

**CAPITALISM, SOCIALISM
AND
PETTY PRODUCTION**



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Stephen Ruvuga (Executive Director – MVIWATA) responds to Prabhat Patnik’s lecture, during Nyerere Dialogue Lecture

Capitalism, Socialism and Petty Production

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PREFACE

In this Nyerere Dialogue Lecture, 2018, Emeritus Professor Prabhat Patnaik, discusses the place of petty production in the development trajectory of the countries of the global South. The received wisdom over the last half a century in the mainstream development economics has been that petty production in agriculture, that is peasant production, is a backward mode of production. The path of development lies in the industrialization and chemicalisation of agriculture, proletarianisation of the peasantry and expansion of employment in the secondary and tertiary sectors. This is the path that developed European economies are supposedly to have followed in their journey to modernisation. Modernity is understood to mean capitalist modernity.

For over a decade now, heterodox and progressive political economists from the South have questioned this Euro-centric narrative of development. First, they argue, that the European and later American capitalist development has always been a worldwide system in which the South has been intimately imbricated. On the labour side, the surplus labour thrown out of agriculture as a result of penetration of capital and enclosure movement in the Europe was only partly absorbed by the industrial sector. A large portion of it was “exported” to the “new world” – the Americas, Australia, New Zealand. Furthermore, the price of labour power employed in the industrial sector was cheapened by imports of tropical foods from the South thus augmenting accumulation of capital.

On the capital side, the robbery of treasures – gold, silver etc. – from the Americas whose indigenous populations were mercilessly annihilated and the triangular trade in slaves-cum-commodities spread over three continents – Africa, America and Europe – contributed decisively to the accumulation of capital and its investment in industries. In short, both the so-called

agrarian and industrial revolution in the Centres of capitalism voraciously fed on human and natural resources of the South, in particular Africa. Primitive accumulation was thus at the heart of capitalist development in the Centre. By the same token, the development of the Peripheries was both stunted and bastardized placing them on the permanent state of dependency on, and subordination and subjugation to, the Centres.

Secondly, the South does not have other geographical places to absorb their surplus population nor external sources of capital. It has to rely on its own people and resources to chart its autonomous path of development. To embark on the path of self-reliant autonomous development, the peripheries will have to delink from imperialist centres in the first place, generate and mobilise internal sources of capital in the second place, and ensure that their path of development does not generate surplus population and that it does not degrade climate and ecology, in the third place. It is in this context that Patnaik and other progressive political economists from the South have argued that rather than condemn the peasantry as backward, destined to disappear, the peasant should be placed at the centre of the autonomous development trajectory. The future of the peasantry in the South thus lies in its co-operativisation and collectivisation rather than proletarianisation.

We hope that the publication of this lecture will re-open the debate, long lost in the thickets of neo-liberalism, on the alternative vision and path of development which is socially inclusive, economically integrated and ecologically non-intrusive.

Issa Shivji
Director, Nyerere Resource Centre
January 2019

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For persons of my generation President Julius Nyerere was a beacon of light. He was a prominent member of that outstanding group of third world leaders who presided over the process of decolonization in their respective countries, and set their countries on a new course, a group that included, apart from himself, Jawaharlal Nehru, Soekarno, Kwame Nkrumah, Patrice Lumumba, and Jomo Kenyatta. It is an honour for me to be asked to deliver this lecture whose title bears his name.

I

The Tendency of Capitalism to Encroach Upon Petty Production

Capitalism is a “spontaneous” system driven by a set of immanent tendencies, which the State presiding over this system, in normal times, supports, sustains and accelerates. One such immanent tendency is its drive to encroach upon its surrounding universe of traditional pre-capitalist petty producers. This encroachment takes both “stock” and “flow” forms, and is effected as much by the capitalists themselves acting directly, as by the capitalist State acting on their behalf.

In its “stock” form it entails the dispossession of the petty producers of their means of production, in the sense of stripping the petty producers of the rights that they enjoy over their means of production. (Since the concept of “ownership” in pre-capitalist societies does not usually constitute a single integral entity, we should talk rather of “rights”). These rights are appropriated sometimes absolutely *gratis*, sometimes by offering a nominal price that is way below the price that is their “due”, and almost invariably while overlooking the claims of some segments of the producers, such as the “labourers”, who also traditionally enjoy certain customary rights vis-a-vis the means of production.

In its “flow” form such encroachment entails a compression of the incomes of all those engaged in the petty production sector, even when no dispossession of their means of production is involved. This compression can be effected in several ways: through outright plunder; through “unequal exchange”; through taxation by the capitalist State which simply appropriates the tax proceeds for the benefit of the capitalist sector; and through the capitalists snatching away the markets from the products of the petty producers, where, even if trade between the two sectors is balanced, there is nonetheless a generation of unemployment within the petty production sector, and a consequent reduction in incomes. This is precisely what had happened in the colonial period through “deindustrialization” in the colonies.

This phenomenon of unemployment being created despite balanced trade is inexplicable on the basis of both neo-classical and Keynesian theories. It arises because, given that the land area available to the petty production sector is fixed and more or less fully used up, capitalist imports of primary agricultural goods from this sector which are produced on this fixed land area, even when offset by an equivalent amount of exports of factory-made manufactured goods that substitute the craft-goods that were being produced by it earlier, shrink nonetheless the magnitude of production activity within it. A reduction occurs in pre-capitalist craft production, with no increase in any other sector’s output, including agriculture’s (because of the fixed land area), with the displaced craft producers having nowhere to go, and with the agricultural output they were using earlier, as food and raw materials, being exported to the capitalist sector instead.

Even if no other form of income compression of petty producers is imposed by the capitalist sector, this last form, of snatching away markets from the petty producers, and thereby creating unemployment and an income squeeze upon them, and consequently greater pressure of population on the fixed land

area, is an inexorable encroachment by capitalism, as Rosa Luxemburg had pointed out long ago¹. It had also occurred within Europe itself with the emergence of capitalism, but large-scale emigration to the temperate regions of European settlement, such as Canada, the United States, Australia, New Zealand, and South Africa, which Arthur Lewis (1978) estimates at 50 million in the latter half of the nineteenth century until the first world war, and which entailed taking over land from local inhabitants by the immigrants who set themselves up as farmers, kept such domestic unemployment restricted in Europe. Needless to say, such possibilities were never available to the displaced populations of the third world, and are obviously not available today.

II

Misconceptions about Capitalist Encroachment

There are at least four misconceptions around this phenomenon of encroachment by the capitalist sector upon its surrounding petty production sector. The first misconception is that such encroachment is generally accompanied by an absorption of the displaced petty producers into the ranks of the proletariat of the capitalist sector, so that, apart from a relatively small reserve army of labour which does not find employment within capitalism, all the others undergo at best only a transitional period of suffering. The encroachment by the capitalist sector upon its pre-capitalist surroundings of traditional petty producers therefore is simply part of the process of expansion of capitalism, but not something that creates any permanent dichotomies. This indeed was Rosa Luxemburg's perception, even though there are stray instances of recognition within her writings that capitalism creates permanent dichotomies, that it brings into perennial

¹ Rosa Luxemburg's book *The Accumulation of Capital* which contained the argument that the capitalist sector could accumulate only by encroaching upon its surrounding pre-capitalist sector was first published in 1913.

existence a depressed, degraded and squeezed petty production sector existing alongside burgeoning capitalism.

This view, namely that the displaced petty producers mostly get absorbed as workers within the capitalist sector, is erroneous because capitalism simply does not create enough jobs to absorb them. This did not happen even in Europe where emigration provided a safety-valve, and it is not happening today in the third world. As a consequence, where the scope for emigration does not exist the displaced petty producers continue to remain within the petty production sector which becomes a repository of poverty and degradation. The *possibility* of this happening was clearly recognized within the Marxist tradition in a letter by Friedrich Engels to N. Danielson the well-known Narodnik economist, on September 22, 1892. But the fact that this is actually the case is by now attested to by decades of historical experience gathered since Marx's time. In fact in the period of recent high growth of the Indian economy, which has attracted much global attention and which has been used as proof of the beneficial consequences of neo-liberal globalization for the third world, the rate of growth of employment has been minuscule, even below the rate of growth of the working population. For instance between 2004-5 and 2009-10 when GDP growth rate in India was close to 8 percent per annum, the rate of growth of "usual status" employment (i.e. of those who consider their "usual status" as one of being employed) was a mere 0.8 percent which is even lower than the rate of population (and hence work-force) growth, close to 1.5 percent at that time.

The second misconception is that this process of encroachment which Marx had talked about in his discussion of "primitive accumulation of capital" is confined to only the period of birth of capitalism, and, that, after the system comes into existence, its dynamics conform only to what Marx had highlighted in his discussion of expanded reproduction schemes

in Volume II of *Capital* where the question of encroachment on the pre-capitalist sector did not figure.

This view is wrong because it completely misses for instance the role that colonialism had played in sustaining the dynamics of world capitalism in the “long nineteenth century” on which there is very valuable research work that has been done by economic historians like S.B.Saul (1960). Marx himself had come to recognize in later life the massiveness of the “drain” of surplus from India to Britain in a letter to Danielson on February 19, 1881, where he had written: “What the English take from them annually ... *without any equivalent* and quite apart from what they appropriate to themselves annually *within* India, speaking only of the *value of the commodities* the Indians have gratuitously and annually to *send over* to England – it amounts to *more than the total sum of income of the sixty millions of agricultural and industrial labourers of India!* This is a bleeding process, with a vengeance!”

It would be absurd to suggest that such a massive “bleeding process” was quite irrelevant to the dynamics of capitalism. The encroachment on the petty production sector in other words is not confined only to the birth of capitalism but continues throughout its life. And in so far as such encroachment, which creates misery for the petty producers without absorbing the bulk of the misery-afflicted petty producers into the capitalist work-force, continues throughout the life of capitalism, the producers so encroached upon linger on in their traditional habitats in growing misery. This obvious fact however is not recognized in neo-classical economic theory, and in the literature of institutions like the IMF and the World Bank that relies on such theory, where much emphasis is given on the contrary to a phenomenon called the “trickle down”.

The third misconception also concerns a failure to recognize this fact, but from an altogether different perspective. It

characterizes the neo-populist view which holds that the peasantry, especially the middle peasantry, is resilient enough to withstand the onslaught of capitalism. In other words it takes the fact that large numbers of petty producers belonging to peasant agriculture continue to stay on in agriculture as proof of this sector's resilience, while in fact they are "locked" into it despite their growing misery because of the absence of adequate employment opportunity in the capitalist sector outside. It takes the higher yields per acre that typically characterize small farms compared to large ones as proof of the "efficiency" of peasant agriculture (in contrast to capitalist agriculture), which is supposed to underlie its resilience. In fact however such higher yields are only reflective of massive overcrowding in peasant agriculture in the absence of alternative employment opportunities, and are actually accompanied by abysmally low levels of labour productivity. The concept of an "efficient" and robust peasant agriculture existing alongside capitalism is a myth; it mistakes misery for "efficiency".

The fourth misconception is based on an obliteration of the difference between the various phases of post-war capitalism, or, more appropriately in our context, post-decolonization third world capitalism. The immediate post-decolonization period was marked by the emergence of regimes which, even while seeking to use private capital for the purpose of national development, sought to control its "spontaneous" tendencies. With economic "liberalization" being introduced at different points of time in different third world countries under pressure from the Bretton Woods Institutions, and with the ultimate triumph of neo-liberalism globally, the "spontaneity" of the capitalist system has begun to manifest itself with a vengeance. One of the hallmarks of the period of post-decolonization *dirigisme* was the protection and promotion of the petty production sector through curbing the encroachment upon it of the capitalist sector, both foreign and domestic; this was in line with the promise of the anti-colonial struggle, and was a reflection of the fact that the State that

emerged in most third world countries after decolonization was not a typical European-style classical bourgeois State. Such curbs upon the encroachment by the capitalist sector on the traditional petty production sector have now been largely abolished under the neo-liberal regime. This regime restores the spontaneity of the system and brings into being a “neo-liberal State” that acts almost exclusively in the interests of globalized capital with which the domestic big bourgeoisie gets closely integrated.

As far as peasant agriculture is concerned this has meant exposing it to world market price fluctuations which invariably bring greater indebtedness and destitution; reducing its profitability by withdrawing all subsidies on input prices; and leaving it to the mercy of international agribusiness in the matter of obtaining seeds, pesticides, and marketing facilities. On top of these has come the privatization of essential services like education and health which have become extremely expensive as a result and pushed petty producers into greater debt and destitution. The fact that in India over the last two and a half decades more than three hundred thousand peasants have committed suicide indicates the degree of destitution. And between the 1991 and 2011 decennial censuses in India 15 million peasants have left agriculture to look for alternative employment, thereby in effect swelling the reserve army of labour, though this fact manifests itself more in terms of a growth in casual employment, part-time employment, intermittent employment and such like, rather than in open unemployment. Such swelling of labour reserves has the effect of keeping down real wages of the employed workers in the capitalist sector, including of even the tiny segment of unionized workers, a fact I shall come to later.

III

Neo-liberal Capitalism, Third World Poverty, and the Worker-Peasant Alliance

The foregoing has two important implications. First, capitalism in its spontaneous functioning such as what neo-liberalism entails, far from overcoming the prevailing mass poverty in third world economies, which itself, as a *sui generis* category (associated with unemployment and economic insecurity), had been created by the encroachment of metropolitan capitalism on such economies in the colonial period, serves only to perpetuate and accentuate such poverty.

This statement needs clarification. Undoubtedly there is a diffusion of activities from the metropolis to the third world under neo-liberal capitalism for taking advantage of the latter's low wages to cater to a global market. This fact, together with its second-order effects, creates locations of high growth within the third world. And when these locations are synonymous with entire countries (which would be the case with certain small countries), such high growth can have the effect of using up rather than adding to the labour reserves of the countries in question, and thereby alleviating their local poverty. Such particular "successes" have been held up as generally reflecting the inherent potential of neo-liberal capitalism; and the absence of such "success" has been attributed to *local* factors. Likewise even when the mass of the working people have been squeezed by such growth, *and not just excluded from it as is normally presumed*, a burgeoning middle class has nonetheless come up everywhere whose visibility and high profile has created an impression of great prosperity within the third world which is wholly unwarranted. And since among the poor themselves there has been a shift in consumption pattern, usually enforced by policy as in the case of their move to more expensive private healthcare, and education, this fact itself is presented as proof of an improvement in material conditions. The idea of accentuated

mass poverty in the third world under neo-liberal capitalism therefore appears at first sight as untenable.

But the analysis presented above has to be tested against data for the third world as a whole rather than for specific countries, and by looking at trends in the intake of certain basic goods. Consider for instance the world cereal consumption per capita. For the year 1980 per capita cereal *production* in the world was 355 kg. (average production for triennium 1979-81 divided by 1980 population); for 2000 a similar calculation gives a figure of 343 kg., while for 2016 the figure is still 344.9 kg. Since considerable diversion of cereal output for ethanol has also occurred meanwhile, the per capita cereal *consumption* has clearly declined between 1980 and 2016.

We are talking here of consumption that includes both direct and indirect consumption, the latter through processed foods and animal products (into which foodgrains enter as feedgrains); and this tends to increase with per capita real income until a very high level (below which all third world countries are) and then reaches a plateau. If poverty in the third world was getting eliminated then we should find an increase in per capita world cereal consumption. The fact that per capita total consumption of cereals in the world as a whole is lower today than in the early eighties suggests therefore that mass poverty in the third world persists and is even getting accentuated. In other words the view that capitalism in its spontaneity would overcome mass poverty in the third world is untenable².

The second implication of the argument presented earlier is that neo-liberal capitalism creates spontaneously the condition for the coming together of workers, peasants, other petty

² It is no doubt true that in the advanced countries there has been some decline in per capita total cereal consumption of late because of greater health-consciousness. But this does not explain the decline noted here. There has undoubtedly been a decline in per capita third world cereal consumption.

producers, agricultural labourers and other labourers employed in the petty production sector. This is because, as we have seen, the squeeze on petty producers that neo-liberalism imposes pushes them to swell the ranks of the reserve army of labour and such swelling has a depressing effect, even in absolute terms, upon the real wages of workers, including fully-employed unionized workers, in the capitalist sector. The material basis for a worker-peasant alliance for opposing neo-liberal capitalism or capitalism in its spontaneity, which is the latest phase of capitalism, is thus created by its own spontaneous working.

This is a new factor which goes beyond what Lenin had theorized with regard to the worker-peasant alliance. Lenin's argument it may be recalled (in *Two Tactics of Social Democracy in the Democratic Revolution*), had been as follows: in countries coming late to capitalism (Russia of his time), the bourgeoisie, instead of carrying through the democratic revolution against the feudal system by breaking up land concentration in feudal estates and distributing the land among the peasants, makes common cause with the landlords, because it is afraid that an attack on feudal property could rebound into an attack on bourgeois property (since the epoch is one where bourgeois property is already historically threatened). It is only the working class that can therefore lead the peasantry and other classes and complete the democratic revolution; having done so however it would not just stop there but lead on to a socialist revolution, though its allies within the peasantry would change in the course of this protracted revolutionary transition.

The worker-peasant alliance as visualized by Lenin, which was meant for completing a democratic revolution that found expression in concepts like "People's Democratic Revolution", and "New Democratic Revolution" (to distinguish this democratic revolution from the classical bourgeois-led democratic revolution as in France), formed the basis of all Marxist revolutions in the third world in the twentieth century.

This conception does not lose its validity but is added to by developments under neo-liberal capitalism which provide a further basis for a worker-peasant alliance. The bourgeoisie does not just show pusillanimity in shrinking away from the democratic revolution; it imposes additionally a squeeze of its own on the petty producers including the peasantry through the regime it sets up under neo-liberal capitalism. The landlords turning to junker-style capitalism or the rich peasants moving into the ranks of capitalist farmers may escape this squeeze because of the diversification of their interests away from agriculture alone towards a vast range of other activities, but for the bulk of the peasantry the squeeze is serious. This very fact however conduces to the adoption of a trajectory leading to socialism.

The political significance of capitalism losing the support of petty producers is enormous. The way in which the bourgeoisie had typically bolstered its political position against the socialist challenge led by the working class was to put the fear among the peasants that an attack on bourgeois property, of the kind that socialism would entail, would be accompanied by an attack on petty property. This was the fear that Adolphe Thiers had invoked to enlist the support of the French peasantry for defeating the Paris Commune. The French peasantry had been the beneficiary of the break-up of feudal estates under the bourgeois revolution in France in 1789; at the same time because of the emigration possibilities that existed then, peasant distress on account of the growth of capitalism had been kept in check; as a result the scope for a worker-peasant alliance was limited at the time of the Paris Commune, which stood the bourgeoisie in good stead.

In the case of the Bolshevik Revolution however, matters were completely different. By then the bourgeoisie had lost its historical potential of effecting an attack on feudal landed property, so that peasant desire for land and for freedom from the feudal yoke could not be satisfied by the bourgeoisie. In fact even the February Revolution in Russia, because it did not go beyond

these bourgeois limits in effecting land redistribution, could not satisfy the peasantry. When the October Revolution happened, the peasants took matters into their own hands and simply occupied feudal estates. They were supported in this effort by the Bolsheviks, who abandoned their own programme of nationalization of land, to favour peasant ownership. This shift in Bolshevik position at the time had prompted the Socialist Revolutionaries (a contemporary Russian Party) who had all along favoured peasant ownership to claim that the Bolsheviks had “stolen” their programme; indeed the Left Socialist revolutionaries, a Party with a peasant base, had even joined the revolutionary government in coalition with the Bolsheviks.

The support of the peasantry in short has been a crucial factor in deciding the outcome of the revolutionary fortune of the working class in countries with substantial peasantry, which include those coming late to capitalism; among these latter are the third world countries of Asia and Africa and much of Latin America. And for these countries, the absence of any thorough-going land redistribution, combined with the squeeze on the peasantry imposed under neo-liberal globalization, marks a significant development, strengthening the prospects of forming a worker-peasant alliance and advancing towards socialism via a completion of the democratic revolution, though what exact form this completion would take, would vary from country to country.

IV

The Need to Defend Petty Production and Promote its Self-transcendence

The defence of the peasantry from expropriation does not of course mean accepting the perpetual existence of petty production; what it means is a transformation of petty production without the exercise of any coercion into collective forms of organizing production, which become a stepping stone towards socialism. Co-operativization or collectivization entails not an

expropriation of peasants but a voluntary pooling of land; hence it does not entail a process of primitive accumulation of capital, as capitalist encroachment does.

Historically however the pursuit of socialism has not been marked by any degree of success in preserving the worker-peasant alliance in the course of the protracted revolutionary transition, and indeed this has been a major factor behind the collapse of the socialist experiment. Even where the first phase of the revolution, where the working class in alliance with the peasantry seizes power, has been successfully accomplished, further advance of the revolution towards socialism has been difficult to achieve: forced collectivization as in the Soviet Union, or hasty attempts to transform the peasantry, even where collectivization itself has not been forced, as in China, have weakened the base of the revolution and contributed in no small a measure to the consolidation of a one-party dictatorship that has proved untenable in the long-run. The worker-peasant alliance in short has proved difficult to sustain.

There have of course been specific historical reasons for this. In addition however there have been important theoretical reasons. At least two theoretical positions common among Marxists have been problematical in retrospect and need to be revised if an enduring worker-peasant alliance is to be built.

The first is the following. Lenin's sketch in *Two Tactics* about the transition to socialism of a democratic revolution that starts on the basis of a worker-peasant alliance, visualized that the allies of the working class within the peasantry would change in the course of this transition, that the rich peasantry which would initially be on the side of the revolution will have to be proceeded against as the revolution advances. The question that obviously arises here is this: why should the rich peasants, and even upper middle peasants, *if they know that the revolution will eventually proceed against them*, join it in the first place? If they do not join

it, then the revolution itself will be that much harder to achieve. On the other hand, if they do join it, believing that the revolution will protect them and not anticipating that it will go against them at some stage, then their hostility to the revolution at the stage where it turns against them will be particularly bitter because of their feeling of being betrayed by it. This will create great difficulties for the revolution, especially since the revolution will necessarily be facing imperialist encirclement anyway; indeed in the contemporary epoch of globalization when any ascendancy to power of a worker-peasant alliance must be accompanied by a degree of delinking from such globalization, hostile encirclement will be absolutely inevitable. Even if the revolution survives such difficulties by taking strong measures against all who are hostile to or critical of it, it will get marred forever through the institutionalization of an authoritarian regime that would have been necessitated by these difficulties.

In other words the shift in the balance of class forces that will be required for the democratic revolution to proceed towards socialism cannot be achieved merely by force. It has to be achieved rather through a process where all segments of the peasantry, including even those better off peasants who join the democratic revolution, improve their material conditions, while a decline occurs nevertheless in the strength of the better off peasants. Collectives are a means of achieving both these objectives: they reduce the strength of the more prosperous peasants, even as the development of the productive forces under the collective form effects an improvement in the material condition of life of all including them. The revolution's assault on the better off peasants in the transition to socialism that Lenin had talked about, should be seen therefore not as an attack by force, but as an inducement for self-transcendence. The worker-peasant alliance, even while changing its character to facilitate the advance towards socialism, should be careful not to make enemies of any segment of the peasantry, including the better off peasantry that would have joined the revolution in its democratic

stage, for that only weakens the revolution, a fact that Lenin himself had been acutely aware of towards the end of his life.

A second theoretical misconception is often used for denying this imperative and advocating instead a resolution by force of the contradictions associated with the transition to socialism. And this misconception consists in the belief that production for the market creates differentiation among the producers and hence a tendency towards an emergence of capitalism from below; to prevent such a capitalist tendency which would be inimical to the advance towards socialism, the “proto-capitalist” elements, it is argued, have to be suppressed by force. This is a misconception because it assumes that *any production for the market is commodity production*³.

It is certainly true that *commodity production* creates differentiation among producers (this in fact is a mark of identification for commodity production) and hence a tendency towards the emergence of capitalism from among the petty producers engaged in such production. But commodity production itself is a very specific phenomenon and is not synonymous with mere production for the market. In India for instance there has been production for the market for millennia but this did not produce any noticeable tendency for an emergence of capitalism from below. Had it done so, then India would have developed capitalism well before Europe, instead of capitalism coming to India in the wake of colonial conquest.

Commodity production is characterized by the fact that the commodity that is produced for the market *is not a use-value for the producer, but purely an exchange value*, i.e. the command over a certain sum of money. Correspondingly, the relationship between the buyers and sellers engaged in commodity production is completely impersonal. It follows therefore that exchange

³ The argument that production for the market does not *per se* constitute commodity production has been presented in greater detail in Patnaik (2015).

among a close group of people, such as within the *jajmani* system in India, or even within the regular intercourse that occurs daily in an average Indian bazaar, does not qualify as commodity production proper, and does not necessarily have the tendency towards differentiation among producers and the emergence of capitalism that is associated with commodity production. And this remains the case even when the producers engaged in such exchange employ labourers for producing their commodities, as any average Indian sweet-seller does.

It is hardly surprising in this context that the emergence of modern capitalism in Europe has been traced by Henri Pirenne to the opening of Mediterranean trade, which was long-distance, completely impersonal, and hence gave a boost to commodity production in the authentic sense. Whether one agrees with Pirenne or not, the link he established between trade that is long-distance and hence impersonal and the emergence of capitalism is *theoretically* important.

Yet in the belief that all production for the market constitutes commodity production, that a capitalist tendency necessarily arises in all these cases, especially when there is any employment of labourers in such production, socialist countries have always tended to crack down on small and marginal enterprises including on peasant farms, instead of regulating them and leading them towards their own voluntary supersession through collective organizational forms; and this has invariably contributed towards a weakening of the social base of the revolution. The Cultural Revolution in China which explicitly invoked this idea that petty production is the progenitor of capitalism and cracked down upon it, was the latest example of such an erroneous and extreme theoretical understanding.

It follows therefore that while socialism alone, being a non-spontaneous system, where people collectively determine their own destiny, including their economic destiny, through

political intervention, can overcome mass poverty by protecting and defending petty production instead of encroaching upon it, it can do so only by avoiding the pitfall of an erroneous and dogmatic understanding of the nature of petty production. Socialism is a system where politics, which is the instrument for collective intervention by the people, drives economics rather than the other way round. It is not spontaneously driven to encroach upon petty production; but it must not also be driven to encroaching upon petty production for political reasons on the basis of an erroneous theoretical understanding of the contradictions during the transition to capitalism.

Even with such encroachment it may nonetheless overcome poverty because of its non-spontaneity, as historical experience has shown; but, again as historical experience has shown, it does not survive the weakening of the social base of the revolution that ensues in the wake of the political crackdown on petty production. Defending petty production and helping it to transcend itself voluntarily, is necessary for the survival of socialism; but towards this end socialism must also rectify its own understanding.

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