foods are generally threshed in the village before being processed using traditional methods, or more commonly by taking it to one of the village rice mills for a small fee. Grain is then kept in mud built storehouses to feed the family until the next harvest. Long a subsistence society, interviews suggest that the production priority for all but the wealthiest households is to meet one's basic food needs through the cultivation of the three main grain staples: rice, wheat and pulses. Many farmers also own livestock, fruit trees and small vegetable gardens, the products of which also contribute to meeting their nutritional needs, although production is generally marginal in comparison to staples.

It is therefore evident that the likelihood for a household to shift to profitable commercial production is largely dependant upon their capacity to produce a physical surplus beyond what is required for their subsistence. It is necessary to briefly re-examine Marx's understanding of surplus. According to Marx, under capitalism, individuals perform both necessary and surplus labour. The 'necessary labour time' is the time required to produce a product that will meet the subsistence needs of the worker and his/her family. Once they have accomplished their necessary labour time, they perform 'surplus labour time', and a 'surplus product' is

generated (Marx, 1974, 208-209). Under capitalist relations of production, the worker who does not own the means of production and therefore has no control over the labour process, is only remunerated for their necessary labour time. The capitalist thus extracts the product of the worker's surplus labour in value form (Marx, 1974).

However, in Volume 3 of *Capital*, Marx occasionally mobilises the concept of necessary and surplus labour for the analysis of pre-capitalist modes of production¹. In the context of a family farm, the combined product of family labour beyond what is required for subsistence constitutes the surplus product. Athreya et al (1987, 159) clarifies the definition of 'surplus' for a peasant household as "what is available for luxury consumption or for accumulation, once the requirements of simple reproduction have been met." The needs of simple reproduction entail the reproduction of labour power through the provision of food and the reproduction of the means of production which is necessary to produce these subsistence goods² (Athreya et al., 1987). I have also included cultural capital expenses such as weddings as part of the requirements of simple reproduction given that they are viewed as 'necessary' expenditures for most households and can play a 'functional' economic role. Therefore, in a peasant household, the aggregate household labour time in which the needs of simple reproduction are met within a set unit of time, can be classified as the households' 'necessary labour time'. 'Surplus labour time' refers to the extra hours in which a surplus product can be produced.

¹Marx touches upon the division between surplus and necessary labour in a non-value form at several points in Volume 3 of *Capital*. For example, with regards to communal pre-capitalist modes of production a distinction is drawn between: "...that portion of labour whose product is directly consumed individually by the producers and their families – aside from the part which is productively consumed – that portion of labour which is invariably surplus labour, whose product serves to satisfy the general social needs no matter how this surplus product may be divided, and no matter who may function as a representative of these social needs." (Marx, 1974, 877)

² Investment in means of production entails the investment in inputs which maintain existing levels of productivity. Under capitalism, the reproduction of the means of production is paid for out of surplus value. However, as labour has not been separated from the means of production in pre-capitalist formations, investment in the inputs necessary to produce enough for the family to subsist must be paid for with the product of necessary labour time.

Figure 6-1: Fields of paddy to the northeast of Thalaha VDC during the monsoon: Rice is by far the most important crop across the Terai.



Figure 6-2: Combined field of wheat and mustard in Jhorahat VDC during the dry winter: As wheat requires irrigation, the area of cultivated land is normally less than for paddy.



Marx states that the peasant form of production is one "...in which possession of the land is a prerequisite for the labourer's ownership of the product of his own labour" (Marx, 1967: 807). It can be surmised that under idealised petty commodity production based upon the land owning family farm, the household appropriates the product of their own surplus labour once they have met the needs of simple reproduction. Such a household can in theory reinvest this surplus to purchase outside labour and invest in improved inputs, thus developing the forces of production. The accumulation of profit as capital would eventually allow expanded reproduction. In many ways this appears to be the vision of the rural economy implicit in the APP.

The majority of households in Jhorahat, Bhaudaha and Thalaha also perform much of their necessary labour and a large proportion of their surplus labour on their farms, with the exception of those households with particularly marginal holdings, who may struggle to meet even their minimum needs on their land. What is crucial however to understanding constraints to commercialisation and capital accumulation is the degree to which households can actually *retain* the product of their surplus labour. While the idealised model outlined above may be relevant to some owner cultivators operating under the independent peasant mode of production, it does not appear relevant for those integrated into the predominant semi-feudal mode of production who do not own their land, and are thus subject to ground rent.

Before these forms of surplus appropriation are investigated, it is useful for analytical purposes, to divide the sample into three household categories according to their capacity to *retain* a surplus from farming, namely 'small', 'medium' and 'large' farmers. This offers initial insights into which farming households have the potential to move out of the pre-capitalist mode(s) of production they are part of and become profitable petty commodity producers or even 'capitalist' farms. Athreya et al (1987) identifies a methodology to measure the degree to which households' retain a surplus. It seeks to identify whether or not farms yield a per capita grain and cash requirement above a set level which is deemed to constitute one's minimum subsistence needs. However, the data requirements for such a study are large and it

is highly problematic to assume that every household has fixed food and cash requirements, not to mention cultural expenses which are overlooked in Athreya et al's analysis. I have therefore developed an alternative form of classification which more effectively captures whether or not respondents themselves feel they can retain a surplus from agriculture.

The choice of farming individuals to simultaneously engage in menial work is an important criterion suggesting that the household is unable to meet the needs of simple reproduction from agriculture alone. Households whose members engage in such work are thus classified as 'small farmers.' 'Menial' work includes farm labour, unskilled and semi-skilled casual labour in the bazaar, rickshaw pulling and factory work. Skilled work requiring secondary education and overseas migration has not been included in this classification. Given the higher wages and better conditions, it is not likely to be performed purely as a result of the household being 'unable to reproduce' through agriculture, and instead represents an additional income generating activity. It was noted that labour shortfalls as a result of a family member taking up skilled employment or migrating are generally compensated for by the hiring of non-family labour³.

There are two explanations as to why 'small farmer' households may not be able to reproduce through agriculture. At one extreme, the 'small farmer' household may have property rights to all their land, thus farming within the independent peasant mode of production. However, they may simply not own enough land to meet their subsistence needs at current levels of productivity. Unless they can develop the productive forces or increase their hours of work on their land to boost output, they must perform the remainder of their necessary labour time and all of their surplus labour time off their farms. They would thus have much of the product of their surplus labour appropriated by off-farm employers, often in the capitalist mode of

³ One could argue that a household that can not reproduce through agriculture may still take up skilled work or migrate if the opportunity arose. However, it seems likely that such opportunities are going to be restricted primarily to farmers who already have economic security through agriculture in the first instance, given that access to skilled employment usually requires educational resources, while overseas migration requires considerable financial investment.

production. What appears to be a far more common scenario though, is that the 'small farmer' household operates enough land for family members to perform all their necessary labour time on the farm at current levels of productivity. However, they do not *own* their land and are thus farming under in the 'semi-feudal' mode of production. In this context a portion of the product of their aggregate necessary labour and the entire product of their surplus labour may be appropriated through rent (Patnaik, 1983; Pearce, 1983). Once again, unless they can boost productivity they must sell their labour power elsewhere. In this context the household's total necessary and surplus labour time is divided between work on and off their farms while the total product of their surplus labour is divided between two separate exploiting classes.

There are however, households who perform outside labour but can still reproduce through agriculture, and thus can not be classified as 'small farmers'. This arises from the fact that the relations of production within both the independent peasant and feudal mode of production remain highly complex. Many households, including those of small farmers' themselves, occupy an unusual class position as members may labour on other farms but also *purchase* non-family labour for *ropāĩ*, the labour intensive paddy planting process and sometimes for the harvest (See Figure 6-3). In these contexts, although the household may not 'own' the land, as the tenant they still have the power to control the labour process of their workers and appropriate surplus, balancing out any surplus extraction they were subject to working for other farms.

The selling of labour power therefore, does not necessarily mean one can not meet their subsistence needs on their land. Respondents reported that this historically took the form of a culturally embedded 'exchange' of labour during the busy seasons, suggesting that it may have been a relic of an older redistributive mode of production. It was evident however that the monetisation of the economy had undermined these institutions and most labour is now paid for by a daily rate. The non-monetised system only exists amongst some settlers from the hills, where the *parma* institution of labour exchange is still used (See Figure 6-4). Nevertheless, as

similar amounts of labour is often purchased and sold by many producers and labourers are often from within one's kin group, the monetised use of outside labour can be still considered de facto exchange of labour time amongst farms of similar economic status. With regards to categorisation, one must differentiate therefore between those 'exchanging' their labour and those who are obliged to labour on others' land to meet their minimum subsistence needs. Therefore those for whom the total annual earnings from work on other's land is equal to or less than the total annual sum of payments to workers on their own land were not classified as 'small farmers'.

Therefore, with the exception of those who 'exchange' labour with neighbours, the remainder of the sampled households do not perform menial labour outside their farms. This group of course represents the 'medium' and 'large' farmers. While both these household types retain a surplus, they can be divided based upon the *size* of the surplus and its capacity to actually facilitate accumulation. It is natural to assume that accumulating households are able to invest in the means of production beyond the basic annual requirements of livestock, irrigation and fertilizer. Those surplus producing households who have invested in high value fixed assets in the last ten years, namely land and machinery, are thus classified as 'large farmers'. They represent the profitable commodity producers who could soon become 'capitalist'. Those who are meeting the needs of simple reproduction (i.e. not performing menial work off their farms), but have not invested in high value fixed assets are classified as 'medium farmers'. Another difference between these two groups that was noticed after categorisation, is that all 'medium farmer' households still labour on other farms as well as employing labour in an 'exchange', while the 'large farmers' are only employers of outside labour. The 'medium farmers' represent a significant category of the peasantry as it is within this group in particular one would expect differentiation to occur, with the wealthier strata joining the emerging class of capitalist farmers and the poorer strata entering the labour force along with those 'small farmers' who have sold their land. It is also the category envisaged in the APP to lead agrarian transformation.

Figure 6-3: Terai paddy transplantation in Pidarboni, Jhorahat: Paddy plantation is labour intensive and all farms require outside workers. Although a de facto ‘exchange’ of labour exists it is usually monetised and all workers are paid wages.



Figure 6-4: Preparation of hill paddy fields for plantation in Bhojpur district (north of Morang): In the hilly regions, the traditional non-monetised *parma* system of labour exchange persists.



Within the surveyed population, 31% of households are ‘small farmers’, 29% are ‘medium farmers’, while only 7% are ‘large farmers’. 31% are ‘landless labourers’ not engaged in cultivation and the remaining 3% comprise of households who although owning land do not farm, but still live in the community, leasing out their holdings. In sum, initial evidence suggests that the ‘middle farmer’ and ‘large farmer’ category that was to drive the APP’s envisaged growth, or out of which a capitalist class could emerge, represent just a third of the rural population, while two thirds are either landless labourers or ‘small farmers’ unable to meet their subsistence needs in farming.

Table 6-1: Average per-capita quantity of unprocessed grain retained in the household over agricultural last year*

Farmer category	Average per-capita quantity of unprocessed grain retained in the household (paddy + wheat)	Performance of menial labour off their farm
Small farmer	144kg	Yes
Medium farmer	361 kg	No
Large farmer	371 kg	No

*Reported minimum grain requirements per capita is 357kg

To verify the effectiveness of these categories, an attempt was made to understand levels of basic grain security for each household as has been done in Athreya et al’s classification system. In particular, it is important to verify my differentiation between ‘small’ and ‘medium’ farmer households who constitute the majority. A selection of ‘small’ and ‘medium’ household members were asked what they felt was the minimum grain requirements of a household for a typical family of six⁴. The response was invariably that such a family would require at least 40 to 45 *maund* (1 *maund* = 40kg) of *dhān*, or paddy, in a year to subsist. In addition they reported that a household requires at least 10 – 11 *maund* of wheat. I have therefore taken the average of 42.5 *maund* or 1700kg of paddy and 11 *maund* or 440kg of wheat to develop an indication of the minimum grain requirement for a family of six. This translates as a total of 357 kg of grain for each family member or consumption unit⁵.

⁴ Average family size in sample is 5.6.

⁵ Athreya et al’s (1987) study from Tamil Nadu placed the minimum subsistence figure at 220-225kg of rice and course grains per consumption unit. The total is understandably lower when one observes

Based upon the survey results, the average quantity of grain produced by 'small farmer' households over the last agricultural year which is retained following the deduction of rent, in-kind payments for labour and agricultural sales to meet cash requirements, is only 144 kg (See Table 6-1). This is well below the 357kg threshold, supporting the assertion that 'small farmers' can not reproduce through their cultivation alone. 'Medium farmer' households retained on average 361 kg, which is very close to the 357kg threshold. Giving space for error, annual variations and flexibility in what constitutes 'minimum needs', the 'medium farmer' households' decision not to perform menial labour can be attributed to the fact they are able to retain a quantity of grain roughly equivalent to their 'minimum' requirements. A two tailed T-test comparing the values for 'small' and 'medium' farmer households at 95% significance level reveals that $p=0.000 (< 0.05)$ suggesting that the difference is statistically significant. Table 6-1 suggests that 'large' farmers are retaining 371kg per family member. A similar comparison of means for 'large' and 'medium' farmers reveals that $p=0.837 (> 0.05)$ suggesting that the difference is not statistically significant. One may expect grain security for large farmers to be significantly higher than medium farmers. However, the results may be explained when one considers that these figures only refer to grain produced on one's own land. Large farmers are selling a much greater quantity of grain and in some cases may prefer to purchase processed grain from the bazaar for the sake of convenience or quality to substitute what is produced on the farm, even if the costs are higher.

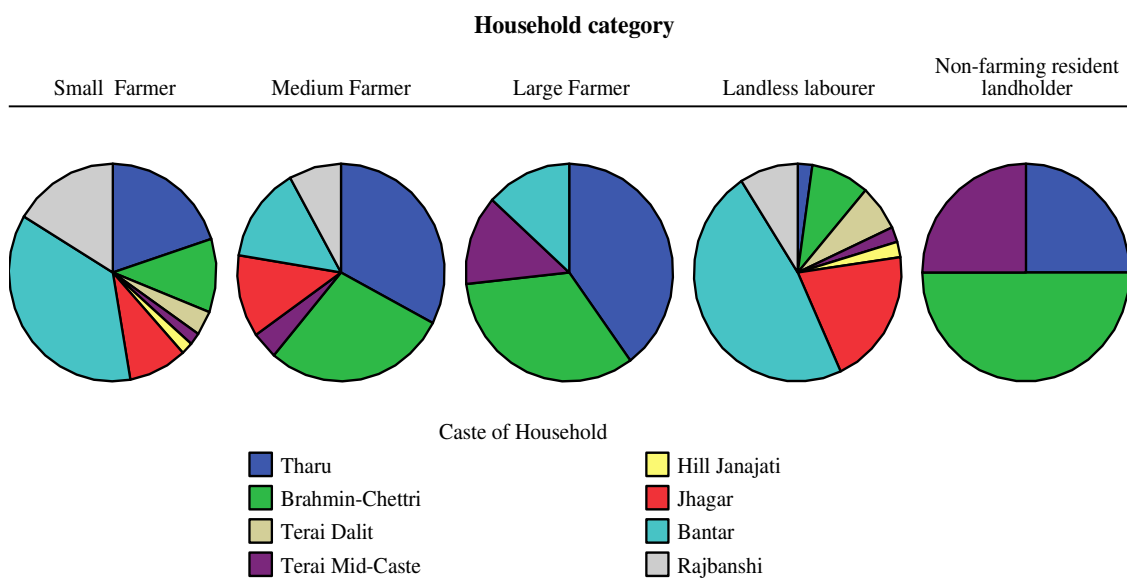
6.2.3 Caste composition of farmer categories

Figure 6-5 and Table 6-2 suggests that the 'large' and 'medium' farmer and 'non-farming landholder' categories are dominated by the communities who have traditionally held the most economic power in the Terai, the Thāru, Nepali speaking

that Athreya et al were referring to rice in its processed form, while farmers in my own study were referring to unprocessed paddy when quoting their annual needs. If one converts the paddy requirements in Morang into their processed equivalent, the figure for total grain needs stands at 236kg per capita, only marginally higher, thus suggesting some uniformity across the sub-continent.

Brahmin/Chettris, and Maithilī speaking Terai middle castes⁶. The ‘small farmer’ and ‘landless labourer’ categories however are dominated by the smaller indigenous Terai groups such as the Rajbanshi, Bantar, Jhagar, as well as Terai dalit castes. Caste ideologies appear to have weakened in recent years. Nevertheless, the data suggests that that historical legacy of both the *Muluki Ain* which institutionalised the caste system and the state policies which favoured the Thāru continue to structure households’ economic status and the relations of production under which they cultivate.

Figure 6-5: Caste composition of farmer categories



However, the role of caste today in actively reproducing the relations of production is questionable when the main surplus appropriating class, the landlords, now reside in urban areas, thus weakening the ideological mechanisms which once ensured their local authority. In fact Figure 6-5 and Table 6-2 suggests there is even now some Brahmin/Chettri and Thāru households in the small farmer and landless labourer categories, just as there are some ‘large farmers’ from the Bantar community.

⁶ This community refers to those whose ancestors were part of the migration of caste Hindus from Bihar noted in chapter 5 that preceded the migration of caste Hindus from the hills. This community speaks the Maithilī rather than Nepali, and follows a caste system akin to that of the Gangetic plain rather than the Nepali hills. Note that there were no Brahmins/Chettris from this community in the sample, only middle castes. Therefore, reference to Brahmin/Chettri’s refers to Nepali speaking settlers from the hills.

However, there is still evidence of caste based discrimination against the Terai dalit community. The fact that virtually all of this group are landless labourers and only a small number can even be classified as ‘small farmers’ suggests that caste ideologies prevent them from accessing tenancies, reproducing village level inequalities.

Table 6-2: Compiled attributes by farmer category

HOUSEHOLD CATEGORY	SMALL FARMER	MEDIUM FARMER	LARGE FARMER
% of sample	31%	29%	7%
Yields a surplus	No	Yes	Yes
Investment in land/ Machinery	No	No	Yes
% total operated land rented	83%	61%	35%
% total operated land owned	16%	40%	68%
Predominant castes (in order)	<i>Bantar (36%), Thāru, (20%), Rajbanshi (16%), Brahmin / Chettri (10%), Jhagar (9%), Other (9%)</i>	<i>Thāru (33%), Brahmin / Chettri (29%), Bantar (14%), Jhagar (12%), Rajbanshi (8%), Other (4%)</i>	<i>Thāru (40%), Brahmin / Chettri (33%), Terai middle caste (13%), Bantar (13%)</i>
% households performing external work by type	<i>Unskilled casual labour (36%), Agric. labour (31%), Factory work (20%), Micro-enterprise (15%) Semi-skilled work (13%)</i>	<i>Migrant work (8%) Professional work (16%), Semi-skilled work (8%) Micro-enterprise (6%)</i>	<i>Professional work (20%), Micro-enterprise (20%) Semi-skilled work (7%)</i>
Average agricultural sales	Rs 6036	Rs 15,208	Rs 54,250
Average agricultural Profit	Rs 929	Rs 2339	Rs 33,919
Mean annual per bighā investment in labour	Rs 3143	Rs 4078	Rs 6853
Mean value of non-labour input investment per bighā	Rs 4095	Rs 5171	Rs 5955
Mean value of input investment per bighā	Rs 6953	Rs 8808	Rs 12,120
Mean value of annual agric. output per bighā	Rs 24,789	Rs 28,309	Rs 31,347
Mean value of annual non-agric. expenses	Rs 14,392	Rs 34,908	Rs 109,100

6.3 Relations of production and Appropriation of Surplus: Pre-capitalist ground rent

6.3.1 Levels of market participation

Most households must participate in the market to a small degree. As was discussed in chapter 5, historical changes such as the undermining cottage industries by Indian imports and the monetisation of tax created a need for cash and encouraged some level of commodity production and a loose articulation between modes of production. Even the poorest households therefore have for generations had consumption expenses such as salt, cooking oil and utensils which must be bought from the capitalist sector. Furthermore, cultural capital investments such as dowry gifts are nowadays purchased from capitalist markets, not to mention productive expenses such as fertiliser and agricultural tools. Furthermore, within the pre-capitalist agrarian economy, households require money to renew their livestock from time to time and pay for the labour power of those who help with *ropāĩ* (rice transplantation). Many of the 'sales' are in fact deposits to merchants to repay them for loans advanced to buy these inputs, an issue that will be explored in chapter 7. Although there is modest commercialisation, the degree to which market participation is a route to poverty alleviation varies according to whether households' can yield a profit beyond their simple reproduction needs.

'Large farmer' households are earning a substantial quantity from crop sales, with the top quartile in sales having sold between Rs 80,625 and Rs 129,900 of produce in the last agricultural year, and the bottom quartile earning between Rs 8400 and Rs 29615 (See Figure 6-6 and Table 6-2). The top quartile defined by actual profit has generated returns of between Rs 70,693 and 88,388, having deducted production costs and the sales to repay merchants for cash advanced prior to harvest (See Figure 6-7 and Table 6-2). The bottom quartile of 'large farmers' in terms of profits meanwhile, have still been able to generate returns of up to Rs 9705 with only one household unlucky enough to have bore a loss. This suggest that 'large farmers' as a group have had some success in commercialising. This explains why they have been able to expand their means of production through land and machinery purchases.

For 'small' and 'medium' farmer households however, income is significantly lower. Amongst the 'medium farmers', the top quartile in terms of net sales has earned between Rs 24,800 and Rs 87,911 over the last year and the bottom quartile have all earned below Rs 1600 (Figure 6-6 and Table 6-2). Income from sales primarily goes towards investment in basic inputs, consumption goods and cultural investments rather than being invested in machinery or land. Annual profits for 'medium farmers' after deducting loans are between Rs 8236 and Rs 36,536 for the top profit quartile, while the bottom quartile have made a net loss of between Rs 6625 and Rs, 26,922 (see Figure 6-7 and Table 6-2). It is clear therefore that they seem at this stage unlikely to lead a transformation of the agrarian sector as the APP assumes.

Given that subsistence production of grain staples is the primary economic objective of households in Jhorahat, Bhaudaha and Thalaha, it is understandable that the neo-liberal notion of the entrepreneurial commercial farmer is meaningless for the 'small farmer' households who are unable to reproduce from their farms. The top quartile in terms of sales has only sold between Rs 8455 and Rs 28,050, while the bottom quartile has earned no cash income from agriculture (See Figure 6-6). The sales which are made are primarily to generate cash for consumable inputs when income from labouring is insufficient. Many can be characterised as 'distress sales' whereby the farmer enters the market only to meet urgent cash needs or to repay loans, not to yield a profit (Bhaduri, 1986; Bharadwaj, 1985; Crow & Murshid, 1994; Harriss-White, 1996). Under these circumstances, grain would have to be bought later in the year to compensate using labouring income. Rather than assuming commercialisation is a voluntary decision of households to gain economic opportunity, such exchanges represent a form of involuntary market participation that is detrimental to one's economic well being (Bhaduri, 1986; Harriss-White, 1996). The top quartile of 'small farmer' households in terms of profit has made between just Rs 3564 and Rs 28,050 over the last year while the bottom two quartiles have all made a loss, with the bottom quartile itself having made losses ranging between Rs 3236 to a staggering Rs 16,325 (See Figure 6-7 and Table 6-2).

Figure 6-6 Sales of agricultural produce over the last agricultural year (Rupees)

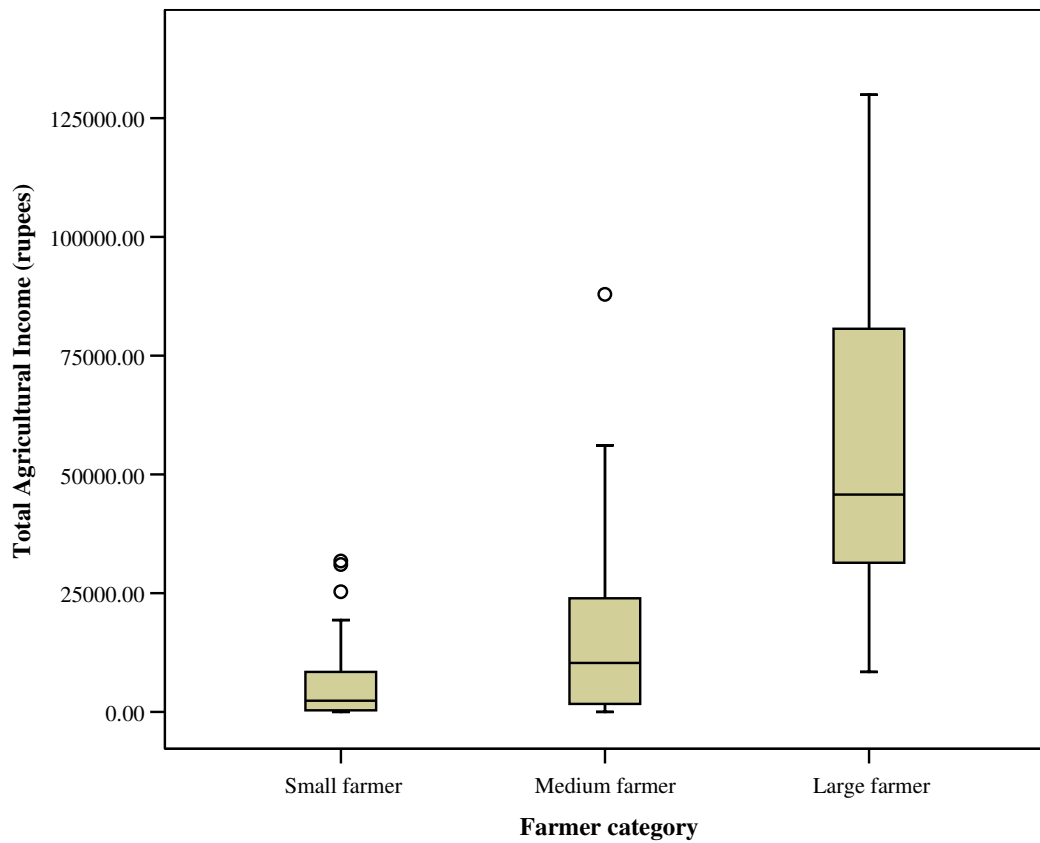
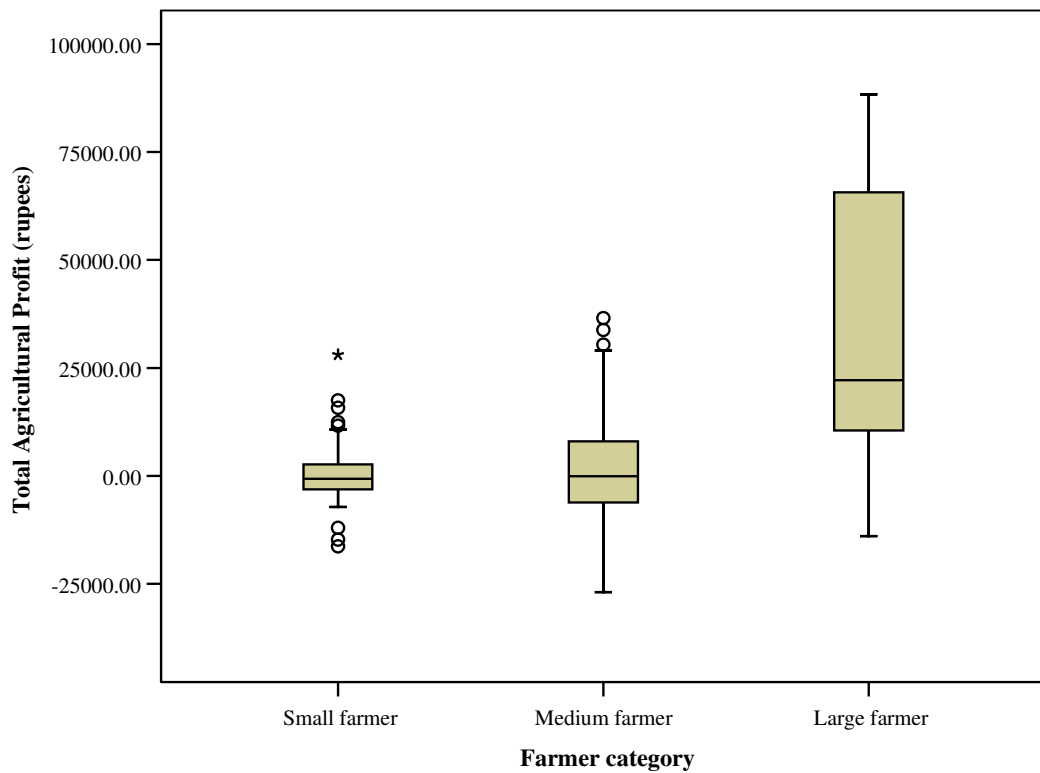


Figure 6-7 Profit from sales of agricultural produce over the last agricultural year (Rupees)



6.3.2 Production of a surplus and ground rent

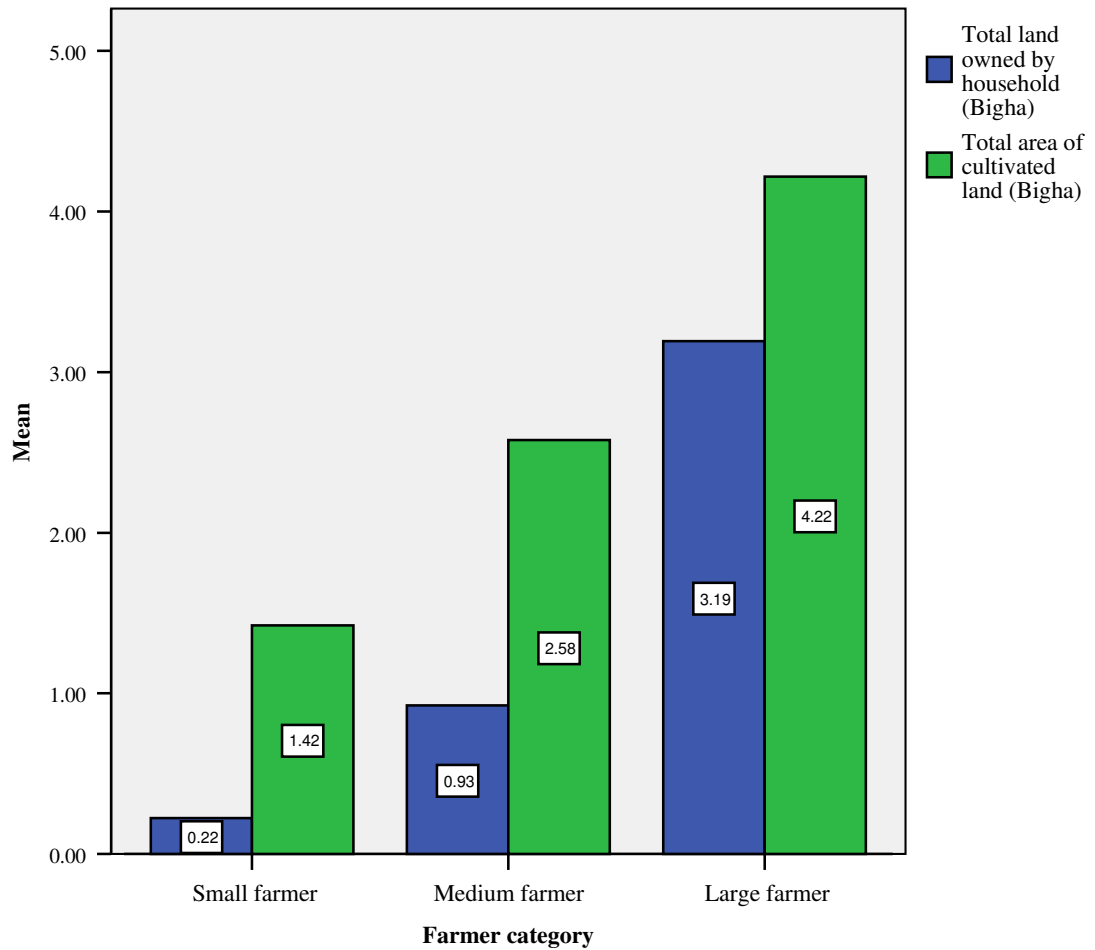
Initial findings suggest that the disparities of wealth within the rural population and the difficulties many households face in producing an investable surplus are a reflection of the semi-feudal mode of production within which many households farm whereby much of the surplus is appropriated through rent. From Table 6-2 it is evident that 83% of all land operated by sampled 'small farmer' households is rented from the (predominantly absentee) landlords, offering some insights into why this group is unable to meet the needs of simple reproduction through agriculture. For the 'medium farmer' category, 61% of the land is under tenancy (see Table 6-2). Conversely, 'large farmer' households appear to be the only group with relative land security within which one could envisage significant profitable commercialisation. Only 35% of the land cultivated by this group is rented (see Table 6-2).

It is important to emphasise that while some 'small farmers' do operate holdings simply too small to produce a saleable surplus, a vast number of households could meet their subsistence needs and produce a surplus were it not appropriated by landlords. This is highly significant as many of the 'small farmers' *would* be considered viable farms for commercialisation in the APP in terms of holding size. The average cultivated area for this group is 1.42 bighā, comparable to the one and a half bighā that local people suggested was sufficient for a typical family of six to subsist. However, the average area that is owned and yields household the full product of their labour is only 0.23 bighā (see Figure 6-8). Furthermore, the holdings of many households in the existing 'medium farmer' group are generally sufficient to produce a significant surplus and accumulate. The average size of cultivated area for this group is 2.55 bighā, while on average, only 1.01 bighā is owned. This stands in stark contrast to the large farmers who operate an average holding size of 4.20 bighā, out of which 2.84 bighā on average is owned (see Figure 6-8).

If they owned their land, the medium and many of the 'small farmers' could together form a dynamic middle peasant class within which widespread capitalist differentiation or the APP's 'middle farmer' commodity production could emerge.

Instead, ‘small farmers’ can not produce a surplus in the first instance and the ‘medium farmers’ who do constitute less than a third of the sample and have marginal profits. More profitable surplus producing large farms constitute less than a tenth of the sample.

Figure 6-8 Average area of land rented versus total area of land operated by farmer category (bighā)



The predominant form of rent today is *adhiyā*, a form of sharecropping whereby 50% of the annual harvest is given to the landlord, and *tekkha*, whereby the quantity of grain to be given away as rent is fixed in advance. Whether the *tekkharate* is more or less than what would be given to the landlord through *adhiyā* depends upon the yield of the particular year. For example, crop disease or late monsoon may result in *tekkha* farmers paying more grain in that year than their *adhiyā* counterparts.

Figure 6-9: Sitpur village, Bhaudaha: Although many villagers cultivate reasonably sized areas of land sufficient to meet household subsistence needs, most are tenants and therefore can not retain a saleable surplus.



Figure 6-10: Winnowing the autumn paddy harvest in Pidarboni, Jhorahat: For most households, landlords appropriate a large share of the crop.



The actual proportion of the product of surplus labour which is appropriated as rent through either *adhiyā* or *tekkha* is difficult to verify due to the division of household necessary and surplus labour time between one's own land, rented land, and other enterprises. However, by examining those households that *only* cultivate rented land, there is evidence that much of the surplus beyond what is required for simple reproduction is appropriated. The fact that there are no 'large farmers' who are purely tenant cultivators suggests that it is difficult to yield a significant profit when all of one's land is under tenancy. In fact, calculations show that 43% of 'small farmers' who are purely tenant cultivator *would* have been able to retain the 357kg 'minimum' per capita grain requirements had they not been subject to rent. This suggests that rent may even appropriate the product some of these households' necessary labour time.

In addition to tenants having a significant portion of their surplus appropriated through rent, tenancy contracts themselves are also insecure. The 1964 Lands Act officially stated that the landlords are obliged to grant the farmers with tenancy rights. Under these rights half of the cultivated land would be granted to them after five years and landlords are prohibited from selling the land during that time (Adhikari, 2006). However, lack of government commitment has meant this is rarely enforced. The amendment of the 1964 act in 1996 stated that tenants must provide a receipt within 6 months showing the submission of a share of the product to the landlords, and after this they would receive rights. However, Adhikari (2006) notes that this information was not submitted to the tenants and few registered their tenancy. In the remote village of Hurhuriya in Thalaha VDC it was estimated by the local people that only around 5% of the people are *mohi*, tenants with legal documents. When I enquired as to why landlords do not give out official documents in a discussion, the response by one participant was blunt: "*Land is like a hand. People are not going to cut off their hand. That is why landlords are not willing to lose their land to a mohi!*"

Adhiyā and *tekkha* rental contracts therefore are primarily oral, often being arranged through historical family connections with landlords. As a result, tenancies are often insecure as well as being extractive and households can be evicted at any time, reducing their bargaining power to set rents. The lack of enforcement meanwhile re-emphasises the political role played by the state in reproducing the semi-feudal mode of production in parts of the rural Terai such as Morang.

6.3.3 Understanding the reproduction of semi-feudal relations of production

Circumstances which could undermine semi-feudal relations of production

While it is clear that semi-feudal relations of production and their associated forms of surplus appropriation have served to constrain profitable commercialisation, it is necessary to better understand how these relations have achieved such stability. In order to do so it is useful to identify the potential processes which could undermine the semi-feudal production relations, allowing farmers to yield a surplus and facilitating transition to a new mode of production. A first process would require that tenant farmers gain access to land so they are can retain a sizeable surplus and accumulate. However, it is evident from chapter 5 that the control over land resources by the small urban elite has perpetuated semi-feudal relations of production for generations. This has been reinforced through the landed elite's political power in the bureaucracy which has obstructed the implementation of land reforms and has shaped policy in their favour. So long as they maintain their control over land and the farmers' surplus, households expressed that they simply could not generate the capital necessary to purchase land. This politically mediated control over landed property can be understood as a primary mechanism through which the mode of production reproduces itself after each productive cycle.

However, a second process which could undermine semi-feudal relations of production is a drop in the level of ground rent. This would allow farmers to yield a profit while still paying rent and could even allow households to purchase land from

the urban elites, facilitating capitalist development. However, there is little evidence of downwards pressure on rents in rural Morang. In order to understand the perpetuation of high ground rents it is necessary to examine the interactions between the semi-feudal and capitalist modes of production. To do this first requires an examination of the classical Marxian theory of ground rent under *capitalist* conditions.

'Capitalist' versus 'pre-capitalist' ground rent and agrarian transition

To Ricardo, the primary form of ground rent was known as 'differential rent'. This theory states that under capitalist conditions, the owner of property can appropriate a differential rent if due to natural endowments; a parcel of land can yield a profit above the average rate of profit for the society as a whole (cf. Patnaik, 1983). In these contexts, the Marxian 'prices of production' for commodities produced on a parcel of land is less than the society wide price of production⁷. The landlord can therefore appropriate the surplus profit as a rent, while the capitalist operator continues to receive an average rate of profit (Marx, 1967, 641).

However, in Volume 3 of *Capital*, Marx builds upon Ricardo's theory to develop a new concept, that of *absolute rent*. Theories of differential rent assume the worst land does not yield rent, while in reality, all land owned by a given landlord can be subject to rent. Marx notes that where there is a class monopoly over landed property, rent can be extracted regardless of differences in the fertility of the land (Marx, 1967, 751-755). In the context of capitalist agriculture, the demand by landlords for a rent even from the most marginal land, results in a rise in the market price of commodities above their 'price of production' as the farmers must pay a rent while still yielding an average profit comparable with non-agricultural activities. In other words landed property itself, rather than natural endowment, actually 'creates'

⁷ *Prices of production* constitute the price at which commodities should exchange under ideal market conditions. It is defined by the formula $k+p$, whereby k is the cost of production, determined by the value of labour power (value of necessary labour) plus the value of the means of production, while p is determined by an *average* rate of profit across the economy (Marx, 1967, 165). Increases in productivity can increase the price of production above the 'value' of the product yielding a surplus profit.

rent (Marx, 1967, 751-755). Absolute ground rent to Marx therefore “forms a portion of the value, or more specifically, surplus value, of commodities, and instead of falling into the lap of the capitalists, who have extracted it from the labourers, it falls to the share of the landlords, who extract it from the capitalists” (Marx, 1967, 771). Supply and demand determine whether rent constitutes the entire profit or only part of the profit (Marx, 1967, 762)⁸.

However, the evidence from Morang suggests that absolute ground rent also exists under *pre-capitalist* conditions. Whether absolute rent is feudal or capitalist does not depend upon its form per se, but whether it is appropriated from the coerced peasant producer attempting to meet their subsistence needs, or by the capitalist producer using wage labour and driven by profit (Patnaik, 1983). Under capitalism, rent represents the surplus which remains after a producer has yielded an average rate of profit, whereas under pre-capitalist conditions it represents the surplus over subsistence needs and necessary production costs (Marx, 1967, 795). It may even absorb part of some producers’ subsistence requirements, as was suggested to occur in Morang. In pre-capitalist situations where there is relative isolation from market forces and low development of the productive forces, Marx emphasises that subsistence is the aim of producers, rather than achieving an average rate of profit, and farmers often continue to cultivate when subsistence has been forced down to a bare physical minimum (Marx, 1967, 805), as was discussed in chapter 2.

To Marx (1967, 794), rent in these circumstances, as in European feudalism, represents the primary mode through which the product of surplus labour is appropriated. In other words, rent itself falls under the relations of production, rather than simply representing a distribution of already produced surplus. This more realistically reflects the contemporary situation in rural Morang. It may be appropriated by a territorial overlord or a centralised state (Patnaik, 1983), the former

⁸ Kautsky (1988, 81) however, notes that in the context of an open economy, competition from other regions would set a limit on the levels of absolute rent, leading to a trend for absolute rent to fall in the long term. Cheaper commodities would restrict the influence of rent on commodity prices. The landowner can however, still control the price by controlling output. They will only lease out their land if the market price of the product has risen to above the price of production to the point that a surplus profit is made to cover cost of rent and yield an average profit (Kautsky, 1988, 80).

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representing the predominant form of rent in Morang at present, and the latter representing the state landlordism from the mid 18th to mid 20th century.

Marx notes that such pre-capitalist ground rent acts as a considerable barrier to capitalist development, stating that it "...may assume dimensions which seriously imperil the reproduction of the conditions of labour, the means of production themselves, rendering the expansion of production more or less impossible and reducing the direct producers to the physical minimum of means of subsistence" (Marx, 1967, 796). Rather than profit representing the limit of rent, rent represents the limit of profit (Marx, 1967, 798).

However, the emergence of farmers that are able to obtain a profit beyond what is taken as rent who can hire labourers, invest in the land and accumulate, can shift the system towards profitable commodity production and eventual capitalist development. There are a number of circumstances which can facilitate such a process, most of which could in theory occur in Morang. For example, producers yielding a differential rent as a result of natural endowment may begin making a profit and encourage other farmers to compete. Rising demand for commodities and price rises can also facilitate the retention of a profitable surplus (Marx, 1967, 801-802). The differentiation of tenants would eventually occur, whereby profit oriented tenants replace their more marginal counterparts, releasing a labour force and intensifying the process of capitalisation.

Regardless of what these actual processes are, Marx's analysis of the transition to capitalist ground rent assumes that landlords are compelled to maintain rents at levels *profitable* to emerging capitalist farmers if they are to find tenants. Eventually rent where it persists, moves from constituting the normal form of surplus appropriation to representing simply an excess of the surplus product over that which is retained by the farmer as a profit equivalent to the economy wide average (Marx, 1967, 800). The transition from pre-capitalist to capitalist ground rent is now complete.

The perpetuation of high ground rent and industrial stagnation

In the context of Morang therefore, one would assume that a sizeable section of tenants would have to develop into profit oriented peasants by retaining a reasonable surplus in order to compel landlords to lower rents. This would be especially likely given that rent has a limited influence on commodity prices, which are influenced by the wider economy into which Morang district is integrated. At present however, it is clear that for many households, the levels of pre-capitalist rent act as an absolute barrier to even meeting the needs of simple reproduction, let alone producing a profitable surplus. While there are some farmers yielding a 'profit' in the study villages, there is also a vast population of 'landless peasant' households and 'small farmers' who are competing for tenancies, no matter how insecure and exploitative they are.

Patnaik (1983) suggests that in many parts of India, the perpetuation of inflated pre-capitalist ground rent which hinders the production of a saleable surplus can be explained by the high levels of under-employment and the large class of destitute agricultural labourers. It is in this context one can understand why farmers are willing to accept rents which even absorb some of their minimum subsistence needs (Patnaik, 1983; Pearce, 1983). The implication is that landlords need not be concerned with finding profit orientated farmers willing to rent their land when there is a vast impoverished base to the agrarian structure willing to operate the land under any circumstances. There are thus no incentives for them to lower rents.

It is here the significance of the relations between the capitalist and semi-feudal mode of production become apparent. As was suggested in chapter 2, semi-feudal relations of production are reinforced in the context of an underdeveloped capitalist industrial sector whereby concentration in land ownership and a lack of external livelihood options render peasants dependent upon landlords for their subsistence (Bharadwaj, 1985). Similarly, in Nepal, where the capitalist mode of production in industry has been weakened by two centuries of alliances between a comprador and foreign bourgeoisie (Bhattarai, 2003; Blaikie et al., 2001), the sector has limited

capacity to 'absorb' the surplus labour force, as occurred in the European transition from feudalism to capitalism. In the *Economic and Philosophical Manuscripts*, Marx himself notes that the feudal character of ground rent in England was undermined by the pull of labour into industry (Marx, 1932). As Friedman (1980) argues, pre-capitalist relations such as sharecropping are primarily undermined by an increased mobility of labour following the emergence of a national labour market⁹, something that has clearly not occurred in Nepal.

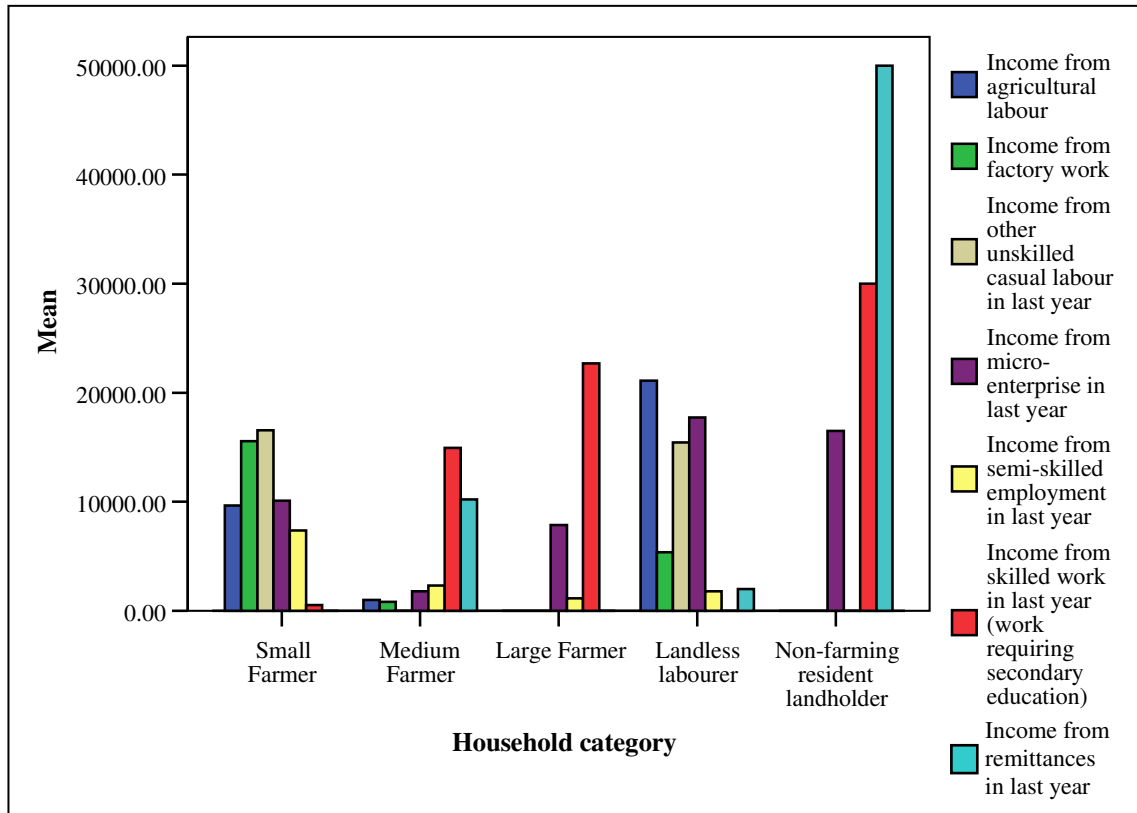
Articulation between semi-feudalism and industry and the perpetuation of high ground rent

In Jhorahat, Bhaudaha and Thalaha however, is it valid to assert that a lack of alternative livelihood options perpetuate high levels of rent and reinforce semi-feudal relations of production. The proximity of Biratnagar *does* provide alternative employment opportunities in the non-farm economy. Figure 6-11 suggests that farmers from all categories have multiple sources of income in both the farm and non-farm economy. These outside opportunities are particularly important for many 'small farmers', who are unable to reproduce through agriculture alone. In this context, individuals occupy multiple class positions, labouring on their land while also working for others. Work in the off-farm economy represents an *articulation* between pre-capitalist and capitalist modes of production.

However, while such articulations represent a source of cash income, subsistence production still represents the primary aim of 'small' and 'medium' farming households. Outside employment, although a necessity for 'small farmers', was generally considered just one element of their livelihood strategy, and demand for tenancies remains high. The articulation of modes of production therefore does not represent a transitional phase as capitalism increases its dominance through processes of 'conservation-dissolution', but appears to have remained stable over time with a co-existence of both economic formations. How therefore does one understand why tenancy remains so important, despite alternative livelihood options? It is necessary to examine each form of off-farm employment in turn.

⁹ Friedman suggests for example that this led to the demise of sharecropping in the American South.

Figure 6-11: Average income by each category of household in the last year divided according to occupation



There are several main forms of outside employment which fall primarily within the capitalist mode of production. Morang is one of the regions where Nepal's few manufacturing industries have located (see Figure 6-12). The main industrial belt extends from Biratnagar along the Koshi highway towards Itahari and the hills in the north, an area over an hour's cycle ride away. The second smaller but more accessible industrial area consists of primarily agro-processing industries and stretches east of Biratnagar (See Figure 1-6). As of 2006-07 there are a total of 295 manufacturing establishments in registered in Morang, and 216 in neighbouring Sunsari district, representing 15% of the national total. Together they officially employ 38,378 individuals (Central Bureau of Statistics, 2008).

These manufacturing industries however, appear to have had limited success in absorbing the surplus labour force and drawing farmers out of agriculture. Figure 6-11 demonstrates how 'small farmers' as a group earned on average Rs 15,540 from

employment in manufacturing enterprises, representing only 28% of the total cash earnings of this group. Landless labourers meanwhile earned on average Rs, 5380, representing only 13% of their total earnings over the last year. The fact that industrial employment is so low amongst this group suggests that industrial development has not drawn many people owning little land out of tenant agriculture.

In fact, it appears that there is not only a high demand for tenancies but intense competition for factory jobs, given the limited development of the industrial sector relative to the surplus labour population. In many cases it is difficult for workers from outside the immediate vicinity of factories to find employment. Furthermore, gender ideologies exclude women from factory work, with options restricted primarily to the more menial seasonal work in the brick kilns which are set up on the clay rich soils between Bhaudaha and Katahari (see Figure 1-7 and Figure 6-13). Similarly, caste based exclusion occurs, with few members of dalit communities such as the *Rishidev* (Musahar) securing factory employment.

It is likely in this context that even a small increase in manufacturing jobs will not succeed in undermining semi-feudal relations unless competition for jobs is substantially reduced to the point that wages begin to rise. As chapter 2 suggests however, substantial industrial growth appears highly unlikely to occur without a radical transformation of Nepal's position within the global division of labour. The average reported wages, at Rs 125 per day, are lower than the average for jobs such as rickshaw pulling and construction work (See Table 6-3). Although factory work is favoured over most other labouring jobs as it is more regular and is year round (with exception of brick kilns), wages are rarely enough for workers to support all but the smallest families¹⁰. The remainder of the households' aggregate necessary labour must be performed either in other jobs, or most commonly in farming. The high competition for factory jobs, as with demand for tenancies, has reduced the bargaining power of workers, and appears to have created a 'reserve army' of labour in rural Morang willing to accept extremely low wages.

¹⁰ Some very small households with 3 or less family members felt factory work was also preferable to tenant farming. However, these households were the minority.

Figure 6-12: Rice processing factory north of Biratnagar.



Figure 6-13: Labourers in brick kiln near Jhorahat



It is evident that the articulation between capitalism and semi-feudalism bring benefits to dominant classes from both modes of production. A 69% majority of households whose members work in factories are also engaged in agriculture. This suggests that subsistence agricultural production subsidises the reproduction of industrial labour power and supports the current wage regime. In many cases therefore, it could be argued that both modes of production supplement each other. Control over land by an urban elite constrains farmers' from meeting their subsistence needs through farming. This in turn drives farmers to simultaneously compete for work in the non-agricultural sector, supplying cheap semi-proletarian labour to industry. Furthermore, the wages and number of industrial jobs remain at levels which continue to ensure competition for tenancies does not decline, benefiting landlords. The net surplus produced by households is in this context 'shared' between landlords and capitalist dominant classes, both local and foreign.

However, the pre-capitalist mode of production remains pre-dominant and is by no means 'functional' and subordinate to capitalism. Were it 'functional' one would expect a growing capitalist sector and the persistence of tenant farming as a result of a *conscious* alliance of capitalist and pre-capitalist dominant classes to cheapen industrial labour power. Instead, the industrial sector remains relatively underdeveloped as a result of Nepal's structural position in the global capitalist economy, while the semi-feudal mode of production is reproduced independently due to the control over land by an urban minority who absorb much of the surplus.

Nevertheless, the interests of landlords and factory owners do coincide. Landlords can maintain rents at extortionate levels due a lack of alternatives, while the comprador bourgeoisie continues to benefit from the import-export trade and the alliance with foreign capital. It is thus evident that these two groups will have little interest in promoting domestic industrialisation given the collective benefits which have been gained by its stagnation. Could there be loose 'alliances' which reproduce

both the stagnation of industry, low wages and the predominance of semi-feudal relations of production in agriculture?¹¹

At a local level, the convergence of interests between individual landlords and industrialists through the perpetuation of high rents and low wages are likely to be coincidental. However, conscious alliances may exist at a broader level within the bureaucracy, which has for generations served the needs of both landlords and the foreign-comprador alliance¹². This alliance dominates the few manufacturing industries present in Nepal. It is in the interests of all three classes to perpetuate both the current industrial structure and semi-feudal relations of production. The foreign-comprador alliance benefits from the low wages which emerge due to the impoverishment of the peasantry in the context of semi-feudal ground rent, increasing profits for the few industries where their capital is invested. After all, low wages are one of the factors which have attracted foreign capital to Nepal in the first place (Khanal et al., 2005). At the same time, this class alliance seeks to maintain the current subordinate industrial structure to protect their investments in both industry and commerce, even if this hinders long term industrial development. Similarly, it would be in the interests of landlords to not only maintain their holdings, but to perpetuate the underdeveloped industrial economy, given that limited employment opportunities and low wages ensure competition for tenancies (and rents) remain high. This would offer a fascinating avenue for further research.

Other articulations and the perpetuation of high rents

There are alternative livelihood options outside of industry for rural producers, representing further articulations between pre-capitalist and capitalist modes of

¹¹ van Binsbergen & Geschiere (1985) warn against functionalist assumptions when examining 'class alliances'. Although class interests may coincide when pre-capitalist modes of production articulate with capitalism, this does not necessarily imply an actual agreement between classes in the conscious actions of the individuals and groups involved. The alliance instead may simply represent an "unconscious convergence of interests." (p255)

¹² Local industrialists may benefit in the short term from low wages which arise in the context of semi-feudalism. However, in the long term, industrial growth would be advantageous for this class, even if it undermines semi-feudal relations. However, industry in Nepal is dominated by a foreign-comprador bourgeoisie who benefit from the very subordination of Nepali industry.

production. Each morning, the rural road connecting Jhorahat with Biratnagar is crowded with workers on bicycles who are travelling to the bazaar to find work. Many male household members from the 'small farmer' category try to find casual work as rickshaw pullers¹³ or in the construction sector. In the last year, they have earned on average Rs 16,540 from casual labour (See Figure 6-11), representing 34% of the 'small farmer' household's total earnings. Landless labourers have earned on average Rs 15,435 from such work, representing 31% of the category's income.

Again however, opportunities are limited and wages are low, so they by no means undermine the power over tenants by the landed class. As with factories there are few jobs for females, and for males the wages are only marginally higher than what they would earn as agricultural labourers (see Table 6-3 and Table 6-4)¹⁴. On top of this workers require a two hour round trip by bicycle to reach the main bazaar. The jobs are often temporary and insecure, and on some days there may be no work at all. The frequent *bandhs*, or general strikes which frequently bring Biratnagar to a standstill cause considerable hardship for those reliant upon casual labour¹⁵. As with industry, the semi-feudal mode of production provides cheap labour for the urban informal capitalist sector, although there is little evidence of a conscious 'class alliance' between individual semi-feudal and urban capitalist exploiting classes.

Migration to India is a livelihood option for a small number of landless households, primarily to regions such as the Punjab, explaining the remittance income acquired by landless labourers in Figure 6-11. Some Rishidev men from Pidarboni worked in Kashmir picking apples in the summer season. However, work is not guaranteed. Migration to India is generally a last resort, often for the poorest landless households unable to secure tenancies. It does not therefore represent a significant pull out of agriculture. Only 4 out of the 179 households sampled (around 2%) had members who had migrated to India in the last year.

¹³ Jobs such as rickshaw pulling are not entirely 'capitalist' and instead represent a form of self-employment. However, remuneration is equivalent to labouring wages and they provide a service necessary for the smooth operation of the urban capitalist economy.

¹⁴ The exceptions are some difficult to find semi-skilled jobs such as carpenters (See Figure 6-11).

¹⁵ Such strikes have been widespread since the end of the civil war as political factions have campaigned for influence in the constitution building process.

Figure 6-14: Village people cycling into Biratnagar to trade and work



Figure 6-15: The main bazaar in Biratnagar: Many household members from the villages find work here as labourers or rickshaw pullers to supplement their agricultural income.



A growing phenomena in Nepal over recent decades has been the migration to countries such as Malaysia and the Gulf states (Blaikie et al., 2001). Migration represents an international articulation of modes of production whereby predominantly male farmers who are integrated into numerous pre-capitalist economic formations throughout rural Nepal provide cheap labour to the more developed capitalist economies of Asia. In Morang however, it has had a limited impact upon the semi-feudal economic formation. Levels of migration are by no means comparable to some of the hill districts with a long culture of overseas migration such as Bhojpur and Sankhuswabha. While at least one family member from 8% of sampled households is overseas, its significance as a pull out of agriculture for tenants loses its relevance when one observes that it is primarily the wealthier households who are able to send family members beyond South Asia¹⁶. This perhaps explains why average income from migration remittances for 'small farmers' as a group as displayed in Figure 6-11 is zero. Migration may even reinforce semi-feudal relations, as many of the farmers who could potentially become capitalist instead choose to migrate, often leasing out their land as tenancies to poorer households.

Livelihood options within the pre-capitalist economy

The only remaining livelihood opportunities for households unable to meet their subsistence needs fall outside the capitalist mode of production. All categories of household had some additional income from non-agricultural micro-enterprises such as handicraft production or the running of village tea shops (See Figure 6-11). However, although they are a central complement to neo-liberal ideologies of poverty alleviation based upon 'entrepreneurship', entry barriers are considerable, such as generating start up capital. Furthermore, monthly income is generally low. In the last year, micro-enterprises represented on average 50% of the total earnings

¹⁶ Overseas migration requires considerable investment and is often an option chosen only by large farmers and more prosperous middle farmers with land who are looking for options outside agriculture in the face of declining returns. The income from migration for non-cultivating land owners represents 41% of the groups' income over the last year, perhaps explaining why they have given up agriculture. However, this has been made possible as a result of their pre-existing economic security gained from land ownership.

of the 'large farmer households, while representing only 22% of 'small farmer' and 15% of 'medium farmer' household's cash earnings.

Other than micro-enterprises, the only other 'non-capitalist' livelihood option is agricultural wage labour under the semi-feudal or independent peasant mode of production. Such labour is only seasonal, and is the lowest paid. It constitutes 34% of small farmers' total income over the last year, with their average earnings standing at only Rs 9642 (See Figure 6-11). For landless labourers however it represents 53% of their income, earning them on average Rs 21,086 in the last year (See Figure 6-11).

Table 6-3: Average reported wages for typical non agricultural work

Occupation	Average reported daily wage (Rupees)
Factory labourer	Rs 125
Carpenter	Rs 205
Rickshaw puller	Rs 141
Other manual labour (generally construction work)	Rs 143

Table 6-4 Average wages paid by respondents to agricultural workers by VDC

VDC	Average daily agricultural wage paid to men (inc. in kind payments)** (Rupees)	Average daily agricultural wage paid to women* (inc. in kind payments) (Rupees)	Proportion of farmers who rent more than 50% total operated land
Jhorahat	Insufficient data	Rs 61.75	41%
Bhaudaha	Rs 109	Rs 55.99	75%
Thalaha	Rs 106	Rs 51.98	80%

*Men are generally paid considerably higher wages than women both due to a culturally established devaluation of women's labour power as well as the different tasks carried out by male labourers. Men generally engage in *halo jotne* (ploughing), or repairing and building dykes, while women primarily are involved in *ropāī* (paddy transplantation) and weeding.

**In kind payments constitute a fixed quantity of *cāmal*, uncooked rice (normally 1.25kg). The value was calculated from the average selling price reported in a survey of shops in the village.

Surplus appropriated in value form through agricultural wage labour is arguably even greater than what is appropriated in kind through ground rent. All respondents

expressed that a tenancy was far preferable to working as an agricultural labourer. The wages, which have been forced down to a bare minimum are indicative of the high local competition for employment and the massive pool of surplus labour available in the villages (See Table 6-4). This assertion can be backed up when one compares the differences in average reported agricultural wages between VDCs according to the levels of competition in each village. Table 6-4 suggests that the reported agricultural wages become progressively lower in the selected wards of Jhorahat, Bhaudaha and Thalaha VDCs respectively.

Jhorahat has the greatest number of local non-farm employment opportunities in the small bazaar, perhaps explaining why agricultural wages are higher than Bhaudaha, which is an equal distance from Biratnagar (See Figure 1-6 and Figure 1-7). The even lower wages in Thalaha can be explained by the fact that there is a lack of local off-farm employment opportunities, and it is the furthest from Biratnagar, making it harder to 'commute'. The lower levels of wages and higher competition for jobs in Bhaudaha and Thalaha may be also a result of the higher levels of landlessness. Table 6-4 demonstrates how in Jhorahat only 41% of the total land cultivated by sampled farmers is rented, in contrast to 70% in Bhaudaha and 79% in Thalaha. Similarly, in Jhorahat, only 44% of the sample constitutes landless labourers or 'small farmers' who are compelled to labour off their farm to meet their subsistence needs. This contrasts to 55% in Thalaha, and a staggering 77% in Bhaudaha, all of whom are competing for work.

Although many household members do of course engage in agricultural wage work as a de-facto 'exchange' of labour at peak times, many others must perform this labour to meet their minimum subsistence needs, although this work is a last resort. Many members of the dalit Rishidev community who face difficulties securing both tenancies and capitalist employment rely only upon agricultural labouring. Such households were generally forced into extreme poverty, pushing their subsistence needs down to the bare physiological subsistence, working for households who are themselves in many cases being simultaneously exploited by landlords. Given that many of these workers are from the dalit community while employers are from the

Terai indigenous, Maithilī speaking middle caste, or Brahmin and Chettri communities, one could suggest that caste may play some role in reproducing this element of the relations of production.

Aside from the forms of employment outlined above, the only other opportunities which could potentially draw households out of semi-feudal relations of production are ‘white collar’ jobs in the capitalist sector, which generally require a secondary education, such as work in offices and schools. Figure 6-11 however, suggests that these employment opportunities are restricted to households from the ‘large farmer’, ‘medium farmer’ and ‘non-farming landholder’ categories. Such employment will therefore do little to reduce demand for tenancies within the ‘small farmer’ and ‘landless labourer’ categories, where much of the competition originates.

Given the high competition for livelihood opportunities and limited development of the urban and industrial capitalist sector, farmers therefore remain dependant upon landlords. Most respondents sought to combine tenancy with non-agricultural employment, representing a stable articulation of modes of production. Respondents acknowledged that renting land would at least guarantee the household *some* of their minimum grain needs, even if the high rent would still oblige many to supplement this with outside income. Even some of the households who already have parcels of land still seek tenancies to make up for shortfalls in their income. The determination of households to secure tenancies is evident in Bhaudaha village, home to the indigenous Bantar community, where it was revealed in a discussion that 6 or 7 households are farming as sub-tenants! A few ‘enterprising’ individuals have used their social networks to rent out some land and then sub-let it to those not fortunate enough to have the necessary contacts, making 5 *maund* (200kg) profit as the discussants termed it, “*for no extra work*”. They went on to suggest that poor farmers were willing to take up sub-tenancies at inflated rates of rent given the high unemployment and landlessness, and the tendency for tenants to be “*satisfied with whatever they can earn*”, echoing Marx’s assertion that farmers under pre-capitalist conditions are willing to force their subsistence needs down to the physical minimum.

In sum, the semi-feudal mode of production is not only reproduced over time by the landlords' control over land and political power. It is perpetuated in the context of an underdeveloped form of industrial capitalism, whereby a lack of better paid non-agricultural livelihood options maintains the competition for tenancies and keeps rents at extortionate levels. So long as there is a continuous supply of willing tenants, there are few incentives for landlords to lower rents, change the conditions of contracts, or offer the tenants greater security. This impedes the emergence of a profitable middle peasant class from the 'medium' and 'small' farmer categories within which capitalist differentiation could occur.

6.3.5 Ground rent and 'extension' of the working day

As has been established, high pre-capitalist ground rent explains why many 'small farmers' are unable to reproduce through agriculture. However it is important to note that they are able to exercise some agency within the existing class structure. Farmers subject to rent are not entirely 'compelled' to search for non-agricultural employment to meet their simple reproduction needs and there are other mechanisms which can facilitate the production of a surplus without a transformation of the relations of production.

Firstly, the household could theoretically decrease their level of subsistence. However, levels of consumption are already at a physiological minimum for many 'small farmer' households, and it is unlikely that they would further depress their living standards to avoid off-farm employment. A second alternative however, is for households to intensify their use of family labour. By increasing the hours of necessary labour time, yields could be increased and simple reproduction could be met through 'overwork'¹⁷, a similar process to that described by Marx whereby the capitalist increases "absolute surplus value" by extending the working day of labourers and reducing leisure time (Marx, 1974, 222-225). In the context of the

¹⁷ To Kautsky (1988) 'overwork' is the one means through which the small farm can compete with their larger capitalist counterparts in the market. In this context however, overwork is not so much to 'compete', but simply to meet the needs of simple reproduction.

study villages this would entail the farmers planting extra crops in the dry season. It could also include the cultivation of more labour intensive crops and the more intensive use of family labour on a day to day basis in tasks such as weeding and field maintenance. Although causing considerable hardship, this may facilitate the production of a surplus. This process is argued to lie behind the so called 'efficiency' of the small farm often celebrated in neo-liberal development strategy (Dyer, 2004).

This 'overwork' can explain why many of the poorer strata of 'medium farmer' households cultivate entirely under semi-feudal relations of production, but unlike 'small farmers', are still able to just meet their minimum subsistence needs through agriculture. These poorer 'medium farmer' households appear to have a standard of living similar to 'small farmers' with access to the same assets. However, they choose to lengthen the hours of necessary labour *on* their farm so they do not need to work outside to compensate for rent payments and meet their subsistence needs. Had they used their labour less intensively they may have fallen into the 'small farmer' category that must sell their labour outside.

Interestingly however, most farmers who can not meet their subsistence needs at current levels of productivity appear to prefer *not* to lengthen the hours of necessary labour on their farms. Instead they consciously choose to split it between farm and off-farm employment if they can, so they fall into the 'small farmer' category. In other words, they perform a portion of their necessary labour both on their farm and outside, while the product of their surplus labour time is shared between both landlords and external employers. Although there are insufficient employment opportunities to draw farmers out of tenant farming, the discussion above has suggested that there are *some* livelihood options in the capitalist sector (excluding agricultural labour) which yield comparable returns. Households are therefore not entirely 'tied' to the landlords. Many respondents from the 'small farmer' category stated that they preferred a combination of non-agricultural labour and tenant farming. Essentially households weigh up the risks of achieving a poor harvest and

making a loss on their investment in both labour and inputs and not being able to find work in the non-farm economy.

One tenant farmer in Thalaha was asked why households choose to combine agricultural and factory employment. She responded by suggesting:

“If people have agricultural land, family members can work on the land in their leisure periods. Females cannot work in factories easily. Males can work in factories. Therefore, if farmers have both things, it is supportive.”

The respondent states that during free time, household members can work on their own farm and the rest of the time they can work in factories. Working during what is traditionally leisure time represents a classic situation of ‘extension of the working day’. She also notes the point raised above that women’s work in factories is restricted, so tenant farming can offer at least some guaranteed employment for the entire household.

Table 6-5: Average per bighā input investment and output in last year amongst small farmers according to land ownership status.

Land ownership status	% of sampled small farmers falling into each category	Average total value of input investment per bighā (Rupees)	Average total value of agricultural output per bighā (Rupees) *
Small farmer operating more than 50% of land as owner cultivator	28%	Rs 7182	Rs 32,822
Small farmer operating more than 50% of land as tenant	72%	Rs 6897	Rs 21,881

(Note: Data also included in Table 6-2)

Nevertheless, there are some ‘small farmers’ who appear to be using their labour particularly intensively on their land to boost yields. However, these predominantly include those few ‘small farmers’ who own land and cultivate under the independent peasant mode of production. To examine this further it is useful to divide the small farmer category into those operating more than half their land as owner cultivators and those operating more than half as tenants. Table 6-5 suggests that the average per bighā investment in agricultural inputs over the last year is roughly similar, at Rs

6897 for the 72% of small farmers who are predominantly tenants and Rs 7182 for the 28% who are predominantly owner cultivators. However, the actual average value of agricultural output is Rs 32,882 for owner cultivators and Rs 21,881 for tenants. A one tailed T-test comparing these values at 95% significance level reveals that $p=0.004$ (< 0.05) suggesting that the difference is statistically significant. As levels of input investment are similar, one can not explain these differences solely with reference to the enhanced investment in inputs amongst small owner cultivators. Instead, it suggests that the labour of small owner cultivators is used more intensively on a day to day basis. However, as holdings are generally small (see Figure 6-8), production still falls short of their subsistence needs, encouraging them to sell their labour elsewhere.

In order to understand why some owner cultivator 'small farmer' households invest more labour, one must acknowledge the importance of land for subsistence and the drive to maintain this land. As was discussed in chapter 2, 'overwork' in the drive to maintain one's land is one of the primary mechanisms through which modes of production based upon the land owning peasant unit reproduce over time (Bates, 1984; Kautsky, 1988; Shanin, 1973). It appears that small owner cultivators will intensify their labour by all means to achieve a return sufficient to maintain their holdings. For 'small farmers' who are owner cultivators, they achieve a full return on their labour investment given that they are not subject to ground rent. For tenant farmers however, this incentive is no longer there, hence their choice to extend their hours of work off their land.

In sum therefore, it is clear that the availability of some menial off-farm labour means that the majority of 'small farmers' who farm under semi-feudal relations of production intensify production only up to a point, beyond which work in the non-farm economy is considered preferable. However, they are still dependant upon tenancies to *supplement* their off-farm income, which is not well enough paid to pull them out of agriculture and force landlords to lower rents.

6.3.4 Use of outside labour and accumulation

As has been mentioned above, the relations of production entail not only the appropriation of surplus through ground rent, but the appropriation of surplus from agricultural wage labourers in value form. This is an additional form of exploitation under semi-feudalism after ground rent, and is arguably the main mechanism of surplus appropriation under the independent peasant mode of production.

The extremely low wages which are barely enough to meet labourers' subsistence needs and the high levels of poverty amongst households who rely purely on agricultural wage work suggest that the rate of surplus appropriation they are subject to may be greater than what is extracted from tenants through rent. However, for farming households, to what degree can the use of outside labour actually facilitate profitable commercialisation? The labour intensive nature of paddy cultivation often *requires* outside workers for short periods of time for transplantation, explaining the 'exchanges' of labour which occur (see Figure 6-3). Respondents stated that for a *bighā* (0.67 hectares) of land, an average sized household of 6 usually has no choice but to purchase up to thirty five days of non-family labour for the planting and weeding of paddy, with additional labour costs during the harvest time.

This may however be balanced out by the labour they go on to complete on other farms. It must be reiterated therefore that the use of outside labour alone does not suggest the household is accumulating. It is the proportion of labour bought by the household against the labour sold by the household which determines the degree to which outside workers can be a source of accumulation. By buying more labour than is sold, a household can cultivate an area of land greater than what can be farmed by family labour. External workers can also be used to introduce more labour intensive techniques without the family having to 'extend the working day'.

Table 6-6: Annual per-bighā investment in labour by farmer type over last agricultural year:

Farmer category	Mean total expenditure on labour in last year	Mean per bighā annual investment in labour*	Mean value of annual agricultural output per bighā
Small farmer	Rs 5320	Rs 3143	Rs 24,789
Medium farmer	Rs 10,270	Rs 4078	Rs 28,309
Large farmer	Rs 27,530	Rs 6853	Rs 31,347

*Includes in-kind payments to workers which have been given a Nepali rupees cash value.
(Note: Data also included in Table 6-2)

However, most households farming under semi-feudal relations of production can not generate the cash to employ more outside labour than they themselves sell on other farms. Even when they do, most of the additional surplus it yields is diminished by what is simultaneously appropriated by landlords. In many ways all that the enhanced use of outside workers accomplishes is to shift some of the burden of exploitation by landlords on to the even poorer outside labourers.

For owner cultivators producing under the independent peasant mode of production however, purchasing more outside labour than is sold *can* in some ways facilitate profitable commercialisation. It is for ‘large farmer’ households that one can most clearly observe this process. This group can afford to employ by far the largest amount of non-farm labour, while not selling their labour at all. With this outside labour they can cultivate a far greater area, including rented lands, and increase the total *mass* of surplus produced. Table 6-6 reveals that over the last year, ‘large farmer’ households spent on average Rs 27,530 on labour, including kind payments over the last agricultural year. This stands in contrast to the Rs 10,270 spent by the ‘medium farmers’ and Rs 5320 spend by ‘small farmer’ households.

Figure 6-16: Harvesting paddy near Pidarboni: Jobs such as harvesting and paddy transplanting are predominantly the domain of women.



Figure 6-17: Ploughman preparing paddy fields: Ploughing is one of the few jobs restricted to male household members.



Furthermore, outside labour is also used to intensify production on a per hectare basis and can increase the total *rate* of surplus produced on each unit of land. Table 6-6 demonstrates how in the last year, 'large farmer' households have invested on average Rs 6853 in labour per bighā of land, in contrast to the Rs 4078 invested by 'medium farmers' and Rs 3143 invested by 'small farmers'. A few 'large farmers' had even employed a *haruwa*, a bonded labourer who works for a whole year, providing an exceptional source of surplus¹⁸. The intensified use of non-family labour by 'large farmers', facilitates the cultivation of labour intensive crops such as vegetables or the planting of an extra harvest of *chait* rice. It also reduces the necessary labour time of family members. The 'free time' can be used for other direct and indirect productive purposes such as education and agricultural training which can further facilitate the development of the productive forces, an issue which will be explored in chapter 8.

6.3.5 Intra-household class relations, gender, and extension of the working day

It is important to acknowledge that class relations do not only occur between household members and the owners of the means of production, but occur *within* households themselves (Benholtd-Thomson, 1982; Deere & Leon de Leal, 1982; Gibson-Graham, 1996; 1992). Folbre (1982) suggests that household members that pool their labour, income and product each perform waged and unwaged labour. Assuming that each household member consumes a share of what is produced for their individual subsistence, the value of this bundle of subsistence goods should approximate the value of their labour power. However, the proportion of value consumed relative to what is produced is not necessarily equal between family members (Folbre, 1982). Women for example, generally perform a disproportional share of total household labour¹⁹. This stems in particular from their responsibilities

¹⁸ This labour relation can be perhaps be interpreted as a feudal 'survival' from the days prior to the concentration of land ownership shifting from the local to absentee nobility, when local landlords yielded considerable power.

¹⁹ While children may also consume more value relative to what they produce, this will often be equalised over the life cycle of family members as the younger generation will 'repay' their parents

to perform both *productive* as well as *reproductive* labour, such as tasks within the household. However, despite additional responsibilities their remuneration remains the same or even less (Benholtd-Thomson, 1982; Folbre, 1982; Gibson-Graham, 1996; 1992).

In Jhorahat, Bhaudaha and Thalaha it appears that for all ethnic communities, gender ideologies dictate that women perform the most labour intensive agricultural tasks such as rice transplanting and weeding, while also being responsible for most essential household reproductive tasks. Men take responsibility primarily for ploughing and general ‘supervision’ (see Figure 6-16 and Figure 6-17). This trend is widespread throughout Nepal (Food and Agriculture Organisation, 1997). In other words, a disproportionate share of the family’s aggregate surplus labour time is performed by females, while the subsistence goods consumed by females are generally the same, or in many cases even less than those consumed by males, suggesting there is a flow of surplus between household members, an intra-household class relation (Gibson-Graham, 1996; 1992). In the context of semi-feudal surplus appropriation it is clear that as Folbre (1982, 322) argues, “the burden of exploitation is not necessarily shared equally.”

Interestingly, for ‘small farmers’, the difficulties in reproducing through agriculture in the context of exploitation through rent actually appears to encourage a slightly more equal distribution of the aggregate household labour time. The discrimination against women in the agricultural and non-agricultural labour market and lower wage rates means that men and even children have to increase their participation in off-farm labour if the family is to meet its subsistence needs. However, women retain their responsibility for reproductive as well as agricultural activities and as a result they still perform a greater aggregate share of household labour time. It is only in the ‘large farmer’ households that the distribution of family labour is more equal. Their

through contributing to family income later in their lives and supporting them in old age. However, the proportion of value consumed by female family members relative to what is produced often remains unequal throughout a life cycle (Folbre, 1982).

use of outside labour reduces the burden on women farmers, allowing them to focus their labour on reproductive tasks within the household²⁰.

What therefore is the function of these intra-household class relations within the modes of production in rural Morang and how do they shape the capacity of households to yield a surplus and accumulate? The domestic reproductive activities women carry out with no remuneration can be understood as a central element of both the capitalist, independent peasant and semi-feudal mode of production. These tasks which include child rearing, cooking and the maintenance of the homesteads, are essential for the reproduction of family labour power required for agricultural production as well as for off farm employment.

However, understanding the disproportionate share of agricultural work that women are obliged to perform through an analysis of the imperatives of each mode of production proves more difficult. It appears that the capacity for households to intensify labour on their farms would be *greater* were the distribution of labour more equal. If men and women shared agricultural tasks equally the household could more easily utilise labour intensive techniques and plant extra harvests. This could increase the saleable surplus for 'medium farmers', while making it easier for 'small farmers' to meet the needs of simple reproduction through agriculture. However, it could be also argued that the increased output would mean landlords could more easily raise rents to even higher levels and outside employers could further depress wages. Either way, the unequal labour allocation in agriculture appears to work against the imperatives of each mode of production present in the social formation of rural Morang.

This element of gender ideology can therefore be viewed as operating somewhat autonomously and generating relations of exploitation in their own right, within the household. As van Binsbergen and Geschiere (1985) argue, ideological formations can take an impetus of their own and can not always be understood with reference to

²⁰ When a *haruwa* is employed they themselves perform reproductive tasks during part of the year, thus further increasing the free time of female household members.

a given mode of production. One possibility is that the disproportionate share of agricultural labour performed by females is a relic of older modes of production and may have had a functional role in the past.

When one looks at class relations *outside* the household, the one element of gender ideology which does appear to have a functional role is the devaluation of female labour power. As Table 6-4 displays, women are paid far lower wages for agricultural work. Gender ideologies in this context serve to legitimise the super-exploitation of outside female labour by peasant farms in both the semi-feudal and independent peasant mode of production. While this may not be exploitative if households are 'exchanging' their labour power, for those reliant upon agricultural wage labour, gender ideologies lead to their further impoverishment to the benefit of the employing household.

6.4 The association between the relations of production and forces of production

6.4.1 Surplus appropriation as an impediment to the investment in forces of production

Understanding the forces of production

The focus of this chapter has so far been on understanding the impact of the *relations* of production on accumulation in rural Morang. However, there is also a need to better understand the *forces* of production. As was discussed in chapter 2, they represent the relation between the labourer and their means of production and their particular character is determined by the technologies and inputs used. The forces of production together with the productive relations constitute the primary components of the mode of production. So far it appears unlikely that landlords will lose their grip over landed property, or that rents will drop to the level that farmers can yield a profit. The important question to ask therefore is whether or not semi-feudal relations of production can be undermined through development of the forces of

production to boost productivity, leading the way for profitable commercialisation and capitalist development.

The primary mechanism through which the forces of production are developed is the enhanced investment in technologies and inputs. It was suggested above that farmers unable to produce a surplus can increase output by ‘extending the working day’ and *increasing* the hours of necessary labour on their land until a surplus is produced. However, by investing to develop the productive forces, households can boost production by increasing the returns to their labour and in the process *decreasing* the hours of necessary labour time and facilitating the retention of a surplus after paying rent. To Marx, this would be the equivalent of a capitalist increasing productivity through capital investment, decreasing the hours of labour to produce a commodity and increasing the rate of “relative” surplus value, (rather than the “absolute” surplus value which is produced through ‘overwork’) (Marx, 1974, 299).

Development of the productive forces could open up the potential for some profit orientated commodity production in rural Nepal out of which the APP’s middle peasant led transformation or capitalist differentiation would occur. This is particularly relevant in the context of the APP’s stated priority inputs which aim to boost productivity, namely ‘fertiliser’, ‘irrigation’, and ‘technology’. However, as will be demonstrated, the high levels of rent constrain farmers’ from investing in the first instance. The relations of production are thus a dominant constraining factor in developing the forces of production.

Input investment and development of the forces of production

Inputs which can boost productivity and represent a development of the productive forces can be divided into two types. Firstly, there are high value capital investments such as machinery, purchases of which are of course, restricted to ‘large farmers’. Secondly, there are recurrently used non-labour inputs which are purchased on a seasonal basis by all farmers such as nutrients and the occasional *rental* of machinery. It was generally acknowledged in interviews that for a sufficient harvest,

at least one *bora* (50kg) was required of each of the main fertilisers, DAP and Urea per *bighā* (0.67 hectares) of land. Many also choose to invest in the rental of machinery. Given that most of these inputs originate in the capitalist sector, this represents another articulation between modes of production. The independent peasant and semi-feudal mode of production are both to an extent, dependent upon capitalism to reproduce the productive forces.

Table 6-7: Annual investment non-labour inputs and productivity per bighā by farmer type over last agricultural year

Farmer Type	Mean value of non-labour input investment per bighā *	Mean value of annual agricultural output per bighā
Small Farmer	Rs 4095	Rs 24,789
Medium Farmer	Rs 5172	Rs 28,309
Large Farmer	Rs 5955	Rs 31,347

*Annual Value of input use per bighā includes in-kind expenses which have been given a Nepali rupees cash value. It includes basic annual inputs of fertiliser, labour, irrigation and rental of machinery.

(Note: Data also included in Table 6-2)

It is evident however, that levels of expenditure on inputs vary considerably. In the last year, Table 6-7 (see also Table 6-2) shows that ‘small farmers’ invested on average Rs 4095 per bighā of land on these basic annual inputs, while ‘medium farmers’ invested on average Rs 5172 per bighā. The ‘large farmers’ invested on average Rs 5955 per bighā, suggesting that they are not only cultivating a larger area and employing more labour per unit of land, but are investing more intensively in non-labour inputs.

The tendency for investment to increase according to farm category can be explained by the relations of production. ‘Small farmer’ households, many of whom are unable to produce a profitable surplus due to lack of access to land and surplus appropriation through rent, can not afford to increase their investment in inputs. Similarly, ‘medium farmer’ households, although investing more than ‘small farmers’, can only increase expenditure up to a point, and are not investing in any machinery.

Figure 6-18: Application of pesticides on rice crop in Jhorahat: Many poorer farmers do not use pesticides



Figure 6-19: Shallow tube well drawing water from canal in Janghrahi: Although tubewell irrigation can significantly boost yields it is expensive



For example, with regards to chemical fertiliser, there are several varieties of differing qualities and the type of fertiliser used often depends upon the economic status of the farmer. Some wealthier 'medium' and 'large' farmer households can afford to buy better quality nutrients, not to mention additional inputs such as pesticides (see Figure 6-18). They yield a profit from farming and have non-agricultural income from skilled work and migration remittances. Poorer 'medium' and 'small farmers' who can not afford the higher quality brands often unwittingly purchase low quality fertiliser brought in illegally over the open border with India. For such households, difficulties in accessing quality fertiliser have become more acute following the abolition of subsidies and removal of the government distribution of inputs under economic liberalisation. Aside from the higher prices, the unregulated flow of illegal fertiliser mean farmers can no longer guarantee the quality of what they buy, a point raised by Sharma and Babu (2002). Referring to the withdrawal of subsidies and end to state regulation, one 'medium' farmer states:

“The quality of fertilizer provided by Krishi (Agriculture) office was much better. It could provide it at a cheaper rate and in substantial amounts. If there are no subsidies then how can farmers access fertiliser at an affordable rate? That is why there is no benefit from doing agriculture in Nepal”.

The enhanced 'choice' that economic liberalisation was supposed to offer means little to this farmer for whom higher quality inputs are out of reach.

Aside from investing in lower quality chemical fertiliser, it is interesting to note that many 'small farmers' and 'medium farmers' also use disproportionately less organic fertiliser than their wealthier counterparts. Organic nutrients are generally produced from *gobar* or dung. As it is rarely purchased but produced by the household using traditional methods, it is not included in the information on input investment listed in Table 6-7. Most households acknowledged the need for an appropriate mix of organic dung based fertiliser and chemical fertiliser to maintain soil quality. However, accessing dung, the core ingredient of organic fertiliser, is difficult in the villages of southern Morang given its additional use value as fuel. The villages to

the north of Jhorahat on the fringe of the vast Charkose jungle (See Figure 1-6) have access to forest resources which provide them not only a source of income through sales of forest products, but a ready supply of wood for cooking, or *dāuro* (see Figure 6-20). However, those to the south are reliant upon what fuel can be collected from local common lands such as riversides, what is purchased from those to the north, and most importantly, they depend upon dung which is dried and burnt (see Figure 6-21). This is a particularly acute issue for many poorer ‘medium’ and ‘small farmer’ households who own less livestock. Respondents stressed that all the dung available from their farms is used as fuel and as a result, many rely purely on chemical fertiliser. This has implications for soil quality and puts an extra financial burden upon many poorer households.

‘Large farmers’ were not only using copious amounts of dung based fertiliser, but some were producing *hariyo mal*, literally ‘green fertiliser’, produced from the leaf litter of the small tree Ipil-Ipil (*Leucaena leucocephala*), a known source of nutrients for paddy cultivation (see Abdullah & Hossain, 2007). One wealthy farmer from Katahari VDC’s prosperous Kushuwaha community, a Maithilī speaking caste with a strong tradition of commercial vegetable production explained how he uses only organic manure and *hariyo mal*, while chemical fertiliser was applied like “*acār*”, the Nepali term for ‘chutney’! However, he stressed that the use of *hariyo mal* depends upon access to enough land to grow it, excluding smaller landholders.

While it is clear that wealthier producers benefit from enhanced use of these recurrently used annual expenses, what are the large scale investments ‘large farmers’ profit from? These investments fall into two categories. Firstly there are of course, land purchases, which increase the total *mass* of profit. However, the second type of investment is in technology which develops the forces of production and the *rate* of profit to capital advanced. For example, one high caste ‘large farmer’ from Bhaudaha’s Maithilī speaking community we spoke to, was planning to purchase a small tractor and two had bought mechanical threshers (see Figure 6-22 and Figure 6-23). The most common investment though, is in pump sets, which can operate shallow tube-wells, or can draw water from nearby rivers.

Figure 6-20: Collecting *dāuro* (firewood) from Charkose forest in Indrapur VDC, north of Jhorahat



Figure 6-21: Dung cakes drying on the banks of the Lohandra Nadi for use as fuel



Figure 6-22: Threshing using the traditional method in Pidarboni: Although cheap, it is time consuming



Figure 6-23: Mechanical thresher in Thalaha: This saves time, and wealthier farmers who own a thresher generally rent them out to other villagers who pay in kind



Year round irrigation provided by the purchase of diesel pump sets reduces farmers' reliance upon unreliable canal irrigation²¹. It improves yields of the main paddy and wheat harvests, and determines whether or not households can cultivate an additional crop of spring or *chait* paddy. Shallow tube well irrigation was a key proposed input of the APP in the Terai. However, given the withdrawal of government subsidies and the lack of organised irrigation user groups, pump sets are out of reach to all but the wealthiest 'large farmers'. Although renting a pump-set was an option, it is expensive, and many 'small' and 'medium' farmer households were simply unwilling to risk making a loss.

6.4.2 The development of the productive forces, labour and possibilities for 'capitalist' ground rent

The right column of Table 6-8 (see also Table 6-2) displays notable differences between farmer category in the value of the total agricultural output yielded annually for each bighā of operated land. This can be argued to be connected with the greater per-bighā investment in both labour and non-labour inputs which develop the productive forces for wealthier farmers. 'Small farmers' invest on average Rs 6953 per bighā and produce an average per bighā yield worth Rs 24,789. 'Medium farmers', invest on average Rs 8808 per bighā while producing a yield per bighā worth Rs 28,309. 'Large farmers' on the other hand, invest on average Rs 12,120 per bighā while producing an average output worth Rs 31,347. Although the output from 'large farmer' households is higher than their poorer counterparts proportionate to the higher level of expenditure, one would have expected it to perhaps be even greater still, given the greater use of organic fertiliser and the additional high value investments such as tube wells which are not included in Table 6-8. The possibility

²¹ Although the Sunsari-Morang irrigation project built several canals which pass through the study VDCs over a decade ago, farmers felt the water was insufficient, particularly in Bhaudaha and Thalaha which only has access to smaller feeder canals, (see Figure 1-7). Furthermore, all the study villages are near the end of the canals and reportedly receive relatively less water than those upstream to the north, while farmers reported an erratic supply of water and over-silting. The management committee appeared ineffective, and respondents claimed the canals were insufficiently cleaned and maintained. Pump irrigation from shallow tube wells or the rivers was therefore deemed necessary for the cultivation of *chait* paddy in the dry season and even for the cultivation of wheat in parts of Bhaudaha and Thalaha.

remains that lower figures may have been recorded as a result of error or even under-reporting due to suspicion, as was discussed in chapter 4. Similarly, lower reported yields may be a result of environmental variations which have limited the effectiveness of particular inputs in the year the survey was carried out. Given that the number of cases in the large farmer category is much smaller, ‘one-off’ differences are likely to have a greater impact on the mean.

Table 6-8: Annual total mean investment inputs and productivity per bighā by farmer type over last agricultural year

Farmer Type	Mean value of total input investment per bighā, including labour	Mean value of annual agricultural output per bighā
Small Farmer	Rs 6953	Rs 24,789
Medium Farmer	Rs 8808	Rs 28,309
Large Farmer	Rs 12,120	Rs 31,347

(Note: Data also included in Table 6-2)

Either way, other evidence suggests that ‘large farmer’ households are producing a significantly greater physical yield than their ‘small’ and ‘medium’ counterparts. Many still choose to rent in land alongside their private holdings. As they all have economic and food security already, one would expect they would only operate additional leased land if it provides them a profit. This suggests that per-bighā production must be significantly greater than the normal output of the ‘small’ and ‘medium’ farmers who rarely profit from tenancy.

This implies there is a possibility of some profit oriented or even capitalist farming for large farmers after they pay rent. Patnaik (1983), using examples from Gujarat, suggests that capitalist tenant farming emerges in the context of pre-capitalist ground rent when technical changes allow some farmers to increase yields so only a portion of the product of surplus labour is appropriated as rent, leaving a profit for the farmer. However, in Morang, the ‘large farmer’ category for whom this applies is very small. Furthermore, all of these households already own at least some land.

Therefore they already have income from their private plots which allows them to increase investment on rented plots to profitable levels. For the vast majority of farmers in southern Morang however, notions of profit oriented production on rented land remain meaningless.

6.5 Investment, credit and debt and constrained accumulation

6.5.1 Reliance upon credit for renewal of the forces of production

There are clearly different levels of investment between ‘small’, ‘medium’ and ‘large farmer’ households in both labour and non-labour inputs, suggesting that it is primarily wealthier producers who are able to develop of the forces of production and enhance productivity through investment in technologies and outside workers. However, what is equally important to the level of expenditure is the much greater financial hardships endured by poorer producers in generating the cash to invest in inputs. The recurrent annual process of renewing the productive forces by purchasing fertiliser and labour pushes many poorer households into economic insecurity before they can even consider increasing investment to boost yields. The following quotation by one ‘small farmer’ outlines some of these difficulties²²:

“The farmers used to hire a person for ploughing the field and do the remaining work themselves but now the ploughman has to be paid two thousand rupees. He also has a problem in his house and he has to look after his children. If we give him food also then it costs us four thousand per month. Now it costs about 17 to 18

²² In the above quotation the farmer highlights the struggle necessary to purchase labour and fertiliser, while also reminding one of the complexities of class relations in Jhorahat. The farmers’ empathy with the ploughman and his need for higher wages reflects the shared class consciousness the marginal farmer feels with his worker. It is clear here that the circumstance under which the ploughman is employed is not one of a capitalist farm appropriating others’ labour to accumulate profit. Many of such households, including that of the quoted farmer, labour for other farms simultaneously. In this case therefore, employing a ploughman is part of an exchange of surplus labour that occurs between poor households. The use of another households’ labour by the respondent’s household is necessary as the ploughman owns an asset that they themselves can not afford to buy, a pair of bullocks. Throughout the year such small farmers have to use their income from marginal crop sales and labour on others’ farms to invest in inputs such as fertiliser and labour for their own farm.

thousand rupees to buy our own bulls. Farmers also need to buy the fertilizers which are also expensive. So farmers are facing problems ... Even larger farmers have left farming. The farmers take a loan for everything, for Patuwa (Jute), fish and other cultivation, but still, the return is not good. You have seen the returns for rice also. The farmers have to pay loan repayments and wages for the workers. DAP costs Rs. 28 per kilo Urea costs Rs. 20 but if we use it twice [in a year] it costs Rs. 100 per kilo²³! The fertilizers are expensive now. Now you can imagine how the farmers are suffering.”

The quotation above, while outlining the frustrations felt by marginal producers, also highlights the fact that farmers rely upon loans to purchase their recurrently used inputs. ‘Small’ and ‘medium’ farmers are increasingly forced into cycles of indebtedness just to *renew* the productive forces, ruling out any actual increase in investment to *develop* the productive forces. There are multiple sources of loans, but most farmers borrow from three private sources at high interest rates. The first two sources of private credit include local *byapari manche*, literally ‘businessmen’, and landlords. A third source is the grain merchants or *kaṭṭhāwala*. This normally represents a form of tied trade whereby farmers take credit from *kaṭṭhāwala* to invest in fertiliser and labour and repay them in kind after the harvest. Loans from all three sources are generally charged at 3%-5% interest per month until the loan is repaid. It is evident here that it is not only ground rent that appropriates a share of households’ surplus or even necessary product. ‘Interest bearing capital’ or usury, although necessary for the reproduction of the productive forces, also extracts surplus through interest, both worsening indebtedness and furthering the impoverishment of marginal households. The actual mechanisms determining interest rates will be explored in chapter 7, but for now it is necessary to understand why farmers are indebted to private lenders in the first instance and its connection to the productive cycle.

²³ The changing price of fertiliser will be looked into in chapter 7.

6.5.2 Microfinance banks

Advantages of microfinance as a source of agricultural credit

There has been a mushrooming of microfinance banks in rural Morang in recent years. The enhanced supply of credit was another ‘priority input’ of the APP. Farmers can now take loans for agricultural investment from the state run Agricultural Development Bank or numerous NGOs at much lower interest rates than private lenders, varying from 1-2% for each month the loan is outstanding (see Table 6-9). As Figure 6-24 suggests, respondents from all household categories have taken microfinance loans. However, to what degree has this reduced farmers’ level of indebtedness to usury capital and facilitated the generation of credit to increase investment and develop the productive forces?

Table 6-9: Monthly rates in private microfinance banks serving Jhorahat, Bhaudaha and Thalaha

Bank	Monthly Interest rate*	Collateral
Nerude Microfinance Bank	1.2% per month	No
Forward Microfinance Bank	1.25% per month	No
Jeevan Vikas Bank	1.25% per month	No
Grameen Development Bank	1% per month	No
Grameen Development Bank	1.5% per month	Yes

Data source: Researcher’s own survey of local banks

*These are based upon the flat annual rates, actual periodical repayments for some banks are calculated according to a diminishing rate.

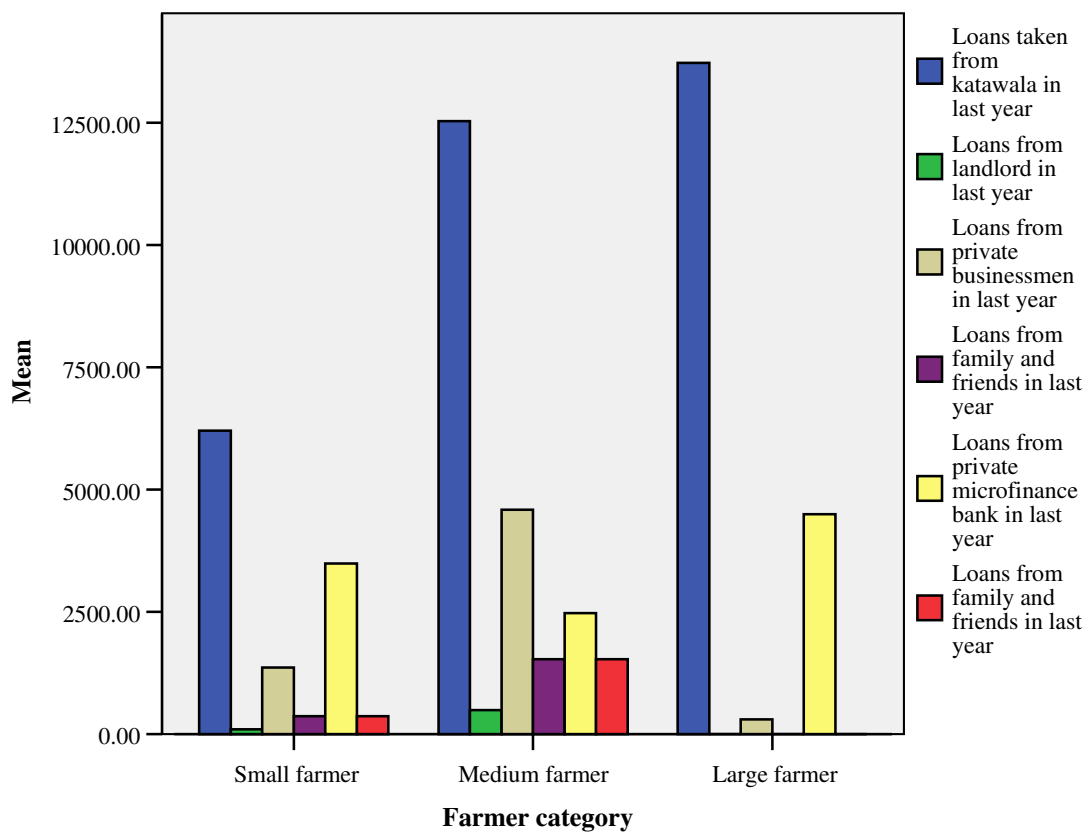
Farmers with land were at an immediate advantage in accessing credit. Seventy two percent of institutional finance schemes in Nepal require some form of collateral, which is usually land (Central Bureau of Statistics, 2004). One small farmer from the Brahmin community expressed the difficulties they faced in accessing institutional credit:

“When we take the loan the bank asks for the collateral from the farmers, they ask for land, gold and silver as collateral. They come to our houses and see our condition and on that basis we are provided the loan. Instead they should provide the loan thinking that a farmer can do something and then will return the money. In our

neighbouring country, India, the government provides loans for the farmers but it is not like that in Nepal. The government here should also give the loan with out any big collateral”.

This may explain why in Figure 6-24, the average total borrowed by ‘large farmer’ households from the Agriculture Development Bank in the last year is highest, at Rs 5357. ‘Medium farmers’ have only borrowed on average Rs 1505 and ‘small farmers’ a mere Rs 407. In this context, ‘large farmer’ households often used such loans to not only purchase fertiliser and labour, but to make large one-off investments such as the purchase of their own threshing machine or irrigation pump set.

Figure 6-24: Average value of loans taken in last year by source and farmer category (rupees)



Although the quotation by the farmer above stresses the need for collateral free loans, smaller loans of this kind are in fact available from private microfinance banks at similarly low rates of interest. This can explain why in contrast to the Agriculture

Development Bank, all categories of household have taken private microfinance loans, as Figure 6-24 demonstrates. 'Small farmers' as a group have borrowed on average Rs 3491, 'medium farmers' have taken Rs 2530, while large farmers have borrowed Rs 4464. Private microfinance is also the main source of credit for the 'landless labourer' category which include some of the poorest households in the study area. This group has borrowed on average Rs 4445 in the last year.

Figure 6-25: Rajbanshi women in Sitpur attend a fortnightly credit/savings group meeting organised by local Microfinance bank: At these meetings the periodic instalments are made



Most of these private microfinance loans are part of a scheme whereby loans are given to groups of women for either micro-enterprise or agricultural purposes and payments are made at fortnightly meetings (see Figure 6-25). If one member fails to pay the required instalment, it must be paid by the rest of the group. The expectation is that 'peer pressure' within the group prevents borrowers from defaulting. Such borrowing groups often double up as savings cooperatives, whereby women can make small deposits so cash can be released at times of need on a rotating basis. One

woman farmer who ran a rotating savings and credit scheme explained the benefits to group members of taking loans from their program over the private money lenders:

“We can use that money when we need it. If we go to businessman or rich people then they hesitate to give loan even in 2%. They make us pay 4% or 5% which is calculated at 24% annually, so now we don’t go to them. At banks we don’t have to pay that much interest. If there will be more money in our account then we can even reduce it to 1% which is 12% per year. No one can stop us within society as its our group and money. We don’t need any permission to use that money. If the secretary and chairman signs a cheque then it [the money] can be easily withdrawn from the bank”.

Disadvantages of microfinance and continued indebtedness to usury capital

However, while micro-finance may in some context facilitate the purchase of inputs, it has not stopped households entering usurious lending arrangements with landlords, businessmen and *kaṭṭhāwala*, to meet basic input requirements at the paddy and wheat planting season, as Figure 6-24 suggests. There are a number of explanations for this trend, although the deficiencies of microfinance banks for the renewal of the productive forces appears to be the most commonly cited reason. Given the increased emphasis upon ‘economically sustainable’ financial institutions in neo-liberal development discourse (Rankin, 2004), interest rates in microfinance banks increase considerably if repayment schedules are not met. One respondent informed me that he felt the Agricultural Development Bank was “*out to extort small farmers.*” The same small Brahmin farmer quoted above went on to argue:

“If a loan is taken from the local people then even if we can’t repay it within one year then we can pay the interest for that year and then the next year we can repay the loan along with the interest. But with the bank what happens is that if we can’t repay the loan within the stated time then the interest increases until it is higher than the villager’s [village money lender] rate! In the bank we have to repay within 6 months.”

Furthermore, many argue that the money is not available when required. 'Small farmer' households are reliant upon non-agricultural labour for cash during much of the time between harvests. The daily wages only go as far as meeting day to day expenses and offer few opportunities to save enough for investment in the next harvest. Similarly, 'medium' farmer households often have little money left from sales during the previous harvest by the time the next planting season begins. As a result, many households require two loans a year for the two main crops of paddy and wheat. Farmers complained that microfinance loans are not available this frequently. Furthermore, the requirements that periodic repayments be made are problematic as cash only becomes available after the harvest. If repayment schedules are not met, then the interest increases to the point that it is often higher than the rates charged by local money lenders. For many farmers therefore, the *kaṭṭhāwala*, not microfinance banks, are the primary source of credit to purchase inputs.

Figure 6-24 demonstrates how the loans taken by 'small', 'medium' and 'large farmer' households from the *kaṭṭhāwala* in the last year far surpass those taken from banks. As one would expect, the average amount borrowed by each category increases from small to large farmers, while the two non-cultivating groups have not borrowed anything. 'Large farmer' households as a category have borrowed on average Rs 13,722, medium farmers have borrowed Rs 12,531, while 'small farmers' have borrowed Rs 6204.

Even for one-off non-agricultural expenses, farmers could not rely upon microfinance loans. Respondents reported that unless they have a good past performance in repayment from the bank in question, the staff are unwilling to grant large loans. Respondents also stressed that the bureaucracy for securing institutional loans is time consuming. These constraints are particularly acute for households seeking urgent cash loans, due for example to a family illness. A small farmer from the largely landless Rajbanshi community of Sitpur in Bhaudaha, emphasises the convenience of accessing loans from the local businessmen:

“We take loans from the merchant because we can get loans easily, only with the words! For the process of taking loans from Bank, we have to show them a lot of formal paper work and collateral, as well as a recommendation from the VDC office.”

There were also several accusations of corruption within the state run Agricultural Development Bank. To obtain a loan, it was reported that commission must be paid to a ‘broker’ who has “contacts” inside the bank, even if the applicant has sound collateral. This ‘broker’ would speed up the application process and help to guarantee that credit would be made available. Therefore if farmers require cash for a particularly large expense such as medical bills, purchasing new cattle or even sending a son abroad, the first point of call is normally the private businessmen. This may explain why ‘medium farmer’ households as a group have borrowed on average Rs 4592 from this source over the last year, in contrast to the Rs 2480 taken from private microfinance banks.

The difficulties accessing institutional credit and the unrelenting demand for loans have even resulted in subversion of the microfinance system by some individuals. There were reports of wealthier villagers or money lending businessmen taking out large loans from microfinance banks and then lending them out again to their poorer counterparts at higher rates of interest. In the following dialogue, a small farmer described the process of taking a loan from a village money lender:

Farmer: *“The interest rate is 3% for the farmers. We do not have to show the collateral and show them [the money lender] our assets. When they give [the credit] in Ashad and Jestha then they will be repaid in Kartik²⁴. The money does not stay with them long as they have also borrowed from others.*

Interviewer: *“So it is not their own money?”*

²⁴ *Ashad* (mid-June to mid-July) and *Jestha* (mid-May to mid-June) are the Nepali calendar months in which the rice is planted. *Kartik* (October-November) is the month in which the rice harvest begins.

Farmer: *“They borrow from various businessmen and from the banks. They do business in that way. If they have built a house which is of Rs. 10 lakh then they borrow Rs. 20 lakh and they do their business. Here the poor are suffering.”*

Interestingly the quotation above also suggests that wealthier villagers take out loans from private businessmen as well as banks. This echoes the trend of wealthier farmers ‘sub-letting’ land to their poorer counterparts. It suggests that the severe economic insecurity amongst a large section of the peasantry has unleashed a series of intermediary feudal class processes whereby wealthier rural households act as ‘middlemen’ between non-agricultural dominant classes and poorer farmers, appropriating a share of the surplus.

The above findings suggest that in the context of economic insecurity stemming from semi-feudal relations of production, microfinance has a limited impact on reducing farmers’ indebtedness to money lenders and thus is not always an effective tool for poverty alleviation or development of the productive forces. Equally significant however, is the fact that recipients are also increasingly locked into ties of indebtedness to microfinance banks themselves. Seven households in the sample stated that they had taken new loans to repay outstanding loans from other microfinance banks. This practice which is termed “loan swapping” was also observed in Rankin and Shakya’s (2008) village level study of microfinance in Nepal and Vietnam and can be used to extend the duration of loans and meet the necessary repayment deadlines.

6.5.3 Indebtedness, investment capacity and cultural capital

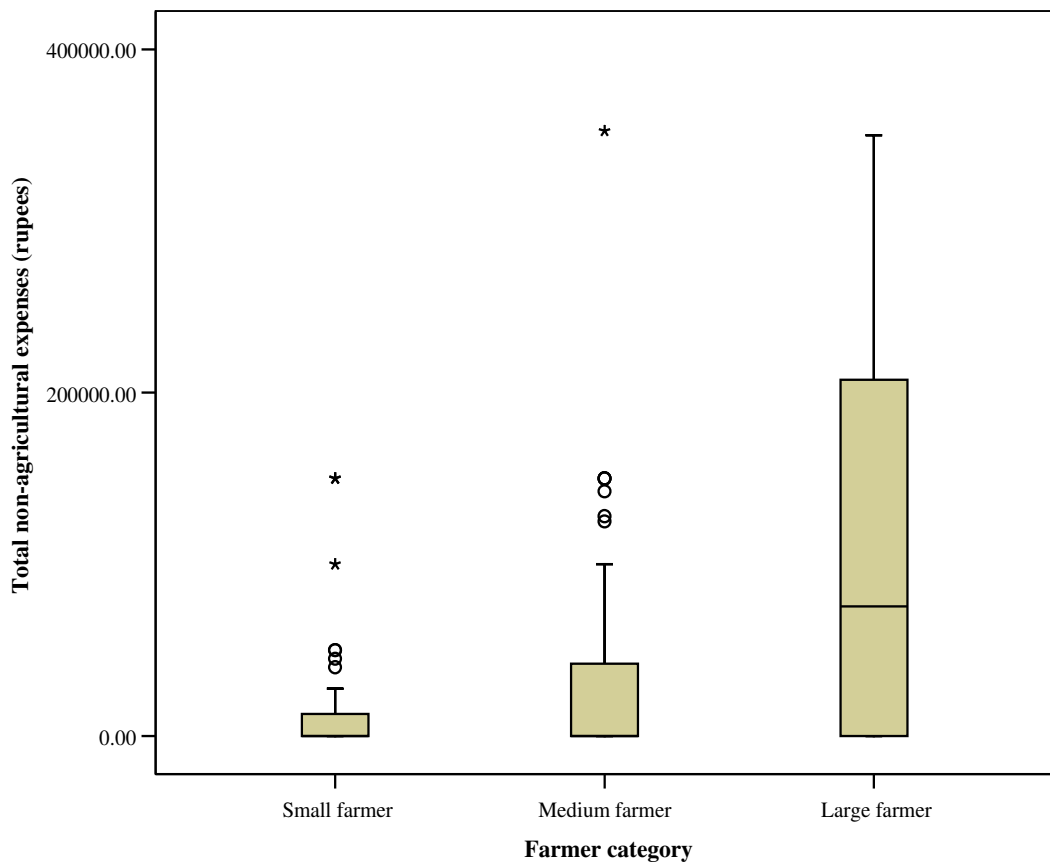
In order to better understand the cause of farming households' indebtedness to banks and private lenders and the barriers to input investment and development of the productive forces, one must examine not only the surplus appropriation through the relations of production, but the multiple non-agricultural expenses they are required to meet. Interestingly, this affects large farmers as well as medium and small farmer households. Farmers were asked to report large one off expenses over the last year. Table 6-10 show how all categories of farmer are investing a significant sum in non-agricultural expenses. 'Small farmer' households as a category have invested on average Rs 14,392 for non-agricultural purposes. This stands in contrast to the Rs 8981 spent on the basic annual agricultural inputs such as fertiliser, labour, irrigation and machinery rental such as threshers (including in kind payments). 'Medium farmers' have spent on average Rs 34,908 on total non-agricultural expenses in comparison to the Rs 19,908 spent on agricultural inputs. Even 'large farmers' have spent a substantial Rs 109,100 on non-agricultural expenses in contrast to the Rs 49,206 spent on agricultural inputs. Figure 6-26 suggests that there is of course significant variation within each category, with many households having made no large non-agricultural expenses, while others have made expenses far exceeding the average.

Table 6-10: Agricultural and non-agricultural expenses over the last agricultural year

Farmer category	Average total agricultural expenses including kind payments* (Rupees)	Average total a non-agric. expenses (Rupees)	Average % of total expenditure in non-agric. expenses (Rupees)
Small farmer	Rs 8981	Rs 14,392	62%
Medium farmer	Rs 19,908	Rs 34,908	64%
Large farmer	Rs 49,206	Rs 109,100	84%

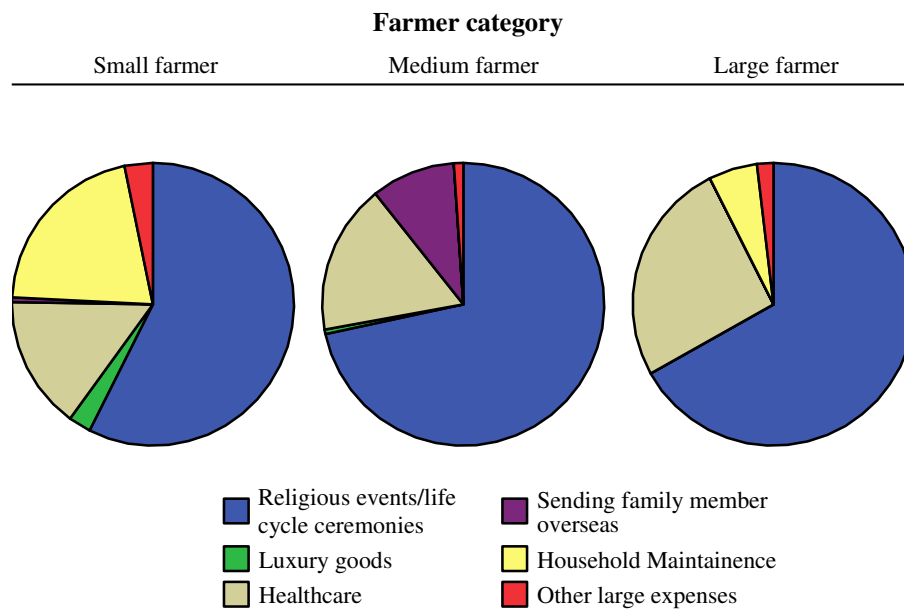
*It is important to acknowledge that data on large one off agricultural expenses in the last year alone was not included, suggesting that this figure may be slightly higher in reality while the percentages in the third column would be lower.

Figure 6-26: Total non-agricultural expenses over the last agricultural year



Health expenditures represent a significant portion of the total sum of non-agricultural expenditure over the last year (See Figure 6-27). While it constituted 26% of ‘large farmer’ households’ total expenditure, it represented 15% for ‘small farmers’ and 17% for ‘medium farmers’. Lack of adequate free government health services and education, combined with poverty, can explain this trend, particularly amongst ‘small’ and ‘medium’ farmers. Households often have to visit fee charging private clinics, while also spending considerable sums of money for the services of *dhāmis*, or faith healers.

Figure 6-27: Proportion of expenditure by farmer category



Households from every socio-economic group in Jhorahat, Bhaudaha and Thalaha are also compelled to make considerable non-economic cultural capital investments for life cycle ceremonies and religious events, which primarily include weddings and associated payments to in-laws (see Figure 6-28). Figure 6-27 demonstrates how these represent 57% of the sum of non-agricultural expenses made by households in the ‘small farmer’ category over the last year and 71% for those in the ‘medium farmer’ category. Although these expenses are deemed essential in the local cultural context, they significantly impede small and medium farmers from investing in inputs and perpetuate the cycle of indebtedness to banks and private money lenders.

For ‘large farmer’ households, they constitute a significant 67% of the sum of the total non-agricultural expenses of this category in the last year. Although large farmers still appear to be accumulating and developing the productive forces, it is limited by these expenses which often absorb a large sum of their annual income. This may explain why despite them being less affected by semi-feudal production relations this group still turns to *kaṭṭhāwala* to acquire credit for input investment. Interestingly, Table 6-11 suggests that out of the ‘large farmer’ category, Thāru households have by far have spent the most on average on religious events and life

cycle ceremonies over the last year. This ethnic group, who represent 40% of the 'large farmers' have spent on average Rs 136,083 on this type of expenditure. This stands in contrast to the Terai middle castes that comprise 13% of the group and have invested less than a third at Rs 63,750. The hill settler Brahmin and Chettri large farmers, who comprise of 33% of the category, have invested only Rs 16,000 on average. While there is no notable difference between Thārus from the 'small farmer' category and other ethnic groups, the expenditures for 'medium farmer' households from the Thāru community are like the 'large farmers', considerably higher, suggesting that they are subject to the same cultural norms. The one medium farmer household that appears to have significant non-agricultural expenses in Figure 6-26 had spent a staggering Rs 300,000 on a wedding.

Table 6-11: Average expenditure on religious events and life cycle ceremonies over last year by ethnicity and farmer category

Farmer category	Ethnic community					
	Thāru	Other indigenous*	Terai middle caste	Terai dalit**	Brahmin or Chettri	Hill indigenous**
Small farmer	Rs 19,318	Rs 4647	Rs 27,500	Rs 22,500	No expenses in last year	No expenses in last year
Medium farmer	Rs 40656	Rs 18,794	No expenses in last year	N/A	Rs 18,036	N/A
Large farmer	Rs 136,083	No expenses in last year	Rs 63,750	N/A	Rs 16,000	N/A

*Indigenous ethnic group other than Thāru (e.g. Rajbanshi, Bantar etc.)

**No medium or large farmer in this category

One can perhaps shed some light on the heavy cultural capital requirements for wealthier Thāru households by investigating the mode of production of the past. Under the earlier semi-feudal mode of production where local landlords played a more prominent role, the large cultural investments by wealthier members of the Thāru landed elite had a clearer ideological function in reproducing the relations of production their tenants were subject to. For example, funding community events such as *pujas* (religious ceremonies) and hosting lavish wedding feasts increased their social status, further legitimising their economic and political dominance on an ideological level.

The dowry payments associated with weddings make up a large proportion of the life cycle ceremony/religious event expenditure and may also have been historically connected with the class structure. In Thāru marriages, although gifts are still given to the family of the bride (brideprice), it is gifts and payments to that of the groom (dowry), which are most significant²⁵. From an economic perspective, many societies, particularly in South Asia, have been argued to make a transition from bride price to dowry as class stratification increases (Anderson, 2007; Randeria & Visaria, 1984). While it was not easy to identify the original marriage system, the high dowry payments by wealthier segments of the Thāru do appear to be connected with their former position as rural landed elite.

Studies on the dowry institution suggest payments increase according to one's wealth as it is essential for reproducing household class status. Families pay to ensure their daughters marry into a family with similar economic prospects (Anderson, 2007). Dowry is also argued to be important in societies where females have fewer agricultural work responsibilities and therefore are not valued on an economic level for their labour participation (Anderson, 2007)²⁶. Although in the study villages as a whole, women bear responsibility for the greatest proportion of labour, the greater wealth of many Thāru in the past would have meant that women have far fewer labouring commitments and were therefore valued less for their economic contribution, offering some possible insights into the development of dowry. After all, the evidence discussed above suggests that women's labour commitments today are far less in 'large farmer' households.

²⁵ For the marriage of the son of one wealthy Thāru respondent we met, the bride's family had spent Rs 1,500,000 (\$20,270) on the wedding while the groom's had spent only Rs 500,000 (\$6757). This was a result of the much higher expense on gifts to the groom's family.

²⁶ Conversely, bride-price is argued to be more important in societies where women perform a greater proportion of household labour (Anderson, 2007, ; Randeria & Visaria, 1984).

Figure 6-28: Thāru wedding band: Weddings are a considerable non-agricultural expense most households must bear.



However, despite the fact that the Thāru elite's economic and political power has declined considerably as absentee landlords have become the new feudal class, wealthier Thāru households were still expected to invest considerable sums of money in both village religious ceremonies and lavish weddings. Although one's current economic status does play some role in determining how much one is expected to spend, it seems that cultural capital requirements for wealthier households have not declined at the same rate as their actual material wealth. With respect to dowry in particular, the former nobility are still expected to make high payments to ensure they access a groom from another elite family, even if both households' actual material wealth had declined significantly and women's labour requirements had increased.

In one discussion in Pidarboni, we were informed of a Thāru household in a nearby village whose ancestors were *patuwaris* and once had considerable wealth, but had lost a lot of land supposedly due to wedding expenses. The respondent we spoke to

who was from the 'large farmer' category, initially mocked the circumstances of the former *patuwari's* family. However, he went on to admit that even relatively more prosperous Thāru households who did not hail from aristocratic backgrounds (themselves included), felt compelled to copy the spending habits of the descendents of the former nobility if they were to maintain their cultural status in the community, impeding the productive use of their agricultural profits. He even displayed some anger that these elite families were "*distorting our customs*", and compelling the rest of the community to copy. This remains the case despite the fact that the economic and political power of the wealthiest Thāru households is only a fraction of what was held by their ancestors.

In fact, cultural capital expenses may have even increased as improved telecommunications and overseas migration has widened the diffusion of a modern culture of consumerism in Nepal and traditional exchange regimes have been monetised (see Liechty, 2003). Wealthy Thāru households were now generally expected to provide a motorbike as dowry when their daughters marry, alongside expensive imported Japanese electronic goods and other luxuries. It was normal for weddings to cost households up to Rs 300,000 and more, and guests were also expected to spend considerable amounts on gifts. One interviewee described the marriage customs of the village:

Interviewer: "*What are the greatest expenses?*"

Farmer: "*It's in the dowry. Many people spend money on home appliances and other things. Motorbikes are normal nowadays. As the people don't have cash they even sell their land. Dani lal [pseudonym] spent a lot during his daughters' marriage as he is one of the rich men!*"

The interviewee above thus cites how expenses have increased and undermined local families' economic status, while referring to a prosperous family who due to their wealth were expected to spend considerable sums on their daughters wedding. Rankin (2004) cites similar processes occurring amongst the Newar merchant castes

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of the Kathmandu valley, whereby the cultural capital requirements have increased while real incomes have declined, weakening their economic power. Ironically the lower castes are not faced with the same obligations, leading to reduced inter-caste inequalities.

With regards to the Brahmin and Chettri, their very different history of settlement may explain their low expenditure on marriages when compared to the Thāru (See Figure 6-26). While many absentee landlords often hail from the Brahmin and Chettri castes, it is clear that in the study villages, this community is likely to hold a quite different cultural worldview from both the urban landlords and wealthy Thāru farmers. In Jhorahat bazaar, most of the Nepali speaking Brahmin farmers initially migrated to the village as enterprising settlers around 60 years ago. Although their economic status is arguably one of the most secure of all the ethnic communities and they are at the top of the caste hierarchy, not all are from prosperous backgrounds. They do not share the same aristocratic past as many wealthier Thāru families and do not have such strong local kin networks to whom they are expected to display their wealth symbolically. This may better explain why out of the wealthier farmers, the Brahmin's economic behaviour appears to more closely characterise that of the 'rational entrepreneur' envisaged in neo-liberal development strategy²⁷.

The issues outlined above with regards to the Thāru also reinforce Althusser's (1969) assertion that although political-ideological systems, or the 'superstructure', emerge in the context of particular modes of production, they still have their own logic, and can persist as 'survivals', even in the context of economic change and new ideologies, such as those of neo-liberalism. It is clear in this context that the emergence of large farmer households as a capitalist class (and differentiation) is being hindered by the persistence of cultural elements of an earlier economic formation. These cultural capital investments both increase levels of indebtedness as well as further impeding investment to develop the forces of production.

²⁷ This explanation is preferable to some of the ideas which were unfortunately hinted at locally based upon racialised discourses asserting the 'backwardness' of indigenous peoples such as the Thāru.

It could even be suggested that the profusion of microfinance banks and the new sources of credit which have emerged have sustained the continual cycle of non-productive expenditure. This seems altogether more likely when one acknowledges the unsuitability of microfinance loans for day to day agricultural purposes. Rankin and Shakya (2008) have suggested that easily available microfinance have worsened cycles of indebtedness and have encouraged a culture of borrowing for consumption purposes. During a focus group discussion in Bhaudaha, one villager joked about the impact of bank loans on spending habits and economic security.

“In our community we have land but no other source of income. We don’t have a brain. All of us keep the land as collateral and take the loan. We enjoy with that loan and when we can’t pay the loan then we sell our land.”

Another farmer went on to suggest:

“Once a bank releases 10,000 rupees, it is usually wasted on a celebration. People are happy to receive money! They also use them to buy cattle or big one-off expenses. Although these are necessary expenses, they will not yield instant returns to repay the 10,000. For that reason, people turn to the Marwaris to repay their bank loans. Eventually people may be compelled to sell their house or something to repay the loan. Banks have made things a little easier though, as people are not totally dependant upon Marwaris²⁸.”

Although both the above respondents suggest that credit availability encourage non-productive expenses on family events, the second respondent did also suggest that productive expenses such as cattle are bought with loans. He went on to argue that this was intensifying indebtedness, encouraging households to take loans from businessmen to service bank debts, and often leading to sales of land. This suggests that microfinance is not only fuelling unproductive expenditure, but encourages more

²⁸ Powerful business community of Indian origin who own many rural businesses (including money lending and grain trading) and factories in Morang.

risky productive expenditures. This finding was also supported in Rankin and Shakya's (2008) study.

6.5.4 Indebtedness, sales of assets and differentiation

Thus far the processes which are grounded in the relations of production and lead to cycles of indebtedness both to money lenders and the banks have been identified. This can help to explain the transfer of assets which appears to be occurring. Many of the 'small' and poorer 'medium' farmers already impoverished by semi-feudal production relations are often pushed over the edge by indebtedness arising from both productive and non-productive expenditures. This can explain why many households who own some land while simultaneously participating in tenant agriculture have been selling their properties and becoming purely tenant farmers. The 'small farmer' households have on average bought only 0.07 bighā over the last ten years, while having sold 0.12 bighā. 'Medium farmer' households have bought on average only 0.03 bighā but have sold 0.21 bighā. This is noteworthy as the medium farmers are the most significant group out of which one would expect capitalist differentiation or the APP's envisaged growth to occur.

Large farmer households have bought on average 0.22 bighā of land while having sold 0.13 bighā. This suggests that they are still accumulating some wealth, given that net purchases still exceed sales. However, it is questionable how long this will last. These purchases are still marginal for an entire ten years and the evidence above suggests that cultural capital expenditures are also forcing this group into debt. Although some sales may have been to consolidate holdings, it was reported that distress sales of land were common amongst the wealthier farmers as well as poorer farmers. This casts doubt upon the likelihood that they are evolving into a capitalist class. Furthermore, in the sample, an equal amount of land was reported to have been bought from absentee landlords (34% of reported transactions) as was sold to landlords (36% of total transactions). This suggests that the absentee landlord's

control over property is by no means falling, and in the near future this may even increase.

The land reform office did report an increase in transactions of land in remote VDCs such as Thalaha in the context of political unrest and fear of Maoist land reforms. On hearing this we thought there may be a rising class of more prosperous farmers taking advantage of the situation, and some differentiation. However, on visiting the villages it seemed that most transactions were within different sections of the absentee landlord class. These included for example, the larger landed elite selling off portions of their estates to smaller absentee landlords such as successful migrants who have returned from overseas. Semi-feudal rent combined with the growing indebtedness of much of the rural population, including 'large farmers', means that accessing the land market is extremely challenging, and the power of absentee landlords has not declined, although once again, the composition of this class is shifting. This process is summed up by one farmer in Thalaha, who referring to today's absentee landlords suggested:

"If people had sold 10 Kathha in highway site, they can buy 3 bighā in this area [in Thalaha]. Some people from the hilly area and some people who returned from abroad bought the land. To buy land, either they have to go abroad or they should have good employment. However, local farmers are facing many troubles. They have to pay back their loans for fertilizers. That's why they really cannot buy land".

Furthermore, it was suggested by some government officers that in the less remote regions nearer the roads such as Jhorahat, where incidentally the most valuable land is located, the traditional landed elites are in fact able to maintain their estates as this land is closer to state power and a bureaucracy which supports their interests.

6.6 Tenure and Allocative Efficiency

6.6.1 Classical approaches to tenure and resource allocation

Sharecropping as inefficient

It has been established how the relations of production not only hinder the production of a surplus and increase levels of poverty, but also constrain households from boosting productivity. For small farmers who are tenants, the practicalities of risk management oblige them to perform additional labour in the non-farm economy rather than intensifying their labour on their land, and they can not afford to employ outside labourers. Furthermore, rent paying farmers face difficulties raising the capital to invest in agricultural inputs and develop the forces of production and even existing expenditures lead to indebtedness.

In sum, this suggests that relations of production play an important role in determining how both labour and inputs are allocated. However, an element of the relations of production which has thus far been overlooked is the conditions of rental contracts, which also play an important role in conditioning whether resources will (or can) be allocated in a way which will boost productivity. Neoclassical analyses such as those of Marshall, state that the allocation of labour and inputs is lower on sharecropped land than on land which is rented through a fixed rate contract (Marshall, 1907; Nabi, 1986). Under share contracts such as the *adhiyā* system in Morang, the cultivator must give the landlord a fixed share (usually half) of the returns to each unit of capital or labour invested in the land (Marshall, 1907). However, for fixed rent tenants such as those renting land through the *tekkha* system (and owner cultivators), the entire incremental product accrued from enhanced allocation of capital and labour, will be retained by the tiller. In other words, “the sharecropping tenant will not invest resources beyond the level where the marginal cost of output is equal to half the value of the marginal product” (Marshall, 1907, 644).

In contrast, Adams and Rask (1969) suggest that sharecropping is not necessarily inefficient when competition for tenancy is high. In regions where there are few alternative opportunities, tenants are willing to accept higher rents, even without additional input contributions by landlords. They will be obliged to intensify their investment in labour and inputs in order to meet their subsistence needs. Aside from raising rents, landowners can also maximise their income by dividing their landholdings into smaller parcels and leasing it out to more tenants, each of whom have less land from which to subsist, so must intensify the allocation of inputs and labour (Adams & Rask, 1969). Pearce (1983) backs up these assertions by stating that the combination of intensified production with share tenancies can yield landlords a greater proportion of surplus than they would through fixed rents.

Sharecropping in Morang and Allocative efficiency

Interestingly, discussions in the field however, generally support Marshall's hypothesis. Most farmers expressed that they prefer *tekkha* to *adhiyā* as one can retain any additional crop produced once they have paid the rent. One farmer, who rented land through both systems of tenancy, stated that:

"Thekka is a better option. In adhiyā, we have to take the crops to the landlords' home. To make them believe, we have to leave the crops in front of them. However, in Thekka, after giving the agreed amount of paddy, we can do what we like with the remaining crops. Therefore, if we can get it, Thekka is always better. We do not have our own land and that is why we are compelled to work as adhiyā as well. If I have agreed to give them 22 maund dhān, then it's done. We do not have to share any extra production such as Mushuri and Alash²⁹ with them ... Adhiyā workers are not motivated like thekka workers. Whatever they grow, adhiyā farmers have to share with their landlords. Thekka workers can do hard labour."

When asked about the livelihood security of *adhiyā* farmers, the respondent went on to suggest:

²⁹ *Mushuri* and *Alash* are varieties of dhal.

“Adhiyā is not sufficient to join hand to mouth. Some people are going India, Bombay. And some people are doing extra work in a brick factory or elsewhere”.

This suggests that farmers have fewer incentives to maximise output under *adhiyā* contracts, especially given the risks of increasing the allocation of labour and inputs on the land and not yielding a return. It has nevertheless been argued that differences in productivity can be reduced if the landlord provides half of the financial cost of inputs, therefore sharing some of the risk (Marshall, 1907; Nabi, 1986). Landlords renting out land as *adhiyā* in the study villages normally contribute to the cost of inputs. However, it is normally restricted to paying half the price of fertiliser, and not labour or other capital investments that can improve productivity. One may therefore assume that farmers renting land through the *adhiyā* system still have less of an incentive to intensify resource allocation than *tekkha* farmers.

A brief model can now be developed to test these assertions statistically. Rather than investigating investment of inputs per bighā, the model will be based upon productivity per unit of land³⁰. There are two measures of productivity. Firstly, the value of total output for each bighā of land for the main autumn paddy harvest offers insights into the levels of resources such as fertiliser and labour which are allocated for a single comparable crop which is cultivated by all households. Secondly, the value of total annual agricultural output for each bighā of land meanwhile gives an overall indication into the levels of resources being allocated to the land each year, accounting for households who choose to invest in multiple harvests.

The first null hypothesis for this model thus states that share contract tenants do not produce any less of the main autumn paddy harvest than fixed rate tenants. The second states that share contract tenants do not yield a lower total agricultural output

³⁰ This should reflect not only the level of investment in inputs which must be bought, such as outside labour and fertiliser, but the allocation of non-purchased inputs originating within the farm such as organic fertiliser, and most importantly, the allocation of family labour.

per bighā than fixed rate tenants. Either of the null hypotheses can be rejected if with a 95% confidence interval, the probability of accepting it is less than 0.05.

Table 6-12: T test for differences in mean value of total output for main autumn paddy season per bighā according to primary rental contract

	No. of cases	Mean (Rs)	Standard Deviation	F Value	T value	1 tail probability (p)
More than 50% operated land rented through fixed rate contract (<i>tekkha</i>)	22	Rs 18,890	9324.85	0.082	-1.823	0.037
More than 50% operated land rented through share contract (<i>adhiyā</i>)	40	Rs 14,472	8757.35			

Table 6-13: T test for differences in mean of total annual agricultural output per bighā of land according to primary rental contract

	No. of cases	Mean (Rs)	Standard Deviation	F Value	T value	1 tail probability
More than 50% operated land rented through fixed rate contract (<i>tekkha</i>)	22	Rs 26,578	11265	0.796	-2.2	0.016
More than 50% operated land rented through share contract (<i>adhiyā</i>)	40	Rs 20,287	9270			

Table 6-12 demonstrates that those households who operate over 50% of their land through *tekkha* tenure produce on each bighā a yield of paddy valued at Rs 18,890 during the main autumn season. The mean value of per bighā paddy yield for households operating over 50% of their land through *adhiyā* tenure is only Rs 14,472. The p-value is 0.037 ($p < 0.05$) and thus the first null hypothesis can be rejected. Table 6-13 demonstrates that the total annual agricultural output per bighā for households operating over half their land through *tekkha* is valued at Rs 26,578. It is lower, at only Rs 20,287 for households who primarily operate their land through *adhiyā* tenure. The p-value is 0.016 ($p < 0.05$), suggesting that the second null hypothesis can also be rejected.

It can therefore be surmised that within the tenant population, those who operate land through share contracts on the whole have a lower productivity and a reduced incentive to invest resources on their land. This highlights another means through which the relations of production constrain commercialisation for farmers in rural Morang.

These results require some discussion however given some of the alternative arguments regarding the allocative efficiency of sharecropping by Adams and Rask (1969). One may expect that in the study site in Morang, even *adhiyā* farmers would try to intensify resource allocation given the high competition for tenancies. This is backed up when one observes that 70% of households who operate over half of their land as *adhiyā* are from the 'small farmer' group who can not reproduce through agriculture alone. One could argue that they would have an incentive to intensify labour and input investment even under *adhiyā* contracts so they can come closer to meeting their subsistence needs.

However, Adam and Rask's (1969) hypothesis assumes a complete lack of alternative livelihood options. As was discussed earlier however, there *are* alternative casual labour opportunities in Morang and small tenant farmers only intensify production up to a certain threshold, beyond which they prefer to allocate family labour time in outside employment in order to meet their minimum needs. Table 6-5 suggests that taken together, 'small farmer' households who rent through *adhiyā* contracts *and* those who rent through *tekkha* contracts are both likely to have fewer incentives to intensify their labour than owner cultivators. Therefore, just the economic insecurity of being a tenant acts as a disincentive to intensify production. However, if half of one's entire annual produce is extracted as rent, the incentives to labour elsewhere rather than on one's land are going to be even greater. This point can be supported by one dialogue which implies that poor *adhiyā* households are more likely to leave their land fallow once the main crop is harvested rather than continuing to work on their farms to produce new crops.

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“Adhiyā farmers, once they have produced, they go abroad, to Delhi or Mumbai etc. They work in factories, rather than increasing their labour on the land. Thekka farmers however prefer to do more work on their land as there are greater incentives”.

This does not of course mean that landlords do not continue to yield economic power over the tenants. Landlords still often appropriate households' entire surplus product and some of the product of necessary labour time, even under *tekkha* rents. It must be reiterated that farmers remain reliant upon tenancy, even under *adhiyā*, but often prefer to combine it with other sources of income. There are not enough well paid off-farm opportunities to draw farmers out of agriculture and force landlords to either lower the rental share of *adhiyā* tenancies or reduce fixed rents of *tekkha* tenancies so farmers can more easily produce a saleable surplus.

6.7 Landlordism and Productivity

6.7.1 Landlords, investment and innovation

A final question associated with the relations of production is whether or not landlords can facilitate the development of the productive forces for tenants. Referring to the establishment of the *jimidāri* system in the Terai during the Rana years, Regmi (1977b) states that:

“The importance of this measure appears to have been to tighten land-tax collection arrangements while simultaneously creating a rural aristocracy capable of injecting capital investment and entrepreneurial ability into the field of agriculture”.

This quotation is interesting as it suggests that Rana administrators believed a landlord class would play a role in encouraging investment and innovation in Terai agriculture. This vision was never realised in the reality. As Regmi (1977b) goes on to acknowledge, they remained a rent seeking class largely unconcerned with rural

development. The Rana's objectives were to maximise tax revenue rather than encourage capitalist development.

However, do landlords play a more 'progressive' role today in facilitating technological change? While the discussion in chapter 5 emphasised the powerful mechanisms through which landlords have sought to preserve semi-feudalism, could it be in the interests of some landlords to encourage innovation under the existing relations of production? Returning to the debate on sharecropping and allocative efficiency, Nabi (1986), suggests that landlords can offer technical advice and supervision to tenants to compensate for the lack of incentives for farmers to increase labour and input allocation. Such assistance allows the tenant to boost yields without incurring extra costs. This would of course, apply to fixed rate tenancies as well. Newbery (1975), suggests that encouraging innovation is in the landlords interest as they are able to profit by increasing rents or adapting the conditions of the contract in their favour. So long as there is competition for tenancies, it seems unlikely that landlords will be compelled to lower rents. In fact, landlords could actually increase rents further if they actively encourage innovation amongst the peasantry. However, the long term development of the productive forces could of course facilitate the production of a surplus and capitalist development.

Advice may include recommending and encouraging use of the most suitable inputs (Nabi, 1986). This would of course benefit fixed rate *tekkha* farmers in particular, who have a greater incentive to invest. In addition landlords can offer general non-economic production advice such as advising farmers on new techniques as well as supervising production (Nabi, 1986), something that will benefit both *adhiyā* and *tekkha* farmers. In the European agrarian transition there was evidence of landlords playing a 'progressive' role in promoting innovation in ways which could promote the development of the productive forces and capitalist development on their estates. For example in rural Aberdeenshire in early 18th century Scotland, landed property took a form which would promote capitalist development through the introduction of

new cropping systems and improved technology (Carter, 1977)³¹. Similarly, Nabi (1986) offers examples of effective landlord engagement in Pakistan.

6.7.2 Landlord engagement in Morang

Contrary to the literature above however, the data from Jhorahat, Bhaudaha and Thalaha suggest that landlords play very little role in encouraging innovation and supervising production. 23% of farmers who rent land stated that the landlord has made no visits to their land in the last year and their only interaction with them is through a *kamtiya*, a locally based agent who comes once a year to collect the crop. A substantial 54% of farmers who were renting land stated that the landlord has made one or two visits in the last year, mostly with the sole purpose of collecting the rent. Meanwhile 55% of farmers stated that landlords had never offered any agricultural advice, while 78% claimed the landlords had not even had an influence in deciding what was to be produced.

Bhaduri (1977) suggests that under the semi-feudal conditions which characterise many parts of South Asia, landlords will actually endeavour to restrict the introduction of technological improvements and innovations. As farmers are in perpetual indebtedness to landlords, usury or 'interest bearing' capital represents an important source of income alongside rent. Innovations may undermine this source of revenue by increasing the tenants' financial security. This reluctance results in an equilibrium situation, whereby landlords seek to keep technological development at a level that does not disturb the need for tenants to take consumption loans (Bhaduri, 1977). While the dependence of the peasantry upon landlords as a result of stagnation in industry has been established, Bhaduri's thesis does not seem a likely scenario in rural Morang. Bhaduri assumes that there is an inter-linkage of landlord

³¹ The role of landlords in promoting capitalist development in the British Isles of course, culminated in Marx's 'primitive accumulation' whereby capitalism was unleashed through the eviction of marginal peasants from the land to become wage labourers, while many landlords represented the new agrarian bourgeoisie. This path to agrarian capitalism, whereby a capitalist class emerges out of the feudal landed class rather than from within the peasantry itself, was known to Marx as the 'English path', and to Lenin as the 'Prussian path' (Roy, 2006).

and usury capital. However, the evidence outlined earlier in this chapter suggested that landlords play only a marginal role in money lending³². Therefore, although most tenants are subject to surplus appropriation through usury, the money lenders are from a separate class that takes advantage of the impoverishment resulting from the dominant semi-feudal relations of production. While most landlords are wealthy hill settlers residing in Biratnagar and Kathmandu, village money lenders and *kaṭṭhāwala* are often from the Marwari community. Although members of this Indian business community excel in business, they generally have less interest in land.

There are therefore a number of alternative, more complex explanations for landlord's lack of incentives to encourage investment and innovation. The predominance of absentee landlordism provides some answers. Indeed while the small number of local landlords visited the land on average four times a year, the absentee landlords visited only once. Discussions in the village and in Biratnagar suggest that most of the landlords are not themselves farmers and often have little interest in agriculture. Furthermore, the large size of many of the holdings and the distance of them from the landlords' place of residence would make supervision and the promotion of innovations impractical to the point that they may outweigh the benefits of higher yields. It was even claimed by villagers that one of their landlords now is based in the USA, and all transactions with villagers are through the *kamtiya*. This contrasts starkly with Nabi's (1986) study in Pakistan, where it is noted that 47% of landlords, most of whom reside locally, visit their tenants at least every second day during the peak season while 22% report weekly visits. This explains the conclusions of Nabi's (1986) study that landlord supervision and advice to sharecroppers encourages resource use which is comparable to that of owner cultivators.

³² Out of those operating more than half their land as tenants, only 3% of the total sum of loans taken by the sample in the last year was from landlords, in contrast to the 32% taken from *kaṭṭhāwala* and 27% from private businessmen and the combined 39% from banks, friends and family.

The lack of landlord engagement in Morang was also aggravated during the civil war from 1996-2006, which made travel in rural areas more risky. More recent unrest during the 2007 and 2008 *Madheshi Āndolan* saw a political uprising led by the ethnic communities of the plains against continued hill dominance. This has deterred many landlords of hill origin from visiting the rural hinterland of Morang for fear of ethno-racial harassment. It was expressed locally however that landlords still have political power through their connections to party politics and the patron-client relationships which have been established with constituents. However, given that they were spending less time in communities, it is possible to envisage their influence falling. Furthermore, it was reported that their reduced engagement with tenants in recent years is one of the reasons why their role as a money lender has declined substantially. This also helps to explain another shift, an increasing preference by landlords for fixed rate contracts over share contracts. Fixed rate *tekkha* contracts require minimum supervision and it is likely that landlords themselves have caught on to the fact that such farmers have a greater incentive to invest, thus allowing them to maximise revenue without having to visit the villages. *Tekkhā* contracts at least guarantee the landlord a fixed amount, no matter how many inputs or days of labour the farmer invests in the land.³³

It is evident therefore that both the economic and non-economic costs of engagement with tenants outweigh the financial benefits. Interestingly, these costs may have been considered less if land was the sole source of prosperity for the landlord's household. Many already have a secure income from professional employment and some are already in positions of great wealth and privilege. Furthermore, discussions revealed that one of the primary economic incentives for urban dwellers to purchase or retain large holdings is the speculative value of land rather than income from rent. The land can potentially be sold in the future at a higher price, as well as being a source of 'insurance' for households during difficult times.

³³ An alternative would be for landlords to shift to what Adams and Rask (1969, 935) term "ideal leases", whereby all investment on the land is shared equally. The sharing of risks may encourage efficient resource use. However, these would also require supervision and tenant engagement.

Aside from this, the ownership of large land holdings is favoured as much for cultural as well as economic reasons. As Regmi (1977b) emphasises, land ownership in Nepal was historically utilised as a system through which state power was mobilised in rural areas. This was manifested in practices such as the assignment of *birtā* grants to the political elite and *jirayat* holdings for tax collectors. It is therefore understandable that its association with political privilege means that land ownership continues to confer social status for families on an ideological level. An interview with a landlord in Biratnagar and with officials at the land revenue office backed up these sentiments. Furthermore, it is also viewed as a means through which urban professionals can maintain an emotional attachment with the countryside. It was however suggested in the same interviews that these sentiments are declining amongst the younger generations.

6.8 Conclusion

It has been demonstrated how the semi-feudal mode of production in Jhorahat, Bhaudaha and Thalaha have served to impede profitable commercialisation in agriculture. This both blocks the emergence of the profitable petty commodity production envisaged in the APP and also prevents the emergence of capitalist differentiation as envisaged in classical Marxian theory.

Unequal access to the means of production and the associated form of surplus appropriation: pre-capitalist ground rent, constrain 'small farmer' households from meeting their minimum subsistence needs, let alone retaining a surplus which can yield a profit, even when their cultivated area is sufficient to do so. Many 'medium farmer' households, the group within which one would expect capitalist differentiation are unable to retain a surplus which goes far beyond the needs of simple reproduction. As a consequence, profitable commercialisation is restricted primarily to 'large farmer' households. Semi-feudal relations of production are reproduced firstly by the political and ideological practices of landlords both nationally and locally which have maintained their control over land. Secondly, they

have been perpetuated in the context of industrial stagnation. The lack of alternatives outside agriculture have rendered a vast segment of the rural population dependent upon tenancies, thus giving landlords no incentives to lower rents, with implications for farmers from all wealth groups.

The evidence in this research suggests that the relations of production also block any development of the productive forces in agriculture which may improve farmers' capacity to retain a surplus under existing conditions. Only 'large farmers' can afford to invest in yield boosting higher quality inputs and machinery, a capability which is facilitated by easy access to institutional credit. However, this is being undermined nowadays by the necessity for extensive cultural capital investments. Small and medium farmers however are often forced into cycles of indebtedness not just for cultural capital investments, but to purchase the most basic inputs for their land, often being subject to further surplus appropriation through usury in the process. This has driven an increase in sales of the small amounts of land remaining in the hands of these poorer producers.

At the conceptual level it was also demonstrated how profitable commercialisation and capital accumulation is further hindered by semi-feudal tenancy contract types such as sharecropping, which act as a disincentive for households to increase investment or labour intensity on their land, alongside direct economic constraints. Furthermore, landlords themselves have little interest in improving productivity given that most of them live in urban areas and take little interest in agriculture.

In sum it can be concluded that the monopoly over landed property and the associated relations of production have a powerful impact on all aspects of the agrarian economy. It can thus be suggested that the semi-feudal mode of production remains pre-dominant in structuring the trajectory of agrarian change in Jhorahat, Bhaudaha and Thalaha.

7 The dynamics of price formation and surplus appropriation through the market

7.1 Introduction

It has been established thus far that profitable commodity production in Jhorahat, Bhaudaha and Thalaha remains limited. A large segment of accumulating farmers would be necessary if one is to envisage either capitalist differentiation or the APP's dynamic middle peasant led commodity production to emerge from within the current pre-capitalist modes of production. At present, while many farmers sell commodities up to a certain level, they are not necessarily yielding a 'profit' at the end of the agricultural year.

What therefore are the primary constraints hindering farmers from profiting from their agricultural sales? For those farmers cultivating under production relations characteristic of the predominant semi-feudal mode of production, it was established in chapter 6 that a large portion of the total product of their surplus labour time is appropriated through rent. In fact for many 'small farmers' much of their *necessary* labour time is lost to rent, driving them to work in other sectors. Such households still participate in the market to meet cash needs, but notions of profit are meaningless as they sell commodities on a *distress* basis to release money to repay loans, meet urgent one-off cash needs, or to purchase inputs for the next harvest.

While rent paying households are unable to yield a profit in the first instance, does this imply that those farming under productive relations characteristic of the independent peasant mode of production are able to yield a profit through market participation? They are not subject to the rent burden and are producing a more secure surplus. The evidence from the field however, suggests that the relations of production are not the only mechanism through which the product of households' surplus labour is appropriated. Surplus can also be appropriated through the sphere of *circulation*. In this context however, it is extracted not as physical product but in a monetised form.

This can occur not only through high rates of interest on loans, which was briefly discussed above but through unfavourable prices for the commodities sold by producers. In these contexts, prices which are depressed relative to the price of commodities purchased (or consumed¹), namely the means of production and means of subsistence represent an appropriation of surplus through the price mechanism (Deere & de-Janvry, 1979). They further reduce the rates of profit for wealthier independent producers² while causing poorer farmers subject to semi-feudal relations of production to face further difficulties in meeting the needs of simple reproduction. It is here the significance of articulations of modes of production again emerges. As was suggested in chapter 2, peasant producers can produce for the market but with limited capital accumulation, as much of the surplus is appropriated through the pricing mechanism (Banaji, 1977; de Janvry, 1981). It would therefore suggest that capitalism could potentially be increasing its dominance through articulations with the semi-feudal and independent peasant mode of production.

This chapter investigates these processes of surplus appropriation with a focus on price formation in grain markets. While section 7.2 briefly examines the marketing systems in rural Morang, section 7.3 goes on to examine the associated circuits of capital in the sphere of circulation between which farmers' surplus is shared, beginning with 'merchant capital', which encompasses both 'commercial' and 'interest bearing' capital. In pre-capitalist conditions such as in rural Morang it is argued that each of these two forms of merchant capital are able to appropriate a disproportionate share of farming households' surplus product. Initial evidence does not suggest significant articulations with capitalism as most of the surplus appropriated through the sphere of circulation appears to be absorbed by this class, the imperatives of which are semi-feudal in character.

With regards to the buying and selling of commodities or 'commercial capital', it is argued that oligopsony power can be used to manipulate prices. This occurs through

¹ Much of the means of subsistence is of course produced on the farm.

² To Deere and de Janvry (1979), this is the predominant form of surplus extraction for independent peasant producers.

the relative concentration of the grain market and immobility of capital, facilitating collusive activity. However, while there is evidence of price fixing, there appears to be additional unexplained variation in the prices reported by producers. The chapter thus goes on to look at the second process through which merchant capital can yield a surplus profit, the unequal bargaining power in *exchange relations* which are in turn rooted in *production relations*. Although all households are subject to surplus appropriation through the market, it is particularly acute for poorer producers subject to semi-feudal relations of production.

Two processes are identified in this context. Firstly, there is evidence that many 'small' and 'medium' farmer households, many of whom are semi-feudal tenants and are subject to distress commerce, are not viewed as valuable customers by merchants, have little bargaining power, and thus are compelled to accept a low price. Wealthier independent peasant producers meanwhile, such as many of the 'large farmers' are viewed as valuable customers, can cultivate 'trust' based relationships with merchants, and thus are offered more attractive rates to retain their loyalty in trade. Secondly, the phenomenon of interlinked markets appears to further enhance the merchants' capacity to depress prices. It is argued that those predominantly 'small' and 'medium' producers, who are heavily in debt to merchants, must sell to the same trader, regardless of the price received, enhancing the buyers capacity to extract surplus. With regards to interest bearing capital, it is argued that interest rates themselves on both loans from grain merchants and private businessmen are inflated through both oligopoly power over credit markets and unequal bargaining power. Through intensifying indebtedness and impoverishment of poorer farmers, this drain of surplus out of agriculture by merchant capital facilitates the further reproduction of the semi-feudal mode of production.

Section 7.5 goes on to examine how a disproportionate share of the total surplus produced in agriculture can be appropriated elsewhere in the sphere of circulation by industrial capital, suggesting a loose articulation of capitalist and pre-capitalist modes of production. This section outlines evidence that factories are, like merchants, able to manipulate prices through oligopsony power and collusion.

In the final part of this chapter, section 7.6, a more indirect cause of depressed prices is examined. It is argued that the comparatively weak state in Nepal as compared to India has resulted in significantly different production conditions. Indian farmers receive more effective agricultural services and can produce at higher levels of productivity than their Nepalese counterparts. They also have access to subsidies. Both factors allow Indian farmers to sell more cheaply. In the context of an open market, imports of grain from the south have depressed prices in Nepal, further depressing profit rates for local farmers.

7.2 Commodity chain in rural Morang

There are essentially two parallel agricultural marketing systems in rural Morang. Firstly, there is the informal marketing system whereby produce is sold by farmers directly to consumers. This represents a sphere of circulation which although monetised, primarily entails exchange between pre-capitalist units of production. The crops which are predominantly sold through this mechanism include potatoes and other vegetables, fruits and livestock products (See Table 7-1 and Figure 7-1). Livestock products are often sold when local consumers visit farmers' households directly to buy commodities at times of need. Vegetables and fruit meanwhile are sold to rural consumers in periodic markets or *hātiyas*, primarily by women farmers who take control over the production of these commodities (see Figure 7-2). *Hātiyas* occur in communities on a weekly or twice weekly basis. The system of rotation between villages ensures that most communities are within easy walking distance of a periodic market on any given day. They play an important social as well as economic role within the community. Few of the commodities bought and sold through this sphere of circulation are sold to the enterprises in the capitalist mode of production. However, occasionally larger traders buy up crops in rural *hātiyas* and sell them to urban consumers in Biratnagar's two larger *hātiyas* or in *Gudri bazaar*, the central vegetable market, providing relatively cheap wage foods for the urban working class (see Figure 7-3).

Table 7-1: Marketing outlets for main crops produced in Jhorahat, Bhaudaha and Thalaha

Crop	Primary marketing outlet
Autumn Paddy (varieties include <i>kānchi</i> , <i>mansuli</i> and <i>basmati</i>)	Kaṭṭhāwala
Spring paddy (primarily <i>chait</i> variety)	Kaṭṭhāwala
Pulses/Dal (<i>kalo</i> , <i>musuri</i> , <i>kesari</i> , <i>channa</i>)	Kaṭṭhāwala
Jute	Kaṭṭhāwala
Potato	Periodic market
Vegetables (tomato, pumpkin, cauliflower, onion, bitter gourd)	Periodic market
Mustard	Periodic market
Livestock produce	Direct sales to consumers from homestead

Figure 7-1: Commodity chain in rural Morang

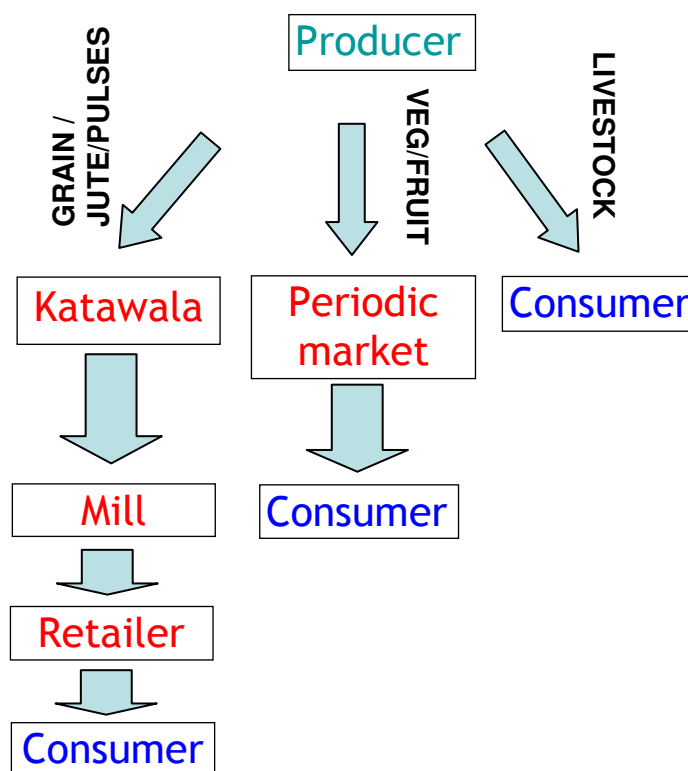


Figure 7-2: *Hātiyas* in Mangalhaat: Small quantities of fruit and vegetables are sold in such markets



Figure 7-3: Biratnagar's Gudri bazaar where surplus fruit and vegetables bought by larger traders are sold for urban consumption



Figure 7-4: A *kaṭṭhāwala* shop in Jhorahat. *Kaṭṭhāwalas* are the grain merchants who purchase primarily grain staples from local farmers.



Figure 7-5: Transporting a harvest of *Chait* paddy to the *kaṭṭhāwala* near Jhorahat



The second and most important marketing system entails farmers selling their produce to *kaṭṭhāwala* or grain merchants (see Figure 7-4). This is the main marketing channel for the main commodities produced in rural Morang, namely, paddy, wheat, jute and pulses (See Table 7-1 and Figure 7-1). In the months following the harvest, male household members from throughout rural Morang rent bullock carts or rickshaws which are loaded with sacks of grain, and lead them to the *kaṭṭhāwala* in the most conveniently located bazaar (see Figure 7-5). In the merchants' yards, the paddy is weighed and purchased according to the daily market rates. Every few weeks, merchants go on to sell the grain or jute to larger traders, or more often, directly to the rice, wheat and jute mills to the east and north of Biratnagar. It is here processed before being transported to the markets of Kathmandu, Biratnagar and occasionally India (see Figure 7-1). The *kaṭṭhāwala* in this context act as intermediaries in the supply of commodities from the rural pre-capitalist to capitalist modes of production.

7.3 Price manipulation by merchant capital

7.3.1 Division of total surplus between different capitals

To Marx the sphere of circulation is composed of several interconnected circuits of capital. It is in many ways an extension of the mode of production given that it is necessary for the reproduction of the forces of production after each productive cycle. As was suggested in chapter 2, it brings together isolated units of production into a systemic relationship. It can also however, lie between modes of production, as a mechanism through which pre-capitalist and capitalist economic formations are articulated.

There are two primary circuits. The first is that of merchant capital and entails the purchase of commodities which are sold on at a higher price. Marx (1974, 155) denotes the circuit as M-C-M', whereby the merchant advances money (M) to

purchase a commodity (C) which is sold on at a higher price (M'). This also includes an abridged circuit (M-M'), whereby money is lent (M) to be returned with interest (M'). Marx refers to this circuit of merchant capital as 'interest bearing capital' and the terms the latter variant engaged in buying and selling of commodities 'commercial capital' (Marx, 1967, 267).

The second circuit is that of productive capital, whereby a capitalist purchases inputs and labour to yield a commodity with profit. Marx (1956, 25) denotes this as M-C...P...C'-M'. The capitalist uses money (M) to buy the commodity (C). The process of circulation is interrupted while the commodity goes through the process of production (P) releasing a new commodity which embodies surplus value, or 'commodity capital' (C'). This is returned to the circuit being sold and yielding a profit, so money capital becomes M'. The renewal of the circuit allows reproduction of the mode of production and accumulation.

In rural Morang, peasant farms under the independent peasant and semi-feudal mode of production represent a pre-capitalist form of productive capital. They receive loans primarily from money lenders through the circuit of 'interest bearing capital' to purchase inputs and then sell their produce either through formal or informal channels. While in informal channels it is sold directly to consumers, in formal marketing channels commodities are sold to *kaṭṭhāwala*, who represent 'commercial capital'. The *kaṭṭhāwala* sell it to the processing industries, supplying raw materials to a form of productive capital under a capitalist mode of production which can better be termed 'industrial capital'. *Kaṭṭhāwala* also sell inputs to farmers, most of which are produced in the capitalist sector. Merchant capital therefore, in both its interest bearing and commercial forms, is essential for the reproduction of the pre-capitalist and capitalist mode of production in Morang. However, it must be re-emphasised that it does not represent a simple extension of just one of these economic formations in an isolated pre-capitalist or capitalist economic system but instead mediates articulations between them in the sphere of circulation.

To Marx, the portion of the total 'profit' or surplus across the economy which accrues to each capital is an outcome of competition. However, there is evidence that competitive impulses in the market of rural Morang are restricted by the unequal relations of exchange between farmers and merchant capital, and merchant and industrial capital respectively. Through the power relations behind price formation in the sphere of circulation, there is evidence that these two forms of capital are able to appropriate a disproportionate share of the total surplus product realised by farmers under the pre-capitalist modes of production. This has the potential to further reduce rates of profit for those larger farms able to yield a surplus at the stage of production. Furthermore, for poorer farmers who enter the market on a distress basis, the low prices received for commodities and usurious interest rates on loans further constrain them from meeting the needs of simple reproduction.

7.3.2 Division of total surplus between producer and merchant capital

Necessary function of merchant capital

Under capitalism, Marx states that surplus value produced by an enterprise is divided between the different forms of capital outlined above into various types of 'revenue', through the process of circulation. Part of the surplus value is realised as profit, known to Marx as "profit of enterprise" and represents the money capital generated by the owner of the means of production, by productive capital itself (Marx, 1967, 373). Other portions are divided between forms of capital outside of the production process, some of which do not *produce* surplus. The most notable of these is of course merchant capital, which as has been established, includes both 'commercial' and 'interest bearing' elements. Merchant capital does not therefore create new surplus value, but absorbs a share of the total surplus value already appropriated at the stage of production.

Although Marx considers merchant capital 'unproductive', he believes some of its activities are necessary for the circulation of commodities and realisation of profit. Under idealised capitalist conditions, it is therefore suggested that the share of

surplus falling to these different capitals is included in the average rate of profit produced in an economy (Marx, 1967, 285-290). To Marx therefore, both the share of the surplus appropriated through interest rates on loans and the share taken by merchants for the buying and selling of commodities is determined according to competitive market forces. It should not therefore act as a 'constraint' to profitable production.

Surplus profits by merchant capital under pre-capitalist conditions

However, under pre-capitalist conditions, merchant capital can play a quite different role whereby merchant profits are determined not by competitive market forces, but by extra-economic means driven by the principle of "buying cheap and selling dear" (Nagatani, 2004, 73). This is made possible by two forms of unequal market power between merchants and farmers which will be examined throughout this section. Firstly, in pre-capitalist conditions such as Morang there is less mobility of capital and thus greater market concentration. This allows merchants to yield greater monopoly or monopsony power in agricultural markets, thus appropriating a significant share of the surplus. Secondly, the presence of distress commercialisation reduces the bargaining power of sellers. Nagatani (2004) argues that relations of exchange based upon 'buying cheap and selling dear' allow merchants to appropriate the products of surplus labour left behind after the subtraction of rent and other obligations, and like rent itself, can even appropriate part of the product of necessary labour.

7.3.4 Oligopsony power by commercial capital

Oligopsony power and market structure

There is evidence that the exercise of class power by 'commercial capital' in the buying of agricultural produce can have a considerable influence over the process of price formation, representing one of the primary mechanisms of surplus appropriation through the market. Commercial capital can also extract surplus through the commodities sold to farmers such as fertiliser and consumer goods. The

focus of this chapter however, is on the process of price formation for commodities sold by farmers, as crop sales represent a pre-condition for profitable commercialisation and capitalist development. There is a further focus on those crops sold to the *kaṭṭhāwala*, namely (in order of importance), paddy, wheat, jute and pulses. While informal marketing channels are important, sales of crops through such channels comprise of only 14% of the value of total household agricultural income in the sample. Furthermore, sales to the *kaṭṭhāwala* who sell to capitalist enterprises represent the only mode through which farmers can realistically sell in large enough amounts to accumulate capital or meet urgent cash needs. The grain staples which are sold through these channels are the primary commodities promoted for commercial production in the Terai strategy of the APP³.

To begin it is useful to examine the first mechanism through which merchants achieve disproportionately high profits, the exercise of monopsony or oligopsony power, a relation of exchange rooted in the market structure itself of pre-capitalist (and arguably many capitalist) social formations. Oligopsony is made possible in the context of immobility of capital. Marx argues that under idealised capitalist conditions whereby capital maintains full mobility, if the rate of profit in the producing sector is greater than that of the commercial sector, capital will leave the commercial sector until profit rates are equalised (Marx, 1967, 282). The rate of profit to capital advanced in a set unit of time will therefore be the same in the commercial and productive sector. In conditions of capital immobility however, Marx suggests that commercial capital has the power to absorb a much greater proportion of the surplus value realised by the producer (Marx, 1967, 308).

The immobility of capital characterises many pre-capitalist peasant economies (Friedman, 1980). In this context other capitals can not easily move into the commercial sector and increase competition, facilitating the exercise of oligopsony power by merchants to manipulate prices through processes such as collusion. Under

³ Selected high value commodities such as vegetables are also mentioned in the APP, but the selected field sites are not suitable for extensive vegetable production.

such conditions, the 'necessary' function of merchant capital is superseded by its parasitic character, with little pressure to invest productively (Milonakis, 1995). For poorer peasant producers in Morang, many of whom are subject to semi-feudal relations of production, this may result in an even greater proportion of the product of their surplus labour time being appropriated, making it even more difficult to make a profit. Meanwhile, for the few profit orientated large farmers, many of whom are independent peasant producers, this acts as another constraint which reduces their rate of profit. Both processes hinder the emergence of capitalism from within the pre-capitalist economic formation.

Measuring the structure of agricultural markets in Morang: The Structure-Conduct-Performance paradigm

It is therefore necessary to examine the relevant agricultural produce markets in the study region to identify whether there is indeed evidence of oligopsony by commercial capital which allows it to yield a disproportionately large profit at the expense of farmers. Measuring the potential for oligopsony in markets is by no means simplistic, yet attempts have been made using the neo-classical Structure-Conduct-Performance (SCP) paradigm (Bain, 1950; Bain, 1941; 1951; Caves, 1972; Dessalegn et al., 1998; Nyoro et al., 1999). While the approach can be criticised from a political-economic perspective, as will be done below, there are some useful elements of the paradigm that offer indications as to whether or not merchant capital is able to yield an oligopsony rent through price manipulation.

The primary utility of this framework is that it identifies how oligopsony power is actually exercised in context of capital immobility through an analysis of the associated market structure. The SCP framework suggests a relationship exists between market structure and the behaviour of actors or 'conduct', which affects market performance and price formation (Bain, 1950; Caves, 1972; Nyoro et al., 1999). Nyoro et al (1999) and Dessalegn et al (1998) have applied the SCP framework for analysing the structure of agricultural markets where farmers sell their goods in Kenya and Ethiopia respectively. Variables to determine the market

structure typically include the entry conditions for a particular trade, which of course refer to the mobility of capital, the degree of seller and buyer concentration and the degree of product differentiation. Market *conduct* is measured by an examination of the behaviour of firms and the means through which they determine their buying or selling prices. Market *performance* on the other hand, is measured by variables such as profit rates, evidence of competitive innovation and the relation between production and marketing costs (Dessalegn et al., 1998).

To analyse of the **structure** of the rural markets in which farmers in Jhorahat, Bhaudaha and Thalaha sell their produce, a useful starting point is identifying the entry barriers to the trade, or in line with my Marxian framework, the ‘mobility’ of capital. Although this could not be quantified, interviews revealed that entry into new trades by the cultivating majority is not easy. Most agricultural buying and selling trades are monopolised by certain ethnic communities such as the *Marwaris* and certain Maithili speaking middle castes such as the *Baniyā*⁴ who have migrated to the region as the economy has become increasingly monetised and rural markets have expanded. Over the years, the close knit community of *kaṭṭhāwala* have inherited expertise and market knowledge as well as valuable business connections further up the commodity chain which are essential for their mercantile operations⁵. Most of the local people who are predominantly from other ethnic groups do not have access to these networks or knowledges. In fact we only met three grain traders (out of the 35 who were surveyed) who were not either *Marwari* or *Baniyā*. Most of the grain traders we spoke to had originally migrated to the area from elsewhere, particularly in Jhorahat and Tetariya. These caste based entry barriers suggest there is limited mobility of capital in the grain trading sector.

The second measure of market structure, which is likely to reflect these high entry barriers, is the level of market concentration, and it is this which facilitates price manipulation. A market characterised by high entry barriers is likely to be more

⁴ The *Baniyā* are a caste traditionally engaged in business activities throughout rural Northern India and the Nepal Terai.

⁵ Harriss-White (1996, 2005) has written considerably on caste based networks as an entry barrier to agricultural marketing activities.

concentrated with a smaller number of firms dominating a greater share of key activities. In these contexts one would expect more ‘uncompetitive activity’ such as collusion over prices. The most commonly used variable is the 4 firm concentration ratio (CR_4) representing the proportion of total trade within a particular market handled by the largest four traders (Caves, 1972; Dessalegn et al., 1998; Nyoro et al., 1999)⁶. To calculate this ratio, the volume of total trade by each firm for a set period of time must be recorded so firms can be rank ordered by total turnover. The level of market concentration can then be calculated using the following equation:

$$CR_4 = VT_4 / VT$$

VT_4 = the annual volume (kg) of total trade in a crop by the largest four traders in the sample.

VT = the annual volume (kg) of total trade in a crop by the entire population of the sample.

In the study area, there are two main marketing regions where farmers sell their produce. A farmers’ choice of bazaar depends upon its distance from one’s homestead and the transport infrastructure. Farmers of Thalaha and the sampled segment of Bhaudaha VDC east of the Judi khola generally take their produce to the merchants in Naya Bazaar or Katahari to the east of Biratnagar (See Figure 1-6 and Figure 1-7). Farmers in Jhorahat VDC and western parts of Bhaudaha meanwhile, generally sell to merchants in Jhorahat bazaar and its surrounding settlements, or the smaller market of Tetariya to the north.

To calculate the volume of trade by commodity, *kaṭṭhāwala* were asked to report the approximate net quantities of each crop they had purchased over the last year. Merchants generally calculated this in quintals (100kg) according to the number of truckloads or tractor loads they had sent to the mill. As they would only send a truck to the mill once completely full, and merchants knew the approximate capacity of the

⁶ Harriss-White’s (1996) study of agrarian markets in Tamil Nadu also measures concentration by the control of assets and number of transactions (in this case by the top 1% of traders rather than top 4 firms). Both these variables were considered, but in the current political context merchants would have been unlikely to reveal information about the value of their assets to strangers. Meanwhile, they were generally unable to recall the number of transactions in the last year or even month. Therefore we settled on the total volume of trade to measure concentration.

trucks or trailers they used, this appeared a suitably accurate measure. The survey was restricted to the three primary commodities sold by farmers, namely paddy, wheat and jute. Table 7-2 displays the data gathered and the 4 firm concentration ratio, calculated by the formula $CR_4 = VT_4 / VT$.

Table 7-2: Concentration of agricultural market for purchase of key commodities

Market region	Crop	Total no of enterprises trading in each commodity	Total annual turnover (quintals)	Total annual turnover controlled by largest 4 firms* (quintals)	4 firm concentration ratio (CR ₄)
Naya bazaar and Katahari	Paddy	20	191,875	105,000	55%
	Wheat	17	62,200	35,000	56%
	Jute	17	59,218	36,875	62%
Jhorahat and Tetariya	Paddy	15	116,425	70,125	60%
	Wheat	14	29,075	17,175	59%
	Jute	11	7975	5750	72%

*Largest four firms in total trade in the commodity

The results suggest that around 55% of the paddy market in Naya Bazaar and Katahari and 60% in Jhorahat and Katahari are controlled by the largest four *kaṭṭhāwala*. Similarly, 56% and 59% of the wheat market respectively, and 62% and 72% of the jute market are controlled by the largest four traders. Kohls and Uhl suggest that a four firm concentration ratio of less than 33% indicates a competitive structure for agricultural markets, while above 50% is indicative of concentrated oligopolistic conditions (cf. Dessalegn et al., 1998). It can thus be suggested that there is a significant level of concentration in the agricultural markets in which the farmers of Bhaudaha, Thalaha and Jhorahat sell their produce.

While the structure has been established, what is the reported **conduct** of the traders in the two marketing regions? Oral testimonies by farmers suggest they have little bargaining power with the merchants. If they complained about the price and went to a different merchant, they would generally be offered the same rate. One medium Brahmin farmer we spoke to complained:

“We take our crops to the kaṭṭhāwala and ask them the price and they buy our crops at a rate which fixed by them. There is no other alternative. We can not fix the price our self. When we go to sell our crops to the katawalas they are the ones who fix the price. And when we need rice to buy from the mill then we also have to pay them in their price which is very high. We don’t have right to fix the price for our own crops”.

In this context the farmer also expressed the feeling of powerlessness not only in his participation in markets to sell grain, but also in the purchase of grain from the mills for consumption purposes.

One large farmer from a Maithili speaking caste complained that for certain crops in particular; the merchants have enhanced power to lower the price they offer the farmers. The farmer we spoke to suggested that as it is harvested in the monsoon and can not be stored due to the damp climate, they are compelled to sell it immediately, even if the price is low:

“We grow chait rice with so much hard work but when we harvest, we can not receive a fair price. The kaṭṭhāwala fix the price themselves and we get a low rate. They fix the price for example at Rs. 300, but as the chait can not be stored for a long time we are compelled to sell it”.

The above testimonies suggest that farmers have limited bargaining power in the market and farmers frequently claimed there was collusion between traders to maximise their profits, whereby merchants collectively decide a maximum buying price. Indeed the moderate level of market concentration would greatly facilitate such activity. It is argued in the SCP literature that profit rates increase in accordance with the level of market concentration (Bain, 1941; 1951; Caves, 1972). This is because processes of collusion made possible by a concentrated market structure will allow firms to maximise profit rates by buying at a low price and selling at a high price (Bain, 1951). This is of course in line with Marxian theories of

merchant capital under pre-capitalist conditions, which assert that immobility of capital leads to unequal relations of exchange.

Nevertheless, local merchants themselves stated that the competition had increased in recent years and that this had compelled them to sell their grain at a lower rate, pushing down their profit margins. Although the trade is still controlled by the same ethnic communities, it was expressed that the number of traders had increased significantly, giving the farmers greater choice. For example, the merchants in Naya Bazaar and Katahari reported that just over a decade ago they had control over a much greater area, including Jhorahat. The only other *kaṭṭhāwala* were in Biratnagar itself or in Dhubi, far to the west on the main North-South highway. However, the establishment of *kaṭṭhāwala* shops in VDCs such as Jhorahat and Tetariya has now reduced their control over the market. This point is interesting. While it can be read as an admission from the merchants that they do have some capacity to independently control the prices, it seems this power has been reduced in recent years. The increase in mercantile competition may be attributed to improvements in transportation.

Table 7-3: Average difference between reported buying price and selling price by commodity

Market region	Crop	Average buying price (per quintal)*	Average selling price (per quintal)*	% difference between buying and selling price
Naya bazaar and Katahari	<i>Kānchi</i> paddy	Rs 1423	Rs 1469	3.1%
	<i>Mansuli</i> paddy	Rs 1611	Rs 1655	2.7%
	<i>Basmati</i> paddy	Rs 2187	Rs 2273	3.8%
	Jute	Rs 1798	Rs 1866	3.7%
Jhorahat and Tetariya	<i>Kānchi</i> paddy	Rs 1387	Rs 1454	4.6%
	<i>Mansuli</i> paddy	Rs 1577	Rs 1644	4.1%
	<i>Basmati</i> paddy	Rs 2023	Rs 2116	4.3%
	Jute	Rs 1625	Rs 1679	2.8%

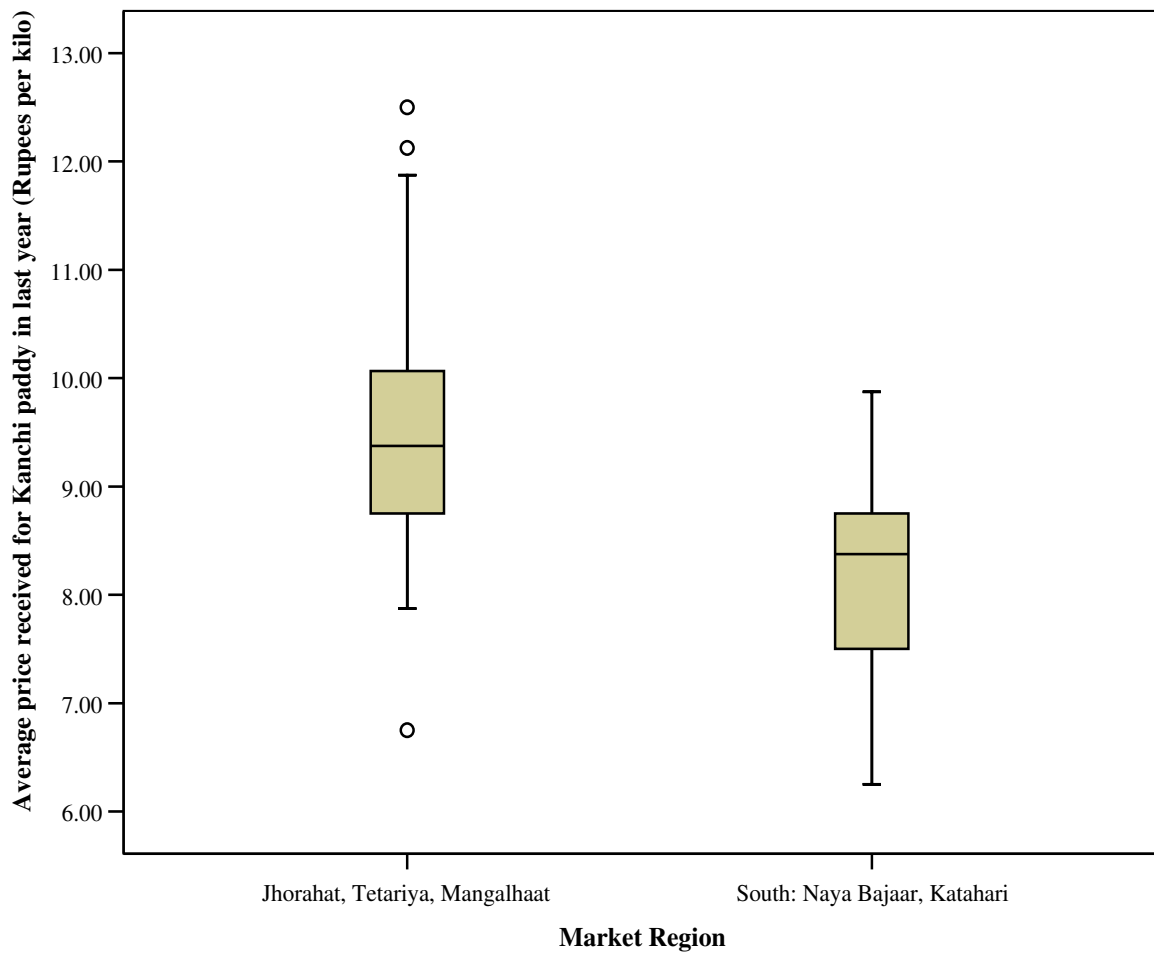
*Given the risk of bias in comparison due to price fluctuations, we endeavoured to complete all surveys with merchants within a two week period from 15th March – 1st April. Fortunately there were no significant price fluctuations during this period.

What therefore is the actual measured **performance** of the market in the study area? Do the profit rates suggest that merchants are yielding an ‘oligopsony rent’ through the pricing mechanism? As the levels of concentration for different crop markets are somewhat similar, it is not possible to see if there is an actual ‘relationship’ between concentration and profit rates. However, observing the profit rates alone provides some insights. The data in Table 7-3 records differences between the *kaṭṭhāwala* reported price at which they buy from farmers and the price at which they sell to the mills for the commodities being bought and sold while the survey was underway in March 2008. The difference ranges from only 2.8% to 4.6%. When transport and brokerage costs are accounted for one would expect only marginal rates of profit for each transaction.

However, although the *kaṭṭhāwalas*’ reported buying and selling prices displayed in Table 7-3 suggest very low rates of profit, it is difficult to prove whether or not these prices actually correspond to what is offered to farmers. It is natural that the merchants would intentionally report what they feel is an ‘official’ competitive price while in reality, farmers are offered something considerably lower. When one listens to farmers’ testimonies and observes the prices they were given for their paddy, the data appears to contradict the reports of merchants. Table 7-3 suggests that the average buying price for paddy and jute is on average 5.5% higher in Naya bazaar/Katahari than in Jhorahat/Tetariya while the selling prices are 3.7% higher. One would expect this small difference given the lower transport costs to reach the former. Naya bazaar and Katahari are at the edge of the industrial belt where many mills are located and on a newly resurfaced road to Biratnagar, while Jhorahat and Tetariya are far from the mills and only have a rough road linking them to the town. However, contradictions emerged when farmers were asked to report the highest and lowest price they received for the main *kānchi*⁷ variety of paddy from the 2007 harvest, generating an ‘average’ figure.

⁷ *kānchi* paddy (and the similar Rādhā 12 which sells for the same price) is by the main crop consumed and sold by farmers to katawalas. 86% of the 76 households who have sold crops to the katawalas have included some *kānchi* paddy. It represents 40% of the total recorded grain sales over the last year, as opposed to 18% for wheat, 18% for Chait paddy, 14% for Mansuli paddy and 11%

Figure 7-6: Reported prices offered for *kānchi* paddy in Jhorahat, Bhaudaha and Thalaha



The results in Figure 7-6 suggest that although there is considerable variation in the prices received, contrary to the data in , farmers selling *kānchi* paddy in Naya bazaar and Kathari actually report a *lower* average price than those who sold their crop in Jhorahat and Bhaudaha! The bottom quartile of recorded prices in Jhorahat and Tetariya ranged from Rs 6.75 to Rs 8.75 per kg while the top quartile ranged from Rs 10.24 to Rs 12.5 per kg. This contrasts with Naya bazaar and Kathari whereby the bottom quartile in reported price ranges from Rs 6.25 to Rs 7.19 while the top quartile only ranged from Rs 8.75 to Rs 10.23. The difference between the average prices was 16%. We asked farmers repeatedly about why those who sell in Naya bazaar and Kathari receive a lower price, despite the fact that they are less remote.

for *basmati* paddy. Its popularity means there is sufficient data on price variations for reliable data analysis.

We were given several explanations. Some respondents suggested that in Naya Bazaar, the *kaṭṭhāwala* have to pay taxes to the government, thus lowering the price, while in Jhorahat and Tetariya it is too remote, so the tax officials rarely bother visiting, to the benefit of both farmers and merchants. Others suggested that the quality of the rice was better in Jhorahat due to the cultivation methods and environmental factors. However, one would have expected the merchants to have also accounted for these factors in their 'official' reported buying prices.

The third explanation for price divergences appears most viable and brings us back to the issue of collusion and price manipulation. Although Table 7-2 suggests that the two market areas have a similar concentration ratio, this alone can not explain market 'performance'. It was reported by farmers that although competition has increased in recent years, the enterprises in Katakari and Naya bazaar remained larger⁸ and much better organised than those in Jhorahat and Tetariya. Most of the Naya Bazaar and Katakari *kaṭṭhāwala* had been there for a much longer period, allowing them to build up strong collective ties over the decades. Furthermore, most enterprises were permanent, while many of their counterparts in Jhorahat and Tetariya would come to set up their shops only during the harvest season.

The evidence thus suggests that the greater permanence of the enterprises in Naya bazaar and Katakari and their long history of trade in the region has given traders a greater capacity for collective action such as collusion over prices. There is therefore evidence that in the Naya bazaar and Katakari market region in particular, the high market concentration, immobility of capital and high level of organisation between the merchants facilitates collusive price formation. This extraction of surplus through the market is likely to make it even more difficult for the 'small farmers' and poorer 'medium farmers' who farm predominantly under the semi-feudal relations of production and sell on a distress basis, to meet the needs of simple reproduction. It

⁸ The average turnover in Naya Bazaar and Katakari was 12,703 quintals of grain in the last year as opposed to 9700 in Jhorahat and Tetariya.

also depresses the profit rates for wealthier ‘medium’ and ‘large’ farmers who cultivate under independent peasant relations of production.

7.3.5 Price differences and class

Class and bargaining power

Despite the discrepancies outlined above, not all *kaṭṭhāwala* were prospering at the expense of farmers. Some *kaṭṭhāwala* in both market regions claimed they bore a loss. One merchant we met had stored some jute before selling it to the mill in anticipation of a price rise which never transpired and was then forced to sell it at a rate lower than what he bought it for. Similarly, many farmers felt that they *did* have bargaining power and could shift between traders to maximise their profit while some *kaṭṭhāwala* even claimed that farmers had ‘cheated’ them. It is thus clear that while on the one hand many farmers claim to have a lack of power in the market, some other farmers and merchants themselves feel that the local agricultural market is competitive and they receive a ‘fair’ price. There appears therefore to be contradictory reports regarding the terms of trade between merchant capital and producers.

The evidence above does suggest that merchants have some capacity to depress prices through collective mobilisation, taking advantage of the moderate levels of market concentration, particularly in Naya bazaar and Katahari. However, Figure 7-6 demonstrates considerable variation in the reported average price received by farmers in rural Morang for the 2007 harvest *within* each marketing region. This implies that while many farmers appear to be offered an unfavourable price which is likely to yield the *kaṭṭhāwala* a surplus profit, many also get a much higher competitive rate, likely to yield the *kaṭṭhāwala* only a small profit⁹.

⁹ Note that the prices reported by farmers will be lower than those reported by merchants Table 7-3 as it represents current prices, while the prices reported by farmers are from the previous season so unfortunately can not be compared.

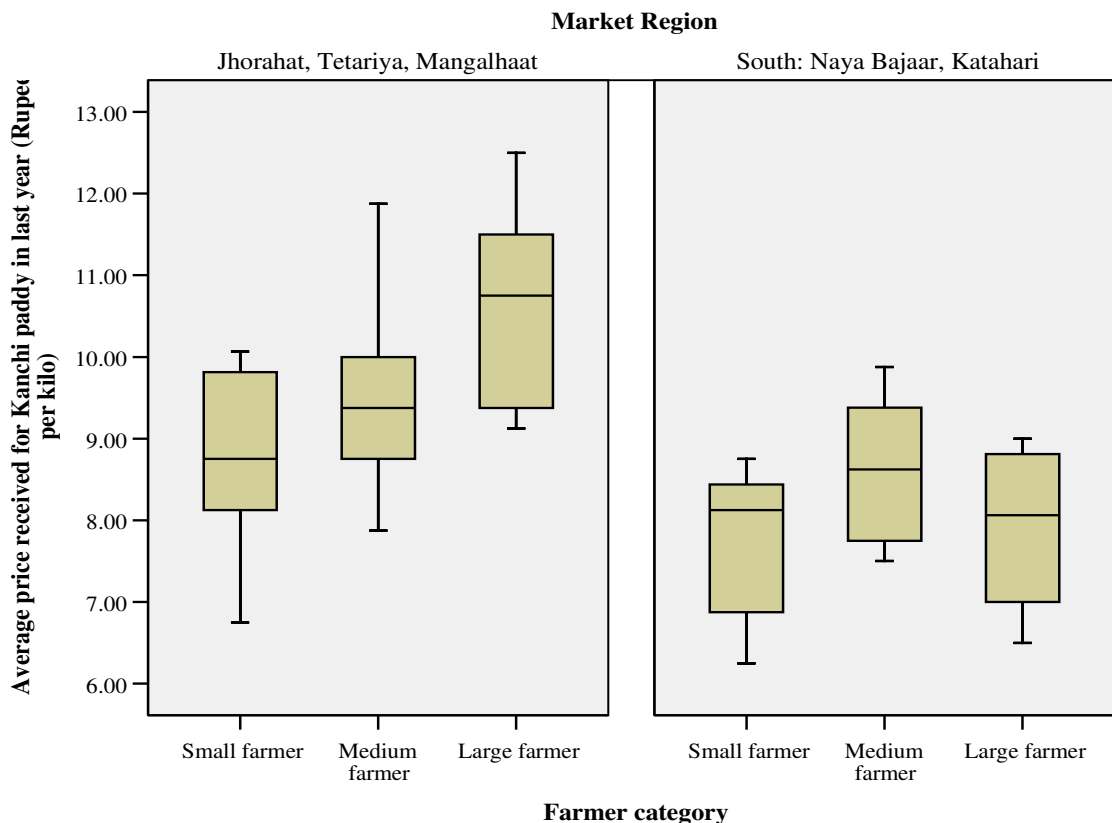
The variations suggest that while the merchants may collude to fix some kind of 'maximum' selling price, particularly in Naya bazaar, there is variation around this rate, with some farmers receiving a far lower price, and some obtaining a much higher price closer to what the merchants receive from the rice mills. It is thus clear that there are a vast series of more complex mechanisms which determine whether merchants can yield a surplus profit at the expense of producers. Understanding these processes require an analysis of individual relations of exchange in market transactions.

To explain these divergences it is necessary to firstly categorise the price data in new ways. Figure 7-7 examines the price received for *kānchi* paddy again, but this time divides the data according to household category. The most notable observation is that in the Jhorahat and Tetariya markets, the 'large farmer' households on the whole appear to report a more favourable price than the 'medium farmers' and the 'small' farmer households report the lowest price. An indication of the level of variation can be observed when one notes that the bottom quartile of reported paddy prices within the small farmer category in Jhorahat market region ranges from Rs 6.75 per kg to Rs 8.1, while the top quartile of prices recorded by large farmers in the region ranges from Rs 11.37 to Rs 12.5 per kg. As one would expect, in the Naya bazaar and Katahari market region it appears the prices are lower across all farmer categories. This is understandable given the evidence that the Naya bazaar and Katahari merchants yield comparatively greater economic and organisational power to collude over prices. Nevertheless, it appears that even here the prices vary according to farmer category. The bottom quartile of prices reported by small farmers ranges between Rs 6.25 to Rs 6.8 per kg while the top quartile of 'medium farmers' earns between Rs 9.2 to 9.88 per kg. Unexpectedly, the large farmers appear to have received a lower price. However, the data gathered on large farmers in these two market regions is not reliable in estimating the role of economic status in determining bargaining power. Only three 'large farmers' sampled from this market region had sold *kānchi* paddy in the 2007 harvest, two of which were under exceptional circumstances. These two households received a particularly low price as a result of them being heavily in debt to the merchants, an issue which will be explored below.

A larger sample is thus required for a more representative assessment of the ‘large’ farmers in this market region.

The variations according to farmer category outlined so far point to weaknesses in the Structure-Conduct-Performance paradigm. Harriss-White (1996) criticises the SCP approach, arguing that the measures of market structure traditionally used are insufficient in explaining the process of price formation. The paradigm fails to analyse the *specific* power relations between exchange partners and how this impacts the process of price formation (Harriss-White, 1996). The analysis of market structure offers initial and useful insights into the dynamics of price formation. However, in order to understand the variations in reported prices it is necessary to shift the approach back to political economy, and focus the analysis once again on the mode(s) of production.

Figure 7-7 Average price received for *kānchi* paddy in the last year by farmer category



This brings us to the second mechanism through which market prices are depressed by commercial capital, the bargaining power in relations between market actors. To Marx, the relations of exchange, which represent just one ‘moment’ in the process of capital circulation, are intricately connected with the relations of production. As Marx (1993. 99) in *Grundrisse* argues: “Exchange in all its moments thus appears as either directly comprised in production or determined by it.”

These thoughts are echoed by Bharadwaj (1985), who suggests that in much of rural South Asia, the terms of exchange between farmers and traders vary according to the type of market involvement, which in turn is rooted in their position in the rural class structure. Large cultivators who enter the market with the incentive to achieve a profit have a much greater capacity to set the conditions of exchange on their own terms when they sell their produce. Marginal producers on the other hand, many of whom commercialise on a *distress* basis, are often compelled to participate in the market on highly unfavourable terms of exchange (Bharadwaj, 1985). The process through which the price is agreed between merchants and farmers therefore, varies according to the relative economic power relations between the two parties (Harriss-White, 1996). In the markets of Morang, this would suggest that while all farmers suffer to a degree from merchant price manipulations through collusion, poorer producers, many of whom are farming under semi-feudal relations of production, suffer disproportionately.

This can explain why the price for paddy reported by producers in Jhorahat, Bhaudaha and Thalaha varies according to household category. Many of the ‘small’ and even some ‘medium’ farmers do not enter the market to yield a profit, but on a compulsive basis to meet urgent cash needs. As a result, discussions revealed that they suffer a much lower bargaining power. Not only are they subject to surplus appropriation through rent, but the economic insecurity that ensues renders them vulnerable to further extraction of surplus through the pricing mechanism.

Although *kaṭṭhāwala* can appropriate a surplus profit from poorer farmers through outright deception, most farmers appeared quite aware that they were being offered a price far below the rate at which the mills buy from the merchants. However, given these farmers' often urgent needs for cash, they were obliged to accept that rate. Even if they move on to a different trader, poorer farmers remarked that they would probably still be offered the same low price.

In contrast, the wealthier farmers who produce a secure saleable surplus, are generally viewed by *kaṭṭhāwala* as 'valuable' customers, given that they sell in large quantities each year, even out of season when business is scarce. It was even remarked that merchants come to the house of such producers to see if they have any commodities to sell. Wealthier producers can bargain with the merchants to a much greater extent (see Figure 7-8), shifting the economic power back to the farmer and reducing the difference between the merchant's buying and selling price.

Figure 7-8: Farmers and helpers weigh the paddy harvest in at a *kaṭṭhāwala* shop near Jhorahat



Poorer farmers however, not only have more urgent cash needs, but generally sell in small amounts and are thus not viewed as such 'valuable' customers by the *kaṭṭhāwala*. Losing their custom due to overpricing therefore, was not considered such a 'problem', especially when other merchants follow similar practices. There thus almost appears to be a dual pricing structure. Merchants compete with each other for the custom of the larger producers, offering these farmers a more competitive price, while poorer producers are often forced to accept a price which has been depressed far below what the merchant is offered by the mills. One medium farmer we spoke to argued that even if he sells paddy off-season when the price is highest, he still receives a rate below what many of the more prosperous farmers receive. Another farmer reported frankly that "...if we sell greater quantities, and on regular basis then we might get a better price but if we sell less we get lower price." Oya (2001) observes similar processes in the Senegal groundnut sector, whereby traders discriminate in favour of producers with a high output when agreeing upon a price.

It appears therefore that the merchants have two strategies for maximising the profitability of their firm. Firstly, they can manipulate the price to maximise the *rate* of profit through small transactions with multiple poorer producers where the buying price is lowered. Secondly, they simultaneously *compete* to gain the custom of the larger producers. Although they can not necessarily increase the *rate* of profit given the greater bargaining power of these farmers, they can benefit from the generation of a greater *mass* of profit in a single transaction.

Markets and Trust

The processes through which merchants compete for the custom of wealthier producers include building up a long term trust based 'relationship' or *sambhanda* with such producers. Many wealthier 'medium farmers' and 'large farmers' stated such 'special' relationships guaranteed them a more profitable price for their crops, while assuring the merchants that they would continue to sell to them. A Tharu respondent we met from a 'large farmer' household spoke very warmly of a

particular *kaṭṭhāwala*, reporting that he had been trading with him for many years and had maintained a relationship which had spanned generations, having been cultivated by his father.

As Figure 7-7 suggests, merchants still appear to offer a lower price on the whole in Naya Bazaar and Katahari to *all* farmer categories, most likely as a result of collusive activity. Nevertheless, there is evidence that while a maximum selling price may be fixed by merchants, the greater bargaining power of larger producers as a result of their higher output and trust based ‘relationships’ means *kaṭṭhāwala* are often compelled to offer them prices well above this maximum. A ‘large farmer’ we spoke to in Bhaudaha reported that although merchants in Naya Bazaar do collude to ‘fix’ the prices, exceptions can be made to those with whom they have a ‘special’ trading relationship:

“Actually all the kaṭṭhāwala offer the same price. There is no difference in the price on a given day between all the kaṭṭhāwala. Sometimes however, if the relationship between the farmer and the kaṭṭhāwala is good then the kaṭṭhāwala offers the farmer a better price ... this is the secret of Business.”

He went on to state that:

“If they [the kaṭṭhāwala] have a good relationship with the farmers they give 10 rupees more [per maund (40kg)] and they don’t tell this to any other farmers with whom they do not share this relation. The farmers who have a good relationship sell again to the same kaṭṭhāwala. In this way it is good for them [the kaṭṭhāwala], as with more business they can make more money. If they give ten rupees more the farmers do not go to other kaṭṭhāwala.”

To better understand how these relationships are reproduced on a long term basis, another short theoretical diversion is necessary into the field of New Institutional Economics. A body of literature within this discipline has examined the role of informal 'social institutions' in improving the equity and efficiency of marketing systems (Gabre-Madhin, 2001; Grabowski, 1998; Granovetter, 1985; Hayami & Kawagoe, 2001; Platteau, 1994). Development studies generally regards the term 'institution', as the mechanisms of social regulation or 'rules' embedded within a society that govern co-operation between individuals (Hodgson, 1998; Nabli & Nugent, 1989; North, 1991). North (1991) refers to institutions as "the humanly devised constraints that structure political, economic and social interaction."

Formal institutions include concrete regulation mechanisms such as laws, constitutions and property rights. Informal institutions are generally understood to include the more general constraints that regulate behaviour stemming from social norms, taboos and customs (North, 1991). The development of informal institutions are normally understood in an evolutionary game theoretical framework whereby repeated transactions or "games" through time encourage 'rational' individuals to mutually develop norms and routines that maximise personal utility and harmonise the social order (Hodgson, 1998; Kammersgand, 1999).

In the context of market exchange, the risk of immoral behaviour, deception or 'cheating' is always present, presenting a significant transaction cost¹⁰ for market actors (Gabre-Madhin, 2001; Grabowski, 1998; Nabli & Nugent, 1989). As a consequence, mutually beneficial institutional mechanisms evolve through time through repeated transactions to reduce this risk of moral hazard (Grabowski 1998). Although formal institutions such as state laws can enforce contract rules, outside enforcement is not easy to implement, especially in less developed countries. Transactions in agricultural markets are small and buyers and sellers are often too poor to take court action in the case of a breach of contract (Fafchamps, 2002;

¹⁰ Transaction costs are understood as being different from physical marketing costs such as production and transport expenses. They refer to the costs of co-ordinating transactions between market actors. Transaction costs involve for example, the costs of negotiating and enforcing contracts and obtaining marketing information (Gabre-Madhin, 2001).

Platteau, 1994). It is therefore informal institutions that are of particular interest to development policy makers (Grabowski 1998).

Platteau (1994) and Auitiero (2000) investigate the role of such institutions in rural agricultural markets. Rules and moral norms termed by Platteau (1994) as “multilateral reputation mechanisms” are followed as actors seek to maintain their reputation in order to guarantee future transactions. In Indonesia for example, Hayami and Kwagoe (2001) demonstrate how merchants buying farmers’ goods are compelled to act morally and offer a fair price. If one was found to have bought goods below the market rate, the merchant’s reputation would be damaged and other farmers would avoid trading with them. The social order in such situations is thus maintained spontaneously through ‘rational’ utility maximisation (Platteau, 1994).

There is strong evidence of similar trust based mechanisms in rural Morang as *kaṭṭhāwala* endeavour to maintain the loyalty of particular producers. Merchants make a strong effort to maintain a good reputation with the wealthier producers. This not only entails allowing the farmer to bargain for a higher price, but avoiding behaviour which could be considered ‘immoral’. Although larger producers expect to receive a more favourable rate for their produce than their poorer counterparts, the risk of deception, whereby merchants exaggerate market conditions, is always present. Merchants therefore balance short term gain with the maintenance of their relationship with the farmer in question.

This process is exemplified by one transaction we observed on a hot afternoon during the *chait* paddy harvest. My field assistant and I travelled with the sister and servant of a wealthy farmer with whom we were acquainted to a local *kaṭṭhāwala* to sell the recently threshed paddy. Following the paddy being weighed, and considerable bargaining, the merchant insisted that the ‘market rate’ was 330 rupees per maund, while subtracting a kilogram from each sack to account for grain ‘drying’ en route to the mill. Later that day, the farmer himself discovered that some nearby *kaṭṭhāwala* had been offering Rs 350 per *maund*. He returned immediately to the merchant

where we had sold his paddy to complain, feeling we had been cheated. Eventually the merchant agreed to pay back the difference in price as he wanted to maintain the farmer's custom for future transactions, a situation facilitated by the comparative wealth of the household and their high agricultural output.

For larger producers who farm predominantly under independent peasant relations of production; trust based institutions, along with their high annual sales, ensure that they receive a 'fair' price from the merchants. However, whether or not these institutional norms operate is intricately connected with the class position of the farmer. Poorer producers such as 'small' and many 'medium' farmer households who mostly cultivate under semi-feudal relations of production are not viewed as 'valuable' clients given their lower sales. Notions of 'trust' and moral norms appear somewhat meaningless for these sellers. This point is of increased importance given that there is much interest in 'trust' based social associations in development policy given their compatibility with the neo-liberal ideologies of 'social capital' which will be discussed in chapter 8 (Narayan, 1997; Putnam, 1993; World Bank, 2003). However, just as discourses of 'social capital' are flawed given their tendency to divert attention from class relations, a similar argument can be placed against institutional theories of trust. Bardhan (1989) argues that new institutional norms do not necessarily materialise if they reduce the control of surplus by a particular class.

Class, grain security and seasonal price fluctuations

Another factor associated with one's class position relates to the seasonal variations in price. Competitive market prices fluctuate on a seasonal basis, being lowest immediately after the harvest, while rising gradually in subsequent months as supply decreases, only to drop again at the next harvest. By storing grain and selling it in the season when prices are higher, farmers can yield a much greater profit. The timing of crop sales are unlikely to significantly alter the average reported prices for

kānchi paddy in Figure 7-7¹¹, but it is likely to impact the overall rate of profit from a given harvest.

Figure 7-9: A raised grain larder. These are typical in Tharu villages and can be used to store grain until the market price is more favourable.



Most farmers sell some grain immediately after the harvest and sell again at various stages later in the year. Nevertheless, the wealthier producers sell a much greater proportion of their grain when the price is higher. Those households with grain security such as ‘large farmers’ and some wealthier ‘medium farmers’ who farm predominantly under independent peasant relations of production store much of their surplus grain product in raised, mud built larders in their homesteads (see Figure 7-9). They then sell it on to the *kaṭṭhāwala* several months later when the price is at its peak, giving them a greater net profit. As one wealthy Tharu farmer explained:

¹¹ The average reported price represents the difference between the reported lowest price (normally straight after harvest) and the highest price (normally later in the year). Given that farmers generally sell some grain in both seasons, the timing of sales will only affect the average price if a farmer sells *only* in one season.

“ If we need money then we sell it [the paddy] immediately otherwise we sell later on ... sometimes in Jestha or Ashadh¹² as we might get a better price. This year I sold it at 400 rupees during the [harvest] season while a few days ago I sold for 600 rupees.”

Poorer producers such as those from ‘small farmer’ households must sell a far greater proportion of their grain immediately after the harvest to meet urgent cash needs, buying grain later at a higher price for consumption. They therefore can not take advantage of seasonal price fluctuations.

Interlinked markets

While it has been established that merchant’s can manipulate prices through collusive activity and take advantage of those with a weaker bargaining power, there are other more direct mechanisms through which this can occur, maximising the share of surplus which is appropriated. Friedman (1980) suggests that in pre-capitalist peasant economies, ‘naked monopoly’ by traders is difficult to enforce on its own in the long run and therefore debt can be used to enforce sales below market rate. As was discussed in chapter 6, *kaṭṭhāwala* are not simply engaged in buying and selling commodities but are the primary source of credit for farmers, as Figure 6-6 displays. This represents an interlinkage of commercial and ‘interest bearing capital’, better described as ‘usury capital’ under pre-capitalist conditions. As chapter 6 also suggests, poorer farmers are most dependent upon loans, and are often trapped into an endless cycle of indebtedness, taking credit from the *kaṭṭhāwala* each season to purchase inputs, only to repay them in crop at the harvest time, as one interviewee from Jhorahat reported:

“The farmers who have little income have to take a loan. The loan is taken when the crop is planted and when the crop is ready we repay the loan. After paying the

¹² Jestha (May-June) and Ashadh (June-July) are Nepalese months half a year after the rice harvest when the price is at its highest.

entire loan the farmers are empty handed so they have to take a loan again and start farming.

There is evidence however that farmers who have taken loans from *kaṭṭhāwala* receive a de facto lower price for their commodities when debt is settled through grain sales. Firstly, given that interest accumulates each month the loan is outstanding, farmers who have taken loans must sell immediately after the harvest. They can not therefore take advantage of seasonal variations in the price, as was discussed above. Secondly and most significantly is how the interlinkage of interest bearing and commercial capital enhances the *kaṭṭhāwalas'* power to manipulate prices and further depress bargaining power.

Studies by Crow and Murshid (1994) in Bangladesh and Harriss-White (1996) in Tamil Nadu have examined the phenomena of interlinked contracts. Crow and Murshid (1994) demonstrate how merchants increase their local power by achieving dominance in markets for land and credit. By taking credit from merchants in advance, farmers are compelled to sell their produce to the same buyer at a price far below the competitive market rate (Crow & Murshid, 1994). Similar processes are evident in rural Morang. During a discussion with a group of farmers in Bhaudaha they explained the situation in the Naya Bazaar market:

“If we have not taken a loan and have good quality crops, they [the kaṭṭhāwalas] provide us a good price. However, if we have taken a loan then we are not provided with a good price even if we have good quality goods ... We take in accordance to our needs, on average 5 to 6 thousand rupees for one bighā. We borrow money from the merchants for fertilizers, pesticides and labourers also.”

Those who have taken loans in the planting season must sell their grain to a particular merchant to repay an equivalent in grain to what was borrowed in cash. A price for a borrowers crop is sometimes fixed in advance at the time the loan is taken (as in Crow and Murshid's study), but normally it is agreed upon after the harvest

during repayment. Either way, the farmer's bargaining power remains low. Given their lack of choice, the price at which repayment in grain is calculated is often depressed to abnormally low levels on top of the deductions already made as interest on the loan. This process of price formation to Bhaduri (1973) represents an additional form of 'concealed' interest. A respondent from a 'large farmer' household, also in Bhaudaha explained this process:

“If you have taken a loan from the kaṭṭhāwalas then you are compelled to sell to the same kaṭṭhāwala as you have to repay the loan, even if the price is low. In this case the kaṭṭhāwala has the power. However if the farmer has not taken the loan then he can sell the crops to a different kaṭṭhāwala where he can get better price, so in this case the farmers will have the power.”

Interestingly even the 'large farmers' and wealthier 'medium farmers' are not exempt from such price manipulations, further limiting the profitability of grain sales. The two large farmers who have sold *kānchi* paddy in Bhaudaha in Figure 7-7 had both taken substantial long overdue loans which had reduced their bargaining power, explaining the low price they had received. Nevertheless, it still appears to be the poorer households who suffer from the greatest price manipulations. Many of these producers already suffer chronic grain insecurity as a result of semi-feudal rent payments. Loans therefore generally comprise of a much larger portion of their total agricultural sales and on many occasions their only market involvement is to settle debts with the *kaṭṭhāwala*. For 54% of small farmers, loan repayment constitutes more than half of their total sales in the last year, and for 45% it absorbs their entire income from crop sales. This figure stands at 44% and 11% respectively for medium farmers. For all large farmers however, loans constitute less than half of their total annual sales.

As one would expect however, more prosperous producers do not feel quite so bound to sell the remainder of their paddy crop to a particular merchant. This offers an

insight into why the top quartile in Figure 7-10 for whom loan repayments constitute less than 25% of their total agricultural income receive a much higher price. The value of loans are small compared to their annual agricultural income and thus a large portion of the crop can be sold elsewhere at a better rate, explaining why their average reported price is higher. Furthermore, as these households are wealthier they are less reliant upon credit from *kaṭṭhāwalas*, and only take loans occasionally.

Figure 7-10: Average price received for *kānchi* paddy in the last year according to % of agricultural income comprising of pre-harvest loan repayments

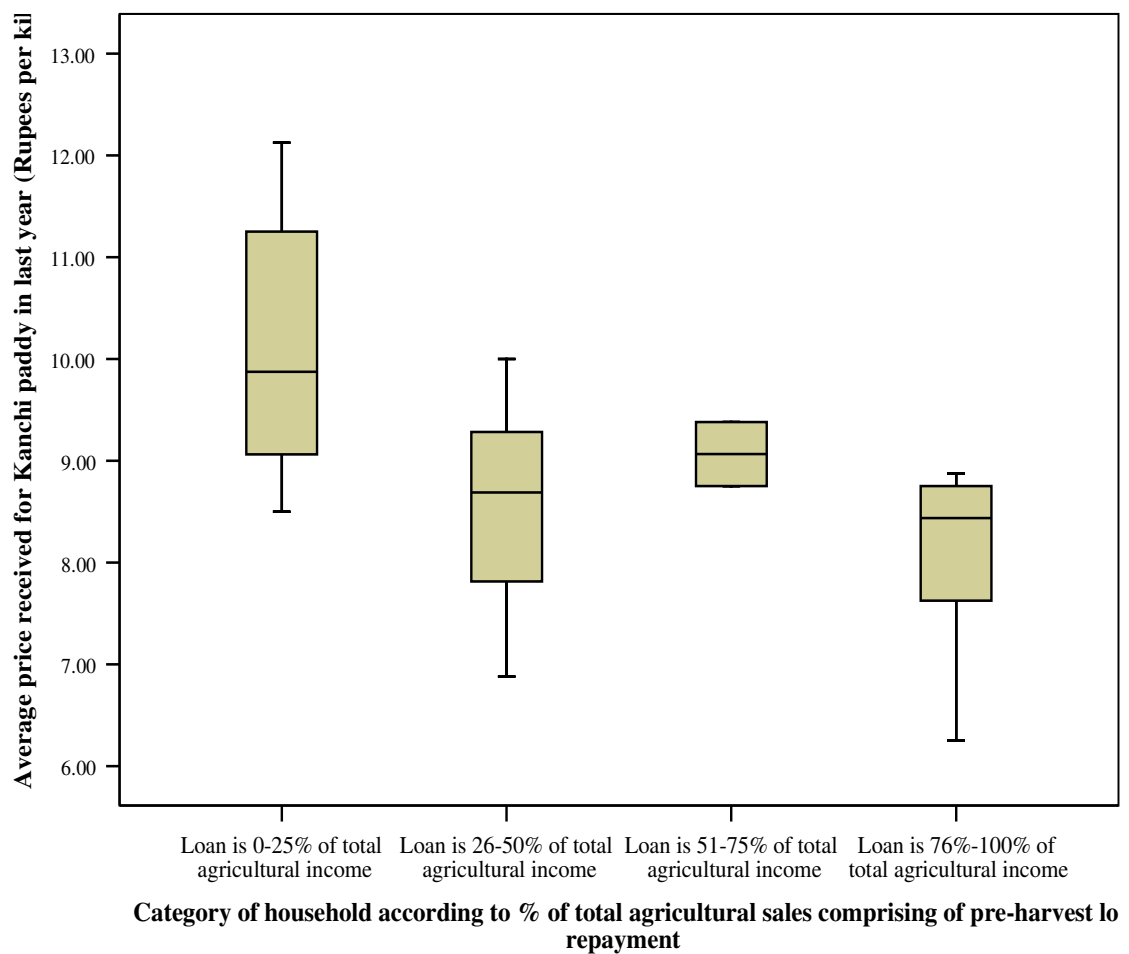


Figure 7-10 displays the average reported price received for *kānchi* paddy in the 2007 season once again, but this time divides the results into quartiles according to the percentage of total agricultural income which constituted loan repayment over the

last year¹³. As one would expect from the discussion, the lowest prices were reported by those (primarily poorer producers) for whom loan repayments constitute more than three quarters of their annual income. For this bottom quartile, most if not all of their harvest *must* be sold to the same merchant. They had reported on average only Rs 8.09 per kg, with a maximum of just Rs 8.75 per kg and a minimum of only Rs 6.25. On the other hand, the top quartile, for whom loan repayments comprise only 0-25% of the total agricultural income receive on average Rs 10.18 per kg for *kānchi* paddy with a maximum of Rs 12.13, equivalent to the highest price received by many large farmers in Figure 7-7. Meanwhile for households that fall into the middle two quartiles whereby loans constitute 26-50% and 51%-75% of their total agricultural sales the average price received is Rs 8.66, and Rs 9.06 respectively.

The depressed price for *kānchi* paddy for the middle two quartiles is surprising. Exactly half of the households falling into these two quartiles have over the last year sold *kānchi* paddy only to service their debt to *kaṭṭhāwalas*, explaining the low reported prices. However, the remaining half sold more *kānchi* paddy than was required to repay their loans, or repaid using a different crop. One may question whether this group can sell the remainder of their crop elsewhere for a better price, raising the reported average price. Although this occurred on some occasions, most loan taking farmers maintained that they would sell any excess to the *same* merchant, even at the same low price. In this way they could be sure they would still be offered credit next year. Their bargaining power therefore remains diminished. Harriss-White (1996, 204) observes similar ‘non-contractual’ elements in interlinked credit and cotton markets in Tamil Nadu, whereby producers feel an obligation to sell the entire marketed surplus to the creditor to secure future contracts. When we asked one male farmer if he could sell any remaining paddy to a different merchant for a better price once the debt had been settled, he replied as follows:

¹³ The prices are for the 2007 season, while the data on the proportion of agricultural income comprising of loan repayments is for the last agricultural year, which for the first batch of surveys was 2007, while for the second batch was 2008. This discrepancy should not present any serious data validity limitations, as there appeared to be considerable regularity over the size of loans taken each year.

“Yes, if we get a better price we can go to different merchant but we normally don’t do that so as to maintain a good relationship ... The relationship will be bad [if we don’t sell to the same merchant] and they won’t help the farmers next time with a loan when they need it.

Similarly, one ‘medium farmer’ explained the need to maintain a trust based relationship through continued trade with the *kaṭṭhāwalas*.

“The main thing is trust. If you do business with the same person then you can ask for a loan when you are in need. If you do not do business with the same person then you do not get help when in need as they [the kaṭṭhāwala] do not trust us. Therefore we have to do business with the same person.”

Throughout our discussions with less prosperous farmers, they spoke of the need to maintain a ‘relationship’ with a particular merchant. From the merchants perspective it is useful for them to lend to farmers they are familiar with as they have a better knowledge of their likelihood to repay the loan. However, it appears that the merchants use the risk of default to justify threats that they will not give loans at all, even to farmers with a long history of trading with them. This in turn ensures the farmer sells them their entire crop, even at a depressed price, informally tying them into an unequal relation of exchange.

This institutionalised dependence also explains why centrally located producers in Thalaha and Bhaudaha who could just as easily travel to either market region have a tendency to prefer Naya bazaar. The system of lending is more institutionalised in Naya bazaar and Katahari, perhaps given that they are more established markets and the merchants are wealthier, with capital to lend. Many households therefore have built up relations with particular merchants there to receive credit. Even though the less organised merchants of Jhorahat tend to offer a more favourable price, they do not have a ‘relationship’ with them and thus find it difficult to access credit. They

therefore prefer to sell in Naya bazaar or Katahari, even if it involves a longer journey.

This notion of a ‘trusting relationship’ for poorer producers is interesting, as although on the surface it appears similar to the mutually beneficial relations maintained between wealthier producers and *kaṭṭhāwalas*, in reality it is highly unequal. The relationship is often framed in benevolent terms; with farmers stating that the merchant is doing them a ‘favour’ by giving them a loan and that they must endeavour not to lose the traders goodwill. However, it appears closer to a patron-client relationship, an ideological mechanism which effectively disguises and reproduces an exploitative form of exchange (see Rankin, 2004).

As one would expect however, more prosperous producers do not feel quite so bound to sell the remainder of their paddy crop to a particular merchant. This offers an insight into why the top quartile in Figure 7-10 for whom loan repayments constitute less than 25% of their total agricultural income receive a much higher price. The value of loans are small compared to their annual agricultural income and thus a large portion of the crop can be sold elsewhere at a better rate. Furthermore, as these households are wealthier they are less reliant upon credit from *kaṭṭhāwalas* and only take loans occasionally.

Even the sales by wealthier farmers which are made to repay loans do not necessarily fetch a low price. In line with the argument above regarding ‘valuable’ customers, it is evident that many of these wealthier households retain a sizeable surplus after repaying loans. The *kaṭṭhāwalas* have an interest in buying this surplus. It is therefore not always in their best interest to depress the price. They are after all endeavouring to maintain a long term trading relationships with these producers, at least in the Jhorahat and Tetariya region where the merchants’ market power appears to be lower. However, the low price received by the two ‘large farmers’ from the Naya Bazaar market region suggest that in this context, the sheer market power

yielded by indebtedness and oligopsonistic collusion outweigh any personalised ties the merchants may have with these producers.

In sum, three factors thus influence the price offered to farmers by merchant capital. These include collusive activities by merchants, the economic status of the farmer in question and the associated interlinkage of interest bearing and commercial capital. A model which is outlined in Appendix 7 tests the relationship between these three explanatory variables and finds that they all play a statistically significant role in determining the price each household receives from the *kaṭṭhāwalas* for paddy.

7.3.6 Interest bearing capital, oligopoly and bargaining power

The focus so far has been on the ‘commercial’ element of merchant capital. It is now necessary to examine interest bearing capital in greater detail. It has been demonstrated how many farmers depend upon credit from private lenders and when loans are interlinked with commercial capital, farmers are subject to greater price manipulations. However, how does one understand the actual interest rates on loans? These include interest on not only the loans from the *kaṭṭhāwalas*, but on those taken from village money lenders which were discussed in chapter 6.

As with prices for commodities, the farmers who borrow money from village money lenders and *kaṭṭhāwalas* are subject to interest rates determined not by ‘competitive’ market forces but by power relations rooted once again in oligopsony and the unequal bargaining positions between market actors. To begin, there is some evidence in Morang that the control over informal credit markets by a small number of businesspeople drives up rates of interest. Farmers felt they had little choice of lender. Interest rates never appeared to drop below 2% per month, suggesting a minimum rate has been ‘fixed’ by lenders. Hatlebakk (2009) identifies interesting findings based upon LSMS data, including many villages in Morang. The study suggests that high initial information costs hinder the entry of new lenders, pointing once again to an immobility of capital and the potential for collusive oligopsony.

Hatlebakk (2009) concludes that interest rates decrease according to the lending capacity of the village, suggesting there is decreased collusion when competition is higher. However, it is argued that the greatest differences in interest rates occur *within* villages themselves. This suggests a form of ‘fragmented oligopoly’, whereby lenders collude on an interest rate for different segments of the market (Hatlebakk, 2009). Similarly, the evidence from Jhorahat, Bhaudaha and Thalaha suggests that as with commodity prices, interest rates are determined simultaneously by the bargaining power between market actors, which in turn is rooted in one’s class position. Interest rates are usually around 3% per month the loan is outstanding. However, if a *kaṭṭhāwala* feels he has a ‘good relationship’ with a particular farmer, it appears they charge farmers a lower interest rate. In some cases they waive the interest all together so long as the loan is repaid quickly, a process we observed while conducting participant observation in a *kaṭṭhāwala*’s shop in Naya Bazaar. However, these special lending relationships, as with favourable prices, appeared to benefit primarily the wealthier producers whose patronage is valued by the merchants. One ‘large farmer’ from Bhaudaha explained how the interest rate depends upon the relationship one has with the merchant:

“The kaṭṭhāwala sometimes even doesn’t charge the interest to the old farmers who have good relationship who they trust, so when buying the crops they charge lower interest. However, when they have to lend to new farmers they charge 10 to 12 percent interest.

Although 10-12% appears to be an exaggerated monthly rate, the general trend is evident. When I asked how farmers are able to build such a relationship, the respondent replied:

“It’s difficult. If you sell your crops this year and again next year to the same kaṭṭhāwala then the relationship starts. For small farmers who produce smaller quantities it is difficult to have a relationship with the kaṭṭhāwalas”.

One merchant we interviewed even admitted that if a farmer appears ‘desperate’ for cash they will ask for a higher rate of interest, normally 5%. The compulsion to take loans at higher interest is particularly acute for landless farmers who can not even leave collateral such as land to guarantee credit. High interest rates however, are sometimes even charged to some of the merchant’s ‘special’ clients if they need money urgently, as the following quote by a ‘large farmer’ suggests:

“It [the interest rate] is 3 to 5 percent. If the farmer has a good relationship it is 3 percent while others are charged 5 percent. However, if farmers need money immediately even the familiar farmers are charged five percent ... If anyone is sick or if we need money then we tell [the merchant] our problems. At that time the merchant tells us that he does not have money. He tells us that if we give him more interest than he will get the money from others and then lend to us. So in this way they increase the interest rate.”

However, as has been stressed throughout this section, the wealthier producers do maintain a much greater capacity to negotiate, as merchants balance out short term profit with maintaining long term custom. The same ‘large farmer’ explained what happened on one occasion when the merchant with whom he had traded for many years refused to give him a loan:

“During that time we were in need of money to harvest the crop in the field. However, we asked [the merchant] for money and they would not provide it to us. We became angry and told him that we would not sell any crops to him. We even threatened him that we would blast one bomb in his shop! But after two or three months that kaṭṭhāwala came to our house and said sorry that he did not provide us

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money. He asked us not to stop selling to him. He wanted us to again go and sell the crops to him. He wanted to maintain the relationship with us.”

The threats of violence can be understood in the context of political violence and unrest in the Terai following the end of the People’s War and beginning of the *Madeshi andolan*. Although these threats were not expressed in a serious manner, the merchant still appeared to submit to the will of the farmer to a level which would have been difficult to conceive of poorer producers achieving.

7.3.7 Role of merchant capital and the mode of production

To Kautsky and Marx, merchant capital can play a ‘progressive’ role in the transition from pre-capitalist to capitalist agriculture. Merchants’ commercial activities facilitate the emergence of commodity production, while money lending and indebtedness speed up the process of differentiation and development of a proletariat. However, in the context of high pre-capitalist ground rent and an underdeveloped industrial sector, the pricing system imposed by merchant capital for both commodities and loans by no means encourages ‘differentiation’. Given the lack of alternative livelihood options for tenants which could draw people out of agriculture, it simply has the effect of forcing some farmers into further economic insecurity. It represents a further form of surplus appropriation which reproduces the impoverishment of a vast segment of the rural population.

One avenue for further analysis however, is to examine whether merchant capital can play a beneficial role in the broader process of capitalist development if the profits are re-invested productively. To Marx however, merchant activities are predominantly parasitic. This is backed up by initial evidence from the field which suggests that merchants rarely diversify out of agro-trading and the profits are used primarily for consumption purposes and expanding their trade and money lending capabilities rather than for productive reinvestment in industrial ventures. It thus essentially represents a flow of surplus out of the agricultural sector that does not ‘reappear’ elsewhere in the economy.

Surplus appropriation by merchant capital in this context is not directly part of the semi-feudal mode of production as it exists primarily in the sphere of circulation, unlike in Bhaduri's (1973) analysis of semi-feudalism in India, whereby merchants are also the landlords and use indebtedness to reproduce the relations of production. As was suggested in chapter 6, landlords and money lenders in Morang are from different caste communities and engage in quite different economic activities. However, merchant activities can be considered an extension of each of the modes of production in Morang in so far as they are necessary for the reproduction of the productive forces for *all* farming households. Furthermore, merchant activities are arguable driven by similar imperatives as landlords whereby surplus is appropriated for elite consumption rather than productive investment. Merchant capital can even be argued to play a role reproducing and even reinforcing semi-feudal relations of production. High interest and price manipulation further reinforces households' dependence upon not only merchants but landlords. It drives up the rate of indebtedness and drives those households who do still retain some land to sell their assets and become tenants.

7.4 Oligopsony by industrial capital and articulation of modes of production?

7.4.1 Oligopoly and oligopsony in agricultural industries

It is not only merchant capital which can manipulate prices to receive high rates of profit at the expense of producers. There is evidence of such processes occurring further up the commodity chain in the circuit of industrial capital whereby mills purchase grain from the *kaṭṭhāwalas* and sell it in processed form. In the relations of exchange between the mills and merchants, the mill owners can use their control over markets for unprocessed grain to enforce sales of products below the prevailing

market rate. This further depresses the collusive price already offered to farmers alongside the further manipulations on the grounds of individual bargaining power.

This increases profits for processing mills, facilitating a supply of cheap raw materials at the expense of producers. This is significant as it points to another 'articulation' between the pre-capitalist and capitalist mode of production. It represents an additional transfer of surplus between the two sectors alongside the supply of subsidised labour provided by semi-proletarian producers. This can offer some insights into why many 'large farmer' household respondents, although subjected to less surplus appropriation through rent, usury and price manipulations, still felt that their returns were falling and agriculture was becoming less profitable. It can also help to explain why the many 'medium farmers' who own all of their land and have access to institutional credit are still unable to yield a large enough profit to expand their landholdings or invest in machinery.

Collusion on prices in agricultural processing industries represent one mechanism through which capitalist firms can depress market buying rates for commodities (Banerji, 2004; Palaskas & Harriss-White, 1993). In the context of Morang, it has been suggested that a form of oligopsony exists in the industries which process paddy, wheat and jute. Unfortunately, it is difficult to access data on agricultural industries, making a full Structure-Conduct-Performance analysis to identify the potential for oligopsonistic activity problematic. Nevertheless, some insights into the structure of the market for agricultural raw materials as a whole can be gained through an examination of the category 'food product and beverage industries' (which includes grain processing) in the 2006/7 Nepal Census of Manufacturing Establishments (Central Bureau of Statistics, 2008). The data format precludes an analysis of the proportion of trade controlled by the top 4 firms. However the census does contain useful data on the volume of inputs purchased by these industries according to the level of assets invested in each enterprise. Although the inputs to food product and beverage industries are likely to include non-agricultural products as well, one would expect inputs to be predominantly composed of agricultural raw materials such as grain.

Table 7-4: Structure of input market for food product and beverage industries in Morang and Sunsari district by total value of inputs purchased:

District	Less than 10,000,000 assets		Rs 10-50,000,000 assets		More than Rs 50,000,000 assets			Total	
	No. of firms	Value of inputs purchased	No. of firms	Value of inputs purchased	No. of firms	Value of inputs purchased	% total	No. of firms	Value of inputs purchased
Morang	49	912,973	12	801,363	7	1,916,446	68%	68	3,630,812
Sunsari	74	1,688,767	8	472,613	4	2,729,115	50%	86	4,890,495
Total	123	2,601,740	20	1,273,976	11	4,645,561	84%	155	8,521,307

Source: Census of Manufacturing Establishments, Nepal , 2006/7 (Central Bureau of Statistics, 2008)

In Table 7-4 it is evident that 7 food product industries in Morang have assets worth over 10 crore (10,000,000) representing 10% of the total. These seven top firms control 68% of the market for inputs. In neighbouring Sunsari district where many merchants also sell their grain there are 4 industries with assets worth over 10 crore, representing 5% of the total number of enterprises. These top four firms control 50% of the market for inputs. The data for both districts suggest that the input market for food and beverage industries is highly concentrated amongst a few large firms. As with the *kaṭṭhāwalas* at a village level, this would certainly suggest the potential for collusive activity.

The process of price formation is complex. Merchants or *kaṭṭhāwalas* who buy grain from the farmers and sell to the mills generally agree on a price through a broker. Merchants explained how they would call once or twice each day to enquire about different prices being offered by the mills, and when they want to make a transaction, the broker would finalise the deal between both parties in return for a small share of the profits (see Figure 7-11).

Figure 7-11: Grain being loaded at a *kaṭhāwala* shop near Naya Bazaar. The price for a shipment, which can be of considerable value, is normally arranged through a broker.



From our discussion with farmers and merchants however, it was suggested that the negotiation process is not necessarily equal. Business organisations such as the *Morang Byapaar Sangh* produce daily recommended price lists for different products based upon current market conditions for the reference of mill owners and merchants. However, there were many complaints by both farmers and traders that the prices offered to them were determined not just by external market forces but also by the personal collusion of the mill owners. It was alleged that agricultural mill owners operate in a oligopsonistic manner, colluding with each other to fix a maximum buying price below the competitive market rate. The industrial community of Morang who run the few agricultural processing mills in the district are primarily from a well connected Marwari business community who settled in Nepal over the last fifty years. The *kaṭhāwalas* explained that they have little choice

often, but to sell at a reduced price. The following quote illustrates the frustration felt by one merchant towards the mill operators:

“I take the goods to the mill and I have to sell my goods at whatever price they offer me. I have no other option. I am compelled to sell. The price here is fixed by most of these big businessmen, a monopoly exists.”

Many also reported cheating in the processing mills once the price has already been agreed. Mill operators would sometimes claim that the rice was ‘poor quality’ or had ‘dust’ in it, and thus would subtract some kilograms from the total sale when calculating the re-payment.

It was suggested that price manipulation also occurs in the distribution of grain whereby the processed rice is sold back to local retailers at an inflated price through practices such as ‘hoarding’. One farmer explained the situation:

There are many mill owners from other countries and they fix price in their favour, then the profit they earn is taken back to their country. They should be punished as they do whatever they want. They buy the crops and then create an artificial shortage, then they fix a higher price and sell the rice back to the villagers. In this case farmers sell their crops in a cheap price but buy at a higher rate.

Here the respondent is most likely referring to Indian citizens who run many of the mills. He also emphasises that farmers are compelled to pay more for processed rice but sell their own grain at an unfavourable rate. High prices for processed rice are of course most likely to impact the ‘small farmer’ and ‘landless labourer’ households who can not meet their subsistence needs through their land and are thus obliged to buy grain staples from local retailers. The surplus profits meanwhile which are generated through price manipulation are appropriated by the mill owners.

Of course, it is difficult to prove whether or not cartels and price manipulation do exist based purely upon oral testimonies by farmers and local businessmen. In the

few interactions I had with mill owners I was treated with suspicion and was unable to gather much information on the process of price formation. Nevertheless, Gautam's (2005) report for the Ministry of Local Development points out that 'anti-competitive' practices such as collusion over prices and cartels are widespread in Nepal, suggesting that they are facilitated by business and trade societies¹⁴. This stimulated the government to draft a 'Fair Competition Bill' in 2004. The problem of cartel formation in agricultural processing industries more specifically is raised in Nepal's 2004/2005 economic survey (Nepal Ministry of Finance, 2006). With regards to the 'hoarding' of commodities, this was discussed in Nepal's post-conflict Three Year Interim Plan as one of the problems which must be dealt with by the new government (Nepal National Planning Commission, 2007), while a number of reports have noted that such practices are widespread (Gautam, 2005; Sedhain, 2005; World Food Program, 2008a)¹⁵.

7.5 The state and distribution of surplus

7.5.1 Impact of cheaper Indian grain on Nepalese market prices

It has been established that class power exercised by merchant and industrial capital has facilitated an appropriation of a large portion of the saleable surplus through the pricing mechanism. However, there is evidence that the unfavourable production conditions in Nepal when compared to India have served to further depress prices. This offers additional insights into why even wealthier producers farming under the independent peasant mode of production are finding agriculture less profitable.

Discounting manipulations by merchant and industrial capital, the 'competitive' market price for rice, wheat and jute, the main commodities sold in Jhorahat,

¹⁴ This would parallel Harriss-White's (2005) findings that suggest elite business associations in Tamil Nadu can be used to increase rates of profit at the expense of small producers and labourers by colluding to fix prices and wages.

¹⁵ What is unclear though is whether or not this is practiced by industries themselves, or distribution companies. Sedhain (2005) suggests that a large supply of rice, flour, oils and sugar distribution in Nepal is controlled by a small number of powerful business houses. Sedhain points to the lack of an adequate competition law in Nepal.

Bhauaha and Thalaha, is determined by the rate being offered by the processing mills, which is in turn associated with the wholesale and retail price for processed grain and jute products in Biratnagar and Kathmandu. Biratnagar lies on an open border with India and both legal and illegal imports of processed and unprocessed agricultural commodities across the border are widespread and have intensified since liberalisation. This has been perpetuated by a continued deficit of staples in Nepal. As of 2002 it was estimated that 9.6% of the rice in the country was imported from India (Sharma & Babu, 2002). As of 2006/07, imports continued as Nepal's grain deficit stood at 200,000 megatons (World Food Program, 2008b). Although there are still differences in prices between regions, commodity prices in Nepal are heavily influenced by those to the south, not to mention global fluctuations. These influences are particularly high in the border towns such as Biratnagar. Shifts in price due to imports are transmitted back to the farmers, impacting the price they receive for their commodities at the farm gate (Sharma & Babu, 2002; World Food Program, 2008b). The APP Implementation Status Report raises this issue, reporting that the average retail price for rice in India is on average 12% lower than in Nepal, and when it is imported it to depresses the local rate. Although cheaper grain benefits landless labourers, it has a negative impact upon those who sell grain (IDL Group, 2006, 65).

In interviews with farmers, grain merchants and local government officials, the import of rice from the South was a cause of considerable concern. Even large farmers felt they could simply not give away their crop at the rates the Indian grain was selling for and yield a profit able to facilitate accumulation. A ban on non-*Basmati* rice exports in India in 2008 as a result of grain shortages caused some relief for local farmers. Even with the differences in price, the situation for Terai farmers is aggravated even further during occasional 'import surges' from India such as in 2000, when imports rose by 800% during a de-stocking of public grain reserves by the Food Corporation of India (Action Aid, 2008). This caused a 17% drop in grain prices in the Terai districts to the disadvantage of local farmers (Action Aid, 2008).

7.5.2 State weaknesses, productivity and market prices

It is challenging to understand the complex root cause for the lower average price of Indian grain and why Morang's farmers feel they can not compete. However, there are some possibilities which would merit further study. As was discussed in chapter 2, Nepal is far from establishing a developmentalist state which can guide national capitalist development. This is arguably associated with the limited development of a national bourgeoisie committed to state led development and a bureaucracy predominantly serving the interests of comprador classes in alliance with Indian and foreign capital and landlords (Blaikie et al., 2001; Mishra, 2007). Although the Indian bureaucratic alliance is not altogether different in the interests it serves (Ghosh, 1988), India has historically maintained a stronger interventionist state that can stimulate capitalist development. Although also subject to severe cut backs under neo-liberal restructuring (see Patnaik, 2007). India's stronger political position within the world economy has offered it comparatively greater control over its economic policy. Nepal on the other hand has been subject to greater coercion by international financiers from the imperialist core. As was discussed in chapter 3, the pressure to reduce fiscal deficits has led to the abolition of subsidies and cut backs on agricultural service provision. These cross border differences it will be demonstrated, impact the price received for commodities by producers in Nepal, thus further reducing the profitability of agriculture.

This occurs firstly, as a result of weaknesses in agricultural service provision, and the resulting impact upon productivity. As was discussed in chapter 3, many of the 'priority inputs' promoted in the APP were not sufficiently implemented. Meanwhile, there have been cut-backs on agricultural services such as extension since the liberalisation of the economy, issues which will be further discussed in chapter 8. There is evidence that such weaknesses have impeded profit oriented farmers from boosting production to levels comparative to their counterparts south of the border who enjoy greater levels of state support.

What therefore is the relevance of these regional differences for market prices? A classical Marxian approach would expect prices to be associated with the average levels of productivity across the economy both in agriculture and processing, while fluctuating in the short term according to shifts in demand from consumers. Under abstract competitive capitalist conditions, Marx uses the concept of ‘prices of production’, which was touched upon in chapter 6, to explain market rates. The prices of production is determined by the sum of the value of labour power (value of necessary labour) plus the value of the means of production, and an *average* rate of profit (Marx, 1967, 165). The ‘average rate of profit’ is significant in that although the rate of profit may in the first instance differ between enterprises in a branch of production, Marx (1967, 158) emphasises that they are “equalised by competition”. As was discussed with regards to industry, if an enterprise increases the productivity of labour above the society wide average, less labour hours are required to produce a given commodity. This allows a greater proportion of surplus value to be produced on a relative basis. As the market price still reflects the average level of productivity, a *surplus profit* is realised. However, competition within branches of production ensures that each enterprise seeks to enhance their productivity to match the other firms’ surplus profits for the given commodity (Marx, 1967, 197-198). The increase in supply results in the market price falling towards a new value, resulting in an *equalisation* in the rate of profit to an economy wide average.

Marx himself never intended to be able to ‘measure’ the economy wide ‘prices of production’, which remains an abstract concept. Furthermore, under the pre-capitalist conditions of rural Morang where many farms are not driven by profit and are subject to multiple forms of surplus appropriation through production and exchange, it is of limited relevance in understanding the price they receive for their commodities. Nevertheless, the dynamics of productivity differences and profit rates may be of some relevance to those few ‘large’ and wealthier ‘medium’ farmers who are independent peasant producers, subject to lower levels of surplus appropriation by rent and merchant capital, and who sell with a profit incentive.

Although data on agricultural productivity is difficult to verify, the World Food Program (2008b) estimates that Nepal has the lowest rice and wheat yield in South Asia. Table 7-5 demonstrates how according to Asian Development Bank statistics, Nepal lags behind India in terms of per hectare yields of paddy and as of 2000, average yields stood at 2600 kg/ha in Nepal and 3008 kg/ha in India, a difference of around 16%.

Table 7-5: Per hectare Yields of paddy in Nepal and India

Year	1985	1990	2000
Nepal	2016 kg / ha	2407 kg / ha	2600 kg / ha
India	2329 kg / ha	2612 kg / ha	3008 kg / ha

(Source: Asian Development Bank, 2001)

However, given the open market between the two countries, the market price is likely to be influenced by the average levels of productivity or ‘prices of production’ across both countries, resulting in lower rates of profit for Nepalese producers. To compensate for a fall in the market price relative to production costs as a result of imports from higher productivity regions, Marx would assume enterprises could develop the forces of production to compete (Milonakis, 1995)¹⁶. However, given the weaknesses of the Nepalese state, rates of profit can not be easily equalised by a competitive drive to develop the productive forces. Wealthy, profit oriented farmers in Jhorahat expressed dismay at the perception that they must compete with Indian producers in regions with a long history of agricultural commercialisation. Indian producers were felt to have greater access to knowledge of productivity boosting techniques and inputs, partially as a result of the much stronger state extension services and better transport infrastructure. In Marxian terms, such differences in productivity which impact the price received would in theory constitute a transfer of

¹⁶ This would decrease the value of labour power and increases the rate of surplus value on a *relative* basis, allowing the farm to maintain an average rate of profit while selling the commodity at a lower value.

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surplus value from the (predominantly Indian) enterprises with above average productivity to the (predominantly Nepali) enterprises with rates below the average¹⁷.

7.5.3 State weakness, subsidies and market prices

What is perhaps a far more significant cause for differing rates of profit and ‘prices of production’ between Morang and India however, is not associated with productivity levels, but with changes in the cost of the means of production. It is here the withdrawal of subsidies becomes relevant. Many government officials and merchants felt the lack of subsidies was deeply disadvantageous to Nepalese producers as it also allowed Indian farmers to sell at a lower price, thus impacting local market rates in the context of an open border. This represents another indirect transfer of surplus through the price mechanism from Nepalese to Indian producers. Figure 7-12 displays substantial contrasts in the prices for the main three fertilisers between the Indian and Nepalese border towns, differences which can be explained by the fact it is subsidised in India. The price of urea is 68% more expensive in Nepal, the price of DAP is 41% higher, while potash is 48% higher.

One farmer described how jute production had declined in recent years, blaming it on the inability of local producers to compete with subsidised Indian farmers.

“People stopped growing jute as the investment requirements are higher than the income. The price farmers get is very low in the market while the effort the farmers have to put in is high. For that reason jute now is imported from Bihar, although jute can be grown in Nepal ... It is cheaper in India because the government provides the subsidies.”

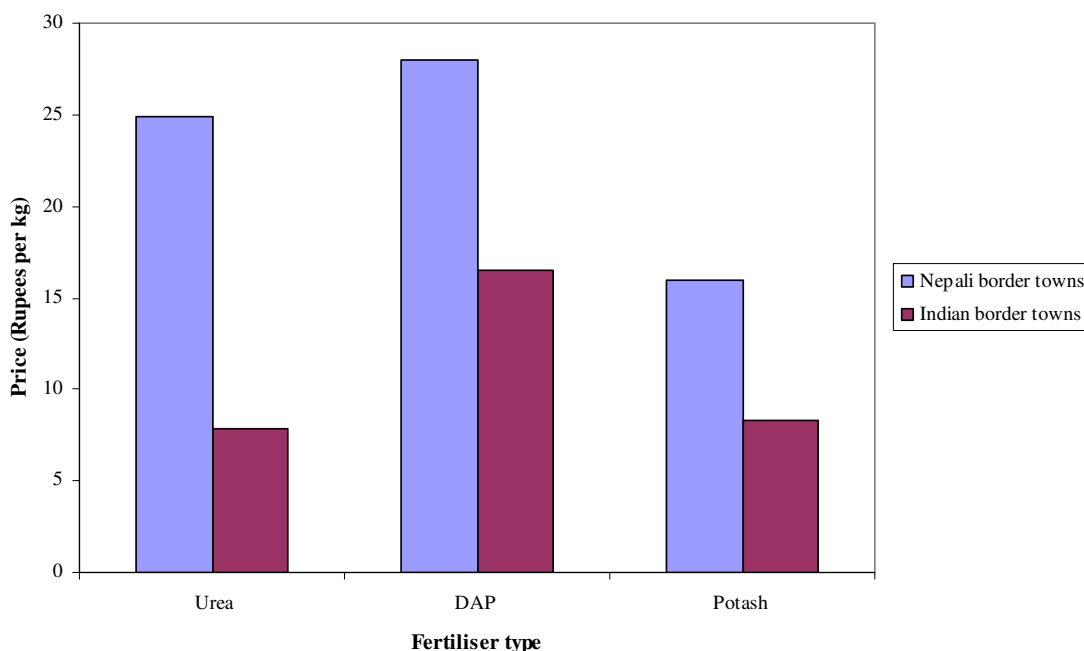
A Tharu respondent from the ‘large farmer’ category meanwhile complained that:

¹⁷ However, Friedman (1980) emphasises that unlike price manipulations through the exercise of class power, such differences in productivity which impact the price do not constitute ‘exploitation’ through the market. As was outlined in chapter 2 with regards to unequal exchange between states as a result of productivity differences, it represents the normal functioning of the Marxian law of value whereby the more competitive firm is rewarded and the less competitive firm penalised through the price mechanism.

“The government should understand the condition of the farmers. If the price of the fertilizer is high then the government should understand that the farmers are suffering and fix the price of the crops so farmers do not have to bear losses.”

Sedhain (2005) suggests that the unrestricted flow of commodities produced by subsidised Indian farmers presents a serious impediment for Nepalese producers while also ruling out any likelihood that farmers can competitively export grain to India, an objective in the APP.

Figure 7-12: Comparison of retail prices for fertiliser in Nepalese and Indian border towns*



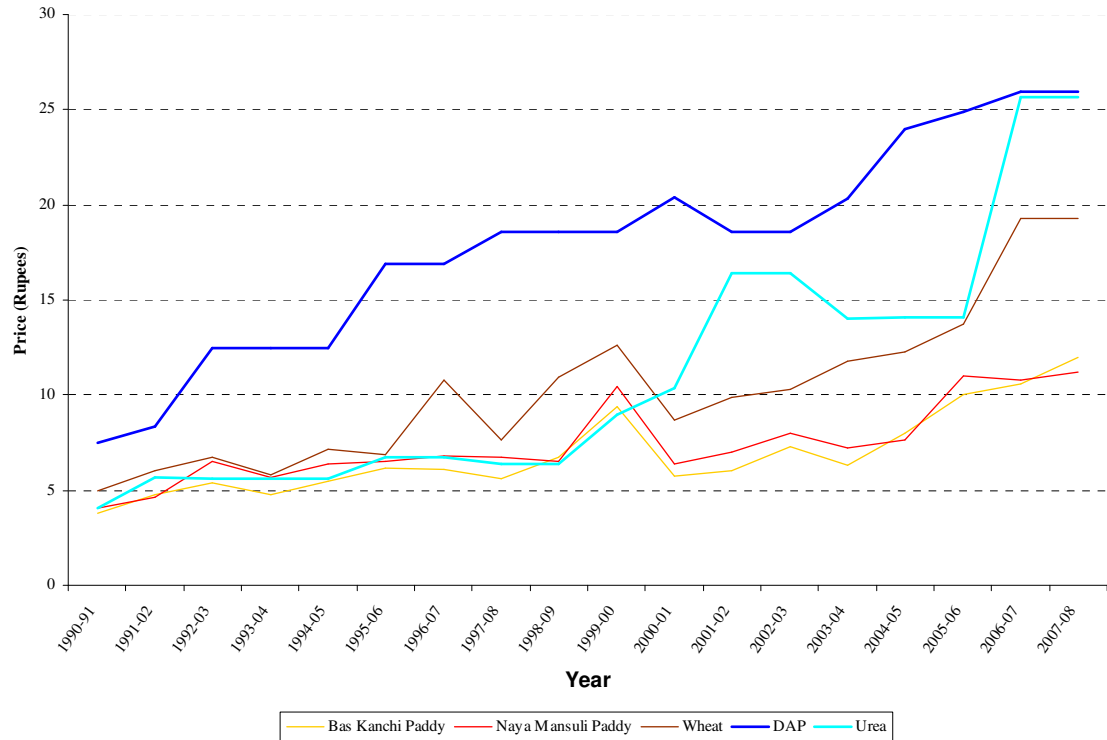
*Nepalese border town rate refers to average retail prices for Biratnagar, Birganj, Bhairawa and Nepalganj. Indian border town rate refers to average retail prices for Purnia & Muzzaffpur in Bihar, and Gorakhpur & Baharaich in Uttar Pradesh.

Source of Data (Nepal Rastra Bank, 2008)

The situation has been made particularly difficult for Nepalese farmers given the disproportionate rise in fertiliser prices to those of agricultural commodities in recent years. Figure 7-13 outlines the official government recommended price of fertiliser against the farm gate post-harvest price for the main grain products, as recorded by the Morang Merchants Association. This suggests that while the price for the two

main fertilisers, DAP and Urea has risen considerably, only the price of wheat has risen at the same rate. The price of the main *Kānchi* and *Naya Mansuli* paddy meanwhile has been increasing only modestly.

Figure 7-13 Official price of fertiliser* against farm gate price of key grain crops over last 18 years on the Morang market**



*This represents the official recommended price for Biratnagar by the government’s Agricultural Inputs Corporation which are fixed annually.

**These are the farm gate prices recorded in a daily survey of grain merchants by to Morang Merchant’s Association (Morang Byāpār Sangh). Unfortunately data was only available on a day by day basis and data sets were not digitised making an annual average difficult to generate. I therefore took the daily price for the first of Kartik each year (around 22nd October) at the peak rice harvest season. I am extremely grateful to both the Morang Merchants Association and the Biratnagar branch of the Agricultural Inputs Corporation for the co-operation and time they offered me in reviewing their archival data.

The issue of subsidies for inputs highlights that the average production costs for Nepalese farmers must remain below those south of the border, a situation which is likely to hinder even the most progressive Nepalese farmers from achieving a profit on their sales comparable to their Indian counterparts.

7.5.4 Lack of mobility of capital between sectors

If there are regional wide disadvantages for producers of a commodity, the Marxian 'law of value' would state that profit rates would be equalised by the mobility of capital between sectors (Friedman, 1980). One may expect in the context of rural Morang that those few households for whom the 'profit' category has any meaning would move out of agriculture into other more profitable sectors. To Marx, this would continue until the falling supply of agricultural commodities stimulates a local price rise, once again yielding an average rate of profit for those producers remaining in agriculture. This theory however, loses its relevance when one acknowledges the immobility of capital in rural Morang, even for those who could qualify as profit oriented or early 'capitalist' farmers. Profit oriented farmers in this context can not easily shift into new trades, many of which are dominated by particular ethnic and caste groups and require considerable prior knowledge.

The strongest evidence of the immobility of capital in the local economy is the fact that for many wealthier 'medium' and 'large farmers' seeking to leave agriculture, the preference was to migrate overseas. This is why many households who have their own land now lease it out as male family members work abroad. While such a movement out of agriculture may differ from that described in classical Marxism, would a fall in supply result in a rise in profits? This also seems unlikely. Those households making a profit such as those from the 'large farmer' category are small in number. Their movement out of agriculture is unlikely to have a significant impact on local supply and market price, especially when one considers the continuous supply of agricultural commodities by the majority who are commercialising on a distress basis in search of subsistence livelihood patterns.

7.6 Conclusion

It can be concluded that there are a series of mechanisms through which the product of households' surplus labour is appropriated in Jhorahat, Bhaudaha and Thalaha through the sphere of circulation. For those commercialising on a distress basis, this

further impedes households from meeting their minimum subsistence needs, while for those producing a secure surplus, these market relations reduce the profitability of agriculture. This also constrains the emergence capitalist development and differentiation from within the pre-capitalist modes of production.

The first process observed is that whereby a disproportionate share of the total surplus produced is appropriated through the market power yielded by different forms of capital in the sphere of circulation. The appropriation of surplus by interest bearing and commercial capital is particularly significant. With regards to commercial capital, it was demonstrated how collusive activity in a relatively concentrated mercantile sector has allowed traders to collectively depress prices, particularly in the Naya Bazaar and Katahari region. Furthermore, this chapter identified further differences in the price received, rooted in the bargaining power and class position of market actors. Wealthier producers maintain some level of bargaining power which ensures they receive a more favourable rate while building up long term relations of trust with the *kaṭṭhāwalas*. Poorer producers however, many of whom are integrated into semi-feudal relations of production and who commercialise largely on a distress basis, are often compelled to accept highly unfavourable rates for their commodities. The manipulation of prices by merchants is made more acute through the interlinkage of commercial and interest bearing capital in contracts. When farmers are in debt to the *kaṭṭhāwala* they have a greater power to depress prices as a form of ‘concealed interest’. With regards to interest rates on loans, it is evident that like prices themselves, the rates are determined by both the exercise of oligopsony power and the class position and bargaining power of the household, which is again, rooted in production relations. These two forms of merchant capital represent a drain of surplus out of agriculture which is consumed and does not reappear elsewhere in the economy.

Another form of capital however, which was shown to extract surplus through the sphere of circulation is industrial capital. Unlike merchant capital which can be considered in many ways part of the semi-feudal mode of production, industrial

capital is part of a capitalist mode of production and thus suggests another loose articulation between pre-capitalist and capitalist economic formations. Although further research is necessary, there is evidence that in exchange between merchants and industry, the grain processing mills are able to collude to further depress prices, securing a cheap supply of raw materials.

There is however, a less direct mechanism through which prices are depressed, associated with trade between Nepal and India and the differing role of state institutions. While market prices are arguably influenced by production conditions in both countries, the better state support services in India which improve agricultural productivity and provide farmers with subsidies depress the local prices in Morang at the expense of Nepalese producers. Meanwhile, there is little mobility between sectors which may raise local prices to compensate for the relatively high costs of production in Nepal. This is of course intricately connected with the Nepalese social formations' position in the global economy and the associated class alliances which historically hindered the emergence of a developmentalist state and rendered Nepal more vulnerable to state cut backs under neo-liberal restructuring.

One of the most important conclusions from this chapter is that for those who participate in the market, the size of one's profit on agricultural sales and indeed whether or not they can achieve a profit at all, is intricately connected with the relations of production they farm under. The burden of ground rent severely reduces the profit rates of households integrated into semi-feudal production relations. Merchant capitalists can take advantage of the associated economic insecurity of such producers and extract a further portion of their surplus through manipulations of the market price, often enforced by debt bondage. This serves in the long term to further reproduce the semi-feudal mode of production. However, one must not lose sight of the processes which appear to occur relatively independently in the sphere of circulation, explaining why even wealthier farmers producing under independent peasant relations of production find it difficult to accumulate capital. These include the lower state support and less favourable production conditions in Nepal and the collusive price fixing by both industrial and merchant capital.

8 The political economy of agricultural knowledge diffusion

8.1 Introduction

Thus far it is evident that the APP is far from meeting its goals in achieving the envisaged transformation in agriculture from subsistence production to profitable petty commodity production. The same underlying processes which have hindered the success of the APP have blocked the development of capitalism in agriculture out of the existing independent peasant and semi-feudal mode of production. In chapter 6 it was established that farmers face severe difficulties in developing the forces of production to facilitate the production of a surplus. Poorer producers such as ‘small’ and many ‘medium’ farmers are unable to invest in inputs, primarily as a result of the rent burden, while there are few incentives given the poor returns, particularly for those on sharecropping tenures. A further set of investment constraints relate to high cultural capital expenses and surplus appropriation by merchant capital driven by indebtedness and price manipulation.

However, enhanced use of inputs is not the only means through which households can develop the forces of production. As was outlined in chapter 2, Althusser and Balibar (1968 215) define the ‘forces of production’ as the relation between the labourer and the means of production. The development of the productive forces thus entails not only the use of new inputs but the building up of other more subtle relations between producers and the land through the introduction of new cultivation techniques which enhance the productivity of their labour. This brings us back to the APP and its ‘priority inputs’, four of which may facilitate the development of the productive forces, helping farmers produce a surplus to undermine the semi-feudal production relations. Three of these, ‘credit’, ‘irrigation’ (primarily from tubewells) and ‘fertiliser’ have had limited impact given the difficulties farmers face in increasing input expenditure and accessing credit. However, does a fourth priority

input, 'technology', which can boost yields without necessarily entailing increased expenditure, have some potential to facilitate the production of a saleable surplus?

The APP's 'technology' section promotes intensified research and extension initiatives aimed at facilitating multiple cropping, productivity enhancement and more efficient use of inputs. Some of the new techniques being promoted in Morang in this context, such as the innovative System of Rice Intensification have a real potential to significantly increase yields while actually requiring a net decrease in the levels of inputs used. The introduction of new techniques is however, dependent upon farmers gaining access to an important non-economic resource, namely *agricultural knowledge*. This was already touched upon in chapter 6 where one potential source of knowledge within the semi-feudal mode of production, the absentee landlords was discussed. It was concluded that they have little interest in boosting productivity on their estates and thus play a marginal role in the transfer of innovations. However, there are alternative sources of agricultural knowledge. Firstly there are government and NGO run agricultural training programs. Secondly, there are pre-existing agricultural knowledges which have been inherited over the generations. Both new and old knowledges can be diffused through informal social networks within communities. However, as will be argued, both participation in training programs and access to social networks is intricately connected with the relations of production. This chapter seeks to identify these relationships and casts further doubt upon the likelihood that poorer producers can develop the productive forces through new techniques to facilitate transition to a new mode of production.

Following a brief overview of agricultural extension initiatives in section 8.2, section 8.3 examines the neo-liberal ideologies of 'social capital' which have had a considerable influence on the ways in which agricultural services are delivered throughout the world. It is assumed that informal social networks and associations can be harnessed both during the implementation of agricultural training programs and for the long term diffusion of knowledge into the community. However, these theories of social capital have come under considerable scrutiny for their failure to engage with social structures such as class, caste and gender.

Based upon this critique there is evidence of considerable structural constraints which hinder the utility of informal social networks and associations in Jhorahat, Bhaudaha and Thalaha for knowledge dissemination. Section 8.4 examines instances whereby certain communities are directly excluded from training programs. As initiatives themselves tend to utilise existing social connections in providing training through 'farmer groups', there is evidence that the existing cultural and political divisions in the community structure farmers' participation. Such divisions also hinder the natural dissemination of agricultural knowledge between households.

However, it is argued in section 8.5 that exclusion from both training programs and informal networks is not actually a result of ideological divisions, but is associated more directly with the relations of production and its impact upon the economics of time management for labouring household members. It is also demonstrated how the concentration of poverty and landlessness in certain communities further isolates many of the poorer strata of the peasantry from information sharing networks.

Section 8.6 is concerned with the unequal access to agricultural knowledge within the household. There is evidence that the majority of farmer groups and training programs oriented to boosting grain production are dominated by men. This is both a result of direct discrimination as a consequence of gender ideologies and exclusion which is directly linked to the much greater labouring commitments of women farmers. The exclusion of female producers has a particularly negative impact given that women do most of the agricultural labour in grain production and thus can most effectively mobilise new techniques. This in turn leads to intra-household conflict and makes it more difficult for new agricultural techniques to be successfully implemented.

8.2 Developing the forces of production through improved techniques and the diffusion of knowledge

8.2.1 Innovations in rural Morang

Agricultural extension is the primary source of new agricultural knowledge in rural Morang. Extension initiatives are implemented primarily by the district agricultural office and occasionally by local NGOs, and include the promotion of both new commodities and improved techniques to boost production of existing crops. Given the suitable soils, Katahari VDC, along with the neighbouring VDC of Sisabani Jahada to the south of Bhaudaha and Thalaha, have been designated by the government as proposed agricultural development ‘pockets’ where intensive vegetable production is to be promoted (DADO, 2005). Nevertheless, in Jhorahat, Bhaudaha and Thalaha, the focus of initiatives is to improve the productivity of grain staples, in line with the primary Terai strategy of the APP. Indeed this is the focus for much of Morang district, which remains an important source of grain for Nepal’s urban areas, particularly the Kathmandu valley.

Initiatives which potentially can allow farmers to develop the forces of production and increase labour productivity include for example Integrated Pest Management (IPM) and most notably, the System of Rice Intensification (SRI). SRI has the potential to double paddy yields through changes to the plantation technique such as early transplantation from nursery plots, widening the space between seedlings, reducing the levels of irrigation and frequent weeding (Uprety, 2005). The technique is particularly suitable for smaller producers. Not only does it improve their grain security, but field studies in Morang suggest it requires fewer seeds¹, less fertiliser and lower levels of irrigation. In addition it was reported to require 7-30 days less time to mature when compared with conventional techniques (Uprety, 2005). A

¹ SRI cultivation requires just 5 to 10 kg of seeds per hectare in contrast with conventional methods which require 80 – 120 kg (Uprety, 2005).

farmer we spoke to who had utilised SRI reported yields which had increased from 4 maund to 8-10 maund per *katthā*².

8.1.1. Neo-liberal downsizing, civil society institutions and extension

While it is clear that some of the initiatives which are being promoted locally have the potential to significantly develop the productive forces and facilitate the production of a saleable surplus, what are the mechanisms through which these innovations are diffused? An institutionalised agricultural extension system was first introduced in Nepal in 1951 soon after the collapse of the Ranas (K.C et al., 2003) and each district has a central office and numerous local level agricultural service centres responsible for extension activities. The Morang Agricultural Office that is responsible for most extension work clearly has a lot of potential to promote agricultural growth in the district. It has been the first district office in Nepal to promote the SRI method, something that has given its staff much acclaim in international development circles and I met enthusiastic and committed staff when visiting the office.

However, the outreach of the Agricultural Office is limited given that it appears to receive inadequate support from the central government for its programs, despite the emphasis on extension in the APP. As was outlined in chapter 2 and 7, Nepal is far from establishing a ‘developmentalist state’ such as that which drove India’s so called Green Revolution, and this appears even more remote in a neo-liberal era. In recent years, as economic restructuring has forced the government to cut expenditure for an already weak public sector, there have been massive budgetary cuts in extension services in Morang. There had initially been seventeen agricultural service centres in rural areas of the district, which implemented extension schemes at the village level. Several years ago this was cut to four centres and three sub-centres, and the staff numbers were cut from 79 to 49. Furthermore, staff of the district office complained that the field workers who have the most contact with farmers, were

² 1 *katthā* = 0.05 bighā or 0.035 hectares.

severely under resourced and had huge responsibilities. For example, the farmers in Bhaudaha were expected to seek support from the agricultural service centre in Katahari VDC to the south. The staff of this service centre are responsible for all extension work in ten of the surrounding VDCs. It was remarked locally that many field staff in the district are poorly paid and suffer from low morale.

However, in the context of state cut-backs under neo-liberal restructuring, government service providers have been able to compensate partially through the increased reliance upon civil society institutions for service provision. Between the 1980s and 1990s there was a shift to a more decentralised ‘group approach’ to extension in Nepal with an increased focus on utilising farmers organisations for technology verification and transfer (IDL Group, 2006; K.C et al., 2003). The public sector has moved to become more of a “service provisioner” than “service provider” (K.C et al., 2003). This shift in recent years is by no means restricted to agricultural extension but represents a trend towards decentralisation and privatisation of service delivery across Nepal’s development sector (Dhakal, 2008). The Local Self Government Act of 1999 represented a landmark intervention in the decentralisation process. Aside from attempting to increase the governing responsibilities of local units of administration such as the VDC and DDC the act sought through these institutions to support local NGOs and Community Based Organisations (CBOs) in implementing ‘participatory’ programs in rural Nepal (Shakya, 2008). While the role of locally based participatory institutions in Nepal’s rural development have been examined in sectors such as community forestry (Nightingale, 2005) and microfinance (Rankin, 2004; Rankin & Shakya, 2007), little work has examined the role they play in agricultural development.

There has been a proliferation of ‘farmer groups’ in recent years in rural Morang, composed of informal associations of producers. Some are concerned primarily with agriculture while others maintain other functions such as small scale credit and saving schemes. Government and NGO agricultural service providers will frequently implement programs through training members of these CBOs with the anticipation that techniques will be then be taught to the rest of the community, either informally

or formally. The entire group may be trained, or the group will send representatives, who will then report back at the next meeting. The groups utilised for service delivery are generally composed of farmers from the same community and usually exist prior to training programs. Nevertheless, development service providers sometimes intervene in excluded communities to form groups or bring together 'leader farmers' for training, representing different wards of the VDC (see Figure 8-1). Through such decentralised training methods, many households have been able to adopt new techniques such as SRI. Between 2003 when the first SRI experimental plot was established, the area under SRI cultivation in Morang had increased to 200 hectares, involving over 2000 households (Uprety, 2006b) (see Figure 8-2).

Inherent in the approach based upon farmer groups is the assumption that by teaching a few 'progressive' well organised farmers, they can offer each other mutual support in the implementation of innovations. Most importantly however is the anticipation that knowledge can then be spread to the remainder of the community through social networks. In interviews with farmers it was remarked that agricultural knowledge was often picked up from neighbours or friends informally through day to day interactions. In fact, this does not only apply to knowledge diffused through the farmer groups. There is a diversity of agricultural knowledges in rural Morang. For example, although Katahari VDC has been promoted as a 'pocket area' for intensive vegetable cultivation, castes such as the *Kushuwaha* have been producing vegetables for the market for generations and have extensive indigenous knowledge. New knowledges are also imported from farmers who have worked in other districts of Nepal or in India. Furthermore, women often bring different agricultural knowledge from their maternal homes in distant villages following their marriage.

However, how effective are both farmer groups which build upon pre-existing social associations and the wider social networks of the community for the diffusion of knowledges with the potential to boost productivity? In the context of state restructuring, neo-liberal policies have championed the utilisation of such pre-existing social connections in development initiatives, and it is to these ideologies this chapter now turns.

Figure 8-1: Leader farmers representing each ward of the VDC taking Integrated Pest management (IPM) training in a Jhorahat school.



Figure 8-2: System of Rice Intensification (SRI) nursery plots near Jhorahat: SRI has the potential to significantly boost rice yields.



8.3 'Social Capital' in Agricultural Programs

8.3.1 Social capital

The trend towards decentralisation of service delivery is in many ways influenced by the renewed emphasis in a neo-liberal era of the roles that “civil society” and “community” should play in development initiatives (Harriss, 2002; Rankin, 2004). This approach, which promotes a greater participation of ‘the people’ arguably has much in common with the new ‘self-help’ subjectivity that is increasingly imposed upon citizens (Rankin, 2004). Civil society and community are increasingly recognized as the third element of an economic system alongside the state and market (Aoki & Hayami, 2001). It is assumed they can fill the vacuum left by the state in the context of reduced public spending under economic liberalisation (Harriss, 2002; Rankin, 2004). There is often much ambiguity as to what exactly ‘social capital’ constitutes (Fine, 2001). Nevertheless, it is commonly understood to refer to the social connections between individuals in civil society that encourage collective action from which individuals mutually benefit (Ostrom, 1999; Putnam, 1993; Woolcock & Narayan, 2000).

Early use of the term was associated with the work of Putnam (1993), whereby greater ‘social capital’ was suggested to be responsible for the superior economic development in Northern Italy over that of the South. Putnam suggested that dense networks of horizontal associations between members of civil society in the north fostered more effective governance and enhanced economic growth. His work has been applied throughout the world to apparently ‘explain’ poor economic performance, and the associated debates surrounding the concept of ‘social capital’ have become highly influential in development thinking recent years (Narayan, 1997; Narayan & Pritchett, 1999; Woolcock & Narayan, 2000; World Bank, 2003). It is claimed by policy makers that the informal networks and associations ‘social capital’ consist of can facilitate co-operation and co-ordination between different ‘self maximizing individuals’, reducing costs of doing business and improving efficiency (World Bank, 2003). In line with neo-liberal ideologies of self-help, it suggests that

individuals can look after themselves through their own social connections rather than through state support and it is a crucial element in the process of further integrating previously isolate regions into capitalist markets (Rankin, 2004).

What however, is the relevance of the concept for agricultural extension in Morang? While the term 'social capital' is not explicitly used in the APP, its ideological influence is evident in the models of agricultural extension mobilised by development institutions locally. Firstly by utilising groups of well organised farmers to introduce new techniques, initiatives could be interpreted as attempting to 'harness' existing 'social capital'. The strong often pre-existing social connections between participants, allow them to offer each other mutual support and ensure the smooth operation of the program. Secondly, the assumption that the broader social networks of the village will allow the dissemination of new knowledge would also be interpreted as constituting another use of 'social capital'.

A number of studies have investigated the use of 'farmer groups' for knowledge diffusion through the lens of this concept (de Haan, 2001; Isham, 2000; Reid & Salmen, 2000). Using examples from Mali, Reid and Salmen (2000) note that as in Nepal, development institutions seek to both harness existing 'social capital' in creating 'contact groups' of close-knit farmers who can be taught new technologies by extension agents. It is anticipated that the wider social networks of the community will be valuable for the dissemination of the new agricultural knowledge to other farmers who have not directly participated (Reid & Salmen, 2000).

8.3.2 Critique of social capital

Despite the increased influence of the concept of 'social capital' in development theory, it has been subject to a considerable critique, casting doubt upon the capacity of pre-existing social associations to facilitate the dissemination of agricultural innovations in Morang. At first glance, the increased attention to social capital in development strategy could be interpreted as a 'progressive' move, as it moves

beyond neo-classical notions of the economy as an abstract sphere of exchange set apart from social relations. However, a closer examination of the concept reveals that it actually *reinforces* this artificial division between the social and economic (Fine, 2001; Harriss, 2002). Fine (2001) argues that all capital is indeed ‘social,’ as by its nature it is embedded within particular socio-economic systems. For example, under capitalism, the accumulation of capital is dependant upon the production of a surplus through class relations. The term ‘social capital’ suggests however, that there is a separation between the ‘social’ and ‘capital’, implying that the economic is otherwise non-social, thus glossing over class relations (Fine, 2001).

In a similar vein, one could argue that the neo-liberal rhetoric of social capital in rural Morang, alongside ideologies of entrepreneurship, can divert attention from the exploitative impact of capitalist expansion. However, as was argued in chapter 3, the ideology also overlooks deeply entrenched pre-capitalist class relations and their ideological and political manifestations which impede capitalist expansion in the first instance. Therefore the limitations of the social networks and associations which supposedly constitute ‘social capital’ echo the broader constraints presented by pre-capitalist class relations to profitable commercialisation and capitalist transition.

8.4 Accessing agricultural knowledge and identity based divisions

8.4.1 Identity based exclusion from self-organised farmer groups

Before examining the impact of the relations of production on the dissemination of agricultural knowledge, it is useful to examine the non-economic divisions within the community around which there is considerable literature (Clever, 2001; de Filippis, 2001; Rankin, 2004; Romani, 2003). These identity based divisions, which facilitate the reproduction of particular economic relations, play a role in structuring the dissemination of knowledge. Clever (1999) suggests that development programs frequently tend to assume there exists a single cohesive ‘community’

prepared to engage in collective action for the mutual benefit of all while underestimating the salience of power relations and divisions. It is argued that 'community' can be defined more realistically as a "site of both solidarity and conflict, shifting alliances, power and social structures" (Cleaver, 1999, 604). Interviews suggested that the communities of Jhorahat, Bhaudaha and Thalaha are by no means cohesive. In the context of deeply entrenched divisions, there is evidence that the farmer contact groups through which agricultural training is organised and innovations are introduced are by no means open to all social groups.

To understand what structures exclusion or inclusion in training programs it is useful to examine the observed social divisions which shape the day to day social interactions of local people, and how these go on to determine one's participation in farmer groups. As was argued in chapter 5, caste relations have never been as strong in Morang as compared to some of the regions further West where a greater composition of the population include Maithili speaking caste Hindus with a deeply entrenched hierarchy. Nevertheless, as was also suggested in chapter 5 an informal sense of hierarchy has emerged within these communities over the decades given the history of their subordination to feudalism and the rise of a functionary class. Even the indigenous peoples have achieved a position in the hierarchy.

The strength of caste relations had certainly declined during the People's War, where there were extensive Maoist campaigns against practices of untouchability. Nevertheless, while most villagers expressed in theory that they do not believe in casteism, in practice it appears that caste remains significant in structuring day to day social relations. I rarely observed social interactions between members of the Dalit community and indigenous groups. Meanwhile, casteist perceptions of the 'backwardness' of so called 'low caste' communities (including non-Thāru indigenous groups) were still mobilised by respondents during discussions. Ethnicity alone also plays a role in structuring social relations, most notably between Nepali

speaking Hindus of hill origin such as the Brahmin and Chettris, the indigenous groups such as Thāru, Jhagar and Rajbanshi, and the Maithili speaking castes³.

As has already been established, to implement agricultural training, service providers sometimes develop their own farmer groups, but more often than not build upon pre-existing community organisations to implement programs. However, contrary to the assumptions in ‘social capital’ ideology, Prezeworski (1985) argues that social connections do not simply develop out of a society composed of undifferentiated individuals. There is evidence that the pre-existing ‘farmer groups’ which are harnessed by development agencies are often composed of individuals from the same castes. This parallels Romani’s (2003) study in Cotê d’Ivoire, whereby it was found that households from ethnic minorities were less likely to be a member of an extension group.

In Morang however, this does not necessarily reflect conscious exclusion of particular ethnicities or lower castes by group organisers. Given that such groups are usually established in the first instance by farmers themselves rather than by service providers, they reflect the shared cultural and familial bonds between members of the same ethnic and caste community. As one farmer group organiser remarked:

“In theory in a [farmers] group there should be people from different castes and classes. However, the reality is that in a group, if there are people with similar interests, then the group can work for a long time effectively.”

We were informed that in many cases, when a new farmer group is established, they develop it from within their immediate social circle which generally reflects one’s pre-existing caste and kin networks. Those from outside this circle are often not informed about initiatives. When we asked one Thāru farmer in Pidarboni, Jhorahat,

³ These divisions were further entrenched during the 2007 and 2008 *Madheshi Andolan* when divisions between hill settlers and Maithili speaking and Terai indigenous communities were tested. This was complicated further by a 2009 agitation by the Thāru, who claimed separate identity and political rights from the other plains based ethnicities.

why they had not participated in farmer groups they simply responded that the organisers only inform those to whom they share close relations.

“They only tell their relatives. For example if the RRN⁴ organizes the training they don’t tell us but they only inform the people they know... we all have a right to participate but we are not informed.”

The exclusivity of many of these groups could seem unproblematic were each ethnic or caste based community to have its own active farmer groups through which they could receive training. However, most groups are composed of Brahmins and Chettris, the Terai middle castes and the Thāru. 76% of sampled households who had participated in agricultural training programs were from these three communities, despite the fact that they comprise of only 44% of the total sample. Given the historical privileges accrued to the Thāru and Brahmin/Chettri, they generally have a greater political power and a wider network of ‘contacts’ with the local state and development institutions. This of course improves their capacity to harness the benefits of new training opportunities which arise through the medium of farmer groups. Furthermore, the higher level of education and organisation within this community makes it easier for them to form ‘farmer groups’ in the first instance.

Of course, some farmer groups do still include members of other caste or ethnic communities, however, this does not imply they are becoming more inclusive, but instead appears to reflect separate bonds of solidarity which are emerging in rural Morang. In this context, members of even the more dominant castes can be excluded. There are a number of further divisions which have become increasingly pronounced in recent years, such as the rise of Christian conversions, particularly amongst the indigenous communities⁵. Some of the Christian converts felt excluded

⁴ RRN refers to Rural Reconstruction Nepal, a Nepali NGO with an office nearby.

⁵ Singh (2007) suggests that the rise in Christian conversion amongst Indian adivasi communities is associated again with the undermining of communal norms in the context of their subordination to capitalism and feudalism. New religions often represent a break with the communitarian principles of the older adivasi social formation by advocating the veneration of external deities and individual liberation.

from farmer groups on the grounds of their religion. When we asked one farmer if there were any training programs locally or farmer groups he could join he replied:

“I don’t know. They don’t inform us and don’t include us because we are Christian. It has been 57-58 years. I have not even participated in any political parties. I don’t trust people. I only trust in God”⁶.

The quotation above also raises the issue of political party membership, which represents another significant division in the study VDC and has been strengthened by the recent People’s War, the upsurge in ethnic politics and the post-conflict Constituent Assembly elections which took place during this study. Dhakal’s (2008) study from nearby Kaseni VDC suggests that participation in community organisations is influenced considerably by political party affiliation. This does not necessarily imply deliberate exclusion but often represents voluntary non-participation by individuals to boycott organisations run by rival political factions (Dhakal, 2008).

8.4.2 Identity based exclusion from social networks

Just as ‘farmer groups’ emerge from existing social associations which form along the axes of caste, religion and political affiliation, these social divisions also appear to influence the spread of agricultural knowledge between households within the community. While all community members are integrated into a variety of social networks on a day to day basis through which knowledges diffuse, these associations themselves appear to develop along the lines of the structural divisions outlined above. This echoes Prezeworski’s (1985) argument that although individuals may all organize into particular groups and engage in collective action, the utility

⁶ Nevertheless, some of such households could compensate through forming their own farmer groups and receiving support from primarily Christian oriented NGOs. We met one church leader who had travelled to Kathmandu to take SRI training. He subsequently returned to the community to form a farmers group.

maximising benefits that collective action can bring is dependant upon one's structural position.

In the context of the study villages, just as 'farmer groups' themselves emerge along the lines of existing social divisions, new knowledge does not then go on to diffuse unproblematically through word of mouth to the rest of the community. This casts doubt upon the capacity for development institutions to rely on knowledge sharing networks for the diffusion of agricultural innovations beyond the immediate social circle of the farmer group members. It appears that the lower levels of social interactions between members of different social groups and the strong *internal* bonds of cohesion hinder the informal transfers of information taught during training programs. For example, the Jhagar and Rishidev (Musahar) communities in Jhorahat VDC not only fail to participate in many training programs, but as they rarely interact with the castes that dominate the farmer groups, they are less likely to pick up knowledge on an informal basis. Some had not even heard of the initiatives such as SRI.

The dissemination of information through restricted social networks of course does not just refer to innovations introduced from outside, but to long established indigenous agricultural knowledges. For example, in chapter 6, the success of Katahari's Kushuwaha caste in utilising organic techniques was briefly discussed. They are traditionally vegetable cultivators by occupation and have a long history of market orientated livelihoods. Within the networks of this closely knit group, skills and techniques for vegetable cultivation have been transmitted from households to household and generation to generation, thus giving them an advantage over other communities. They also have strong links with 'progressive' farmers on both sides of the international border. However, discussions with members of this community suggested that much of the expertise remains strongly within the caste group and many of the indigenous farmers surrounding the Kushuwaha settlements in Katahari remain extremely poor.

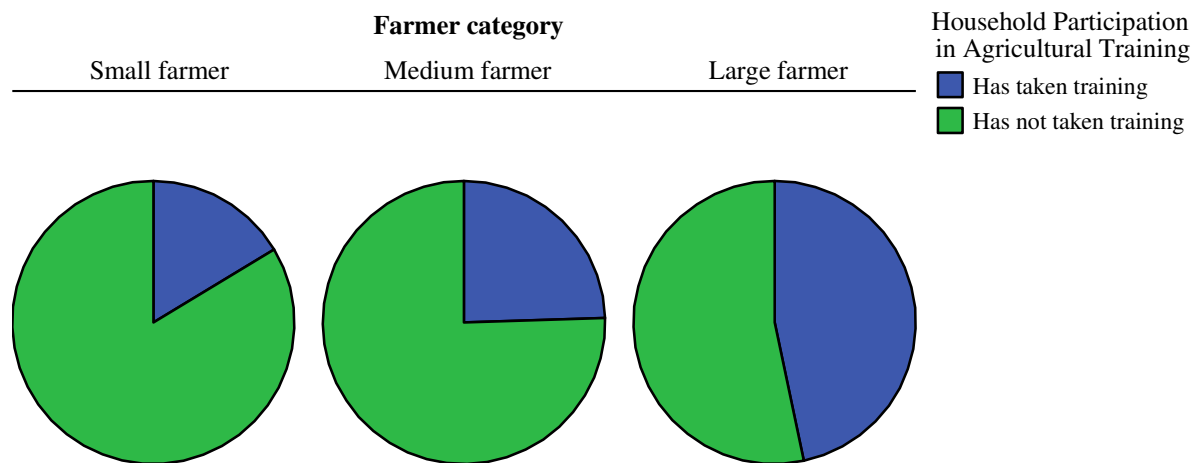
8.5 Access to agricultural knowledge and relations of production

8.5.1 Importance of class in structuring social identity

It is evident that cultural and political division within the community have hindered the dissemination of knowledge, exposing the inherent weaknesses of ‘social capital’ ideology. This occurs as a result of the multiple cultural and political identities which determine a given individual’s social circle and the likelihood that they will be invited to join a group. These include one’s caste or religious group, one’s ethnicity or one’s political party affiliation. What appears however to be the most significant division which structures group participation and access to knowledge sharing networks is that of class. With regards to participation in training programs alone, Figure 8-3 shows that only 16% of small farmer and 24% of medium farmer respondents reported that household members have taken agricultural training, despite these poorer households being the target of many extension initiatives. Meanwhile, 47% of large farmers stated that they had participated in training.

There are a number of explanations as to the lower participation of ‘small’ and ‘medium’ farmer households in training programs and unequal access to knowledge sharing networks. Firstly, the three castes that dominate farmer groups, namely the Thāru, Brahmin/Chettri and the Terai middle castes, also have the highest proportion of wealthier households, as was discussed in chapter 6. Out of the ‘large farmers’ 87% are from these three caste groups, while 74% of the ‘small farmers’ and ‘landless labourers’ are either dalit or from one of the other indigenous groups such as the Rajbanshi, Bantar or Jhagar. By noting that most wealthy farmers are also higher caste, one would assume they are also more likely to have access to a more exclusive caste based social circle out of which farmer groups can be formed, while also being integrated into knowledge sharing networks which develop along the lines of caste based association.

Figure 8-3: Proportion of households who have participated in agricultural training in last year by household category



However, there were some wealthy farmers from traditionally ‘lower’ castes, who still participate in farmer groups alongside their higher caste counterparts, while also appearing to be much more strongly integrated into the wider social networks of the community. Similarly we met many poor higher caste households who rarely participate in farmer groups and appear relatively isolated from the village social networks. This can be understood by acknowledging that cultural identity based upon one’s caste is often blurred by class based social status. There was evidence that some prosperous households from ethnic groups considered ‘lower’ caste such as the Bantar have developed strong bonding relations with other wealthy farmers with a higher caste status and thus frequently participate in farmer training programs. While notions of caste based cultural status and identity facilitate the reproduction on an ideological level of local level relations of production such as the relations between labourers and large farmers, they can be replaced by class based identities in the context of shifting economic fortunes⁷. This points to trends across South Asia whereby the economic logics of the market mean identities and ideologies based upon caste and ethnicity have been blurred by those of class (Jeffrey, 2001; Mendholson, 1993; Rankin, 2004; Vasavi, 1998). In Nepal for example it has been

⁷ For example the ideologically loaded relations between Thāru labourers for wealthier Thāru farmers appeared to replicate those described between castes as described in Rankin’s (2004) study. Poor Thāru farmers often appeared to demonstrate reverence to those for whom they labour, often referring to them as *mālik*, implying someone in a position of authority on whom one is dependent.

argued that there is an emergence of a new class based cultural status founded on consumerism that has diluted caste divisions within Nepal (Liechty, 2003; Rankin, 2004).

However, this explanation which is grounded in a cultural understanding of class, still assumes that exclusion from agricultural knowledge is a consequence of one's status and identity on an ideological level, which goes on to influence one's day to day social associations. Direct exclusion as a result of one's cultural or political identity is of course still important and has been well researched in critiques of social capital discourse (de Filippis, 2001; Harriss, 2002; Romani, 2003). In line with Althusser's conceptualisation of determination in the last instance by the economic level, such culturally grounded identity based divisions can be argued to arise in the context of the ideological reproduction of particular relations of production. However thus far, few critiques of 'social capital' have identified more direct mechanisms through which production relations structure access to social associations and networks. It is necessary to look at the *material* impact of households' integration into semi-feudal, independent peasant, and capitalist relations of production in order to understand their capacity to either participate in training programs or access knowledge sharing social networks.

8.5.2 Relations of production, time management and access to agricultural knowledge

'Free time' and participation and farmer groups and training

There is evidence that perhaps the most significant factor in determining one's access to agricultural knowledge is the labouring commitments necessary to reproduce one's household and the hours of 'free time' household members have. By using the labour of other households rather than the labour of their own family members, and through the investments in productivity boosting inputs, larger producers can reduce family labour commitments. The time which is subsequently made available can be

used to both form farmer groups and participate in training programs through these organisations.

More marginal farmers on the other hand, generally have the greatest workload. Unlike their wealthier counterparts poorer producers use less technology and employ far fewer outside workers. They are thus more reliant on fully utilising their family's labour on their farms to meet their subsistence needs. Family labour itself meanwhile, must be used intensively. As was discussed in chapter 6, a large portion of the product of such households' aggregate 'surplus' and even 'necessary' labour time is appropriated through rent, interest and price manipulation on crop sales. 'Small farmers' in particular, have to intensify their household labour to meet the needs of simple reproduction, 'extending the working day' on their farms or more often, in the off farm economy. One large farmer, who had himself chaired a farmer group, illustrates the benefits they hold over smaller producers with regards to time management:

“What is happening here is there are many farmers with small amounts of land. Farmers spend most of the time cultivating these small holdings and waste time. Instead what we can do is farm using tractors and modern techniques and finish the work quickly in the field. In that way time can be saved and farmers can be involved in other activities also.”

Even when poorer producers are members of farmer groups, or are invited to join training schemes, many of them actually opt out or give up as a result of time constraints. This can explain why participation of poorer households in agricultural extension programs remains low even when service providers seek to specifically target poorer and traditionally excluded households to form 'inclusive' farmer groups⁸. Dhakal (2008) notes that members of the dalit community in nearby Kaseni VDC prioritise work over membership in community groups. Work yields instant results, whereby participation in a group yields only indirect longer term benefits. In

⁸ There are a few examples of farmer groups being set up which specifically target groups of poorer producers to train them in productivity boosting techniques or vegetable production.

the context of Jhorahat, Bhaudaha and Thalaha, it is therefore understandable why households such as those from the ‘small farmer’ category who struggle to meet their minimum subsistence needs, can not be easily persuaded to give up valuable labour time to take part in farmer group activities. One Thāru man from a ‘medium farmer’ household who had participated in a program through a farmer group explained how the time constraints combined with the lack of perceived immediate results led him to quit the training after just a day:

“I went for one day and left ... This time what happened was I was planting rice when the training was going on so could not participate. When I had gone there, they taught us how to use certain fertilizers but I do not think it worked well so I just left the training. I thought it was useless.”

The exclusion of poorer producers from training programs is particularly ironic given that techniques such as SRI are in fact more suitable for smaller producers than larger more commercial producers, given the need for extensive careful weeding (Uprety, 2006a). Many farmers felt this was not possible for larger holdings⁹.

Lack of free time does not only constrain farmers from participating in training programs, but hinders the educational development of younger family members, with implications for agricultural productivity. In *The Agrarian Question*, Kautsky (1988, 111) observes that the ‘overwork’ smaller farms are compelled to engage in draws a greater amount of young people’s labour into agricultural activities. This prevents them from developing their agricultural knowledge through education, with implications for the household’s future. This certainly appears to be the case in the study villages, whereby most of the poorer producers take their children out of school at an early age to help on the farm and contribute to household income. On the other hand, young people from wealthier households have a much higher level of education and I even met some who had been specifically educated in agricultural

⁹ Field study by Uprety (2006) notes the local perception that hired-in labourers used by larger producers are more likely to be careless in weeding.

sciences when they were younger. One of these individuals was a large Kushuwaha farmer in Katakari who has a degree from an Indian university.

While direct training in agricultural science has obvious benefits, the advantages of education for the utilisation of new knowledge was on the whole far more subtle. Respondents suggested that given their greater economic security, farmer group members who take up training opportunities are composed predominantly of more educated farmers. Not all training programs involve practical demonstrations and they are often based upon teaching farmers 'theoretically', often in schools or the village development office. It was suggested that those who possess less education find it more difficult to understand what is being taught during the training programs, discouraging them from participating (see Figure 8-4). One Brahmin man from a 'small farmer' household in Jhorahat bazaar explained why he had given up one training program:

"Most of the time I do not have time to take the training from home. Also, in the training many things are discussed and taught but they are not demonstrated practically. If you can read and write it is easy to learn things. I also had gone there but I was not happy as it was theoretical training only so I quit because I believe in practical knowledge."

The respondent is thus constrained from participating, both because of lack of time and because he felt his level of education made it difficult to understand what was being taught, something which is of course linked to the relations of production they farm under and their associated class position.

Figure 8-4: SRI posters in NGO office near Rangeli: Although useful, they only directly benefit literate farmers.



Figure 8-5: Local people meet at *chautara* in Mangalhaat bazaar: Village resting places such as this are valuable sites where agricultural knowledge is shared.



'Free time' and access to social networks

The lack of free time for poorer producers not only restricts households from participating in farmer groups and the associated training programs or other educational activities. It isolates them from many of the knowledge sharing networks within the community. There are other informal mechanisms through which farmers can pick up agricultural knowledge, even if they are not integrated into elite social circles. For example, we frequently observed farmers informally discussing cropping techniques or warning of pests which are circulating while sitting in the village teashop or *chautara* (traditional resting place) (see Figure 8-5). However, poorer producers have much less time to engage in such informal interactions, a constraint particularly critical for those who combine subsistence farming under the semi-feudal mode of production with work in the capitalist sector. Most factory employment for example, is yearlong, unlike agricultural work which is subject to slack periods in the post harvest season. Furthermore, factories are often some distance from communities in the industrial belt near Biratnagar, resulting in lengthy journeys to and from work in the early morning and late evening alongside an eight hour day. These male factory workers spend less time engaging in informal interaction and thus miss out on many of the valuable exchanges of knowledge which occur, including ideas taught through training programs. Although factory workers do of course have their own social networks, these associations are not likely to include the wealthier producers who dominate farmer groups from whom knowledge could be learned.

In contexts whereby agricultural service providers themselves seek to create farmer groups from scratch rather than using pre-existing associations, many poor producers are often not even aware such programs are taking place. When we asked why it was so difficult to guarantee the participation of poorer producers in training programs, one responded replied:

"Many people are working in factories and furniture making, so they leave for work early in the morning and come back only in the evening, that is why many people

don't get information about the training programs. Many people from this VDC are working in Biratnagar, in factories, in furniture making etc."

In sum, this discussion points to another mechanism through which the class divisions associated with the pre-capitalist mode of production (and its articulation with capitalism) continue to constrain households from developing the forces of production.

Geography and social networks

A final point which must be made is that the geographical isolation of many poorer communities further isolate them from knowledge sharing networks as it reduces the chance that household members will interact with innovating farmers. For example, in the villages of Bhaudaha and Thalaha VDC which are both classified as 'least developed' by the District Development Office¹⁰, there are concentrated levels of poverty. Table 8-1 demonstrates that 51% of the sample in Bhaudaha for example is from the 'small farmer' category and 28% is from 'landless labourer' category. In Thalaha 28% of the sample is represented by 'small farmers' and 35% is represented by landless labourers. In Jhorahat VDC on the other hand, which is classified as 'most developed' by the district development office there is a reasonably equal distribution of wealthier Brahmin and Thāru farmers and poorer producers from traditionally marginalised castes. In the sample, 34% and 12% were from the 'medium farmer' or 'large farmer' category respectively.

There are also stark contrasts in the levels of education. In Bhaudaha VDC as a whole, adult literacy is 26%, the lowest in Morang, while in Thalaha it is 31%. This stands in stark contrast to Jhorahat, whereby it stands at 64% (District Development Office, 2007). Given the greater concentration of poverty and lack of education in Bhaudaha and Thalaha it is understandable that only 9% of the sample in Bhaudaha and 10% in Thalaha reported that they had participated in agricultural training. This

¹⁰ The District development office has classified VDCs into three categories to facilitate service delivery, 'least developed', 'medium' and 'most developed' (District Development Office, 2007).

stands in contrast to the 30% of respondents in Jhorahat who had directly taken agricultural training (See Table 8-1).

Table 8-1: Percentage of household who *have* taken training and farmer categories by VDC

Category	Jhorahat VDC	Bhauddaha VDC	Thalaha VDC
HH member has taken training	30%	9%	10%
HH member has not taken training	70%	89%	90%
Landless labourers	26%	28%	33%
Small farmers	24%	51%	28%
Medium farmers	34%	16%	31%
Large farmers	12%	5%	6%
Non-farming land owner	4%	0%	2%

Wealthier villages such as Jhorahat bazaar have a greater proportion of more educated, innovating farmers. In such contexts even those poorer producers who are relatively isolated from both training programs and social networks have a higher chance of picking up new agricultural knowledges informally than their counterparts in poorer communities. They are able to actively observe new techniques such as SRI, often while working for wealthier farmers. This not only helps them learn the new skills, but by witnessing the improved yields directly across the community, the perceived ‘risk’ of innovating declines. As the number of households adopting new techniques increases, other farmers who observe the production process and the higher output are encouraged to follow suit. An example is *chait dhān*, or Spring rice, which was rare a decade ago, but has now spread rapidly throughout Jhorahat over the last few years. As one respondent explained:

“Farmers have been cultivating using primitive methods and to adopt modern techniques it is expensive. Still, they have not been realizing that at the beginning there is a loss but they will benefit in the future. So the main thing which has to be

changed is their mind. Some people have started growing chait after observing the production process. If one person starts then ten other farmers will start adopting.”

Similarly, one ‘small farmer’ from the Brahmin community who had been encouraged to use a new type of seed explained how his counterparts were swift to follow him:

“It has been 4-5 years that I have been involved in farming the fields owned by the landlords. When I first started I bought the B44 rice and then planted it and the output was nice. So the farmers around were impressed and they came to me to ask for the seeds. I got 250 maund from 2 bighā of land. That was great.”

However, the situation is markedly different in the more remote villages in Bhaudaha and Thalaha VDC where there is a higher concentration of landlessness and levels of education are much lower. For example, in the Bantar village of Hurhuriya in Thalaha, only one sampled household reported that members had participated in any training programs and the vast majority of the population are landless tenants. It was remarked that few people have time to form farmer groups or even know where to seek support to do so. The village is also isolated geographically, with no through road, only a tiny *haatiya*, and minimal contact with the outside world (see Figure 8-6). In Hurhuriya, few households had even heard of new techniques such as SRI. This stands in contrast to villages such as Jhorahat bazaar and Pidarboni where most of the SRI plots are located and can be observed. These two villages are located along a road and have several large vibrant *haatiyas* attended by a diversity of both wealthier and poorer producers (see Figure 8-7). Their accessibility also means the villages are frequently visited by development workers. In sum, it is evident that the geographic concentration class relations play a further role in determining whether or not households can access agricultural knowledge.

Figure 8-6: Hurhuriya *haatiya*, Thalaha VDC. This remote market attracts only a small number of traders and is visited mostly by local people



Figure 8-7: Jhorahat *haatiya*: Unlike in Hurhuriya, this large twice weekly market attracts traders and farmers from a wide catchment, and is a valuable site for social interaction and the sharing of agricultural knowledges.



8.6 Gender and class

Gender exclusion and participation in farmer groups

It has been established that farmer groups emerge along the lines of existing social divisions, and thus comprise primarily of close knit members of similar social groups. This challenges the assumption that the harnessing of so called 'social capital' through community organisations is beneficial to all. However, a further axis of exclusion that has been omitted is gender. Women's capacity to form and participate in farmer groups appears to be considerably lower than men's. There are some small scale training programs which are oriented specifically to women farmers, usually tied up with savings and credit schemes. These are focussed primarily upon vegetable and livestock production, the activities that women have the most control over in terms of production decisions and distribution of income. The focus on these activities by the development sector is understandable given that they yield the greatest potential for women's empowerment. However, production of these commodities is usually limited to common land in the case of livestock and small kitchen gardens in the case of vegetables, and levels of production are marginal when compared to grain cultivation. It is the main grain crop however, which meets most of the households' subsistence needs and most farmer training programs are focussed on developing the productivity of these staples. Observations in the field suggest that most of the farmer groups which receive such training are dominated by male farmers. This parallels national level concerns in the APP-ISR which report that less than 40% of participants in farmer groups are women, out of which only one in four occupy roles in their executive committees (IDL Group, 2006).

The dominance of males in training programs with the potential to boost grain production is ironic given that while decisions regarding its production and marketing are largely the domain of males; females carry out most agricultural work such as the labour intensive *ropāĩ* or paddy plantation, weeding and harvest. This discrepancy was highlighted in a report by the Food and Agriculture Organisation (1997).

There are a number of processes behind women's lack of involvement. Firstly, gender ideologies which restrict women from participating in public life and interacting with men discourage them from joining male dominated farmer groups and the associated training programs. We were informed that women "...feel shy to take the training with the men". However, even when women expressed an interest in the groups, they rarely appeared to be invited by (usually male) organisers to participate. We asked one female Thāru respondent whether women farmers participate in training programs and farmer groups. She responded angrily, stating that:

"No one knows about the training. As we are not educated we are busy only with the household"

Another Thāru woman meanwhile, argued that:

"We are not informed and men don't care about us participating in the training."

Most women felt that it was immediately assumed by farmer group organisers that they were 'less educated' and thus not suitable candidates to participate in programs, whether or not this was the case. The exclusion of women however appears particularly pronounced in the Thāru community and less so in the Brahmin and Chettri community. A junior agricultural extension worker, referring to women's involvement in training programs through farmer groups, informed us that:

"Participation is good, but in the Pahadi¹¹ [Brahmin and Chettri] community. The women from the Terai community may also participate more in some places... But basically the women's participation from Thāru, Rajbansi and other ethnic group is less.

¹¹ *Pahadi* refers generically to ethnic groups from the hills, the vast majority of 'hill' groups in the study area are Brahmin and Chettri.

He went on to argue that

“...because of their culture they are bound to work inside the house. Men are the one who are active and work outside. So the women cannot participate in many things. But it is improving gradually.”

The higher level of participation for the Brahmin and Chettri community is perhaps a consequence of the better education across this ethnic group. Not only has this reduced the salience of gender ideologies but in the wealthier households, more men have skilled jobs in Biratnagar, and male migration is much higher. This has given women a greater independence and control over grain production decisions and agricultural affairs.

Gender, intra-household class relations, and participation in farmer groups

In the cases outlined above, it is clear that women are excluded as a consequence of their social identity, in the same way that individuals can be excluded as a result of their caste, religious or political affiliation. However, there is also a material element to gender exclusion, a phenomenon which is again associated with labouring commitments and time management. As was argued in chapter 6, women's propensity to perform a disproportionate quantity of the aggregate household labour time represents an intra-household class relation. They are both responsible for the most labour intensive agricultural tasks as well as household reproductive activities such as cooking, cleaning and collecting firewood or *daura*. In interviews, one of the prime explanations given for women's lack of participation in farmer groups and training programs was simply that they could not take time off their household and farm responsibilities to participate in programs, many of which may take several days.

Interestingly however, the broader relations of production the household is integrated into retain their importance, even in determining the degree to which labour commitments constrain women from accessing agricultural knowledge. In

interviews with women farmers we were informed that it is primarily the women from the 'richer' households who participate in farmer groups and training programs. As was discussed in chapter 6, the labouring burden for females is significantly lower in wealthier families as they employ many outside workers for the most labour intensive jobs. In many 'large farmer' households, women's jobs were restricted to work within the home. Most of the women we met who had been active in farmer training programs were thus from this category. We even met one Thāru woman in Pidarboni, Jhorahat, who had learnt SRI from her father. After her marriage and migration to the village, she had gone on to teach it to neighbours, and was herself active in organising programs. However, most of the recipients of her training appeared to be also from wealthier households.

Agricultural training, intra-household class relations and gender conflicts

The paradoxical situation whereby women perform the greatest proportion of agricultural work while being less likely to participate in training programs appears to make it more difficult for recipients of training to actually implement what is learnt. This applies to SRI in particular, given that the key component of the technique is the radically different plantation method and intensified weeding, both of which are regarded as female tasks. Men were often uninterested in helping with these tasks to implement the SRI method. As one male farmer group member joked, the men participate in the farmer training programs, and "give nice speeches", but can not actually apply what has been learnt as they do much less agricultural work. Although husbands normally did teach their wives what was learnt in the programs, some women respondents found it difficult to apply the new techniques without the practical experience of training.

The fact that women could not participate in training programs, gain practical experience and share their needs with service providers has led to conflict in some situations. Given that the SRI method requires much more intensive weeding, it places an extra work burden upon women, particularly for those households who can not afford to employ extensive outside labour. This was one of the primary

criticisms of the method raised by female respondents. Male household members who normally take the training sometimes failed to fully understand this and faced difficulties persuading female family members to take up the new techniques. We heard of a quarrel which emerged between a husband and wife following the households' shift to the SRI method. Incensed by the extra weeding work, the wife had even come to one of the agricultural trainers to complain, accusing him of 'ruining' their rice crop. This highlights how intra-household class relations (which themselves are influenced by the relations of production) serve to further block women's access to agricultural knowledge and its successful utilisation. This constrains the development of the productive forces and the transition to a new mode of production, while further reinforcing the marginalisation of women from public life.

8.7 Conclusion

It is clear from the above discussion that there are numerous innovations which can potentially facilitate the development of the forces of production. However, it appears that the benefits of these techniques are reaped predominantly by 'large farmers' and wealthier 'medium farmer' households. The majority of 'small farmers' and many poorer 'medium farmer' households are faced with severe constraints in accessing and utilising the necessary agricultural knowledge(s). Caste and gender play an additional role in structuring access to agricultural knowledge in ways which often reflect class divisions.

It was demonstrated that neo-liberal theories of social capital assume agricultural knowledge can be diffused through the harnessing of existing social associations to implement training through farmer groups. It is also anticipated that innovations will be further disseminated through the knowledge sharing networks of the wider community. However, these theories have been criticised, as with all neo-liberal ideologies, for their depoliticisation and failure to engage with structural inequalities.

Firstly, farmer groups develop along the structural lines of cultural and political identities including caste, ethnicity, religion and political affiliation. These divisions also shape the wider social networks of the community thus restricting the natural dissemination of agricultural knowledge to those who are not members of these farmer groups. However, while identity based exclusion is associated with the ideologies behind production relations, it has been argued that production relations themselves can play a more direct material role in structuring the dissemination of agricultural knowledge. Rent paying poorer farmers are obliged to work for long hours to meet the needs of simple reproduction and thus rarely have time to participate in training programs or in educational activities which will facilitate the utilisation of new knowledge. This also isolates them from many of the social networks of the community through which knowledge circulates. The geographical isolation of many of the poorest tenant communities further cuts off households from flows of agricultural knowledge, preventing them from being able to learn through everyday observation.

There is further evidence that gender ideologies exclude women farmers from training programs, despite the fact that they perform most of the agricultural work. Furthermore, the production relations associated with these ideologies intensify the labour burden and further limit their capacity to participate in initiatives and utilise new knowledges.

The conclusions which can be drawn from this chapter are that although cultural and political identities play a powerful role, it is class relations which represent the primary constraint to the dissemination of agricultural knowledge. The relations of production continue to constrain the development of the productive forces through conditioning access to knowledge, even in the context of innovations which do not require increased expenditure. This suggests that even the emphasis in Nepal's APP on 'extension' is unlikely to significantly affect farmers' capacity to produce a surplus and facilitate the emergence of petty commodity production or capitalist differentiation from within the pre-capitalist economic formations.

9 Conclusion

9.1 Modes of production, structures of dominance and transition

9.1.1 Modes of production in rural Morang

Despite Nepal's neo-liberal restructuring and the implementation of policies such as the APP, there is little evidence of profitable agricultural commodity production emerging in the villages of Jhorahat, Bhaudaha and Thalaha. This puts the possibilities of the APP's envisaged mode of production based upon middle farm led commercialisation into immediate doubt. It also challenges the developmentalist Marxian theories of agrarian change which assume the inevitable transition to a capitalist mode of production. There is little evidence of capitalist differentiation and pre-capitalist modes of production appear predominant.

It is necessary now to engage once again with the research questions identified at the outset of this study to understand the trajectory of agrarian change in rural Morang, before going on to examine the broader implications of this study. The first research question sought to identify the modes of production present in rural Morang. Thus far, three primary co-existing modes of production have been identified, within which each household is integrated to a greater or lesser extent. Although articulations exist, each modes of production can be understood to have *relative* autonomy, rather than being dependent or functional to others.

The overwhelming evidence suggests that semi-feudalism is the predominant mode of production in rural Morang, involving both 'small farmers' and 'medium' farmers as tenants¹. Question 1a seeks to understand how the modes of production present in Morang and the shifting relations of dominance have evolved over time. The semi-feudal mode of production has evolved from the policies of the Ranas, who provided

¹ It is debateable whether the participation of some 'large farmers' as tenants constitutes a 'semi-feudal' relation of production given that tenancy can still be profitable for this group, although they are still far from becoming capitalist farmers.

land grants to political elites from the hills and set up a tax collection apparatus in rural areas, leading to stratification within indigenous communities and the development of a powerful land owning class.

The only shift in recent years has been the decline of the indigenous landlords who had lost much of their estates during the land reforms of the 1960s and have fallen into cycles of indebtedness. This was supplemented by the simultaneous rise of an absentee landlord class. These landlords, many of whom descended from the hill origin land owning elites, were able to maintain control over their holdings primarily due to their power within the state apparatus. Today, the semi-feudal mode of production appears dominant in Bhaudaha and Thalaha, whereby in the sample, 75% and 80% of operated land respectively is under tenancy to predominantly urban landlords. Semi-feudalism is less dominant in Jhorahat, where only 41% of the land is under tenancy.

Question 1b seeks to understand the character of each mode of production with a focus on the relations of production and the primary forms of surplus appropriation. The semi-feudal 'relations of production' include separation from the means of production and the associated form of surplus appropriation is the extraction of a large portion of the surplus as rent in kind by larger land owners. Additional relations of production however exist at the micro level, whereby rent paying tenant households appropriate other households' surplus when they purchase outside labour. Furthermore, there are flows of surplus within the household in the sphere of production between men and women. The other component of the mode of production is the 'productive forces'. Within the semi-feudal mode of production, these include primarily family labour and limited outside labour that cultivates utilising minimal technology.

An 'extended' understanding of a mode of production requires an analysis of its reproductive mechanisms on an economic, political and ideological level. These mechanisms allow its continued functioning after one productive cycle. The first element of the forces of production, tenant labour power, is reproduced on an

economic level through subsistence production and work within the home, primarily by female household members, as well as mostly capitalist wages from males. The reproduction of the means of production is reliant upon the sphere of circulation, whereby households purchase low technology inputs originating in capitalist firms. The partial reliance upon the capitalist sector for the reproduction of the forces of production represents a loose articulation of modes of production.

It is the reproductive mechanisms of the relations of production however, which are most significant in reproducing the semi-feudal mode of production and its forms of surplus appropriation after each productive cycle. This primarily occurs on a political level, not just through legal property rights to land, but through the power of absentee landlords within the bureaucracy. This has ensured they retain their control over landed property and their interests are not interrupted on a policy level. Furthermore, caste ideologies play a limited role in legitimising the class power of the high caste Brahmin and Chettri landed elites. Caste also facilitates the reproduction of the additional relations of production between low caste agricultural labourers and rent paying tenants.

The second 'mode of production' which is present in the Thāru and Brahmin/Chettri villages of Jhorahat and less so in Bhaudaha and Thalaha is one based upon independent peasant production that involves 'small', 'medium' and 'large farmers'. This evolved from the emergence of property rights for land in the later Rana years and the simultaneous fall in the value of taxation which allowed some households to retain a large portion of their own surplus. The independent peasant mode of production includes 'relations of production' whereby land is owned by the household. Household members appropriate the product of their own necessary and surplus labour while simultaneously extracting surplus from the outside workers they employ. The 'forces of production' include the use of primarily family labour and some outside labour with the help of minimal technology.

The forces of production are reproduced once again, by subsistence production and wages from outside employment. The means of production are renewed through the

market purchases of inputs produced by capitalist firms. Once again, the processes preserving the relations of production appear to be dominant in explaining the reproduction of the independent peasant mode of production as a whole. These include the property rights of households to land, but also the desire by peasants to hold on to this land through 'overwork'. Chapter 5 suggested that many of such households, especially those with only marginal holdings, intensify or 'extend the working day' on their farms in order to ensure they maintain their holdings.

Finally, there is the capitalist mode of production of the urban and industrial sector which is articulated with both pre-capitalist modes of production. This has evolved gradually following the end of the Rana years when manufacturing establishments were set up in rural Morang, and remains subordinate to Indian capitalism.

Not only do many 'small farmer' households simultaneously labour in this mode of production, but all three categories of farmer sell crops which end up being sold to agricultural industries. A capitalist mode is of course characterised by relations of production based upon the separation of labour and the means of production, while the forces of production include wage labour working with modern machinery. In the context of rural Morang, labour power is reproduced not only through wages but by the pre-capitalist subsistence farming performed by many workers. The means of production in capitalist enterprises are reproduced through the purchase of machinery and equipment from the capitalist mode of production and raw materials, often from the pre-capitalist economy. The mechanisms through which the relations of production are reproduced are the property rights to the means of production and its ideological support mechanisms. This preserves the relations of production and facilitates capital accumulation and the development of the productive forces.

Question 1c seeks to understand the forms of surplus appropriation in the sphere of circulation and identify which mode of production they are associated with. Merchant capital, which was discussed in chapter 7, is particularly significant in this context. It is important for the reproduction of the semi-feudal, independent peasant and capitalist mode of production after each productive cycle, by providing an outlet

for the sales of commodities and renewal of the productive forces. However, it is evident that merchant capital plays a parasitic role, appropriating surplus from households through price manipulation and usury.

Although merchant capital is not associated directly with one mode of production, instead linking the semi-feudal and independent peasant economy with the capitalist industrial and urban economy, its parasitic role suggests it can be more strongly considered an extension of the semi-feudal mode of production. Not only does merchant capital, like rent, represent another extraction of surplus which is drained off for elite consumption rather than capital accumulation, its very existence is driven by the economic insecurity created by semi-feudal production relations. For this reason, poorer tenant households are subject to the greatest levels of price manipulation by merchant capital. However, independent peasant cultivators are not exempt from exploitative market exchanges, particularly those from the 'small farmer' category.

The other forms of surplus appropriation through the sphere of circulation identified in chapter 7 are associated with capitalist industries, whereby oligopsony power within the rice mills facilitates the further manipulation of prices. Prices are also depressed as a result of competition with Indian producers, representing another way surplus is absorbed through the market mechanism. These latter two forms of surplus appropriation affect all farmers, including wealthier independent peasant cultivators.

9.1.2 Relations between modes of production and transition

Semi-feudal reproduction

The second and most important research question seeks to examine how these forms of surplus appropriation through the relations of production and circulation have shaped the capacity of farms to engage in profitable commercialisation, identifying the implications for agrarian transition. It is evident that they both hinder the emergence of either the middle-peasant led petty commodity production envisaged in

the APP, or the more likely scenario of profitable commodity production giving way to differentiation and the development of a capitalist class structure.

It is clear from chapter 6 that those households integrated into the semi-feudal mode of production have limited opportunities to engage in profitable commercialisation without a fundamental change to the production relations. Much of the product of surplus labour time is appropriated through pre-capitalist ground rent, and for many 'small farmers', a portion of the product of necessary labour time is also extracted. This makes it virtually impossible for farmers to make profitable sales. Farmers could in theory yield a surplus if they are able to purchase land, but this seems highly unlikely given the economic burden of rent which hinders accumulation. The control over land by the absentee landlord class and the associated political support mechanism has therefore reproduced semi-feudal relations of production over time.

The remaining question is whether tenant households could yield a surplus while *still* farming under semi-feudal production relations, possibly paving the way for them to access the land market in the future. However, this also appears highly unlikely as rents remain so high. In chapter 6 it was demonstrated how the levels of rent are connected with the underdeveloped character of the industrial sector. This has further reinforced the class power of landlords whose control over land is already supported on a political and ideological level. Farmers simply lack alternative livelihood options and are thus reliant upon tenancies to meet at least part of their subsistence needs. There is competition for tenancies amongst poorer medium farmers, small farmers, and even landless labourers, who all seek some enhanced livelihood security. This dependence gives the landlords few incentives to lower rents in ways which may facilitate tenants in yielding a surplus. This impacts all categories of farmer, including the 'medium farmers' within which one would expect capitalist differentiation to begin. Interestingly, landlords are themselves integrated into a bureaucracy that for generations has served the interests of a domestic comprador bourgeoisie and foreign capital, impeding the development of industrial capitalism in Nepal (Bhattarai, 2003; Blaikie et al., 2001). The presence of landlords within the state apparatus can perhaps be better understood when one

acknowledges that industrial stagnation benefits landlords as well as the comprador and foreign bourgeoisie.

‘Small farmers’ do choose to combine tenancy with non-farm employment in order to manage the risks associated with both forms of labour, in effect ‘raiding’ the capitalist sector periodically to meet their subsistence shortfalls. However the capitalist industrial sector and informal urban employment is by no means well enough developed to draw farmers out of agriculture to form a proletariat and reduce the levels of surplus appropriation for the remaining tenants. The need to labour in both sectors to survive appears thus to have created an equilibrium and articulation of modes of production whereby the surplus labour of the peasantry is shared by both capitalists and landlords. Rather than capitalist development expanding to undermine the power of landlords, the two modes of production support each other.

Aside from rent, the further surplus appropriation by merchant capital discussed in chapter 7 further constrains households from accumulating. This is particularly pertinent given that extraction through price manipulation and interest on loans are both intricately connected with the economic insecurity which, in the first instance, is derived from the relations of production. Semi-feudal rent reduces incomes and increases the demand for credit, driving farmers to merchants for loans. Economic insecurity and debt decreases producer’s bargaining power, driving them to accept high interest rates and low commodity prices.

However, could households retain a surplus in the context of the existing forms of surplus appropriation by developing the forces of production through investment in yield increasing inputs? Chapter 6 suggested that the economic insecurity which arises in the first instance from surplus appropriation in both the relations of production and circulation, constrain tenant farmers from investing in new technology. In fact, even purchasing basic inputs such as fertilisers, pushes many households further into debt. Furthermore, for those on share tenancies there are few incentives to invest on one’s land given that half of each unit of labour or capital is appropriated by landlords.

Nevertheless, increased expenditure on inputs is not the only means through which the forces of production can be developed. Chapter 8 suggested that new agricultural knowledges may have the potential to develop the productive forces *without* requiring new technologies. Once again, however, poorer households face severe difficulties accessing these 'non-economic' resources. The semi-feudal landlord class who have little interest in agriculture play a limited role in encouraging innovation. Meanwhile the intense labouring commitments for those already subject to multiple forms of surplus appropriation and exclusionary caste and class ideologies limit their participation in farmer groups and training programs. In addition, they isolate many households from the restricted knowledge sharing social networks of the village. Furthermore, given that gender ideologies dictate that women bear a disproportionate share of the burden of labour in production and household reproduction, they have little time to participate in farmer groups. This has implications for the successful utilisation of any new knowledge, given the important role that women play in the grain cultivation process.

Independent peasant mode of production and potential for transition?

While it is clear that the semi-feudal mode of production and its associated forms of surplus appropriation is persisting alongside the underdeveloped capitalist sector and appears unlikely to be undermined, is it possible that profitable commodity production or even capitalist class relations may emerge from within the independent peasant mode of production? There is evidence that this mode of production maintains a degree of resistance against both feudalism and also capitalism, as even the smallest producers intensify their labour to maintain control over their land. Nevertheless, it seems unlikely that capitalism will develop from within this economic formation to a significant level.

Firstly, it appears that semi-feudalism is gradually increasing its dominance. A significant 20% of households participate in the independent peasant *as well* as the semi-feudal mode of production; cultivating rented land as well as their own land simultaneously. The evidence suggests that this practice may be increasing as small

owner cultivators sell their land. Secondly, owner cultivating 'small' and 'medium' farmers must still endure many of the forms of surplus appropriation which have flourished in the context of semi-feudalism such as usury and price manipulation by merchants. Although they are subjugated to merchant capital to a lesser extent than those primarily 'small farmers' who are purely tenants, many are heavily in debt to merchants and money lenders, especially in the context of the high cultural capital investments they are required to make. Many are even in debt to microfinance institutions. The economic circumstances of 'small farmers' who own land in this context is often similar to their tenant counterparts.

Growing cycles of indebtedness can explain why within the 'small' and 'medium' category there have been more land sales than purchases. However, it is also important to acknowledge the sheer degree to which urban based landlords have class control over land resources. Even those few 'medium farmers' who one would expect could expand and display capitalist tendencies are severely constrained by the difficulties they face in accessing a land market monopolised by an urban elite. It is thus evident that the semi-feudal mode of production has a degree of dominance in that its control over land limits the extent to which holdings can expand.

Although many owner cultivator households from the 'medium farmer' group do have access to new agricultural knowledges which could boost production through training programmes, the intra-household class relations whereby there is a limited participation of women, once again, obstruct their successful utilisation.

The one group of owner cultivators who do display early signs that they could *potentially* shift from being independent peasant producers to becoming capitalist cultivators are the 'large farmers'. Although many also rent some land, this supplements larger personal holdings and still appears to yield a profit. This group are driven on the whole by profit, employ relatively more outside labour, and are developing the productive forces through the use of improved technologies, while many have increased their landholdings. However, the 'large farmers' are small in number, comprising only 8% of the sample. For widespread profitable development

as envisaged in the APP, or capitalist differentiation; one would expect the process to begin from a majority population of commercialised middle peasants, which was not found in the fieldwork for this research.

Furthermore, even the 'large farmers' are facing declining financial returns from agriculture. It is in this context one can understand why many are in fact choosing to migrate overseas and give up cultivation altogether. In chapter 6 it was demonstrated how the Thāru community in particular, are required to invest extensively in cultural capital driving many into debt. The ideology this supports is not necessarily associated with the reproduction of the current mode of production, but originates in an older economic formation when wealthier Thārus were a powerful feudal class.

Chapter 7 also suggests that large farmers are not immune from surplus appropriation by merchant capital. They have a stronger bargaining power in lieu of their economic status which makes them valued customers, while fewer are in debt to merchants. However, in the context of high capital immobility in the commercial sector they are on the whole still subject to commodity prices determined by oligopsonistic collusion, especially in Naya Bazaar, although the manipulations are less than for their poorer counterparts. Furthermore, there is some evidence of price manipulation further up the commodity chain in the circuit of industrial capital. It was reported that grain processing industries also collude to fix prices, impacting the profitability of sales by farming households from all wealth categories. This represents another loose articulation between the pre-capitalist mode of production and capitalist industrial sector. In addition to price manipulations, it is evident that all producers in Morang, including profit oriented 'large farmers', face difficulties competing with Indian farmers as a result of the better levels of government support in India such as subsidies. Imports of Indian rice in this context depress the rates for Nepalese producers.

A final point worth making is that even when 'large farmers' are able to expand their holdings, there is a limit to how large they can become so long as the semi-feudal landlord class maintain their control over land resources. Thus far there is little

evidence of absentee landlords selling up to profitable farmers, with most transactions occurring within the landlords class itself.

Productive use of 'surplus'

While it is clear that the surplus appropriated from the peasantry has blocked agrarian transformation, an avenue for further study is a further exploration of how the surplus is actually used. Is surplus reinvested 'productively', producing growth elsewhere in the economy, which in the long term may strengthen livelihoods and undermine farmers' reliance upon tenancies? The long history of parasitic activities by landlords in Nepal casts doubt on the possibility that surplus is used 'productively', particularly when many of the landlords are political elites from within the bureaucracy rather than being from an industrialist bourgeoisie. Furthermore, land ownership is prized as a source of social status as much as it is used as a source of material wealth. As for merchants, chapter 7 suggested that the surplus appropriated after one cycle of buying and selling (C-M-C') does not appear to be reinvested in 'production', but is used for consumption purposes, or to further their money lending or trading capacity.

The exact use of surplus appropriated by landlords and merchant capital requires further analysis and verification. However a remaining question is what happens to the surplus appropriated by manufacturing industries both through the use of semi-proletarian peasant labour or monopolistic activities. This represents a form of productive capital, and capitalist industries, unlike merchants and landlords, are by their very nature driven by *expanded* rather than *simple* reproduction, appropriating surplus for *reinvestment* and capital accumulation².

²Under simple reproduction, which arguably characterises many semi-feudal forms of surplus appropriation, the dominant class utilises the surplus product primarily for individual consumption or to renew the production or trading cycle at current levels of output (Marx, 1974, 566-578; 1956, 329). However, under expanded reproduction, one part of the surplus value produced during a single cycle of production (M-C-M') is used to reproduce the means of production and labour power required for current levels of output. Another part is accumulated, and can be used to increase investment in the means of production above what is required to replace the capital advanced (and any increased labour required to operate it) at existing levels of productivity (Marx, 1974, 580-582, 1956, 493).

Arguably however, it would be wrong to suggest that the high profits these industries yield from the peasantry facilitate the broader process of industrialisation. As was discussed in chapter 2, in the context of the long running comprador-imperialist alliance, Nepal's industrial sector remains subordinate to foreign (primarily Indian) capital (Bhattarai, 2003; Blaikie et al., 2001). Given this dominance, the expanded reproduction which does occur is arguably of a deformed nature whereby a portion of the total surplus enters expanded reproduction not locally but abroad. This would suggest that any surplus profit extracted by the industrial sector is likely to enrich local comprador and Indian capital rather than a domestic capitalist class who could engage in expanded reproduction across the Nepalese economy. Even if increases in levels of production do occur, they will by no means facilitate independent industrialisation given that neo-liberal policies and competition from India mean that industrial enterprises in Morang (as in much of Nepal), remain restricted to agro-processing and small scale manufacturing, with most capital goods being imported (Bhattarai, 2003). Although further analysis on the use of the 'surplus' appropriated from farmers is necessary, initial evidence suggests that it represents an unproductive drain of resources out of the agricultural sector, intensifying poverty and hindering agricultural development.

9.2 Policy Implications, class struggle and visions for the future

9.2.1 Fundamental flaws of the APP

It is clear that Nepal is far from developing agrarian capitalism as understood by Marx. There is little evidence of an emerging sector of profitable competing middle-peasants from which differentiation would occur, even amongst owner cultivators, and the absence of widespread accumulation suggests it is unlikely to occur in the near future. Furthermore, two thirds of the rural population is integrated into semi-feudal production relations as tenants, or is part of a rural labouring class working for tenants, owner cultivators or in an insecure underdeveloped capitalist sector.

This not only casts doubt upon the emergence of agrarian capitalism but on the APP's vision of a dynamic middle-peasant led transformation. The pro-poor vision it was promoting appears highly unlikely to ever be realised in reality. Even if significant profitable commercialisation had emerged, to assume it will enrich the middle farmers appears naïve. It neglects to account for possibilities of class differentiation through land consolidation which would have succeeded in destroying a peasantry and opening up new sources of profit for an expanding global capitalism. Nevertheless, the fundamental paradox is that the APP not only diverted attention from such possibilities, it also inadvertently glossed over persistent pre-capitalist modes of production. These economic formations have impeded any expansion of capitalist social relations in the first instance. Instead they have perpetuated relations of production and circulation which have impoverished vast strata of the rural population, but without any of the 'positive' impacts of capitalism such as the development of the productive forces.

9.2.2 Lessons for the future

Engagement with class in development policy and paths of development

What lessons can be learnt from this analysis? Firstly, it is crucial that state led policies seeking poverty alleviation and economic development in low income countries move away from a disembedded neo-liberal view of the social world and instead actively engage with the class relations through which surplus is appropriated. Identification of such class processes however, suggests that small scale technocratic interventions such as access to infrastructure and extension services will by no means be sufficient to encourage agrarian transformation and poverty alleviation. It instead requires radical structural transformations which can directly undermine both exploitative pre-capitalist relations of production and Nepal's unequal integration into a global capitalist economy.

Unfortunately, despite the dramatic political changes in Nepal over the last three years, support for neo-liberal policies such as the APP has not declined and the governments post-conflict interim development plan expressed commitment to its

‘full implementation’ (Nepal National Planning Commission, 2007). Furthermore, the CPN(M), the one party from whom one would expect an engagement with issues of class and surplus appropriation, resigned from the government in May 2009. This was a culmination of growing fissures in the alliance between the radical left and the mainstream parties who led the government. Nevertheless, the Maoists may well return to the government in the near future, and they have certainly put radical structural change on the agenda as Nepal re-writes its constitution.

There are currently two paths of structural transformation which could in theory be pursued by progressive political forces to drive long term rural development and poverty alleviation in post-conflict Nepal. The first path would include reforms to facilitate short term capitalist development in agriculture and undermine feudalism. Under orthodox Marxian understandings of the social world, the development of the productive forces through capitalism is in fact necessary for future socialist transformation (Peet, 2007). The second path however, would be for present and future governments to identify *alternative* courses of transition to a more equitable economic formation. Peet (2007) stresses that the CPN(M) must not attempt to replicate the European experience of capitalist development seeking the development of an industrial working class. It is instead necessary to consider alternative paths to socialism more appropriate to the Nepalese political-economic context where the peasantry and rural economy play a more active role. Insights could be learned from efforts by the Maoists themselves to introduce more equitable economic formations at the village level during the conflict time in some of their rural ‘base areas’. Aside from land redistribution, co-operatives were established as well as experiments with communal forms of production (Manadhar, 2004; Sharma, 2004). Such initiatives must be examined in greater detail if one is to identify paths to a uniquely Nepalese form of socialism.

At the present conjuncture however, it appears that the main political parties, including the CPN (M) appear to be following the first path, broadly seeking national capitalist development. At this point it is not appropriate to enter debate over which path is desirable in the distant future, but to outline the ways in which capitalist

development could be achieved in the current political context based upon the rural case study in this thesis. In the *short term*, capitalist transformations in agriculture in regions such as Morang are certainly preferable to the current social formation dominated by semi-feudalism.

What political interventions would be necessary to stimulate capitalist development in agriculture? The implementation of land reforms is once again on the agenda of the post-conflict government, and certainly would have the potential to undermine semi-feudal relations of production in many Terai districts. However, land reform alone is not sufficient to bring about poverty alleviation and capitalist development. It is also necessary for example, to introduce reforms to the agricultural marketing system such as the introduction of marketing cooperatives to reduce the power of merchants. Furthermore, the blocked development of industry also means that any 'capitalist' development which could occur following agrarian reform would arguably lead to differentiation and the release of a burgeoning under-employed 'reserve army' of cheap labour, providing exceptional profits for capital. In order for independent capitalist agriculture to emerge where the labouring majority enjoys increased living standards and capacity for collective mobilisation, there must be simultaneous growth in both industry and agriculture. Development policy would therefore have to simultaneously address issues associated with Nepal's position within global and regional trade regimes.

Unfortunately, the likelihood that the new coalition government can successfully introduce such reforms appears overly optimistic at the current conjuncture. The success of land reforms would depend upon a transformation of the bureaucracy and political landscape so it no longer serves the needs of the older establishment. This appears particularly important when one considers previous failed attempts at redistribution. However, there is little evidence of such a transformation in the Nepali state and parties such as the Nepali Congress that have long served the local interests of landed classes, retain considerable power in both parliament and the bureaucracy. The semi-feudal mode of production in agriculture is reproduced through the party and state apparatus itself, as was discussed in chapter 5. Similarly,

reforms which may reverse Nepal's subordination to Indian and foreign capitalism and promote domestic industrialisation appear utopian. Not only is it unlikely that the power of an imperialist-comprador bourgeoisie within the bureaucracy can be undermined overnight, most crucially, Nepal remains dependent upon international financiers. The neo-liberal economic policies they promote are openly hostile to any form of protectionism which could undermine the dominance of foreign (particularly Indian) capital in Nepal.

The difficulties outlined above suggest that any transformation to a dynamic national capitalist or even socialist economy would require radical state restructuring, whereby landlords, the comprador-imperialist alliance and international financiers would be challenged on a political level. This seems an unlikely outcome under the current regime. Nevertheless, are there reforms which will be possible in the short term to promote limited poverty alleviation and capitalist development in the context of the current political structure?

In the agrarian sector it is pertinent to identify possible policies which can at least reduce the levels of surplus appropriation without the necessity for an actual redistribution of assets. These could include for example tenancy reforms and the regulation of levels of rent which may be easier to implement on a practical basis, as Besley and Burgess (2000) suggest, based upon Indian data. Chapter 6 also suggests that fixed rents are most effective at encouraging investment, suggesting that the prohibition of sharecropping may have a limited impact on agricultural development and poverty alleviation. The establishment of marketing co-operatives may also be practically viable, an example of which is a 'grain bank' in Tanki Sinuwari VDC to the east of Jhorahat which was both an outlet for grain sales and source of credit which was controlled by farmers. Locals reported that this significantly increased the bargaining power of cultivators and reduced their dependence upon and indebtedness to the *kaṭṭhāwalas*. While such initiatives alone are unlikely to encourage significant capitalist development, there may be a short term poverty alleviation impact for cultivating classes.

9.2.3 Identification of sites of class struggle

The conclusions of this research are not only significant through their contribution to debate on the policies which can undermine Nepal's entrenched class inequalities and forms of surplus appropriation. This research has perhaps most crucially, offered progressive political actors an insight into the character of the *class alliances* which can potentially mobilise for political-economic transformation. It is after all, not the role of the academic to 'prescribe' change and come up with solutions but to inform debate as to political possibilities. Both the radical long term and short term political-economic solutions outlined above require the support of the rural majority in a committed political movement. Transformations therefore must be brought forth not only through policy prescriptions and political intervention from above, but from below through class struggle.

Whatever the program of change sought by the current or future governments, this study has identified the multiple *contradictions* of the social formation against which class struggle in the 'New Nepal' can be directed. It has identified contradictions both at a local level associated with pre-capitalist forms of surplus appropriation, and those occurring at an international scale with regards to imperialism. Most crucially, this research has identified the complex ways in which individuals are subject to *multiple* forms of oppression, fused together through the broader structures of the social formation and its three 'modes of production'. This research has therefore asserted that movements for political change will require complex class alliances between different segments of the peasantry subject to multiple forms of surplus appropriation, women, and the proletariat of landless workers. In this context, mobilisation also requires struggle on an ideological level against the oppressive ideologies of caste, class and gender which have reproduced exploitative economic relations over the centuries. Only by simultaneously challenging the multiple contradictions of the Nepali social formation through such means can one envisage the radical changes necessary for an alternative more dynamic and equitable economic formation on the Nepali plains, capable of raising living standards for the majority.

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Appendices

Appendix 1: Record of Interviews and Surveys completed

Appendix 1-1: Quantitative Farmer Surveys completed by VDC, Ward No. and village

VDC, Ward and Village	Proposed sample (20% of hh population)	Completed sample
Jhorahat – 2, Jhorahat and Jangrahi villages	46	46
Jhorahat – 7, Pidarboni village	10	10
Jhorahat – 8, Pidarboni village	8	8
Jhorahat – 9, Pidarboni village	19	17
Bhaudaha – 6, Bhaudaha village	22	22
Bhaudaha – 7, Sitpur village	21	19
Thalaha – 1, Thalaha village	29	29
Thalaha – 7, Hurhuriya village	23	23

Appendix 1-2: Semi-structured Qualitative Interviews and focus groups by VDC and farmer category

Categorisation		No. of interviews
VDC	Jhorahat	20
	Bhaudaha	7
	Thalaha	3
	TOTAL	30
Farmer category	Small farmer	8
	Medium farmer	9
	Large farmer	5
	Landless labourer	1
	Non-farming resident landholder	1
	Non-surveyed households*	6
	TOTAL	30

*As these households were not included in the survey they could not be classified by farmer type

Appendix 1-3: Additional interviews:

Women farmer focus groups/interviews	4
Absentee Landlords	1
Merchants	1*
Local development workers	3
Land revenue office staff	1
Kathmandu based policy makers	2
TOTAL	11

* A number of qualitative interviews were also carried out with Kathahari and Naya Bazaar merchants as part of my MSc research. This also informed my interpretation of the results.

Appendix 2: Farmer Survey Form

Date _____
 Form number _____
 VDC _____
 Ward _____
 Name of head of household (optional) _____
 Sex of interviewee _____
 Caste/Ethnic Group _____
 No. of people in household _____

1a) How much land do you operate and what type of land is it?

Land Type	Owned and self cultivated (hectares)	Owned by household cultivated by others (hectares) (state payment form)	Owned by others and cultivated by household (hectares) (state payment form)
Irrigated			
Rain-fed			
Fish pond			

b) For rented land:

What is form of payment

Who is the landlord?

Local farmer	
Person in city	
Relative	

Who makes decisions?

What agricultural advice does landlord offer?

Does landlord invest in fertiliser?

How many times does landlord visit the land in a year?

2) What livestock do you own?

Land Type	Number
Local Cow	
Hybrid Cow	
Local Buffalo	
Hybrid Buffalo	
Goat	
Poultry (chicken/pigeon)	
Pig	

3) For each of the following crops or livestock products, in the last year:

Crop	Produced (not including landlords share) (kg)	Sold (kg)	Is harvest sold at once?	Highest price in last year	When were crops sold?	Lowest price in last year	When were crops sold?
Paddy (Kanchi)							
Paddy (Mansuli)							
Paddy (Basmati)							
Chaiti							
Other Paddy							
Maize							
Local wheat							
Mustard							
Pulses							
Sugarcane							
Jute							
Potato							

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Vegetables							
Livestock Product	Produced (kg)	Sold (kg)	Is harvest sold at once	Highest price in last year	When were crops sold	Lowest price in last year	When were crops sold?
Milk							
Chickens							
Goats							
Pork							
Fish							
Other							

4) How many different merchants have you sold your crops to in the last five years? _____

5) In the last year, when you sold your crops, was any of the sale taken by the merchant as payment for any other service (eg. Loans, rental of equipment, land rent)

Crop	Payment for which service	Interest rate	Amount given as payment (kg)
Paddy (Kanchi)			
Paddy (Mansuli)			
Paddy (Basmati)			
Paddy (Chaiti)			
Other Paddy			
Maize			
Local wheat			
Mustard			
Pulses			
Sugarcane			
Jute			
Vegetables			
Other			

8) How much did you invest in farm production in the last year?

Investment	Wheat /pulse crop	Chaite paddy crop	Main autumn paddy crop	Cost per unit (rupees)
DAP				
Urea				
Potash				
Pesticide				
Equipment rental (State equipment _____)				
Irrigation				
Threshing machine				
Feed for livestock				
Hiring of ploughman				

9a) In the last year, did you employ labour on your farm?

If so, how many non-family labourers did you employ per bigha for the following tasks?

Agricultural tasks	Chaite paddy crop	Main autumn paddy crop	Wheat / dal crop
Planting			
Weeding			
Harvest			

b) What was the rate of payment?

	Women	Men
Cash rate		
Kind rate		

c) If a contract was used for the harvest, what was the rate?

d) Were any male labourers employed over the last year? Of so, how many?

10a) In the last five years, did you buy or sell any land, livestock or equipment?

Asset PURCHASED	Amount	Asset SOLD	Amount

b) Who was it sold to?

11) In the last year, did you make any large non agricultural investments over Rs10,000? If so, what were the investments and how much did they cost?

Investment	Cost (rupees- unless otherwise stated)

13) What other work are members of your household involved in?

Work	All year or seasonal	Average no. of hours worked per day	Annual income (Rupees- unless otherwise stated)
Working in others' fields			
Factories			
Rickshaw			
Handicrafts			
Migrant remittances (from which country _____)			
Other (please state _____)			

14) Have you received a loan in the last five years? Who was it from and what was the interest?

Loan Source	Year of loan	Amount	Interest	Purpose

15) Have you received assistance from NGOs or government services to improve agricultural production?

Yes _____

No _____

Appendix 3: Merchant Survey Forms

Bazaar _____

Date _____

Name of retailer _____

1) How many buyers were there for the following crops over the last year and what is their **current** buying and selling price.

Crop	No. of buyers	Buying Price (Rs/kg)	Selling Price (Rs/Kg)
Kanchi			
Mansuli			
Chaiti			
Basmati			
Rada Bara			
Wheat			
Mustard			
Kesari			
Musuri			
Alas			
Jute			

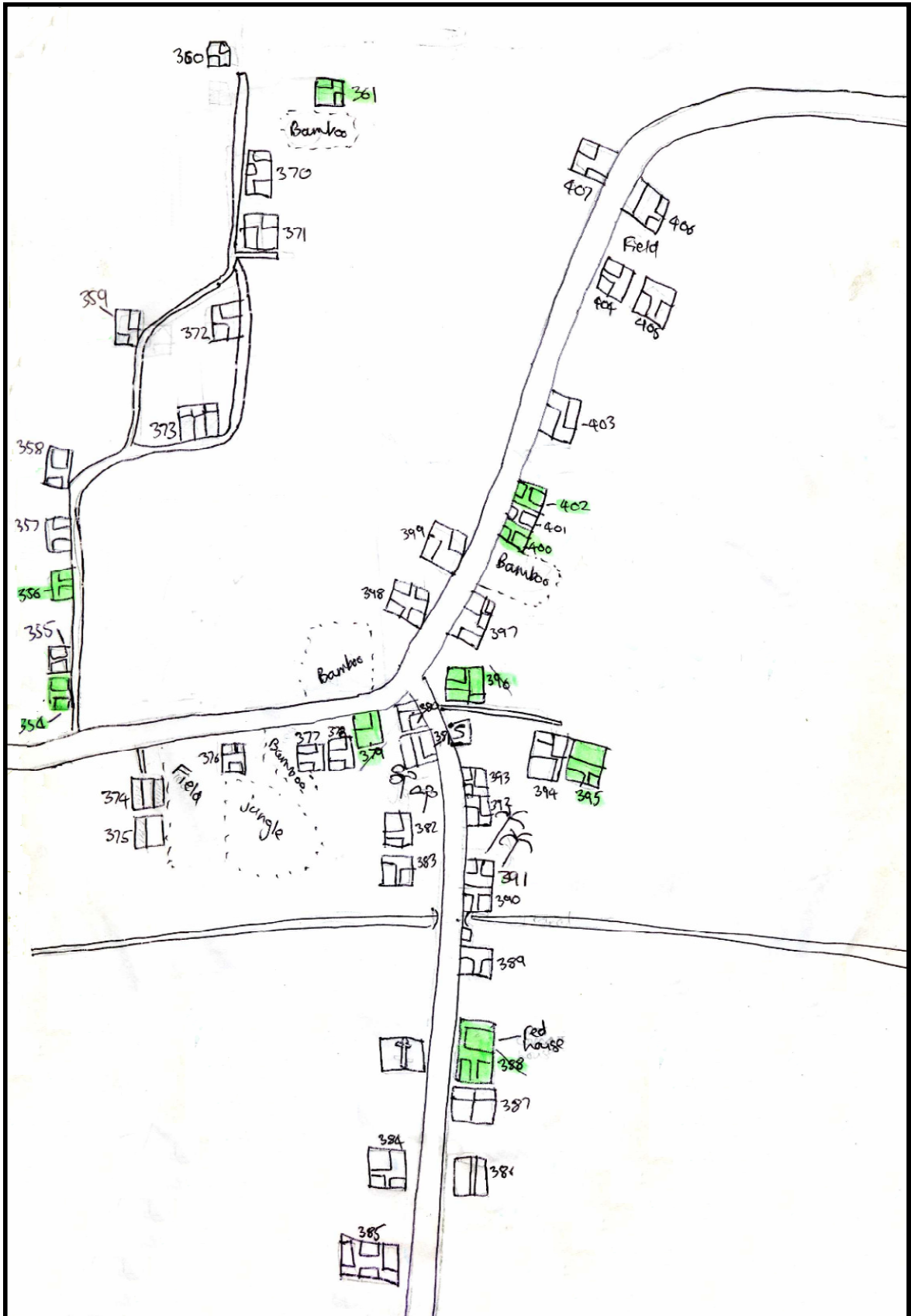
2) Roughly how many maund of the following crop was bought in the last year?

Crop	Maund bought in last month
Kanchi	
Mansuli	
Chaiti	
Basmati	
Rada Bara	
Wheat	
Mustard	
Kesari	
Musuri	
Alas	
Jute	

3) What is the storage capacity in this shop? (in maund of grain)

Appendix 4: Example sampling map

Janghrahi, Ward – 2, Jhorahat VDC



Appendix 5: Qualitative Interview Guide

Market Production

Have you increased production for the market in recent years? *Gayako barsha-haru-maa bechna kolaagi banera utpadaan baDhaauna kehi garnu bhaeko chha?*

What do you think needs to change for you to increase production for the market and achieve a better income from agriculture? What prevents you from increasing production? *Bechna kolagi bhanera utpadaan baDhaauna ke pariwartin hunu parcha?*

Ask about Chait rice? When did the production begin? *Chaite dhaan lagauna taalna bhaeko kati barsha bhayo hola?*

Seasonal prices

Why do you choose to sell when you do? *Aaphno baali kahile bechne bhanera ke ko adharmaa nirnayan garnu huncha?*

Market relations

Tell us about the process when you sell crops to the Katawala. How is the price decided? Can you bargain and receive a reduction? *Katawala lai bechdhaakeri bhau kasari tokinchha?*

How do you choose which Kata to sell to? *Kun kata lai bechne bhanne nirnaya kasari garnuhuncha?*

If you are offered a poor price, can you easily move to a different Katawala? *Euta katale ramrod bhau diena bhane arko kata-maa bechna saknuhuncha?*

Do you have a particularly good relationship with one Kata? *Kunai eutaa katawala sanga aru kata bhandaa bishes ramrod sambanda cha ki chaina?*

What do you think prevents you from receiving a favourable price for your crops?

Tapaille afno baali-ko ramro muliya na paunu bhaeko hola?

Training and innovation

Have you taken any agricultural training in the last few years? If so, have you made use of the techniques taught to you? *Tapai gaeko barshamaa kunai naya taalim linubhaeko chha?*

How have these new techniques changed your production decisions? *Naya tarika sikepachi utpadaan sambandhi nirnaya-maa kasto pariwartin bhaeko chha?*

Do you regularly share and learn about new agricultural techniques from other people in the community? *Ke tapai gaau-ko manche sanga krishi ko naya tarikaaharu baremaa niyमित रुपमा kurakani chalfal garnuhuncha?*

Do you know about SRI? If so, are you interested in learning to adopt the new technique? *SRI baremaa sunnu bhaeko chha?*

Are you members of any farmers groups? What do you do in these groups? *Tapai kunai Krishaak samuhako sadhasya hunuhuncha?*

Land ownership relations

How often do you meet your landlords? What kind of support do they offer you? *Tapai afno malik lai ek barsha ma kati patak bhetnuhuncha? Zamindar bata kasto sahayog pahunuhuncha?*

How did these landlords come to own so much land? *Tapai ko bicharma zamindarsanga haru kasari dherai jagajamin bhayo?*

How has your families economic status changed over the last 10 years? *Gaeko das barshama tapai ko pariwarko aartik awastha ma kasto pariwartin ayo?*

What was the economic status of your family during your grandfather/grandmother's time. *Tapai ko bua ko bua ko pala ma, uniharuko kasto arthik awastha thiyo?*

Appendix 6: Sample interview transcript

Large farmer, Pidarboni, Jhorahat VDC (interviewee identifiers omitted from transcript):

RA = Research Assistant, **F** = Fraser, **I** = Interviewee

RA: In last two to three years what have you done to increase the production for the market.

I: As the number of people in our family is high and for our use we have to do something to increase production. We use different kinds of compost and fertilizers. I have been involved myself in agriculture to increase production and supply for the market.

RA: How do you think production will be increased?

I: For that much training is required on what to grow, how to grow, the use of fertilizers, irrigation and methods.

For example this time the training was provided on *Chaite*. Exactly 12 days were used to learn how to sow. The distance was fixed and the farmers were taken to the field from time to time to observe. The production has increased from 4 maan per kattha to 8-10 maan. But to cultivate in that way it is difficult. It needs more effort. However, if it can be done in that way production can be greater in a small area of land. The main thing we need is training on how we can grow more on little land.

RA: Besides training, what else can be done?

I: Irrigation, but training is more important. There has to be sufficient water and the weather should be favourable. There should be enough manpower. There has to be enough money. Everything has to be available. We look for technicians but they are not there sometimes.

RA: How have you been growing Chaiti?

I: It has been two years. Before that we didn't know about it. Chaite is planted from the last week of Falgun to the first week of Chaitra.....it is harvested in Jestha and it can be started again in Ashad.

F: Chaiti was not grown before two years?

- I:** No it was not grown. The farmers had stopped planting other rice. The production have gone down and the expenses were high for other rice so now people have focused on Chaite. Because of Chaite farmers get money which helps farmers recover losses from other crops. That is why the cultivation of Chaiti is increasing.
- F:** How is the JTA Center?
- I:** It is in Jhorahaat, they are effective. As the people do not have any awareness about calling the JTA they have not been able to call him. The JTA is trying to help and they themselves even take the initiative to help farmers, but people are not taking the service.
- RA:** Are you using the SRI method mama?
- I:** Not in my own land, but other people have been using it. The farmers are encouraged by the JTA. If farmers use this method the production is high, but it is not so useful if you have more than two bighas of land.
- RA:** Mama why are you not applying this method?
- I:** Because I do not have anyone to work on the field and most of the time I am busy at the school so I hardly go to my field.
- RA:** Does this method take long time?
- I:** Yes it does take long time. The farmers have to be educated and they should be given training and should be taught clearly. As it is the new method the farmers do not trust this method. They should be assured about the change it will bring.
- RA:** Mama you told us that the SRI method is not good for the farmers with more land but it is better for the farmers who have less land. Why is it like that? Is it because it takes much effort and consumes more time?
- I:** Yes it is difficult. It takes a lot of time. Weeding is also difficult, it requires more manpower and effort during planting and weeding but the production is high at the end.
- F:** So weeding is difficult?
- I:** Yes, sometimes the machine is also used for weeding,
- F:** Do you have those machines in this village?
- I:** Yes there are two now which the villagers are using.

RA: Is it provided by the Agriculture office?

I: Yes. It has to be used manually but it is very effective. It does the work of 10 people at a time.

RA: So weeding is easy with the machine?

I: Yes

F: Are all the people provided with this kind of machine?

I: Now only two have been provided it to experiment in the field. It was given during the training. It saves a lot of time also. But the SRI method is time consuming.

RA: On which basis do you decide to sell in the market? How do you decide when to sell?

I: The main basis is the market price. Another basis is the requirement. Whenever the price is higher we sell during that time.

RA: Do you store the crops to wait for a better price?

I: Yes we store and sell whenever the price is better.

RA: Mama you sell the crops to the katawala. What is the process of selling it to the katawala?

I: We take it to the katawala. They tell us the price and we sell. We can not bargain over the price.

RA: Do you bargain sometimes?

I: Not always but sometimes for Rs. 5-10 (per maund).

RA: When you go to sell the crops, with how many katawala do you sell?

I: To one katawala. If we have only smaller amounts of crops then we sell to different katawalas but when one has more to sell then the crops are sold to only one or two katawalas.

RA: why do you sell to only one or two katawala when you have more crops?

I: Because when we sell more to only one or two katawalas then we can get money on time and we can ask for money whenever we want.

RA: So that means there are one or two big businessman?

I: Yes

RA: do they charge you interest when you borrow money from them?

I: No they don't charge if it is for a short time, even for 2- 3 months they do not charge any interest.

RA: So they pay you a better price than others?

I: No, the price is fixed and they give us the market price. But sometimes when we make a loan agreement in Baishak and Jestha, in Falgun when we will sell our crops the price they charge us will be the price of Baishak. Even if the price has increased by Falgun.

RA: Mama, when you sell crops in Magh, Falgun, you said they pay money in Baishak, don't they give you money immediately?

I: Yes, they pay at that time.

RA: How is your relationship with the Katawalas?

I: It is good.

RA: When one katawala do not give you good price then is it easy to switch to another katawala?

I: Yes, we sell to other katawalas too and we sell the crops and take the money so it's our choice.

RA: Are you a member of a farmers' groups?

I: No

RA: Why?

I: It has formed recently, and I could not give it time. They have kept me as member but I never have time. I am busy with school.

RA: Have you attended the SRI training?

I: No I have not attended it but I have observed when there was holiday in the school.

RA: What are the mediums of learning new agricultural methods?

I: The medium are the NGOs and INGOs, they have formed the farmers group. They go to the agriculture office and get registered and then they become the main medium.

RA: Are there possibilities of farmers getting together and bargain for a better price?

I: No, because of their poor economic condition. The farmers are illiterate. They have been selling their land to meet most of their expenses. When they take

loans the interest is very high and to pay the loan and the interest it is difficult for the farmers as they don't have any other income source. So they start selling their land.

RA: Has the land reform act has changed the ownership of land for the people who had up to 50 Bigas of land?

I: Yes it did, but because of illiteracy and economic conditions, most of the farmers don't have any source of income so when they need money they sell their land.

Appendix 7: Model to examine price formation in exchange between merchants and farmers

Appendix 7-1: Model

In chapter 7 it was suggested that three factors influence the price offered to farmers by merchants. These include firstly, the behaviour of merchants in the market where farmers sell. In Naya bazaar and Katahari markets there is evidence of collusive activity which depress prices. This local oligopsony further hinders 'large farmers' and wealthier 'medium farmers' from yielding anything close to an average profit, while it makes it even more difficult for poorer 'medium' and 'small' farmers to meet their subsistence needs through agriculture. The considerable variations in price which still occur in both market regions can be explained by two further factors, the economic status of the farmer and their resultant capacity to develop mutually beneficial relations with merchants, and the degree to which farmers are indebted to merchants.

It is useful to statistically test the proportionate role of these three factors through a multiple linear regression analysis. This can both back up qualitative testimonies and provide richer insights into the relative influence each factor has upon the price received by the producer. Before producing a statistical model it is necessary to identify and ensure the suitability of variables. For the dependant variable measuring the price received, it is natural to once again use the average price received for *kanchi* paddy in the 2007 harvest, given its importance as a crop and the large amount of data available. It is a continuous variable and is thus suitable for a linear regression analysis.

The first independent variable which will be entered into the model is the market region. This variable is problematic as it is categorical, and is thus not suitable in its current form for linear regression. However, one can get around this problem by converting it into a dummy variable, whereby sales in Jhorahat and Tetariya = 1, and sales in Bhaudaha and Nayabazaar = 0.

The second variable which may impact variations in the prices received is the economic status of the household. Thus far the focus has been on the household categories identified in chapter 6. Although the categories of this variable can be ordered and ranked, the data remains ordinal i.e. the distance between each category is not known. This can be problematic as linear regression assumes that each variable contains data which is either interval, whereby the distance between categories are known, or continuous. I therefore chose an alternative continuous variable, namely the total value of produce sold to katawalas over the last year¹. After all, the qualitative evidence suggests merchants build up mutually beneficial relationships with farmers who sell in the greatest quantities. This variable is highly skewed, as can be seen in Appendix 7-2. A log transformation of this variable however, produces something much closer to a normal distribution as can be seen in Appendix 7-3, and produced stronger results. The log of this variable is therefore used in the analysis.

The final independent variable which will be entered into the model is the level of indebtedness of farmers to merchants. It was established that the impact of debt upon price received is particularly acute for households whereby the loan constitutes a large proportion of their total annual income. This variable has already been used in Figure 7-10, and as it is a continuous variable, it presents no specific problems and can be entered into the model as it is. However, an examination of the box plots in Figure 7-10 suggest it is not a simple linear relationship whereby the reported price for paddy falls in relation with the proportion of total sales which comprise of loan repayments. Instead, it seems that below a certain threshold whereby loans constitute more than a quarter of their income, the price received drops significantly, but without an obvious linear trend. It is therefore most important for the sake of a regression to analyse whether or not households have taken loans which constitute more than 25% of one's total agricultural income, and whether this affects the price.

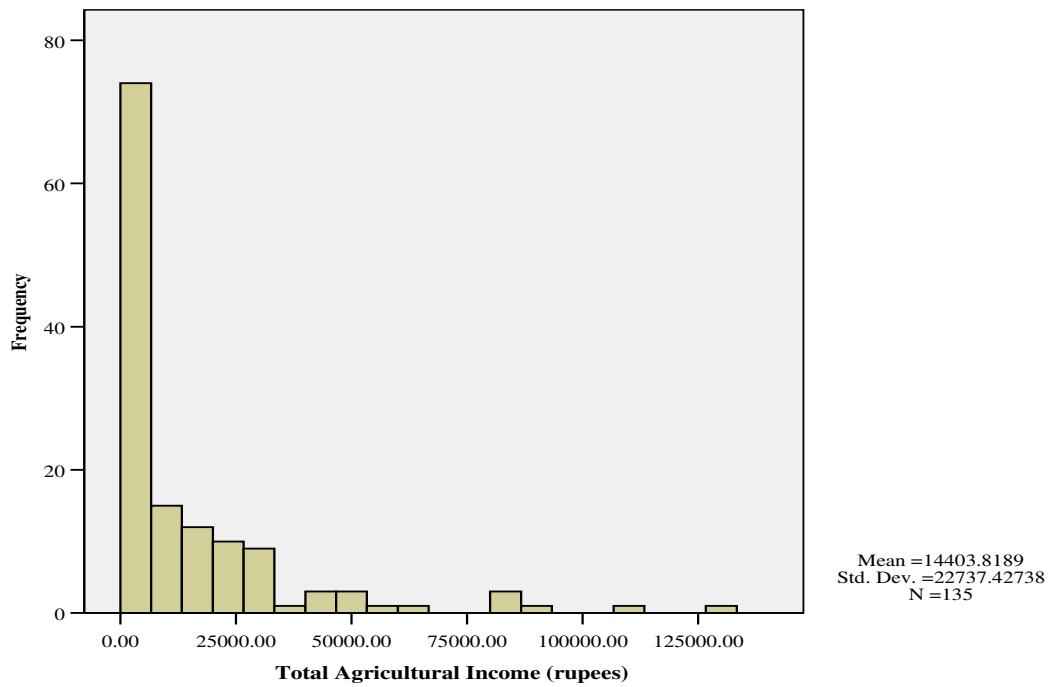
¹ The value of the total of each commodity sold was calculated according to *average* reported per unit prices for the commodity in question across the entire sample to make the totals comparable. Had the actual reported price for each farmer been used to calculate the total value of sales, the results may have been biased as those who had reported higher prices would have appeared to have sold a greater quantity than had been sold in reality.

The final linear regression model yields an r^2 of 0.49, suggesting that around half of the total variance in the average price received for *kanchi* paddy can be explained by the factors outlined above. This represents a satisfactory figure given that this model did not seek to determine all the factors affecting the variation in prices offered by merchants, and the considerable potential for error from respondents in recalling price information. All relationships are statistically significant ($p < 0.05$) at a 95% confidence interval.

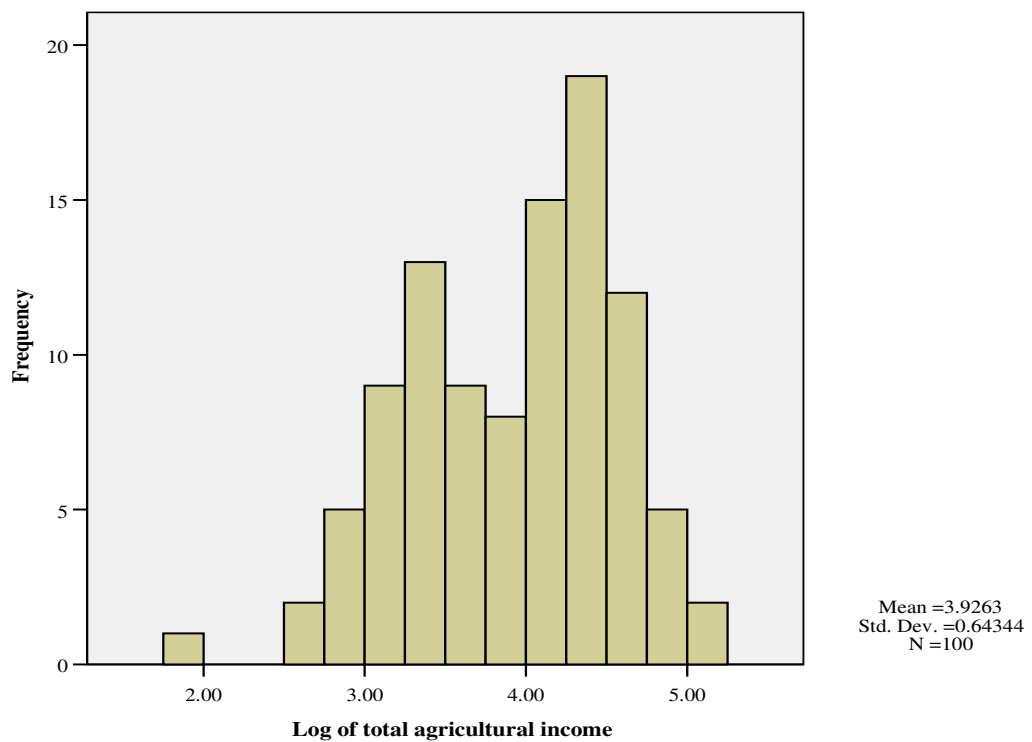
One potential limitation of these results is that of multicollinearity, whereby some of the independent variables predict one another, thus exaggerating the fit of the model. For example, the wealth category of a farmer is likely to impact one's indebtedness to merchants, while regional price differences may be a result of the lower concentration of landlessness in some of the villages in the Jhorahat market region. To Meyers et al. (2006), a tolerance of less than 0.1 indicates a multicollinearity problem as does a variance inflation factor (VIF) of greater than 10. Given that the tolerance levels and VIF in Appendix 7-4 are well within these limits, it can be surmised that multicollinearity is not a serious problem for this model.

It can thus be concluded that the variations in the price offered to households by merchant capital can be explained primarily by the market region in which they sell, which in turn reflects the oligopsonistic potential of traders. Meanwhile, both the value of crop sales to the merchants and indebtedness to merchants both explain variations in price received *within* each region. What is most striking about the latter two variables is that they represent merchant capital taking advantage of the economic insecurity of rural producers which follows from their integration into the dominant semi-feudal relations of production.

Appendix 7-2: Distribution of total agricultural income



Appendix 7-3: Distribution of log of total agricultural income



Appendix 7-4: Merchant capital price formation: regression coefficients

Coefficients examining the variables which explain the variance in the average price received for kanchi paddy from the 2007 harvest (rupees per kg)

Variable	B	Std. Error	Beta (β)	t	Sig.	Tolerance	VIF
(Constant)	4.702	1.030		4.567	.000		
Market Region (Dummy)	1.519	.357	.492	4.261	.000	.788	1.269
Log of total value of crops sold to katawala over last year	.833	.233	.372	3.580	.001	.973	1.028
Presence of loan repayments constituting > 25% of agricultural income (Dummy)	-1.083	.472	-.264	-2.296	.026	.795	1.258