

Community Penetration and Subjection of Labour to Merchant Capital in a Newar Town in West-Central Nepal

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Blaikie, Cameron, and Seddon's book, *Nepal in Crisis: Growth and Stagnation at the Periphery*,² represents the first major critical study in Nepal. Although it was initially banned by the Nepalese government and continues not to be considered acceptable reading, it has had great influence on the Nepalese intelligentsia. Many scholars accept the major conclusions, but now criticize the book because of an unconvincing attempt by the authors to fit a rather orthodox Marxist model to the Nepalese countryside. As a result of a two year study of the same area in the central hills of Nepal, we are able to show how their methodology was unable to provide data that could demonstrate the actual process at work. They also misunderstood the Marxist model, and thus improperly analyzed the data they did have from a theoretical standpoint.

Blaikie et al. drew from Lenin's work *The Development of Capitalism in Russia*³ as a model to make an apparently radical study of the countryside in Nepal. But, failing to understand Lenin's point, they turned his entire argument upside down to fit a rather orthodox Marxist position, and, misrepresenting the actual conditions in Nepal, presented a reactionary appraisal of the Nepalese countryside. We found in our work a two hundred year history of penetration of industrial capitalist interests in the form of merchant capital working as an agent for industrial capital. Today, the direct producers (which they term "peasantry") have been expropriated of all lands except for small relatively unproductive plots which subsidize capitalist profits by bearing the reproductive cost of the accumulation of surplus labor for the capitalist interests. This impoverishes the laboring direct producers and the countryside. Blaikie et al., in contrast, interpreted the form taken by the penetration of capital in terms of a "semi-feudalism"⁴ where relations of dependence represent a deduction from capitalist profits, preventing a complete capitalist transformation. As a consequence, they warn of a downward spiral into a deepening crisis, represented in a looming ecological collapse and the end of Nepal's existence as a separate nation state.

While concurring in our research in the same west-central hill region that the direct producers, which Blaikie terms "peasantry,"

are in a relationship of dependence to the landed classes and that there is incomplete development of the commodity form, we found that labor in the west central hills is subordinated not just capital, but to industrial capital, as a result of a more than 200 year history of penetration of industrial textile and other capitalist interests in the form of commercial and money lender's capital.

Blaikie et al. modeled their study on Lenin's book *The Development of Capitalism in Russia* in order to identify whether capitalism had developed in the Nepalese countryside without fully accounting for the program that shaped Lenin's book or the particular historical conditions of their study area. Lenin reinterpreted Russian gubernatorial statistics that the rightest populists or Narodniks had used to prove that capitalist relations had not developed in the Russian commune at the turn of the 20th century. The rightest populists argued that because capitalism had not developed, the traditional communism of the commune could be used as the basis for the socialist transformation of the countryside.

Lenin, on the other hand, showed that if the gubernatorial statistics were broken down, rather than used to generalize the peasantry as a whole, they indicated differentiation within the peasantry and the development of a capitalist class from the peasantry. This class employed the rest of the peasantry as a proletariat, but subverted the commune to bear the cost of the reproduction of the peasantry and thus subsidize their profits. Because the peasantry bore the cost of their own reproduction as a proletariat, its exploitation was worse than if capitalism had fully developed. Lenin argued that preservation of the commune contributed to peasant exploitation by capitalism and did not represent a potential base for socialism. Only full development of capitalism and dissolution of the commune could provide the basis for socialism. Since he showed that capitalism had indeed developed, the next step in Lenin's program was revolution, not reform.

In order to identify the extent of capitalist penetration and proletarianization in the Nepalese countryside, Blaikie et al. collected statistical data from sample sites in the west-central hill region of Nepal to create a data base resembling the Gubernatorial statistics analyzed by Lenin. Blaikie et al., unlike Lenin, found that their statistics indicated that capitalism was undeveloped in Nepal. Like Lenin, they argued that capitalist development was necessary, not for communist revolution, but simply to save the country. Two important differences between Blaikie et al.'s and Lenin's situations prevented the former from identifying capitalist subjection of the countryside.

First, Blaikie et al. applied to the Nepalese data the categories developed by Lenin from the class relations particular to Russia at

the end of the 19th century. In Russia, class development had taken the form of differentiation of the peasantry into capitalist farmers and an agrarian proletariat yet still bound to the commune. In contrast, in the hills of Nepal, agrarian capitalists did not arise from the peasantry. Rather, merchants spread out east and west of the Kathmandu Valley throughout the middle hills and traded in cotton fabrics produced by newly arisen British industrial interests. In this way, they acted as the agents of industry by creating a market for it by simultaneously usurping the previously established landed interests and destroying the autonomous nature of production.

The growth of capitalism took not the form of differentiation of the peasantry, but the penetration of control by urban merchants in the interest of industrial capitalism. Blaikie et al., limiting their search for differentiation to a hypothesized peasantry, seem to have entirely overlooked the merchants in their surveys. Thus, according to their categories, the richest capitalists and landholders earned 10 or 11,000 rupees per year. When compared to merchant households, with yearly incomes of millions of rupees, Blaikie's capitalist households are impoverished not just relatively but absolutely. In using a model that assumed that capitalism took the form of differentiation of the peasantry, they were unable to understand the actual form of capitalist penetration and class relations in the west-central hills. Such a study would have been more appropriately done in the east where immense holdings by entrenched landed property classes more closely fit their feudal model.

Second, once the merchants had taken control of the rent producing lands and labor in the hills, they moved out of the hills into new growing markets and fertile virgin lands of the Nepalese lowlands, which had been opened to settlers by the Nepalese government (under Juddha Shamsher Rana) after the 1934 earthquake. Because of the consequent spacial separation of large property owning merchants in the lowlands and small holder laborers in the hills, it would have been extremely difficult for sampling of random locations to show the relations of exploitation between areas if they had interviewed the merchants and impossible if they had not. Data from the hills showed small holdings and undeveloped capitalism. Data from the lowlands failed to link the large merchants to the hill property and labor relations. Even if they had interviewed merchants, it is doubtful that they could have correctly estimated the extent of the merchant holdings in the hills just from surveys, since the merchants are reticent about these.

In contrast to sampling, we chose as our focus the town of Bandipur, the central bazaar from which merchant domination began to spread from the 18th century. We documented the historical development, expansion of control, migration to the lowlands, and the manner of continued ties to the hills of every merchant household. Similarly,

we documented the development of all the various laboring castes within Bandipur, and we sampled surrounding villages to test generalizability of our findings to surrounding villages.

Today, most village producers hold small marginal less fertile unirrigated plots which provide only 3 to 9 months of the yearly rice consumed by their families. These plots are almost invariably mortgaged. To survive, the producers are forced to take loans to purchase the balance of rice and other market needs such as clothes, not to mention a ration of alcohol, cigarettes, and video entertainment, each with its own particular role in the exploitation process. These debts accumulate year to year, generation to generation, serving as a form of bondage forcing the laborers to work for merchants and other property holders at low wage rates and high rents in agricultural, mining, load carrying, or migrant labor. The low wage rates and high rents in turn presuppose the small marginal holdings to reproduce the work force and allow the employer to absorb more of the value of the labor as profit.

Blaikie et al.'s results are turned rightside up again. Development of a capitalist class from the peasantry is shown to be insignificant compared to the immense hegemony merchants established over the countryside in their role as traders of industrial produced goods. We find parallels not just with Lenin's findings, but with colonial plantations as well: small holdings alongside of large capitalistically owned estates which contribute to the reproduction of capital. Any persistence of feudalism in this part of the country is only in appearance.

While Lenin identified the development of capitalism as a basis and rationale for revolution, Blaikie et al. despair over its lack of development for its own sake. Unlike the conservative populists who at least offered socialism as an apology for capitalism, they can only offer capitalism as the solution. Since the semi-feudalism they describe is the form taken by capitalism, it becomes its own apologist. Consequently, Blaikie et al., while taking a radical approach offer a conservative-even absurd-solution, that the ruling classes wake up to what their rule is doing to the country before it is too late. They advise that it dissolve the "semi-feudal" relations which provide its basis and develop capitalism. But foreign industrial capitalism in the form of mercantile capital, by destroying cottage industry, concentrating property and capital, and plunging the rural producers into debt, is the cause of dependence.

NOTES

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2. Blaikie, Piers, John Cameron, and David Seddon, *Nepal in Crisis: Growth and Stagnation at the Periphery*, Oxford University Press, Calcutta.
3. Y.I. Lenin, *The Development of Capitalism in Russia*, Progress Publishers, Moscow (1956).
4. One of the characteristics of the semi-feudal form of production is the control of 'permanent' labourers who are paid in kind rather than the employment of wage labourers hired at the busy agricultural season. Larger households frequently have permanent labourers, even if the whole farm and household do not generate enough work of various sorts to keep them occupied all the year, but also employ casual wage labour in the height of the agricultural season. In these cases the ratio of one type of employment to the other provides one distinguishing empirical criterion of 'semi-feudal' as opposed to 'capitalist' farmers. In the case where the ratio is in favour of permanent labourers, the employer pays to a greater extent the full costs of the reproduction of labour and generally takes responsibility for housing the labourer and perhaps his family. This method of labour use is more costly than hiring wage labour as and when it is required, especially when other particularistic commitments to permanent labour generally occur.... We suggest that the producer who is predominantly within the semi-feudal form will employ more permanent labour than wage labour. Arguably more importantly, however, he will sell less of his surpluses..., consume more of his produce..., will be less involved in businesses outside agriculture and, most important of all, will not be concerned with improving his productive base through the use of new inputs and mechanization...

"It is quite clear from rural survey data that the great majority of employers of agricultural labour do not minimize aggregate payments to labour nor do they deploy their surpluses in an aggressive and expansionist manner. While the ability to accumulate is limited to employers either with non-agricultural

income or with large farm sales, the surplus generated is not reflected in the purchases of land, buffaloes, oxen, bullock carts, and machinery....what investment exists in capital equipment as well as in new inputs is highly concentrated in a very few households, giving a strong positive skew to the distributions of these variables, and it is these households which may be said to exhibit capitalistic tendencies. The vast majority of such households are situated in the terai where in general the surpluses, cash flow, and investment in both agricultural and non-agricultural means of production are greater. However, mechanization has been slight, real labourers' wages have remained constant, and expansion of landholding by the class of capitalists at the expense of the 'semi-feudal' aristocracy or the poor peasants who thereby become subordinate to it as labourers has not yet occurred....Thus whilst the opportunity for the development of productive forces within capitalist relations exists, given the knowledge of a new technology and the availability of 'free' labour, we think it unlikely that the present tiny minority of capitalist farmers will expand rapidly and suggest that the dominant form of production in the West-Central Region will remain essentially 'peasant'. But the precise nature of the peasantry in the Region requires careful analysis for it is neither a homogeneous nor a 'traditional independent' peasantry. It is the specific product of a particular historical process involving partial incorporation of the Nepalese political economy as a whole into the world capitalist system" [Blaikie et al., opus cited, pp. 252-3].

5. Ibid.