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The Concept of Primitive Accumulation of Capital

Having analyzed the anatomy of the capitalist mode of production, Marx had turned his attention towards the end of *Capital* Volume I to the question of how this mode of production had at all come into being. And here he had introduced his concept of 'primitive accumulation of capital'.

He had advanced this concept no doubt in response to Adam Smith's corresponding concept of 'previous accumulation', and in direct opposition to it. While Smith had attributed 'previous accumulation of stock', which enabled those with such stock to employ labour, and hence allowed specialization in production, i.e. made division of labour possible, to the thriftiness and frugality of some producers relative to others, Marx saw the genesis of capitalism in a forcible separation of pre-capitalist producers from their means of production.

Capitalism, he had already shown, was characterized by two different kinds of commodity-owners 'coming face-to-face and into contact', namely those who owned the means of production and subsistence, and those who owned only their labour-power. This labour-power had to be free in a double sense: first, it had to be free of any direct access to means of production, for otherwise it would not be sold as labour-power; and, second, it had to be free to be bought and sold, i.e. had to be completely at the disposal of its owner, the labourer, unlike in the case of slavery where the labourer was owned by the slave-owner.

In Marx's own writings however there is the suggestion of an alternative genesis of capitalism, which Maurice Dobb¹ had used in the debate with Paul Sweezy and others on the transition from feudalism to capitalism; and this consisted in the process of differentiation within the ranks of pre-capitalist petty producers under the impact of commodity production.

Drawing attention to the long period that had elapsed between the introduction of money rent in medieval England, which had liberated petty producers from the need to give the surplus to the landlords in the form of labour services or of physical product, and the emergence of capitalism, Dobb had suggested a process of growth of capitalism from within the pre-capitalist sector itself. In this he had taken a cue from certain remarks of Marx. The mechanism he had suggested was through a differentiation among the petty producers themselves, a process of what may be called 'capitalism from below'.

Not surprisingly, primitive accumulation of capital did not play any significant role in Dobb's analysis, which shared, notwithstanding its very different theoretical perspective,

¹ For a summary of his position see Dobb (1967).

one thing in common with Adam Smith's vision, namely a gradual transition to capitalism spread over a long period.

Without entering into that debate here, I would simply like to underscore that 'primitive accumulation' must be distinguished from the differentiation that may occur among petty producers through their being drawn into commodity production. Even commodity production, I should emphasize, does not refer here to mere production for the market or for exchange; it refers here, as in Marx's analysis in general, to a state of affairs where the commodity produced, while being both a use-value and an exchange value for the buyer, constitutes only an exchange value for the seller². It is only such production for the market, which is impersonal and typically associated with long-distance trade, that can qualify as commodity production and can give rise to the tendency towards differentiation that is generally associated with it. But this tendency towards differentiation is *not* primitive accumulation, which necessarily refers to a squeezing of the pre-capitalist sector by *external* intervention, either by the capitalist sector directly or by the State acting in the interests of capitalists and proto-capitalists.

The term 'forcible' used above in describing the *modus operandi* of the separation of producers from their means of production, refers therefore not so much to the use of violent methods *per se*, as to two other features: one, the agency through whose intervention this separation is effected is external to the sector itself; and two, the process itself is involuntary as far as petty producers are concerned. 'Forcible' here in short is synonymous with a combination of involuntary and non-spontaneous; and by 'non-spontaneous' I mean not arising from the immanent tendencies of the petty production sector itself.

One can draw the following simple and stark picture of primitive accumulation to fix one's ideas. To start with, we have petty producers using their own means of production to produce goods for a market. Some external agents simply grab these means of production, use the petty producers as labourers, and produce the same goods for the same market by setting themselves up as capitalists.

In fact however the process is obviously more complex, and its different moments are non-synchronous, i.e. occur at different times. But its essence lies in the compression of pre-capitalist production through external intervention.

This intervention can be through the taking over by capitalists of the markets of pre-capitalist producers, which is what Rosa Luxemburg had highlighted, and which is what, for instance, the take-over of retail trade by Walmart that displaces petty traders, a burning issue at present, entails. It can be through the sheer expropriation of the means of production, especially land. (Cases where land is 'purchased' for a pittance fall into this category). Or it can be through a forced reduction, via State taxation or the use of monopoly or monopsony power from outside, of the incomes of the petty producers.

These instances however still do not capture the complexity of the process. An implicit assumption underlying many of these instances is that the petty producers, prior to primitive accumulation, 'own' their means of production. Not only is this not generally true, but, what is more, 'ownership' as a single integral right does not even exist in pre-capitalist societies.

² I have discussed this issue in greater detail in P. Patnaik (2015).

This last point is often not appreciated, and it explains the confusion that has often marked the descriptions of the pre-colonial Indian society, with some authors even suggesting that the king was the owner of all the land because of the substantial amount of land revenue that accrued to him. The point however is that the modern, capitalist, conception of ownership simply did not exist earlier. There was a multiplicity of rights to the produce, usually customarily defined and usually arranged in a hierarchical order, of which a subset consisted of the rights to the surplus.

These various rights to the total produce also constituted *ipso facto* rights to the assets used in production, and in particular land. The right to a share in the produce in pre-capitalist societies, entailed in other words a derived or indirect right to the means of production, which of course was not a legal but a customary right.

What primitive accumulation in its classic form does to such a society is three things: one, it takes away all rights from the producers, which therefore sets them 'free' to sell their labour-power; two, it concentrates all rights to the means of production in the form of a single ownership right; and three, it gives this ownership right a legal, as distinct from a customary, character, which defends it from arbitrary interference even from kings and nobles.

Of course, in societies like India colonial rule had already introduced legal ownership rights, together with contractual relations, which the 'owners' entered into with the producers, who were not necessarily converted into free wage labourers. While some of these contractual relations did have a legal basis, others did not, such as for instance the so-called 'tenancy-at-will'. Colonialism in short, while formally introducing legal rights, produced in reality an amalgam of legally-enforceable rights and customary rights.

When a peasant who had a legal right to land lost it to say a money-lender, but continued to cultivate the same piece of land as a tenant-at-will for the same money-lender now turned landlord, then what he suffered was a loss of right. Likewise when a tenant-at-will was evicted and became a labourer what he suffered was a loss of right.

Such a loss of right usually entailed a loss of income as well, but this need not always be the case; and what is more there could be a loss of income, such as through the colonial taxation system, without there being any loss of right. We should therefore distinguish between the two, namely a loss of right and a loss of income, and modify accordingly the definition of primitive accumulation that we had given above, in the following manner: *primitive accumulation refers to a process of compression of the petty production sector through an involuntary loss by the petty producers of their incomes or of the rights to their means of production that is brought about by the intervention of an agency external to this sector itself.*

II

There are several basic misconceptions that have been associated with the concept of primitive accumulation of capital. Let me discuss some of these. The first misconception is to confine it to the pre-history of capitalism. Marx, though he discussed primitive accumulation only in the context of capitalism's coming into being, suggests in several of his writings that the process continues throughout the life of capitalism.

The most significant of these is his February 19, 1881, letter to N.F. Danielson the Narodnik economist, wherein he talks about the 'drain' of resources from India:

What the English take from them annually in the form of rent, dividends for railways useless to the Hindus; pensions for military and civil service men, for Afghanistan and other wars, etc., etc. – what they take from them *without any equivalent* and quite apart from what they appropriate to themselves annually *within* India, speaking only of the *value of the commodities* the Indians have gratuitously and annually to *send over* to England – it amounts to *more than the total sum of income of the sixty millions of agricultural and industrial labourers of India* This is a bleeding process, with a vengeance!

Now, there can scarcely be any doubt that this extraction constituted primitive accumulation of capital; nor can anyone claim that this amount, even from the point of view of Britain, was so inconsequential as to be ignored. It follows therefore that the fact of primitive accumulation occurring throughout the life of capitalism and playing a significant role in its dynamics, was recognized by Marx himself, though not in *Capital*.

It was of course foregrounded in the theory of Rosa Luxemburg who saw the process of accumulation itself as an interaction not between the two 'departments' of Volume II of *Capital* but between the capitalist and the pre-capitalist sectors, a process that simultaneously released labour-power and means of production for the capitalist sector.

One need not go on labouring the point. In fact, to see primitive accumulation as being confined to the pre-history of capitalism, and to believe that, once capitalism has come into existence, all subsequent accumulation occurs in accordance with the model presented in Volume II of *Capital*, is to deny any role to colonialism in the life of capitalism, which flies in the face of facts. Primitive accumulation in short characterizes capitalism throughout its life.

The second misconception is the belief that the displaced petty producers who constitute the 'free' sellers of labour-power, are all, barring a small number belonging to the 'reserve army of labour', absorbed into the active army of labour employed by capital, i.e. that primitive accumulation constitutes merely a gigantic redeployment of workers from their old employment as petty producers to their new employment as workers in capitalist enterprises. The corollary drawn from this is that the pains of displacement which the ousted petty producers bear are only transitional. And since they are caused as part of a historical process of carrying forward the development of the productive forces, primitive accumulation then becomes a phenomenon that is on the whole deserving of support for being 'progressive'.

The colonial experience itself, however, should destroy any such belief. The primitive accumulation inflicted on the colonies of conquest (I reserve the term 'colonies' only for them and not for the colonies of settlement like Canada, Australia and the U.S.), displaced large masses of petty producers who were neither absorbed into any capitalist enterprise, since very little such enterprise developed in these colonies, nor allowed to migrate to the metropolitan centres of capitalism in Europe. They remained therefore as a vast pauperized mass. In fact the roots of modern mass poverty in the world lie in this phenomenon (Raychaudhury 1985).

Even as far as the displaced petty producers in Europe are concerned, they escaped such a fate not because they were absorbed in large measure into capitalist enterprises, but because they emigrated to the temperate regions of white settlement like the U.S., Canada, Australia and New Zealand, to which the tropical workers were strictly prevented from migrating (U. Patnaik 2012). In their new habitat the emigres drove the local population off the land and set themselves up as farmers, which gave them a reasonable standard of living and which even pushed up the 'reservation wage' within Europe itself.

The export of capital from Europe, that was complementary to this emigration of labour, and was financed by the 'drain' of surplus from the tropical colonies (mentioned earlier), saw a massive diffusion of capitalism from the 'old' to the 'new' world which underlay the long boom of the long nineteenth century (Bagchi 1972). Thus the point is that the belief that those displaced by primitive accumulation necessarily get absorbed (barring a small reserve army) as workers in the capitalist sector is erroneous.

The third misconception is that the process of primitive accumulation of capital cannot affect the landless labourers, since they are landless anyway. Landless labourers too, however, not just in pre-capitalist economies but also in colonial economies, usually enjoy certain customary 'rights', not in any exalted sense of the term but in their abject condition. In pre-capitalist economies they are tied to land in various ways, through explicit or implicit serfdom. In colonial conditions, even when there is no such tying, the absence of any employment opportunities outside the village, ties them implicitly to land and they accept onerous conditions to act as attached labourers to the households of landlords. Even when there is no 'attachment' in the formal sense, they nonetheless get a certain amount of employment on the landlord's land as a matter of custom. All this assures them of a certain amount of produce which can be considered their implicit customary 'right' (and an implicit obligation on the part of the landlord). Becoming 'free' wage labourers entails an end of this implicit 'right' and constitutes a condition for capitalism. Primitive accumulation refers to the creation of this condition and hence affects landless labourers as well.

It was mentioned above that a commodity is defined to be a pure exchange value for the seller, and hence entails an impersonal relationship between the buyer and the seller. This holds for the commodity labour-power as well. Hence landless labourers do not *per se* constitute 'free' sellers of the labour-power as a commodity. The process of transforming them from mere landless labourers trapped within an agrarian economy into 'free' sellers of labour-power is also to be counted as primitive accumulation, which is why such primitive accumulation usually manifests itself in terms of a migration to cities in search of jobs. When such jobs do not exist, as suggested above, they simply join a vast pauperized urban mass, an underclass of casual workers, intermittent workers, and lumpen-proletariat.

And what is more, this swelling army also undermines in practice these days the very distinction between the active and the reserve army of labour, since employment rationing increasingly takes the form of everyone being unemployed for a part of the time, rather than some being fully employed and others fully unemployed. Casualization in short becomes the norm rather than a marginal phenomenon.

The assumption underlying the misconception that landless labourers cannot be affected by primitive accumulation, namely that they do not have any rights whatsoever, has so thoroughly gripped people's minds that it has even informed the manner in which compensation is given for land taken over for industrial and infrastructure projects in India. Compensation is typically given to the legal owner of the land in accordance with its market value, which corresponds to the capitalized value of the annual flow of the surplus, in the form of rent, obtained from its use. This means that neither the tenants nor the agricultural labourers are considered eligible for compensation, while in fact both groups enjoy certain explicit or implicit 'rights' to the produce from the land. The loss of such 'rights' must be compensated, not just out of sympathy or fairness (important though these considerations are) but if a process of primitive accumulation of capital is to be avoided.

But, far from giving compensation in this manner for land acquired for such projects, we

find in the period of neo-liberalism a virulent unleashing of primitive accumulation of capital, which affects not just the tenants and agricultural labourers, but even large segments of the land-owning peasantry. In fact there is an unleashing of what I have elsewhere called 'accumulation through encroachment', a broader term covering not just primitive accumulation of capital as defined above, but also the privatization 'for a song' of public sector assets (P. Patnaik 2011). But let me confine myself below to primitive accumulation alone.

III

The post-second world period was one in which capitalism was confronted with an unprecedented challenge to its very existence. It met this challenge by making a number of strategic adjustments, which included Keynesian demand management under the aegis of social democracy in the advanced capitalist world, and a carrying out of political decolonization in its colonies of conquest. The post-colonial governments in these countries ushered in *dirigiste* regimes.

The process of primitive accumulation by metropolitan capital against the pre-capitalist producers, located mainly in the third world, was consequently restrained in this period. Likewise, even primitive accumulation carried out by capital within the third world itself against its own pre-capitalist sector was restrained by these post-colonial regimes, which tended to protect and promote peasant agriculture and other forms of petty production, in keeping with the promises which had been made by the anti-colonial struggle.

This is not to say that all sections of the peasantry were equal beneficiaries of these measures of the post-colonial regimes, or that primitive accumulation stopped altogether in these economies. Primitive accumulation occurred within this sector, with landlords evicting tenants to carry out junker-style capitalist farming, and the major beneficiaries of supportive measures of the State were the rich peasants together with such landlords. The post-colonial regimes in short were interested in ushering in capitalism in the countryside through a combination of peasant and landlord capitalism, but they *did* restrain the encroachment upon peasant agriculture of capital from *outside*, whether from the metropolis or from the domestic economy.

This restraint has now gone. The neo-liberal regime, which has replaced the *dirigiste* regimes both in the advanced and the underdeveloped economies, has reintroduced everywhere the 'spontaneity' of the system, and, with it, the tendency on its part to inflict primitive accumulation upon third world petty producers.

There are several ways in which this is achieved. The most important is through the withdrawal of all protection provided to petty production under the earlier *dirigiste* regime. In the name of free trade, this sector, and above all peasant agriculture, is now exposed to world market fluctuations, from which it had been sheltered earlier, which bring ruin to large sections of the peasantry. In the name of bringing about fiscal rectification, input subsidies to this sector, including cheap credit, are withdrawn. International agri-business and domestic big capitalists are allowed direct access to the peasants, unlike earlier, and because of their superior strength, they are able to squeeze the peasantry. In short the barriers against capital's enforcing primitive accumulation are removed.

The second way in which primitive accumulation is carried out is in the name of 'development' itself, where peasant lands are taken over for a 'song' for industrial and

infrastructural projects, all of which also have a real estate component. Not only is the peasantry that legally owned this land squeezed in the process, but also the entire group of tenants and agricultural labourers whose rights on the land are not even recognized when such take-over of peasant land occurs. It is not surprising that peasant resistance against such projects which are promoted by the neo-liberal State in the interests of big capital, both domestic and foreign, and which claim to be ushering in 'development', has been a major phenomenon of the contemporary third world.

The third way of primitive accumulation is increasing the tax-burden on petty production. This is not always done in a blatant manner, as an explicit attack on petty production. It occurs in different guises, in the name, for instance, of introducing 'uniformity'. Take the case of the uniform Goods and Services Tax, which enjoys the support of the Bretton Woods Institutions. Under this tax, *all product* are equally taxed, which entails bringing the products of the petty producers under the tax net that had not covered them earlier, on a par with the products of big capitalists. This so-called uniformity in short entails an act of discrimination against the petty production sector, compared to the original situation under *dirigisme*. It has, needless to say, the effect of squeezing this sector.

Since the GST in India, like the act of 'demonetization' of currency notes earlier, appears to have a recessionary effect on the economy as a whole, including even on the capitalist sector, the question may be raised: why should we see it as a measure of primitive accumulation when it hurts *all* sectors?

This brings us to an important distinction. We have defined primitive accumulation as a compression of the petty production sector carried out by an external agency; but two cases have to be distinguished in this context. When this external agency happens to be capital from outside, the act of primitive accumulation is *ipso facto* a gain for capital. But when this external agency happens to be the neo-liberal State, even though the State would be carrying out such primitive accumulation in the interests of capital, the gains of capital may not be immediate and may accrue only over time. In fact the short-run compression of the petty production sector may have complementary recessionary effects upon the capitalist sector as well. It is only when the latter recovers over time from such recessionary consequences while the former cannot, because of its inability to withstand shocks, that the latter actually encroaches upon the former, by taking over the space earlier occupied by it.

The fourth mechanism of primitive accumulation is through the privatization of essential services like education and health that the neo-liberal regime effects, which raises the prices of these services. Since the new service providers belong to the capitalist sector, such a rise in price is analytically analogous to a rise in what Kalecki (1971) had called the 'degree of monopoly', which clearly has the effect of compressing the real income of the petty production sector and of the workers of the capitalist sector itself. It could, as in the case just discussed above, have a recessionary effect on some segments of the capitalist sector itself, but the very fact of privatization after all enlarges this sector, so that there is no reason to expect any net shrinking of its overall size. On the other hand, over time the capitalist sector also moves into the space vacated by the shrinkage of the petty production sector so that its overall size expands at the expense of the latter.

To sum up then, the restoration of the 'spontaneity' of capitalism under the neo-liberal regime in contrast to its *dirigiste* predecessor, with the State once again acting to reinforce the spontaneous tendencies of the system rather than in a manner that restrains such tendencies, re-unleashes a process of primitive accumulation with a vengeance. On top of

whatever primitive accumulation was occurring under *dirigisme* we now have a massive superimposition of an additional phenomenon of primitive accumulation through the encroachment of the capitalist sector upon the domain of petty production. This however raises a crucial issue of praxis to which we now turn.

IV

The process of primitive accumulation in the third world as we have seen earlier only increases impoverishment. Where such accumulation squeezes the incomes or rights of petty producers and they linger on in their traditional habitats, their impoverishment is obvious. Where they migrate to the towns and cities in quest of employment, given the fact that the capitalist sector does not generate adequate employment even to employ the natural growth of the work-force, let alone the migrants from the countryside, there is similar impoverishment. What is more, such impoverishment now also encompasses even the already employed workers. This is because their bargaining strength declines owing to the swelling of the relative size of the reserve army of labour.

The issue of praxis that arises in this context therefore is the following: should the progressive forces oppose the primitive accumulation of capital occurring under neo-liberalism in the third world because it accentuates poverty? Or should they eschew opposition to it on the grounds that it is a necessary part of the process of development of the material productive forces, and of the transformation of society in a 'modern' direction?

This is an unprecedented dilemma, since, as already discussed, it never arose in the context of the advanced countries where emigration possibilities existed; and it did not even arise in the context of the third world countries, post-decolonization, as the *dirigiste* regimes there acted generally to restrain primitive accumulation in its classic form. And the inability to confront this dilemma has been an important factor in the decline of the Left in the third world under neo-liberalism, when one would have expected the very opposite to be happening.

The choice that is posed in this manner however is based on a mistaken analysis, which believes that the European experience can be generalized, i.e. that the pain caused by primitive accumulation is everywhere of only a transitional nature, as it was in Europe.

This analysis in short attributes to the functioning of capitalism as a mode of production, something which was historically specific only to the European case. It believes that the functioning of capitalism is such that it necessarily absorbs (other than a small reserve army) the petty producers displaced through primitive accumulation. This however is erroneous, as we have seen earlier.

And since it is erroneous, the direction of praxis should be very clear, namely to oppose primitive accumulation of capital which hurts not just the peasants and the petty producers, but the workers as well through the enlargement of labour reserves that reduces their bargaining strength. It must be towards building up a worker-peasant alliance to transcend neo-liberal capitalism which has only brought greater absolute impoverishment to the working people, even where it has caused supposedly high GDP growth.

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