NON/CAPITAL, CLASS, AND DEVELOPMENT:
THE CASE OF INFORMAL MANUFACTURING IN INDIA

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NON/CAPITAL, CLASS, AND DEVELOPMENT:
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Abstract

by

Snehashish Bhattacharya

In this dissertation, I present a Marxian analysis of class qua surplus in the informal manufacturing sector in India. I develop a framework to account for processes of production, appropriation, and distribution of surplus labor in informal enterprises, and apply this framework to analyze the disaggregated, unit-level data from National Sample Survey (62nd round, 2005-06). I show that the informal manufacturing sector is a site of heterogeneous class processes, encompassing capitalist, feudal, and ancient appropriative class processes.

I further show that, under the given market wage rates and the corresponding living standards for informal sector workers, the enterprises (both capitalist and noncapitalist) are capable of producing, appropriating and realizing surplus. I calculate the magnitude and rate of surplus value for enterprises with different appropriative class processes. The average amount of surplus produced and the rate of exploitation in the informal capitalist enterprises are substantially higher than in the noncapitalist
enterprises. The noncapitalist – primarily “ancient” – enterprises, however, cannot retain any significant amount of net surplus for expanded reproduction and growth. Thus, the capitalist and noncapitalist spaces within informal manufacturing sector can be clearly delineated in terms of their capacity for realization and accumulation of surplus.

The noncapitalist informal enterprises provide livelihood to much of the surplus population in India who are not absorbed into the formal capitalist sector. I show that the owners/workers of these enterprises have to subsist, on average, much below the customary standard of living for wage-workers in India. This difference between the notional (based on minimum wages) and the actual standard of living demonstrates high incidence of relative poverty among the surplus population. The unity of the direct producers with their means of labor ensures the basic survival of the informal household enterprises. I show that even if these households retain the net surplus or net profit to augment their consumption funds, and not for accumulation, they still will not be able to attend the customary standard of living, and will continue to be in relative poverty.
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CHAPTER 1:
CAPITALIST DEVELOPMENT, SURPLUS POPULATION,
AND THE INFORMAL SECTOR IN INDIA

1.1. Introduction

The vast economic and political changes in Indian since the market liberalization in 1991 have generated immense international interest. These changes are often seen to have initiated a “great transformation” of the Indian society. In the mainstream discourse, both within the academy and outside, it is generally believed that, over the past two decades, India has made a successful transition to full-fledged market capitalism by breaking away from its *dirigiste* past. The rapid economic growth over the last decade, led by the dynamic services and industrial sectors, is hailed as an instance of remarkable success of capitalist development in a postcolonial context. Paradoxically, the capitalist growth process in India is accompanied by an increasing importance of a largely *noncapitalist* “informal” sector in terms of providing employment, livelihood, and income to the vast majority of the working population, and an insignificant role of the “formal” capitalist sector in these regards.¹ In this fractured social formation, capital has

¹ The informal sector, in the Indian context, is defined as consisting of “all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services
to continuously negotiate with noncapital to maintain its relation of dominance. Thus, the
mainstream narrative of “full-fledged” transition to capitalism appears to be problematic.

The critical non-mainstream perspectives, including different Marxian analyses,
focus on the exclusion of the vast majority of people from the capitalist growth sector,
and on issues of dispossession, continuing immiseration, and poverty of the people due to
capitalist growth. However, most of these analyses do not take into account the
constitutive role of class – as a process of production, appropriation, and distribution of
surplus labor – in shaping and reproducing both capitalist and noncapitalist spaces, and in
maintaining the dominance of capital, through the contemporary development process. In
particular, all such interventions are marked by an absence of any class-focused analysis
of the so-called informal sector, the economic space that contains the vast majority of
surplus population who are excluded from the capitalist formal sector.

In this dissertation, I contribute to developing a Marxian analysis of the
contemporary developmental conjuncture in postcolonial capitalism, through a concrete
analysis of class qua surplus in the informal manufacturing sector in India. Through my
analysis, I show that the economic space of the so-called surplus population is sustained
and reproduced, but also barred from expanded reproduction and growth, partly by the
class processes in the noncapitalist informal enterprises. To make this argument, I
develop an appropriate framework to account for the flows of surplus labor in an informal
enterprise encompassing multiple (capitalist and noncapitalist) class processes, and apply

operated on a proprietary or partnership basis and with less than ten total workers” (NCEUS, 2008: 41). See
Appendix A for a discussion on this definition.
this framework to measure the magnitude and rate of surplus in the informal
manufacturing enterprises. I show that, under the given market wage rates and the
corresponding living standards for informal sector workers (and working owners of
enterprises), the noncapitalist – primarily “ancient” or self-appropriating – manufacturing
enterprises can produce surplus, and can reproduce themselves at a given level of
operation, but cannot retain any significant amount of net surplus for expanded
reproduction and growth. Also, in order to remain competitive in the market and to keep
enough surplus for distribution to ensure their conditions of existence, the
owners/workers of the noncapitalist informal enterprises have to subsist, on average,
much below the customary standard of living for wage-workers in India. Without
essentializing class, i.e., without reducing or collapsing the various nonclass aspects of
the social formation and the specific developmental conjuncture to issues of class, I
further argue that a class-focused analysis can provide a critique of the official paradigm
of “inclusive capitalist growth.” I show that, in the Indian context, inclusive growth is a
metaphor for the continuation of exclusionary capitalist growth leading to the creation of
a surplus population, coupled with a governmentalist intervention of poverty
management in the noncapitalist informal economy – the reservoir of the surplus
population.

In this introductory chapter, I locate the problematic of this dissertation by
engaging with the different theories of the informal sector, and some narratives of
contemporary capitalist development in India. In section 1.2, I show the centrality of a
largely noncapitalist informal sector in spite of the large-scale capitalist growth in the
Indian economy, in terms of the number of people engaged within the sector, and due to its potential to create the majority of the nation’s future jobs. In section 1.3, I criticize the conceptual category of the informal sector, as it is employed in both the mainstream and radical literatures on economic development, as theoretically imprecise and underdeveloped, and epistemologically problematic. I highlight the need for an alternative conceptualization of the informal economy and its relation to capitalist development in order to coherently analyze the contemporary growth process in India. In section 1.4, I engage with some recent theorizations of the relation between capital and noncapital in the contemporary developmental conjuncture that is distinguished by the processes of primitive accumulation and exclusion. I argue that a class-qua-surplus-based analysis of the informal sector, which is missing from these theorizations, can produce new insights into the functioning and reproduction of the noncapitalist economic space in this conjuncture. In section 1.5, I present the main problematic and the main arguments of this dissertation. In Appendix A, I discuss in detail the definition of the informal sector in the Indian and international contexts.

1.2. Indian growth ‘miracle,’ and the noncapitalist informal sector

In both mainstream and radical theories, development is often identified, either implicitly or explicitly, with the process of transition from an economy with a vast swathe of traditional, noncapitalist hinterland, which is “backward” and “stagnant” in
economic and cultural terms, to a modern, dynamic, industrial capitalist economy.²
However, a striking feature of the capitalist growth and industrialization process in India
has been a burgeoning informal – and, often, noncapitalist – sector.

1.2.1. Indian economy in recent years: Towards a great transformation?

India is now often considered to be a major success story of globalization. In
terms of GDP at purchasing power parity (PPP), India is the third largest economy in the
for real GDP in India has been consistently over 6% in the last decade (the exceptions
being 2000-01 and 2002-03) (ibid.). From 2003-04 to 2007-08, the annual growth rate
has hovered between 8.5 per cent and 9.7 per cent, making India one of the fastest
growing countries in the world (Planning Commission, 2010). The “real national income
grew by 125 per cent during the economic reform period of 1992/93 – 2005/06 compared
to 97 per cent during the previous period of the same duration. Consequently the per
capita income increased by 77 per cent during 1992/93 – 2005/06” (NCEUS, 2007a: 1).
The rates of gross domestic saving and capital formation have been above 35 percent in
recent years (Planning Commission, 2010). Finally, profitability in the high-growth

corporate sector has remained high and it is estimated that, between 2001-02 and 2007-

² For insightful reviews of traditional development theories, see Hirschman (1981) and Sen
Meier and Stiglitz (eds.) (2001) present updated and exhaustive introductions to the field of contemporary
mainstream development economics. For brief reviews of the current discourse, see Ray (2008 and 2000).
Sanyal (2007, chapters 1-3) presents a perceptive review of radical development theories that traces the
understanding of development-as-transition as explicitly employed in these theories. Chakrabarti and
Cullenberg (2003, chapters 1-5) present a critique of the radical Indian debates on development-as-
transition.
08, for each additional per cent increase in GDP, corporate profits have grown by an average of 2.5 per cent (Bhaduri, 2008: 12). Even the number of dollar billionaires in India has grown from 9 in 2004 to 40 in 2007, when richer countries like Japan had 24, France and Italy 14 each and China, with its phenomenal growth rate, only 17 billionaires (ibid.). While the global economic crisis since 2008 had some negative impact, India has remained relatively unscathed compared to other countries, with the GDP actually growing by 6.7 percent in 2008-09 and by 7.2 percent in 2009-10 (Planning Commission, 2010).

Of course, India remains a poor country (lower-middle-income country according to World Bank classifications) with a rank of 154 out of 185 countries in terms of income and 128 out 177 countries in terms of human development indicators (World Bank, 2008a; United Nations Development Programme [UNDP], 2008). But given the impressive performance in recent years, the buoyant Indian economy is now regarded with esteem not only in the global academic and political circles but even by the popular media in the developed countries. With its huge economy, fast growth rate, a middle-income segment of population that is bigger than the total population in most European nations, a large pool of skilled workers, and a growing expertise in providing information technology-enabled back-office services to the global corporations and industries, India is now often touted as a future leader of the world economy (for popular representations of this view, see Friedman, 2000; 2005).

This scenario, along with the growth and macroeconomic performance as noted above, gives rise to the vision of India transforming itself into a modern, dynamic
economy with a dominant formal industrial sector. However, a closer look at the sectoral composition of the Indian economy provides a remarkable contrast to this vision. In terms of employment provision, the formal sector actually has a marginal presence while the informal sector comprises the predominant segment of the economy and makes a substantial contribution to the GDP (according to some estimates, as noted below, higher than the contribution of the formal sector).

1.2.2. Centrality of the informal sector

The fast growth and industrialization in India have been unable to create new jobs for the unemployed, and have even resulted in a loss of means of livelihood of various sections of people, e.g., marginal peasants whose land is acquired, often forcibly, for major industrial projects and related infrastructural development, and the agricultural workers who lose their work due to such acquisitions (Basu, 2007; Bhaduri, 2007, 2008; Chatterjee, 2008). In addition, a decline in the rate of agricultural growth since 1990s – a period in which the rate of growth in the non-agricultural sector has accelerated – along with widespread immiseration and poverty in the rural sector have been linked to the nature of the growth process itself (Chandrasekhar, 2007; Patnaik, 2007; Vakulabharanam, 2005). This has created conditions for forced exit of a large mass of people from the agricultural sector. In the nonagricultural sector, the ongoing process of privatization and corporate restructuring has led to labor retrenchments, redundancies and job losses, and a fall in formal sector manufacturing employment since economic reforms were initiated in 1991 (Sharma, 2006; Nagaraj, 2004). With the large-scale industries in
the private sector having extremely low employment elasticities, and the public sector
having shrunk substantially in recent years due to the process of privatization, many of
these displaced people end up in the rural nonagricultural or urban informal sectors,
where most of the new jobs in the economy are created (Bhalla, 2003; NCEUS, 2007a;
Planning Commission, 2002). The following quote summarizes the importance of the
informal sector as the primary sphere of employment generation in the Indian economy:

Employment, as a whole, which had experienced a steady growth of around 2 per
cent from 1961 to 1990 (when the growth of GDP was only around 3.5 per cent),
decreased sharply to 1.5 per cent during 1990-92 and further to around 1 per cent
during 1993-2000. The deceleration in employment growth during 1990s took
place along with acceleration in the GDP growth rate. Thus, the employment
growth deteriorated, as reflected in the substantial decline in employment
elasticity from 0.41 during 1983-94 to 0.15 during 1999-2000…Consequently a
significant component of GDP growth came from productivity growth and
increasing capital-intensity of the economy. The deceleration in employment
growth has been accompanied by increasing informalization of the workforce.
Over the years, organized [formal] sector employment has grown more slowly
than total employment. Organized [formal] sector employment grew at 1.20 per
cent per annum during 1983-94 but this rate fell to 0.53 percent between 1994 and
2000. Consequently, the unorganized [informal] sector employment has
considerably increased. (Sharma, 2006: 2079)

Thus, the high rate of growth in GDP since 1990s has been led by the increasing growth
in productivity in the formal sector. But, the increasing capital intensity and the
decreasing employment elasticity in that sector ensured that majority of the working
population has to find employment in the informal sector.

Table 1.1 gives the size and distribution of the formal and the informal sector
workers in India for 2004-05.
TABLE 1.1
SIZE AND DISTRIBUTION OF FORMAL AND INFORMAL SECTOR WORKERS,
2004-05

<table>
<thead>
<tr>
<th></th>
<th>Number of Workers (Million)</th>
<th>Percentage Distribution of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formal Sector</td>
<td>Informal Sector</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6.1</td>
<td>252.8</td>
</tr>
<tr>
<td>Non-agriculture</td>
<td>56.5</td>
<td>142.1</td>
</tr>
<tr>
<td>All</td>
<td>62.6</td>
<td>394.9</td>
</tr>
</tbody>
</table>


According to these estimates, out of a total employment of 457.5 million in 2004-05, the informal sector accounted for 394.9 million, whereas the formal sector consisted of only 62.6 million workers. This means that the informal sector accounted for 86.3 per cent of total workers in 2004-05. While the agricultural sector is almost totally informal (97.6 per cent of all agricultural employment is in the informal segment), within the nonagricultural segment of the economy, the share of informal sector is 71.6 per cent of the total nonagricultural workforce.³

³ It should be noted that the informal sector is not just an urban phenomenon, and the size and growth of the sector cannot be fully explained in terms of rural-urban migration. Much of the rural nonagricultural economy, or the rural nonfarm economy (RNFE), is informal in nature and absorbs a vast section of the rural population not employed in agriculture. This helps to keep the migratory flows to the
It is estimated that even within the manufacturing sector (a subset of the nonagricultural sector), a segment that should delineate the vision of a formal industrial economy given India’s growth performance, informal employment accounted for 71.2 per cent of total workers in 2004-05 (NCEUS, 2007a: 254). What is more striking is that the informal sector in India, with a share of about 72 per cent of total nonagricultural workforce, is far more significant and vast than in most parts of the developing world, and is comparable to the situation in sub-Saharan Africa: informal employment as a share of nonagricultural employment accounts for 48 per cent in North Africa, 51 per cent in Latin America, 65 per cent in Asia, and 72 per cent in sub-Saharan Africa, i.e., the same as in India (Chen, 2007: 5; ILO, 2002a). It has long been pointed out that employment in the informal sector expands during periods of economic crisis, as happened in Latin America during the 1980s (Tokman, 1992; Kim, 1997) and again in East Asia during the 1990s (Lee, 1998). In India, employment in the informal sector has actually been growing during the period of high economic growth: it grew at a rate of 1.12 per cent per annum between 1993-94 and 1999-2000 (Planning Commission, 2002: 7) and then by 2.88 per cent per annum between 1999-2000 and 2004-05 (NCEUS, 2008:

urban sector in check. The RNFE (or the z-good sector) was supposed to have withered away with capitalist growth (Hymer and Resnick, 1969). But the persisting importance of the RNFE in developing countries today, even with capitalist growth, has been well-documented (Ranis and Stewart, 1993; Lanjouw and Lanjouw, 2001). In India, it is estimated the rural nonfarm activities account for 18-25 per cent of total rural employment and about 34 per cent of total income in the rural sector (Lanjouw and Shariff, 2004). According to the 61st Round Employment-Unemployment Survey by the NSSO, more than 27 per cent of the total rural workforce is in the nonagricultural sector (NCEUS, 2007a: 110).
9). India’s growth ‘miracle’ has hardly translated into a modern, formal, industrialized economy. 4

The pattern of changes in the share of the informal sector workers in the total workforce reveals some interesting features of the pattern of employment in the formal sector in India:

The total employment in the economy has increased from 397 million to 457 million between the two NSS rounds [National Sample Survey, 56th Round, 1999-2000 and 61st Round 2004-05]. The change in the organized or formal employment [i.e., workers with social security benefits] has been nil or marginally negative (i.e. 35 million in both the years). Therefore, the increase in employment has been of an informal kind [workers without social security benefits] i.e. 61 million (from 362 to 423 million) or 17 per cent. However, if we view the increase from a sectoral point, employment increased by 8.5 million or 16 per cent (from 54.1 million to 62.6 million) in the organized [formal] sector. What this means in simple terms is that the entire increase in the employment in the organized [formal] sector over this period has been informal in nature i.e. without any job or social security. This constitutes what can be termed as informalization of the formal sector, where any employment increase consists of regular workers without social security benefits and casual or contract workers again without the benefits that should accrue to formal workers. (NCEUS, 2007a: 4; emphasis in original)

4 But even such high figures for informality in India represent the lower bound for estimates of informal sector employment. Other estimates, using the residual method for calculating informal sector employment (i.e., by subtracting the formal sector employment from the total workforce), have consistently put its share at 92-93 per cent of total employment (Planning Commission, 2002; Bhalla, 2003). For example, using direct estimates it is calculated that the share of informal sector employment for 1999-2000 was also roughly 86 per cent, whereas residual estimates show that share was between 91.66 per cent (Planning Commission, 2002: 7) and 92.95 per cent (Bhalla, 2003: 2) in the same year. According to these residual estimates, in 1999-2000, the formal sector contributed to only about 8 per cent of total employment, of which the private sector’s contribution was only about 2.5 per cent (Planning Commission, 2002: 4). The major reason for this difference between the direct and residual estimates is that while the direct measures take into consideration the informal employment within the formal sector (as distinct from informal sector workforce), i.e., casual, contract or part-time workers without any employment or social security benefits provided by the employers, the residual measures do not account for such employment in calculating the total workforce or the formal sector workforce.
Since, as noted above, informal sector employment has also grown between 1999-2000 and 2004-05 (by about 3 per cent per annum), the above quote implies that the entire growth in employment in India during those years has been due to the growth of informal employment.

Besides providing employment to a vast majority of the population, the informal sector makes a major contribution to the GDP as well. The gross value added (GVA) in the informal sector and its share in the total GVA for 2004-05, as well as the sectoral growth in GVA between 1999-2000 and 2004-05, is given in Table 1.2. It shows that, according to the most recent estimates, the informal sector accounts for about 50 per cent of the total GDP as measured in terms of GVA, 95 per cent of agricultural GVA, 40 per cent of nonagricultural GVA and 27 per cent of manufacturing GVA.\(^5\)

Table 1.2 also shows that the growth rate in GVA in the informal sector, at about 4 per cent, is less than half the growth rate in the formal sector. The informal sector contributes almost half of the total GVA in the entire economy. But the high rate of growth in the Indian economy is being largely propelled by the formal sector, which has grown at a rate of more than 8 per cent per annum between 1999-2000 and 2004-05.

\(^5\) For the methodology used in this calculation, see NCEUS (2008: 3-5, 34-38). Earlier estimates, using different methodologies, variously put the share of the informal sector at 58.9 per cent of net domestic product (NDP) in 1999-2000 (Planning Commission, 2002: 7), 58.5 per cent of NDP in 2000-01 (Kolli and Hazra, 2005) or, as in Central Statistical Organization estimates, between 57-60 per cent since 1993-94 (NCEUS, 2008: 8).
TABLE 1.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Informal</td>
<td>Total</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5069.90</td>
<td>5366.29</td>
</tr>
<tr>
<td>Non-agriculture</td>
<td>9192.28</td>
<td>23193.05</td>
</tr>
<tr>
<td>(Manufacturing)</td>
<td>(1238.59)</td>
<td>(4615.31)</td>
</tr>
<tr>
<td>Total</td>
<td>14262.18</td>
<td>28559.34</td>
</tr>
</tbody>
</table>

Source: Derived from Tables 2 (p. 6), 3 (p. 7) and 5 (p. 9) in NCEUS (2008).

However, a comparison across the sectors reveals that the formal sector has an employment elasticity of only 0.36 compared to 0.71 in the informal sector and 0.48 in the entire economy. In manufacturing, the employment elasticity in the informal sector is as high as 1.04 compared to only 0.58 in the formal economy and 0.75 in the entire economy (NCEUS, 2008: 9). For 1999-2000, the relative labor intensity of the informal sector compared to informal sector was only 0.13, i.e., the informal sector was seven times more labor intensive than the formal sector (Planning Commission, 2002: 7).
Considered together with the fact the informal sector already accounts for more than 86 per cent of total employment in the economy and about 72 per cent of employment in the nonagricultural sector, what this means is that *even if the formal sector grows at a phenomenal rate, it will still create very few jobs and will hardly result in any increase in formal sector employment as a share of total employment* (Planning Commission, 2002).

1.2.3. Predominance of noncapitalism within the informal sector

A striking feature of the informal sector is the predominance of noncapitalist forms of class within the informal enterprises (i.e., as defined before, unincorporated, private, household enterprises with less than ten total workers).6 I substantively deal with the issue of class processes in the informal sector in the following chapters, but here I briefly point out the incidence of noncapitalism in the informal economy to put the narrative of the informal sector in perspective.

The production process in the high-growth formal sector, at least in the private, incorporated enterprises, is distinguished by the capitalist class process. Here the surplus  

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6 Following the Marxian framework as presented in Resnick and Wolff (1987), different economic processes can be understood as class and nonclass processes, where the class processes are defined in terms of production, appropriation, distribution and receipt of surplus labor. Depending on the specific conditions under which this production, appropriation and distribution takes place, different types of class processes can be identified: ancient or self-exploitative, slave, feudal, capitalist, communist, etc. The ancient/self-exploitative, slave, feudal, communitic (Chakrabarti and Cullenberg, 2003), and communist class processes are noncapitalist class processes representing noncapitalist forms of production, appropriation and distribution of surplus labor. The entire class process can be analytically separated into two parts: *appropriative class process* (capitalist or noncapitalist) that involves the production and appropriation of surplus labor, and *distributive class process* (again, capitalist or noncapitalist) that involves the distribution and receipt of surplus labor (Resnick and Wolff use the terms “fundamental” and “subsumed” class processes for appropriative and distributive class processes, respectively).
labor performed by wage-labor is appropriated and distributed by the boards of directors of these enterprises, who do not produce any surplus-value themselves. But the vast majority of informal enterprises that are engaged in production do not employ any wage-labor. In such enterprises, the entire production process is carried out by the owner-workers—either by themselves, as in most of the cases, or with the help of family labor. These enterprises are referred to as the “own-account” enterprises (OAEs). The process of production, appropriation, and distribution of surplus in these OAEs can be characterized as noncapitalist – ancient and/or feudal. In the Indian informal sector, the OAEs comprise the vast majority of all the enterprises. To provide an idea of the predominantly noncapitalist class processes within the production space of the informal sector, the distribution of different types of enterprises is given in Table 1.3 below.

It can be seen that, in terms of percentage shares of OAEs and establishments in the total number of enterprises, the manufacturing segment closely reflects the overall picture in the informal sector (87.9 per cent of all informal enterprises are OAEs, while 87.5 per cent of all manufacturing enterprises are OAMEs). Thus, an overwhelming majority of all the enterprises are OAE or OAMEs, i.e., they work without any hired workers on a regular basis. It has been estimated that about 73 per cent of all workers in the informal sector work in the OAEs (NCEUS, 2007a: 51). These OAMEs can be characterized as noncapitalist enterprises. In about 46 per cent of the OAMEs, the entire production process is carried out by the owner-workers without any other workers.

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7 See chapters 2 and 3 for a more complex class analysis of both the capitalist and noncapitalist enterprises in the informal sector.
signifying a self-exploitative or ancient class process. In another 41 per cent of the enterprises, the production process involves both self-exploitative and feudal class processes. For the informal sector as a whole, the distribution is more biased towards the sole owner-worker operated enterprises that account for about 57 per cent of all the enterprises. Among the OAMEs, less than 13 per cent of the enterprises employ wage-labor on a regular basis. Only in these enterprises can we say that the production is carried out at least partly in conjunction with a capitalist class process.

**TABLE 1.3**

**PERCENTAGE OF ENTERPRISES AND TOTAL WORKERS BY ENTERPRISE TYPE AND SIZE, 1999-2000**

<table>
<thead>
<tr>
<th>Enterprise type/size</th>
<th>All Enterprises</th>
<th>Manufacturing Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAE/OAME: Solely owner-worker operated</td>
<td>57.1</td>
<td>46.0</td>
</tr>
<tr>
<td>OAE/OAME: owner-worker with family/other workers</td>
<td>30.8</td>
<td>41.5</td>
</tr>
<tr>
<td>All OAE/OAME</td>
<td>87.9</td>
<td>87.5</td>
</tr>
<tr>
<td>All other enterprises</td>
<td>12.1</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


Note: OAMEs are the own-account manufacturing enterprises.
Thus, the informal sector can be conceptualized, to a large extent, as a site of noncapitalist production, appropriation and distribution of surplus, implicated within a commodity economy. As noted above, the growth in the Indian economy is mostly propelled by the fast rate of growth in the formal sector that is distinguished by a capitalist class structure. But this has not curbed the importance of the informal sector. Instead, this vast and predominantly noncapitalist informal sector has *grown* in terms of economic and political significance *alongside* the capitalist growth process in the Indian economy.

Hence, in order to analyze the contemporary development process in India, the informal economy and its relation to capitalist growth need to be properly theorized. In the next section, I show, however, that most theories of the informal sector are methodologically and epistemologically deeply problematic, and I underscore the need for a new theoretical framework to analyze the Indian informal economy and its relation to capitalist development.

1.3. Theories of informal sector: Need of a new framework

Ever since the term ‘informal sector’ was first coined in the 1972 report of the Comprehensive Employment Mission of the International Labor Organization (ILO) in Kenya, the concept and definition of the category have remained controversial (Rakowski, ed., 1994). The term encompasses many different types of economic activities and forms of production and distribution, and has been described in many different ways in the literature. At least thirty different terms have been used in the
literature to describe the informal sector (Kabra, 1995). Perhaps this outcome is only to be expected for a category that is often conceptualized in terms of its negative or contrasting characteristics vis-à-vis the so-called formal economic space, rather than being analyzed in terms of its own specificities.

The existing theoretical literature on the informal sector can be broadly divided into two contrasting approaches used: the dual economy and the formal-informal continuum frameworks. In the dual-economy framework, the economy is viewed as fundamentally fractured, with the formal and informal sectors representing two completely separate spaces situated on different sides of the fault line. The two sectors are represented as having distinct sets of economic, political and cultural conditions of existence, and different dynamics involving distinct groups of people. On the other hand, theories conceptualizing the economic formation in terms of formal-informal continuum view the economic space as a continuous spectrum of economic activities with similar structures and appearances, but variegated in terms of the size of enterprises, institutional regulations, capital intensities, levels of complexity in production and organization, and levels of productivity and skill. The formal and informal sectors are seen as occupying the two ends of this continuum. Within each framework, the informal sector is theorized

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again in two diametrically opposite ways – as a survivalist sector or as a field of micro-entrepreneurial activities.⁹

a. As a survivalist sector, the informal economy is seen as a locus of poverty and a space for the community of poor. As Paul Bangasser (2000), in his institutional history of the ILO and the informal sector, notes:

The phrase “informal sector” became a synonym for the poorest of the poor, the bottom of the heap, those “missed” by the march of progress, etc… This “miserabilist” vision fitted well with an orientation on “helping the victims” rather than analysing the causes. As long as we viewed the informal sector as a miserable place which anyone would be overjoyed to get helped out of, we could also assume that “helping” those in it to get out, that is to get into the formal sector, was an appropriate long-term strategy. But this “miserabilist” view drew us away from seeing the strengths of the informal sector. And it made it impossible to see the informal sector as what it had originally been presented, a viable alternative approach to the organisation of economic activities. In effect, we were still locked into the modern-tradition and urban-rural modes of dualistic thinking, we had just changed the terminology slightly to include formal-informal. (Bangasser, 2000: 16)

According to this “miserabilist” approach, the informal sector emerges due to the exclusionary nature of economic growth that does not include the majority of the population within the development process; institutional prejudices; barriers of entry into the formal market; deep segmentation in the labor market; and/or imperfect markets. The informal sector becomes a stagnant space of the poor and the excluded, which sustains poverty due to its low levels of technology,

⁹ There is a third approach that uses the neo-Marxian framework of formal-informal continuum but takes a composite view of the informal sector involving both survivalist and micro-entrepreneurial activities. This body of literature is sometimes called the “structural articulation approach” (Portes and Schauffler, 1993).
productivity, skill, and a lack of access to credit. The informal economy can be a transitory phenomenon (as in the modernization theories) or a permanent feature of capitalism (as in the dependency or structuralist theories), but its existence is dependent on the dynamics of capitalist production in the formal sector (as in all the above theories as well as in Marxian/neo-Marxian and world-system theories). Thus the rationale of the informal sector can be often understood in terms of how it fulfills the economic needs of capital in the formal sector by providing cheap inputs, labor power, and wage goods to the latter, thereby

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10 For concise but comprehensive reviews of this literature, see Wilson (1998); Rakowski (1994); Portes and Schauffler (1993); Bromley (1978); and Moser (1978). Within the dualist literature, the modernization theories view the informal sector as a traditional, precapitalist economy (e.g. McGee, 1977; 1973) to be eventually subsumed by the modern, capitalist formal sector. The dependency theory-based approach (e.g. Quijano, 1974) posit the informal economy as the marginal pole and the formal sector as the hegemonic pole of the economy, with the informal sectors’ creation, existence and growth dependent on the economic dynamics of the formal sector. For the structuralist theories of ILO-PREALC (the Spanish acronym for the Regional Program for Employment in Latin America and the Caribbean set up under the auspices of ILO) that take insights from the dependency theories (e.g. early works by Victor Tokman and others from the PREALC published mostly in Spanish in 1980s and early 1990s), the informal sector is a space for the surplus labor force who are not accommodated within the formal sector. It is an economy working under a different rationality – one that is based on fulfillment of subsistence needs – from that in the formal sector where the goal is higher profits and accumulation.

Within the theories of formal-informal continuum, the existing Marxian/neo-Marxian theories (e.g. Roberts, 1992, 1989; Castells and Portes, 1989; Gerry, 1987; Portes and Walton, 1981; Moser, 1978) view the informal economy as an articulation of different modes of production subordinated to capitalism and controlled by the dynamics of capital accumulation in the formal sector. The informal sector exists to serve the needs of capital accumulation in terms of provisioning cheap inputs to the formal sector; providing a mass of cheap labor power that can be used by the formal sector to keep its costs down by subcontracting some of its activities to the informal sector; maintaining a reserve army of labor; keeping down the wages of the formal sector workers by producing cheap wage goods; and so on. The self-employed and the petty producers in the informal sector are thus seen as the “disguised proletariat” (Cockcroft, 1986: 246) without the benefits of a formal sector job. In a similar vein, world system theories (e.g. Tabak and Crichlow (eds.), 2000) also view the economy as a continuous spectrum where the informal sector is functional to the needs of capital accumulation and subjected to the long-run dynamics and reorganization of capitalism on a world-scale. However, not all neo-Marxian theories view the informal sector as a survivalist sector. As noted in the previous footnote, the neo-Marxian structural articulation approach (e.g., Roberts, 1992, 1989; Beneria, 1989; Castells and Portes, 1989) view the informal sector as encompassing both the survivalist and micro-entrepreneurial activities.
enabling the formal sector to maintain low costs of production, high profitability, and high levels of capital accumulation (as in Marxist/neo-Marxist and world-system theories). Alternatively, the informal sector, as a residual segment of the economy, can be viewed as working under a completely different rationality and motivation from that in the formal sector (as in structuralist theories). This view of the informal sector as a survivalist economy is shared both by some theories of dual economy, e.g., the modernization theories and the dependency/structuralist theories of informal sector, as well as a section of the literature that views the economic formation in terms of a formal-informal continuum, e.g. the Marxian and neo-Marxian theories and the world system theories of informal sector.

b. On the other end of the theoretical spectrum – and in sharp contrast to the survivalist approach – the informal sector is posited as a site of frenzied micro-entrepreneurial activities – as an economic space that should not be seen as synonymous with poverty but rather representing a solution to the problem of poverty (see, e.g., Tokman, 2001; Lubell, 1991; De Soto, 1989). Within this framework, the informal sector is no longer considered to be a marginal and/or a transitory phenomenon, or even as an obstacle to development. In this view, the informal economy is often created and sustained as a result of the discriminatory legal restrictions and oppressive regulations. This, on one hand, produces an enclave-type formal sector bestowed with all the legal rights but under tight regulations which, on the other hand, encourages “de facto deregulation” (Portes and Schauffler, 1993) and creates an underground economy. This economy acts as
a field of “real” market forces unleashing the entrepreneurial spirit outside the regulatory framework. Thus, the informal sector is capable of contributing to modernist, efficient economic change if proper policy frameworks and institutions can be put in place to ensure the smooth functioning of the markets. The microenterprises in the informal economy, with their flexibility, adaptability, resilience, and entrepreneurial spirit, can be highly productive, and have a huge potential to promote growth. Being highly labor-intensive, they can also create large number of jobs in the capital-starved LDCs, thus controlling the epidemic unemployment problem. So, it is asserted that, in the LDCs, “[i]ndigenous growth will come about through the expansion of small and micro-scale activity” (Lubell, 1991: 116). The micro-entrepreneurial approach to the informal sector is taken by some theories of dual economy like the legalist framework – often referred to as the neoliberal or the populist framework (Wilson, 1998) – of Hernando De Soto (1989), as well as by some theories of formal-informal continuum like the neoclassical analyses of informal sector (e.g., Maloney, 2004; Levenson and Maloney, 1998). The international institutions like World Bank mostly take off from the legalist and neoclassical approaches and focus on the importance of proper institutions, basic education, training and skill formation leading to better market participation and outcome for informal entrepreneurs (e.g. World Bank, 2007; 2002; 2001).

These theories of the informal sector, while providing different narratives of the dynamics of economic formations and organizations, are deeply problematic and give rise
to serious questions about the efficacy and usefulness of this concept. First, each of these theories reduces complex economic and political dynamics to a small set of determinants which are regarded as the only or the most important forces driving the dynamics, and constituting and characterizing, the economic space. For purposive interventions within the discourse, it may be necessary to highlight certain processes and locate particular determinants conditionally. But ignoring the contingent and conditional nature of such analysis reduces the complex overdetermined totality into certain essential causes and effects which are then regarded as the only true (or the most important) representations of the reality, closing off other possible perspectives.

Second, each theory defines the informal sector and delineates its boundaries in terms of particular economic and social processes and characteristics. Most often these representations of the informal sector are fundamentally conflicted, e.g., informal sector as a space completely separated from and without any linkages to the formal sector, versus as a part of a continuous economic spectrum marked by formal-informal continuum; a space defined in terms of survivalist activities, versus that in terms of micro-entrepreneurial activities; as a site of poverty, versus as a site of future growth, etc. But all of these processes and characteristics are found to exist within the informal sector in some part or the other (see, e.g., Perez Sainz, 1998), making it impossible to provide a clear theoretical definition and draw clean boundaries for the informal sector. As Chen (2004) notes:

Clearly, some poor households and individuals engage in survival activities that have – or seem to have – very few links to the formal economy and the formal regulatory environment (a la dualism); some micro-entrepreneurs choose to avoid
taxes and regulations (a la legalism); while other units and workers are subordinated to larger firms (a la structuralism). And, clearly, most informal enterprises (and, it should be added, informal wage workers) contribute to economic growth (a la neo-liberalism); the working poor in the informal economy need basic infrastructure and social services (a la liberalism); some micro entrepreneurs and own account operators face excessive government regulations (a la conservatism); while other micro-entrepreneurs and own account operators (as well informal wage workers) are subordinated to capitalist interests (a la radicalism). The point is to determine which segment of the informal economy one is talking about and to develop an appropriate response to that segment – rather than seeking a single causal explanation or policy response to the informal economy as a whole. (Chen, 2004: 9)

In the existing theories, the umbrella term informal sector erases this huge diversity within the economic space and fails to capture the specificities of each of these economic processes. As Moser (1984) points out, “[t]he informal sector is still too broad to be meaningful; at one end is a pool of surplus labor, at the other is a skilled high-income earning entrepreneur; at one end a proliferation of residual enterprises involuntary in nature, at the other end of the spectrum dynamic evolutionary enterprises” (quoted in Peattie, 1987: 856). Thus, the way in which the informal sector is conceptualized and deployed in the existing literature, it, on one hand, hides more than it reveals and, on the other, creates confusion.

Third, on one side of the theoretical spectrum, the theories of formal-informal continuum view the entire economic terrain in its totality as a homogeneous space marked by similar economic structures, institutions, and motivations. They fail to notice – and thereby blur the differences between – the distinct economic, political and cultural conditions of existence of multiple and diverse economic processes in the overdetermined economic space. The neoclassical theories, which view the informal sector as a dynamic
field of micro-enterprises and micro-entrepreneurs, explain the phenomenon of informality in terms of voluntary decisions on the part of rational individuals (both informal employers and workers). These individuals optimize their choices while responding to particular economic characteristics like imperfect product and capital markets, wage rigidities in the formal sector labor markets, legal and institutional disincentives for choosing formal work, etc. As Maloney (2004: 1160) puts it, for informal sector workers and employers, “[b]eing in the informal sector is often the optimal decision given their preferences, the constraints they face in terms of their level of human capital, and the level of formal sector labor productivity in the country”. Thus the entire social complexity is reduced to a small set of rational, individual optimizing decisions, which fail to theorize the different, often conflictual, production processes present within the informal sector, and the relations between them. Further, the sector is denied any specificity of its own and seen as reflecting similar attributes that mark the entire economic spectrum encompassing both the formal and informal sectors and the developed countries and the LDCs: “we should think of the informal sector as the unregulated, developing country analogue of the voluntary entrepreneurial small firm sector found in advanced countries” (ibid.: 1159). This calls into question the rationale for conceptualizing and defining a separate “sector” in the first place.

In contrast to the neoclassical approach, the existing Marxian/neo-Marxian formulations of informal sector do theorize the articulation of different modes of production within the economy, the relations between the different modes, and how they are constituted. But these theories, as well as the world-system approaches, explain the
existence of the informal sector solely by the dynamics and needs of the formal sector: the informal sector is allowed to exist or expand only insofar as it serves the needs of a capitalist formal sector. As I noted before, they highlight the role of the informal sector in providing cheap labor power, producing cheap inputs and wage goods, maintaining a reserve army of labor, etc., for the formal sector, thereby keeping costs of production and wages down, raising profitability and increasing the rate of accumulation in the latter. In that sense, the producers in the informal sector are actually “disguised workers” for the formal sector without the benefits associated with formal jobs. They are systemically pushed towards informality in order to cut labor costs and keep the labor process flexible in the formal sector. The differences in the forms of production in the two sectors (capitalist in the formal sector and petty commodity production in the informal sector) are thus illusive: in “reality”, the informal sector is theorized as to be totally subsumed under the logic of capital. It is functional to the needs of expanded reproduction, dynamics of capital accumulation (the long-run dynamics in the case of world system theories), and changing class relations in the formal sector. Thus within this capitalocentric vision (Gibson-Graham and Ruccio, 2001), as in the neoclassical theories, the informal sector is not theorized in terms of its own specificities.

On the other end of the spectrum, the dualist theories do recognize the formal and informal sectors as separate economic formations with different economic, political and cultural conditions of existence. These theories avoid the reductionism and functionalism associated with the theories of formal-informal continuum. However, they fall into the trap of another kind of reductionism. They divide the entire economy into two
fundamentally separate, non-overlapping spaces – the formal and the informal sectors – with clear-cut boundaries. The informal sector is seen as a residual space: either a precapitalist remnant existing outside the boundaries of the capitalist formal sector (in modernization theories); or being brought into existence by the exclusionary nature of capitalist development in the formal sector (dependency/structuralist theories) or discriminatory laws and State policies (legalist approaches). However, this is not a theoretically contingent separation based on an understanding of evolving and contradictory economic processes. This approach does not theorize the interactions between the two sectors and how the different economic processes sustain or contradict, affect and are affected by each other. Each space is endowed with, and identified in terms of, different intrinsic rationales and motives that drive all the economic activities within these spaces: “the economic goal of informal enterprise is to ensure the survival of the individual and his or her immediate family in contrast to the goal of capitalist enterprise, which is to generate and accumulate profits” (Portes and Schauffler, 1993: 39). This erases the distinctions between heterogeneous economic activities and forms of production and distribution present within the informal sector.

Thus, while the dualist approach avoids a unitary representation of the economic space (e.g., in terms of individual optimizing behavior made in the presence of different constraints and levels of endowments, as in the neoclassical theory), it reduces the heterogeneous economic space into a binary. Again, while the dualist theories avoid the “hyperfunctionalism” associated with the existing Marxist/neo-Marxist theories (where the entire function of the informal sector is to serve the needs of the capitalist formal
sector), they fail to acknowledge the thick web of linkages, complementarities and contradictions between some parts of the formal and informal sectors. Further, each of the different sets of theories within the dualist framework has its own set of problems. The teleological modernization theories that view the informal sector as transitory, marginal phenomena have been contradicted by numerous studies based on the findings that in most LDCs (and even in some developed countries), the informal sector has a substantial and growing presence (Chen, 2004). For the dependency/structuralist theories who view the “problem” of informal sector in terms of excess labor force not absorbed within the formal sector, the solution would be “accelerated capital investments in industry and other sectors of the urban economy, either by the state or private enterprises” (Portes and Schauffler, 1993: 54). But the exclusionary nature of growth and industrialization may actually exacerbate the so-called problem and increase the ranks of the informal employers and workers, as it has happened in the case of India. Finally, the legalist approach argues that the discriminatory regulations imposed by the State curtails and throttles the entrepreneurial spirit. The informal sector, as a field of dynamic micro-entrepreneurial activities, can be the engine of economic growth if the State withdraws and the economy is deregulated and privatized. However, it has been pointed out that, “[e]very documented instance of the transformation of an informal economy…into an economy of growth has been accompanied by the active participation of state agencies in the process…Without this government assistance, access to the required capital, technical training, and markets would have been impossible” (Portes and Schauffler, 1993: 56).
Given these fundamental problems with the existing theorizations, and in order to coherently analyze contemporary Indian development process, a new non-reductionist theoretical framework relating the reproduction of the informal economy with the capitalist growth process is needed. Specifically, the reproduction of the noncapitalist segment of the informal sector needs to be theoretically located in the current conjuncture of primitive accumulation and exclusionary capitalist growth. In the process, in place of an all-encompassing category that conflates diverse economic processes, motivations and conditions, it is necessary to de-center the concept, and to open up the space to locate specificities of different economic (including class) processes. In the next section, I engage with some recent interventions that attempt to provide contours of such a theoretical framework.

1.4. Primitive accumulation, surplus population, and the informal sector

In recent years, the noncapitalist economic space (largely the informal sector) has been most productively analyzed in terms of its relation to the capitalist growth process, which has been marked by the process of primitive accumulation as well as the exclusion of the vast majority of the population from the formal capitalist space. Here, I first briefly describe the process of primitive accumulation in India, followed by a critique of some of the recent theories that have attempted to analyze this process (in India and in general), and, in its light, to theorize the relation between capital and noncapital. Through this discussion, I point out the absence of class in all these analyses, and argue that a nonessentialist class-qua-surplus analysis of the informal economy can provide an
alternative representation of the noncapitalist space with its own specificities, without reducing it to a function of capital, and also provide a different analysis of contemporary economic development in India.

1.4.1. Primitive accumulation and exclusion

Along with the low employment elasticity and high capital intensity in the formal sector that have led to the phenomenon of ‘jobless growth’ in this sector, the growth process in the Indian economy has been characterized by at least the following four features that are relevant for my analysis of the informal sector:

1. The process of privatization and disinvestment in the public sector, closure of loss-making public sector units, and the corporate and industrial restructuring in the private sector for higher efficiency and productivity have led to downsizing, retrenchments and increased job losses in the formal sector (Sharma, 2006; Nagaraj, 2004; Planning Commission, 2002). One study reports that “between 1995-96 and 2000-01, about 1.1 million workers, or 15 per cent of workers in the organized [formal] manufacturing sector across major states and industry groups, lost their jobs” (Sharma, 2006: 2081).

2. The stagnation in agricultural growth has left vulnerable a major segment of the Indian working population who are dependent on the agricultural sector which, as we have seen before, is largely informal (Tables 1.1 and 1.2). In 2004-05, about 57 per cent of total workers in India were employed in agriculture but the sector accounted for only about 19 per cent of the total GVA in the economy (see Tables
3.1 and 3.2), a sharp decrease from its share of about 25 per cent of the GVA in 1999-2000 (NCEUS, 2008: 7). The agricultural growth rate sharply decelerated from 3.2 per cent per annum between 1980-81 and 1995-96, to about 1.8 per cent between 1996-97 and 2001-02 (Chand and Kumar, 2004). Then, between 1999-2000 and 2004-05, the growth rate went further down to 1.59 per cent per annum, when the nonagricultural sector was experiencing a growth of 7.3 per cent per annum (see Table 1.2). Earlier between 1960s and 1980s, a stagnant agricultural sector was seen as posing a supply constraint or bottleneck to industrial growth, squeezing industrial profit through higher input costs and higher wages (since agricultural products comprised a big share of the wage basket), and lowering demand for industrial products (Nayyar, 1994). It seems that this has ceased to the case since 1990s, and a robust nonagricultural growth is no longer dependent on the economic condition in the agricultural sector which is substantially divorced from the recent growth process. The stagnation in agricultural growth has been accompanied and to a large extent caused by a sharp fall in public investment in infrastructural development and employment generation in the rural sector (from 13.2 per cent of GDP during 1985-1990 to just about 5.9 per cent in 2001; Patnaik, 2003), a resulting deterioration in the condition of agricultural infrastructure (like irrigational, storage and transport facilities), rise in input costs, shift in land use and cropping patterns towards more cash crops and export crops leading to an increasing vulnerability in the face of unpredictable market conditions, lack of regular credit facilities and dependence on informal
moneylenders, and high rural indebtedness. This has resulted in an acute increase in poverty and vulnerability in the rural economy and has led to widespread immiseration and marginalization of small farmers and agricultural workers (Chandrasekhar, 2007; Patnaik, 2007 and 2003; Vakulabharanam, 2005). The agricultural crisis has been severe enough to lead to an unprecedented level of farmers’ suicides across states in India in recent times (Nagaraj, 2008). *The bleak agricultural scenario has created conditions for a strong “push factor” for forced exit of the marginalized section of the rural population from agriculture.*

3. In the recent years, there has been a drive made by several state governments for acquisition of agricultural land, mostly from small peasants, to be handed over to private corporations for setting up large-scale industries, infrastructural projects (like roads, power projects, dams, etc.), for developing Special Economic Zones (SEZs), and/or for high-end real estate developments (Basu, 2007; Bhaduri, 2007, 2008; Chatterjee, 2008). The state governments, competing with each other to attract private investments, bear the cost of compensations, and offer substantial incentives to the corporations in the form of cost subsidies, tax breaks, cheap credit, cheap or free electricity, water etc. The farmers are often compensated for give up their land, at rates fixed by the governments, but, under current legal provisions, they do not have the right to refuse to part with their land as such acquisitions are attributed to “public purposes”. The issue of land acquisition has been fraught with tension and has often lead to violent protests due to the unwillingness of the farmers to give up their land and/or inadequate
compensation. The transfer and corporatization of land for developmental purposes, along with the on-going process of privatization of common property resources like river water, forest land, mineral ores, etc. has resulted in a loss of livelihood and displacement (often termed “development-induced displacement”) for a section of marginalized population (The Perspectives Team, 2007; Shiva, 2002).

4. In the sphere of informal petty production (agricultural, artisan, or industrial), there have been instances of withdrawal of protective government policies and support mechanism since the initiation of economic reforms during the 1990s in order to attain higher efficiency in small-scale production through higher competition. This has lead to an increased competition from big capital and resultant increase in vulnerability of the informal enterprises (Patnaik, 2008). For example, in some industries like processed food, readymade clothing, footwear, etc, the formal sector has increased its market share by lowering its product quality and prices “in order to make its output affordable to low income groups, and in the process destroyed the market held hitherto by informal sector” (Sethuraman, 1997: 25).

These developments have given rise to the phenomenon of dispossessing and exclusion of a large section of Indian population due to the growth process itself. This process, specifically the last two characteristics of the growth process as noted above, is very similar to Marx’s concept of primitive accumulation as developed in volume one of Capital (Marx, 1977; chapters 26-33). In the process of primitive accumulation, the
precapitalist direct producers are dissociated from their means of labor through the arising and expansion of capital, and their means of production expropriated as “original” capitalist accumulation which forms the basis of future self-subsistent expanded reproduction of capital. Thus, this “accumulation…is not the result of the capitalist mode of production but its point of departure” (ibid., p. 873), and the “so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as ‘primitive’ because it forms the pre-history of capital and of the mode of production corresponding to capital” (ibid., p. 874-75). However, instead of just being the “pre-history” of the capitalist mode of production, or of capitalism as such when this mode of production has come into universal being (as, for Marx, was the case in 19th century Europe when he was writing), the process of primitive accumulation continues in contemporary India (and throughout the world) alongside a well-developed capitalist mode of production in the formal sector, within a capitalist social formation. This process of modern capitalist development has been termed as accumulation by dispossession in the world-scale (Harvey, 2003; 2005). In India, it has been variously described as growth through encroachment (Patnaik, 2008), predatory growth (Bhaduri, 2008), or primitive capital accumulation (Sanyal, 2007; Basu, 2007).

There is another crucial aspect in which the contemporary growth process in India represents a sharp break from the historical notion of primitive accumulation. In the historicist understanding, capital destroys the precapitalist forms and relations of production through expropriation and primitive accumulation, and sets free the
precapitalist petty producers and marginal peasants from their means of production, in
the process transforming them into wage workers in capitalist enterprises. As Marx
writes,

The process [of primitive accumulation], therefore, which creates the capital-
relation can be nothing other than the process which divorces the worker from the
ownership of the conditions of his own labor; it is a process which operates two
transformations, whereby the social means of subsistence and production are
turned into capital, and the immediate producers are turned into wage-laborers.
(Marx, 1977: 874; emphasis added)

In that sense, the history of expropriation and primitive accumulation, described as a
process of “merciless barbarism” (Marx, 1977: 928), is also the pre-history of inclusion
of a large mass of population within the capitalist production process and the circuits of
capitalist reproduction. However, in the case of postcolonial capitalism in India, this
promise of inclusion did not hold true. Rather, the process of growth and
industrialization, described as primitive accumulation, has resulted in widespread
exclusion, as is evident from the increasing importance of the predominantly noncapitalist
informal sector in terms of provisioning livelihood to the vast majority of the Indian
working population.

It should be noted that the informal sector also gives space to those who are who are not victims of primitive accumulation as such, but are excluded from the process of
expanded reproduction of capital: the workers who are declared redundant by capital
through retrenchments and layoffs and those who cannot enter the capitalist production
process due to its increasing capital intensity, i.e., higher organic composition of capital,
and low employment elasticity. Thus the informal sector becomes the wasteland of
capital, a depository of the excluded, of a people who do not even have the “chains of wage-slavery” to lose.

David Harvey (2003) has provided the most influential account of the ongoing process of primitive accumulation within contemporary global capitalism – a process he calls “accumulation by dispossession.” Critically reformulating Rosa Luxemburg’s underconsumption thesis on the crisis tendency of capitalism (Luxemburg, 2003), Harvey argues that global capital resolves its overaccumulation problem by finding outlets for its surplus capital in the noncapitalist spheres outside the domain of capital. Thus capital has to continuously transcend its boundary, break down the barriers of noncapital, appropriate the noncapitalist space thereby dispossessing the noncapitalist producers and separating them from their means of labor, take over the common property resources, privatize socialized assets, and so on, to productively deploy its idle surplus capital. Through this process, “what accumulation by dispossession does is to release a set of assets (including labor power) at very low (and in some instances zero) cost. Overaccumulated capital can seize hold of such assets and immediately turn them to profitable use” (Harvey, 2003: 149). Harvey argues that the logic of capitalist accumulation itself gives rise to the intrinsic problem of overaccumulation, and thus forces capital to perpetually negotiate with the space “outside of itself”:

Put in the language of contemporary postmodern political theory, we might say that capitalism necessarily and always creates its own ‘other’. The idea that some sort of ‘outside’ is necessary for the stabilization of capitalism therefore has relevance. But capitalism can either make use of some pre-existing outside … or can actively manufacture it. (ibid.: 141)
From this perspective, the noncapitalist informal sector can be seen, partly, as a product of capitalist growth itself. This extricates the concept of informal sector from the historicist narrative given by some other radical theories (as discussed in the previous section), and it is no longer theorized as a precapitalist vestige. However, by essentializing the overaccumulation problem as an inherent feature of capitalism, and then explaining the “outside” through the logic of this problem, this perspective subsumes the noncapitalist economy to the needs of capital, as in some other radical/Marxian theorizations that I criticized earlier.

While Harvey provides a compelling account of contemporary capitalist development on a global scale, his analysis of the relation between capital and its outside remains one-sided. He highlights the predatory thrusts of capital both displacing and reproducing noncapital, and traces the path of neoliberal capitalism as a move from a state of “consent to coercion” (for a different analysis of neoliberalism in the First World context, see Wolfson, 2003). He does not engage with the other aspect of contemporary capitalist development where the state and the international institutions constitute the noncapitalist space not through coercion but through governmental interventions.

Patnaik (2008; 2009) develops a narrative of global capitalist growth and primitive accumulation – which he calls accumulation through encroachment – that is very similar to Harvey’s analysis, but provides a more reductionist and functionalist story. Patnaik argues that capital, for its expanded reproduction and growth, needs to keep the prices of the means of production and means of subsistence (that constitutes the value of labor power) low, or fixed at a particular base price. Also, in the face of supply
constraints, capital needs to compress the demand of the workers as well as that of the noncapitalist producers. To access cheap resources and means of production and subsistence, and to enforce an income deflation on noncapitalist producers to compress demand, capital “encroaches” on the noncapitalist space. Hence, Patnaik argues, “the capitalist mode … can exist only within an environment of precapitalism, which does not remain in its pristine form of course, but is molded, shaped and dominated by capitalism and made to cater to its needs” (Patnaik, 2009: 193). Thus, while Patnaik breaks away from the teleological narrative of full-fledged capitalist transition, in his analysis the outside of capital is not generated by the development of capitalism, but is a leftover from history, a passive space, which is molded and shaped by capital according to its needs. Thus, in this capitalocentric analysis, the noncapitalist informal sector, which Patnaik calls the economy of “petty production,” remains an untheorized blank space made visible only through the actions of capital. Unlike Harvey who posits the “outside” as a possible site of resistance to capital, Patnaik leaves the outside without any agency.

Consistent with their lack of theorization of the internal dynamics of the noncapitalist space, both Harvey and Patnaik do not provide any analysis of the class processes in this space.

1.4.2. Surplus population and the informal sector

Developing a critique of the functionalist and reductionist theories of the noncapitalist space that erase the possibility of any internal dynamics of this space beyond the satisfaction of various needs of capital, José Nun proposed the “marginal
mass” thesis in the context of Latin America since the late 1960s. In his thesis, the surplus population (or the marginal mass) that constitutes the outside of capital, is not, in every instance, functional to and subsumed under the dynamics of capitalist exploitation and accumulation.

My marginal mass thesis was meant to question a leftist hyperfunctionalism, wherein even the last landless peasant in Latin America (or Africa) was considered to be functional to the reproduction of capitalist exploitation. On the contrary, I tried to show that in many places a surplus population was growing that in the best cases was simply irrelevant to the hegemonic sector of the economy and in the worst cases endangered its stability. This presented the established order with political problem of managing such nonfunctional surpluses to prevent them from being dysfunctional. (Nun, 2000: 12)

Thus, Nun presents a non-capitalocentric vision of an outside of capital whose dynamics of reproduction are not entirely reduced to the necessities and vicissitudes of capital. Rather, this outside, by becoming dysfunctional – for instance, in terms of its ability to generate adequate subsistence for the surplus population excluded from the domain of capital – may pose a political problem of proper management of the social space. Nun argues that the surplus population that inhabits this outside is not the industrial reserve army of labor or a mass of disguised wage-workers under capitalist subcontracting relations, whose sole reason of continued existence is to provide cheap inputs, wage goods, and labor power to capital, or to act as a countervailing force against wage increases in the capitalist sector. As discussed in the previous section, the informal sector has been commonly understood in the Marxian interpretations – following Marx’s discussion on the relative surplus population (Marx, 1977, chapter 25) – as the site of the industrial reserve army. But Nun points out that:
The confusion displayed by majority of his [Marx’s] commentators is linked, among other things, to the fact that they have centered their analysis exclusively on chapter 23 [25] of Das Kapital, where Marx examines how a relative surplus population is generated by a capitalist mode of production and, at the same time, discusses the functional effects it has on the dynamics of accumulation in a particular stage, that is, the extent to which it operates effectively in such a case as an industrial reserve army… It was precisely to refer to the nonfunctional effects of the relative surplus population (which, according to the circumstances may be afunctional or dysfunctional) that I introduced the concept of marginal mass. (ibid.: 9)

I argue that such a nonessentialist understanding of the surplus population can be productively used to analyze the noncapitalist informal sector in the contemporary developmental conjuncture in India by relating it to the processes of primitive accumulation and exclusion. I read Kalyan Sanyal’s powerful intervention (Sanyal, 2007) on rethinking postcolonial capitalist development in India in this light.

Sanyal argues that the process of expropriation of the masses from their means of livelihood through primitive accumulation, without simultaneously transforming them into free wage-labor, accompanied by the exclusionary process of capitalist growth, ensures that a vast majority of the population remains outside the domain of capital.\(^\text{11}\) However, the primitive accumulation – the prehistory or the immanent history of capital in Marx – is a continuing and continuous process for Sanyal.\(^\text{12}\) It is never completed:

\(^\text{11}\) Here the domain of capital is narrowly defined as the space marked by exclusively capitalist economic (or class) processes, i.e., by the capitalist process of production, appropriation and distribution of surplus. This space can be roughly considered to be the formal sector. However, it can be argued that even this space of capitalist class process is economically dependent, at least in part, on noncapitalist spaces like households for its reproduction (see, e.g., Folbre, 1982, 1987).

\(^\text{12}\) Here Sanyal essentializes the narrative of primitive accumulation by keeping it tied to the “logic” and imperatives of capital accumulation within the domain of capital. I discuss such essentialisms in Sanyal later in the text.
“capital is engaged in a task that is never accomplished: its arising is never complete; its universality never fully established; its being is forever postponed” (Sanyal, 2007: 61). This approach shuns the historicist narrative of transition, where an economy goes through successive stages of social formations towards a teleological ending, with each stage superseding the previous one. The outside of the domain of capital is no longer viewed as traditional or precapitalist in the historical sense, waiting to be engulfed within the domain through “authentic” capitalist development. The informal sector as a site of noncapital remains deeply inscribed within the space of postcolonial capitalism in India.\(^{13}\) Thus the economic totality is viewed to be fundamentally fractured between the capitalist and the noncapitalist domains. But, here, in contrast to the traditional dualistic theories, “capital and its outside mutually constitute each other, that is literally bring each other into existence” (Sanyal and Bhattacharya, 2009: 37). In this perspective, the Indian economy is seen as a complex of capital and noncapital – of two different spaces that overdetermine each other. This unsettles the notion of universality of capital and, by moving away from a capitalocentric understanding of the economy, helps to imagine alternative forms of development (Gibson-Graham and Ruccio, 2001).\(^{14}\) It also helps to

\(^{13}\) Here, capitalism is understood as a social formation encompassing both capital and noncapital (or, to put it differently, both capitalist and noncapitalist class processes), where capital retains its dominant, hegemonic position within the social formation. See Sanyal (2007, chapter 2) for a detailed discussion on this issue.

\(^{14}\) Sanyal, however, shows that within the postcolonial capitalist formation, capital retains its hegemonic power over noncapital through the modalities of governmentality. He points out that hegemony works not only through domination, suppression and annihilation of difference (as in a simple notion of hegemony), but also in a more complex way by articulating and recreating differences through governmental interventions. Thus, Sanyal confronts the “claim that recognition of economic heterogeneity in the representation of capitalism necessarily contests capital’s hegemony and argue[s] that post-colonial
bring to the forefront and posit a predominantly noncapitalist need economy as a subset of the informal sector and as a site for locating such alternatives.

Further, echoing Nun’s contention about the threat posed by a dysfunctional outside of capital, Sanyal argues that the noncapitalist space provides political stability and ideological (i.e., cultural) legitimacy to the growth process by incorporating the surplus population – by being a *reservoir* of surplus population – and by providing them with the opportunity to earn their livelihood without creating large-scale social disruption. Thus, for Sanyal, the dominantly noncapitalist informal sector provides political and cultural conditions of existence for the capitalist formal sector. On the other hand, a part of the surplus produced within the capitalist space is transferred to the noncapitalist informal economy through government programs that are partly financed by taxes on capitalist surplus values, as well as through nongovernmental organizations funded by capitalist enterprises and corporations. Through this process, the direct producers who are dispossessed of their means of production through primitive accumulation, but are not transformed into industrial proletariats and incorporated inside the domain of capital, are reunited with their means of labor. This ensures that the surplus population can sustain itself in the informal economy, without being critically dependent on capital for its basic survival. Hence, postcolonial capitalism in India is marked by a dual characteristic – the predatory thrusts of capital in the form of primitive accumulation at one moment is often *reversed* in the next moment by the governmental requirements of

capital’s hegemony is to be understood as its dominant existence as a particular in a world of difference” (Sanyal, 2007: 70).
developmental activities promoting noncapitalist spaces. Unlike Harvey and Patnaik, Sanyal shows that capital can reproduce and relate with its outside not just through economic coercion, but through constitutive governmental interventions to elicit consent from the governed for its continuing hegemonic domination.

While agreeing with much of Sanyal’s insightful, rich and persuasive analysis of the developmental conjuncture in India and the role of the informal sector as the noncapitalist reservoir of the surplus population, I find the analysis limited and problematic in certain aspects. Sanyal divides the economic space into the formal capitalist sector and the informal sector, where he designates the formal capitalist sector as the accumulation-economy and the informal sector as the need economy.

I call the realm of capitalist production the accumulation-economy and that of informal production the need economy. In the first, production is for accumulation, and in the second, it is for meeting need. *They are two distinct economies, two systems, each with an internal logic of its own.* While one is driven by the logic of accumulation, production in the other is organized to support a certain level of consumption. (Sanyal, 2007: 212; emphasis added)

Here the capitalist and the noncapitalist spaces – the formal and the informal sectors – are reduced to their supposed essences of accumulation and need fulfillment respectively. The various political, economic and cultural conditions of existence that the capitalist space and the capitalist enterprise need to negotiate – and which shapes the process of accumulation – are reduced to the “impersonal force of systemic accumulation” (ibid.: 209). It is not clear, for example, why the working owners of the enterprises in the need economy will not be motivated by a desire to accumulate and grow. While Sanyal emphasizes that the need economy is not same as the subsistence economy, and it is
capable of creating surplus (ibid.: 213), it is not clear from the analysis what is the process through which the need economy fails to accumulate this surplus, and uses it as fund for “future consumption.” Further, while the need economy is theorized as the space that is created by primitive accumulation, and reproduced by the political process of governmentality, the economic aspects (or the economic conditions of existence) of this space are undertheorized. Thus, while Sanyal acknowledges the existence of various class processes, i.e., processes of production, appropriation, and distribution of surplus within the need economy, the absence of any analysis of these class and other nonclass economic processes leaves the economic conceptualization of this space empty. This also leaves untheorized the economic aspect of the process through which capital retains its dominance in the fractured social formation of India.

Chakrabarti and Cullenberg (2003), in the course of a thorough critique of the teleological notion of development as linear transition, provide a more problematic conception of the need economy. While they do not posit their analysis in terms of the informal sector (though they provide a class-based analysis of the “small-scale sector” – a space of various small capitalist and noncapitalist enterprises, both formal and informal, which are, on an average, much larger than the informal sector enterprises), or the process of primitive accumulation, and thus do not engage with the space of the surplus population, they argue that the need economy is “not guided by “industrialization through capital accumulation,” growth, or surplus, but rather by consumption-focused need” (ibid.: 218; emphasis added). Thus, unlike Sanyal, they conceptualize the need economy to be outside the space of surplus, and thus outside the space of class processes. While
they seem to posit the non-commodity production space (the space for producing nonmarket use values) as part of the need economy, it is not clear from their definition why the space of commodity production cannot be “guided by … consumption-focused need,” and thus cannot be part of the need economy. On the other hand, if this space is indeed considered to be part of the need economy, there is no reason why the need economy cannot produce surplus, and thus why it cannot be analyzed in terms of class qua surplus.

1.5 The problematic and the main arguments

In this dissertation, I produce a non-functionalist and non-reductionist Marxian analysis of the informal sector and the noncapitalist economy, and theorize the economic conditions of existence of the surplus population through an analysis of the process of production, appropriation, and distribution of surplus labor in the informal manufacturing sector in India. Through this analysis of surplus, I show how the noncapitalist space reproduces itself and provides economic subsistence to the surplus population – thus taking off the pressure of sustaining the surplus population from the capitalist space – without being able to undertake expanded reproduction. Thus I present a class-focused representation of noncapitalism and the noncapitalist economic sites that provide subsistence to the vast majority of the working population, and, thereby, contribute to a Marxian analysis of the contemporary developmental conjuncture in India.

In the following chapters, I develop a Marxian value-theoretic framework to account for processes of production, appropriation, and distribution of surplus labor in
informal enterprises, and apply this framework to analyze the disaggregated, unit-level data from National Sample Survey (62nd round, 2005-06). I show that the informal manufacturing sector is a site of heterogeneous class processes, encompassing capitalist, feudal, and ancient appropriative class processes. I further show that both capitalist and noncapitalist informal enterprises are capable of producing, appropriating and realizing surplus. The noncapitalist – primarily “ancient” – enterprises, however, cannot retain any significant amount of net surplus for expanded reproduction and growth. Thus, the capitalist and noncapitalist spaces within informal manufacturing sector can be clearly delineated in terms of their capacity for realization and accumulation of surplus. These noncapitalist enterprises provide livelihood to much of the surplus population in India. I show that the owners/workers of these enterprises have to subsist, on average, much below the customary standard of living for wage-workers in India. This difference between the notional (based on minimum wages) and the actual standard of living demonstrates high incidence of relative poverty among the surplus population. The unity of the direct producers with their means of labor ensures the basic survival of the informal household enterprises. I show that even if these households retain the net surplus or net profit to augment their consumption funds, and not for accumulation, they still will not be able to attend the customary standard of living, and will continue to be in relative poverty.
CHAPTER 2:
SURPLUS IN NON/CAPITALIST COMMODITY PRODUCTION:
A MARXIAN ACCOUNTING FRAMEWORK

2.1. Introduction

In this chapter, I develop a framework to account for the production process in the informal enterprises by relating the flows of labor and the flows of payments. I apply this framework in the following chapters to recent data on the informal manufacturing enterprises to produce a class analysis of informal manufacturing in India.

Most analyses of the informal economy are marked by an absence of any detailed study of class processes, i.e., the processes of producing, appropriating, and distributing surplus labor. Further, there is no serious academic work available that looks into the magnitudes of surplus produced, appropriated, and distributed by an informal enterprise, as understood in Marxian class terms. The available studies focus, instead, on the gross value added (GVA) in the informal enterprises (per enterprise or per worker), calculated using the accounting framework commonly employed in national surveys.\textsuperscript{15} This

\textsuperscript{15} GVA is calculated either by (a) the “product approach,” i.e., total receipts of the enterprise (including various distributive class or non-class receipts, like receipts from trading and other non-manufacturing activities, rents received on fixed assets, funding/donations received, etc.) minus total operating expenses (not including emoluments, rents, interests, and profits, but including various distributive class or non-class expenses, like expenditure on trading and other non-manufacturing activities, payments for services rendered by other enterprises, license fees, royalties, etc.) and distributive expenses,
framework is based on what Marx called the “Trinity Formula” – “capital - profit (profit of enterprise plus interest), land - ground rent, labour - wages,” (Marx, Capital, volume 3, p. 953, 1981) – which explains the payments to the separate “factors of production” in terms of their individual productivities.\(^{16}\) This assumes a harmonious relation between the “factors of production” (each receiving payments according to their contributions to the production process), and puts out of sight the conflictual processes of class and their implications for other social processes, thereby producing a “mystification” of the processes of production and distribution (ibid., p. 969).

The lack of scholarly work on the class processes and the magnitudes of surplus produced, appropriated, and distributed in the (productive) informal enterprises also partly contributes to the persistence of theoretical formulations that present the informal economy as a homogeneous economic space where class processes are absent. As shown in the previous chapter, these theories produce the following contradictory representations of the informal economy: (a) a “survivalist” sector and a “community of the poor,” or, an economy of dynamic entrepreneurs that is crucial to inclusive economic growth; (b) a sector operating under an economic logic that is different from (or even antithetical to) the logic of the formal economy (as in the theories of dual economy), or, working under the same, inexorable economic logic that defines/propels the entire

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\(^{16}\) As Marx puts it in another context, it is as if “either in accordance with the pre-established harmony of things, or under the auspices of an omniscient providence, they all work together to their mutual advantage, for the common weal, and in the common interest.” (Marx, 1977: 280)
capitalist economy (as in the theories or formal-informal continuum). However, all such formulations erase the heterogeneous dynamics of class qua surplus that partially – but importantly – constitutes the informal economy shaping the processes of (re)production and distribution. Thus, a complex, diverse, and interconnected set of social (economic, political, and cultural) relations is reduced to one or more “fundamental” or “causal” attributes (skill, technology, productivity, market structure, competition, property rights, economic motivation, etc.) that are supposed to characterize the economic formation and determine the economic outcomes, without being affected by class processes. This erasure of class qua surplus then produces a discourse and a mode of intervention that, even when motivated towards achieving inclusive development, reproduces the class processes, and, thereby, the conditions for exploitation and exclusion in the informal economy.

Hence the importance of developing a class based understanding of the informal economy. I begin producing such an understanding in this chapter, by developing a specific Marxian accounting framework appropriate for analyzing class qua surplus in the informal manufacturing enterprises in India. I also address some theoretical issues associated with the application of such a framework to the available data on the informal enterprises. In the following chapters, I use this framework to analyze the data on the production processes in the informal manufacturing enterprises in India.

The framework developed here is based on a non-essentialist Marxian methodology of accounting the value flows in an enterprise developed by Resnick and
Wolff (1987, 2006), and then further extended by several other authors.\textsuperscript{17} However, most of the work has been focused on capitalist enterprises, and some on noncapitalist economic spaces like the household that are not involved in commodity production (see, e.g., Fraad, Resnick, and Wolff, 1994). A detailed framework to account for value flows in noncapitalist enterprises that produce commodities for capitalist markets, or, for enterprises with heterogeneous class processes, is largely missing from the available literature. Further, there has not been any work that applies this methodology to \textit{empirically} analyze available data (generated in terms of market prices) on the production process in the enterprises (especially the noncapitalist or heterogeneous enterprises) in a capitalist market economy. In the rest of the chapter, I discuss the heterogeneous capitalist and noncapitalist class processes in the informal manufacturing enterprises, and develop a framework that is suitable for the empirical class analysis of such enterprises.

2.2. Values and prices as flows of labor

Marxian theory provides a unique insight into the social processes of production and distribution through its insistence on a specific class reading of the economy. In this reading, class is viewed as a set of processes whereby surplus labor is produced, appropriated, distributed, and received. In a commodity economy, it provides a dual accounting of the economic activities in terms of values, as measured in socially necessary abstract labor times required to produce a commodity, and value-forms, as

\textsuperscript{17} See, for example, Ruccio (2010) for an elaboration of this specific Marxian methodology of class analysis, and for several concrete applications of this methodology.
measured in prices, which, in turn, are the monetary expressions of the labor times.\textsuperscript{18} The first measure (in terms of values) accounts for an economic activity in terms of the performance and flows of labor, while the second measure (value-forms) accounts for the same activity in terms of the flows of payments generated and distributed. Values and value-forms provide distinct measures of the same total product, understood in terms of the common category of socially necessary abstract labor time. Hence, on an aggregate, for all commodities produced and distributed, and for all incomes generated, the sum of values and prices must be equal. However, for an individual commodity, its value and its price in exchange may not be equal. Marx makes this relation clear in the following passage in Capital:

The magnitude of the value of a commodity therefore expresses a necessary relation to social labor-time which is inherent in the process by which its value is created. With the transformation of the magnitude of value into the price, this necessary relation appears as the exchange-ratio between the single commodity and the money commodity which exists outside it. This relation, however, may express both the magnitude of value of the commodity and the greater or lesser quantity of money for which it can be sold under the given circumstances. The possibility, therefore, of a quantitative incongruity between price and magnitude of value, i.e. the possibility that the price may diverge from the magnitude of value, is inherent in the price-form itself. This is not a defect, but, on the contrary, it makes this form the adequate one for a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities. (Marx, 1977: 196)

Thus, “for any individual commodity, the “amount done” (labor-time involved in its production) need not equal to the “amount paid” (the labor-time expression for the

\textsuperscript{18} Marx asserts in Capital, volume 1: “Price is the money-name of the labor objectified in a commodity” (Marx, 1977: 195-96).
incomes generated by its sale). As a result, the general possibility exists for transfers of labor-time” (Roberts, 1988: 139).

In this accounting, the performers of labor, i.e., the workers, produce a commodity, which, through its circulation, generates incomes even for nonperformers of labor. This accounting shows that the income to the nonperformers of labor is derived from unpaid labor of the productive workers, thus making visible the process of production, appropriation, and distribution of unpaid labor times, or surplus labor, i.e., the class process.¹⁹ In a market economy based on generalized commodity exchange, the surplus labor takes the form of surplus-value.

It is important to note that values and value-forms in this double-accounting exercise are not independent of one another, but are overdetermined and mutually constituted by each other. As Bruce Roberts (1988) argues:

¹⁹ Marx explains this framework most succinctly in chapter 18 of volume 1 of Capital in terms of the capitalist production and exchange process:

The capitalist pays the value of the labor-power (or, if the price diverges from this, he pays the price) and receives in exchange the right to dispose of the living labor-power itself. The length of time during which he utilizes this labor-power is divided into two separate periods. During one period, the worker produces value that is equal to the value of his labor-power, i.e. he produces its equivalent. Thus the capitalist receives, in return for advancing the price of the labor-power, a product of the same price. It is the same as if he had bought the product ready-made in the market. During the other period, the period of surplus labor, the utilization of the labor-power creates a value for the capitalist without costing him any value in return. He is thus able to set labor-power in motion without paying for it. It is in this sense that surplus labor can be called unpaid labor. Capital...is essentially the command over unpaid labor. All surplus value, whatever particular form (profit, interest or rent) it may subsequently crystallize into, is in substance the materialization of unpaid labor-time. The secret of self-valorization of capital resolves itself into the fact that it has at its disposal a definite quantity of the unpaid labor of other people. (Marx, 1977: 671-72; emphasis added)
Value…can only be determined simultaneously with value-form (production price). A commodity’s value, to Marx, is…the sum of two constituent parts: that “certain quantity of labor” performed in its production, plus the “antecedent element,” the labor-time which expresses the production-price of the consumed means of production. The labor-time socially necessary to produce commodities is conceived as interdependent with the labor-time which commodities realize as their equivalent in exchange. (Roberts, 1988: 140; emphasis in original)

The overdetermined relation between production and circulation of commodities, and, thus, between values and prices, as understood as a process of performance, appropriation, and distribution of surplus labor (in the form of surplus value), is further elaborated by Wolff, Callari, and Roberts (1984: 127-28):

On the one hand, the fact that surplus value is distributed via commodity circulation necessarily involves the circulation process in the determination of value. Surplus labor, in its distinctively capitalist form is unpaid labor, labor-time for which no equivalent is received; the magnitude of surplus value can only be determined with reference to the capitalist basis for payment equivalence. But on the other hand, the fact that surplus value is created only in production, by the performance of surplus labor, place absolute constraints on the production prices as magnitudes expressed in labor-time terms. Price of production, as an absolute magnitude of labor-time, can only be conceived as a specific deviation from value, since the production price of any individual commodity is constrained by the aggregate amount of unpaid labor-time performed in the economy. The profit component of price of production is then simply a proportional share of the aggregate surplus value generated.

While, in the above text, surplus labor as unpaid labor is understood as a “distinctively capitalist form,” in an economy marked by generalized commodity exchange, even noncapitalist enterprises that are implicated within the commodity economy may produce and realize surplus labor as surplus-value.

This unique Marxian framework makes it possible to relate the processes of production, distribution, and exchange of commodities in terms of flows of paid and
unpaid labor. The particular understanding of the relation between values and value-forms (as production prices) employed here further makes it possible to read and interpret the quantitative data on the economy in class terms.\(^{20}\) In this context, it must be noted that the prices of production (value-form) may not be (are not generally) equal to the market prices (price-form) for an individual enterprise – just as value and value-form may not be equal for an individual commodity. The price of production, as a particular expression of labor-time, is the sum of the costs of production, i.e., the price equivalents of constant and variable capital, and the profit of an enterprise that is based on the uniform rate of profit on the total capital operating in the industry. But the rate of profit of an individual enterprise may be (is generally) different from the average rate of profit in the industry due to several factors – for example, the organic composition of capital for that enterprise may be different from the average organic composition in the industry, leading to different rates of profit for the enterprise and the industry.\(^{21}\) Further, the concept of price of production as the “normal” price is based on an assumption of *equivalent market exchange* (for means of production, labor power, and the final commodity), which may not hold for an enterprise for a variety of reasons (fluctuations in demand and supply, existence of market power and monopoly prices, etc.). However, even though the market

\(^{20}\)Such a non-essentialist class reading of the standard economic data is difficult under some traditional Marxian (or Sraffian) interpretations of values as independent of prices, and solely determined by the physically embodied labor coefficients in the process of commodity production. Here, in my analysis, I follow the theoretical interventions by Wolff, Callari and Roberts (1982, 1984) and Roberts (1987, 1988), who provide a different – overdetermined – reading of the relation between values and prices, showing the possibility of analyzing the price data in class qua surplus terms.

\(^{21}\)See Capital, volume 3, part 2, chapters 8-12 (Marx, 1981b) for a detailed discussion on the relation between rate of profit, average (general) rate of profit, and prices of production.
prices for an enterprise may diverge from its production prices (value-forms) and, thus, may further diverge from values, they still represent the distribution of payments that are based on the performance of paid and unpaid labor during the production process. In the empirical analysis carried out in the following chapters, I abstract from this problem by focusing my descriptive analysis on the mean and the median values for various estimates (for surplus, constant capital, value of labor power, etc.) for the entire informal manufacturing sector, as well as for different appropriative class processes across all the enterprises. Thus, I effectively concentrate my analysis on the “average” enterprise in the sector, or in a particular industry. Using a Marxian accounting framework to reformulate the standard economic data (which are produced through non-Marxian economic categories) on market prices as flows of payments derived from (re)distributions of necessary and surplus labor allows reading and using such data to produce a Marxian class qua surplus based analysis.

2.3. The basic value equations

The Marxian accounting of the production process, in value terms, can be represented by the following equations for ancient and capitalist appropriative class processes (ACPs), the predominant ACPs in informal manufacturing enterprises, respectively: 22

22 Appropriate class processes (ACPs) involve the process of production and appropriation of surplus labor. The concept of appropriate class process is same as the concept of “fundamental class process” (FCP) as developed in the works of Stephen Resnick and Richard Wolff. See Resnick and Wolff (1987), especially chapters 3 and 4, for a detailed exposition of different ACPs. However, I use the
\[ W(A) = C(A) + NL(A) + SV(A) \]  
\[ W(C) = C(C) + V(C) + SV(C) \]

In these equations, \( W \) represents total value of the commodities produced by an enterprise, \( C \) represents constant capital, \( NL \) represents the necessary labor, \( V \) represents variable capital (the value of labor power in capitalist ACPs), and \( SV \) represents surplus value, all considered in Marxian value terms, i.e., in terms of socially necessary abstract labor time. The terms \( A \) and \( C \) inside the brackets represent ancient and capitalist enterprises respectively.\(^{23}\)

\(^{23}\) Marx explains the terms constant capital, variable capital, necessary labor, and surplus labor/value in terms of capitalist production as follows:

That part of capital, therefore, which is turned into means of production, i.e. the raw material, the auxiliary material and the instruments of labor, does not undergo any quantitative alteration in value in the process of production. For this reason…I call it constant capital. On the other hand, that part of capital which is turned into labor-power does undergo an alteration of value in the process of production. It both reproduces the equivalent of its own value and produces an excess, a surplus-value, which may itself vary, and be more or less according to circumstances. I therefore call it…variable capital. (Marx, 1977: 317; emphasis added)

We have seen that the worker, during one part of the labor process, produces only the value of his labor-power, i.e. the value of his means of subsistence…I call the portion of the working day during which this reproduction takes place necessary labor-time, and the labor expended during that time necessary labor; …During the second period of the labor process…the worker does indeed expend labor-power; he does work, but his labor is no longer necessary labor, and he creates no value for himself. He creates surplus value which, for the capitalist, has all the charms of something created out of nothing. This part of the working day I call surplus labor-time, and to the labor expended during that time I give the name of surplus labor… What distinguishes the various economic formations of society…is the form in which this surplus labor is in each case extorted from the immediate producer, the worker. (ibid.: 324-25; emphasis added)
2.4. Heterogeneous class processes in the informal enterprises

However, the class processes in the informal (household) manufacturing enterprises are far more heterogeneous. For example, while the own-account manufacturing enterprises (OAMEs, those that do not employ wage labor on a regular basis) typically display ancient or self-exploitative ACP, not all such enterprises have exclusively “individualized” production and appropriation of surplus labor.\textsuperscript{24} Rather, the production process in many ancient household enterprises also involves a feudal ACP, where the surplus labor of the members of the household, who work for the enterprise but do not receive any wage payments (reported as “other workers” in the survey of the informal manufacturing enterprises),\textsuperscript{25} are appropriated and distributed by the working owner of the enterprise.\textsuperscript{26} The working owners, in these cases, simultaneously occupy two different appropriative class positions – as an ancient direct producer appropriating

\textsuperscript{24} So these enterprises cannot be considered as exclusively “ancient” or self-exploitative, but, rather, they encompass different noncapitalist ACPs. Following Marx, Gabriel (1990: 87) describes ancient ACP as the following:

The ancient form of the fundamental class process is characterized by a type of private appropriation of surplus labor that unites the production and appropriation of surplus labor on an individualized basis. This unity is conceptualized as the fusion within the direct producer qua ancient of the roles of private producer and private appropriator of surplus labor. This unified production and appropriation of surplus labor in a single human being constitutes self-exploitation.

\textsuperscript{25} The “other workers” include “all persons belonging to the household of the proprietor or households of the partners who are working in or for the enterprise without regular salary or wages. Persons working as exchange labourer in the enterprise without salary or wages will also be covered in this category. All unpaid household workers / helpers who are associated with the activities of the enterprise during the reference month are considered in this category” (NSSO, 2007: 11).

\textsuperscript{26} See Fraad, Resnick, and Wolff (1994) for detailed analysis of feudal class processes within a household. For an alternative analysis of similar class process as communitic (rather than feudal) class process, see Chakrabarti and Cullenberg (2003). Also, some of the enterprises may have communal class processes where surplus is produced and appropriated collectively by the direct producers.
his/her own surplus labor, and as a feudal appropriator and distributor of the surplus labor of other members of the household. Similarly, feudal ACPs are also present in many informal capitalist enterprises (non-directory or directory manufacturing enterprises, i.e., NDMEs or DMEs). In about 38 percent of all enterprises – 39 percent of the ancient enterprises, and 28 percent of the informal capitalist enterprises – “other” household members work without any money wages, but acquire their means of subsistence through the distributed revenues of the enterprise. Further, in almost all (98.5 percent) the informal capitalist enterprises, the owners (capitalists) themselves also work as direct producers.\textsuperscript{27} Thus, the informal capitalist enterprises also partly encompass the \textit{ancient} appropriative class process. The informal capitalists may then occupy feudal and/or ancient appropriative class positions, along with their capitalist appropriative class positions. As Marx points out: “Of course he [the capitalist] can, like the man who is working for him, participate directly in the process of production, but then \textit{he is only a hybrid}, a man between capitalist and worker, a ‘small master’” (Marx, 1977: 423, emphasis added). The ancient producer employing unpaid household labor can be similarly seen as a hybrid of ancient direct producer and feudal worker. The capitalist class processes in the informal enterprises exist along with various noncapitalist class processes. While this is true for some formal capitalist enterprises as well, the degree of

\textsuperscript{27} By designating the owners of the enterprises as capitalists, I do not suggest that ownership of an enterprise, by itself, guarantees that the owner is a capitalist. Rather, in an informal enterprise, the owner occupies the class position of a capitalist by virtue of his/her position as the appropriator and distributor of other workers’ surplus labor.
prevalence of such noncapitalist class processes in the informal capitalist enterprises makes the informal manufacturing sector different from the formal sector.

However, it should be noted that the nature, connotations, as well as the ethical implications of exploitation within the ancient ACP is qualitatively different from those within the capitalist or feudal ACPs. The self-exploitation by the direct producers in the ancient ACP, where they are able to appropriate and distribute their own surplus labor, does not share the moral/ethical structure and implications of other exploitative ACPs, where those who actually perform surplus labor cannot appropriate and distribute their own surplus.\(^{28}\) However, so far as the ancient ACP, as an “individualized” process, is marked by an absence of any collectivity in any part of production, appropriation and distribution of surplus, it shares some moral/ethical dimensions of other exploitative ACPs.

Based on the above discussion on the heterogeneity of class processes in the informal enterprises, equations 2.1 and 2.2 can be modified to reflect the different ACPs within an enterprise. However, in order to keep the analysis focused and tractable, I continue to broadly differentiate the enterprises as ancient and capitalist. Here, the characterization of the enterprises that encompass multiple ACPs as “ancient” or “capitalist” implies that in such enterprises, the ancient or the capitalist ACPs are dominant in terms of their effectivity over other ACPs. In other words, the ancient or the

\(^{28}\) In this context, the concept of exploitation is used without invoking the moral dimension of “social theft” that ethically critiques the appropriation of the surplus labor of direct producers by the non-performers of surplus. Here, exploitation only means the performance and appropriation of labor over and above what is necessary to reproduce the means of subsistence of the direct producer. However, self-exploitation shares some ethical dimensions of other exploitative class processes, as noted in the text.
capitalist ACPs in these enterprises dominate the other ACPs in terms of their ability to control the process of production, appropriation, and distribution of total surplus values within each enterprise, and, thus, to better secure their own conditions of existence. In Marxian class terms, this may mean that the dominant ACP can command a large share of the surplus value produced in other ACPs as distributive class payments for providing some conditions of existence to them. At the same time, it needs to be stressed that the other ACPs also shape the dominant ACP in myriad ways (for example, by making distributive class payments to the dominant ACPs, allowing such ACPs to better secure their own conditions of existence), and the *mutual* effectivity of all the class processes (and other nonclass processes) shape and constitute the enterprise as an economic site. Also, various other economic, political, and cultural conditions construct and reproduce the relation of dominance of one particular ACP over the others. However, in this analysis, I make a simplifying assumption that the enterprises that do not employ any wage labor on a regular basis (OAMEs), as well as those enterprises where the total number of working owners and other unpaid household workers is greater than the number of hired workers (wage labor), are predominantly “ancient” enterprises. All the other NDMEs and DMEs are assumed to be predominantly “capitalist” enterprises.29 Here, the class understanding of an enterprise is not reduced to the presence or absence of

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29 21 percent of all directory and non-directory manufacturing enterprises – 24 percent of NDMEs and 7 percent of DMEs – have more working owners and unpaid household workers than hired wage labor. These enterprises are considered predominantly ancient enterprises. The rest (majority) of the NDMEs and DMEs are considered as predominantly capitalist enterprises.

60
wage labor, but rather based on an explicit assumption about the effectivity of different ACPs.

2.5. Modified value equations

The modified value equations for the production process in ancient and capitalist informal enterprises can be represented as follows:

\[
W(A) = C(A) + NL_A(A) + NL_F(A) + SV(A) \quad (2.3)
\]

\[
W(C) = C(C) + V(C) + NL_A(C) + NL_F(C) + SV(C) \quad (2.4)
\]

In the above equations, \( NL_A(A) \) and \( NL_F(A) \) indicate the ancient and feudal necessary labor, respectively, in an ancient enterprise, and, \( NL_A(C) \) and \( NL_F(C) \) are ancient and feudal necessary labor, respectively, in a capitalist enterprise. \( NL_F(A) \) can be positive or equal to zero (\( NL_F(A) > 0 \) or \( NL_F(A) = 0 \)) depending on the presence or absence of feudal labor process in the ancient enterprise. Similarly, in an informal capitalist enterprise, \( NL_A(C) \) and \( NL_F(C) \) can be greater than or equal to zero (\( NL_A(C) > 0 \) or \( NL_A(C) = 0 \); \( NL_F(C) > 0 \) or \( NL_F(C) = 0 \)) depending on whether or not the enterprise also exhibits ancient and/or feudal class processes (though, as pointed out before, almost all the informal capitalist enterprises encompass ancient ACP as well).

The value \( W \), constant capital \( C \) and surplus-value \( SV \) in each of the enterprises that encompass multiple ACPs can be theoretically differentiated and
distinguished in terms of each of the ACPs. However, since the available data do not take into account the differences in class processes (or the existence of class processes, for that matter), it is impossible to isolate and find out W, C, and SV for different ACPs for an enterprise – though it is possible to estimate the necessary labor component for each ACP.

To abstract from this problem without losing any important insight for my analysis, while, at the same time, remaining theoretically and logically consistent, I make the following simplifying assumptions on the labor process in each enterprise working within the sphere of generalized and competitive commodity exchange:

a) The average productivity and intensity of labor are the same across ACPs.
b) Constant capital, on average, is used up in the same proportion across ACPs.
c) The necessary labor or the value of labor power of each worker is the same across ACPs.

30 In that case, the value equation for the ancient enterprise (equation 3.3) can be modified to represent two separate ACPs – ancient and feudal – with the subscripts A and F representing the respective class processes:

\[
W_A(A) = C_A(A) + NL_A(A) + SV_A(A) \quad (2.3.1)
\]
\[
W_F(A) = C_F(A) + NL_F(A) + SV_F(A) \quad (2.3.2)
\]

The value equation for a capitalist enterprise (equation 3.4) can be modified to represent three separate ACPs – capitalist, ancient, and feudal – with the subscripts C, A, and F representing the respective class processes:

\[
W_C(C) = C_C(C) + V_C(C) + SV_C(C) \quad (2.4.1)
\]
\[
W_A(C) = C_A(C) + NL_A(C) + SV_A(C) \quad (2.4.2)
\]
\[
W_F(C) = C_F(C) + NL_F(C) + SV_F(C) \quad (2.4.3)
\]
The important implication of these assumptions is that each ACP contributes to the total value and SV produced in the enterprise in proportion to the number of workers involved in each ACP.\textsuperscript{31}

Equations 2.3 and 2.4 highlight how the total values produced in many ancient or capitalist enterprises are overetermined by different ACPs. The total value produced in many ancient enterprises critically depends, among other factors, on the performance of feudal labor by the household members and other workers ([\(NL_F(A)\]) and an associated surplus labor), while that in the capitalist enterprises depends on the performance of either or both of ancient and feudal labor ([\(NL_A(C)\) and \(NL_F(C)\)], and the associated surplus labor). The performance and appropriation of such labor augment the total value and the surplus value produced in the enterprise, enabling the dominant ancient or capitalist ACP that have effective control over the total surplus to better secure their conditions of existence. At the same time, the conditions for performance of such labor and the associated remunerations for the workers (either in cash or kind) critically depend on the success or failure of the dominant ancient or capitalist ACPs in the enterprises. This, for example, would partially determine whether other household members will at all be required to work and the type of such work, and the income they would receive for their labor, as well as an additional earning from the share of the household income generated through the dominant ACP.

\textsuperscript{31}The average productivity, intensity of labor, the value of labor power, or the constant capital used in different ACPs in an enterprise may, of course, be different. In such cases the rates of surplus value across different ACPs in an enterprise will be different.
2.6. Prices and values

In terms of market prices, the flow of payments generated within an informal manufacturing enterprise (deriving from as well as shaping the labor flows) can be read in Marxian accounting terms in the following equations for ancient and capitalist enterprises respectively:

\[ R_M(A) = P_{CC}(A) + P_{NL}(A) + S(A) \]  \hspace{1cm} (2.5)

\[ R_M(C) = P_{CC}(C) + P_{LP}(C) + P_{NL}(C) + S(C) \]  \hspace{1cm} (2.6)

The explanations of the variables in this equation are as follows:

\[ R_M: \] Total revenues for the enterprise from manufacturing activities received through the sale of products and services = price of per unit commodity \times total commodities sold = total receipts from own manufacturing activities + receipts from manufacturing services provided to other enterprises.

\[ P_{CC}: \] Total cost of means of production = (price per unit of raw materials \times total quantity of raw materials) + other operating expenses pertaining to constant capital + depreciation on plants, machinery, tools, etc.

\[ P_{NL}: \] Total \textit{imputed} price of necessary labor performed by ancient or feudal workers.

\[ P_{LP}: \] Total cost of labor power = price of labor power per hired worker (or wage per hired worker) \times total number of hired workers.

\[ S: \] Total surplus of the enterprise.

Operating within a unified and common market, both ancient and capitalist enterprises face the \textit{same market prices} for each of the commodities bought and sold by the enterprises.

From equations 2.3 to 2.6, under the assumption of \textit{equivalent market exchange} in a generalized commodity economy, the following equalities should hold, on average, for an ancient or a capitalist enterprise: \( W(A) = R_M(A) \) and \( W(C) = R_M(C) \), i.e., on average,
the values of manufacturing output for an ancient or a capitalist informal enterprise are equivalent to the prices of such output. Any divergence of prices from values, in the absence of equivalent exchange, leads to “transfers of labor-time” from/to the enterprise to/from other economic sites. If the enterprises can sell the commodities at a price higher than value, they receive distributive (DCR) and/or nonclass (NCR) receipts (depending on whether or not, through this sale, they are providing the conditions of existence of a ACP); if they have to sell the commodities below their value, they have to make a distributive or nonclass payment to the buyers.\textsuperscript{32}

2.7. Constant capital or the value of the means of production

In the case of constant capital, which is equivalent to the value of the means of production used up in the production process, the following equalities hold, based on equations 2.3 – 2.6, under equivalent exchange:

\[ C(A) = \text{EV/UV}_{cc}(A) \times \text{UV}_{cc}(A) = P_{cc}(A) \]  \hspace{1cm} (2.7)

\[ C(C) = \text{EV/UV}_{cc}(C) \times \text{UV}_{cc}(C) = P_{cc}(C) \]  \hspace{1cm} (2.8)

In the above equations, \( \text{UV}_{cc} \) represents the different individual physical commodities (goods and services), or use values, used as constant capital in the enterprises, and EV represents the exchange values for each of the commodities. So the value of the constant capital is the per unit value of each commodity used as means of production, multiplied

\textsuperscript{32} Distributive or subsumed class processes involve the process of distribution and receipt of surplus labor. See Resnick and Wolff (1987), especially chapter 4, for a detailed explanation of the concepts of subsumed and nonclass class payments and receipts.
by the total number of such commodities used in each enterprise. The exchange values of similar commodities are the same for any type of enterprise working within the same market.

However, in the actual markets, it is possible that $p_{CC}(A)$ can be greater than, equal to, or less than $c(A)$, as the price of the commodities used as constant capital may be greater than, equal to, or less than the EV of the commodities. For example, price can be greater than value if there is monopsony in the input market with the monopsonist charging a price above the value of the commodity inputs. On the other hand, the price paid for inputs can be less than value if, for example, the government subsidizes the cost of the inputs. The first case involves a distributive class payment (DCP) by the enterprise to the monopsonist, while the second situation will lead to a nonclass receipt (NCR) for the enterprise. For the production of the final commodity, however, the value of the constant capital would be the price at which the constant capital is bought by the producer.

2.8. Value of labor power and necessary labor

For an informal capitalist enterprise, the variable capital, or the value of labor power, can be similarly analyzed under equivalent exchange:

$$V(C) = \text{EV} / \text{UV}_{CSOL}(C) \times \text{UV}_{CSOL}(C) / L_{HL} \times L_{HL} = p_{HL}(C) \quad (2.9)$$

Here, $\text{UV}_{CSOL}(C)$ represents the use values consumed by each hired worker in a capitalist enterprise to maintain a “customary standard of living” in accordance with the natural,
moral, and historical conditions of a country at a particular point in time.\(^{33}\) \(L_{HL}\) represents the total number of hired workers. Thus, the total value of labor power for the wage workers, i.e., \(V(C)\), is given by the per unit value of the commodities or use values required by each worker to maintain the customary standard of living, multiplied by the total amount of such use values for each worker, and further multiplied by the total number of hired workers in the enterprise. Under conditions of equivalent exchange in the labor market, \(V(C)\) is equal to the total price of labor power for hired workers (i.e., the total wages paid to the hired workers) in the capitalist enterprise, which is represented by \(P_{HL}(C)\).

In addition, the capitalist as well as other unpaid household members may work in the informal capitalist enterprises, performing ancient and feudal necessary labor – \(NL_A(C)\) and \(NL_F(C)\), respectively (see equation 2.4 above). While no direct wage payments are made for such labor, appropriate imputations, based on the average wages of the hired workers in such enterprises, can be made to get an approximate measure of \(NL_A(C)\) and \(NL_F(C)\) in price terms for any point of time (e.g., for 2005-06). It should be noted that for own-account (ancient) and feudal workers, who do not sell their labor

\(^{33}\) Marx notes, for a worker:

His natural needs, such as food, clothing, fuel and housing vary according to the climatic and other physical peculiarities of his country. On the other hand, the number and extent of his so-called necessary requirements, as also the manner in which they are satisfied, are themselves products of history, and depend therefore to a great extent on the civilization attained by a country; in particular they depend on the conditions in which, and consequently the habits and expectations with which, the class of free workers has been formed. In contrast, therefore, with the case of other commodities, the determination of the value of labor-power contains a historical and moral element. Nevertheless, in a given country at a given period, the average amount of the means of subsistence necessary for the worker is a known datum. (Marx, 1977: 275; emphasis added)
power as a commodity in the market, the real abstraction of their labor is not complete in
absence of generalized market exchange. Thus, their labor power exists in the form of
concrete labor rather than abstract labor, and, as such, it does not have an exchange value
in the market. However, it can be realistically assumed that the customary, or, at least, the
notional standard of living of ancient and feudal workers (and the use values consumed
by these workers to maintain their customary standard of living) will not be different
from that of the hired workers in the same enterprise. This leads to the following
equations:

\[ \text{NL}_A(C) = \frac{\text{EV/UV}_{CSOL}(C)}{\text{UV}_{CSOL}(C)/\text{L}_{AL}(C)} \times \text{L}_{AL}(C) = \text{P}_{AL}(C) \]  \hspace{1cm} (2.10)

\[ \text{NL}_F(C) = \frac{\text{EV/UV}_{CSOL}(C)}{\text{UV}_{CSOL}(C)/\text{L}_{FL}(C)} \times \text{L}_{FL}(C) = \text{P}_{FL}(C) \]  \hspace{1cm} (2.11)

Here, \( \text{L}_{AL}(C) \) and \( \text{L}_{FL}(C) \) represent total number of ancient and feudal workers,
respectively, and, \( \text{P}_{AL}(C) \) and \( \text{P}_{FL}(C) \) represent the total imputed price of necessary labor
for ancient and feudal workers, respectively, in an informal capitalist enterprise.

Collecting terms from equations 2.4, 2.6, and 2.9 – 2.11:

\[ \text{V}(C) + \text{NL}_A(C) + \text{NL}_F(C) = \text{P}_{HL}(C) + \text{P}_{AL}(C) + \text{P}_{FL}(C) = \text{P}_{LP}(C) + \text{P}_{NL}(C) \]  \hspace{1cm} (2.12)

Following similar arguments, for an ancient enterprise, the following equation can
be derived from equations 2.3 and 2.5:

\[ \text{NL}_A(A) + \text{NL}_F(A) = \text{P}_{AL}(A) + \text{P}_{FL}(A) = \text{P}_{NL}(A) \]  \hspace{1cm} (2.13)

\( \text{P}_{AL}(A) \) and \( \text{P}_{FL}(A) \) represent the total imputed price of ancient and feudal necessary
labor, respectively, in an ancient enterprise. Here the prices of labor power are imputed
using the average wages for hired workers in comparable informal capitalist enterprises.
Such imputations follow the spirit of Marx’s analysis developed in *Capital*. For example, while discussing necessary labor and the value of labor power, Marx argues:

If, instead of working for the capitalist, he [the worker] worked independently on his own account, he would, other things being equal, still be **obliged to work for the same number of hours in order to produce the value of his labor-power**, and thereby to gain the means of subsistence necessary for his own preservation or continued reproduction. (Marx, 1977: 324; emphasis added)

As in the case of the final commodity or the constant capital, the price of labor power may be greater than, equal to, or less than the value of labor power. If the price is greater than value, the enterprise makes a distributive class payment (DCP) to the workers, enabling the workers to maintain a standard of living that is higher than the customary standard; whereas if the price is less than value, the enterprise receives nonclass revenue (NCR) from the workers, forcing the workers to live below their customary standard of living, and, as a consequence, realized SV is greater than the appropriated SV.

The working owners do not get a wage payment for their labor, but their total gross income is equivalent to the *retained* revenues of the enterprise, after deducting the costs of constant capital, wages of any hired labor, and other payments made to secure the conditions of existence of the enterprise. A part of these retained earnings can be considered as the price of labor power for working owners and the other unpaid household workers by making appropriate imputations as discussed above. The rest of the amount is the *net surplus* of the enterprise that can be used for accumulation purposes for expanded reproduction of the enterprise in the next period. However, for the working
owners, these amounts are also discretionary surpluses that they can use for consumption purposes to raise their standard of living above the customary standard. In that case, it would be a distributive class income for the working owners deriving from their position as owners of the enterprise. On the other hand, if the net surplus is found to be negative after making appropriate imputations, it would imply that the owner and the household workers are earning less than the value of their labor power, and are not able to attain their customary standard of living. In that case, it would imply a transfer of labor time from the household to outside entities in the form of distributive or nonclass class payments, either to secure the conditions of existence and reproduction of the enterprise, or through the process of unequal exchange. Such unequal exchange may take place either in the output market – per unit price of the output of the enterprise is below the per unit value, or in the input market – the price of the constant capital is higher than its value.

2.9. Surplus value and its distributions

The surplus value (SV) produced in each enterprise is distributed as distributive class payments (DCP) to secure the economic, political, and cultural conditions of existence of the enterprise. Thus for ancient and capitalist enterprises, respectively, the following equalities should hold:

\[ SV(A) = SDCP(A) \]
\[ = DCP_{\text{PROFIT}}(A) + DCP_{\text{RENT}}(A) + DCP_{\text{INTEREST}}(A) + DCP_{\text{OTHER}}(A) \]  

(2.14)

70
\[ SV(C) = SDCP(C) \]

\[ = DCP_{PROFIT}(C) + DCP_{RENT}(C) + DCP_{INTEREST}(C) + DCP_{OTHER}(C) \quad (2.15) \]

Here SDCP represents the sum of distributive class payment, which is equal to the sum of profit, rent, interest, and other DCPs paid out of the surplus value of the enterprise.

Finally, by summarizing the discussions so far, the following equalities can be derived for ancient and capitalist enterprises, respectively, under equivalent exchange:

\[ SV(A) = W(A) - C(A) - NL_A(A) - NL_F(A) \]

\[ = R_M (A) - P_{CC}(A) - P_{NL}(A) = S(A) = SDCP(A) \]

\[ = \text{profit + rent + interest + other DCPs} \quad (2.16) \]

\[ SV(C) = W(C) - C(C) - V(C) - NL_A(C) - NL_F(C) \]

\[ = R_M (C) - P_{CC}(C) - P_{LP}(C) - P_{NL}(C) = S(C) = SDCP(C) \]

\[ = \text{profit + rent + interest + other DCPs} \quad (2.17) \]

However, under non-equivalent exchange, the price of a commodity (and the total revenue, \( R_M \)) would not be equal to the value of the commodity (or the value of total output), and the total revenues may be greater than or less than the total values. Similarly, the actual market costs of means of production used up and the prices of labor power (paid or imputed) may be greater or less than the value of constant capital and the value of labor power, respectively. In these cases, the total surplus value of the commodities produced will not be realized by the enterprises. I call the actual amount of surplus value
realized through exchange in the market in such cases as effective or realized surplus value.

If an enterprise, capitalist or ancient, receives distributive class and nonclass revenues (DCR and NCR) and make distributive class and nonclass payments (SDCP or NCP), the total accounts of the enterprise can be read in terms of the following equation:

\[ S + DCR + NCR = SDCP + NCP \]  \hfill (2.18)

Equations 2.1 – 2.18 provide the complete specifications for a Marxian accounting of the heterogeneous class processes in the informal manufacturing enterprises in terms of surplus qua surplus labor.

In the following section, I provide a numerical example to illustrate the general equations developed so far in terms of market prices and flows of surplus value.

2.10 A numerical example

**Ancient enterprise**

For ancient enterprises, recall from equation 2.5,

\[ R_M (A) = P_{CC}(A) + P_{NL}(A) + S(A) \]

where, \( P_{CC}(A) = C(A) = EV/\text{UV}_{CC}(A) \times \text{UV}_{CC}(A) \) [from equation 2.7], and

\( P_{NL}(A) = NL_A(A) + NL_F(A) = P_{AL}(A) + P_{FL}(A) \) [from equation 2.13], where,

\( P_{AL}(A) = NL_A(A) = EV/\text{UV}_{CSOL}(A) \times \text{UV}_{CSOL}(A)/L_{AL}(A) \times L_{AL}(A) \), and

\( P_{FL}(A) = NL_F(A) = EV/\text{UV}_{CSOL}(A) \times \text{UV}_{CSOL}(A)/L_{FL}(A) \times L_{FL}(A) \) [as argued in section 2.8].
Therefore, \(S(A) = R_M(A) - [P_{CC}(A) + P_{NL}(A)]\)

\[= R_M(A) - [EV/UV_{CC}(A) \times UV_{CC}(A)] -
   [EV/UV_{CSOL}(A) \times UV_{CSOL}(A)/L_{AL}(A) \times L_{AL}(A)] -
   [EV/UV_{CSOL}(A) \times UV_{CSOL}(A)/L_{FL}(A) \times L_{FL}(A)]\] 

(I)

Also, from equations 2.14, for this ancient enterprise,

\[SV(A) = SDCP(A) =
   DCP_{PROFIT}(A) + DCP_{RENT}(A) + DCP_{INTEREST}(A) + DCP_{OTHER}(A)\] 

(II)

where DCP_{PROFIT}(A) is part of the surplus that is retained (or distributed internally) within the enterprise. This is the “net surplus” of the enterprise. The rest is distributed to claimants over surplus who are located outside the enterprise.

Finally, from equation 2.18,

\[S(A) + DCR(A) + NCR(A) = SDCP(A) + NCP(A)\] 

(III)

Assume the following:\(^{34}\)

The total number of use values produced and sold per day in an ancient enterprise, 

\(UV_{CC}(A) = 5\); the total number of use values consumed per day by an worker in this enterprise, \(UV_{CSOL}(A) = 30\); the total number of workers (working owners and other household workers) in this enterprise is 2, of whom the number of ancient workers, 

\(L_{AL}(A) = 1\), and the number of feudal workers, \(L_{FL}(A) = 1\); and the total revenues for the enterprise from manufacturing, \(R_M(A) = Rs. 60\). Also, the exchange value per unit use value (or “price”) of the commodities used as constant capital per day in this enterprise,

\(^{34}\) All the assumptions made in the numerical examples are motivated by the findings from empirical analysis of the informal manufacturing sector in India, as reported in chapters 3 and 4.
EV/UV_{CC}(A) = Rs. 2; and the exchange value per unit use value (or “price”) of the commodities consumed per day by a worker in this enterprise, EV/UV_{CSOL}(A) = Rs. 0.33. Also, assume that 30 percent of the total surplus value of the enterprise is distributed to claimants over surplus who are located outside the enterprise, and the remaining 70 percent is retained within the enterprise as “net surplus.” Finally, assume that distributive class receipts of the enterprise, DCR(A) = Rs. 8; nonclass receipts, NCR(A) = Rs. 2, and the nonclass payments, NCP(A) = Rs. 7.

Therefore, the total cost of the means of production in this enterprise,
P_{CC}(A) = 5 \times Rs. 2 = Rs. 10. Also, the total shadow price of ancient necessary labor,
P_{AL}(A) = [Rs. 0.33] \times [30/1] \times [1] = Rs. 10 (approximately); and, the total shadow price of feudal necessary labor, P_{FL}(A) = [Rs. 0.33] \times [30/1] \times [1] = Rs. 10 (approximately). Therefore, the shadow price of the total necessary labor in the enterprise,
P_{NL}(A) = Rs. 10 + Rs. 10 = Rs. 20.

Thus, from equation (1), the total surplus value produced in this ancient enterprise,
S(A) = R_{M}(A) - [P_{CC}(A) + P_{NL}(A)] = Rs. 60 - Rs. 10 - Rs. 20 = Rs. 30.
Therefore, the rate of exploitation (or the rate of surplus value),
S(A)/P_{NL}(A) = Rs. 30/Rs. 20 = 1.5, or, 150 per cent;
and, the value rate of profit,

\footnote{The informal enterprises may reproduce themselves even when they distribute a small amount of the surplus to the outside claimants due to the nature of the informal production process.}

\footnote{Under the simplifying assumptions made in section 2.5, the rate of exploitation is same for all the workers, as, each worker produces same amount of surplus and consumes the same number of use values. This implication holds for the capitalist enterprises as well.}
S(A)/[P_{CC}(A) + P_{NL}(A)] = Rs. 30/[Rs. 10 + Rs. 20] = 1, or, 100 per cent.

From equation (II):

\[ S(A) = \text{Rs. 30} \]
\[ = [\text{DCP}_\text{PROFIT}(A)] + [\text{DCP}_\text{RENT}(A) + \text{DCP}_\text{INTEREST}(A) + \text{DCP}_\text{OTHER}(A)] \]
\[ = [(70/100) \times \text{Rs. 30}] + [(30/100) \times \text{Rs. 30}] \]
\[ = \text{Rs. 21} + \text{Rs. 9} \]

where, the amount of surplus value distributed (or retained) as profit or net surplus is Rs. 21, and the amount distributed to outside claimants distributive class payments in the form of rents, interests, and other payments per day is Rs. 9.

Finally, from equation (III),

\[ S(A) + \text{DCP}(A) + \text{NCR}(A) = \text{Rs.} 30 + \text{Rs.} 8 + \text{Rs.} 2 = \text{Rs. 40} \]
\[ > \text{SDCP}(A) + \text{NCP}(A) = \text{Rs.} 30 + \text{Rs.} 7 = \text{Rs. 37} \]

The “net profit” of the enterprise, i.e., the total retained earning of the enterprise from manufacturing revenues as well as other distributive and nonclass revenues, Rs. 40 - Rs. 37 = Rs. 3. For the informal household enterprises, since the profit or net surplus is also retained within the enterprise, the total net profit (or total retained earning) of the enterprise is Rs. 3 + Rs. 21 = Rs. 24.

**Capitalist enterprise**

For capitalist enterprises, recall from equation 2.6,

\[ R_M (C) = P_{CC}(C) + P_{LP}(C) + P_{NL}(C) + S(C) \]

where, \( P_{CC}(C) = C(C) = EV/UVC_{CC}(C) \times UVC_{CC}(C) \) [from equation 2.8],

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\[ P_{LP}(C) = P_{HL}(C) = V(C) = EV/UV_{CSOL}(C) \times UV_{CSOL}(C)/L_{HL} \times L_{HL} \ [\text{from equation 2.9}], \]

and, \( P_{NL}(C) = \text{NL}_{A}(C) + \text{NL}_{F}(C) = P_{AL}(C) + P_{FL}(C) \ [\text{from equation 2.12}], \) where,

\[ P_{AL}(C) = \text{NL}_{A}(C) = EV/UV_{CSOL}(C) \times UV_{CSOL}(C)/L_{AL}(C) \times L_{AL}(C) \ [\text{from equation 2.10}], \]

and \( P_{FL}(C) = \text{NL}_{F}(C) = EV/UV_{CSOL}(C) \times UV_{CSOL}(C)/L_{FL}(C) \times L_{FL}(C) \ [\text{from equation 2.11}]. \)

Therefore, \( S(C) = R_{M}(C) - [P_{CC}(C) + P_{LP}(C) + P_{NL}(C)] \)

\[ = R_{M}(C) - [EV/UV_{CC}(C) \times UV_{CC}(C)] - [EV/UV_{CSOL}(C) \times UV_{CSOL}(C)/L_{HL} \times L_{HL}] - [EV/UV_{CSOL}(C) \times UV_{CSOL}(C)/L_{AL}(C) \times L_{AL}(C)] - [EV/UV_{CSOL}(C) \times UV_{CSOL}(C)/L_{FL}(C) \times L_{FL}(C)] \quad (IV) \]

Also, from equations 2.15, for this capitalist enterprise,

\[ SV(C) = SDCP(C) = DCP_{PROFIT}(C) + DCP_{RENT}(C) + DCP_{INTEREST}(C) + DCP_{OTHER}(C) \quad (V) \]

where \( DCP_{PROFIT}(C) \) is the profit income or the “net surplus” of the enterprise. The rest is distributed to claimants over surplus who are located outside the enterprise.

Finally, from equation 2.18,

\[ S(C) + DCR(C) + NCR(C) = SDCP(C) + NCP(C) \quad (VI) \]

Assume the following:

The total number of use values produced and sold per day in a capitalist enterprise, \( UV_{CC}(C) = 20; \) the total number of use values consumed per day by an worker in this enterprise, \( UV_{CSOL}(C) = 50; \) the total number of workers in this enterprise is 7, of whom the number of hired workers, \( L_{HL}(C) = 4, \) the number of ancient workers (say, the working owner), \( L_{AL}(C) = 1, \) and the number of feudal workers (other household workers), \( L_{FL}(C) = 2; \) and the total revenues for the enterprise from manufacturing, \( R_{M} \)
(C) = Rs. 700. Also, the exchange value per unit use value (or “price”) of the commodities used as constant capital per day in this enterprise, EV/UVCC(C) = Rs. 8; and the exchange value per unit use value (or “price”) of the commodities consumed per day by a worker in this enterprise, EV/UVCSOL(C) = Rs. 0.60. Also, assume that 43 percent of the total surplus value of the enterprise is distributed to claimants over surplus who are located outside the enterprise, and the remaining 57 percent is retained within the enterprise as “net surplus.” Finally, assume that distributive class receipts of the enterprise, DCR(C) = Rs. 50; nonclass receipts, NCR(C) = Rs. 20, and the nonclass payments, NCP(C) = Rs. 40.

Therefore, the total cost of the means of production in this enterprise, 
PCC(C) = 20 x Rs. 8 = Rs. 160. Also, the total price (or wage) of hired labor, 
PHL(C) = PLP(C) = [Rs. 0.60] x [50/4] x [4] = Rs. 30; the total shadow price of ancient necessary labor, PAl(C) = [Rs. 0.60] x [50/1] x [1] = Rs. 30; and, the total shadow price of feudal necessary labor, PFL(C) = [Rs. 0.60] x [50/2] x [2] = Rs. 30. Therefore, the shadow price of the total necessary labor of the unpaid (ancient and feudal) workers in the enterprise, PNL(C) = Rs. 30 + Rs. 30 = Rs. 60.

Thus, from equation (IV), the total surplus value produced in this capitalist enterprise, 
S(C) = SC = RM (C) - [PCC(C) + PLP(C) + PNL(C)] = Rs. 700 – [Rs. 160 + Rs. 30 + Rs. 60] = Rs. 450.

Therefore, the rate of exploitation (or the rate of surplus value), 
S(C)/[PLP(C) + PNL(C)] = Rs. 450/(Rs. 30 + Rs. 60) = 5, or, 500 per cent;

and, the value rate of profit,
S(A)/[P_{CC}(C) + P_{LP}(C) + P_{NL}(C)] = Rs. 450/[Rs. 160 + Rs. 30 + Rs. 60] = 1.8, or, 180 per cent.

From equation (V):

\[ S(C) = Rs. 450 \]
\[ = [DCP_{PROFIT}(C)] + [DCP_{RENT}(C) + DCP_{INTEREST}(C) + DCP_{OTHER}(C)] \]
\[ = [(57/100) \times Rs. 450] + [(43/100) \times Rs. 450] \]
\[ = Rs. 257 + Rs. 193 \]

where, the amount of surplus value distributed (or retained) as profit or net surplus is Rs. 257, and the amount distributed to outside claimants distributive class payments in the form of rents, interests, and other payments per day is Rs. 193.

Finally, from equation (VI),

\[ S(C) + DCR(C) + NCR(C) = Rs. 450 + Rs. 50 + Rs. 20 = Rs. 520 \]
\[ > SDCP(C) + NCP(C) = Rs. 450 + Rs. 40 = Rs. 490 \]

The “net profit” of the enterprise, i.e., the total retained earning of the enterprise from manufacturing revenues as well as other distributive and nonclass revenues, Rs. 520 - Rs. 490 = Rs. 30. For the informal household enterprises, since the profit or net surplus is also retained within the enterprise, the total net profit (or total retained earning) of the enterprise is Rs. 30 + Rs. 257 = Rs. 287.

In the following chapters, I employ this particular Marxian accounting framework to analyze the flows of necessary and surplus labor in the form of costs and payments, and, thus, to produce a class knowledge of the informal manufacturing enterprises in India.
CHAPTER 3:
SURPLUS IN INFORMAL MANUFACTURING ENTERPRISES:
A MARXIAN ANALYSIS

3.1. Introduction

In this chapter, I develop a particularly Marxian analysis of the informal economy in India, which employs the vast majority of manufacturing workers in that country. My focus is on the surplus produced and appropriated in the informal manufacturing enterprises.37 I apply the accounting framework developed in the previous chapter to recent data on the informal manufacturing enterprises in India to produce a class analysis of informal manufacturing in India. I calculate the amount of surplus qua surplus labor produced and appropriated, and the rate of exploitation and rate of profit in these enterprises. Through this analysis, I show that the informal manufacturing sector is a site of heterogeneous class processes, within which noncapitalist and capitalist spaces can be

37 The informal manufacturing sector in India “consists of all unincorporated private enterprises owned by individuals or households engaged in the… production of goods and services operated on a proprietary or partnership basis and with less than ten total workers” (NCEUS, 2008: 41). There are about 17 million such enterprises in India (see Appendix C, Table C.1).

The informal manufacturing enterprises employed more than 32 million workers in 2005-06 (see Appendix C, Table C.3), whereas the manufacturing enterprises in the formal sector employed 9 million workers (ASI, 2005-06: Ministry of Statistics and Programme Implementation, 2006). Thus, informal manufacturing enterprises employed more than 78 percent of all manufacturing workers. I discuss in detail the extent of noncapitalism in the informal manufacturing sector later in this chapter.
clearly distinguished in terms of how the surplus is produced and appropriated, and how incomes generated. This sets the grounds for concrete class analysis of the noncapitalist economic space of the surplus population.

In this chapter, I use the class-theoretic framework to analyze the latest available disaggregated enterprise-level data – based on the 62nd Round Socio-Economic Survey (July 2005 – June 2006), carried out by the National Sample Survey Organization (NSSO) – on the production processes in the informal manufacturing enterprises in India. Such a detailed class analysis of the informal economy has never been attempted before. Analyzing the production processes in these informal enterprises, I advance the following five arguments:

(a) The informal manufacturing sector is not a homogeneous, nonclass economic space, but rather a site of heterogeneous class processes, encompassing capitalist, feudal, and ancient appropriative class processes. It includes small capitalist enterprises that partly exhibit noncapitalist class processes, as well as noncapitalist enterprises exhibiting multiple class processes. These noncapitalist enterprises constitute the vast majority (about 90 percent) of all informal manufacturing enterprises. Thus the informal economy cannot be posited as a site that lies beyond the scope of class-based analysis, i.e., as an economic domain marked by only nonclass economic activities that are based on the general (nonclass) economic “needs” of the individuals or communities inhabiting this domain.
(b) The informal manufacturing enterprises (both capitalist and noncapitalist) are capable of producing, appropriating and realizing surplus qua surplus labor. Thus, the informal manufacturing sector is not part of a subsistence economy that is unable (or not motivated) to produce surplus but, rather, an economic site that produces and appropriates surplus qua surplus labor through different appropriative class processes.

(c) The capitalist and noncapitalist spaces in the informal manufacturing sector can be clearly delineated in terms of their capacity to realize surplus qua surplus labor, and to generate income for the workers, including working owners and other household workers.

(d) The noncapitalist enterprises produce and appropriate a low level of surplus, and thus have significantly lower ability to secure their various conditions of existence and reproduction than the capitalist enterprises. Thus the noncapitalist enterprises, in spite of being the major segment within the manufacturing sector and employing majority of the workers, may have a lower effectivity within the economic formation.

(e) The average amounts of surplus produced as well as the rate of exploitation in the informal capitalist enterprises are substantially higher than in the noncapitalist enterprises.

In rest of this chapter, I apply the Marxian class-theoretic framework to the data on informal manufacturing enterprises to calculate the magnitudes of gross surplus produced and distributed in these enterprises, the rates of exploitation, and the rates of
profit. I discuss some important definitions/concepts used in the analysis, present details of the source and nature of the data, and show some major operational characteristics of the informal manufacturing enterprises in Appendix B and Appendix C.

3.2. Data issues and an alternative representation

The empirical analysis is based on the latest available disaggregated data (for 2005-2006) on the informal manufacturing enterprises in India. The source of the data is the 62nd Round Socio-Economic Survey (July 2005 – June 2006), carried out by the National Sample Survey Organization (NSSO) in India. NSSO surveyed a sample of 82897 unorganized manufacturing enterprises, i.e., all manufacturing enterprises that are not covered by the Annual Survey of Industries carried out by the Government of India, and hence do not fall under the purview of the major industrial and labor legislations (or where such legislations are not legally enforced). 38 This survey covers 24 different types of industries, providing details about the operational characteristics, employment, assets and borrowings, inputs and outputs, and value added in the enterprises. 39 The present analysis is based on a subset of 77365 enterprises from this data-set (about 93 percent of the sample enterprises) that conform to the internationally accepted definition of informal enterprises, as well as have adequate data on all the major characteristics of the

38 See Appendix A for details on the differences between the concepts of “unorganized” and “informal” sectors. The informal manufacturing sector, as defined in footnote 1, is a subset of this unorganized manufacturing sector.

39 The industries are classified under National Industrial Classification 2004 (NIC 2004). See Appendix B for descriptions of the different industry types (Table B.1), as well as for other details on the data source.
enterprises. The analysis is carried out in terms of population estimates from this sample, with the total number of informal enterprises in India estimated to be 16,798,700. Details on the process of data selection, and the size and some important characteristics of the informal manufacturing sector are provided in Appendix B.

All income and cost calculations are reported in terms of the Indian national currency, rupees (Rs.). The exchange rate of rupees to 1 US dollar in terms of purchasing power parity (PPP) in 2005 was 14.67, and the average nominal exchange rate for 2005 was $ 1 = Rs. 44.10 (World Bank, 2008b: 24).

The informal enterprises are highly heterogeneous in terms of the costs incurred and the incomes generated in the production process. The mean values for costs and incomes – revenues from output (R_M), costs of means of production (P_CC), and price of labor power (P_LP) – for all the enterprises taken together, and for all ancient or capitalist enterprises taken separately, do not portray the actual characteristics of an average enterprise. The standard deviations from these mean values are extremely high, signifying the presence of many outliers. So, to get a proper measure of these characteristics for an “average” enterprise, I use the median values in most of the following analysis.

The values for different measures calculated and reported here are different from the values that may be derived from the aggregate results reported by NSSO, which are the empirical basis for most of the available representations of the informal economy in India. First, the latest data (62nd Round of NSSO, 2005-06) are based on the unorganized
sector, which, by definition, is different from the informal sector.\textsuperscript{40} So the data need to be suitably selected to analyze the informal enterprises. While, as I note above, the informal enterprises comprise 93 percent of the entire unorganized sector, the existence of some large firms that are part of the unorganized sector but are not informal enterprises creates an upward bias in the reports. For example, while NSSO (2007b: A-71) reports the average (mean) cost of raw materials for unorganized enterprises is to be Rs. 156923, for the informal enterprises only, I find the mean cost to be Rs. 47221, or about 30 percent of that of the unorganized enterprises. Second, the NSSO results are based on mean values, which, as noted above, are problematic in the context of the informal manufacturing sector. For example, while 54 percent of the enterprises do not report any positive expenditure on procuring raw materials, due to the existence of some outliers at the top percentile of enterprises, the average (mean) expenditure on raw materials for the informal manufacturing sector is reported to be a significantly high number (Rs. 47221), with the standard deviation being 12 times the mean (Rs. 574591). Or, for example, for the Directory Manufacturing Enterprises (DMEs), the mean value for receipts from manufacturing (Rs. 951757) is 13 times the median value (Rs. 73500).

By identifying the informal enterprises and working with the median values for different variables from the disaggregated, unit-level data set on the unorganized manufacturing sector, I present a different empirical representation of the informal economy.

\textsuperscript{40} See Appendix A for details on the differences between the concepts of unorganized and informal sectors.
However, it is not the purpose of this analysis to calculate precise measures for various characteristics of the informal enterprises. Rather, my purpose here is to produce a class reading of the payments generated in the production process through the performance of necessary and surplus labor (along with the payments for means of production) – to produce a class-qua-surplus-based analysis of the informal manufacturing sector. Through this analysis, I produce an alternative account/representation of the informal economy in India that is absent – erased – in the available literature.41

3.3. Classification of informal manufacturing enterprises

The informal manufacturing enterprises are not categorized in the data in terms of their dominant ACPs, but rather in terms of the number of workers in an enterprise as well as the presence or absence of wage labor. As mentioned earlier, the three enterprise types categorized in the data are: own-account manufacturing enterprises (OAMEs) that do not employ any hired worker on a regular basis; non-directory manufacturing enterprises (NDMEs) that employ at least one hired worker, but the total number of

41 Throughout this analysis, whenever I produce or cite specific figures for various estimates, I do not imply that these figures are the “only true” representations of the “reality” (the “concrete-real”) of the social formation. Rather, such numbers should be read as some indicative figures on the total magnitudes of different categories, produced under a specific method of calculation and a particular (discursive) interpretation of the social formation (as a “thought-concrete”). In this analysis, my purpose is to produce a specific logically coherent analysis of an aspect of informal manufacturing in India, to lay out the implications arising from this analysis, and to show the importance of this particular analysis in terms of its implications. In this process, the numbers and figures cited/produced here play a dual role in the analysis: they are, at one moment, the source material on which the analysis is based, while, at another moment, an illustration of the actuality (or the “this-sidedness”) and the importance of the specific story produced through this analysis.
workers in each enterprise is less than six; and directory manufacturing enterprises that employ at least one hired worker and the total number of workers in each enterprise is at least six (and at most nine, since that is the upper threshold for an informal enterprise according to definition).  

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In the Tables 3.1 and 3.2, I classify the enterprises according to their dominant ACPs. As discussed in the previous chapter, all the OAMEs, as well as those NDMEs and DMEs in which the total number of household workers (including the working owners) are greater than the number of hired workers, are classified as ancient enterprises. The rest of the NDMEs and DMEs are classified as capitalist enterprises.

Table 3.1 shows that a vast majority – 89.6 percent – of all informal manufacturing enterprises are dominantly ancient noncapitalist enterprises. 97 percent of these enterprises are OAMEs, 2.8 percent are NDMEs, and only 0.2 percent are DMEs. Only 10.4 percent of informal manufacturing enterprises are dominantly capitalist enterprises, of which about 76 percent are NDMEs, employing less than six total workers, and 24 percent are DMEs, employing 6 - 9 total workers (including the household workers).

Further, all the OAMEs, about 24 percent of the NDMEs, and 7 percent of the DMEs are classified here as dominantly ancient enterprises (showing the existence some comparatively large ancient enterprises employing more than five total workers), whereas about 76 percent of NDMEs and 93 percent of the DMEs are classified as dominantly

42 See Tables C.2 in Appendix C for number and percentage distribution of the enterprises in terms of such enterprise types across regions (rural or urban).
capitalist enterprises. Given that there about 16.7 million informal manufacturing enterprises, it follows that about 15 million of these enterprises are ancient, while about 1.7 million are capitalist enterprises. The ancient enterprises employ about 25 million workers including the working owners and other household workers, i.e., about 78 percent of all workers (32 million) in informal manufacturing, while the capitalist enterprises employ about 7 million workers, i.e. about 22 percent of all workers.

**TABLE 3.1**

**PERCENTAGE DISTRIBUTION OF INFORMAL MANUFACTURING ENTERPRISES IN TERMS OF DOMINANT APPROPRIATIVE CLASS PROCESSES**

<table>
<thead>
<tr>
<th></th>
<th>OAME</th>
<th>NDME</th>
<th>DME</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ancient</td>
<td>100</td>
<td>24.1</td>
<td>7</td>
<td>89.6</td>
</tr>
<tr>
<td></td>
<td>(97)</td>
<td>(2.8)</td>
<td>(0.2)</td>
<td>(100)</td>
</tr>
<tr>
<td>Capitalist</td>
<td>0</td>
<td>75.9</td>
<td>93</td>
<td>10.4</td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(76.3)</td>
<td>(23.7)</td>
<td>(100)</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses represent the percentage share of OAME, NDME, and DME within ancient and capitalist enterprises.

Table 3.2 shows that while vast majority of the ancient (about 75 percent) and the total number (about 71 percent) of informal manufacturing enterprises are located in the rural regions, a majority (about 62 percent) of the informal capitalist enterprises are located in the urban regions. The fact that large majority of the informal manufacturing
enterprises are rural enterprises *negates* the commonly shared myth that the informal sector, especially informal manufacturing sector, is intrinsically an urban phenomenon.

<table>
<thead>
<tr>
<th></th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ancient</td>
<td>75.2</td>
<td>24.8</td>
<td>100</td>
</tr>
<tr>
<td>Capitalist</td>
<td>38.3</td>
<td>61.7</td>
<td>100</td>
</tr>
<tr>
<td>All enterprises</td>
<td>71.4</td>
<td>28.6</td>
<td>100</td>
</tr>
</tbody>
</table>

**TABLE 3.2**

PERCENTAGE DISTRIBUTION OF ANCIENT AND CAPITALIST INFORMAL MANUFACTURING ENTERPRISES ACROSS REGIONS (RURAL/URBAN)

3.4. Cost of means of production, or the constant capital

The median value of constant capital, or the average (median) cost of the means of production, per enterprise, for ancient and capitalist enterprises – \( P_{CC}(A) \) and \( P_{CC}(C) \) – is calculated here.\(^{43}\) The costs of the means of production include the costs or expenses incurred for the following items (a) depreciation and minor repairs and maintenance of

\(^{43}\) There is wide variation within the informal manufacturing sector in terms of the types of commodities produced and the levels of specialized tools, machinery, and other fixed capital required to carry out production. Types of industries within the informal economy range from manufacturing of tobacco products, which does not require advanced machinery, to manufacturing of motor vehicles, trailers, and semi-trailers, which involve relatively high level of advanced technology. I calculate the median values for costs of means of production for ancient and capitalist enterprises separately.
fixed capital, including land and building, plant and machinery, transport equipment, software and hardware, tools, etc., and rent paid on fixed capital except that on land and building; (b) raw materials consumed; (c) electricity charges; (d) fuels and lubricants; (e) travelling, freight and cartage (transport) expenses directly related to the process of production; and, (f) communication and stationary expenses also directly related to the production process.\textsuperscript{44} These means of production, produced through past labor, are partially or wholly used up in the production process as constant capital, and they pass their value (or part thereof) directly to the final commodity produced.

3.4.1. Means of production without costs

Interestingly, many enterprises do not report any expenditure on various items of means of production.\textsuperscript{45} First, about 54 percent of all the enterprises – 56 percent of ancient and 38 percent of capitalist enterprises – do not report any positive expenditure on raw materials. This is misleading since, being manufacturing enterprises, all of these enterprises must use some raw material in their production process. The enterprises may either (a) receive the raw materials for free from the enterprises or households who order

\textsuperscript{44} I determine the criteria for inclusion of different items of expenditure for calculating the constant capital following Marx’s extensive discussions on this issue in Capital, volume 2, especially chapters 8, 10, and 11 (Marx, 1981a). Briefly, the means of production include both the \textit{means of labor} (fixed capital like plants, buildings, machinery, etc.) that are partly used up through depreciation in the production process, and the \textit{material of labor} (part of circulating capital like ancillaries, raw materials, fuel, etc.) that are totally used up in the production process.

\textsuperscript{45} Here I calculate and impute the costs of three different items of means of production – raw material, electricity charges, and rents on machinery and equipments – which are consumed in the production process without incurring any expenses for many firms. The expenditures on the other items of means of production may be similarly under-reported. But in the absence of credible data to verify whether the enterprises are \textit{actually} under-reporting these specific items, I do not make any imputations for them.
and buy the commodities from them (under contractual relation or in the market), i.e., from consumers of the commodities produced, or (b) collect the raw materials for free from nature and other common property resources. 51 percent of the enterprises that do not report any cost of raw materials work on contract, and almost all (about 95 percent) of these enterprises receive raw materials from contractors without paying any cost, and thus do not have any expenditure on raw materials. 49 percent of the enterprises that do not report any cost on raw materials do not work on contract. Of this group of enterprises, about 44 percent (i.e., 19 percent of all the enterprises that do not report any cost of raw materials) have the same source and destination agencies for their inputs and outputs respectively, and they often do not have to make any payment at the time of procuring the raw materials. This cost of inputs may then be adjusted against the sale receipts of the final output. Of the 56 percent of the enterprises that do not report any cost on raw materials and do not work on contract (i.e., of the 30 percent of all the enterprises that do not report any cost of raw materials), about 21 percent of enterprises are in such industries where the final consumers of the output provides the raw materials for production (examples of such production activities include custom tailoring and carpentry). The remaining 79 percent of enterprises do not specify any source agency for their raw materials. These enterprises may collect raw materials for free from nature and other common property resources. Thus, there is no constant capital advanced for the raw materials used in production in these enterprises, though for the enterprises that buy raw materials from the market, these constitute a major part of their total production costs.
Second, about 47 percent of all enterprises – about 51 percent of ancients and 11 percent of capitalists – do not report any payments for electricity, even though they have electricity connections. These enterprises may procure electricity connections by illegally hooking into the electric lines of other enterprises or households. This is a common feature for marginal and small enterprises. Thus, there is no constant capital advanced for the cost of electricity for these enterprises as well.

Third, about 5 percent of all enterprises (6 percent of ancients and 3 percent of capitalists) receive tools, machinery and other equipments at no cost from contractors for whom they produce.\textsuperscript{46} These enterprises do not pay any rent for such equipments, and thus do not have to incur any costs in this regard.

The access of an enterprise to raw materials without incurring any costs may also be analyzed in terms of distributive class revenues (DCR) or nonclass revenues (NCR) of the enterprise. By getting some means of production for free or below their value, the enterprise is actually receiving a flow of labor time (the differential, in terms of labor time, between the actual value and the price paid for the items) from the sites where these items are produced. These would be DCR if, for example, the enterprise provides some conditions of existence of an ACP in the site from which it receives the items below their value. These flows, on the other hand, will be NCR if they are not related to the ACP in the other site. In many such cases, however, the enterprises will be required under contract to sell back the produced commodities below their value to the enterprise or

\textsuperscript{46} About 32 percent of all enterprises – 32 percent of ancient and 27 percent of capitalist enterprises – work under contract with other enterprises or households.
household that advanced the means of production. In other cases, they may sell the commodities in the market below their value (not reflecting the actual value of means of production) in order to remain competitive. In either case of nonequivalent exchange, the enterprise will have to make distributive class payments (DCP) or nonclass payments (NCP).47

3.4.2. Median costs of means of production

In Table 3.3, I present the median values for expenditures on different items of means of production, as well as the total expenditure, for the ancient and capitalist enterprises separately and for all informal manufacturing enterprises.

The extremely low median cost of means of production used up in the informal manufacturing enterprises – Rs. 2040, or about PPP$ 139, for the entire year – reflects the low median costs in the ancient enterprises (Rs. 1560, or about PPP$ 106) that make up 90 percent of all the enterprises. The raw materials comprise the biggest share of all the costs of means of production for all the enterprises, though the median ancient enterprise does not make any payments for this. Here I assume a depreciation of fixed capital at the rate of 5 percent.48 There is a marked difference between the median ancient and the

47 However, in the calculation of DCR and NCR later in this chapter, I do not include such imputations, as corresponding figures for DCP and NCP are not available from the data. Given the data, it is not possible to identify the enterprises that sell their commodities below their values, thereby making a DCP or a NCP.

48 The notional rate of depreciation in the informal enterprises as considered by the owners should be much less than the rate of depreciation reported for accounting purposes in the formal sector industries. The rate of depreciation reported for the formal industries in 2005-06 was about 9 percent (ASI, 2005-06: Ministry of Statistics and Programme Implementation, 2006). I assume that the informal enterprises, on an
capitalist enterprises as the median cost for the capitalist enterprises (Rs. 40668, or about PPPS 2772) is more than 26 times that for the ancients.

TABLE 3.3

MEDIAN EXPENDITURE (RS.) ON MEANS OF PRODUCTION IN INFORMAL MANUFACTURING ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises: P_{CC}(A)</th>
<th>Capitalist enterprises: P_{CC}(C)</th>
<th>All enterprises: P_{CC}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation on fixed capital owned(^1)</td>
<td>475</td>
<td>2700</td>
<td>525</td>
</tr>
<tr>
<td>Minor repairs and maintenance</td>
<td>60</td>
<td>960</td>
<td>72</td>
</tr>
<tr>
<td>Rent on tools and machinery</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Raw material</td>
<td>0</td>
<td>11400</td>
<td>0</td>
</tr>
<tr>
<td>Electricity</td>
<td>0</td>
<td>3480</td>
<td>0</td>
</tr>
<tr>
<td>Fuel and lubricant</td>
<td>60</td>
<td>600</td>
<td>72</td>
</tr>
<tr>
<td>Travelling, freight, and transport</td>
<td>0</td>
<td>864</td>
<td>0</td>
</tr>
<tr>
<td>Communication</td>
<td>0</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>Stationary</td>
<td>0</td>
<td>120</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>1560</td>
<td>40668</td>
<td>2040</td>
</tr>
</tbody>
</table>

Note: (1) Depreciation is calculated at a rate of 5 percent of all the fixed capital owned – plant and machinery, transport equipment, software and hardware, and tools and other fixed assts.

average, use their fixed capital for roughly twice the length of period compared to that by the large-scale formal enterprises.
The low value for the means of production in the ancient enterprises signifies that these enterprises do not use any advanced machinery, and thus they are limited in their ability to generate relative surplus value by increasing productivity. Instead, in order to produce enough surplus to ensure their conditions of existence, the ancients may reduce their consumption basket below the customary standard of living and thus depress the value of their labor power, as well as work for longer hours to produce more absolute surplus value.

3.5. Necessary labor and the price of labor power

As discussed in chapter 2, the price of the necessary component of labor (or wages) in the ancient enterprises needs to be imputed. Recall, from equation 2.12, the total imputed wage, or shadow wage, of the ancient enterprises – $P_{NL}(A)$ – is the sum of the imputed price of necessary labor for working owners [$P_{AL}(A)$] and that for other household workers [$P_{FL}(A)$]. Similarly, the price of labor power in the capitalist enterprises is the price of labor power [$P_{LP}(C)$] for hired workers plus the shadow price of necessary labor [$P_{NL}(C)$] for working owners and other household workers. Again recall, from equation 2.13:

$$P_{LP}(C) + P_{NL}(C) = P_{HL}(C) + P_{AL}(C) + P_{FL}(C)$$

3.5.1. Imputation of shadow wages

The shadow prices are imputed to get an idea about the actual amount of surplus as a measure of surplus labor performed. Without imputing the shadow wages, the
amount of surplus would have been high, but a part of the surplus that is equivalent to the shadow wages would be spent by the household workers on expenditures in reproducing their ability to work. However, as noted earlier, the price of labor (actual or imputed) for each worker can be different from the value of labor power as measured in terms of the customary standard of living. This issue is discussed in detail below.

For enterprises that employ at least one hired worker as well as ancient and feudal labor, i.e., for NDMEs and DMEs where the owner or other household members also work without any wages, I assume the shadow wage of each unpaid worker is equal to the mean reported wage of the hired workers in that enterprise. Therefore, for these enterprises, the total price of labor power (reported plus imputed) will be equal to the total wage of hired workers, plus the mean wage per hired worker times the total number of ancient and feudal workers.

For enterprises that do not employ wage labor, i.e., for OAMEs, I use the following method for calculating the shadow wages of the ancient and feudal household workers. Given the wide differences in urban and rural wages in India, I make separate calculations for rural and urban enterprises. Also, I make the calculations on the basis of the assumption that in enterprises with same GVA per worker on an average, the wages per worker would be equal. First, I calculate the GVA per worker for the OAMEs in each of the 24 industry divisions. Then I distribute the OAMEs in each region and each industry in 20 equal groups based on percentile values of GVA per worker, and note the range of values for GVA per worker for each group. Second, for corresponding ranges for GVA per worker for NDMEs (small enterprises employing at least one wage worker) in
each region and industry, I record the average (median) emoluments (salaries/wages and other individual and group benefits for workers) per worker in the enterprises in that group. These median values of emolument per worker are imputed as shadow wages per unpaid worker for the OAMEs in the corresponding industries and regions. Finally, I derive the total shadow price of labor for ancient and feudal workers in each enterprise by multiplying these shadow wages per worker by the total number of ancient and feudal workers, respectively, in the enterprises.\(^{49}\)

3.5.2. Median wages

In Table 3.4, I present the median total wages – actual wages and imputed shadow wages – for hired (wage labor), ancient and feudal labor for ancient and capitalist enterprises. The average number of workers in the ancient enterprises is 1.6. The total imputed shadow wages, on an average (median), for working owners \(P_{AL}(A)\), participating in the ancient ACP, and other unpaid household workers, participating in the feudal ACP, in the ancient enterprises is Rs. 8460 (about PPP$ 577). The median shadow wages per worker in an ancient enterprise is Rs. 5260, or about PPP$ 359. This shows that if the household workers in the ancient enterprises received the same wages earned by hired workers in the same kind of work in enterprises with similar characteristics, and if they did not have any other sources of income, each worker will have to subsist on an

\(^{49}\) For the purpose of these imputations, two part-time workers are counted as one full-time worker.

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income of less than $1/day (PPPS 0.98/day), i.e., below the international poverty line of 
PPPS 1.25/day.

**TABLE 3.4:**

MEDIAN TOTAL WAGE (REPORTED AND IMPUTED) PER ENTERPRISE AND 
PER WORKER\(^1\) IN INFORMAL MANUFACTURING ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th>Ancient enterprises (Rs.)</th>
<th>Capitalist enterprises (Rs.)</th>
<th>All Enterprises (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imputed shadow wage ([P_{NL}(A)]): (P_{AL}(A)) + Feudal labor ([P_{FL}(A)])</td>
<td>Total paid wage ([P_{LP}(C)]) for hired workers: (P_{HL}(C))</td>
<td>Imputed shadow wage ([P_{NL}(C)]): (P_{AL}(C)) + Feudal labor ([P_{FL}(C)])</td>
</tr>
<tr>
<td>8460 (5260)</td>
<td>38400 (18000)</td>
<td>19020 (18000)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses represent median wages (paid or imputed) per worker.

These wages (actual or imputed) are flows of payments arising out of the 
performance of necessary labor. But these wages may be below the actual value of labor 
power as it may not be possible to attain the customary standard of living at these 
incomes. However, these workers (working owners and unpaid household workers) may 
be able to receive a higher income if the enterprise produces and retains a positive 
surplus, which can be distributed within the household by the owners. The household can

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then maintain a standard of living at a level above the poverty line by virtue of its
distributive class position as an owner of the enterprise (i.e. owned by a family member).

The average number of hired workers in an informal capitalist enterprise is 2.1,
the average number of household workers is 1.1, and that of total workers is 3.3. The
median total wage for hired workers is Rs. 38400 (about PPP$ 2618), the imputed wage
for working owners and other household workers is Rs. 19020 (approximately PPP$ 1297), and the median total wage in the enterprise (actual and imputed) for performing
labor is Rs. 59400 (approximately PPP$ 4049). Total wages for hired workers constitute
about 65 percent of the total imputed wages for a median enterprise, with the total
notional wages of the household workers being 50 percent of the total wages for the hired
workers. The total scale of the informal capitalist enterprises is significantly larger than
that of the ancient enterprises. *The median wage income for each worker in the capitalist
enterprise is Rs. 18000 (about PPP$ 1277), or more than 3 times the international
poverty line, which is significantly higher than the shadow wages for workers in the
ancient enterprises.* It is reported that in 98.5 percent of these small capitalist enterprises,
the owners also directly participate in the labor process as workers. These working
owners control the total surplus produced, and, due to their distributive class position as
owners, they can earn much greater income than the hired worker by distributing a part of
the surplus to themselves.

The median wages per enterprise (actual and shadow wages) in all the informal
manufacturing enterprises taken together closely reflect that in the ancient enterprises,
which make up about 90 percent of the entire informal manufacturing sector.
3.6. Revenues from commodity production, and value of output

The total price of the output or the commodities produced in the informal manufacturing enterprises is the per unit price of the commodities multiplied by the number of units sold. This is reported as the receipts or revenues ($R_M$) of the enterprises directly from their manufacturing activities, i.e., through sale of the produced commodities, as well as receipts from manufacturing services provided to other enterprises and households. The receipts from manufacturing services can be earned either through subcontracting relations with other enterprises, industrial or otherwise, or by performing manufacturing services for households and individuals. In the first case, the commodities are not sold to the final consumers in the market, but either to other productive enterprises as intermediate products to be used up in their production process, or to intermediaries who, in turn, will sell the commodities to the final consumers. In the second case, the commodities are sold directly to the final consumers.

The total manufacturing receipts of an enterprise is a flow of payments for the past labor embodied in the means of production, and the living labor – both necessary and surplus labor – performed in the production process. However, these revenues may actually be more or less than the total value of the commodities depending on demand-supply conditions or market power. If, for example, the informal enterprises face intense competition from the bigger capitalist formal sector firms, they may be forced to sell their output at a price lower than the value, just to be able to survive in the market. This may lead the enterprise to pay a wage to the hired workers, or a distributed income to the household workers, below the value of their labor power – forcing the workers to live
below the customary standard of living. If this situation persists over a considerable period of time, the customary standard gets diminished, and the value of labor power falls. If the price of the commodity produced is less than its value, and if the price of labor power (actual or notional) is proportionally less than the value of labor power, the share of total surplus in the value added by living labor remains proportionally same (since, \( W = C + V + S \), and, value added = \( W - C = V + S \)).

3.6.1. Imputations

In order to get an approximate (notional) value of output of the commodities under the assumption of equivalent exchange, the following imputations need to be made. For the enterprises that do not directly sell their output to the final consumers, the \textit{trade margins} earned by the intermediaries also need to added to the total price to get an approximate measure of the final market price (or value) of the output.\textsuperscript{50} The trade margins are distributed shares from the surplus values to the intermediaries. In the case of the enterprises that directly sell their output to the final consumers, the trade margins are already incorporated in the manufacturing receipts of the enterprises. I impute retail trade margins for the 24 industry divisions separately from those reported in the data on the small trading units, reported in NSSO’s 53\textsuperscript{rd} round survey of small trading units for 1997

\textsuperscript{50} Trade margin for a commodity is defined as the percentage gain in the sale price over its purchase price.
(the latest period for which data is available). The trade margins for all the industry divisions are reported in Appendix C, Table C.7.\footnote{The enterprises may, however, be a part of a long subcontracting chain where the produced commodities may go through several intermediaries or nodes before reaching the final consumer. The informal manufacturing enterprises are frequently part of such subcontracting chains (see, for example, Balakrishnan, 2002; Siggel, 2010; etc.). In these cases, each layer of intermediaries will add a margin to the purchase price of the commodity. If the final sale price of a commodity to the actual consumer reflect the value of the commodity, \textit{all} such trade margins need to be added to the initial price at which the original enterprise sold the commodity to an intermediary. Due to the unavailability of any data on the final market price for commodities produced in \textit{informal} enterprises, or on the number of intermediaries involved in the journey of a commodity from any particular enterprise to a final consumer, all such additional trade margins cannot be imputed. Thus the values calculated here may have a downward bias.} 

3.6.2. Median manufacturing receipts, and values of output

In Table 3.5, I present the median manufacturing receipts or revenues ($R_M$), i.e., the total price of output, and the median \textit{notional} value of output, and the trade margins for enterprises selling their output to intermediaries. The average (median) total price of output for ancient enterprises is Rs. 13800 (PPP$ 941), whereas the notional value of output (if the market prices were determined by equivalent exchange) is Rs. 14760 (PPP$ 1006). The notional value of the output is then about 7 percent more than the actual market price of the output. For the capitalist enterprises, the notional value (Rs. 179490 or PPP$ 12235) is about 10 percent more than the total price of output (Rs. 162864 or PPP$ 11102). For all informal manufacturing enterprises combined, the notional value of output (Rs. 18000 or PPP$ 1227) is 7 percent more than the total market price (Rs. 16800 or PPP$ 1145).
TABLE 3.5:
MEDIAN MANUFACTURING RECEIPTS AND NOTIONAL VALUE OF OUTPUT
(RS.) IN INFORMAL MANUFACTURING ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises</th>
<th>Capitalist enterprises</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total price (receipts) from output ($R_M$)</td>
<td>13800</td>
<td>162864</td>
<td>16800</td>
</tr>
<tr>
<td>Notional value of output</td>
<td>14760</td>
<td>179490</td>
<td>18000</td>
</tr>
</tbody>
</table>

As observed earlier, the scale of the median capitalist enterprise is significantly larger than that of the median ancient enterprise. The median total price of output, or the total manufacturing receipts, of the capitalist enterprises is 12 times higher than the total price of the ancient enterprises. The notional value of output in the capitalist enterprises is also greater than that in the ancient enterprises by a similar magnitude (12 times).

The capitalist enterprises produce more units of commodities per enterprise, and spend much higher amounts on means of production and wages compared to the ancient enterprises, thereby accounting for much of the differences in the total receipts or values of output. However, another possibility is that a capitalist enterprise can command a (higher) price in the market that is closer to the actual per unit value of their commodities, while an ancient firm is forced to sell its commodities at a (lower) price below the per unit value in order to be able to access the market. This unequal exchange of ancient commodities implies that the ancient enterprises are not able to realize the
entire surplus value, and there is a flow of labor-time from these enterprises to other sites without an equivalent receipt in return. This will also create a downward pressure on the incomes of the owners and household workers, which may force the ancient producers to subsist below the customary standard of living.

3.7. Surplus

After making the above calculations for total receipts ($R_M$) or total value of output, the total costs of means of production ($P_{CC}$), and the actual and imputed values of paid and unpaid labor ($P_{LP}$ and $P_{LP}$) for ancient and capitalist enterprises, it is now possible to calculate the surplus ($S$) produced in the enterprises through the performance of surplus labor.

This nominal value of surplus represents the gross income generated by an enterprise by selling the surplus product that is produced through the performance of surplus labor by the workers. This surplus, in turn, is distributed to various entities (landlords, money lenders, and others) to secure the conditions of existence of the enterprise, i.e., to ensure the conditions of existence of the (dominant) ACP in the enterprise. An informal enterprise distributes this surplus to various entities – to landlords as rent; to money lenders or banks as interest; to traders as trade margins; to “lead” firms who provide subcontracted jobs to the enterprises in the form of lower charges (less than value) for manufacturing services; to buyers who provide the raw materials in the form lower prices (less than value) for finished commodities sold; to consumers by charging a price that is lower than value in order to remain in the market in the face of competition.
from larger firms; to police and other individuals and organizations to avoid prosecution and harassment for carrying out its economic activities outside the legal framework; and to others who provide some other conditions of existence of the enterprise. Thus, the surplus, produced through the performance of surplus labor by the direct producers, constitutes a flow of incomes for non-producers and nonperformers of labor.

Recall, from equations 2.16 and 2.17, for ancient enterprises, \( S(A) = R_M (A) - P_{CC}(A) - P_{NL}(A) \); and, for capitalist enterprises, \( S(C) = R_M (C) - P_{CC}(C) - P_L(C) - P_{NL}(C) \). In Table 3.6, I calculate the average (median) magnitude of \( S(A) \) and \( S(C) \) for ancient and capitalist informal enterprises separately, as well as for the entire informal manufacturing sector. I report two different calculations of gross surplus in this table to show the difference – and the implications thereof – between surplus as the total income minus the total manufacturing expenditure of an enterprise (economic surplus), and the notion of surplus qua surplus labor (effective or realized surplus value) as discussed above. However, the measure of surplus qua surplus labor calculated here may not be equivalent to surplus in value terms, as the prices of output, means of production and labor may be different from the values (in labor-time) of output, constant capital, and labor power under unequal exchange. Hence, this is the effective surplus value, i.e., the part of surplus value actually realized through market exchange. This is calculated as the total revenue from manufacturing minus the actual and notional (imputed) payments made for means of production (for past labor-time) and necessary labor (for a part of living labor).
TABLE 3.6
MEDIAN GROSS SURPLUS IN ANCIENT AND CAPITALIST INFORMAL MANUFACTURING ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises (Rs.)</th>
<th>Capitalist enterprises (Rs.)</th>
<th>All enterprises (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic surplus(^1)</td>
<td>10620</td>
<td>60780</td>
<td>12300</td>
</tr>
<tr>
<td>(calculated from actual receipts and payments)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized surplus value(^1)</td>
<td>3660 ((151\text{ billion})^2)</td>
<td>53124 ((326\text{ billion})^2)</td>
<td>4470 ((477\text{ billion})^2)</td>
</tr>
<tr>
<td>(calculated by including imputed costs)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: (1) Economic surplus is calculated from actual receipts and payments made by an enterprise, while realized surplus value is calculated after imputing nominal values for various amounts of labor time consumed in the production process.

(2) The figures in parentheses represent the total effective surplus produced in ancient and capitalist enterprises, and in the entire informal manufacturing sector.

The median economic surplus in ancient enterprises is Rs. 10620 (PPP$ 724), whereas the economic surplus in capitalist enterprises is Rs. 60780 (PPP$ 4143), i.e., about 6 times that in the ancient enterprises. However, the realized surplus value in the ancient enterprises is Rs. 3660 (PPP$ 249), i.e., just about one-third of the economic surplus in these enterprises. This large difference in the magnitudes is due to the fact that in accounting for the economic surplus, the price of necessary labor performed by the unpaid household workers is not taken into account. The economic surplus constitutes the gross income of the household enterprise, and the household workers get shares from this
income – as if as a share from the total surplus generated in production and realized through market exchange. This is a specific characteristic of the process of production and appropriation of surplus in the ancient informal enterprises, which leads to the characterization of the ancient producers as entrepreneurs rather than workers. However, it is the labor-time spent by these workers in production that partly creates the value of the output, and the surplus is generated through their surplus labor. Thus, the payments for their labor-time cannot be considered as a distributed share of the surplus. Once the shadow wages or payments for this labor are imputed, the realized surplus value of the enterprise is found to be substantially less.

By characterizing these ancient producers as entrepreneurs, much of the mainstream development discourse erases the subject position of these producers as performers of surplus labor. Nevertheless, the ancient household enterprises are economic sites where the workers are united with their means of labor within a commodity economy, allowing them to earn a subsistence income as well as a surplus value through the appropriation of their own surplus labor. Thus, these noncapitalist enterprises provide an important economic space for sustaining a massive surplus population outside the capitalist enterprises, without imposing any substantial cost on capital for arranging minimum social provisioning (any substantial social security program or other social safety nets) for these people. Since the households have the ownership claims on the total surplus produced, they can retain any remaining surplus after distributing it to various claimants as distributive class payments (DCP), which they can add to their consumption fund to improve their standard of living.
On the other hand, in the capitalist enterprises, most of the value of output is produced by hired labor who are paid market wages, which are already subtracted from the total revenues in calculating the economic surplus. Hence, the imputation of shadow wages for the unpaid household workers (including the owner) does not diminish the magnitude of economic surplus by much. The realized surplus value of the capitalist enterprises is Rs. 53124 (PPP$ 3621), which is 0.87 times the median economic surplus.

I calculate the total surplus value realized in all the ancient informal enterprises to be about Rs. 151 billion (PPP$ 10 billion), that in the capitalist informal enterprises to be Rs. 326 billion (PPP$ 22 billion), and in aggregate in all the informal manufacturing enterprises to be Rs. 477 billion (PPP$ 32 billion).

It should be noted that many of the noncapitalist enterprises (as well some capitalist enterprises) are implicated in subcontracting chains, and work for other enterprises (or subcontractors) on a contract basis. About 32 percent (approximately 4.9 million) of all the noncapitalist enterprises work on a contract basis, among which about 93 percent of the enterprises work solely or mainly for the contractors. Many of these enterprises may be working for the formal or informal capitalist enterprises, and, thus, they may exist due to the dispersion of the circuit of capital (specifically a dispersion and fragmentation of the sphere of production – the C-C’ component of the circuit of capital M-C-C’-M’), rather than constituting the outside of capital.52 On the other hand, majority

52 However, some of the enterprises working on a contract basis may work for other noncapitalist enterprises, and may not be related to the capitalist enterprises. But, in absence of any information on the lead firms for which these enterprises work, it is not possible to make any distinction within the subcontracted enterprises on this basis.
of the noncapitalist enterprises – about 68 percent (10.2 million) – do not undertake any subcontracted work, and, thus, may be considered to be outside the capitalist production relations. *This space, a subpart of the noncapitalist informal sector, contains the surplus population that is dissociated and excluded from both the interior and the exterior production spaces of capital.*

From Table 3.7, the economic surplus and the realized surplus value in different types of noncapitalist (ancient) manufacturing enterprises can be compared to study the differences in terms of their abilities to produce, appropriate and distribute surplus.

### TABLE 3.7

**ECONOMIC SURPLUS AND REALIZED SURPLUS VALUE (MEDIAN) IN DIFFERENT TYPES OF ANCIENT INFORMAL MANUFACTURING ENTERPRISES, 2005-06**

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises: within subcontracting (Rs.)</th>
<th>Ancient enterprises: outside subcontracting (Rs.)</th>
<th>All ancient enterprises (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic surplus (calculated from actual receipts and payments)</td>
<td>8316</td>
<td>12696</td>
<td>10620</td>
</tr>
<tr>
<td>Realized surplus value (calculated by including imputed costs)</td>
<td>2640</td>
<td>4440</td>
<td>3660</td>
</tr>
</tbody>
</table>
The table shows an important aspect of the noncapitalist enterprises. The ancient enterprises outside subcontracting relations produce and appropriate an economic surplus, which is, on an average, more than 52 percent higher than that in the enterprises implicated within subcontracting relations. The realized surplus value in the former enterprises is more than 68 percent higher than that in the latter. Thus the ancient enterprises that are not linked to the capitalist enterprises are much more successful in terms of production and appropriation of surplus compared to the other ancient enterprises. However, as shown later in this section, this may also imply that the rate of exploitation in the enterprises outside subcontracting relations is much higher than that in the enterprises implicated within the chain of subcontracting.

Through the calculation of surplus value in the informal manufacturing sector, especially in the noncapitalist (ancient) enterprises, I can illustrate and substantiate the following arguments concerning the state of the surplus population in the contemporary developmental conjuncture in India. First, vast majority (about 90 percent) of the informal manufacturing enterprises are noncapitalist, more specifically, ancient enterprises, carrying out the entire production process based on the labor of the working owners and other household members. These enterprises are distinctly different from the informal capitalist enterprises in terms of their ability to produce, appropriate, and distribute surplus.

Second, the informal noncapitalist enterprises are generally able to produce, appropriate and realize surplus qua surplus labor. These enterprises are not “subsistence” enterprises that are not capable of, or not motivated by, the production of
surplus. These are also not economic sites that are outside the process of class understood in terms of production, appropriation, and distribution of surplus labor, i.e., these are not part of the so-called “need-based economy” (Chakrabarti and Cullenberg, 2003) encompassing nonclass economic activities.

Third, the population in the informal noncapitalist manufacturing enterprises, a section of the surplus population that is excluded from the formal capitalist economic space, are able to reproduce their economic conditions of existence due to their unity with their means of labor, and by participating in the noncapitalist (ancient and feudal) class processes.

Fourth, the amount of surplus value realized, on an average, in the ancient enterprises is quite low – Rs. 3660 or PPP$ 249 for the entire year. This is distributed to various entities (as noted above) to secure the conditions of existence of the enterprises. Given the low magnitude of realized surplus value, the noncapitalist enterprises are limited in their ability to secure all their conditions of existence. This highlights the precarious economic conditions under which the surplus population reproduces itself within the contemporary economic formation in India.

Fifth, the informal capitalist enterprises, on the other hand, produce a much higher amount of surplus value – about 15 times higher than that in the noncapitalist enterprises – and thus have greater ability to secure their conditions of existence and reproduction. These enterprises, only about 10 percent of all the informal enterprises, are celebrated as sites of micro-entrepreneurship, producing, appropriating and distributing a relatively high amount of SV. Much of the mainstream discourse and official policies on
the informal economy highlight the efficiency and dynamism of these microenterprises. They argue for or actually provide conditions for better growth of these enterprises as a way to increase income and promote inclusive development. Thus, the minor capitalist segment within the informal economy effectively becomes the dominant – hegemonic – part within the economic formation through its ability to better secure its conditions of existence due to its high surplus value, which, in turn, creates conditions for a specific representation of, and modes of intervention in, the informal economy.

3.8. Rate of exploitation and rate of profit

The rate of exploitation in an enterprise is the ratio of total surplus value (S) and the value of labor power (S/V). The value rate of profit is the ratio of surplus value and the total outlay – the sum of costs of constant capital and labor power (S/C+V). In Table 3.7, I calculate the rates of exploitation and profit for the ancient and capitalist enterprises, and for all the informal manufacturing enterprises. The surplus value considered here for calculations is the total surplus value realized; the constant capital is the cost of means of production as calculated before; and, the value of labor power is the total (actual and imputed) price of hired and household labor. Thus, these ratios can be also understood as effective rates of exploitation and profit. Since there are multiple appropriative class processes within the enterprises, the exploitation and profit rates for an enterprise are composite measures of the rates for different ACPs.
TABLE 3.8
RATE OF EXPLOITATION AND RATE OF PROFIT FOR ANCIENT AND
CAPITALIST INFORMAL MANUFACTURING ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th>Ancient enterprises</th>
<th>Capitalist enterprises</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of exploitation (S/V): S(A)/P_{NL}(A)</td>
<td>Rate of Profit (S/C+V): S(A)/[P_{CC}(A) + P_{NL}(A)]</td>
<td>Rate of exploitation (S/V): S(C)/[P_{LP}(C) + P_{NL}(C)]</td>
</tr>
<tr>
<td>0.56</td>
<td>0.34</td>
<td>1.02</td>
</tr>
</tbody>
</table>

The table shows an interesting result: the average rate of exploitation in the capitalist enterprises (102 percent) is almost twice that in the ancient enterprises (56 percent), implying that the workers in the capitalist enterprises perform much more surplus labor than those in the ancient enterprises. It can be explained, among other things, in terms of better productivity of workers in the capitalist enterprises due to the use of better technology and machinery, and better supervision of the workers to squeeze out more labor from labor power. It clearly shows that workers in capitalist enterprises are much more exploited than the level of self-exploitation in ancient (noncapitalist) enterprises. This Marxian insight points out the fallacy in the common understanding that workers in noncapitalist sweatshops are more “exploited” than the workers in capitalist firms. While the working owners and other workers in marginal noncapitalist enterprises
may earn a much lower income (may be even less than their value of labor power) and face worse working conditions, the rate of exploitation of workers in larger enterprises is much higher. The rate of profit, i.e., the return on the total outlay of an enterprise, is also higher in the capitalist enterprise (45 percent) than that in the ancient enterprises (34 percent), though the difference is not as great as that between the rates of exploitation in the two types of enterprises. The profit arises from the production and appropriation of surplus labor through exploitation, and the rate of profit gives one critical measure of success of an enterprise in the market.

In further analyzing the total surplus, the rate of exploitation, and the rate of profit, some important aspects of the production process in informal manufacturing enterprises become visible. In Table 3.9, I present the median magnitudes of total surplus and rates of exploitation and profit for ancient and capitalist enterprises differentiated according to some features commonly reported to be the most important problems facing the informal enterprises – shortage of capital, problems of market access for commodities produced, and problems faced by competition from larger enterprises; as well as according to different economic characteristics of the enterprises and the production process – whether the enterprises work under subcontracting relations, the number of workers in the enterprises, the growth status of the enterprises, and the location (rural or urban) of the enterprises.
TABLE 3.9
TOTAL SURPLUS (S), RATE OF EXPLOITATION (S/V), AND RATE OF PROFIT
(S/C+V) FOR ANCIENT AND CAPITALIST INFORMAL ENTERPRISES
ACCORDING TO SOME KEY CHARACTERISTICS OF ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises</th>
<th>Capitalist enterprises</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S (Rs.)</td>
<td>S/V</td>
<td>S (Rs.)</td>
</tr>
<tr>
<td>Shortage of capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>4740</td>
<td>0.59</td>
<td>55194</td>
</tr>
<tr>
<td>No</td>
<td>3180</td>
<td>0.55</td>
<td>51156</td>
</tr>
<tr>
<td>Problem of market access</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>4350</td>
<td>0.53</td>
<td>60012</td>
</tr>
<tr>
<td>No</td>
<td>3600</td>
<td>0.57</td>
<td>52200</td>
</tr>
<tr>
<td>Problems due to competition from larger enterprises</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>4590</td>
<td>0.60</td>
<td>64200</td>
</tr>
<tr>
<td>No</td>
<td>3540</td>
<td>0.56</td>
<td>49824</td>
</tr>
</tbody>
</table>

114
<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises</th>
<th>Capitalist enterprises</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S (Rs.)  S/V  S/C+V</td>
<td>S (Rs.)  S/V  S/C+V</td>
<td>S (Rs.)  S/V  S/C+V</td>
</tr>
<tr>
<td>Work under subcontracting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>2640  0.46  0.41</td>
<td>62969  0.91  0.57</td>
<td>3174  0.51  0.42</td>
</tr>
<tr>
<td>Solely for contractor</td>
<td>2400  0.45  0.40</td>
<td>62760  0.83  0.59</td>
<td>2700  0.46  0.42</td>
</tr>
<tr>
<td>Both for contractor and other</td>
<td>6300  0.66  0.43</td>
<td>64668  1.08  0.51</td>
<td>10170 0.73  0.44</td>
</tr>
<tr>
<td>customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>4440  0.60  0.31</td>
<td>49608  1.07  0.40</td>
<td>5345  0.63  0.32</td>
</tr>
<tr>
<td>Number of workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>3420  0.56  0.35</td>
<td>27180  1.05  0.49</td>
<td>3576  0.58  0.35</td>
</tr>
<tr>
<td>3-5</td>
<td>11600 0.54  0.31</td>
<td>60732  0.96  0.46</td>
<td>25440 0.70  0.36</td>
</tr>
<tr>
<td>6-9</td>
<td>14640 0.71  0.11</td>
<td>139773 1.07  0.43</td>
<td>111972 1.01  0.40</td>
</tr>
<tr>
<td>Status of enterprise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expanding</td>
<td>4050  0.53  0.33</td>
<td>80244  1.23  0.46</td>
<td>5810  0.61  0.35</td>
</tr>
<tr>
<td>Stagnant</td>
<td>4140  0.58  0.35</td>
<td>48000  1.01  0.46</td>
<td>4700  0.61  0.36</td>
</tr>
<tr>
<td>Contracting</td>
<td>2829  0.55  0.35</td>
<td>50820  0.95  0.41</td>
<td>3570  0.58  0.36</td>
</tr>
<tr>
<td>Location of enterprise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>3036  0.5  0.31</td>
<td>32580  0.96  0.39</td>
<td>3329  0.52  0.32</td>
</tr>
<tr>
<td>Urban</td>
<td>7056  0.76  0.47</td>
<td>70080  1.07  0.49</td>
<td>10938 0.80  0.48</td>
</tr>
<tr>
<td>All enterprises</td>
<td>3660  0.56  0.34</td>
<td>53124  1.02  0.45</td>
<td>4470  0.60  0.35</td>
</tr>
</tbody>
</table>
Several issues come to attention from a careful reading of the amounts of surplus and the rates of exploitation and profit. I point out some of these issues here.

The enterprises that report facing problems of lack of capital, market access or competition from larger firms, also produce a significantly higher median surplus – by 21-49 percent for ancient enterprises and 8-29 percent for capitalist enterprises – compared to those that report they do not face such problems. Thus, other things remaining same, these problems do not necessarily result in a lower surplus. Also, the rate of exploitation and rate of profit for the different groups of enterprises – those facing any specific problem and those who do not face such problems – are not very different in ancient enterprises as well as in capitalist enterprises.

Among the ancient enterprises, those that undertake subcontracted work produce surplus that is only about 60 percent of the surplus produced in enterprises that do not work under subcontracting. On the other hand, among capitalist enterprises, those working under subcontracting produce 127 percent of the surplus produced in enterprises that do not work under subcontracting. This may be partly due to the different economic conditions of existence of the two different types of enterprises. About 28 percent of all the ancient enterprises carry out only manufacturing services solely for subcontractors, and do not produce anything directly for the market (compared to only 15 percent all capitalist enterprises under such production process). These are often marginal enterprises at the low end of the subcontracting chain, producing only a small part of the final commodity, and small amount of surplus value. Also, the rate of exploitation for those ancient enterprises that do not participate in subcontracting is found to be much
higher than those who work under subcontracting. This goes against the common understanding that subcontracted informal enterprises are sites of high exploitation. On the other hand, the relatively bigger capitalist enterprises may work at an upper node of the chain, getting a higher price and assured market for their output, which may be lacking for enterprises that cannot enter the subcontracting network. These enterprises have a lower rate of exploitation (91 percent) but a much higher profit rate (57 percent) than those which do not undertake subcontracted work (107 percent and 40 percent, respectively). One reason for the high rate of profit for subcontracted enterprises may be that they receive raw materials and other means of production at a cheaper rate from their contractors than the market rate.

In terms of the size of the enterprises by number of workers, there is no clear correlation between the rates of exploitation and profit, and the number of workers employed in both ancient and capitalist enterprises, but the amount of surplus produced increases with the size of the enterprises. For enterprises with 1-2 workers, which constitute 89 percent of all ancient enterprises, the median amount of surplus is less than one-third of the amount produced and realized in the bigger enterprises. For ancient enterprises employing 6-9 workers (ancient DMEs that constitute only 0.2 percent of all ancient enterprises), while the rate of exploitation (71 percent) is much higher than that in other ancient enterprises, the rate of profit (11 percent) is significantly lower than the other firms. This is partly due to the high cost of constant capital for these enterprises compared to the other, while the better means of production also increases the productivity and thus the rate of exploitation.
The ancient enterprises that report to be contracting in its operational size over a three year period before the date of survey produce substantially lower amount of surplus compared to the other ancient enterprises that report to be either growing or stagnant. The low volume of surplus may be partly due to the fact that the enterprises are contracting. However, on the other hand, the low surplus may be a reason for the contraction of the enterprises as these enterprises may fail to effectively secure all their conditions of existence through adequate distributive class payments due to lack of surplus.

Finally, there is a wide disparity between rural and urban enterprises of all types, with the amount of surplus produced, rates of exploitation and rate of profit for urban informal enterprises being significantly higher than those in the rural enterprises. Thus the urban informal enterprises are much more successful in producing and appropriating surplus value than the rural enterprises.

However, for all groups of enterprises separated in terms of different characteristics, the median amounts of surplus, the rates of exploitation, and the rates of profit are significantly larger in capitalist enterprises than those in ancient enterprises.

3.9 Conclusion

In this chapter, I have used the Marxian accounting framework to calculate the magnitude of surplus qua surplus labor, the rate of exploitation, and the rate of profit in these enterprises. Through this exercise, I have provided a detailed analysis of class qua surplus in informal manufacturing. I have shown that the informal manufacturing sector is not a homogeneous nonclass economic space, or a subsistence economy not producing
any surplus, or an economy of dynamic informal micro-entrepreneurs. Rather, it is a site of production, appropriation, and distribution of surplus qua surplus labor through heterogeneous (class) processes. However, within this site, the capitalist and noncapitalist spaces can be sharply delineated in terms of their scale, characteristics, and conditions of existence. Thus, the informal noncapitalist enterprises are not just a part of a smooth formal-informal continuum. The effective (or realized) surplus value produced, appropriated and realized in these enterprises is substantially lower than that produced in capitalist enterprises. Due to the low level of surplus, the noncapitalist enterprises may barely secure their conditions of existence, but may have a lower effectivity within the economic formation. Also, the rate of (self)exploitation for the noncapitalist enterprises is lower than that in the capitalist enterprises, but the shadow wages for working owners and other household workers in the noncapitalist enterprises is only one-third the median wages of the workers in the capitalist enterprises.

The measurement and analysis of surplus in the informal manufacturing sector in this chapter provide the basis for the analysis of net surplus in informal noncapitalist enterprises, and, in turn, for analyzing the contradictions of “inclusive” capitalist growth in India in the next chapter.
CHAPTER 4:
REPRODUCTION OF INFORMAL MANUFACTURING ENTERPRISES,
AND SUSTENANCE OF THE SURPLUS POPULATION

4.1. Introduction

I argued in chapter 1 that the noncapitalist informal sector is the economic domain and the container of the surplus population, which is continuously created by a combination of its own class dynamics, the exclusionary capitalist growth process, and primary accumulation of capital. As I showed in the previous chapter in the context of the noncapitalist informal manufacturing sector in India, this surplus population can sustain itself by virtue of its unity with the means of labor, which allows it to perform necessary and surplus labor to produce commodities for sale in the market. In a situation where growth in the formal capitalist sector does not provide employment to the vast majority of the population, the reproduction of the noncapitalist economic space that can provide sustenance to the majority becomes more important with capitalist development.

In this chapter, I extend the class qua surplus analysis to show that the noncapitalist informal manufacturing enterprises can ensure their social conditions of existence and reproduce themselves at a given level of operation. However, they cannot undertake expanded reproduction, and thus are not able to grow as individual enterprises. While I have shown in the previous chapter that the noncapitalist enterprises
are able to produce surplus value, I show here that after distributing the surplus to various claimants who provide the conditions of existence of the enterprises, the retained surplus or the net surplus of the enterprise – a fund that can be used for accumulation and growth – is insignificant. Further, the extremely low amounts of surplus value of the enterprises severely limit their ability to make effective distributions to secure all their political, economic, and cultural conditions of existence, thus limiting their effectivity within the social formation. The low volume of surplus value and the absence of any significant net surplus together ensure the precarious and marginalized existence of the noncapitalist informal enterprises, and, thus, of the excluded majority in India. Even after taking into consideration the distributive class revenues (received for providing conditions of existence to the appropriative class processes in other enterprises) and the nonclass revenues (those revenues not related to any appropriation or distribution of surplus), as well as the corresponding distributive and nonclass payments to account for all the incomes and expenditures of the enterprises, I show that the precarious balance and the marginality of the noncapitalist enterprises are strongly reinforced.

The immiseration of the noncapitalist economy becomes more starkly visible if the customary or notional standard of living for Indian workers is taken into consideration. The analysis of the value of labor power in the noncapitalist enterprises is problematic due the absence of any exchange-value of the labor power for the self-exploitative or feudal workers. In my analysis of surplus so far, I have taken the average market wages for hired workers in similarly sized capitalist enterprises as the shadow wage for the noncapitalist workers. These average wages are much lower than the
minimum wage recommended by the government (which is still lower than estimated living wages as shown below). If the “historical and moral element” (Marx, 1977: 275) in the determination of the value of labor power in taken into account, and if its lower estimate is assumed to be the minimum wages, then the difference between the notional value of labor power and the actual wages/incomes in an noncapitalist enterprise rises considerably. Given the magnitudes of surplus value realized and other incomes generated within the noncapitalist enterprises, such wages cannot be paid to the vast majority of the workers. This implies that the surplus population can reproduce itself only by surviving on a deflated value of labor power, and subsist at a level much lower than the notional standard of living for workers in India.

This difference between the notional (based on minimum wages) and the actual standard of living can be regarded as an indicator of the high incidence of relative poverty among the surplus population. The space of poverty is not outside the space of class qua surplus or the space of production.\(^{53}\) It is not just the inability of the people to perform surplus labor that produces conditions of poverty in postcolonial capitalism, but, importantly, it is the condition under which the vast majority of population produce surplus in order to reproduce their conditions of existence that induces endemic poverty and deprivation. In fact, the self-exploitative producers can produce surplus only by deflating their standard of living, thereby keeping themselves in relative poverty (as

\(^{53}\) While Chakrabarti et al (2008) produces a Marxian class based analysis of the problem of poverty, they keep the space of poverty outside and separate from the space of surplus production.
compared to the notional standard of living) – sometimes in order to keep enough funds to distribute to various claimants in order to secure their conditions of existence.

In the rest of this chapter, I develop and illustrate these arguments in the context of the informal manufacturing sector in India. In the next section (section 4.2), I discuss the processes of consumption and accumulation within the noncapitalist informal economy, in order to distinguish it from the capitalist economic space, as well as to distinguish my analysis from other, reductionist conceptualizations of this distinctions. In section 4.3, I discuss the net (or retained) surplus and net profit of the enterprises, after accounting for the distributive class payments made to secure the conditions of existence of the appropriated class processes within the enterprises. I also present the aggregate account of the enterprises’ incomes and expenditures. In section 4.4, I take the minimum wages, for rural and urban workers separately, as the notional value of labor power for the workers and the noncapitalist producers, and show the effects on the surplus, net surplus, the aggregate accounts of the enterprises, and the standard of living of the noncapitalist producers. In section 4.5, I provide a brief conclusion to the chapter. I show that the noncapitalist informal enterprises, in general, can reproduce themselves over time, but cannot undertake expanded reproduction. These household enterprises retain a part of the net surplus or net profit, but, given the prevalence of relative poverty, this surplus may be used up to support consumption needs rather than for accumulation. The informal capitalist enterprises, in contrast, have the ability to reproduce on an expanded scale. This highlights an embedded dualism between the capitalist and the noncapitalist enterprises in the informal sector.
4.2. Consumption and accumulation

For informal unincorporated household enterprises, which are not separate legal entities independent of the households, the net surplus has a different qualitative dimension from that in the formal incorporated enterprises. In the latter enterprises, the net surplus (or the retained earnings) is distributed as earnings to the owners of the enterprises, in the form of dividends, and as payments to internal management for, among other things, capital accumulation – purchases of more constant and variable capital – to ensure simple or expanded reproduction of the enterprise in the next period.54 For these incorporated enterprises, which are separate legal entities independent of the owners, the owners are agents outside the enterprises, and any payments to them involve a flow of value out of the enterprises. The boards of directors of such enterprises, who appropriate and distribute the surplus value, work under different, often contradictory, influences and interests of the various claimants (both inside and outside the enterprises) on surplus value to decide the amounts of surplus value to be distributed to the owners, and the amounts to be kept internal to the enterprise as the funds for accumulation.

On the other hand, for the informal household enterprises, the owners themselves are the appropriators, distributors, as well as important recipients of the surplus value, thereby occupying three different class positions. Here, the distributions of the net surplus are determined by different sort of contradictions. The net surplus of the informal

54 See Resnick and Wolff (1987), chapter 4, for a detailed discussion on the various distributive or subsumed class payments made by an industrial capitalist enterprise, including factors affecting shares and distributions of the retained earnings to owners and to funds for accumulation, in order to secure its economic conditions of existence.
enterprises may be considered as a *discretionary* surplus for the households that includes earnings – or distributive class receipts for the owners/households by virtue of their ownership of the enterprises, as well as funds for accumulation for the enterprises which are managed by the owners/households themselves. Thus, the net surplus remains inside the enterprises, but its apportioning into different payments or funds is determined more importantly by the economic conditions of the owners. Especially, the consumption needs of the households may strongly and directly impinge on the distribution of net surplus for different needs of the enterprises qua households. If, for example, the households have to subsist in relative poverty below their notional standard of living, a major part (even the entire part) of the net surplus can be used for household consumption purposes in order to attain the notional standard, without leaving any funds for accumulation. In such cases, the enterprises may fail to undertake expanded reproduction even with a positive net surplus. In this section, I argue that an important feature of the economic conditions of existence of the noncapitalist informal enterprises – the space where the surplus population reproduces its economic conditions of existence (as discussed in chapter one) – is *both their ability to reproduce themselves at a given level of operation, but their inability to undertake expanded reproduction* (i.e., increase in the scale of operation with higher C and V, which may lead to higher SV).

In this context, it is important to clarify that neither the dual class position of the owner as the appropriator of surplus value, nor the importance of the consumption motive of the owner (or the appropriator of surplus value) over a singular drive towards accumulation for expanded reproduction, are *essential* features of noncapitalist
production, but are *contingent* features specific to concrete conditions.\(^\text{55}\) There exist unincorporated capitalist enterprises, both in the informal as well as in the formal sectors, where capitalists (the direct appropriators of surplus value) are also the owners of the enterprises. The capitalist class process can thus exist in both types of enterprises. In fact, in volume one of *Capital*, Marx’s analysis is mainly restricted to the unincorporated capitalist industrial enterprises, where the owners also act as “capital personified.” In chapter 24 of *Capital*, volume one, Marx clearly states that in such cases, the capitalist’s need for consumption is also a vital determinant of the amount of surplus value that can be distributed as accumulation funds.

In the previous chapter [chapter 23], we treated surplus-value (or the surplus product) solely as a fund for satisfying the capitalist’s individual consumption requirements. In this chapter [chapter 25], so far, we have treated it solely as a fund for accumulation. *In fact, however, it is neither the one nor the other: it is both.* One part of the surplus-value is consumed by the capitalist as revenue, the other part is employed as capital, i.e. it is accumulated. (Marx, 1977: 738; emphasis added)

He then went on to add in a footnote that, in one sense, the term revenue of the enterprise “designate[s] a part of that fruit [yielded by capital] which is periodically consumed by the capitalist, or added to his private consumption-fund” (ibid.). This gives rise to a Faustian dilemma for this capitalist, as s/he has to decide between pleasure from consumption and the need for accumulation in the face of competition: “the modernized capitalist is capable of viewing accumulation as ‘renunciation’ of pleasure. ‘Two souls, \(\ldots\)"

\(^{55}\) This distinguishes my theoretical representation and analysis of the space of the surplus population from the problematic concept of a (consumption) centered “need economy” (Sanyal, 2007). I discuss this in detail below.
alas, do dwell within his breast; The one is ever parting from the other”” (ibid.: 740-41). It is only when this capitalist-cum-owner is seen in abstraction as “capital personified, his motivating force is not the acquisition and enjoyment of use-values, but the acquisition and augmentation of exchange-values” (ibid.: 739; emphasis added). However, as Norton (1994) shows, Marx then goes on to argue that “with the development of the capitalist mode of production, with the growth of accumulation and wealth, the capitalist ceases to be merely the incarnation of capital” (Marx, 1977: 740; also quoted by Norton, 1994: 114-15).

The accumulation process in the capitalist enterprises is further shaped and complexly determined by various class and nonclass processes other than the consumption needs or desires of the owners. It depends, among other things, the amounts of surplus value to be distributed to various entities, like the managers, the landlords, the financiers, the merchants, the state, etc., who provide various economic conditions of existence of the enterprises, and the capitalist appropriative class process within the enterprises. As shown forcefully by several authors (see, for example, Resnick and Wolff, 1987, especially pp. 184-200; Norton, 1992; 1994), the process of capitalist accumulation is an overdetermined process that cannot be seen “as any more essential to the appropriation of surplus value than the other conditions of its existence” (Resnick and Wolff, 1987: 184). Much of the traditional Marxian literature has produced a reductionist understanding of the capitalist enterprises, and capitalism in general, by identifying the supposed essence of capital – the inexorable “logic” of capital – in terms of its “relentless drive” towards higher accumulation and profit (see, for example, Baran and Sweezy,
1966; Fine and Harris, 1979; Eatwell et al [eds.], 1990; Harvey, 1999). However, Marx’s treatment of capitalist accumulation, read in terms of his broader discussions on the circulation and distribution process in all the three volumes of Capital taken together, is far more complex, and only an essentialist reading of Marx will reduce the complex process of capitalist reproduction into the process of accumulation.\textsuperscript{56} First, the oft-quoted dictum of “Accumulate, accumulate! That is Moses and the prophets!” appears in Capital in the context of the discussions on the classical political economists’ conception of capitalist relations, where the principal “motivation” of capitalist production is reduced to the process of accumulation. It is more of a critical appraisal of the argument advanced in classical political economy than flowing out of Marx’s own analysis capitalist reproduction.\textsuperscript{57}

Accumulate, accumulate! That is Moses and the prophets! … Therefore save, save, i.e. reconvert the greatest possible portion of surplus-value or surplus product into capital! Accumulation for the sake of accumulation, production for the sake of production: this was the formula in which classical economics expressed the historical mission of the bourgeoisie in the period of its domination. (Marx, 1977: 742; emphasis added)

Second, at the beginning of Part Seven of Volume One of Capital, the part in which Marx introduces the detailed analysis of the capitalist accumulation process, he specifically states that the discussion in that section is developed under the assumptions

\textsuperscript{56} My arguments in this context closely follow Norton’s (1992, 1994) reading of the discussion on accumulation in Capital.

\textsuperscript{57} However, as Norton (1994) points out, Marx’s own use of an essentialist terminology has complicated the issue, and caused confusion among his readers. In other parts of Capital, Marx may even be seen as struggling with different notions about the importance of accumulation in capitalist reproduction.
that the capitalist does not face any problems in the circulation of capital, and that, in this
simplified analysis, the distributions of surplus value, other than for the purpose of
accumulation, to various agents who provide the conditions of existence of the enterprise
are not considered. He relaxes these assumptions, and takes up the issues of circulation
and distribution in volumes two and three of *Capital*, respectively.

In the following pages, we shall assume that capital passes through its process of
circulation in the normal way. The detailed analysis of the process will be found
in Volume Two. The capitalist who produces surplus-value … is by no means its
ultimate proprietor. He has to share it afterwards with capitalists who fulfill other
functions in social production taken as a whole … Surplus value is therefore split
up into various parts. … We shall be able to deal with these modified forms of
surplus-value only in Volume 3. (ibid.: 709)

The analysis of the processes of circulation and distribution introduces different
complexities that impinge on the process of accumulation, making it vulnerable to several
contingent factors (for example, the distributive class payments that the capitalist
enterprise needs to make to realize the surplus value through circulation and to reproduce
its conditions of existence), and displacing its centrality in the process of reproduction of
capital.\(^{58}\)

This antiessentialist and nonreductionist analysis of the capitalist enterprise and
capitalist reproduction is fundamentally different from the characterization of the
capitalist space as a domain of accumulation in its essence. Consistent with the traditional
Marxian over-emphasis on the accumulating role of capital, the contemporary

\(^{58}\) However, Marx shows that due to increased inter-capitalist competition, it is necessary for the
capitalist enterprises to accumulate capital for undertaking expanded reproduction.
theorizations of capitalist development or of postcolonial capitalism, as discussed in chapter 1, are predicated on the understanding of capital as a relation essentially marked by the drive for relentless accumulation, which subsumes its outside under its logic of expanded reproduction (Harvey, 2003, 2005, 2006; Patnaik, 2009). Even Sanyal (2007), who explicitly rejects and scrupulously avoids reductionist logic in much of his forceful analysis of postcolonial capitalist development, falls prey to this problematic understanding of capital as he delineates and defines the space of capital as the “accumulation economy” that is driven by the “impersonal force of systemic accumulation” (ibid.: 209). In contrast, the outside of capital is posited as the “need economy,” which is constructed around the nodal point of consumption – a space driven by the motivation of the direct producers to satisfy their consumption needs.

I call the realm of capitalist production the accumulation-economy and that of informal production the need economy. In the first, production is for accumulation, and in the second, it is for meeting need. They are two distinct economies, two systems, each with an internal logic of its own. While one is driven by the logic of accumulation, production in the other is organized to support a certain level of consumption. (ibid.: 212)

In our conceptualization, therefore, the term “capital” refers exclusively to the accumulation-economy, and all other production activities driven by need … are constituents of need economy. (ibid.: 215)

While fully agreeing with Sanyal on the importance of basic consumption needs of the direct producers in shaping the dynamics of informal production, and on the importance of primitive accumulation of capital in creating this space (as I discussed in chapter 1), I delineate and define the outside of capital, the noncapitalist space of the
surplus population, in different – nonessentialist and class-focused – terms. I distinguish the two spaces in terms of the different and heterogeneous class processes, the conditions of existence of those class processes, and the relative dominance of the class processes and their conditions of existence within the social formation. The space of capital, which encompasses the formal as well as a part of the informal sector, is characterized by the dominance of the capitalist appropriative class process. The outside of this space, majorly the noncapitalist informal sector, is again constituted by heterogeneous noncapitalist class processes, marked by the prevalence of the ancient or self-exploitative appropriative class process. The dominance of these different class processes has differential effects on the capitalist economic formation and its outside. They also shape the relation and dynamics between consumption and accumulation in the two spaces in different ways. Due to the prevalence of different class processes, the capitalist and the noncapitalist spaces differ, among other ways, in terms of the relation of the workers or the direct producers to their means of labor. In contrast to the capitalist appropriative class process, the predominantly self-exploitative appropriative class process in the noncapitalist space is marked by a unity of the labor with the means of labor. This unity ensures the sustenance of the surplus population. This surplus population – being excluded from the space of capital and periodically uprooted from other sources of sustenance by the thrusts of primitive capitalist accumulation, and being left by the wayside through the refusal of capital to play its supposedly “historic role” of transforming them into the industrial proletariat – can meet their basic consumption needs and earn their livelihood only by exploiting themselves. This is made possible due to their unity with their means of labor. However,
there is nothing pre-determined or inherent in the self-exploitative class process that precludes the ancient enterprises from, first, producing surplus, and, then, having a net surplus over and above the necessary distributive class payments that can be used for accumulation and expanded reproduction.

The unique coincidence of different class positions of the ancient producer distinctively shapes the noncapitalist space, and thus the economic conditions of reproduction of the surplus population. As I have argued, the surplus population as ancient producers, when implicated within a generalized commodity economy, can sustain themselves by performing surplus labor, and thereby producing surplus value. In this role, they perform labor under no different motivation from that of the workers in the capitalist enterprise. As Marx (1993) points out, the basic objective of the workers in selling their labor power and performing surplus labor for the capitalists is to satisfy their own consumption needs.

The object of his [the worker’s] exchange is a direct object of need, not exchange value as such. … What he obtains from the exchange is therefore not exchange value, not wealth, but a means of subsistence, objects for the preservation of his life, the satisfaction of his needs in general, physical, social, etc. (Marx, 1993: 284)

Thus, the workers’ exchange relation with the capitalists is similar to the circuit of capital in simple commodity production – commodity-money-commodity, or C-M-C.

The worker spends the money thus received [from the sale of his/her labor power] bit by bit on a sum of commodities that satisfy his needs, on articles of consumption. The overall circulation of his commodity thus presents itself as L-M-C, i.e. firstly L-M(C-M) and secondly M-C, i.e. in the general form of simple commodity circulation C-M-C, where money figures simply as an evanescent
means of circulation, as merely mediating the conversion of one commodity into another. (Marx, 1981a: 113)

However, a crucial distinction of the informal noncapitalist (ancient) production process from the labor process in capitalist production is that, unlike the workers in capitalist production, it is implicated within the circuit of money, and the producer can perform labor only by accessing some of the means of production in exchange for money. Thus, the situation is different from the historicist notion of petty or simple commodity production. As Sanyal points out, this differentiates the noncapitalist informal production, which is recreated and reproduced under contemporary postcolonial capitalism, from the precapitalist production processes.

The fact that the latter [informal noncapitalist production] cannot begin without money reflects the absence of any unity of labor and the means of labor outside the circuit of money. Money allows the producer to access the market for inputs, and she/he is united with the means of production only through the mediation of money. In contrast, the unity of the petty commodity producer of the story of transition with his conditions of production is rooted in the pre-capitalist roots of property. … Our producer in the informal economy is caught up in a limbo: he is not a petty producer in the historicist sense, but not a “worker” of the capitalist system either. (Sanyal, 2007: 210)

Further, along with being a performer of surplus labor, the ancient producers are also the appropriators of their own surplus labor, thus occupying a different appropriated class position. This allows the direct producers some control over their own surplus value. Within this appropriated class process, a successful performance, appropriation and realization of surplus value may lead to accumulation, though, as I show for the informal noncapitalist manufacturing enterprises in the contemporary developmental
conjuncture in India, a typical noncapitalist enterprise may not be able to reproduce itself on an expanded scale due to the low level of surplus production and the relative poverty of the ancient producer.

Finally, the self-exploitative workers and appropriators are also the owners of the noncapitalist enterprises, occupying still another class position. The coincidence of the three different class positions has important implications for the ancient producers excluded from the capitalist space. In the previous chapter, I showed that the informal noncapitalist enterprises can produce surplus if they keep their value of labor power, and thus their level of consumption, to the level of the workers in the informal capitalist enterprises with similar economic characteristics. Then the question arises, why should the population in the informal sector organize production on their own if they can earn similar incomes by working as wage-labor in other informal enterprises? One reason, of course, may be that there are not enough job opportunities even in the informal capitalist enterprises. Given that the capitalist enterprises that hire wage-labor comprise only about 10 percent of all the enterprises and 22 percent of all workers in the informal sector, it may be assumed that it is not possible to incorporate the vast majority of the noncapitalist informal producers within the informal capitalist enterprises. On the other hand, the ownership of the enterprises allows the households to provide employment to their members, and share the total income among them. The other important reason is that the median earning of the ancient producers/workers from their necessary labor – or the shadow price of their labor power – is only Rs. 5260, or PPP$ 359 (calculations reported in chapter 3) per worker, which is below the international poverty line of $ 1.25 per day.
This is the amount they would have expected to earn working as wage-workers in similar sized informal capitalist enterprises. However, the median wage per worker rises to Rs. 18000, or about PPP$ 1227, when the entire capitalist informal sector is considered, which is more than 3 times the median wage of workers in the noncapitalist enterprises. Under such circumstances, the ownership of the enterprises allows the self-exploitative producers to have control over the net surplus and use it to augment their consumption to fulfill their basic needs, or to attain the customary standard of living. Thus the self-exploitative owner workers may have a somewhat better income and standard of living than the workers in similar informal capitalist enterprises, due to the condensation of the multiple class positions.

The pervasive importance and the centrality of consumption needs in organizing production the informal noncapitalist space of the surplus population are not due to any inherent characteristic of noncapitalist production, nor is the drive towards accumulation inherently more central to capitalist enterprises than other economic conditions of existence. Both the moments of consumption and accumulation are present in the two economic spaces, and their meanings and relative importance are fixed in the contingent – aleatory – process of *becoming* of the social formations. In the concrete conditions of the contemporary developmental conjuncture in India, the actuality of exclusionary capitalist accumulation process, along with the process of primitive accumulation, and the precarious existence of the vast surplus population in the noncapitalist informal sector, ensure the fundamental importance of consumption needs in the outside of capital, as well as among the informalized and casualized workers within the inside of capital.
Instead of reducing the noncapitalist space to any specific essence, and without relegating the space of need to a terrain of nonclass activities, I produce a class qua surplus based analysis of the reproduction of the informal sector in the next section. I have shown in the previous chapter that the informal noncapitalist enterprises, on an average, are capable of producing surplus, but the amount of surplus is very low. Here, I argue that the enterprises (and, thus, the surplus population) are capable of reproducing themselves, albeit at a precariously low level of operation, but cannot undertake expanded reproduction.

4.3. Net surplus, distributive class payments, and reproduction of the enterprise

The surplus value produced within the enterprise has to be distributed to various entities that provide the conditions of existence of the appropriative class processes within the enterprise. This constitutes the distributive class processes of the enterprise. A part of the surplus value is retained within the enterprise (or, distributed to the enterprise), while other distributive class payments (DCP) to the outside entities. This part is the “net” surplus of the enterprise. For the household enterprises run by working owners along with unpaid family workers, the retained *economic* surplus of the enterprises, after making payments to the outside entities, includes the incomes of the working owners and household workers. However, in the Marxian accounting framework discussed in the previous chapters, this is *not* the net surplus of the enterprise. Rather the net of the realized *surplus value*, which is the value of the product of surplus labor after accounting for the payments for necessary labor of the working owners and the unpaid workers, is
the “net surplus” discussed here. After presenting a complete accounting of all the class and nonclass revenues and expenditures of the enterprises, I also present an analysis of the net profit of the enterprises in Marxian terms. While the net surplus is the amount of surplus value retained by the enterprises and their owners after making the outside distributive payments, the net profit of the enterprises account for the total retained earnings of the enterprises, after accounting for the distributive class revenues and other nonclass revenues earned and the corresponding payments made by the enterprises.

Here I use the same data that I have used in the empirical analysis of surplus in chapter 3 – the disaggregated unit level data on the informal manufacturing enterprises taken from NSSO’s 62\textsuperscript{nd} Round Survey (2005-06) of unorganized manufacturing enterprises in India.\textsuperscript{59}

4.3.1. Net surplus from realized surplus value

Table 4.1 presents the average (median) realized surplus value, the distributive class payments, and the net surplus in the informal self-exploitative or ancient manufacturing enterprises and the informal capitalist manufacturing enterprises. I present the ancient enterprises that work under subcontracting relations and those that are outside the subcontracting chains separately to highlight the different economic conditions of the

\textsuperscript{59} See Appendix B in chapter 3 for details on the data source and the nature of the data.
surplus population which is not linked to the dispersed production relations of the
capitalist space.\textsuperscript{60}

\textbf{TABLE 4.1}

\textbf{MEDIAN SURPLUS VALUE, DISTRIBUTIVE CLASS PAYMENTS, AND NET}
\textbf{SURPLUS (IN RS.) IN INFORMAL MANUFACTURING ENTERPRISES, 2005-06}

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises</th>
<th></th>
<th>Capitalist enterprises</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within subcontracting</td>
<td>Outside subcontracting</td>
<td>All</td>
<td></td>
</tr>
<tr>
<td>Surplus value</td>
<td>2640</td>
<td>4440</td>
<td>3660</td>
<td>53124</td>
</tr>
<tr>
<td>Distributive class payments</td>
<td>1500</td>
<td>840</td>
<td>1116</td>
<td>22710</td>
</tr>
<tr>
<td>Net surplus</td>
<td>1110</td>
<td>2700</td>
<td>2080</td>
<td>26412</td>
</tr>
</tbody>
</table>

Note: The distributive class payments are calculated after imputing the trade margins for different industries from the 53\textsuperscript{rd} round survey of small trading enterprises by NSSO. The surplus values were calculated in chapter 3 by imputing the same trade margins.

The average (median) net surplus in the capitalist enterprises is Rs. 26412, or about PPP$ 1800, whereas that in the ancient enterprises is only Rs. 2080, or

\textsuperscript{60} See chapter 3 for an analysis of the surplus value generated in the two different types of enterprises. As discussed there, no information is available on the nature of the lead enterprises that subcontract work to the informal enterprises, and at least some of these lead enterprises may well have dominant noncapitalist appropriative class processes themselves. However, given the strong possibility (as pointed out by several researchers) that much of the subcontracting is organized by the formal sector capitalist enterprises, I consider the subcontracted and non-subcontracted enterprises separately to distinguish between the capitalist and noncapitalist production spaces.
approximately PPP$ 142. The net surplus in capitalist enterprises is about 13 times higher than that in the ancient enterprises. This shows that while the informal capitalist enterprises, on average, may retain some significant amount of net surplus for accumulation and expanded reproduction, the net surplus in the ancient enterprises is very low and may seriously constrain their ability to accumulate and grow (I argue below that the ancients may not use even this insignificant, but positive, net surplus for accumulation). Given that the ancient enterprises comprise the vast majority – 89.6 percent – of all the enterprises in the informal manufacturing sector, the median net surplus in all the informal manufacturing enterprises taken together is very close (Rs. 2520, or PPP$ 172) to that in the ancient enterprises, and is similarly insignificant. I analyze the surplus value, distributive class payments, and the net surplus in detail below.

The surplus value reported in this table is the same as the realized surplus value reported in Tables 3.6 and 3.7. As noted there, the median amount of surplus value in the informal capitalist enterprises is significantly (14.5 times) higher than that in the noncapitalist enterprises. The higher amount of surplus value in the capitalist enterprises allows them to secure their own economic conditions of existence, and thus ensures the effectivity of these enterprises within the economic formation. Within the noncapitalist enterprises, the surplus value in the enterprises outside the subcontracting chain, i.e., those outside the dispersed capitalist production relations, is about 1.7 times higher than that in the enterprises within the subcontracting chain.

The distributive class payments from the surplus value – a distribution of the surplus labor performed by the direct producers – made to secure the economic
conditions of existence of the appropriate class processes in enterprises include payments made for (a) various services rendered by other non-manufacturing enterprises, e.g., advertising, warehousing, etc.; (b) license fees, government taxes on fixed assets of the enterprise used in production, and other taxes charged by municipalities and official local bodies; (c) various local subscriptions, including subscriptions to business associations; (d) royalties paid to other enterprises; (e) insurance charges; (f) miscellaneous expenses related to circulation of the commodities produced to realize surplus value, e.g., commissions to selling agents contracted by the enterprise, discounts and rebates, outward freight and transport charges, excise duty, sales tax and value-added tax to the government; (g) rent on land and building where production is carried out; (h) interests on loans taken by the enterprise; and (i) trade margins allowed to the traders, who would sell the commodities to the final consumers, by charging a price lower than the value of the commodities.

However, the conditions of informality ensure that vast majority of the enterprises – especially, the majority of the noncapitalist enterprises – do not have to make much of the above distributive class payments. For example, the informal enterprises do not pay any central (federal) or state government taxes. Even at the local level, only 13 percent of all enterprises make payments for various license fees, local taxes and cess. While about 40 percent of the capitalist enterprises do make such payments, only about 10 percent of the ancient enterprises pay theses taxes and fees. Similarly, only about 1 percent of the all the enterprises – only 0.5 percent of ancient enterprises and 6 percent of capitali
enterprises – make any payments for royalties, or any insurance charges for their fixed assets.

Interestingly, about 92 percent of all the informal enterprises – 94 percent of the ancient enterprises and 78 percent of the capitalist enterprises – report that *they do not take any loans or credit from outside sources*, including private moneylenders, friends or relatives, and, hence, do not have to make any interest payments. Thus, the majority of the informal enterprises start the M-C-M’ circuit with their own endowments, and are not dependent on credits for the regular functioning of the enterprises. However, this does not signify that the enterprises do not face any credit problems. This may happen due to the unavailability of subsidized or low-interest credit, especially from the government or the nationalized banks, and the inability of the enterprises to pay the high rates of interest for loans from private sources.

Similarly, the vast majority (about 84 percent) of all the informal enterprises – 88 percent of the ancient enterprises and 57 percent of the capitalist enterprises – *do not have to pay any rents on land and building*. About 74 percent of all enterprises are located within the household premises that they own, and thus do not have to pay any rents. The ownership or control over the geographical space of production allows many of these enterprises to be able to carry out production in the first place, and thus enables the associated households to earn their livelihood, as the market rents for land and building may be prohibitive for many of the smaller noncapitalist enterprises. About 80 percent of the ancient enterprises are located within the household premises, while only 22 percent of the capitalist enterprises are located inside the household. The other
enterprises that are located outside the household premises, but do not report paying any rents, may occupy some public space illegally to carry out their production activities.

In chapter 3, I calculated the value of output of the enterprises by imputing the trade margins paid to intermediaries to sell the output in market, and thus realize the surplus value. Here, in calculating the distributive class payments, I make the same imputations to incorporate the payments made by the enterprises to the intermediaries by selling the output to them at a price less than the value of the output. These imputations also keep the accounting of the enterprises symmetrical, and leaves the actual net surplus of the enterprises – the difference between the surplus value and the distributed class payments – unchanged. The enterprises that sell their output directly to the final consumers do not have to make this payment to outside agents, but can retain this amount within the enterprises.

The median distributive class payments made by the capitalist enterprises is Rs. 22710 (PPP$ 1548), and that by the ancient enterprises is only Rs. 1116 (PPPS 76). The capitalist enterprises pay about 20 times more than the ancient enterprises to secure the economic conditions of existence of their appropriative class process. The conditions of informality allows the ancient enterprises to make only an insignificant amount of distributive class payments, and thus allow them to reproduce themselves even by generating a very low amount of surplus value. Among the ancient enterprises, those within the subcontracting relations have to make a much higher (1.8 times) distributive class payment than those outside the subcontracting relations. The majority (about 67 percent) of the ancient enterprises outside the subcontracting relations directly sells their
output to the final consumers or households, and thus they can retain the trade margins inside the enterprises.

After deducting the distributive class payments from the surplus value generated, it is possible to calculate the net surplus (or net surplus value) of the enterprises. The median net surplus in the informal manufacturing enterprises is calculated to be Rs. 2520 (PPPS 172), about 56 percent of the median surplus value generated within the informal manufacturing enterprises. This low average amount of net surplus, however, does not reveal the vast differences between the capitalist and the noncapitalist enterprises, or that between the subcontracted and non-subcontracted noncapitalist enterprises, in terms of their capabilities to retain net surplus. As I noted earlier, the net surplus in the capitalist enterprises is 13 times higher than that in the noncapitalist enterprises. Within the noncapitalist space, the enterprises outside subcontracting relations, those that are not attached to the dispersed capitalist production relations, and, thus comprise the outside of the capitalist production space, retain, on an average, a net surplus of Rs. 2700 (PPPS 184), which though being low, is more than twice (2.4 times) the net surplus in the subcontracted ancient enterprises (Rs. 1110, or PPPS 76).

One important reason for this disparity may be that the subcontracted enterprises may have to sell their output at a price much lower than their value to the lead enterprises in order to remain inside the subcontracting relations. As discussed in the previous chapter, the subcontracted informal enterprises are often the most marginal household firms that are able to sustain themselves only by offering the labor power of the household members cheaply to the other enterprises. The populations in these households
are the proto-proletariats or “disguised proletariats” (Cockcroft, 1986) created by the putting-out system or the informalization of production structures in other, often capitalist, enterprises. They are part of the “stagnant surplus population” referred to by Marx.

This [the relative surplus population] forms a part of the active labor army, but with extremely irregular employment. Hence it offers capital an inexhaustible reservoir of disposable labor-power. Its conditions of life sink below the average normal level of the working class, and it is precisely this which makes it which makes it a broad foundation for special branches of capitalist exploitation. It is characterized by a maximum of working time and a minimum of wages. (Marx, 1977: 796)

These are often the households of the so called “home-workers” who earn piece-rates as their quasi-wages. While the type of payments (time-wage or piece-wage) is not specified in the survey, such labor relations and payments are ubiquitous in the subcontracting relationships in the informal sector globally, as well as in India (see, for example, De Neve, 2005; Balakrishnan, 2002, Unni and Bali, 2002). Marx argues, “it is apparent that the piece-wage is the form of wage most appropriate to the capitalist mode of production” (Marx, 1977: 697-98). The piece-rates allow the subcontractor to indirectly monitor the labor process, increase intensity of work, and pump out more absolute surplus value from “disguised” workers, just as it leaves less for the household enterprises qua proto-workers by introducing the agents and middlemen between the subcontractor and the households.

The quality of the labor is here controlled by the work itself, which must be of good quality if the piece-price is to be paid in full. Piece-wages become, from this point of view, the most fruitful source or reduction in wages, and of frauds committed by the capitalists … piece-wages make it easier for parasites to interpose themselves between the capitalist and the wage-laborer, thus giving rise
to the ‘sub-letting of labor’. … Given the system of piece-wages, it is naturally in
the personal interest of the worker that he should strain his labor-power as
intensely as possible … Moreover, the lengthening of the working day is now in
the personal interest of the worker, since with it his daily or weekly wages rise.
(ibid.: 694-96)

Thus, many of the subcontracted informal noncapitalist enterprises are extensions or
appendages of capital, and signify the dispersion of capitalist relations. This space is
created by the development of capitalist industries, rather than in spite of it. As seen from
the above table, these enterprises, on average, produce a lower amount of surplus value
than the other noncapitalist enterprises, have to make higher amount of distributive class
payments to secure their conditions of existence, and, consequently, are able to retain
much lower amount of net surplus – while the ancient enterprises outside subcontracting
relations can retain 61 percent of their realized surplus value, the subcontracted ancient
enterprises can retain only 42 percent of their (already lower) surplus value.

However, whatever the differences between the subcontracted and non-
subcontracted enterprises, the differences between the capitalist and noncapitalist
enterprises are much starker, highlighting the marginality of the space of the surplus
population, as well as the entrenched dualism produced by the capitalist development.
One major difference lies in the differential ability of the capitalist and noncapitalist
enterprises to retain a positive net surplus. It is seen that about 1 percent of the capitalist
enterprises do not have a positive net surplus, whereas about 24 percent of the
noncapitalist enterprises fail to retain a positive net surplus. Thus, while almost all the
capitalist enterprises have the capacity to undertake expanded reproduction, about a
quarter of the noncapitalist enterprises cannot even reproduce themselves at the current
level. The negative net surplus for the enterprises imply that the distributive class payments that the enterprises need to make in order to secure their conditions of existence are greater than the surplus value realized by the enterprises, and thus the enterprises are suffering a net loss. So these enterprises will have to borrow funds from outside to meet their obligations, thus committing a part of its future surplus to the lenders as interest payments. This may ensure a low net surplus even in the future. The other option is that the owners and the household workers force themselves to subsist on a lower income than the shadow wages imputed for them in calculating the surplus value, thus maintaining a lower standard of living than the workers in similar capitalist enterprises in the same industries.

On the whole, both the capitalist and noncapitalist enterprises in the informal sector, on average, can retain a positive net surplus. The net surplus in the capitalist enterprises is substantially higher than that in the noncapitalist enterprises, attesting to their capability to expand over time. The noncapitalist enterprises, again on average, have the ability to reproduce themselves at their current level of operation. However, the net surplus of these enterprises is significantly low. I argue below that given the relative poverty of the surplus population associated with these enterprises, this positive net surplus, which come as a discretionary income to the households along with other distributive class and nonclass revenues, may be used to attain a notional customary standard of living for the households rather than being used as a fund for accumulation and expanded reproduction of the enterprises.
4.3.2 Aggregate revenues, expenditures, and net profits

In addition to the surplus value produced, appropriated and realized through the sale of the commodities, enterprises may also earn other revenues including payments received for providing conditions of existence of different appropriative class processes in other enterprises (say, for example by selling commodities produced by other enterprises, and thereby earning an additional trade margin), as well as receipts not related to any class processes (say, for example, grants or subsidies received). The first are the distributive or subsumed class receipts, and the second are the nonclass receipts. Similarly, in addition to the distributive or subsumed class payments made by the enterprises, they may need to make other nonclass payments – say, for example, expenditures associated with other non-manufacturing economic activities undertaken by the enterprises. Thus the total revenues and expenditures of the enterprises, and thus their net retained earnings, may be different from those reported above, and may have different implications for the analysis of simple and expanded reproduction of the enterprises. However, as shown below, for the informal enterprises, these other revenues and expenditures are negligible, and do not affect the net earnings of the enterprises significantly.

The aggregate account of an enterprise, incorporating all class and nonclass receipts and expenditures of the enterprise, can be represented by the following equation:

\[ S + \text{DCR} + \text{NCR} = \text{DCP} + \text{NCP} \]

Here, \( S \) represents the surplus value realized by the enterprise, \( \text{DCR} \) are the distributed or the subsumed class receipts, \( \text{NCR} \) are the nonclass receipts, \( \text{DCP} \) are the sum of
distributive of subsumed class payments, and NCP are the nonclass payments made by the enterprise. The left-hand-side of the equation represents the aggregate revenues of the enterprise, and the right-hand-side represents the aggregate expenditures of the enterprise. If the total revenues are greater than the total expenditures, i.e., if $S + DCR + NCR > DCP + NCP$, the enterprise can make a positive net profit. This net profit is the total retained earning of the enterprise. The difference between net profit and net surplus is that the latter is derived from the difference between $S$ and SSCP, while the former is derived after considering all the other revenues and payments. Thus, a positive net surplus may not imply a positive net profit and vice versa, and the enterprise or the household may not be able to retain any additional revenues for accumulation or higher consumption even with a positive net surplus.

The above equation is same as equation 2.18. However, here, the distributive class payments (DCP) include only the payments made to entities outside the household enterprise, and not the payments received by the owners as they are part of the net earnings of the enterprises as well. The reported DCR for the informal manufacturing enterprises include revenues earned from trading or merchanting of goods produced by other enterprises, and the rents received by hiring out its tools, machinery, and other fixed assets. On the other hand, the reported NCP for these enterprises only the expenditures associated with the trading activities.

Table 4.2 presents the median values of total revenues, total expenditures, and the net profits of the informal manufacturing enterprises in India. Since DCR, NCR, and NCP do not have significant positive median values, I do not report them separately in
Table 4.2. However, since they have positive mean values, they have some impact on the total revenues, expenditures, and net profits of the enterprises, and these figures are slightly higher than the surplus values, distributive class payments, and net surpluses presented in Table 4.1.

### TABLE 4.2

MEDIAN AGGREGATE REVENUE, AGGREGATE EXPENDITURE, AND NET PROFIT (IN RS.) IN INFORMAL MANUFACTURING ENTERPRISES, 2005-06

<table>
<thead>
<tr>
<th></th>
<th>Ancient enterprises</th>
<th>Capitalist enterprises</th>
<th>All enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within subcontracting</td>
<td>Outside subcontracting</td>
<td></td>
</tr>
<tr>
<td>Aggregate revenue</td>
<td>2682</td>
<td>4775</td>
<td>3894</td>
</tr>
<tr>
<td>Aggregate expenditure</td>
<td>1500</td>
<td>852</td>
<td>1140</td>
</tr>
<tr>
<td>Net profit</td>
<td>1134</td>
<td>2974</td>
<td>2258</td>
</tr>
</tbody>
</table>

The changes are comparatively significant for the capitalist enterprises: the aggregate revenue is about 11 percent higher than the realized surplus value, the expenditures about 8 percent higher, and the net profit is 8 percent higher than the net surplus. For noncapitalist enterprises, these differences are negligible. This shows that the capitalist enterprises are able to add some net revenues through other non-manufacturing activities, while these additions are negligible for the noncapitalist enterprises. The
analysis of the net profit is same as that of net surplus presented above. Given the small scale of their operation, capitalist enterprises have a substantial net profit (Rs. 28608, or PPP$ 1950), which is about 13 times higher than the median net profit in the noncapitalist enterprises. The noncapitalist (ancient) enterprises, on average, earn a positive but extremely low net profit (Rs. 2258, or PPP$ 154).

The central argument of the analysis thus remains unchanged – the informal noncapitalist enterprise, the economic space of the surplus population, can reproduce itself at the given level of operation, and retain a small amount of net profit. However, as I argue in the next section, the enterprise will use up this net profit in meeting its consumption goals, rather than accumulating for expanded reproduction. On the other hand, the informal capitalist enterprises have the capability to undertake expanded reproduction.

4.4 Notional standard of living, relative poverty, and consumption

The determination of surplus value, net surplus, and net profit is crucially dependent on the value of labor power, and thus on the imputation of the shadow wages for “unpaid” working owners and other family members. I made the imputations on the basis of the market wage rates prevalent in similar (in terms of specific industry, location, value added per worker, etc.) enterprises hiring wage labor. However, as I noted earlier, this actual value of labor power can be lower than the notional value of labor power. This notional value is likely to be strongly influenced by the “historical and moral element,” which determines, “in a given country at a given period, the average amount of the means
of subsistence necessary for the worker (Marx, 1977: 275). The notional value of labor
power, in turn, will set the notional standard of living for the workers – or, in this case,
for the surplus population earning their livelihoods as direct producers through the unity
with their means of labor.

I assume a notional minimum wage that sets the value of labor power at a level
that would generate adequate income for the workers to attain a socially specified
standard of living. The minimum wage does not provide for any “ideal” income, or a
sufficient income to lead a “meaningful” life, or to have “the freedom to achieve
happiness” (Sen, 1984: 512), however defined. On the other hand, it is not the poverty
line that specifies the minimum basket of commodities (or just food calories) to be
consumed to barely sustain a person at a healthy level. Rather, it reflects the generally
accepted norms, and the natural, cultural, political, and economic alignments in a specific
social formation at a particular conjuncture that overdetermine the notion of a customary
standard of living. The minimum wage provides the minimum level of income required
by a person to attain this contingently fixed but continuously evolving notion of
customary standard. The surplus population, excluded from the space of capital and
sustaining themselves by organizing production as well as by performing surplus labor in
the household enterprises, may aspire for this customary standard of living.⁶¹

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⁶¹ This customary standard may not, however, be a fixed norm, universally accepted across space
and time.
In India, under the Minimum Wages Act, 1948, the National Minimum Wage for 2004-05 was set at Rs. 66 per day (approximately PPP$ 4.5 per day).\textsuperscript{62} However, given the high difference in prices of commodities in the rural and urban areas, the National Commission on Enterprises in the Unorganized Sector (NCEUS) has recommended a notional “basic minimum wage” of Rs. 49 per day for rural areas and Rs. 67 per day in the urban areas in 2004-05 prices (NCEUS, 2007a: 45). Adjusting for inflation using the Consumer Price Index for Agricultural Workers (Labor Bureau, 2009) and the Consumer Price Index for Industrial Workers (Labor Bureau, 2008) for rural and urban enterprises respectively, the wage rates are updated to 2005-06 prices. The rural minimum wage rate is calculated to be Rs. 51 per day (approximately PPP$ 3.5 per day), and the urban minimum wage rate is Rs. 70 per day (approximately PPP$ 4.8 per day) for 2005-06. The minimum wage legislations reflect a social acceptance that this amount of wage is “sufficient” for a worker to attain an acceptable standard of living. I, therefore, assume the incomes generated by these wage rates define the notional standard of living of the workers and households in the informal sector.

In the following table (Table 4.3), I calculate the surplus value, net surplus, and net profit for the capitalist enterprises by imputing the minimum wages in place of the prevalent market wages, and then compare them with the magnitudes reported earlier.

\textsuperscript{62} This minimum wage rate of Rs. 66 per day is lower than some estimates of “living wage” for India. For example, Anker (2005) has proposed a living wage of Rs. 10.95 per hour (at 2004-05 prices), which translates into Rs. 72.74 per day, given the average hours of work per week is 46.5 hours. On the other hand, this minimum wage rate is considerably higher than the Indian poverty line of approximately Rs. 12 per day per capital consumption in 2004-05 prices (NCEUS, 2009).
Tables 4.1 and 4.2 (which were computed using the regular market wages). For the ancient enterprises, separately for those within subcontracted production relations and those outside subcontracting chains, I present the magnitudes of surplus value, net surplus and net profits calculated using the market prices, as well as the shortfall of the current labor income from an income based on minimum wages, i.e., the income necessary to attain the notional standard of living.

If the workers (including the working owners and other unpaid workers) were paid minimum wages in the capitalist enterprises, the surplus value produced would have been greater by 7 percent, i.e., the rate of exploitation would have increased. Also both the net surplus and net profit would have increased by more than 11 percent. This implies that, on average, more workers in these enterprises are getting wages above the minimum than those who get less than minimum wages. Thus in the capitalist enterprises, the standard of living of the hired workers and the household workers are higher than the average customary standard of living of workers. A part of the net profits in these enterprises is likely to be used by the capitalists to increase their consumption funds and attain a higher standard of living than the workers they employ. However, even then, the enterprises may be able to accumulate and undertake expanded reproduction over time using the remaining part of their net profits.

\footnote{In imputing the minimum wages on a yearly basis, I assume that the enterprises run 26 days a month. Data is available for the number of months the enterprises have worked in 2005-06.}
### TABLE 4.3
SURPLUS VALUE, NET SURPLUS, AND NET PROFIT (ALL MEDIAN VALUES)
FOR CAPITALIST AND ANCIENT INFORMAL ENTERPRISES UNDER MARKET
WAGE RATES AND MINIMUM WAGE RATES, 2005-06

<table>
<thead>
<tr>
<th></th>
<th>Calculations under market wages</th>
<th>Calculations under notional minimum wages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Surplus value</td>
<td>Net surplus</td>
</tr>
<tr>
<td>Capitalist enterprises</td>
<td>53124</td>
<td>26412</td>
</tr>
<tr>
<td>Ancient enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within subcontracting</td>
<td>2640</td>
<td>1110</td>
</tr>
<tr>
<td>Outside subcontracting</td>
<td>4440</td>
<td>2700</td>
</tr>
<tr>
<td>All enterprises</td>
<td>3660</td>
<td>2080</td>
</tr>
</tbody>
</table>

On the other hand, for the noncapitalist (ancient) enterprises, the payment of minimum wages at the current levels of operation is simply not feasible. If the working owners and the household workers want to attain their notional standard of living, then the shortfall of their current income (based on shadow wages imputed in chapter 3 on the basis of the wages paid to hired workers in similar enterprises) from their target income (based on the minimum wages) has to be met. It is seen that for ancient enterprises that
are part of the subcontracted production relations, the shortfall is maximum (Rs. 11562 or PPP$ 788), but for other ancient enterprises, shortfall is still substantial (Rs. 8412 or PPP$ 573). However, the surplus value, net surplus and net profit in all these enterprises are much less than the shortfalls, showing that, on average, the surplus population cannot attain the notional standard of living. For example, the net profit in the subcontracted enterprises is only about 10 percent of the total shortfall in income in these enterprises. In the ancient enterprises outside subcontracting, the net profit is about 35 percent of the shortfall, and in all noncapitalist enterprises taken together, the net profit is about 24 percent of the shortfall.

This attests to the widespread incidence of relative poverty in the noncapitalist household enterprises as these households subsist on incomes that set their standard of living far below their notional standards. Thus these households are likely to use up the net profits of the enterprises, which come to them as discretionary incomes, in augmenting their consumption funds rather than using the income for accumulation and expanded reproduction of the enterprise. This highlights the pervasive importance of consumption needs in the noncapitalist informal enterprises.

4.5 Conclusion

In this chapter, I have shown that the noncapitalist informal enterprises, the container of the surplus population which is excluded from the space of capital, have the ability to reproduce themselves over time at a very low level of operation, but cannot undertake expanded reproduction. The unity of the direct producers with their means of
labor ensure the basic survival of the households, where the household members, due to their class positions both as producers and appropriators of surplus value and owners of the enterprises, can retain the net surplus or net profit for their consumption funds. Various conditions of informality allow the enterprises to keep the distributive payments and expenditures low, thus keeping a part of the net surplus or net profit within the households. However, the amount of surplus or profit in the noncapitalist enterprises is very low, and due to the prevalence of relative poverty (with their median income being much less than the income necessary to attain their notional standard of living) of the households, this surplus is used up in consumption purposes.

On the other hand, the informal capitalist enterprises produce a much larger amount surplus value, net surplus and net profit, their workers can attain the minimum customary standard living, and they have the ability to reproduce on an expanded scale. Thus there is a fundamental fracture, an embedded dualism within the informal sector, with the growth-oriented capitalist micro-enterprises on one side and the livelihood-driven noncapitalist (mostly self-exploitative or ancient) enterprises on the other side of the fracture. This mirrors the dualism that cuts across the Indian social formation. However, this dualism is not due to the absence of capitalist development, but, in many ways, is influenced by the development of capitalism – the exclusionary capitalist growth process creating the surplus population, the primitive accumulation of capital destroying livelihoods of the people without incorporating them inside capitalist production relations and thus adding to the surplus mass, the dispersion and informalization of the capitalist production relations that create conditions of informal work for a part of the surplus
population, etc. The governmental interventions of the state and other international agencies to keep the informal space of the surplus population self-sustaining in the absence of opportunities of livelihoods for the vast majority of workforce also recreate this space. However, this is not to argue that the dynamics of the noncapitalist space is entirely determined by the capitalist space, but, it shows how the process of capitalist development overdetermines the noncapitalist economic space.

In this specific social formation, the existence of the noncapitalist space, which sustains the mass of surplus population, relieves capital of the burden of providing livelihood to them. Here, I provide a nonreductionist class qua surplus focused analysis of the process of reproduction of a part of the noncapitalist informal sector, without pushing the terrain of consumption needs outside the domain of class analysis.
CHAPTER 5:

CONCLUSION

5.1. Beyond “transition”

In this dissertation I have produced a Marxian class analysis of the informal manufacturing sector in India by analyzing the processes of production, appropriation, and distribution of surplus labor and some of their conditions of existence. The vast majority of working population in India – about 86 percent of the total – earn their livelihood in the informal sector, which is largely a space of noncapitalist production and exchange. This phenomenon is also quite common in other parts of the global south. I have argued here that this noncapitalist space is continuously recreated and reproduced. The reproduction of the noncapitalist space is overdetermined by the development of contemporary capitalism – capital’s own development continuously produces its Other. The exclusionary process of capitalist growth, marked by high organic composition of capital, low employment elasticity and informalization of the production structures, along with an ongoing process of primitive accumulation – both in terms of predatory competition and grabbing of resources and spaces outside of capital – creates a mass of excluded, or, from capital’s perspective, a “surplus” population. This surplus population exiled from the space of capital, constitutes, in part, the noncapitalist informal sector. However, I show that the process of reproduction of the vast noncapitalist sector has its
own internal dynamics rather than being simply determined by the capitalist sector, and analyze the nature of this dynamics.

Thus, the vast terrain of noncapital engraved in the heart of contemporary postcolonial capitalism is not a vestige of the past – a remnant of some precapitalist economic structures and relations. It is not a feature of “weak” capitalism, or a result of the “failure” of capital to bring about full-fledged capitalist transition by annihilating its Other. Rather, I have argued that contemporary capitalist development itself partly creates the conditions of existence and reproduction of this noncapitalist space. Nevertheless, I also show that this noncapitalist space has its own internal dynamics and conditions of reproduction. Hence, this development cannot be understood in terms of a notion of teleological transition of society in stages towards a pre-ordained Telos, an unfolding of the “essence” of History.

This leaves the space of the global south deeply fractured with dual forms of economy. However, this is not fixed, pre-given, centered, or mutually exclusive form of duality as theorized in the structuralist narratives, or in modernization theories. As I have shown in this dissertation, the two economic spaces – roughly the formal and the informal sectors – are not homogeneous, centered around their own logos, or guided by some inherent, singular, and impersonal systemic logic of their own. They are, rather, sites of multiple and heterogeneous class processes encompassing different forms of production, appropriation, and distribution of surplus labor, each with their own distinct and disparate economic conditions of existence. These multiple class processes are present in both the economic spaces. Further, the two economic spaces are not
historically given; neither is one space more “traditional” than the other. Both the spaces are brought into existence and reproduced by contemporary development process.

In the Marxian framework, the social formation is theorized in terms of the existence of these multiple class processes. My analysis shows that the attempt to categorize the contemporary social formation in the global south in general, and in India in particular, simplistically as capitalist or otherwise is problematic. The issue of class dominance has not been resolved. The failure to understand the space of noncapital represents a failure to understand the class dynamics of contemporary India. My major contribution in terms of this dissertation is to analyze the conditions of existence and reproduction of the space of noncapital in terms of class qua surplus. In what sense can the sub-economies within the social formation be distinguished as spaces of capital and noncapital? The different economic spaces within a social formation are differentiated in terms of the *prevalence* of particular class processes within each space. The prevalence of noncapitalist, mostly self-exploitative, class processes in the informal sector and that of capitalist class process in the formal sector distinguishes the two sectors as spaces of capital and noncapital.

These two spaces overdetermine each other, i.e., they constitute and provide the conditions of existence of each other. The noncapitalist informal sector is partially created and regenerated by the exclusionary process of capitalist development, and, simultaneously, its conditions of existence are continuously threatened by the process of primitive capitalist accumulation. The informal sector, on the other hand, provides the economic space for the sustenance of the surplus population. In this role, it is *not*
functional to the economic needs of capitalist accumulation in the formal sector – it is de-linked from the space of capital. But, by containing the excess and the surplus – the refugees from the space of capital, and by provisioning them with the conditions to earn their livelihood and to reproduce themselves, however precariously, the noncapitalist informal sector contributes towards maintaining the fragile social stability within which capitalist exploitation and accumulation can continue. Of course, the informal sector is also a source of cheap resources and labor power for capitalist accumulation, and the producer of cheap wage goods that keep the value of labor power low in the capitalist sector, leading to higher production of surplus value (through increased rates of relative surplus-value in the capitalist sector). It is also often linked to the formal sector through subcontracting chains developed through the informalization of capitalist production structures, providing the formal sector with access to the “stagnant” (Marx, 1977: 796) part of the surplus population. This aspect of the informal economy has been widely highlighted in much of the radical discourse on economic development. However, as I have shown in this dissertation, a major part of the informal sector is not an appendage of the capitalist space, and, thus, cannot be understood simply in terms of the “logic” of capital. In fact, I have argued (in chapter 4) that the space of capital itself cannot be understood in terms of any singular “logic” of accumulation. Hence, the space of noncapitalism needs to be theorized in terms of its own specificities and distinct conditions of existence (Ruccio and Gibson-Graham, 2001). By developing a class-qua-surplus-based framework to account for the flows of surplus labor in enterprises with multiple class processes, and by applying this framework to analyze the processes of
production, appropriation, and distribution of surplus in the informal manufacturing enterprises in India, I have produced a Marxian class-theoretic analysis of some of the distinct specificities and conditions of existence of noncapitalist production in the informal sector. As I show in chapter 3, the noncapitalist informal enterprises, in general, are capable of producing surplus and, as I show in chapter 4, they can reproduce themselves over time, but cannot undertake expanded reproduction. These household enterprises retain a part of the net surplus or net profit, but this surplus may be used up to support consumption needs rather than for accumulation. The informal capitalist enterprises, in contrast, have the ability to reproduce on an expanded scale. This highlights an embedded dualism between the capitalist and the noncapitalist enterprises in the informal sector.

I have argued in chapter 1 that this contingent dualism of formal and informal sectors is not slated to disappear, but is rather strengthened and reproduced in the current developmental conjuncture in India. The drift away from the stagist notion of History creates opportunities for producing new Marxian imaginaries and politics for social transformation. As Žižek (2009: 155) points out in the context of contemporary struggles against global capitalism, “the freedom from History (with its laws and objective tendencies) … [sustains the] freedom for creative experimentation.” Based on the analysis developed in this dissertation, I present some possibilities of such politics below.
5.2. Surplus population, poverty, and contradictions of inclusive growth

In this dissertation, I have delineated the economic space of noncapital and the noncapitalist surplus population in terms of its particular economic specificities, and thus distinguished it from the space of capital. I have shown that it is a space of multiple and contradictory class processes – processes of production, appropriation and distribution of surplus – and is not an economic space that does not (or is not motivated to) produce surplus, or a space beyond the scope of class analysis. I have shown that the distinct economic conditions of reproduction of this space are shaped, among other things, by the magnitudes of surplus produced and retained, the unity of the direct producers with their means of production, the multiple class positions of the informal producers, the conditions of informality, and the role of the noncapitalist enterprises as the source of livelihood to the surplus population. I have also shown that working within these conditions, the noncapitalist enterprises have the ability to reproduce themselves at a given level of operation over time, but for the most part cannot accumulate funds for expanded reproduction and growth. The low levels of production and retention of surplus by these enterprises keep the incomes of workers (working owners and other household workers) above the absolute poverty level, but much below the recommended minimum wage or living wage levels in India. If the minimum wage income and the associated standard of living, which is the minimum “socially accepted” or customary standard of living for workers, are considered by the noncapitalist producers as their “notional” standard of living, then it is seen that there is a prevalence of relative poverty within the noncapitalist economy and the surplus population.
The exclusionary growth process, the often precarious and marginal existence of the informal enterprises, and the prevalence of relative poverty have increasingly been acknowledged as the negative sides of large-scale development in India even by the government and official policy-making bodies (Planning Commission, 2008; NCEUS, 2009). In this context, the interventions of the state and other institutions in the informal sector, and the discourse of “inclusive growth” while maintaining – even augmenting – the fast pace of capitalist growth, seek to manage the level of poverty among the surplus population. This has been highlighted in the Eleventh Five-Year Plan of the Government of India, where the emphasis continues to be on maintaining the fast rate of capitalist growth, which in the current conjuncture remains inherently exclusionary: “The Eleventh Plan seeks to remedy these deficiencies by seeking to accelerate the pace of growth while also making it more inclusive” (Planning Commission, 2008: vii). The task of inclusiveness in this context is not to fundamentally change the growth process, but to have a better trickle-down or spread-effect of growth.

However, in the context of the informal economy, the policies of inclusive growth give rise to new contradictions. The National Commission for Enterprises in the Unorganized Sector (NCEUS), set up by the Government of India to examine the problems facing the enterprises in the informal sector and to recommend policies for supporting these enterprises, has produced the most comprehensive array of reports and policy prescriptions ever attempted at the level of the government on the informal sector in India (see, for e.g., NCEUS, 2006; 2007a; 2007b; 2008a; 2008b; 2008c; 2009). It has recommended measures to ensure minimum working conditions and a minimum level of
social security of the informal workers (to be financed through a National Social Security and Welfare Fund, which will be partly funded by the higher taxes imposed by the government); to ensure proper access to credit for nonagricultural micro enterprises by introducing a targeted Priority Sector Lending policy for the informal micro enterprises; the creation of a National Fund for the Unorganized Sector for better access of credit, marketing facilities, technology, etc.; to provide better technologies, skills and training; to promote self-employment; and to encourage the self-help groups and micro finance institutions (MFI) active in the informal sector. While all these strategies may strengthen the noncapitalist informal sector, they may also lead to differentiation among the noncapitalist producers, leading to the dissolution of some parts of the economic space. This will undermine the economic conditions of existence of the surplus population, which in turn may create social instability, thereby undermining the political conditions of existence of the capitalist enterprises. On the other hand, the sustenance and growth of the informal enterprises may require a transfer of resources from the capitalist space, or may involve setting up barriers to entry for capital so as to preserve the noncapitalist space as the container of the surplus population. While this may ensure the survival of the surplus population by protecting their livelihoods, such transfers or barriers will impinge upon the processes of surplus production and distribution within the space of capital, and may undermine the conditions of expanded reproduction of capital by limiting its control over resources and its ability to retain surplus for accumulation.
5.3. Class politics of alternative development

In this dissertation, I have developed a detailed analysis of class qua surplus within noncapitalist informal sector, the space where the vast majority of working population in India earn their livelihood. I have shown that the struggle for livelihood and the fight against poverty in the space of noncapital is partly a struggle of class qua surplus. The struggles are waged not only inside particular appropriative class processes, but also between different class processes for maintaining social effectivity and control over space and resources. Inside the capitalist class process, the class struggle is mainly oriented towards control over production, appropriation and distribution of surplus, and towards a move from exploitative to non-exploitative class processes. Within the noncapitalist self-exploitative class process, the struggle is to enhance the ability to produce, appropriate and retain surplus, thus ensuring adequate income for the noncapitalist producers to attain a minimum customary standard of living. This requires the continued unity of the producers with their means of labor and a control over the meager resources for successfully carrying out production. Here the struggle is also to move from self-exploitative to non-exploitative class processes for collective production, appropriation and distribution of labor. This requires particular distributions of surplus to promote and to secure the conditions of existence of cooperatives and collectives. Nevertheless, since class exploitation takes place in both capitalist and noncapitalist sectors, from a Marxian class theoretic perspective, the strategies to strengthen the informal sector as well as that to absorb the surplus population within the formal sector, are both failures.
However, much of Marxist theory and politics are marked by ambivalence towards noncapital, an absence of a class-based understanding of the noncapitalist space, and doubts about the effectivity of the struggle of noncapital against the space of capital (except when led by the industrial proletariat in the “backward” countries where capitalism has not “fully” developed). This attitude flows from the theoretical understanding of noncapital as a precapitalist remnant existing as a result of lack of development of the forces of production and of capitalism, and a blinding influence of the imaginary of large-scale industrialization leading to the dissolution of noncapital and emergence of full-fledged capitalism (Ruccio, 2000). This has prevented Marxists from effectively influencing any of the extraordinary struggles led by noncapital against capitalist development in India over the past two decades.

In this period, the politics of control over livelihood and related control over the social space, including common property resources, that provides the conditions for the basic survival of the population in the noncapitalist space, has emerged at the forefront of anticapitalist struggles (Basu, 2007; 2008). This new and powerful terrain of anticapitalist politics has bypassed many of the Marxists. This failing is partly due to the lack of Marxist theorization of the noncapitalist space in terms of its own specificities. Further, the lack of class-focused analysis of the issues of livelihood, consumption and poverty, both in general and in the particular context of noncapital, has produced a disconnect between the space of class-based politics and the politics of development.

In this dissertation, by producing a class-qua-surplus analysis of the processes of production, distribution and consumption, I have intervened in this particular theoretical
terrain, and have shown links between the different domains in terms of flows of surplus labor. This highlights the possibility of a Marxian class-based intervention in the present developmental conjuncture in India and of creating new anticapitalist subjectivities within the noncapitalist space.

Different forms of class politics may be imagined to reproduce such a nonexploitative, noncapitalist economic space that sustains collective production, appropriation and distribution of surplus. Collective appropriation of surplus, instead of self-appropriation in the ancient enterprises, may lead to lower levels of exploitation. Households may pool their resources together and may collectively produce and appropriate surplus, and increase their scale of operation on a collective basis. This may require noncapitalist, community-based institutions that would promote credit availability, dispersion of local knowledge and technology of production, appropriate insurance mechanisms, and network for transportation, storage and sales of the final commodities produced. This collectivity and the institutions supporting such collectives may enable the noncapitalist enterprises to realize and retain higher amounts of surplus value by strengthening their bargaining power. Also, a collective control over the process of distribution of surplus value in the noncapitalist space may allow the enterprises to channelize surplus to fulfill the social needs of the households, and to promote nonexploitative class processes. Collective production, appropriation and distribution of surplus in the noncapitalist economic space may also enable the households to demand higher control over social surplus and resources, which may come, in part, from the surplus generated in the capitalist space.

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Thus, a class qua surplus focused understanding of the process of reproduction of capital and noncapital opens up grounds for engaging in the struggles over surplus, both within and between capitalist and noncapitalist appropriative class processes, as well as in the struggles for popular right to livelihood and control over the social space.
APPENDIX A:

THE INFORMAL ECONOMY IN INDIA: DEFINITIONAL ISSUES

A.1. International definition of informal sector

The resolution on the Statistics of Employment in the Informal Sector (Resolution II), adopted in the 15th International Conference of Labour Statisticians (ICLS) in 1993, defines the informal sector as follows: “For statistical purposes, the informal sector is regarded as a group of production units, which forms part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households” (ILO, 1993, emphasis added). This is the standard definition of the informal sector in the international context, adopted by the System of National Accounts (1993) recommended by the United Nations.

Within the household sector, the informal sector comprises ‘informal own account enterprises’ that are run by household labor (labor of the owner-worker and contributing family labor) and employ outside labor only occasionally, and ‘enterprises of informal employers,’ which employ one or more workers on a fairly regular and continuous basis. Moreover, an enterprise is considered to be part of the informal sector only if the number of employees in the enterprise is below a country-specific threshold level. The threshold level varies according to general economic characteristics, and labor and industrial laws of the countries, since different countries enforce such laws and mandate domestic
enterprises to legally register themselves and their employees only if the number of employees in an enterprise is above a specific level. The enterprises under the purview of the labor and industrial laws of the country are considered to be part of the “formal” sector.

The ICLS has clarified that the concept of the informal sector is to be distinguished from that of “hidden” or “underground” economy, since the household enterprises do not necessarily remain informal to avoid paying taxes or social security payments, or to avoid implementing the labor and industrial laws. Further, the informal sector is also distinguished from the “criminal” or “illegal” economy that produces and distributes illegal goods and services, since the informal sector produces and distributes legal goods and services, even though the production or employment arrangements in the informal enterprises may not be strictly legal.

As household enterprises, the production units in the informal sector are not separate legal entities independent of the households, and the owners of these production units have to raise funds for operation on a personal basis, and are legally responsible for any debts or obligations incurred in the production process. Similarly, the assets of the enterprises belong personally to the owners, and they have the right over profits of the enterprises, which may be accrued to them as their individual incomes. For the enterprises, “no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s)” (Hussmanns, 2004: 3).
ICLS at the ILO (see, e.g., ILO, 1993; 2003) and deliberations at the meetings of Expert Group on Informal Sector Statistics (Delhi Group) lay down detailed criteria and operational guidelines to be adopted by statistical agencies for identifying and collecting data on the informal sector on the basis of the international statistical definition.\(^6^4\)

A.2. Defining informal sector in the Indian context

The National Commission for Enterprises in the Unorganized Sector (NCEUS) has recently provided a standardized definition of the informal sector in the Indian context: “The informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers” (NCEUS, 2008a: 41). This definition has been recommended for use in all future official surveys and analyses on the informal sector in India.

\(^6^4\) The 17\(^{th}\) ICLS, based on a framework developed by ILO (2002b), made a distinction between the informal sector as defined above and informal employment, and provided a working definition of such employment (ILO, 2003). Such employment comprises of own-account workers and employers employed in their own informal sector enterprises; contributing family workers; members of informal producers’ cooperatives; own-account workers engaged in the production of goods exclusively for own final use by the households (such as subsistence farming); and, employees holding informal jobs both in formal sector and informal sector enterprises (ibid.). Informal jobs involve “employment relationship [that] is, in law or in practice, not subject to national labor legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)” (Hussmanns, 2004: 6). Thus, this concept captures employment relations that have developed due to the increasing informalization of production structures and employment, e.g. casual, contract or temporary workers in the formal sector, subcontractors, outworkers, etc., and are prevalent not only in the LDCs but also in the developed countries (Tabak and Crichlow (eds.), 2000; Sassen-Koob, 1989; Sassen, 2001). In this work, I maintain the distinction between informal sector and informal employment, and work with the concept of informal sector rather than informal employment.
All proprietary and partnership enterprises are considered to be household enterprises. Under the Indian legal system, unincorporated household enterprises that operate on a proprietary or partnership basis do not constitute separate legal entities independent of the households or the individual owners, and the owners are personally responsible for all the obligations of the enterprises (Raveendran, Murthy and Naik, 2006: 3). The threshold size for enterprises to be considered part of the informal sector has been determined to be “less than ten workers,” since, in India, various labor and social security legislations are applicable only for enterprises with ten or more workers (ibid.). Thus, this recently adopted definition of informal sector in India is in consonance with the international understanding of the sector.

The concepts of “formal” and “informal” sectors have not been used in the official economic surveys and the National Accounts Statistics in India so far, with one exception. Instead, the terms generally used to make such distinctions are “organized” and “unorganized” sectors, respectively. The distinction between the two terms is based on the following definitions:

The organized sector comprises of enterprises for which the statistics are available regularly from the budget documents or reports, annual reports in the case of Public Sector and through Annual Survey of Industries [ASI] in case of registered manufacturing. On the other hand, the unorganized sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision and/or which do not maintain any regular accounts. Non-availability of regular information has been the main criteria for treating the sector as unorganized. [Thus] units not registered under Factories Act 1948 [legislation enacted to oversee occupational safety, health, welfare facilities, working hours, leaves etc.] constitute unorganized component of manufacturing on account of activity not regulated under any Act. (NSSO, 2000, Report No. 456: 2)
The coverage of the Factories Act of 1948 is limited to enterprises with 10 or more workers where manufacturing process is carried out with the aid of power, and 20 or more workers without power. This constitutes the organized segment in manufacturing. The rest, by definition, constitute the unorganized manufacturing sector.

However, the concept of ‘unorganized sector’ as employed in official statistics is different from the concept of ‘informal sector’ as defined above. In addition to unincorporated proprietary and partnership enterprises, the unorganized sector also includes enterprises run by cooperative societies, trusts, and private and public limited companies that are not covered by the ASI. Hence, “the informal sector… [is] a subset of the unorganized sector” (NSSO, 2000: 2). The NCEUS has recommended that for future statistical purposes, the same definition (the one proposed by NCEUS) should be used for identifying unorganized or the informal sector, i.e., the unorganized sector and the informal sector should be conceptually identical.

The National Sample Survey Organization (NSSO) of the Government of India has conducted six national surveys of the unorganized sector so far, between 1978-79 and 2005-06. The only official national survey of the “informal sector” was conducted by the NSSO in its 55th Round survey (July 1999 – June 2000). However, the survey, covering non-agricultural enterprises, included all unincorporated proprietary and partnership enterprises in its definition of “informal sector,” without considering any threshold size for the enterprises, as stipulated in the later definition.
A.3. Definitions of different enterprise types in the informal manufacturing sector

The enterprises in the informal (or unorganized) manufacturing sector are categorized under the following three types (NSSO, 2007: 8-9):

(a) *Own account manufacturing enterprise* (OAME): An enterprise which is run without any hired worker on a fairly regular basis, i.e., for the major part of the reference period, and which is engaged in manufacturing and/or repairing activities.

(b) *Non-directory manufacturing establishment* (NDME): A manufacturing enterprise that employs at least one *hired* worker but less than six total workers (household and hired workers taken together) on a fairly regular basis.

(c) *Directory Manufacturing Establishment* (DME): A manufacturing enterprise that employs at least one *hired* worker and six or more total workers (household and hired workers taken together) on a fairly regular basis.
APPENDIX B:
A DISCUSSION ON THE DATA

The major source of data for the present analysis is the enterprise-level, disaggregated data from Schedule 2.2 of the 62nd round (July 2005 – June 2006) socio-economic survey by NSSO. This survey, based on stratified multi-stage random sampling and covering the entire geographical area of India (except few inaccessible regions), is the most recent survey of the unorganized manufacturing enterprises in India. Since, as mentioned above, the informal sector is a sub-part of the unorganized sector, I have selected for the present analysis only those enterprises from the survey that conform to the definition of the informal sector,

Schedule 2.2 of the survey focused on the manufacturing enterprises in the unorganized sector, consisting of the following types of enterprises: (i) All manufacturing enterprises except those registered under section 2m(i) and 2m(ii) of Factories Act, 1948 and Bidi and Cigar Workers (conditions of employment) Act, 1966; and (ii) All manufacturing enterprises except those run by Government (Central Government, State Governments, Local Bodies) / Public Sector Enterprises (NSSO, 2007: 8). In terms of National Industrial Classification (NIC) 2004 codes, the schedule covered tabulation category D (manufacturing), and the industries denoted by NIC 2-digit codes 15-37, as well as code 01405 (see table B.1 below for the NIC codes and their descriptions).
<table>
<thead>
<tr>
<th>NIC 2004 codes</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>01405</td>
<td>Cotton ginning, cleaning and baling</td>
</tr>
<tr>
<td>15</td>
<td>Manufacture of Food Products and Beverages</td>
</tr>
<tr>
<td>16</td>
<td>Manufacture of Tobacco Products</td>
</tr>
<tr>
<td>17</td>
<td>Manufacture of Textiles</td>
</tr>
<tr>
<td>18</td>
<td>Manufacture of Wearing Apparel; Dressing and Dyeing of Fur</td>
</tr>
<tr>
<td>19</td>
<td>Tanning and Dressing of Leather; Manufacture of Luggage, Handbags, Saddlery, Harness and Footwear</td>
</tr>
<tr>
<td>20</td>
<td>Manufacture of Wood and of Products of Wood and Cork, Except Furniture; Manufacture of Articles of Straw and Plaiting Materials</td>
</tr>
<tr>
<td>21</td>
<td>Manufacture of Paper and Paper Products</td>
</tr>
<tr>
<td>22</td>
<td>Publishing, Printing and Reproduction of Recorded Media</td>
</tr>
<tr>
<td>23</td>
<td>Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel</td>
</tr>
<tr>
<td>24</td>
<td>Manufacture of Chemicals and Chemical Products</td>
</tr>
<tr>
<td>25</td>
<td>Manufacture of Rubber and Plastics Products</td>
</tr>
<tr>
<td>26</td>
<td>Manufacture of Other Non-Metallic Mineral Products</td>
</tr>
<tr>
<td>27</td>
<td>Manufacture of Basic Metals</td>
</tr>
<tr>
<td>28</td>
<td>Manufacture of Fabricated Metal Products, Except Machinery and Equipment</td>
</tr>
</tbody>
</table>
### TABLE B.1 (Continued)

<table>
<thead>
<tr>
<th>NIC 2004 codes</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>Manufacture of Machinery and Equipment N.E.C.</td>
</tr>
<tr>
<td>30</td>
<td>Manufacture of Office, Accounting and Computing Machinery</td>
</tr>
<tr>
<td>31</td>
<td>Manufacture of Electrical Machinery and Apparatus N.E.C.</td>
</tr>
<tr>
<td>32</td>
<td>Manufacture of Radio, Television and Communication Equipment and Apparatus</td>
</tr>
<tr>
<td>33</td>
<td>Manufacture of Medical, Precision and Optical Instruments, Watches and Clocks</td>
</tr>
<tr>
<td>34</td>
<td>Manufacture of Motor Vehicles, Trailers and Semi-Trailers</td>
</tr>
<tr>
<td>35</td>
<td>Manufacture of Other Transport Equipment</td>
</tr>
<tr>
<td>36</td>
<td>Manufacture of Furniture; Manufacturing N.E.C.</td>
</tr>
<tr>
<td>37</td>
<td>Recycling</td>
</tr>
</tbody>
</table>

Source: Table 0 in NSSO, 2007: 7 (Report no. 524).

Note: N.E.C. refers to “not elsewhere classified.”

Information on the following items were collected from sample enterprises for schedule 2.2: (i) particulars of operation and background information of the enterprise; (ii) principal operating expenses; (iii) other operating expenses; (iv) principal receipts; (v) other receipts; (vi) gross value added; (vii) employment particulars; (viii) compensation to workers; (ix) fixed assets owned and hired; and (x) loans outstanding.
Different reference periods were used for recording details of various items in schedule 2.2, depending on whether the enterprise under survey provided information from their books of account or orally. If the enterprises provided information orally, the reference period was the last 30 days (or the last month) preceding the date of survey (for seasonal enterprises, the ‘reference month’ referred to an average month in the last working season) for most of the items, except for some items covering particulars of operation and background information. For all other enterprises, the reference period was the last 365 days (or the last year) preceding the date of survey (with adjustments made for seasonal enterprises). However, about 99 per cent of the enterprises provided information orally (94.6 per cent of the enterprises did not maintain any usable book of accounts) (NSSO, 2007: A-229), and for all such enterprises, data was collected for the reference month. For most of the analysis in this chapter, the data was for such enterprises were transformed into their annual values by multiplying the relevant figures by the number of months over which the enterprises were operational in the year preceding the survey.

The survey covered a total of 82897 sample enterprises (representing an estimated population of 17,070,820 enterprises), of which 42050 were rural enterprises, and 40847 were urban enterprises. 2260 urban enterprises were part of the “list frame” of the survey, comprising of “very big” non-ASI enterprises. These enterprises are included in the unorganized sector since they are not covered in the ASI, but their economic characteristics are very different form the other unorganized sector enterprises (e.g., the gross value of output for these enterprises in 2001 were more than six times the average
value of output of the enterprises in the small scale industry in the urban areas [NSSO, 2007: B-3]). These enterprises were not considered for the analytical purposes of this chapter. The remaining 80637 enterprises (42050 rural and 38587 urban enterprises) from the “area frame” of the survey, covering 4798 villages and 5125 urban blocks from all the 29 states and 6 union territories, were considered for analysis.

However, some of these enterprises do not conform to the definition of the informal sector (though they were part of the unorganized sector) and, hence, are not part of the present analysis. Of the 80637 enterprises, it was found that 377 enterprises did not operate on a proprietary or partnership basis. Among the rest, 2870 enterprises had ten or more total worker, and an additional 25 enterprises did not have proper information on the total number of workers. These 3272 enterprises were not considered for this analysis. Thus the present analysis is based on the remaining 77365 sample enterprises, a subset of the unorganized manufacturing sector surveyed in the 62nd round (about 93 percent of the original sample), representing an estimated 16,798,700 enterprises (about 98 percent of the estimated population of unorganized enterprises) that conform to the international as well as the Indian definition of an informal enterprise. These informal sector enterprises engage an estimated 32,331,802 workers (i.e. about 88.7 percent of the estimated 36,442,799 unorganized manufacturing sector workers; and about 71 percent of all workers who are engaged in manufacturing activities, organized and unorganized).65 The

65 According to Annual Survey of Industries (2005-06), the number of persons engaged manufacturing activities in the “formal” or organized sector is 9,111,680. Added with the estimated 36,442,799 workers in the unorganized sector, the total estimated workforce engaged in manufacturing activities in India in 2005-06 was 45,554,479.
population estimates from the sample for all analyses in this chapter are calculated by using the weights provided by the NSSO along with the unit-level data.
APPENDIX C:

SOME CHARACTERISTICS OF INFORMAL MANUFACTURING ENTERPRISES

In the following tables, the estimated number of informal manufacturing enterprises in different industry divisions (Table C.1), the estimated number and percentage of enterprises by regions enterprise types (Table C.2), the estimated number of workers by industry divisions (Table C.3), the estimated number and percentage of workers by regions and industry types (Table C.4), the estimated gross value added (GVA) in different industry divisions (Table C.5), the estimated GVA by regions and enterprise types (Table C.6), and the trade margins for commodities from different industry divisions for small trading units (Table C.7) are presented.
<table>
<thead>
<tr>
<th>Industry division (NIC 2004)</th>
<th>Estimated number of enterprises</th>
<th>Percentage of total enterprises ¹</th>
<th>Number of enterprises in the sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>3196032</td>
<td>19.02</td>
<td>19019</td>
</tr>
<tr>
<td>16</td>
<td>2817221</td>
<td>16.77</td>
<td>2940</td>
</tr>
<tr>
<td>15</td>
<td>2533773</td>
<td>15.08</td>
<td>13425</td>
</tr>
<tr>
<td>17</td>
<td>2501994</td>
<td>14.89</td>
<td>7598</td>
</tr>
<tr>
<td>20</td>
<td>2134223</td>
<td>12.70</td>
<td>7824</td>
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<td>36</td>
<td>1124520</td>
<td>6.69</td>
<td>9179</td>
</tr>
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<td>26</td>
<td>612682</td>
<td>3.65</td>
<td>4029</td>
</tr>
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<td>28</td>
<td>608864</td>
<td>3.62</td>
<td>4748</td>
</tr>
<tr>
<td>24</td>
<td>405864</td>
<td>2.42</td>
<td>1098</td>
</tr>
<tr>
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<td>169567</td>
<td>1.01</td>
<td>1505</td>
</tr>
<tr>
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<td>0.99</td>
<td>638</td>
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</tr>
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<td>108808</td>
<td>0.65</td>
<td>1380</td>
</tr>
<tr>
<td>31</td>
<td>107795</td>
<td>0.64</td>
<td>1227</td>
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<td>25</td>
<td>67710</td>
<td>0.40</td>
<td>670</td>
</tr>
<tr>
<td>27</td>
<td>33447</td>
<td>0.20</td>
<td>438</td>
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<tr>
<td>35</td>
<td>24241</td>
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<td>255</td>
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<td>34</td>
<td>13370</td>
<td>0.08</td>
<td>188</td>
</tr>
<tr>
<td>33</td>
<td>9296</td>
<td>0.06</td>
<td>113</td>
</tr>
<tr>
<td>01405</td>
<td>8942</td>
<td>0.05</td>
<td>100</td>
</tr>
<tr>
<td>23</td>
<td>5732</td>
<td>0.03</td>
<td>68</td>
</tr>
<tr>
<td>32</td>
<td>5093</td>
<td>0.03</td>
<td>49</td>
</tr>
<tr>
<td>37</td>
<td>3395</td>
<td>0.02</td>
<td>39</td>
</tr>
<tr>
<td>30</td>
<td>688</td>
<td>0.01</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16798700</strong></td>
<td><strong>100</strong></td>
<td><strong>77365</strong></td>
</tr>
</tbody>
</table>

¹ The data is organized in descending order by estimated number of enterprises.
² See Table B.1 for descriptions of NIC 2004 codes for manufacturing activities.
³ Percentage shares are approximated to two decimal places, and may not add up to 100.
TABLE C.2
ESTIMATED NUMBER AND PERCENTAGE DISTRIBUTION OF INFORMAL MANUFACTURING ENTERPRISES BY REGION (RURAL/URBAN) AND ENTERPRISE TYPE (OAME/NDME/DME)

<table>
<thead>
<tr>
<th>Enterprise type</th>
<th>Rural</th>
<th>Urban</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated</td>
<td>Sample</td>
<td>Estimated</td>
</tr>
<tr>
<td>OAME</td>
<td>11093762</td>
<td>30972</td>
<td>3498754</td>
</tr>
<tr>
<td>Percent of OAMEs by region</td>
<td>76</td>
<td>24</td>
<td>92.5</td>
</tr>
<tr>
<td>Percent of total enterprises in each region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NDME</td>
<td>739614</td>
<td>6698</td>
<td>1020971</td>
</tr>
<tr>
<td>Percent of NDMEs by region</td>
<td>42</td>
<td>58</td>
<td>6.2</td>
</tr>
<tr>
<td>Percent of total enterprises in each region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DME</td>
<td>157926</td>
<td>2223</td>
<td>287674</td>
</tr>
<tr>
<td>Percent of DMEs by region</td>
<td>35.4</td>
<td>64.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Percent of total enterprises in each region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL</td>
<td>11991302</td>
<td>39893</td>
<td>4807399</td>
</tr>
<tr>
<td>Percent of enterprises by region</td>
<td>71.4</td>
<td>28.6</td>
<td>100</td>
</tr>
<tr>
<td>Percent of total enterprises in each region</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TABLE C.3
ESTIMATED NUMBER OF WORKERS IN INFORMAL MANUFACTURING ENTERPRISES IN DIFFERENT INDUSTRY DIVISIONS (BY NIC 2004 CODES) \(^1,2\)

<table>
<thead>
<tr>
<th>Industry division (NIC 2004)</th>
<th>Estimated number of workers</th>
<th>Percentage of total workers</th>
<th>Number of workers in sample enterprises</th>
</tr>
</thead>
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<tr>
<td>15</td>
<td>5496018</td>
<td>17.00</td>
<td>31189</td>
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<td>5444697</td>
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<td>14.64</td>
<td>31288</td>
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<td>12.93</td>
<td>4707</td>
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<td>61208</td>
<td>0.19</td>
<td>827</td>
</tr>
<tr>
<td>33</td>
<td>28610</td>
<td>0.09</td>
<td>383</td>
</tr>
<tr>
<td>23</td>
<td>19999</td>
<td>0.06</td>
<td>256</td>
</tr>
<tr>
<td>01405</td>
<td>15880</td>
<td>0.05</td>
<td>254</td>
</tr>
<tr>
<td>32</td>
<td>15716</td>
<td>0.05</td>
<td>145</td>
</tr>
<tr>
<td>37</td>
<td>8697</td>
<td>0.03</td>
<td>133</td>
</tr>
<tr>
<td>30</td>
<td>1499</td>
<td>0.01</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>32331802</td>
<td>100</td>
<td>174992</td>
</tr>
</tbody>
</table>

\(^1\) The data is organized in descending order by estimated number of workers in each industry division.

\(^2\) See Table B.1 for descriptions of NIC 2004 codes for manufacturing activities.
### TABLE C.4

**ESTIMATED NUMBER AND PERCENTAGE DISTRIBUTIONS OF WORKERS IN INFORMAL MANUFACTURING ENTERPRISES BY REGION (RURAL/URBAN) AND ENTERPRISE TYPE (OAME/NDME/DME)**

<table>
<thead>
<tr>
<th>Enterprise type</th>
<th>Rural</th>
<th>Urban</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAME</td>
<td>17937468</td>
<td>5627604</td>
<td>23565072</td>
</tr>
<tr>
<td>Percent of workers by region</td>
<td>76.1</td>
<td>23.9</td>
<td>100</td>
</tr>
<tr>
<td>Percent of total workers in OAMEs</td>
<td>84.2</td>
<td>51.1</td>
<td>72.9</td>
</tr>
<tr>
<td>NDME</td>
<td>2288520</td>
<td>3371216</td>
<td>5659736</td>
</tr>
<tr>
<td>Percent of workers by region</td>
<td>40.4</td>
<td>59.6</td>
<td>100</td>
</tr>
<tr>
<td>Percent of total workers in NDMEs</td>
<td>10.7</td>
<td>30.6</td>
<td>17.5</td>
</tr>
<tr>
<td>DME</td>
<td>1087510</td>
<td>2019483</td>
<td>3106994</td>
</tr>
<tr>
<td>Percent of workers by region</td>
<td>35</td>
<td>65</td>
<td>100</td>
</tr>
<tr>
<td>Percent of total workers in DMEs</td>
<td>5.1</td>
<td>18.3</td>
<td>9.6</td>
</tr>
<tr>
<td>ALL</td>
<td>21313498</td>
<td>11018304</td>
<td>32331802</td>
</tr>
<tr>
<td>Percent of workers by region</td>
<td>65.9</td>
<td>34.1</td>
<td>100</td>
</tr>
<tr>
<td>Total percent</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
TABLE C.5
ESTIMATED ANNUAL GROSS VALUE ADDED (GVA) (IN RUPEES) IN INFORMAL MANUFACTURING ENTERPRISES IN DIFFERENT INDUSTRY DIVISIONS (BY NIC 2004 CODES) ¹

<table>
<thead>
<tr>
<th>Industry division (NIC 2004)</th>
<th>Estimated Total GVA (Thousand Rs.)</th>
<th>Percent of total GVA</th>
<th>Estimated GVA per enterprise (Rs.)</th>
<th>Estimated GVA per worker (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>106934351</td>
<td>18.41</td>
<td>42426</td>
<td>19551</td>
</tr>
<tr>
<td>36</td>
<td>83676977</td>
<td>14.41</td>
<td>74876</td>
<td>35826</td>
</tr>
<tr>
<td>17</td>
<td>80547147</td>
<td>13.87</td>
<td>33043</td>
<td>15157</td>
</tr>
<tr>
<td>18</td>
<td>79590547</td>
<td>13.70</td>
<td>25232</td>
<td>17049</td>
</tr>
<tr>
<td>20</td>
<td>46076970</td>
<td>7.93</td>
<td>21811</td>
<td>11602</td>
</tr>
<tr>
<td>28</td>
<td>44887884</td>
<td>7.73</td>
<td>73868</td>
<td>30028</td>
</tr>
<tr>
<td>16</td>
<td>26286917</td>
<td>4.53</td>
<td>9394</td>
<td>6347</td>
</tr>
<tr>
<td>26</td>
<td>23645302</td>
<td>4.07</td>
<td>39414</td>
<td>14873</td>
</tr>
<tr>
<td>29</td>
<td>21951465</td>
<td>3.78</td>
<td>130013</td>
<td>45459</td>
</tr>
<tr>
<td>31</td>
<td>10525681</td>
<td>1.81</td>
<td>97816</td>
<td>44462</td>
</tr>
<tr>
<td>19</td>
<td>10126155</td>
<td>1.74</td>
<td>73113</td>
<td>25744</td>
</tr>
<tr>
<td>22</td>
<td>9840753</td>
<td>1.69</td>
<td>92095</td>
<td>33247</td>
</tr>
<tr>
<td>25</td>
<td>9352353</td>
<td>1.61</td>
<td>138473</td>
<td>41835</td>
</tr>
<tr>
<td>24</td>
<td>9352353</td>
<td>1.39</td>
<td>19946</td>
<td>11944</td>
</tr>
<tr>
<td>21</td>
<td>5186247</td>
<td>0.89</td>
<td>31230</td>
<td>15538</td>
</tr>
<tr>
<td>35</td>
<td>4230701</td>
<td>0.73</td>
<td>176039</td>
<td>43253</td>
</tr>
<tr>
<td>27</td>
<td>3838374</td>
<td>0.67</td>
<td>116119</td>
<td>42848</td>
</tr>
<tr>
<td>34</td>
<td>2898217</td>
<td>0.50</td>
<td>216775</td>
<td>47331</td>
</tr>
<tr>
<td>33</td>
<td>1627120</td>
<td>0.28</td>
<td>175043</td>
<td>56832</td>
</tr>
<tr>
<td>23</td>
<td>490567</td>
<td>0.08</td>
<td>87507</td>
<td>25074</td>
</tr>
<tr>
<td>32</td>
<td>456301</td>
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<td>89593</td>
<td>28994</td>
</tr>
<tr>
<td>01405</td>
<td>250180</td>
<td>0.04</td>
<td>28062</td>
<td>15765</td>
</tr>
<tr>
<td>37</td>
<td>213670</td>
<td>0.04</td>
<td>62942</td>
<td>24587</td>
</tr>
<tr>
<td>30</td>
<td>68929</td>
<td>0.01</td>
<td>100182</td>
<td>45955</td>
</tr>
<tr>
<td>Total</td>
<td>580833774</td>
<td>100</td>
<td>34963</td>
<td>18115</td>
</tr>
</tbody>
</table>

Note: Enterprises with “missing values” for GVA have not been considered for this table. The estimate for total number of enterprises relevant for this table is 16,613,010 (98.9 percent of all enterprises).

¹ The data is organized in descending order by estimated contribution of each industry division to the total GVA.
TABLE C.6
ESTIMATED ANNUAL GROSS VALUE ADDED (TOTAL, PER ENTERPRISE, AND PER WORKER) BY ENTERPRISE TYPE (OAME/NDME/DME) AND REGION (RURAL/URBAN)

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>Total GVA (Billion Rs.)</th>
<th>GVA per enterprise (Rs.)</th>
<th>GVA per worker (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>All</td>
</tr>
<tr>
<td>OAME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of total GVA in OAMEs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>63.3</td>
<td>27.3</td>
<td>43.7</td>
</tr>
<tr>
<td>NDME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of total GVA in NDMEs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21.6</td>
<td>43.5</td>
<td>33.5</td>
</tr>
<tr>
<td>DME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of total GVA in DMEs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15.1</td>
<td>29.2</td>
<td>22.8</td>
</tr>
<tr>
<td>All Total percent</td>
<td>264.6</td>
<td>316.3</td>
<td>580.8</td>
</tr>
</tbody>
</table>

Note: The figures in parentheses represent the percent of total GVA by region (rural or urban) for each type of enterprise (OAME, NDME, and DME). Enterprises with “missing values” for GVA have not been considered for this table.
TABLE C.7

RETAIL TRADE MARGINS (PERCENTAGES) FOR COMMODITIES FROM DIFFERENT INDUSTRY DIVISIONS (BY NIC 2004 CODES)\(^1\) IN SMALL TRADING UNITS, 1997

<table>
<thead>
<tr>
<th>Industry divisions (NIC codes)</th>
<th>Trade margins (percentages)(^2)</th>
<th>Industry divisions (NIC codes)</th>
<th>Trade margins (percentages)(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>18%</td>
<td>27</td>
<td>19%</td>
</tr>
<tr>
<td>16</td>
<td>15%</td>
<td>28</td>
<td>19%</td>
</tr>
<tr>
<td>17</td>
<td>17%</td>
<td>29</td>
<td>19%</td>
</tr>
<tr>
<td>18</td>
<td>20%</td>
<td>30</td>
<td>19%</td>
</tr>
<tr>
<td>19</td>
<td>18%</td>
<td>31</td>
<td>15%</td>
</tr>
<tr>
<td>20</td>
<td>20%</td>
<td>32</td>
<td>17%</td>
</tr>
<tr>
<td>21</td>
<td>17%</td>
<td>33</td>
<td>20%</td>
</tr>
<tr>
<td>22</td>
<td>16%</td>
<td>34</td>
<td>19%</td>
</tr>
<tr>
<td>23</td>
<td>28%</td>
<td>35</td>
<td>19%</td>
</tr>
<tr>
<td>24</td>
<td>12%</td>
<td>36</td>
<td>20%</td>
</tr>
<tr>
<td>25</td>
<td>20%</td>
<td>37</td>
<td>19%</td>
</tr>
<tr>
<td>26</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Notes: (1) See Table B.1 in Appendix B for descriptions of NIC 2004 codes for manufacturing activities.

(2) The percentages for trade margins are rounded up to the nearest whole number.
BIBLIOGRAPHY


Review of Radical Political Economics, 16 (2/3): 115-35.


World Bank).
