



Neo-liberalism, markets and class structures on the Nepali lowlands: The political economy of agrarian change

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ABSTRACT

In recent years, neo-liberalism has manifested itself in peripheral social formations on an ideological basis through strategies of poverty alleviation. This process is epitomized by Nepal's donor led agrarian strategy, which constructs farmers as 'rational entrepreneurs' responsible for their own welfare. In the process it seeks to encourage smallholders to shift from subsistence to market oriented production. However, over 10 years since the current agrarian strategy was released, there is little evidence of commercialisation and the integration of rural populations into global or domestic markets, while subsistence production remains dominant. To understand this failure, one must examine both the contradictions inherent in neo-liberal ideologies and the rural political economy of Nepal. While the emphasis on self-help through market access can be understood to be an ideological process constitutive of the over-determined nature of capitalist expansion, contradictions are evident in such ideologies when they are mobilised in regions dominated by non-capitalist economic systems. The depoliticizing assumptions inherent in such ideologies can serve the interests of capitalist expansion through glossing over the associated forms of class exploitation. However, a case study from Nepal's eastern lowlands demonstrates how they also divert attention from complex non-capitalist modes of surplus appropriation in both the relations of production and circulation. Such forms of exploitation have not only obstructed the process of classical agrarian transition long envisaged in Marxian theory, but have also blocked the emergence of the particular form of rural commodity production envisaged in Nepal's neo-liberal agrarian strategy itself.

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1. Introduction

The impact of global neo-liberal hegemony on less economically developed countries through the integration of rural populations into global capital flows has come under increasing investigation in recent years. However, there is a need to better understand its manifestation in regions dominated by non-capitalist economies which are far from the market core. This study seeks to investigate the failure of neo-liberalism to replicate itself in the agricultural sector of such a region by highlighting a contradiction between the ideological elements inherent in the process of global capitalist expansion and the economic relations on the ground.

In the context of peripheral social formations, there is evidence that neo-liberalism has manifested itself at an ideological level through rural development strategy. Such ideologies can be understood as inseparable from the process of global capitalist expansion, as markets are extended into previously isolated regions. This paper investigates the neo-liberal ideologies which were mobilised in Nepal's agrarian strategy through a reworking of the

subject position expected of rural producers. By constructing farmers as "rational entrepreneurs" responsible for their own welfare, the agrarian policy seeks to encourage smallholders to shift from subsistence to market oriented production. It was assumed that with the provision of the appropriate agricultural services and infrastructure, the rational small farmer would automatically commercialise, accumulate capital, and lift themselves from poverty. However, nearly a decade after its initial implementation, Nepal's dominant agricultural strategy has failed to meet many of its objectives.

The failure of Nepal's agrarian strategy can be understood when one acknowledges the theoretical basis of its neo-liberal ideologies in neo-classical economics, which assumes society is composed of free profit maximising agents. By their very nature such theories fail to adequately understand the "social" behind the economy, a standpoint behind which lies a fundamental paradox. The depoliticising essence of these neo-classical assumptions is often functional to imperialist capital accumulation through diverting attention from and "naturalising" capitalist class exploitation. However, a case study from Nepal's eastern lowlands demonstrates how such ideologies also gloss over the non-capitalist forms of surplus appropriation present in rural Nepal in both the relations of

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production and circulation. Such structures have not only obstructed the process of classical agrarian transition long envisaged in Marxian theory, but have also blocked the emergence of the particular form of rural commodity production envisaged in Nepal's agrarian strategy itself.

Through highlighting the contradictions inherent in the ideological element of capitalist expansion in Nepal, this paper lends support to the assertion that globalisation is not a "monolithic, cohesive force" (Hart, 2002, p. 813). Most crucially, it highlights the need for academics to challenge ideologies which frame the market as a neutral levelling mechanism that offers economic opportunity to all, and to examine the deeply entrenched class structures present within peripheral social formations.

2. Overdetermination, neo-liberal ideology and agrarian strategy in Nepal

Althusser pioneered the school of Structural Marxism which sought to reformulate Marxian political economy to counter critiques of economism and essentialism (Resch, 1992). A central concept of Structural Marxism is that of *overdetermination* which refers to the complex means through which each of the various processes in the social whole are constituted by each other (Althusser, 1969). In order to examine the complexities within economic systems, Althusser utilised the concept of "social formation," under which there may be several coexisting modes of production, one of which is dominant (Althusser and Balibar, 1968).

The particular form taken by a social formation is however, overdetermined by political and ideological as well as economic processes. The classical Marxian approach considers the core concept of superstructure, represented by the state and its legal, political and ideological forms, as a simple reflection of the economic base, which constitutes the forces and relations of production. Under overdetermination however, the superstructure is a necessary condition of the base, and thus has its own essence and logic (Althusser, 1969). While non-economic processes may dominate a particular social formation in a given historical context, economic processes are "determinate in the last instance" (Althusser and Balibar, 1968, pp. 216–224). By this, it is argued that economic processes determine whether it is the economic, political or ideological levels which dominate at a given time (Althusser and Balibar, 1968; Glassman, 2003; Resch, 1992).

Whereas social formations have often been understood to be situated at the national scale, Bettelheim (1972, p.295) usefully links them to the process of global capitalist reproduction. While all social formations are situated within a "worldwide capitalist mode of production", the degree of dominance of capitalism in a given social formation is variable. The particular economic articulations between a social formation and the global capitalist economy, and the degree to which capitalism dominates, are mediated by ideological and political as well as economic processes (Bettelheim, 1972).

A body of work within the post-structuralist Marxian tradition has sought to re-conceptualise the notion of overdetermination to challenge the assumption that all social formations are subsumed within a unified capitalist economic system and are subordinate to capitalism (Gibson-Graham et al., 2001; Gibson-Graham, 1996). Instead it seeks to represent the economy as constituting a decentred totality of "multiple capitalisms" and non-capitalist formations (Gibson-Graham, 1996, p. 23). While the move to identify complexity in economic formations is useful, Glassman (2003) stresses the need to maintain a notion of structure in understanding the capitalist world economy and its laws of motion. Only by acknowledging the presence of structural power can one explain

phenomena such as uneven development and understand how multiple social formations relate to each other (Glassman, 2003).

Nepal is a region traditionally understood to be dominated by non-capitalist modes of production, despite the onslaught of neo-liberal globalisation over the last two decades (Blaikie et al., 2001, 2002). Nevertheless, as Bettelheim (1972) argues, although non-capitalist modes of production may dominate such social formations, this dominance cannot be understood out with the context of the social formation's peripheral location within the global capitalist economy. The processes through which non-capitalist modes of production in Nepal are 'perpetuated' through the dynamics of global uneven development are the subject of another paper.¹ For the purposes of this study however it is important to acknowledge the complex processes through which global capitalism maintains its capacity to expand into peripheral social formations. Bettelheim (1972, pp. 297–298) asserts in this context that preservation is accompanied by the contradictory process of "conservation-dissolution" whereby non-capitalist modes of production are restructured to become subordinate to expanding capitalist markets. In this context, it is evident that the worldwide capitalist mode of production is seeking to increase its influence in rural Nepal, through both the politically mediated processes of economic liberalisation, and most significantly for this paper, through ideological processes.

From the late 1980s onwards, less developed countries throughout the world have begun to restructure their economies according to neo-liberal principles (Barrett and Mutambatsere, 2005; Dasgupta, 1998; Peet and Watts, 1993; Rankin, 2004). Neo-liberalism is a political-economic theory which seeks to structure society according to the principles of neo-classical economics, whereby unrestricted, efficiently operating markets are understood as being the most effective way to deliver people's needs, as opposed to forms of state led central planning and market regulation. In the early 1990s, Nepal was subject to an IMF imposed structural adjustment package. In line with neo-liberal principles, capital and labour markets were deregulated and price controls and subsidies for producers were removed (Blaikie et al., 2001; Deraniyagala et al., 2003; Khanal, 2004; Rankin, 2001). Meanwhile, there were cuts in public spending to reduce fiscal deficits and the encouragement of private enterprise in service provision (Rankin, 2004).

While economic liberalisation represents a political process which facilitates the further subordination of rural populations to global capital in the context of imperialist capitalist expansion, it is overdetermined by ideological processes. It is through an analysis of donor led rural development strategy that one can observe how ideologies are mobilised as donor institutions and national governments seek to transform peripheral social formations.

Hall (1980) usefully substitutes the Althusserian notion of ideology with Gramsci's concept of hegemony to understand the means through which the ideological and political levels of social formations interact with the economic level. Hegemony is defined as a system through which a dominant class achieves "total social authority," often through non-coercive means, not only at the economic level, but at the political and ideological level (Hall, 1980, p. 331). It is constantly reshaped as it seeks to adapt the superstructure of society in order to ensure the expanded reproduction of capital (Hall, 1980; Rankin, 2004). At the national scale, hegemony is exercised in its political and ideological forms through both the state and institutions of civil society. However in the context of capitalist globalisation, Peet (2002) notes how neo-liberal hegemony can be exercised at a supra-national level through

¹ For an analysis of the process of underdevelopment of Nepal in the context of the capitalist world economy see Blaikie et al. (2001, 2002) and Bhattarai (2003).

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