

The State as the Midwife of Capital: A Marxist Theoretical Analysis of Accumulation by Dispossession in India's Neoliberal Reforms

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Introduction

The dominant historiography of India's political economy since 1991 is narrated as a decisive, if belated, break from a sclerotic "License Raj." In this mainstream account, the twin crises of fiscal deficit and a balance of payments shortfall precipitated a necessary and pragmatic shift towards liberalisation, privatisation, and globalisation (LPG). The state, in this telling, is portrayed as having reluctantly but wisely retreated from its over-extended role as a direct producer and regulator, unleashing the entrepreneurial energies of the market and integrating India into the global economy (Panagariya, 2008; Bhagwati & Panagariya, 2013). "Reform" is synonymous with deregulation, a rolling back of the state's frontiers to allow for greater efficiency, competition, and growth. This narrative is powerful, technocratic, and frames the ensuing decades of high growth rates as a vindication of its core tenets. It presents the state's evolution as a linear progression from interventionism to a rational, market-enabling model.

From a Marxist standpoint, however, this narrative constitutes a profound ideological mystification. It mistakes the **form** of state intervention for its **absence** and misidentifies the **redistribution of class power** for a neutral enhancement of **economic efficiency**. A critical, theoretical examination reveals that the post-1991 Indian state did not simply withdraw; it underwent a profound **reconfiguration of its function**. Its role shifted from a model of state-capitalist development with populist concessions—what Bardhan (1984) termed a conflictual equilibrium between industrialists, the professional class, and rich farmers—to one of an aggressive facilitator and guarantor of private capital accumulation on a dramatically expanded scale, both domestic and international. To interpret this shift as "liberalisation" is to obscure its essence: a conscious political project to reorganise social relations in favour of capital by dismantling barriers to its penetration into new spheres of life, nature, and geography. The state's objective transformed from managing a mixed economy to actively creating and securing the conditions for a new regime of accumulation.

This paper, therefore, poses a central research question that reframes the inquiry: How does the Indian state actively **constitute** and **facilitate** the process of capitalist accumulation through its post-1991 policies and processes?. The objective is not to chronicle policy changes but to unveil the underlying logic and social relations they enforce. The argument posits that India's reform era is most cogently understood through the theoretical prism of "**accumulation by dispossession**" (Harvey, 2003)—an ongoing process wherein the state employs its sovereign powers to separate direct producers from their means of social reproduction (land, forests, water, communal resources) and convert public assets into private capital. Far from being a passive arena, the state is the indispensable midwife of this process, a role that requires active, often coercive, intervention. This framework allows us to see connections between seemingly disparate phenomena: agrarian distress and booming real

estate; privatised education and speculative finance; infrastructure megaprojects and the criminalisation of dissent.

Theoretical Foundations

To construct a robust Marxist analysis of India's neoliberal transition, we must first establish a clear theoretical scaffolding. This involves moving from the classical formulation of capitalism's bloody birth to its contemporary manifestations and, crucially, theorising the instrument that perpetrates it: the modern capitalist state.

1) Marx's Primitive Accumulation: The Original Sin of Capital

In Volume I of *Capital*, Marx (1867) demolishes the political economy fable that capitalists became wealthy through frugality and workers poor through indolence. He unveils "so-called primitive accumulation" as "nothing else than the historical process of divorcing the producer from the means of production". This was not a peaceful, economic process but a "history stamped in the annals of mankind in letters of blood and fire." It involved the enclosure of common lands in England, the theft of indigenous territories in the colonies, the suppression of alternative modes of life, and the creation of a class with "nothing to sell but their labour-power." This "primitive" or "original" accumulation is the foundational precondition for the "normal" cycle of capitalist production (M-C-M'), where surplus value is extracted from workers within the factory. Marx's key insight is that capitalism is not a natural state of affairs but is born from and sustained by ongoing acts of *expropriation*.

2) Harvey's Accumulation by Dispossession: The Neoliberal Continuum

David Harvey (2003, 2005) argues that Marx's "primitive accumulation" never ceased; it morphed into a permanent feature of capitalism, especially under neoliberalism, which he terms "*accumulation by dispossession*." This concept captures the myriad ways capital continues to raid the commons, public assets, and non- or pre-capitalist sectors to stave off crises of overaccumulation (where surplus capital lacks profitable outlets). Harvey identifies four key elements:

- **Privatization:** The commodification and transfer of public assets (utilities, land, education, healthcare) to the private sector.
- **Financialization:** The expansion of the credit system and financial instruments, leading to asset-stripping, predatory lending, and speculative bubbles that redistribute wealth upward.
- **The Management and Manipulation of Crises:** The deliberate creation or exploitation of crises (debt, inflation) to devalue assets and labour, enabling their cheap acquisition.
- **State Redistribution:** State policies (tax cuts, subsidies, bailouts) that systematically redistribute wealth from the public and poor to the corporate and wealthy.

For Harvey, neoliberalism is a political project to restore class power to economic elites, and the state is its primary vehicle. This framework is perfectly suited to analyse India, where privatization, financialization, crisis narratives (the 1991 crisis itself), and regressive subsidies have been central to the reform project.

3) Poulantzas and the Relative Autonomy of the Capitalist State

If the state is the vehicle, how does it operate? A crude instrumentalist view—that the state is a direct tool of the bourgeoisie—fails to explain why states often act against the immediate

interests of specific capitalists (e.g., environmental regulations, anti-trust laws) or provide welfare concessions. Nicos Poulantzas (1978) provides a more sophisticated answer with his theory of relative autonomy. The capitalist state, he argues, is not an instrument but a material condensation of a relationship of forces among classes and class fractions. Its autonomy from any single fraction of capital is relative but necessary for two key reasons:

- A) To Organise the Dominant Class:** The state must unify the often-conflicting interests of industrial, financial, agrarian, and comprador bourgeois fractions into a coherent political project for the long-term survival of capitalism as a system.
- B) To Disorganise the Working Class:** The state must fracture the unity of the subaltern classes through ideologies (nationalism, consumerism, caste/religious divides) and material concessions, preventing the formation of a unified revolutionary challenge.

This autonomy allows the state to perform its “midwife” role in accumulation by dispossession. It can use its sovereign power of eminent domain to acquire land for a corporate project, overriding the protests of local farmers and even the objections of other capitalists who might lose out. It can pass laws that serve the abstract logic of capital-in-general (like labour “flexibilisation”) against the wishes of some sections of industry. It can deploy police to crush resistance while maintaining the ideological narrative of being a neutral arbiter of “law and order” and “development.” The Indian state’s ability to manage the contradictions between dispossession and democratic politics hinges on this relative autonomy.

4) **Synthesis: The State as Midwife**

Combining these theorists, we arrive at our core analytical frame. *“The Indian neoliberal state is the strategic midwife of accumulation by dispossession.”* It leverages its relative autonomy to:

- **Legislate** new enclosures (Legal-Judicial Process).
- **Mobilise & guarantee** finance for speculative ventures (Financial-Speculative Process).
- **Plan and secure** territory for the capital's expansion (Spatial-Territorial Process).
- **Legitimise** this project and **repress** opposition (Ideological-Coercive Process).

This framework moves us beyond seeing the state as “retreating” and allows us to map its aggressive, transformative, and coercive new role.

Mapping the Processes: The Four Dimensions of State-Facilitated Dispossession

With this theoretical foundation, we can now systematically map the specific processes through which the Indian state midwives accumulation by dispossession. These are not sequential but simultaneous and mutually reinforcing dimensions of state power.

A) The Legal-Judicial Process: Enclosing the Commons by Statute

Law under capitalism, as Pashukanis and others noted, is the form that capitalist property relations take. The post-1991 state has engineered a comprehensive legal architecture to facilitate dispossession.

- **Land Acquisition:** The colonial Land Acquisition Act of 1894 was notoriously used for “public purpose.” The post-reform period saw its aggressive use for private industry via the “public purpose” loophole. The controversial Land Acquisition, Rehabilitation and Resettlement (LARR) Act, 2013, while introducing consent clauses and social

impact assessments, has been rendered toothless through amendments and non-implementation by states (Levien, 2018). The doctrine of Eminent Domain is the ultimate legal expression of state sovereignty in the service of capital, forcibly converting private and common property into a commodity for corporate use.

- **Special Economic Zones (SEZs):** The SEZ Act of 2005 is a quintessential legal mechanism for dispossession. It creates extra-territorial enclaves governed by separate, business-friendly regulations, suspending normal labour and environmental laws. Vast tracts of agricultural and coastal land have been acquired, often with minimal compensation, displacing communities to create privatised zones for export-oriented capital (Banerjee-Guha, 2008).
- **Forest and Environmental Law:** The Forest Rights Act (FRA) of 2006, a product of subaltern struggle, recognises community forest rights. However, its implementation has been systematically subverted. The state uses its power under the Forest Conservation Act to grant “diversions” of forest land for mining and industry, overriding FRA claims (Sud, 2020). Environmental Clearances are increasingly streamlined into a “fast-track” process, reducing them to a procedural hurdle rather than a substantive protection.
- **Labour Law “Reforms”:** The recent codification of labour laws into four codes fundamentally aims to **formalise informality** in capital’s favour. By raising the threshold for the application of labour laws, promoting fixed-term contracts, and restricting unionisation, the state legally facilitates the creation of a more precarious, “flexible,” and low-wage workforce—a process of dispossessing workers of job security and collective bargaining power.

B) Free The Financial-Speculative Process: Monetising Future Surplus

Dispossession requires massive upfront capital. The state has orchestrated a financial regime that funds this by speculating on its future proceeds.

- **Banking and Agrarian Debt:** The directed credit of the nationalised banking era gave way to commercial lending. Farmers were encouraged to take loans for high-input agriculture. When global prices fell or crops failed, debt mounted, leading to a wave of distress-driven land sales and suicides—a form of financialised dispossession (Sainath, 2013). The subsequent loan waivers act not as redress but as periodic crisis management to restore the credit system.
- **Real Estate and Urban Finance:** Land has become the premier financial asset. The state’s role in changing land-use patterns, building infrastructure corridors, and granting construction permits directly fuels speculative bubbles. Real estate developers and Real Estate Investment Trusts (REITs) mobilise global and domestic finance based on the future value of dispossessed land, creating a self-fulfilling prophecy of escalating prices that justifies further displacement (Goldman, 2011).
- **Public-Private Partnerships (PPPs):** PPPs are a key financial mechanism for dispossession. The state uses public funds and its sovereign power to acquire land and clear regulatory hurdles for projects (highways, ports, airports) that are then owned and operated by private consortia. Profits are privatised, while risks and costs

(social, environmental) are socialised. The state acts as a risk-absorbing guarantor for speculative private capital.

- **Integration with Global Finance:** Policies encouraging Foreign Direct Investment (FDI) in real estate, infrastructure, and retail tie the fate of dispossession projects to the volatile rhythms of global finance capital. The pressure to maintain India's investment-grade credit rating becomes a disciplinary tool to justify further austerity and pro-business reforms.

C) The Spatial-Territorial Process: Engineering Sacrificial Geographies

Capital requires not just abstract space, but concretely produced space conducive to accumulation (Lefebvre, 1991). The state is the chief spatial planner.

- **Industrial Corridors and Megaprojects:** Initiatives like the Delhi-Mumbai Industrial Corridor (DMIC) represent the state's ambition to remake territory on a continental scale. These corridors carve out linear zones of high-value infrastructure, linking ports to inland markets, while marginalising the "grey" spaces in between. They require the large-scale, consolidated acquisition of land, displacing settled agrarian and tribal communities.
- **The Production of "Backwardness":** Marxist geographers highlight **uneven development** as a necessary feature of capitalism. The systematic under-investment in agricultural infrastructure, procurement, and credit in certain regions (e.g., rainfed areas) is not an oversight but a policy that produces regions of "distress." This creates a push factor, supplying a steady stream of cheap, disposable migrant labour to the construction sites, factories, and homes of booming urban centres (Breman, 2013). The state produces both the "growth poles" and the "labour reserves."
- **Smart Cities and Urban "Revitalisation":** The Smart Cities Mission frames urban renewal as a technocratic necessity. In practice, it often involves the "beautification" and securitisation of central urban areas, displacing slums and informal settlements to the peripheries to free up valuable land for commercial and high-end residential development—a classic urban land grab.

D) The Ideological-Coercive Process: Manufacturing Consent and Criminalising Dissent

Gramsci (1971) taught that ruling classes maintain power through a combination of coercion and consent (hegemony). The state manages both.

- **Ideological Hegemony:** The state, in alliance with corporate media, propagates a powerful **growth discourse**. Dispossession is reframed as "sacrifice for national development," "job creation," and "the greater good." Terms like "ease of doing business" and "self-reliant India" (Atmanirbhar Bharat) become ideological mantras that naturalise corporate-friendly policies. The narrative of "corruption" and "inefficiency" of the public sector is used to legitimize privatization. This discourse seeks to build a passive consensus among the middle classes and sections of the working class.
- **Coercion and Criminalisation:** When consent fails, coercion follows. The state's monopoly on violence is deployed to protect the process of dispossession. **Police and paramilitary forces** are used to suppress protests against land acquisition and industrial projects (e.g., POSCO in Odisha, Sterlite in Thoothukudi). Legal-coercive

instruments are weaponised: activists, journalists, and intellectuals are charged under draconian laws like the **Unlawful Activities (Prevention) Act (UAPA)** and sedition, framing dissent as “anti-national” or “terrorist” activity (Chatterjee, 2022). This criminalisation seeks to decapitate resistance movements and create a chilling effect.

Conclusion

This analysis has argued for a fundamental reinterpretation of India’s post-1991 political economy. Moving beyond the liberal narrative of state retreat, we have theorised the era as defined by accumulation by dispossession, with the state acting as its indispensable midwife. By synthesising Marx, Harvey, and Poulantzas, we developed a framework to map the state’s active, multifaceted role across four dimensions: Legal-Judicial, Financial-Speculative, Spatial-Territorial, and Ideological-Coercive. This mapping reveals that the diverse sectoral policies—from agriculture to education, from industry to power—are not isolated initiatives but interconnected components of this single, overriding logic. The agrarian crisis is a direct outcome of financial and spatial dispossession. Privatised health and education represent the commodification of social reproduction. Industrial policy is about securing territory and labour for capital. The framework thus provides a unified theory of the neoliberal reform project. The analysis also highlights the inherent instability of this model. It generates crises of demand, hits ecological limits, and, most importantly, provokes relentless class struggle from the dispossessed. The state’s relative autonomy is constantly tested as it balances the relentless drive for accumulation against the need to maintain social order through a mix of coercion and populist concession.

Ultimately, this Marxist theoretical perspective restores class power and conflict to the centre of the analysis. It demystifies “development” as a contested process of social transformation orchestrated by the state in the interests of capital. It shows that the central political question in contemporary India is not merely one of policy efficiency or governance, but of who controls the means of production and reproduction, and by what right. The ongoing struggles over land, forests, water, and labour are not obstacles to progress but the very terrain upon which India’s future social order—whether one of deepened capitalist dispossession or of emancipatory alternatives—will be decided. The midwife state, powerful as it is, remains caught in the contradiction it was designed to manage, making the political outcome of this struggle profoundly uncertain.

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