



The Labor of Development

Workers and the Transformation of Capitalism
in Kerala, India

PATRICK HELLER



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To Max and Rosemarie Heller

Contents

Acknowledgments	ix
Abbreviations	xi
Introduction: Kerala in Theoretical Perspective	1
Chapter 1. Classes and States in the Making of Development	22
PART I. AGRICULTURE	51
Chapter 2. Tenants and Laborers in Kerala's Agrarian Transformation	53
Chapter 3. The Institutionalization of Class Conflict in Agriculture	87
Chapter 4. Class Compromise and the Development of Capitalist Agriculture	118
PART 2. INDUSTRY	157
Chapter 5. Mobilization and Transformation in Industry	160
Chapter 6. Crisis and Compromise in the Unorganized Sector	183
Chapter 7. Accumulationist Strategies: The Decline of Militancy in the Organized Factory Sector	207
Conclusion: The Democratic Developmental State	237
Works Cited	249
Index	269

Tables

1. Kerala: Basic Socioeconomic indicators compared	8
2. Paddy wages and prices in Kerala	92
3. Area of major crops in Kerala	122
4. Production and yield of major crops in Kerala	130
5. Composition of workforce in Kerala and India, 1991	165
6. Percentage growth in manufacturing and registered factory sectors, Kerala and India	211
7. Labor militancy in Kerala	220
8. Per capita investments on hand in manufacturing sector and total economy	233

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P. H.

Abbreviations

AITUC	All-Indian Trade Union Congress (CPI-affiliated)
AKKV	Akila Kuttanad Karshaka Vedi
BJP	Bharatiya Janata Party
CDS	Centre for Development Studies
CITU	Congress of Indian Trade Unions (CPM-affiliated)
CMIE	Centre for Monitoring of Indian Economy
CPI	Communist Party of India
CPI(M) or CPM	Communist Party of India, Marxist
DKS	Deseeya Karshaka Samajam
EPW	<i>Economic and Political Weekly</i>
GOI	Government of India
GOK	Government of Kerala
IAS	Indian Administrative Service
INTUC	Indian National Trade Union Congress (Congress-affiliated)
IRC	Industrial Relations Committee
KAWA	Kerala Agricultural Workers Act
KSKTU	Kerala State Karshaka Thozhilali Union
KCSP	Kerala Congress Socialist Party
KKS	Kerala Karshaka Sangham
KLRAA	Kerala Land Reforms Amendment Act
KSSP	Kerala Sastra Sahitya Parishad
LDF	Left Democratic Front
MLA	Member, Legislative Assembly
PACS	Primary Agricultural Credit Societies
SNDP	Sree Narayana Dharma Paripalana
TKTU	Thiruvithamkoor Karshaka Thozhilali Union
TLA	Travancore Labour Association
UDF	United Democratic Front

THE LABOR OF DEVELOPMENT

Introduction: Kerala in Theoretical Perspective

In the 1960s, social historians reminded us that subordinate classes, to borrow from E. P. Thompson, were present at their own making, and that indeed, they helped make the modern world.¹ Scholars of revolutions, democracy, the welfare state, and the labor process have since emphasized the role that peasants and workers played in the great transformative events of the twentieth-century, including shaping the structures and institutions of modern capitalism. Though this concern with “bringing the masses back in” has informed much of our thinking about social and economic change in advanced capitalist countries, as a coherent body of concepts and hypotheses it has had a far less pronounced impact in the study of the developing world.

In both its academic and policy incarnations, the development literature has tended to see peasants and workers as either victims or beneficiaries, but rarely as active agents of economic and political transformation. In exploring the determinants of economic development, scholars have focused either on the market and its social carrier, the bourgeoisie, or on the developmental state and its technocratic elites. In the literature on political development, including much of the recent work on democratization, the transition to more open and plural systems of representation has either been functionally tied to the ascendance of market economies or ascribed to the strategic actions of political elites. In all of these scenarios, peasants

¹ Among the most important contributions were those of Thompson (1963), Moore (1966), Wolf (1969), Tilly (1978), and more recently Burawoy (1985) and Rueschemeyer, Stephens, and Stephens (1992). I use the terms “lower,” “subordinate,” and “working” classes interchangeably to refer to both urban and rural wage workers.

and workers are reduced to passive objects of forces beyond their control and, implicitly, their understanding.

In part, the scholarly neglect of these classes reflects the fact that in most developing countries political participation has been carefully controlled. The exclusion or co-optation of workers and peasants has been so pervasive among late developing countries that it has been elevated to the status of a theoretically informed necessity: satisfying "populist" demands is incompatible with economic growth, and political modernization requires the taming of social mobilization. The former proposition flows from conventional economic wisdom (both Marxist and neoclassical) that assumes a zero-sum trade-off between growth and social consumption; the latter, most famously associated with Samuel Huntington's classic work (1968), is reflected in the current concern with problems of governance, institution building, and political leadership. A functionalist (that is asocial) bias informs these views, in which development is understood as the unfolding of institutional properties associated with modern markets or modern democratic states. These views either entirely discount the effects of social conflict and mobilization (economic theory) or prejudge them as inherently destabilizing (political modernization).

In examining the case of the state of Kerala in southwestern India, I propose to turn these assumptions on their head. I maintain that development in Kerala has been driven not by market forces or by an emerging bourgeoisie, but by the mobilization of subordinate classes. This process has been uneven, at times contradictory, and always contested, but has nonetheless resulted in the consolidation of an institutionally robust and politically stable form of social-democratic capitalism.

Three phases can be identified in the developmental trajectory of this densely populated state of thirty-one million inhabitants. In the first phase, mobilization of poor tenants and landless laborers produced an agrarian transition and precipitated the demise of the landlord-dominated social order. Periodic electoral victories by pro-labor parties and sustained lower-class mobilization led to significant redistributive reforms and the rapid expansion of the welfare state. These developments underscored, and indeed were facilitated by, the consolidation of a rich fabric of democratic institutions. In a second phase, labor militancy and continuous challenges to private property triggered a crisis of capitalist accumulation, and specifically a crisis in the labor-squeezing logic of peripheral capitalism. This crisis took its toll on the economy, but unlike many Latin American cases, it did not result in the decomposition of the popular sectors. For reasons that are explored in detail in this book, organized class interests and strong state institutions combined to produce a third phase marked by

the institutionalization of class conflict and the effective, if uneven, forging of class compromises across agrarian and industrial sectors. Though in conventional economic terms Kerala remains an "underdeveloped" economy, the labor movement and the state have taken significant steps to promote capitalist growth while maintaining hard-won distributive and social gains.

I highlight the significance of Kerala through two comparative frameworks that explore two different sets of arguments. First, the degree to which both rural and urban wage-earning classes in Kerala have been politically and economically incorporated is systematically contrasted to the disorganized and largely excluded condition of lower classes in the rest of India. Such divergent outcomes within the same nation-state and its democratic institutions, and within the same national economy and its largely underdeveloped capitalist structures, point to the significance of local histories of state-society engagements. Kerala's departure from the national pattern has resulted from specific patterns of class formation and the institutional linkages that emerged from repeated cycles of class-based contestation and state intervention.

The second framework, situating Kerala in the comparative political economy literature, allows for broader claims about the relationship between subordinate-class politics and developmental outcomes. In contrast to predictions that high levels of social mobilization in developing countries necessarily overload fledgling democratic institutions, class-based mobilization in Kerala has actually institutionalized democracy and made it work better. Similarly, a redistributive trajectory of development, rather than inhibiting capitalist development, has in fact created many of the social and institutional prerequisites (for example, human capital, civic associations, robust bureaucracies) for sustainable economic growth. Simply stated, capitalism and democracy in Kerala have not only coexisted but prospered from the political and economic inclusion of peasants and workers. The case of Kerala suggests that lower-class mobilization can, in effect, be the engine of democratic development.

The elite-dominated or authoritarian political systems of the postcolonial world have provided few formal avenues for the articulation of demands from below. But recent events have brought the question of subordinate-class politics to center stage. Neoliberal proclamations of the "end of history" notwithstanding, difficult transitions in eastern Europe, Russia, and South Africa and increasing social unrest in East Asia only confirm what scholars of Latin America have long known: the relationship between capitalism and democracy is an uneasy one, and making the "double transition" poses unique problems.

The affinity of capitalism and democracy has never been a given. It has only been forged, and very unevenly at that. The challenge to Europe between the two world wars was to reconcile the rise of mass politics with the consolidation of free-market economies. The cost of failure was fascism (Polanyi 1944; Luebbert 1991). Much of the developing world today faces a similar dilemma of reconciling the demands for social citizenship with the imperative of stimulating growth in a private-property economy—summed up by a woman from a South African squatter settlement who wrote to a local newspaper in 1990: “Mandela has been released, now where is my house?” (cited in Murray 1994:4).

There have, of course, been calls for managing these dilemmas from above. The “Washington consensus” has explicitly advocated insulating economic decision making from political pressures.² In this technocratic vision of frictionless reform, democracy is acceptable only “within reason” (Centeno 1994). As for the Salinas presidency in Mexico, Centeno observes “the legitimacy of popular participation was accepted only as long as it would support the correct policies” (1994:4). This model has come under increasing criticism not only on normative grounds, but also because there is mounting evidence that neoliberal policies do not promote economic growth and that insulated and autocratic policy regimes are less than efficient (Przeworski 1995; Stark and Bruszt 1998). Because there are no quick fixes and no blueprints, and because various trade-offs have different distributions of social costs, we must come to terms with the simple proposition that development is and should be contested. If there is one lesson of relevance here to be drawn from European history, it is this: the terms under which subordinate classes are incorporated have a profound impact on the prospects for consolidated democracy and sustainable growth (Luebbert 1991; Przeworski 1995). There are good reasons why the question of the “entry of the masses” into politics has long preoccupied scholars of advanced capitalist states. It is now time to extend that preoccupation to the developing world and to understanding the challenges of the double transition.

The recent wave of democratization in the developing world has shed new light on this problem. Theorists of democratic transitions, once primarily concerned with the dynamics of elite-pacted transitions, have turned their attention to the problems of subordinate-class incorporation (Przeworski 1995; O’Donnell 1993). Because most new democracies are

² The most oft-cited statement of the “Washington consensus” is Williamson 1993. For a comparatively informed perspective that treats politics more charitably but nonetheless makes a case for insulation, see Haggard and Kaufman 1995.

poorly institutionalized and dominated by entrenched political oligarchies, fragmentation and exclusion of lower classes remains the rule (Weyland 1996; O’Donnell 1993). There are, however, important exceptions, in which democratic openings have been accompanied by organized demands for the extension of social citizenship. In such cases, as Spain (Maravall 1993), post-Pinochet Chile (Roberts 1997), and Czechoslovakia (Stark and Burszt 1998), the transition to the market has been negotiated through concertations with popular classes. Economic transformation in South Africa is also clearly destined to be shaped by lower-class demands. In each of these cases the rise of labor as an organized actor was the result of rapid industrialization, managed from above through various forms of bureaucratic authoritarianism and predicated on the political exclusion of labor. Subordinate-class interests were politically suppressed even as they were being formed. Democratization has changed the equation, but the dilemmas of the double transition have only just begun to manifest themselves.

In India, the sequence is reversed. On the one hand, modern industry and the industrial proletariat represent only a small part of the equation. The “agrarian question” still looms large. Capitalism remains in its formative stages, and the material base of compromise has been and will remain for the foreseeable future very narrow. On the other hand, because democracy in India predates capitalist transformation, it has formally empowered economic groups—unskilled workers, peasants, and landless laborers—that have more often than not been the victims of capitalist development. But the antinomies of citizenship and property have yet to be starkly posed. In a society where caste and ethnicity continue to serve as the primary avenues of political mobilization, demand-group politics have predominated over redistributive class politics (Rudolph and Rudolph 1987). Populism and patronage have never threatened the interests of propertied groups. Within India there are, however, important exceptions, of which Kerala is the most notable. Democratic opportunities have been seized, and subordinate classes have had a decisive role in shaping the terms of capitalist transformation. Democracy and capitalism have confronted each other directly. Thus Kerala represents an extended case study of the double transition.

Both within India and internationally, the case of Kerala is indeed unusual. But the unusual often sheds more light on dynamic processes than the usual. In his brilliant study of Lesotho, James Ferguson points out that its status as a magnet of development aid and as a labor reserve for South Africa certainly makes it peculiar. But by the same token, he remarks that “the exaggeration it produces, if properly interpreted, may be seen not

simply as a distortion of the 'typical' case, but as a clarification, just as the addition by a computer of 'extreme' colors to a remote scanning image does not distort but 'enhances' the photograph by improving the visibility of the phenomena we are interested in" (1994:257–58). Development is always contested, but not always transparently so. In *Weapons of the Weak*, James Scott shows that the "normal" quiescence of the subaltern in public politics often masks a rich repertoire of ideologies and practices of resistance to the dominant order. Similarly, Ferguson argues that by constructing "poor Basotho" as "subsistence peasants" in "need" of development, official development discourse not only abstracted Lesotho from its political economy of dependency on South Africa, but also rendered agentless those who in their day-to-day struggles are in fact "doing development." In Kerala, democratic institutions bequeathed by the Indian nationalist movement, together with local patterns of conflict and mobilization, have conspired to bring the masses into the open—before the development of capitalism. This historical sequencing has enhanced the visibility of subordinate-class politics in contesting and making development.

Redistributive Development in Kerala

Kerala is best known to students of the subcontinent for its history of sustained social mobilization. Since the last decade of the nineteenth century Kerala has been the site of a nearly continuous succession of social movements: a social-religious reform movement in the early part of the century; nationalist, agrarian, and prodemocracy movements in the 1930s and 1940s; a series of rural and industrial labor movements (from 1930 to 1975); and most recently various new social movements including a statewide campaign for decentralization orchestrated by state reformers and nongovernmental organizations (NGOs). These high levels of social mobilization have been directly tied to what is widely known in development circles as the "Kerala model", namely levels of social development unparalleled in low-income societies. A question that has received far less attention yet carries important lessons about the dynamics of the double transition is the impact that lower-class mobilization and incorporation have had on the state's economic and political development.

The relationship between lower-class mobilization and Kerala's achievements on the social front is well documented. Under the impetus of a broad-based working-class movement organized by the Communist Party, successive governments in Kerala have pursued what is arguably the most

successful strategy of redistributive development outside the socialist world. Direct redistributive measures have included the most far-reaching land reforms on the subcontinent and labor market interventions that, combined with extensive unionization, have pushed both rural and informal sector wages well above regional levels. Social welfare and entitlement programs have provided the general population with more equitable access to basic goods including education, health service and subsidized food than in any other state in India.³ Even the more conservative estimates show that since the mid-1970s, the percentage of the population living below the poverty line, once the highest in India, has fallen by at least half (EPW Foundation 1993).

On all indicators of the physical quality of life Kerala far surpasses any Indian state and compares favorably with the more developed nations of Asia. The 1991 Census puts the level of literacy at 90.6 percent (87 percent for women), compared to a national average of 52.1 percent (39 percent for women). With 5.9 science and technology personnel for every thousand inhabitants—well over twice the national average of 2.4 and highest among all states—Kerala clearly has the most broad-based and high-end human capital resources in the country (CMIE 1991:tab. 2.22). On the health front Kerala's record is equally impressive. At thirteen per thousand live births in 1994, the infant mortality rate is decades ahead of the all-India figure of 73. Life expectancy in 1992 had reached over 71 years (69 for men and 73.5 for women) compared to 62 in India (GOK, State Planning Board, *Economic Review* 1995). Despite an average per capita income ten times lower than Brazil's, the average Keralite can expect to live four years longer than the average Brazilian. Dramatic improvements in primary health care and education—particularly in the levels of female literacy—have driven what is arguably the most rapid demographic transition on record (Bhat and Rajan 1990). From a ten-year population growth rate of 26.3 percent in 1971, Kerala plummeted to a rate of 14 percent in 1991, well below the national rate of 23.5 percent (GOI, Census of India 1991). Thus, despite per capita income levels that are well below averages in India and other low-income countries, Kerala

³ The Kerala "model" of social development has received extensive documentation and commentary. For the earliest study see United Nations 1975. Comprehensive studies include Franke and Chasin 1989, Kannan 1988, Dreze and Sen 1995, and Ramachandran 1996. On land reforms, see Herring 1983, 1991a; Paulini 1979; and M. Oommen 1990. On wage increases in rural and informal sectors, see Krishnan 1991 and Kannan 1990b, and on the effectiveness of poverty alleviation programs, Kannan 1995. The January 1991 issue of *Monthly Review* is also largely devoted to a discussion of the Kerala model. For the most recent comparison with India, see Dreze and Sen 1995.

TABLE 1. Kerala: Basic socioeconomic indicators compared.

	Kerala	India	LICs ^a	U.S.A.	S. Korea	Brazil
Population (in millions)	31	916	1,050	263	45	159
Per capita GNP (in U.S. dollars)	292	340	290	26,980	11,450	3,640
Adult literacy (%)	91 (1991)	52 (1991)	54	99	97	83
Life expectancy	71 (1991)	62	56	77	72	67
Infant mortality (per 1,000 live births)	13	73 (1994)	89	8	10	44
Birthrate (per 1,000)	17	29 (1994)	40	16	16	24

Sources: Kerala and India figures from GOK, *Economic Review* 1996. Birthrate figures from United Nations Development Programme 1994. All other figures from World Bank 1997.

Note: All figures are for 1995, unless indicated otherwise.

^aLow-income Countries as defined by World Bank, excluding China and India.

has achieved levels of social and human development that approximate those of the first world (table 1).

Kerala's rapid social development has a complicated relationship to economic growth. On the one hand there is a general consensus, represented most prominently in Jean Dreze and Amartya Sen's work (1989, 1995), that dramatic improvements in the quality of life of the poor are the direct result of effective public action and not economic growth. But what effect has social and redistributive development, driven by state intervention and lower-class mobilization, had on economic growth? A case can be made that a zero-sum tradeoff has been at work. Through the 1970s and 1980s the state's economic performance, as measured in growth rates, was sluggish at best. Per capita income levels that were 92 percent of the national level in the 1960s fell to 74 percent in the second half of the 1980s (GOK, State Planning Board 1991a:1). Many commentators have come to the conclusion that the Kerala "model" is no longer viable, and some have drawn a direct link between labor militancy and the state's poor economic performance. Social expenditures, rigid labor markets, and high wages have fettered economic productivity and depressed private investment.⁴

⁴ One of the first statements of this view is J. Alexander 1972. More recently Raj 1991, Paul 1990, Sankaranarayanan and Bhai 1994, and Thampy 1990 have drawn a direct relationship between labor militancy and industrial stagnation. With respect to agriculture, the most nu-

Militant trade unionism has triggered the flight of traditional industries and produced a virtual boycott by national capital. In agriculture, wage militancy and labor legislation has precipitated a crisis of profitability. Between 1961 and 1989 industry limped along at an annual growth rate of 3.48 percent, with agriculture actually experiencing a negative growth rate of 0.43 percent (GOK, State Planning Board 1991a:2). Unemployment has also steadily increased and is by far the highest in India (Oommen 1992). Moreover redistribution without growth has produced a severe fiscal crisis, compounded by one of the highest tax burdens in India.⁵

Once hailed by the World Bank as a "third path" of development, Kerala for many now epitomizes the inherent contradictions of labor militancy and welfarism in a capitalist economy. In a classic rendition of the zero-sum model of class relations under capitalism, the lesson drawn is that the political and administrative interventions that have benefited wage earners have come at the expense of capital accumulation in a private-property economy. The implication of such arguments captures what has become a central, if rarely openly stated, maxim of the development literature: in the early stages of development, substantive democracy (in which subordinate classes secure redistributive gains) is fundamentally incompatible with market-led growth.

There is no gainsaying that the empowerment of the working class in Kerala—and specifically its capacity to capture a share of the social surplus—precipitated a crisis of accumulation. But the class conflicts underlying this crisis have proven to be neither immutable nor irreconcilable. Zero-sum views, whether Marxist or neoclassical, are informed by a reductionist view of economic interests that fails to account for the independent impact of *political* factors on the character of class relations. In keeping with the new literature on comparative political economy (Evans and Stephens 1988), I argue that the actual modalities and outcomes of the trade-off between social consumption and private investment are not given, but are shaped and mediated by political configurations and institutional structures. In Kerala, working-class mobilization and redistributive

anced and sophisticated version of this argument is to be found in Ronald Herring's work (1989, 1991a, 1991b). For case studies of both agriculture and industry see the special Kerala issues of *Economic and Political Weekly*, September 1–8 and September 15, 1990. Tharamangalam 1998 provides the most recent critique of the Kerala model.

⁵ Of all major states, only Tamil Nadu had a higher tax-to-income ratio in 1991–92 (GOK, *Kerala Budget in Brief* 1997–98:39). For an exhaustive analysis of Kerala's fiscal crisis, see K. George (1993), who argues that while high social expenditures have contributed to the problem, the crisis in large part stems from a pattern of central funding that has penalized states emphasizing social services.

state intervention did not simply shift the balance in favor of labor at the expense of capital. Mobilization and intervention transformed the political structure of class relations, laying the institutional groundwork for regulating class conflicts across virtually all sectors, and in some instances even creating the basis for coordinating quasicorporatist bargains between capital and labor. The immediate effects of distributive conflicts are readily observable. Of lesser transparency but greater significance to long-term developmental prospects are the transformations in social structure and state-society relations that social conflicts engender. Not only have subordinate classes been politically and economically incorporated, but the deepening of democratic institutions coupled with the strategic role of a reformist Communist Party and an interventionist state have made it possible to negotiate and organize limited but significant positive-sum class compromises.

Economic Transformations

In discussing the economic changes that have taken place in Kerala since Independence, I must sketch out two historically linked but nonetheless distinct stages. The first has been a transition *to* capitalism in the classic form of an agrarian transition marked by the dissolution of precapitalist social and property structures. The second has been a transition *within* capitalism, away from labor-squeezing (despotic) forms of organizing capitalist production toward more mediated (hegemonic) but still contested labor-capital relations.⁶ In contrast to linear and teleological models of economic transition, the distinction here centers on the politics of transitions and their social effects, an argument I develop more fully in the next chapter.

Over the past six decades Kerala has experienced the most far-reaching and comprehensive agrarian transition in South Asia. Under the organizational impetus of a cadre-based Communist Party, an agrarian movement of tenants and landless laborers secured the passage and effective implementation of land reforms and labor legislation in the 1970s, which marked the dissolution of the two defining institutions of the precapitalist agrarian economy: unfree (attached) labor and rentier landlordism. The sustained mobilization of the rural poor also successfully challenged the myriad forms of social domination of the traditional caste-based social system. As I argue in Chapter 2, this transition had two basic effects. First, it created the essential social preconditions for capitalism by commodify-

ing land and labor. Second, in destroying traditional patron-client forms of political and social authority and drawing the state into agrarian relations, the agrarian movement extended the scope of public legality and broadened the base of political participation. As a result of this institutional deepening and social inclusion, Kerala's democratic polity has developed a far greater capacity for aggregating interests and channeling lower-class demands than has the fragmented, elite-dominated, and patronage-driven Indian democracy.

The second transition has been an ongoing and highly contested transition within capitalism, the significance of which becomes apparent only when contrasted to the national picture. Although labor in India is now mostly performed for wages, the social character of labor continues to bear the heavy imprint of precapitalist social institutions, including the segmentations of the caste system, pervasive clientelistic dependencies, and myriad other social vulnerabilities. In the virtual absence of state protection, workers in the so-called unorganized sector (the Indian terminology for informal sector), which accounts for an estimated 90 percent of the work force, are thus especially vulnerable to the "whip of the market." Playing on Polanyi's famous construction (1944), one might call this capitalism without countervailing forces. And under these social conditions (labor is always a social relation, never just a commodity), the organization of production continues to be dominated by labor-squeezing strategies.

In Kerala, the social logic of despotic capitalism has been compromised. Class mobilization, social protection, and extended citizenship have weakened the social vulnerabilities that underwrote despotic capitalism. But if the old is dying, the new has yet to fully develop. The midwife of capitalism was also its political antithesis. Because precapitalist institutions were dismantled from below through highly politicized social struggles, the birth of capitalism, and specifically the commodification of land and labor, produced strong and organized countervailing forces. The dominance of lower-class politics (trade unionism, welfare entitlements, and social legislation) in Kerala's post-Independence history has cushioned the whip of the market and imposed severe limits on capital's ability to squeeze labor. The power of organized labor has also created significant barriers to accumulation, and capital has responded, both in agriculture and industry, through disinvestment, flight (the search for more docile forms of labor), and even efforts to revive mercantile forms of production. It is the crisis of this early stage of capitalist production that gave rise to the zero-sum view that class mobilization in Kerala has become incompatible with capitalist growth.

To argue, as many have, that labor militancy and state intervention have

⁶ The terms are Burawoy's (1985) and are further developed in Chapter 1.

simply run up against the structural limits of a private-property economy is reductionist because it fails to recognize the independent effect of political and institutional developments. The class struggles that spelled the demise of the precapitalist social order and curtailed despotic capitalism didn't simply leverage the bargaining capacity of labor at the expense of capital. These struggles, waged in the electoral arena as well as in civil society, fundamentally transformed Kerala's social structure as well as the nature of state-society relations. Over time, the dynamic interplay of class mobilization and state intervention had a mutually reinforcing effect. On the one hand, class interests crystallized within a democratic and legal order, making the trade-off between wages and profits more transparent and hence more negotiable. On the other hand, a half-century of repeated struggles forged a wide range of geographical and sectoral institutions that were capable of effectively reconciling, within limits, social consumption and private investment. Though the time frame has been telescoped and the outcome remains uncertain, this movement from an unregulated and despotic organization of production characterized by endemic conflict to a more regulated and negotiated organization of production characterized by class compromise closely parallels the movement from despotic to hegemonic production regimes in the West (Bura-woy 1985).

As we shall see, these compromises have been uneven and in some cases remain precarious. In the final analysis, the economic outcomes of such compromises in a dependent subnational state might very well be dictated by exogenous factors. Nonetheless, two general findings will be highlighted. First, to a degree that no other state in India even approximates, the relationship between capital and labor in Kerala has been subjected to rational-legal modes of mediation; the state has displaced society as the central arena of distributive conflict. Second, the extent to which organized workers in both industry and agriculture have made explicit and strategic concessions to capital (both farmers and industrialists) in an effort to stimulate productive investments suggests that even in the absence of an already expanding economy, working-class mobilization can indeed be the basis for a positive-sum coordination of class interests.

The State and the Communist Party

To understand the dynamics of Kerala's finished and ongoing transitions is to understand the trajectory of class mobilization in Kerala. A first period, roughly 1930–57, saw the convergence of three independent social move-

ments of caste, class, and nation under the organizational umbrella of the Communist Party. How a cohesive class emerged from these social movements is an issue I explore in detail in Chapter 2. The rest of this book focuses on subsequent developments and specifically the sequential phases of organized class struggle (1957–75) and class compromise (1975 onward). Two political and institutional forces have critically shaped the evolution from militancy to democratic corporatism. The first is the hegemonic role of the Communist Party in first forging a "working class" out of disparate class elements and then, having exhausted the politics of class struggle, orchestrating class compromises. The second is the role of the state in mediating conflicting interests.

Whether expressed in periodic legislative victories, the strength of the trade union movement, or in its ability to shape state policies, the working class has been the most cohesive and dominant political force in Kerala since the late 1930s.⁷ In 1957, the Communist Party of India (CPI) won the state's first legislative elections, becoming the first democratically elected communist government in the world. The party's victory at the polls was the culmination of two decades of social struggles. Many historical contingencies gave these struggles their cumulative trajectory, but so did political action. Much as in Gramsci's discussion of the "modern prince" (1971), the Communists established their ideological hegemony by acting through a "dispersed will," tapping into existing points of cultural and economic resistance to precapitalist institutions. The resulting political project became the formation of a class that in its very existence was the negation of the traditional, hierarchical, ascriptive social order. Creating these new solidarities involved forging political and social ties that bridged religious (Hindu and Muslim) and caste communities, and in some cases, as in the grand agrarian alliance of tenants in the north and landless laborers in the south, overcame significantly different material interests. Though articulated in the language of revolutionary socialism, the practical and unifying message was not so much socialism itself as the means to achieving it, namely a mass-based democracy, the immediate task of which was the political defeat of the *ancien régime*.⁸ The contingent character of this process is reflected in the simple fact that it stands

⁷ Outside West Bengal, Kerala is the only state in India in which an explicitly class-based party has emerged as the central political player.

⁸ Writing in 1953, party theoretician and future chief minister E. M. S. Namboodiripad theorized the two-step transition to socialism as the "struggle for the present, new bourgeois-democratic revolution and for the future, proletarian socialist revolution," adding that "although in its social character the first step taken is still fundamentally bourgeois-democratic, and although its objective demand is to clear the path for the development of capitalism, yet

out as certainly the most, and possibly the only, successful instance of lower-class organization in postcolonial India.

Since the 1957 Communist ministry, the party's electoral fortunes have been mixed. Its electoral support peaked in 1960, when it won 39.14 percent of the popular vote. But in 1965 the Party split into the CPI and the CPI(M)—"M" for Marxist. The split was occasioned by the decision of the CPI to favor a broad alliance with the national bourgeoisie in keeping with the new Soviet line of supporting Nehru. The CPI(M) (hereafter CPM) categorically rejected cooperation with the Congress Party and in midterm legislative elections that same year established itself as the dominant Communist party by winning 21 percent of the popular vote, compared to 8.1 percent for the CPI. In Kerala's multiparty system, no party has ever established electoral dominance. The popular vote has generally been split equally between Congress-led and CPM-led coalitions, with the outcome generally decided by narrow margins. The result has been an almost unbroken alternation in power of the two fronts.⁹ With the support of the CPI and small left-of-center parties, CPM-led fronts governed in 1967–69, 1979–81, and 1987–91, and returned to power in the 1996 legislative elections by capturing 44.3 percent of the popular vote and eighty of 140 seats.¹⁰ The presence of large Christian and Muslim communities (21 and 18 percent of the population respectively), both of which sponsor their own parties and support the Congress front, has always worked against the formation of a broader working-class electoral block. In this respect, the working class in Kerala has not enjoyed as hegemonic a position as, for example, the Swedish labor movement (Esping-Andersen 1990). Nonetheless, there are two broad senses in which Gramsci (1971) discusses hegemonic politics that bear directly on the social character and strategic capacity of the labor movement in Kerala.

The first relates to the ideological project that drew together a labor movement from a broad section of lower-class elements that included small peasants, agricultural laborers, and workers in the plantation, manufacturing, and government-service sectors. On the one hand, because the movement was born from the convergence of the economic struggles of peasants and workers as well as the social justice struggles of the caste-re-

it no longer belongs to the old type of revolution led by the bourgeoisie" (quoted in Lieten 1982:27).

⁹ In a determined effort to keep the CPM out of power, Congress backed a CPI-led government for seven years in the 1970s. The CPI has since always aligned itself with the CPM.

¹⁰ The combined vote of the CPI and CPM totaled 28.3 percent. Because the Communists ran candidates in only eighty-four of 140 electoral districts as part of their electoral adjustments with Left Democratic Front partners, this figure underrepresents Communist support.

form and nationalist movements, it has taken a more encompassing form than traditional labor movements. In this respect, Kerala's agrarian and labor movements bear a striking resemblance to the "social movement unionism" that Seidman (1994) argues drove democratization from below in Brazil and South Africa. On the other hand, the coordinating role of the Communist Party, organizationally cemented in the tight integration of its union and party leadership, has made it possible to continuously scale up industry and sector-level struggles into a broader political program of expanding social and economic rights. This programmatic thrust, to cite a well-known example, is what has differentiated the Swedish working class from its British counterpart. As comparative studies of the relationship between labor movements and welfare states have shown, the crucial difference lies in the organizational-political form of working-class mobilization (Stephens 1979; Esping-Andersen 1991). As a disciplined and ideologically coherent political formation, the CPM has given the often spontaneous actions of the working class a degree of cohesion and continuity. Local struggles, be they on the shop floor or in the paddy fields, have been translated into statewide demands for state protection and regulation. Most significantly, the success of the CPM in penetrating the informal sector has provided organized labor with a broad social base cutting across the traditional urban-rural and skill-unskilled divisions, in stark contrast to a national labor scene in which unionization has largely been confined to the organized economy.

Second, as a party doctrinally suspicious of the transformative capacity of the "bourgeois state," the CPM, in pragmatically embracing the parliamentary route (made official after a failed insurrectionary phase in 1948), was not deterred from committing its resources to organizing from below. This social-movement dynamic was somewhat fortuitously strengthened by the party's exclusion from power in all but three years of the 1960–80 period. As a democratic oppositional force with broad-based if not majority support, the Communists busied themselves with the task of occupying the trenches of civil society, building mass-based organizations, ratcheting up demands, and cultivating a noisy but effective politics of contention. In this manner, the Communists in Kerala (much as their Italian counterparts) have established a strong presence in many intermediate institutions, including the cooperative movement, local governments (panchayats and municipalities), cultural organizations, and the educational system.¹¹ In addition to its officially sponsored mass organizations, Com-

¹¹ The CPM directly controls a number of press organs as well as the state's largest mass organizations for students (Student Federation of India, SFI), youth (Democratic Youth Feder-

munist activists have also been instrumental in building the Kerala Sastra Sahitya Parishad (KSSP), a “people’s science movement” that has promoted popular education, environmentalism, and decentralized planning and development and is widely considered to be one of the most successful mass-based NGOs in India. Thus even when out of power the CPM and its offshoots have been able to shape the political agenda and influence public policy debates through parliamentary opposition, agitation, and entrenchment in civil society. Moreover, working- and middle-class support for the welfare state—secured on the strength of universal entitlements—has created a dominant political culture in which Congress governments have continued and even extended social-welfare policies initiated by Left Front governments.¹² No major piece of social or labor legislation has ever been reversed. Thus, despite its inability to widen its electoral base, the CPM has established itself as—to use the party’s own terminology—the “leading force” in the state. It is this secure position that makes the CPM hegemonic in Gramsci’s second sense of the term, namely the capacity to act strategically, to move beyond the immediate defense of class interests (economism) and “concretely coordinate” with other classes. This capacity is represented in the shift from the politics of class struggle and redistribution to the politics of class compromise and growth that dates from the mid-1980s.

Of the many determinants of class politics, the character of the state stands out as one of the most important (Katznelson and Zolberg 1986). Though the impetus came from below, a democratic state provided first the spaces, and then the levers, of class transformation. The Kerala state has not only provided the bureaucratic and legal instruments through which precapitalist social institutions have been dismantled, it has also effectively institutionalized the interests of the working class. Large segments of Kerala’s working class, including the bulk of landless laborers, enjoy a wide array of statutory benefits, shop-floor rights, and social in-

ation of India, DYFI) and women (All-India Democratic Women’s Association, AIDWA). If one includes the party’s peasant organizations and its labor federation the Congress of Indian Trade Unions (CITU), the total membership in these organizations was 4.7 million in 1987. This compares to a figure of just over one million in 1978 (S. Sen 1990:33).

¹² To give a few examples: both the land reform of 1970 and the Kerala Agricultural Workers Act of 1974 were implemented by Congress-led coalitions. The Public Distribution System has been extended by every government. The high turnover rate in the ruling-party coalition has had no discernible impact on social expenditures. Since the first Communist ministry of 1957, the outlay for social services in all five-year plans has varied only marginally from a low of 19.6 percent (fourth plan) to a high of 22.6 percent (third plan) (GOK, State Planning Board 1992).

surance schemes. The mobilizational clout of labor has been inscribed in the laws, institutions, and political practices of the state. Welfare entitlements, wage legislation, market regulation, and other forms of political-administrative intervention have not only substantially insulated wage earners from the more debilitating effects of market forces but have also leveraged the bargaining capacity of workers. If these institutionalized linkages to labor have given the state a pronounced redistributive bias, they have also, somewhat paradoxically, positioned the state to play a critical role in coordinating class interests.

There are, however, clearly limits to pursuing a redistributive strategy of development in a private-property economy. The contradictions of the welfare state, commonly referred to in Kerala’s public discourse as the “sustainability” problem, have thrust the question of growth to the forefront of the political debate. Redistributive politics have reached the point of diminishing returns. The lesson “of the contemporary crisis of the Kerala Model,” in the words of T. M. Thomas Isaac, one of the CPM’s leading new theoreticians, “is that in the absence of an expansion of the production base, in the long run, it is not possible to maintain or expand the redistributive gains” (Thomas Isaac and Kumar 1991:2703).

This point brings us back to the substantive concern of this book. In the past decade or so, the organized working class, as represented primarily by the CPM and its unions, has undergone a fundamental political reorientation, forsaking the politics of class struggle for the politics of class compromise. As they are now taking shape, these compromises bear important similarities to the societal pacts characteristic of European social democracies: in exchange for its political and institutional power to maintain a social wage, labor has made explicit concessions to capital by relaxing some of its historical control over production in the explicit hope of stimulating productive investments. The actual shape, modalities, and viability of these compromises, which vary dramatically across sectors in the balance of power between capital and labor, will be the focus of Chapters 3 and 4 for agriculture, and Chapters 6 and 7 for industry. Behind these variations, however, lie two constants—the mobilizational and strategic capacity of a programmatic and pragmatic left-wing party, and a state that has achieved a degree of authoritative power, secured on the strength of a redistributive form of embedded autonomy (Evans 1995), which is unparalleled in the subcontinent.

Disaggregating the State and Democracy

In exploring the role of the state in development, the bulk of the literature has focused on the national state and has treated the state as a discrete unit of analysis. Such a focus works well for the study of economic development and indeed has produced a particularly rich analytical taxonomy for scrutinizing the state's actions. The study of state-society relations calls for a different approach. The modern state may indeed represent a particularly concentrated form of power, but the exercise of that power is ultimately a relational phenomena, and the actual effect of state forms of power can only be fully explored at their many points of contact with society. As state-in-society perspectives have argued, we must disaggregate the state, recognizing not only the multiple arenas of state-society interaction, but also that state authority and state capacity are neither monolithic nor uniform, but rather uneven and contested (Migdal, Kohli, and Shue 1994).

Nowhere is this more true than in the study of redistribution and democratization. In many respects the transformative capacities required of states to achieve significant redistributive or equity-enhancing reforms are far greater than those required for economic reform (Evans and Rueschemeyer 1985; Kohli 1987). Similarly, the focus on formal state institutions and elite actors that has characterized much of the recent literature on democratization underplays the jagged and compromised nature of state authority in much of the Third World and loses sight of the fact that in all too many developing democracies "the components of democratic legality and, hence, of publicness and citizenship, fade away at the frontiers of various regions and class, gender and ethnic relations" (O'Donnell 1993:1361).

India provides a particularly telling illustration of the limitations of using the nation-state as a unit of analysis. As a set of apparatuses and institutions, the Indian state has enjoyed a comparatively long and successful history of nation-building and by Third World standards is characterized by a fairly cohesive and consolidated administrative structure. Nonetheless, the actual degree of logistical and authoritative state capacity varies significantly across provincial boundaries. As Dreze and Sen (1989, 1995) and Kohli (1987) have shown, differences in the extent and quality of public intervention across states in India have produced radically different levels of social development and redistribution, ranging from the dramatic leveling of disparities in Kerala, and to a lesser extent West Bengal, to the extremes of deprivation associated with Bihar and

Uttar Pradesh.¹³ That Kerala has had far more success in pursuing equity-enhancing reforms than the nation as a whole, despite sharing identical organizational features and roughly comparable financial resources, points to the need to explore local state-society relations far more carefully.

The same point holds for the study of democracy. Conventional analyses that rely on formalistic definitions of democracy and political practices have failed to recognize the degrees of democracy within India. The basic procedural infrastructure of Indian democracy—specifically the constitution, the separation of powers, and regular and open elections at both the national and state levels—holds constant across the subcontinent. But if democracy is ultimately about the *effective* exercise of citizenship rights, then democratization in India has been highly uneven. At one extreme, one might point to the neofeudal politics of Bihar and Uttar Pradesh, India's two most populous states. Public legality in this region is compromised by the pervasive exercise of traditional forms of authority and social control. Patron-client dependencies severely limit civic association and local power brokers subvert the autonomous political spaces provided by electoral competition.¹⁴ The contrast with Kerala is palpable and telling. The oft-repeated view in the political science literature is that Kerala is a "problem" state, beset by a proliferation of political parties and unions, unstable governments, overly politicized institutions, and seemingly endemic contestation. This view confuses (as theorists of political development are wont to do) democracy with order. Class-based mobilization in Kerala has not only severed the more debilitating forms of clientalism but, in conjunction with state intervention, has extended the reach of public legality. The covert forms of "everyday resistance" that define subaltern politics (Scott 1985) have taken front stage, playing out in multiple civic arenas and in substantively contested elections that animate political life from the village up. Needless to say, this has made for messy and noisy politics. But if "high-density citizenship" is the mark of democracy, then Kerala indeed scores high. The pronounced character of class conflict notwith-

¹³ Dreze and Gazdar summarize the difference dramatically: "a new-born girl can expect to live 20 years longer if she is born in Kerala rather than Uttar Pradesh. And the probability that she will die before the age of one is more than six times as high in Uttar Pradesh as in Kerala" (1996:40). Somewhere in between the low-performing Hindi-belt states and Kerala, one might point to the case of Tamil Nadu where a tradition of charismatic neopatrimonial politics, erected on the base of Dravidian cultural nationalism, has produced a stable, and by north Indian standards, moderately effective form of redistributive populism.

¹⁴ Dreze and Gazdar draw a direct connection between the lack of local democracy in Uttar Pradesh and its dismal track record in social development (1996:100).

standing, violence has been rare and fairly contained. Kerala has experienced none of the so-called caste atrocities so common in rural India, and despite the presence of sizable minority communities it has witnessed only rare cases of communal (interfaith) rioting (Varshney forthcoming). Most notably, the resurgence in Indian national politics of communalism and its exclusions has had a negligible impact.¹⁵ Civic peace has also been accompanied by effective and accountable government. Notoriously short-lived multiparty governments (normally a prescription for paralysis and pork) have had great success in legislating and implementing a wide range of institutional reforms and social programs. The programmatic and encompassing nature of public action marks the extent to which citizenship in Kerala, much as in the European case, has evolved beyond civic and political rights to include social rights (Marshall 1992).

The larger lesson here is that democracies are about more than just formal rights and institutions, constitutional procedures, and competitive elections. An authentic and consolidated democracy, as O'Donnell has argued, is one in which democratic practices have spread throughout society "creating a rich fabric of democratic institutions and authorities" (1988:288). Thus we must look beyond the conventional macroinstitutional concerns of the political scientist, and in particular the rarified "democratic" state, and investigate the intermediate- and local-level institutions and consultative arenas where "everyday" forms of democracy either flourish or flounder. We need, in other words, a sociology of democracy, one that specifically recognizes the dynamic affinity between a dense civil society and an institutionalized democracy (Putnam 1993).

A Note on Methods

This book is concerned with exploring a number of concrete outcomes such as levels of growth and redistribution in postcolonial Kerala. For this I have relied on a wide range of published and unpublished government documents to examine various economic indices, patterns of finance and investment, and levels of labor militancy and poverty. The Indian government has long been very active in collecting a wide range of statistics. By standards of the developing world, the quality of this data is certainly quite good. As much as possible, however, I have tried to use multiple in-

¹⁵ The BJP (the Hindu-chauvinist party) has yet to establish a noticeable presence in Kerala's electoral politics. In the most recent municipal elections, the BJP captured only three out of 1,200 panchayats (village councils), and only one out of twenty-six municipalities.

dicators of a given variable, and where possible I have collected corroborating qualitative evidence.

But this book is even more specifically concerned with dynamic processes that cannot readily be captured with quantitative data. To examine and understand phenomena such as democratization, class compromise, and "stateness," I have relied on a combination of documents, interviews, and informal observation. Documents include official papers and reports and minutes from unions, political parties, the Labour Department, and local state bodies. I was also fortunate enough to stumble onto some key private documents, most notably the notes of a union leader who had regularly attended state-level negotiations on agricultural affairs for over thirty years. My richest source of data comes from 177 interviews conducted between November 1991 and December 1992, and in the summer of 1997. I interviewed state officials, party activists, unionists, farmers, laborers, and journalists. I also conducted a number of structured sets of interviews with nonrandom samples of informants. In the case of agriculture, in two separate villages I interviewed fifty-four farmers, laborers, and local officials in order to develop a full picture of local agrarian conditions. I also interviewed eleven CEOs in major industrial concerns to assess changes in Kerala's labor relations. Because I was concerned with actually disaggregating the state and exploring the points of interface between the state and society, I targeted specific sectors and traced them down through multiple levels. One illustration will suffice. The process of wage determination in agriculture in Kerala is organized both at the state level, through enabling legislation and organized concertations, and at the district and village levels, through formal and informal negotiations. To explore this process, I followed it from the capital down to the village. Having chosen two panchayats in two different districts (the choices are explained later), I systematically interviewed union officials, Labour Department officers, and farmer representatives at all three levels. Finally, because I was specifically interested in the process of negotiation and forging compromises, wherever and whenever possible I attended meetings and rallies where contested issues were taken up. In all, I attended seven different meetings of state-level industrial relations committees (IRCs), and a dozen meetings at the district or local level.

Classes and States in the Making of Development

As a dynamic social process, development is driven by the conflicts among organized social actors. Outcomes are varied and indeterminate. But they are not infinite and random. Insofar as my concern in this book is specifically with a case of democratic capitalism, which in this last decade of the twentieth century is indeed the modal shape that “development” has taken (with, of course, many permutations), it is possible to identify some patterns and make some causal claims. The key pattern I emphasize is the interplay of the processes of state formation and class mobilization in shaping the consolidation of a particular form of capitalism. Explaining why Kerala has evolved a social-democratic form of capitalism, and in doing so has diverged dramatically from the rest of India despite sharing the same basic political and economic structures, is my principal task here.

The most influential perspectives on development have always posited ideal or even necessary trajectories of development consisting of discrete stages of economic, social, and political change. Of course, the different social sciences all argue for the primacy of their respective domains. The lack of consensus notwithstanding, a common and recurrent assumption has been the difficulty, and for some even the inherent impossibility, of simultaneously securing the conditions for capitalism and mass democracy. In the political science literature this has taken the form of arguing, following Huntington’s classic statement (1968), that economic transformation unleashes new patterns of social mobilization which, when left unchecked, threaten political stability and effective governance. In the economic literature, the view that economic reform must precede social reform reflects the belief that growth and redistribution, at least during the

early stages of development, is a zero-sum game.¹ In either scenario, delaying the political and economic incorporation of subordinate classes becomes an implicit precondition for successful development. Democracy becomes viable only when institutions of modern governance have had sufficient time to take root. Equity concerns can be addressed only when the pie, enlarged by self-sustaining accumulation, is sufficiently large. This thinking has taken its most explicit and influential form in the so-called shock therapy versions of structural adjustment, in which politics and popular demands are viewed as inimical to successful implementation of market reforms. But rather than treating growth, democracy, and equity as discrete stages or issues, with corresponding policy arenas and calculable trade-offs, there are compelling historical and comparative reasons for arguing that they are inseparable and dynamically condition each other in shaping developmental trajectories.

Karl Polanyi (1944) was arguably the first to draw attention to the fact that the transition to a market economy—the “great transformation”—was made possible by social interventions that minimized the havoc that the commodification of land and labor threatened to wreak on the social fabric. Polanyi also drew an intriguing correlation between socially unmediated transitions and political outcomes. Where countervailing forces failed to manage the social impact of laissez-faire capitalism, Polanyi argued the ensuing political and social crises produced fascism. Barrington Moore (1966) has made a similar but more agent-centered claim, arguing that the political outcomes of the twentieth century hinged largely on how rural classes responded to the challenge of commercialization and whether, in the absence of a strong bourgeoisie, peasants were mobilized for reaction (resulting in fascist dictatorship) or revolution (resulting in communist dictatorship). More recently, Gregory Luebbert (1991) has shown that political outcomes of interwar Europe—fascism, liberalism, and social democracy—were determined by the relative success with which interwar regimes were able to reconcile liberal economic policies with the political challenge of accommodating working-class mobilization. Differences aside, these comparative and historical perspectives challenge the teleology of development theory by drawing attention to the fact that in Europe modernity has taken different paths, many of which produced calamitous dead ends, and all of which were profoundly shaped by

¹ Development economics has often parted company with standard neoclassical assumptions. The “basic needs” approach of the 1970s, the work of institutionalists, and the recent work on endogenous theories of growth have all questioned the primacy and effectiveness of market forces. For neoliberals however, the innate superiority of market allocations over political or bureaucratic allocations remains an article of faith.

the state-society dynamics through which the social conflicts of the "great transformation" were played out. The common denominator of all these scenarios has been the circumstances under which the masses entered politics.

If the European path was more checkered than the revisionism of development theory suggests, the circumstances of postcolonial development have only further blurred the stages. The differences separating the structural and historical circumstances of development in the post-World War II period from the early developers are far too great and varied to allow for generalization, but three sets of analytical issues can be highlighted.

The first concerns the interplay of market forces and social structures. Capitalist development in Europe was autocentric in the sense that it was driven primarily by domestic social relations and was characterized by dynamic internal linkages between the agrarian and industrial sectors, and between consumption and capital goods sectors. In the developing world, economic transformation originated in large part outside the national social structure. With some sectors more closely linked to the world economy than to the domestic economy, and with foreign capital playing the dominant role, the result has been what dependency theorists call disarticulated development: uneven economic transformation in which different sectors and even different modes of production coexist without being dynamically integrated. And because industrial growth has generally been slower than the pace of marketization (East Asia being the exception), precapitalist classes have been exposed to the competitive pressures of market economies (often losing access to their traditional means of subsistence) without being absorbed into the modern sectors of the economy. If the highly varied experience of late-developing countries could be generalized, one might say that economic modernization has not kept pace with the rate of social dislocation, creating particularly acute distributional conflicts.

A second wrench that has been thrown into the sequential logic of development is what might be called *compressed democratization*. The rise of democracy in Europe was fraught with conflict, but was nonetheless incremental. As Marshall (1992) has famously argued, citizenship in Europe evolved through three relatively discrete stages of civic, political, and social extension of rights, each stage in effect representing a higher level of working-class incorporation. In the developing world, in contrast, historical and geopolitical forces have preempted a graduated trajectory of democratic incorporation. The antinomies of capitalism and democracy were sharply posed from the very moment of decolonization. First, if the bourgeoisie in Europe was instrumental in promoting democracy (Moore

1966), the dynamics of dependent development, state-led industrialization, and resilient rural bases of social power have produced Third World bourgeoisies with a far more ambiguous relationship to democracy. Second, the extractive and despotic logic of colonial rule reinforced state power, as well as the power of local intermediaries (chiefs, landlords, caciques), at the expense of civil society. These institutional legacies severely limited the development of autonomous associational life in the postcolonial period. Third, whereas political incorporation in Europe consisted of gradually extending the franchise downward through the social structure more often than not in response to working-class mobilization, political participation in the developing world has often been introduced against the backdrop of "unformed" class structures in which authority is still very much vested in local strongmen. This difference in large part would appear to explain the pervasive fragmentation and clientalism of democratic political competition in postcolonial societies. In sum, because democratic institutions in the developing world have only partially evolved out of domestic struggles between classes, and between civil society and state, they are not well adapted to the challenge of managing class-based demands. Thus even when, as in the case of India, democracy has proven capable of accommodating a wide range of interests and of maintaining a modicum of stability, it has proven wholly incapable of promoting redistributive reforms and hence of organizing class compromise.

The third factor that has complicated the challenge of managing the double transition in much of the periphery is that it has taken place against a backdrop of ongoing nation- and state-building. The transition to full-blown industrial capitalism in western Europe followed after and was indeed crucially facilitated by the formation of centralized and rationalized nation-states. In much of the developing world, by contrast, state-building and nation-building remain contested processes and, as the state-society literature has emphasized, have proven to be endemic sources of conflict.

In sum, rapid but disarticulated integration into the world economy, compressed democracy, and the unfinished business of state-building have prevented even a semblance of sequenced phases of development. States in the developing world are thus faced with the simultaneous challenge of consolidating their own power and sovereignty, coping with the social dislocations of encroaching market forces, and answering to or otherwise managing a rapid proliferation of newly organized and mobilized citizen demands. The outcomes have been anything but uniform, ranging at one end from instances of total state disintegration (some African countries),

the fragmentation of the polity and the pulverization of civil society (Latin America), crises of overload and governability (India), the resurgence of subnationalities and ethnic conflict (eastern Europe and South Asia), and, at the other end, the imposition of authoritarian but developmentally effective state domination (East Asia).

Thus it becomes clear that any understanding of development must embrace a comprehensive view that recognizes the complex interaction of structures, institutions, and social processes. We can begin disentangling this complex picture by recognizing that the dynamics and impact of economic transitions, far from being self-propelled, are critically mediated and shaped by the interface of state structures and social forces. Taking a cue from classical political economy, I maintain that states and social structures are “mutually constitutive” and, more specifically, that there is a dynamic relationship between class formation and the evolution of the modern state. These dynamics can prove to be stagnant and even disintegrative.² Or, as in the case of the “developmental state,” they can be mutually and functionally reinforcing. Such a symbiosis is not, however, given through some inexorable process of systems integration. It is instead the stuff of politics and represents the consolidation—as do all institutions—of a specific balance of forces. Dissecting the developmental state requires focusing on the complex configuration of institutions and political practices that mediate the relationship between societal interests and state actions.

Developing States in Comparative-Historical Perspective

The idea that the modern state and capitalism are mutually constitutive has a long history. Its most classic expression is found in Max Weber’s work, especially in his emphasis on rationalization—rule-bound behavior grounded in universalistic law—as undergirding both modern bureaucracy and capitalist enterprise. Weber pointed to an “elective affinity” between the rise of the modern bureaucratic state and the emergence of rational economic activity as embodied in the modern enterprise and institutionalized in the exchange relations of the market ([ca. 1927] 1981). That is, the modern state provided the predictability, impartiality and regularity of execution of laws and rules required for the expansion of a cap-

italist economy. More ambitiously, Gramsci’s writings on hegemony draw attention to the modern state’s role in “coordinating” the interests of the dominant class with those of subordinate groups, thus actively organizing consent to capitalism. Neo-Marxist theories of the state (Offe 1984; O’Connor 1973) have adopted a similar, although somewhat more functionalist, view. The state and capitalism are viewed as not only mutually reinforcing but systemically integrated, with the state providing the institutional basis for the accumulation of capital (including the reproduction of labor power) and also securing capitalism’s long-term viability by redressing its social contradictions through administrative interventions. This form of a hegemonic politics of production, in which the state plays an integral role in securing the material and social conditions of capitalism and regulating the labor-capital relationship, can be contrasted with a despotic politics of production in which the relationship between capital and labor goes unmediated by the state (Burawoy 1985).

The systemic character of modern capitalism is not, however, to be confused with its genesis (Cohen 1982). That state and society in advanced capitalist societies are interlinked in a positive-sum relationship is not the result of functional necessity. The “rationalization” of economic activity and political authority is historically specific, inextricably tied to the emergence of a capitalist class society and to the forging of class compromises. To theorize capitalism as an integrated “system” in which the political and the economic are institutionally separated but functionally coordinated, and in which the state plays the critical role of legitimating capitalism by organizing a redistribution of privately appropriated social surplus, is in fact to theorize the particular class history of European capitalism. Two distinct episodes of class formation gave birth to hegemonic capitalism.

The first was the rise of the bourgeoisie, symbiotically tied to the modern nation-state. As Weber writes, it is “out of this alliance of the state with capital, dictated by necessity [war-making], [that] arose the national citizen class, the bourgeoisie in the modern sense of the word. Hence it is the closed national state which afforded to capitalism its chance for development” (cited in Callaghy 1988:70). The ascendancy of this class as bearer of new relations of production *and* champion of liberal democracy was predicated however, as Moore (1966) has shown, on the political defeat of the ancien régime. Where the national bourgeoisie did triumph over landed elites and the monarchy, the establishment of representative institutions marked the formal integration of capitalism and democracy.

But formal democracy alone does not provide the basis for organized coordination of class interests. In the second episode, the substantive integration of capitalism and democracy followed from the mobilization of

² See, for example, Bratton’s argument that there has been a mutual “disengagement” of state and society in Africa (1994), and Stepan’s depiction of the simultaneous weakening of state and civil society under Argentinean bureaucratic authoritarianism (1985).

the working class and the extension of universal suffrage (Rueschemeyer, Stephens, and Stephens 1992). The terms under which working classes were incorporated in turn gave rise to different kinds of welfare states, with varying capacities for coordinating accumulation and redistribution—that is, for organizing class compromise. The differences between social-democratic, liberal, and corporatist welfare states are significant, and have been tied to working-class mobilizational and cross-class coalitional histories (Esping-Andersen 1991). So the functional integration of the modern bureaucratic state and capitalism can only be understood as the outcome of historically concrete class struggles and their interaction with state forms.

Developing states are often viewed as Leviathans. From a strictly formal and technical point of view, they often enjoy material and organizational resources that far surpass what European states had enjoyed at comparable levels of socioeconomic development. The process of state formation in Europe, when successful, was a slow and incremental one of marshalling and centralizing resources from society (Mann 1984). In the nineteenth century, the state rapidly expanded its powers by bargaining for more resources from ordinary producers and capital in exchange for providing new services and expanding representation (Tilly 1984). Though the need for state expansion was driven by interstate competition, the terms of expansion were internally negotiated. The historical roots of the postcolonial state are instead marked by a disjuncture: having in many instances inherited the formidable machinery of the extractive colonial state, it possesses bureaucratic apparatuses and coercive resources that were transferred from states at higher levels of formation; this is the sense in which Alavi (1982) has characterized the postcolonial state as “overdeveloped.”³ But with the exception of the East Asian newly industrialized countries (NICs), most postcolonial states have failed to translate formal infrastructural capabilities into authoritative power. State-building has followed a tortuous and contested path of compromising with and accommodating traditional strongmen and local notables (Migdal 1988). In reinforcing the power of precapitalist elites, these accommodations have more often than not crippled the capacity of states to pursue the ambitious mandates of postcolonial nationalism. Indeed, rather than building the synergistic and developmentally functional relationships with society asso-

³ Of the more notable effects of this disjuncture has been the role of the military. Whereas the centralization of coercive capabilities—technologies and men—in Europe was achieved through a gradual process of negotiation and compromise with society, modern military institutions in the developing world are external impositions, and continue to be funded with little internal negotiation or accountability (Tilly 1992: chap. 7).

ciated with the “developmental state,” many postcolonial states have at best become, in Callaghy’s term, “lame Leviathans” (1988), or at worst, predatory apparatuses. Because the range of outcomes has been so wide, monocausal explanations of rational choice theory are not very helpful. Instead, explanations must be sought in the historical specificity of institution-building and state-society engagements (Migdal, Kohli, and Shue 1994).

Migdal (1988) begins with the proposition that the relationship between state and society is one of conflict, pitting the traditional mechanisms of social control that prevail in precapitalist societies against the centralized bureaucratic-legal authority of the state. Rather than the conventional smorgasbord of diffuse “primordial loyalties” readily swept away by state action, traditional society is a weblike constellation of overlapping forms of social power in which “the overall sum of authority may be high . . . but the exercising of that authority may be fragmented” (28). These forms of social control, concretely rooted in “strategies of survival,” present a formidable barrier to the state’s ability to effectively “penetrate society, regulate social relationships, extract resources, and appropriate or use resources in determined ways” (4). Pressed by the political exigencies of staying in power, state authorities in Third World countries are invariably led to seek accommodations with traditional strongmen. The political imperative of striking such compromises—given the state’s inability to mobilize independent sources of support—forms the basis of the politics of patronage. Patronage regimes in turn strengthen the authority of strongmen, elevating them to the position of power brokers mediating between the state and local clienteles and thus further limiting the state’s ability to orchestrate institutional and social reforms. Much of the literature on the developing state, spanning the full range of political regimes from democratic India (Frankel 1978) to authoritarian Brazil (Hagopian 1994), has pointed to the role of traditional oligarchies in frustrating the efforts of political elites to build state capacity.

The key contribution of the state-society literature is to have challenged the tendency within development theory to reify the state by according it the monolithic and unitary qualities associated with such labels as “capitalist,” “rent-seeking,” or “dependent” (Migdal 1994). Instead we need to recognize that there are multiple arenas—material, organizational, and symbolic—of engagement and contestation between state and society. Depending on the actual configuration of forces, including strategic alignments, states might have varying degrees of success, if any, in forging national identities, imposing the rule of law, or instituting property reforms. The point here is that in contrast to reductionist perspectives, it becomes

possible both to acknowledge the independent significance of state actions and to recognize that the social structures over which they preside are difficult to transform. Despite its developmental incapacity, Migdal's "weak" state remains an independent actor, with a logic and interests of its own. The accommodations it makes are born of political calculations made necessary by the trade-offs between securing political stability (exercising power through strongmen) and extending state power (displacing strongmen).

Rethinking the Developmental State

In differentiating developmental from nondevelopmental states, the analytic usefulness of Weber's ideal type of bureaucratic rationalization is well established. Actual state capacity, however, is intimately tied to a state's autonomy, that is, the ability of state agencies to surmount particularistic interests and secure collective goals. And unlike bureaucratic capacity, the value of which can be scaled on a continuum that runs from the polar extremes of patrimonial arbitrariness to rule-bound rationality, the value of autonomy has proven to be treacherously two-sided. Autonomy has been conventionally identified with insulation and indeed has most recently been given pride of place in neoliberal calls for shielding technocratic decision making from politics. But insulation without connectedness is a poisoned gift (Evans 1995). What makes the modern state unique as an organization is its ability to coordinate and structure social cooperation, to marshal and channel resources—material and organizational—within society (Mann 1984). If the modern state is to make good on its bureaucratic capabilities, it must target discrete groups that are defined in terms of their instrumentality for achieving specific economic or social ends. The autonomy of the state as such must be complemented by what Evans (1995) calls its "embeddedness," that is, the extent and quality of its concrete ties to society. For it is only through such concrete ties that "the institutionalized channels for the continual negotiation and re-negotiation of goals and policies" (Evans 1992:164) necessary for deploying an effective strategy of state-led development can be secured.

The concept of embeddedness is particularly useful because it allows us to distinguish state-society ties that are mutually reinforcing and instrumental to securing development objectives from those that degenerate into the rent-seeking of rational choice theory or the self-defeating accommodations of Migdal's weak state. All states are enmeshed in patterns

of authority, power, and influence. Only close empirical analysis can disentangle those patterns characterized by clientalism from those that approach the ideal-typical universalism of rational-legal states.

In the past decade, the East Asian states, specifically Taiwan and South Korea,⁴ have become the benchmark for developmental capacity. The literature on developmental states has focused the spotlight on the role that strategic state interventions have played in nurturing and directing the growth of the market in the particular circumstances of late development.⁵ The success of these interventions derives from the nature of the specific institutional configurations through which the planning and "disciplining" functions of state managers and the entrepreneurial activities of private groups have synergistically combined. The merit of this literature is to have recognized first that the state can indeed be a critical and independent actor, and to then to have rigorously examined specific linkages that translate state power into measurable developmental outcomes. As a set of analytical insights, the literature on the East Asian state has provided an important rebuttal to neoliberal and dependency accounts of development. To treat these states as modular developmental states, however, as much of this literature has implicitly done, raises some thorny theoretical problems.

The first concerns the generalizability of the model. The East Asian "miracle" economies all evolved and prospered under rather extraordinary geopolitical and historical circumstances. Cumings (1987) notes that both South Korea and Taiwan enjoyed the protection and tutelage of Japanese and then American hegemonic spheres of influence. The politics of the cold war facilitated export-led growth by creating exceptionally favorable economic conditions including high levels of direct aid, concessional lending, and preferential access to core markets. Even more critical was the interplay of external and internal forces in laying the groundwork for the ascendancy of a powerful and autonomous state (Koo 1987); in both cases, the preconditions for state intervention and capitalist development were established through massive societal dislocations (war and/or colonialization) and structural reforms imposed by occupation forces. Extensive land reforms implemented in Taiwan by the invading Leninist

⁴ Because Hong Kong and Singapore are city-states and have no agrarian hinterland, they are excluded from the present discussion.

⁵ For a review of this literature see Onis 1991. Key works include Evans 1979 on Brazil, Johnson 1982 on Japan, Amsden 1989 on Korea, Gold 1986 on Taiwan, Stepan 1978 on Peru, Bardhan 1984 on India, and Lubeck 1992 on Malaysia. Key comparative works include Wade 1990 and Deyo 1987 on the Asian NICs, Haggard 1990 on East Asia and Latin America, and Evans 1995 on Brazil, India, and Korea.

state-party apparatus of the Kuomintang and in Korea by the Japanese colonial state and then the U.S. military dissolved precapitalist institutions and paved the way for peasant-based capitalist agriculture. In the case of South Korea, Amsden ties the consolidation of state power to the weakness of all social classes: the landed aristocracy had been emasculated by land reform and the peasantry atomized into smallholders, the working class was too small, and the capitalists were too dependent on the state (1989:52). Gold (1986) emphasizes the Leninist-militarist structure of the Kuomintang and its reliance on violence in the Taiwanese state's successful subjugation of a society in disarray. As Castells succinctly notes, "the dominant classes were either destroyed, disorganized, or made totally subordinate to the state" (1992:65). In sum, a prostrate society offered little resistance to the rapid consolidation of state power.

If the economic decoupling from Japan and the geopolitical reconfiguration of World War II in the Pacific conspired to tilt the balance of power toward the state in East Asia (Koo 1987), history also provided the building blocks for rapid bureaucratization. The Korean state had a long history of meritocratic recruitment and inherited a robust and extensive administrative structure from Japanese colonial rule (Kohli 1994). The steel frame of the Taiwanese state was provided by the discipline of a battle-hardened military organization in exile. In both cases, moreover, external military and economic support coupled with powerful legitimating ideologies born of the anticommunist "politics of survival" (Castells 1992:53) provided a coherent nationalist mandate for rapid development and afforded state elites a high degree of discretion. With respect to both autonomy and capacity, any analytical appreciation of the institutional features of the East Asian developmental states must be qualified by the observation that they emerged from a particularly fortuitous convergence of internal and external factors.

A final qualification to the prototype status of the East Asian state is the danger of conflating development with growth. The East Asian developmental state is first and foremost a *capitalist* developmental state characterized by its engagement with an emerging and state-fashioned entrepreneurial class. Different forms of embeddedness can produce synergies that are just as certainly developmental but not necessarily oriented toward growth. The almost exclusive focus on industrial development that has preoccupied the literature on the state has diverted attention from analyzing redistributive outcomes, including successful cases of pregrowth "support-led" social development (Dreze and Sen 1989). It has also downplayed the fact that many postcolonial states have had to answer to very different political imperatives. Herring notes that, given the legacies of

colonialism, "the peripheral developmental state was more likely to legitimate itself, and perhaps to view its success, in terms of non-wealth-maximizing desiderata: eradication of poverty and social indignities, balanced regional growth to bring up backward areas, and so on" (1999:3).

East Asian states faced no such constraints. The single-minded determination with which state elites pursued growth was predicated on the political and ideological capacity to virtually ignore popular demands.⁶ The political exclusion of the working class not only streamlined planners' range of policy concerns but also facilitated wage-repressive strategies of economic competition. Thus institutional successes in "governing" the market were critically tied to highly effective modes of labor regulation (Deyo 1987). Repressive capacity also proved instrumental in whipping potential entrepreneurial elements into shape. Direct repression neutralized the greatest threat to national economic policy, capital flight. In 1961, South Korea's military government threw profiteers in jail, passed legislation prohibiting "illicit wealth accumulation" (exporting profits), and threatened violators with confiscation. Having set the rules, the state then initiated partnerships (Amsden 1989:72). Business elites in Taiwan have been even more tightly controlled (Gold 1986). Capital was initially coerced, rather than invited, to participate in the national economic development project. The East Asian developmental state is a rare genus indeed. It has operated largely independently of the political pressures, distributional coalitions, populist impulses, and dominant class interests that have, as a rule, frustrated the realization of Weber's ideal-typical modern bureaucratic state.

Whereas the institutions regulating state-market and state-society relations in East Asia were forged largely from above, at the behest of singularly autonomous states, corresponding institutions in most of the developing world have evolved through a much more politicized and contested process of pact-making, concessions, and political deals, which compromised both the autonomy and capacity of the state. There is an irony here that stands neoliberalism on its head. If the market-augmenting strategies of midwifery and husbandry (Evans 1995) that characterized the East Asian state's carefully nurtured and synergistic relationship with business

⁶ The political exclusion of the working class did not, however, rule out effective redistribution, as in the Latin American case. The redistributive and social successes of the East Asian NICs were not secured politically, but rather through extremely favorable material conditions (Haggard 1990; Dreze and Sen 1989). Initial conditions of asset distribution in agriculture secured comparatively equitable income distribution in rural areas. And the sheer magnitude of growth achieved through export-led industrialization guaranteed real income growth despite wages that lagged behind productivity.

ultimately prevailed over more regulatory and direct forms of intervention, it is precisely because state managers initially enjoyed the untrammelled capacity to discipline capital (and labor) and preempt the formation and hardening of distributive coalitions. The state could, in other words, act as the executive committee of a bourgeoisie that it cajoled into existence. In contrast, the heavy-handed interventions of dirigiste developing states (which ultimately fostered the formation of rent-seeking interests) can be traced to the difficulties state builders faced in removing precapitalist barriers to integrated national markets, a project that was complicated by the separate and often antagonistic social origins of political and economic elites (Chaudhry 1993).

In emphasizing the sociohistorical determinants of state capacity in East Asia the point is not to suggest that institutional forms derive from underlying political and societal factors. As comparative studies of the East Asian economies highlight, there is actually great variation in the institutional character of public-private partnerships which explains divergences in the pattern of development.⁷ Moreover, the study of these forms is critical to our understanding of how markets can be nurtured, even engineered, by strategic state interventions (Evans 1995). But institutions are the sums of historical vectors, as indeed the literature on developmental states recognizes but often underplays. In the case of the Asian NICs, the linkages, policy tools, pilot agencies, public-private partnerships, and corporatist arrangements that underwrote state stewardship of the economy were the product of a very specific state-society balance. As we have seen, societal disruptions coupled with external geopolitical dynamics converged to create a weak society and a comparatively uncluttered path to state domination.

The final point about the developmental state that must be raised concerns its sustainability. Well before the financial crisis of 1997, the political and institutional arrangements of the East Asian accumulation project were being increasingly tested by new social conflicts. In South Korea in particular, rapid industrialization had underwritten the formation of a large, cohesive, and increasingly militant industrial working class. Politically and institutionally, East Asian embeddedness was predicated on exclusionary mechanisms of rule that stifled the emergence of intermediary political forms (for example, independent judiciaries and political parties) and stunted the growth of civil society. If the class specificity of its embed-

⁷ The contrast between the family-based small-enterprise structure of Taiwan and the dominance of the vertically integrated multidivisional cheabols (conglomerate) in Korea is the most obvious example (Castells 1992).

dedness, that is, its ties to business elites, served the project of accumulation well, it has also made the prospect of developing more inclusive forms of political representation that much more difficult (Evans 1995:227–34).⁸

The social conflicts that emerged from authoritarian development have, in fact, driven significant political reforms across a wide range of cases. Most notably, in Brazil and South Africa, the absence of legitimate channels for expressing grievances and institutional mechanisms for organizing accommodations pushed what were shop-floor-centered and economistic unions into broader and more political alliances (Seidman 1994). Though pressures from below have resulted in democratic reforms, the degree of democratic “deepening” remains an open question (O’Donnell 1993). Whether these countries will be able to grant broader and more substantive political representation to subordinate classes while sustaining the conditions for economic growth in an increasingly competitive global economy emerges as the most pressing question of the decade to come (Onis 1991; Przeworski 1995). At the moment, it is clear that weak and fragmented civil societies and poorly developed democratic institutions—both exacerbated by structural adjustment policies—do not augur well for democratic consolidation (O’Donnell 1993; Chaudhry 1993).

The dilemmas of the “double transition” call for a broader test of a state’s developmental capacity. The relative neglect of the political dimension of the developmental state has provided us with a one-dimensional view of late development. Because the question of development has been phrased in terms of growth—and this is as true of institutionalist perspectives as of Marxist development theories—insufficient attention has been paid to the social and political problems associated with the emergence of a market economy. Our understanding and definition of the developmental state must be broadened. As White notes, “The democratic developmental state will need to have a broad writ with at least three basic socioeconomic functions: regulative, infrastructural and redistributive. It will also need sufficient political authority and administrative capacity to manage the social and political conflicts arising both from the persistence of ‘primordial ties’ and from the tensions inherent in a successful growth process” (1995:31).

⁸ The general strike of January 1997 in South Korea, described as the largest ever, is a case in point. Workers struck to protest the new labor legislation aimed at increasing management’s prerogative and curtailing the growth of independent unions. The legislation was debated only within the ruling party and passed in a closed session of parliament (*Le Monde Diplomatique*, Paris, February 1997).

The case of Kerala provides an example of one such alternative scenario of state-society engagement. Through an iterative process of class mobilization and state intervention played out within formal democratic institutions, state embeddedness has taken the form of a mutually reinforcing project of social-redistributive transformation. The net effect has been the consolidation of a *democratic developmental state* marked by incorporation of the subordinate classes.

Class, State, and Politics in the Transition to Capitalism

In recent years, stage-based and evolutionary theories of development have come under increasing attack. The very concept of “transition,” which implies discrete stages with identifiable contours, has lost much of its attraction. Thus Stark and Bruszt write that “in contrast to the transition problematic . . . we see social change not as transition from one order to another but as transformation—rearrangements, reconfigurations, and recombinations that yield new interweavings of multiple social logics that are a modern society” (1998:7). It is indeed critical to emphasize that there are multiple paths to economic modernity, and multiple outcomes. The transformation from command or state-dominated economies to market economies, which has been the focus of the recent literature on economic change, represents, however, a different problem from the debate that was at the heart of classical political economy and sociology, namely the transition to capitalism. What differentiates these two debates is the centrality of labor, and in particular the “agrarian question.” In eastern Europe and, to a lesser extent, parts of Latin America, the most basic precondition for capitalism, the existence of formally free labor, has been secured. The transition to capitalism, as Marx and Weber, and later Polanyi, argued, was about the transformation of labor into a commodity. “Capitalism” notes Katznelson, “is unthinkable without proletarianization” (1986:14). In this sense, the use of the term “precapitalist” (with its implicit notion of transition) is justified in that it serves to emphasize that in much of the developing world the commodification of labor (and land) remains unfinished. Market transformations, then, must not be confused with the “great transformation.” In this book the concern is with the latter, and the processual dynamic of transformation, rather than the teleology of transition, is emphasized in order to highlight the centrality of social change and hence the multiplicity of outcomes.

Of the many rebuttals to the deterministic readings of agentless economic transformation—recently given new life in breathless accounts of

the irresistible forces of globalization—Robert Brenner’s remains the most compelling. His basic argument can be easily summarized. In the Smithian (classical) as well as what Brenner (1977) labels neo-Smithian (world-system and dependency) theories of genesis, capitalism is equated with the expansion of markets. As trade expands, increased demand stimulates specialization of labor and more productive patterns of investment. Brenner rejects this causal sequence by arguing that production for the market does not necessarily require the commodification of land and labor. Precapitalist agrarian economies can respond to new market opportunities without reorganizing production. Indeed, as Brenner and others point out, capitalist economic development is just one possible outcome of the expansion of market forces. Increased exposure to commercial pressures and competitive product markets is just as likely to lead to the extension of repressive labor systems (for example, the second serfdom in fifteenth-century eastern Europe). Only with the qualitative transformation in the relations of production—the relations among classes that govern the deployment of land and labor—and specifically the emergence of a capitalist mode of surplus extraction does production for the market assume the dynamic, self-sustaining, and systemic qualities associated with modern capitalism. To quote Brenner: “Economic development can only be fully understood as the outcome of the emergence of new class relations more favorable to new organizations of production, technical innovations, and increasing levels of productive investment” (1985:18).

There are two critical points in Brenner’s argument for making the case that economic change is driven by sociopolitical transformations. Precapitalist societies encompass a wide range of political and cultural formations, but analytically, and in opposition to capitalism, they are distinguished by the fact that land, labor, and capital are not commodities and cannot as such be optimally combined into a capitalistic organization of production. The use of labor and land in precapitalist societies is socially and politically embedded, regulated by a complex tapestry of customary rights, overlapping and negotiable claims, and forms of social domination. For economic sociologists it is, of course, a truism that all economic activities, including those of advanced capitalist societies, are governed by nonmarket mechanisms including social ties and networks. The fact that economic exchange is always socially embedded—that is, governed in part by nonmarket forces—is not, however, the same as arguing that existing social and political relations preclude reorganizing and recombining labor and land in response to new market opportunities. The second point is that any set of institutionalized social relationships congeals a distribution of power—and specifically the power to appropriate sur-

plus—which privileged, vested, or dominant interest groups or classes will naturally seek to reproduce. These social relations in turn determine whether surplus is reinvested primarily in consumption (kinship systems), coercion (tributary systems), or production (capitalism), to use Wolf's classifications (1982).

The resiliency of precapitalist economic institutions must, as such, be located in their social and political relations. If there is a logic to any economic system, it is to be found in the full constellation of forms of domination—ideological, institutional, coercive—through which the social order underpinning the production system is reproduced. More generally, then, we rejoin Migdal here by noting that the “solidity” of precapitalist institutions, even in the face of powerful market forces or a modernizing state, resides largely in the internal coherence of its configuration of political and social power. Elites have an obvious interest in maintaining the social structures through which their privileges are secured and, in doing so, divert surpluses into the reproduction, through coercion or persuasion, of those structures. And, in the absence of viable alternatives, and given the reciprocities (however asymmetrical) and subsistence guarantees that characterize precapitalist systems, subordinate groups have little short-term incentive to challenge the system. Precapitalist institutions do not dissolve under the irresistible logic of capital; they are politically destroyed or transformed, and under only the most exceptional of circumstances. It is for this reason, as Mouzelis has noted, that the neglect of the political “is particularly limiting in the analysis of peripheral capitalism, where all too often it is struggles over the means of domination and coercion, rather than struggles over the means of production, that seem to be central for understanding overall societal transformations” (1988:39).

The state looms large in reproducing social order. It must also then, as Marx insisted, play a critical role in the process of primitive accumulation, a point that has been elaborated in comparative studies of European agrarian transitions. The relationship of the state to agrarian structures in the developing world has proven to be just as critical to economic transformation. In East Asia, as we have seen, highly autonomous states orchestrated wholesale transformations in the agrarian social structure, implementing land reforms, developing rural infrastructure, stimulating technological innovations, providing critical inputs, and, most dramatically, redirecting surpluses from agriculture to industry (Amsden 1985; Burmeister 1990). The centrality of the state is highlighted by the fact that primitive accumulation has been engineered from above in countries that were both formally capitalist (Taiwan) and communist (China) (Ka and

Selden 1986). At the other end of the spectrum, weak and neopatrimonial African states have largely failed in their endeavors to transform the countryside (Boone 1994). In Latin America, a peasant household and subsistence-oriented rural economy alongside a capital-intensive largeholder sector has been actively reproduced by states politically beholden to landed elites. And in India, as we shall see in greater detail later, the ties of the ruling Congress Party to dominant landed castes explains the general incapacity of a populist state to restructure agrarian relations.

As important as it is to recognize the role of the state in shaping agrarian transitions, it is just as critical to acknowledge that modern states are also *effects* of agrarian transformations. “One of the basic axioms of historical materialism,” Anderson reminds us, “[is] that secular struggle between classes is ultimately resolved at the *political*—not at the economic or cultural—level of society. In other words, it is the construction and destruction of States which seal the basic shifts in the relations of production, so long as classes subsist” (1974:11). In the most influential statement of this idea, Moore (1966) argues that the political character of the modern state results from the outcome of struggles that oppose lords and peasants. Where landlords successfully preserved themselves, the outcome was fascism. Where peasants ultimately triumphed, the outcome was communist dictatorship. Where landlords were defeated by an ascendent bourgeoisie, or transformed themselves in tacit alliance with a strong bourgeoisie, the outcome was democracy. The ambiguous case is India, where Moore argues that an aborted transition has produced a genuine but extremely weak democratic state, incapable of addressing the problems of economic backwardness.

We can now draw an important conclusion. Any understanding of the conditions that favor the emergence of a state capable of pursuing transformative projects must begin with an analysis of the historical circumstances of agrarian transitions. Not only is every modern state a product of such transitions, but its character and, most important, its links to society are critically structured by the dynamics of the transition, be they internally or externally driven. Most critically, the prospects for political and economic modernization are directly tied to the emasculation or transformation of landed elites, as much a precondition for democracy and capitalism as for the expansion of the modern state.⁹ As we shall see in

⁹ Evans makes this point forcefully: “The degree to which the state apparatus was decoupled from landed elites is even more important to the developmental success of the major East Asian NICs than is the relative autonomy of the state vis-à-vis the industrial bourgeoisie” (1987:214).

the next chapter, a completed agrarian transition is precisely what distinguishes Kerala from the rest of India.

Capitalism and Economic Development: The Transition Within

At the most rudimentary level, those who view capitalism as a social system of production identify the wage labor form as its defining characteristic. Hence the attention paid to the historical process of primitive accumulation, by which precapitalist producers are separated from the means of production and transformed into an army of wage laborers with nothing but their labor to sell. The demise of precapitalist institutions, while conventionally equated with the genesis of capitalism, should not, however, be equated with capitalist economic development. The wage labor form is widespread in much of the developing world, yet the "reproduction of capital on an ever-expanding scale" that characterizes *systemic* capitalism remains elusive. Brenner captures this distinction succinctly: "The *differencia specifica* of modern economic growth . . . is not, per se, the spread of international trade, nor the rise of cooperation, nor the growth of manufacture, nor the extension of machinofacture—although all of these things do, of course, contribute to economic growth. What distinguishes modern economic growth is something more general and abstract: it is the presence in the economy of a *systematic* and *continuous* tendency or drive to transform in the direction of greater efficiency" (1986:24).

The paradox of economic development in the developing world—and especially in India—is the existence of capitalist social forms, which are the result of primitive accumulation, in the absence of systemic capitalism. Thus is necessary to explore the problematic of a second transformation *within* what is conventionally called capitalism.

The dispossession of workers from their instruments of production frees up land and labor and makes combination, cooperation, and specialization possible, yet it does not of itself generate the drive for innovation. Profit, competition, and even accumulation do not necessarily revolutionize the system of production. To understand this paradox we must return to Marx's classic distinction between absolute and relative forms of surplus value. The former is taken to express any combination of means by which surplus is obtained by squeezing labor. Most characteristically, this would involve some form of extraeconomic coercion, hence its association with precapitalist structures. But absolute surplus can also be extracted from workers, as in Marx's classical example, by extending the workday,

or, much more commonly, pushing down wages. The point is that absolute surplus extraction is a zero-sum game. The capitalist's gain is exactly the worker's loss. The extraction of relative surplus value, however, relies on increasing productivity. While the trade-off in exchange values remains a zero-sum game, the increased output per unit of labor power produces a greater total output of use values (Burawoy 1985:28).

The classical political economists drew a categorical distinction between unfree and free labor. But free labor in both senses of the term, that is, free from the means of subsistence and free to sell itself, is historically constituted, and, as Miles (1987) reminds us, there are degrees of unfree labor. Labor may be bought and sold, but the contractual character of this relationship should not obscure the inherently asymmetrical social and political relations that often underlie the exchange, especially in contexts where "low intensity citizenship" (O'Donnell 1993) prevails. Even in the most competitive capitalist markets, labor may be commodified, but it is never just a commodity. It is constituted by and through social relations among classes, and thus can achieve varying degrees of self-realization. Wages—the value of labor—are never simply a function of supply and demand but reflect the balance of power between capital and labor, a balance that is shaped by institutional and organizational forces (state intervention, collective bargaining) as well as cultural and ideological ones (moral conceptions of a "fair" wage). The social conditions under which labor is made available to the market thus directly shapes the logic of surplus extraction and hence accumulation.

In a despotic regime (to use Burawoy's terminology [1985]) workers no longer have access to the means of subsistence, lack collective organization, and enjoy few, if any, protections from either state, guild, or community. They are thus completely exposed to the "dull compulsion of economic forces" and dependent on the market for survival. But if workers are "freed" from the instruments of production and must secure their livelihoods in the market, they are not free from extraeconomic forms of control. In contrast to fully commodified labor (free in the double sense), labor's absolute subjection to the market under despotic capitalism works *through* the social subjugations of gender, caste, race, ethnicity, and region. In the absence of effective social protection or self-organization, this extreme social vulnerability and exposure to market forces (compounded by large labor surpluses) favors despotic forms of authority in both the labor market and the workplace. In turn, these social relations make labor-squeezing strategies of profitability far more attractive than productivity-based strategies.

The politically unorganized and socially vulnerable character of labor

under despotic capitalism stands in contrast to the class-formed and socially protected character labor assumes under hegemonic (dynamic) capitalism. I emphasize this distinction within capitalism because it explains India's arrested capitalist transformation. In agriculture and the so-called unorganized (informal) sector of industry, as I explore in detail throughout this book, the predominance of labor-squeezing has less to do with the forms of direct coercion that characterize precapitalist economics than with the social vulnerability of labor. Outside the organized factory sector and white collar employment, the bulk of the wage-earning class is suspended between a declining traditional economy with its guarantees of subsistence and a young democracy in which forms of social domination such as caste and clientalism persist. Underpinning the "unity of the reproduction of labor power and the process of production" (Burawoy 1985:126) that characterizes despotic capitalism is the double political and social disenfranchisement (no customary rights, no social rights) of labor.

The advent of hegemonic capitalism is marked by what Polanyi referred to as the re-embedding of markets in society and more specifically the expansion of social citizenship associated with the welfare state. As the state and labor organizations emerge to actively institutionalize social limits to the whip of the market, the reproduction of labor is decoupled from social vulnerabilities. It is precisely in this sense that I will argue that class mobilization and democratization in Kerala have severely curtailed the purview of despotic capitalism. Unionization and the building of what is by Third World standards a developed welfare state has socialized the costs of labor reproduction and leveraged the bargaining capacity of labor. The transition to hegemonic capitalism remains unfinished, however. Precisely because the period of despotic capitalism was cut short and because democratization and the extension of social citizenship rights were, by historical standards, premature, capital remains in a sense underdeveloped and social democracy overdeveloped. The resulting economic crisis has, however, set the stage for the crystallization of the politics of class compromise and heightened the imperative of effective state coordination of class interests.

Democracy and Class Compromise

The advanced or hegemonic stage of capitalism is predicated on the active organization of class compromise. Such a compromise necessarily rests on a material base, in which labor is guaranteed a share of the social surplus

in return for its support of private-property capitalism (Przeworski 1985). But class compromise is first and foremost political. The political economy literature on advanced capitalist economies generally takes for granted (crisis tendencies notwithstanding) that some sort of fairly stable compromise between private profits and redistribution has been worked out. For the developing world, such arrangements are generally assumed to be impossible, either because the material base is too narrow and distributional inequalities too severe to allow for class coordination, or, in a Huntingtonian vein, because reconciling such antagonistic interests is simply beyond the institutional carrying capacity of the system. The case of Kerala defies both assumptions. Across both agriculture and industry and against the backdrop of a very precarious economic situation, a stable class compromise has emerged. Making this case amounts to making a claim about the autonomy of the political: under certain historical circumstances class politics and democratic institutions, quite independently of economics, can be the basis for reconciling, within limits, the logic of accumulation and the democratic imperative of redistribution.

Classical political theorists were inclined to see democracy and capitalism as inherently at odds. The extension of the vote to the propertyless would inevitably threaten private property. Thus James Madison spoke of a "permanent animosity between opinion and property." Yet, much as democracy under capitalism can be a source of acute tension, democracy is also the very means through which class compromise can be forged. This view originates from the recognition that class interests under capitalism can be reconciled, or in Gramsci's expression, "concretely coordinated" (the compromise is concrete in the sense that it rests on a material base). The working class consents to capitalism—specifically to the prerogative of capitalists to organize production and to make investment decisions—because, as Przeworski puts it, "Current realization of material interests of capitalists is a necessary condition for the future realization of material interests of any group under capitalism" (1985:139).

Those material interests are not static because under capitalist conditions of production (relative surplus extraction) cooperation produces positive-sum gains. Yet while the private appropriation of surplus is a precondition of capitalist growth, there is no structural guarantee under a private-property economy that surpluses (wages withheld in the present) will be productively invested (Przeworski 1985:139). Thus the consent of the working class is economically rational only if there is a reasonable probability that capitalists will indeed behave as capitalists. And it is precisely democracy that provides the means—the "rules of the game," structured

iterations, bargaining procedures, transparencies, and mechanisms of interest aggregation—through which the terms of a positive-sum trade-off, a necessarily delicate balance between current and future wages, can be secured. Political democracy is the historically specific form under which the struggle over the social surplus can be institutionalized under capitalism. Burawoy provides the most succinct formulation: “The combination of capitalism and democracy is a compromise in which those who don’t own the means of production consent to private property while those who do own the means of production consent to political institutions that organize an uncertain but limited redistribution of resources” (1989:71).

Market forces do not produce socially optimal outcomes, and economic forecasting, including the long- and short-term trade-offs of current wage levels, is imprecise at best. The terms of class compromise cannot as such be read from market signals. As Przeworski (following Gramsci) argues, class compromise must be politically organized and institutionally secured. There must be not only clearly defined and organized class interests, but also institutions and political processes through which the terms of class compromise, which are in continuous flux, can be negotiated.

Two problems are involved here. As Marx recognized, but never adequately problematized, capitalism atomizes actors. In a competitive environment in which workers must compete for jobs and for the highest wages, particularistic interests, all other things being equal will prevail over collective interests. The (anarchic) laws of competition dictate a logic of action for individual capitalists that if left unchecked would either destroy the market and/or provoke social tensions. As a first condition, then, parties to a compromise must not only recognize their own class interests *as a class*, but also not push their interests too far: “Each side agrees to avoid striking the limits of the capitalist system: labor agrees not to demand wages that would be confiscatory (expropriate the expropriator) while capital assures labor minimum wage below which labor withdraws its ‘consent’ to exploitation” (Burawoy, 1989:70). This collective action problem can only be resolved through the formation of organizations, political parties and unions for example, that have the “strategic” capacity to restrain the pursuit of individual interests in favor of more solidaristic, unified, and long-term interests.¹⁰ This, in Przeworski’s formulation, is essentially the question of class formation.

¹⁰ Przeworski, citing Pizzorno, notes that organization “is the capacity to act on behalf of individuals even if such actions go against their individual interests, those interests that pit individuals in competition with one another” (1989:96).

The second problem is the “prisoner’s dilemma”: compromise becomes possible only if the cooperation of both parties can be secured (even the perception of the possibility of unilateral action from either will result in opportunistic behavior). To some extent this problem can be overcome through various direct or indirect forms of compulsion (as in forms of state corporatism) or penalties for withdrawal (making strikes or capital flight illegal). Most states, however, do not enjoy such power, and compliance must be elicited. And because the ends cannot be guaranteed (economic outcomes are by definition uncertain), consent must be forged through the process itself. Class compromise as such can only be democratically organized. In the absence of procedurally and representationally legitimate means of negotiation, the prospect of uncertain outcomes will result in short-term interest maximization, opportunistic rather than cooperative behavior.

The range of political configurations that can support class compromise is broad. In the United States class compromise is decentralized, negotiated primarily at the level of the firm (Burawoy 1985). Such a system has created a dual economy, in which only the unionized and monopoly sector segment of the working class has benefited from positive-sum trade-offs. Under European social-democratic regimes, class compromise is more centralized, enforced through state-mediated social pacts. In the United States the capacity of the state to mediate social contradictions is weak; in Europe it is much stronger.

This variation draws us back to the basic insight in Przeworski’s work, which is to have theoretically established the link between class formation and class compromise. The conditions under which a class coalesces politically will in large part determine the possibility and shape of class compromise. Przeworski’s line of reasoning here neatly parallels the cross-national empirical findings of the “working-class power” approach to explaining the rise of the welfare state. These comparative studies have pointed to organizational characteristics such as the degree of union centralization, party-union linkages, and class coalitions as shaping the success of the working class in securing welfare measures. And what is the welfare state if it is not the form that institutionalized class compromise has taken under advanced capitalism? Working-class mobilization can thus be tied to both the material basis (the welfare state) and the institutional-political basis (mass-based democracy) of class compromise. From these connections, then, we can conclude that the state actively intervenes to redress the social contradictions of capitalism—and hence secure its long-term viability as a system of production—not out of structural necessity, but as a direct result of the political power of organized and mobi-

lized workers. Moreover, insofar as working-class demands are actively processed through democratic channels (the "legitimation" function) the state develops the institutional and political resources to forge class compromises, or as Gramsci puts it, to "form stable equilibria." State and society become highly (and functionally) integrated.

Because of the overwhelming weight attached to economic factors and an elite-centered view of politics, the relationship between class mobilization and political institutions—so central to the development of advanced capitalist states—has received little independent attention in the study of developing countries.¹¹ The persistence of dualistic economic structures in the developing world has generally fragmented subordinate-class interests. But classes are formed as an *effect* of political struggles (Przeworski 1985), and these struggles are shaped as much by existing institutional configurations as they are by the structural properties of the economy. For the developing world, a case can be made that the effect of political processes on class formation has been even more significant than in the European case. As we have seen, the institutional character of the postcolonial state is as much the legacy of the extractive logic of colonial capitalism as it is the product of internal state-society engagements. If state formation in Europe was symbiotically tied to class dynamics, and in particular to the rise of the bourgeoisie, the process of state formation in the developing world has taken a more independent path, with the result that the state in many cases remains "overdeveloped" with respect to local class forces. In most African states, for example, weak bases of political support at the time of independence gave life to the politics of clientalism and tribalism. Thus even where agricultural commercialization has been strong, class interests, and especially those of the peasantry, have remained fractured. As Bates notes, "The politics of the pork barrel supplant the politics of class action" (1981:118). In India, early democratization and the comparatively advanced institutional differentiation of the state have in particular heightened the role of politics in shaping class. Thus Kohli points to the "variability in the class content of political power" across Indian states and argues forcefully that "only when we focus simultaneously on class and institutional variables—on the relationship of state to society—can we understand how the relative power of the lower classes can increase within the framework of a democratic-capitalist model of development" (1987). In the absence of such a perspective, the anomalous urban-rural alliance of

¹¹ Exceptions include Rueschemeyer, Stephens, and Stephens 1992 and Collier and Collier 1991.

lower classes that crystallized into a sustained political movement in the Kerala of the 1940s (see Chapter 2) is unintelligible.

Institutions are not the neutral arbiters of pluralist theory. They actively shape the manner in which interests are organized and hence determine patterns of collective action (Skocpol 1985). Class mobilization in turn has a dynamic impact on institutional developments. Political institutions do not emerge from a teleological process of modernization, but are rather the outcome of a wide range of social conflicts, of which class conflicts have been the most salient in the making of the modern state. This dialectic of political institutionalization and class mobilization can be highlighted by comparing Kerala to India.

Class Mobilization and the State in Kerala and India

In many respects India is axiomatic of Migdal's strong society/weak state dichotomy (1988). India's independence movement resulted in a democratic but not a bourgeois revolution. It was led by an amorphous urban middle class that cultivated ties with a wide range of rural interests. Though the movement successfully challenged British rule, it largely stopped short of challenging the social power of traditional elites. Calls for radical reform notwithstanding, the persistence of local power bases rooted in the control of land thwarted efforts to reform agrarian relations. Lacking a clearly defined social base, and operating in what was a fragmented social order, the Congress Party ruled through local notables from the dominant landowning castes, mobilizing "popular participation in the wider electoral process through a complex pyramiding of vertical factional alliances" (Frankel 1978:25).

Because they were enmeshed in a matrix of patronage networks, Kohli concludes that these "party-class linkages increasingly made the Congress more a part of a tacit alliance of domination than a potential force for social transformation. Not only was the deliberate politicization of the Indian lower classes thus set back, but the capacity of the Congress to force changes upon the propertied was further diminished" (1987:64). Theorists ranging from neomodernization to neo-Marxist persuasions have across the board pointed to the increasing subordination of the state to a cacophony of societal demands. Lloyd and Susan Rudolph thus speak of a crisis of "demand overload" (1987) and Bardhan characterizes the Indian polity as a "flabby and heterogeneous dominant coalition pre-occupied in a spree of anarchical grabbing at public resources" (1984:70). Efforts by

state elites to build ruling coalitions out of these fractious forces have only exacerbated the role of the "brokerage system" (Brass 1994:110–11) in building political support. One is reminded of Gramsci's distinction between a state that rules and one that leads.

The price of this (fragmented pact of domination) has been not only an erosion of the Indian state's once considerable autonomy and its developmental capacity but also an increasingly acute crisis of authority. Once held up as a paradigm of effective institution-building in the developing world (Huntington 1968), the Congress Party has succumbed to a slow but steady process of what has come to be described as the "deinstitutionalization" of the party, and of Indian politics in general (Kohli 1990; Brass 1994; Kothari 1991; Rudolph and Rudolph 1987). As Kaviraj has put it, "[D]emocratic government functioned smoothly in the early years after 1947 precisely because it was not taking place in a democratic society; as democratic society has slowly emerged, with the spread of a real sense of political equality, it has made the functioning of democratic government more difficult" (cited in Bardhan 1997:18).

The political forces that have stepped into this vacuum are, however, as fractious as ever. Higher rates of political mobilization have been marked by a proliferation of exclusionary identities. A plethora of religious, caste-based, and regional parties now vie for power on the basis of competing populisms and opportunistic coalition-building. Governing coalitions are cemented through tactical dispensations of patronage rather than programmatic policy. In the absence of organized, encompassing links to society, politics has become an increasingly desolidarizing affair, as reflected in the widely documented "criminalization" of politics,¹² an explosion in cases of organized corruption circles (often spanning multiple parties), and most dramatically in the upsurge of sectarian and caste violence, a trend that has even spread to the once communalism-free southern states. Disaggregative politics and the widely perceived delegitimation of the state (its developmental and secular credentials are in question) has led Kothari (1991) to observe that the state has become disembodied from society, relying increasingly on administrative power and coercion rather than on democratic participation. Thus, though it would be a mistake to underestimate the solidity of parliamentary institutions in India,¹³ it has become

increasingly difficult for the state to juggle conflicting interests and ultimately provide the most basic of state functions, lawfulness and social predictability, much less developmental goods.

If Kerala has traveled down a very different path, the causes are to be sought in the full complexity and contingencies of its history, and in particular its agrarian history of class formation examined in the next chapter. Suffice it here to highlight the critical moment of 1957 when the dynamics of political class formation culminated in the electoral victory of the Communist Party in the state's first legislative elections. If national liberation and the advent of democratic pluralism under the auspices of the Congress Party produced an unfinished revolution (Moore 1966), the democratic and nationalist mantle in Kerala was donned by the CPI and produced a full-scale assault on the ancien régime. The installation of a class-based ministry marked a political trajectory that parted decisively from the national path. Class mobilization, actively and programmatically framed by an indigenized Leninist party committed to the parliamentary route, produced a logic of interest aggregation that broke the hold of Migdal's fragmented forms of social control. Instead of the hyperpluralistic and vertically organized patronage pyramids of the Indian polity, the predominance of the politics of class in Kerala facilitated the crystallization of "fundamental" interests (cast primarily in an encompassing language of social justice) organized principally around transformative agendas of redistribution and social citizenship.

The formation of lower-class interests was accompanied by the extension of the state's bureaucratic and regulatory reach. At the most abstract level, one could, following Polanyi, summarize these developments as the "countervailing" forces that must necessarily accompany the "great transformation." Certainly lower-class mobilization and state intervention have imposed social limits on capital. But the story at hand is neither so neat nor so even. In disentangling the effects of social forces on economic development in Kerala, three analytically distinct moments of transformation, crisis, and compromise can be identified.

The first has been the most trenchant. Agrarian mobilization and state reforms have swept away most of the institutions of the precapitalist social structure, in particular landlordism, the attached labor system, and caste domination. Second, there are clear signs that sustained labor mobilization in agriculture and industry, coupled with the growth of the welfare state and the expansion of social rights, has begun to eat away at the logic

capacity for managing conflicts within the dominant coalition, it is unlikely to be threatened by any of the dominant class factions (see Bardhan 1988:216).

¹² To cite one example: "According to the Chief Election Commissioner, 180 of Uttar Pradesh's Members of the Legislative Assembly (MLAs) have criminal cases pending against them, at least 52 of which involve 'heinous crimes' such as rape and murder" (Dreze and Gazdar 1996:108).

¹³ The delegitimation of the state should not be confused with the delegitimation of democracy, especially one as federal as India's. And because Indian democracy has a demonstrated

of despotic capitalism. It has in other words become increasingly difficult in Kerala for capital to expand simply by squeezing labor. But this second transition within capitalism remains unfinished and highly contested. Labor's political clout, marked by the redistributive bias of the state, has increased its share of the social surplus and its capacity to exercise control over the labor process, but it has also triggered a crisis of accumulation. This crisis would lend credence to theories of development that implicitly assume the incompatibility of substantive democracy (in which lower-class demands are organized) and capitalist development, if it were not for the emergence, since roughly the mid-1970s, of the organized forms of class compromise that I document in this book.

How these compromises will affect Kerala's long-term economic development remains an open-ended question, especially given the state's limited macroeconomic powers and Kerala's dependency on both national and global markets. What stands out nonetheless is that the two basic preconditions for forging the class compromises that characterize democratic capitalism are in place. The first is the crystallization of class interests and their representation through encompassing organizations, specifically the CPM but more broadly through the hegemony of working-class politics. The second is the existence of strong democratic institutions through which class compromises are actually negotiated. Though class compromise is not possible without these organizational and institutional prerequisites, it is, in the final analysis, about political processes. Thus across regions and sectors within Kerala, differences in the level of lower-class organization, the composition and mobility of capital, and the degree of state penetration have shaped the specific terms and modalities of class compromise. These variations notwithstanding, the argument of this book is that class mobilization and conflict, rather than precipitating a crisis of governance or producing a zero-sum economic stalemate, has actually furthered the functional integration of political and socioeconomic life, and specifically increased the state's capacity to manage the contradictions associated with development. The state in Kerala can thus be described as "developmental" not only because of its achievements on the social and redistributive fronts, but also because it has acquired the capacity to concretely coordinate class interests. As a subnational and democratic state it lacks the full repertoire of market-augmenting tools of the East Asian NICs, but within these limits it does possess significant authoritative and organizational means for reconciling the social imperatives of welfare with the economic imperatives of growth. And this, in a democratic society, is the key to promoting sustainable economic development.

I

Agriculture

Just what does modernization mean for the peasantry beyond the simple and brutal fact that sooner or later they are its victims?

Barrington Moore, *Social Origins of Dictatorship and Democracy*, 1966

In the relatively short span of half a century, the agrarian landscape in Kerala has undergone a profound transformation. A largely subsistence-oriented rural economy in which rice was the principal crop has become a highly commercialized economy in which cash crops, primarily rubber and coconut, now account for three-quarters of the cultivated area. The importance of agriculture to the state's economy has declined rapidly. In 1991, only 37.8 percent of the population in Kerala earned its livelihood from agriculture, the lowest percentage of any major Indian state and well below the national average of 66.5 percent (Kurien 1994:29). Most dramatic has been the change in class relations. The class of upper-caste landlords—the *jennies*—that once wielded almost absolute economic and social power in the countryside has all but disappeared. A labor system characterized by patron-client relations of material and social dependency that were firmly embedded in local caste structures has been replaced by contractual wage relations governed by market forces and labor legislation.

The demise of the traditional labor system and the commercialization of agriculture in Kerala bear all the structural traits of a classic agrarian transition. Yet as the next three chapters show in detail, behind the linearity and inexorability suggested by terms such as "transition" and "commercialization" lie complex and sometimes contradictory processes. There are three dimensions of Kerala's agrarian transformation that stand out.

First, the most important institutional reforms that have marked the transformation—comprehensive land reforms introduced in 1970 that abolished landlordism, and state interventions that codified labor relations—resulted directly from a communist-led mobilization of agricultural