**Ideas and substance in rural-urban economic relations: the contribution of a long term urban study in South India**

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## 1. Introduction

While India has long had the world's liveliest school of village level studies1, long-term urban studies are a desert. World-wide, there appear to be only two classes of studies addressing long-term urban studies and their many problems – and remarkably few examples. The first is global in scope and devoted to best practice in the study of urban poverty dynamics. This body of research engages with 'poor communities' as though they exist in 'original conditions' rather than as the outcomes of longstanding processes of production and reproduction; it focuses on households and incomes rather than firms, labour markets and work-based relations of poverty. Methodological difficulties for this kind of long-term urban study include matching quantitative and qualitative evidence; the elusiveness of panel households (and the costliness of their pursuit over successive rounds) - both of which only increase with the gap in revisits; 'household surveillance technologies' (how to watch the daily lives of urban families); the retro-fitting of new concepts to earlier field evidence; and shifts in the way knowledge is created and regarded as valid. What to do about hitherto neglected urban processes - about gendered labour markets, the role of civil society and the state and private provision of infrastructure and utilities for instance? What to do about urban energetics? 2

A second kind of contribution to long-term urban studies is exemplified by a study of Australian towns from 1981-2006 and the methodological miseries of their changing political boundaries, of census re-classifications (both of which make categories non-comparable) and of comparing economic data without knowledge of local price deflators.3 Neither of these examples has much to say

1 Lindberg et al 2011, Ramachandran Rawal and Swaminathan 2001; Lanjouw and Stern, 1998; Breman et al 1997; Harriss and Harriss-White 2007, together with papers of this volume .

2 Moser., 2003

3 Courvisanos (nd/2008

about the theoretical contexts that frame the need to know about long term urban change.

Born from an early village studies literature that critiqued the concept of the isolated village republic, contribution here will focus specifically on rural-urban relations and what a long-term Indian urban study may reveal about them that a focus on rural sites alone ignores at its peril.

The town concerned, Arni in northern Tamil Nadu, has been studied through three rounds of surveys of business histories in 1973-4; 1983-4; and 1993-54, based on random samples of firms that have been stratified by quarter and by occupation/sector and selected after the first-hand physical mapping of the entire town's economic activities.5 Owners and managers of firms have provided narratives about the long cycle of accumulation: their apprenticeships, the origins of starting capital, the growth (including agrarian and cultural seasonalities, shocks and episodes of decline) of their businesses, and the destinations of investments; they have also explained the short cycle of profit-making: purchases, inventory and processing, maintenance, transport and sale; their labour relations; social aspects of their families and political activity of all kinds. This method itself has laid constraints on the way knowledge has been produced. In particular the interior economies of households and home-work are hard to identify and to know, as are the informal economies of government offices and courts, the night-time economy, mobile economic activity such as that of sales agents, medical practitioners, the urban fire brigade (whose work is mainly rural), labour commuting, shifting site-specific sequential production practices (as in gold), or peripatetic trade (as in livestock). As the town has grown upwards as well as outwards, economic activity tucked away on the highest storeys of buildings is hard to spot. For insights here, field researchers have relied on case material. Further, influenced by political economy and institutional economics, the successive rounds of research did not examine the local state and local politics, other than that regulating the informal economy. Of particular inexcusability is our neglect of the political economy of urban land, and the local energy economy throughout the entire period until very recently.6

4 88 firms in 1974, 114 firms in 1983-4 and 287 firms in 1993-4

5 Harriss-White, 2003 and forthcoming; Basile 2013

6 http://www.southasia.ox.ac.uk/resources-greenhouse-gases-technology-and-jobs-indias-informal-economy-case-rice

In the 21st century, the sheer size of the town compared with modest research resources has exceeded the possibilities of its being researched through surveys. While it has grown officially from about 30,000 in 1971 to 61,000 in 201, in practice the organic settlement contains well over a lakh of people as the town surges over and engulfs villages unwilling to be incorporated into the municipality for a legitimate fear of increased taxes. In 2011, its surrounding taluk had 151,000.7 Our ways of knowing this place had to change. Between 2002 and 2012, the town was studied partially, specifically and continuously using approaches to evidence mainly drawn from institutional economics.8 By 2013, the town and its environs had generated 5 Ph.D.s, 3 M. Phil. theses and a total of 52 publications. In this essay this body of work will be searched for what it has contributed to ideas and findings about rural-urban relations. We therefore omit some of the main concerns of the 1993-5 round of surveys – urban institutions (and rapid institutional change) and urban infrastructure. We also discard some research in the 21st century, for example clustered manufacturing (rice, silk and gold), the regulation of informal capitalism and innovation in, and the physical materiality of, Arni's only very partially state-regulated informal economy.9

## 2. A brief history from field research

'Arni is not a poor town'. 'Arni's economy is in good shape.' (President of Arni's Chamber of Commerce, June, 2012)

The town has always been a minor administrative centre, a major paddy marketplace, the site of a growing workshop industry producing hand-woven silk sarees and of gold craft production. Like most market towns in what till 1990 was called North Arcot District, the town had bristled for decades with 'commonplace' industrial clusters.

From 1973 to 1983, its population rose by 27%, rice production in its hinterland increased by 50%, but commodity trade expanded by 6.5 in nominal terms: paddy-rice by a factor of 12 and silk by 15. 10 While big strides in the

7 http://en.wikipedia.org/wiki/Aarani,_Tamil_Nadu where it presents itself officially as a 'city'.
8 Basile 2013: local capitalism; the corporatist regulation of the informal economy; Roman 2008 Innovation in silk; Arasi forthcoming: rural urban silk relations; Stanley, 2002: the gold cluster; Srinivasan 2011; the local labour markets; Polzin 2006, rural credit; Cavalcante 2009:rural food economy; Harriss-White2013 : rice mills; the materiality of local rice economy; Harriss-White and Rodrigo 2013 : innovation in the informal economy
9 http://www.southasia.ox.ac.uk/resources-greenhouse-gases-technology-and-jobs-indias-informal-economy-case-rice
10 Harriss B 1991

development of the national market took place in the wake of the new agricultural technology, multipliers from local agriculture were not the sole drivers of this transformation in scale and complexity. Officials of the state's administration supplied an estimated 14 % of total urban demand. The silk weaving and manufacturing cluster was not the product of local raw materials but rather of long distance flows of raw materials and products – for crafts developed in Arni in response to the cosmopolitan tastes of a local 19th century jagirdar. In the immediate post-green revolution period, local business had made strides in gross value added and in the inequality of enterprise structure.11 In each major economic sector, the latter took the form of oligopolies co-existing with a vast number of self-employed petty firms, not always able to compete freely with the larger business on which they depended for premises, information, credit, transport etc. By contrast, real wages for labour were found to be static though higher than in agriculture; and the distributive share (the relation between wages and profit) was swinging away from the wage component. Women provided but 10% of the workforce.12

By the 1990s the process of extinction of artisanal craft production had taken a severe toll. Handloom silk weaving, prey to its own cycles of boom and bust, was an exception however. Many crafts (from music-making to the craft production of paint from crushing shells) together with the whole of the livestock sector had been displaced, and the structure of industry and trade had concentrated and polarised further. At the apex, firms started to integrate their operations in a vertical and diagonal manner. But very few added manufacturing to their bases in trade. The economic base (fuel, rice mills, silk weaving, food wholesale and general retail) became more complex, continuing to develop in both numbers of firms and concentration of scale while at the same time productive activity and retail trade also decentralised: spilling over into the countryside and shifting the urban economy towards its current wholesale entrepot role. Meanwhile a massive wave of economic diversification also took place. And ownership of urban firms started to diversify socially: dalits and women expanded their hold on the urban economy as owners rather than wage labour, though from very small starting points.

The 21st century has seen an unprecedented pace of adoptive innovation and institutional change, the obvious drivers - there may be others - being i) the

11 Basile, 2013
12 Harriss, 1991

metropolitanisation and globalisation of information, culture, tastes and aspirations with profound implications for the acquisition of the technologies of mass communication in this small town (from video libraries and ubiquitous TV and mobile phones to instant bank transactions, insurance and share dealing services); ii) the rapid proliferation of fossil-energy-guzzling goods (from kerosene and calor gas stoves though scooters and motorbikes to commercial deep freezes, air-conditioners, tempo trucks, SUVs and all sizes of luxury buses); iii) transformations in the spatial scale of work mobility (from long distance in-migration from Orissa to daily commuting out to the factories on the Chennai Bangalore corridor), iv) the revitalising of the silk sector through rebranding to scoop a superior market segment and v) the development of the 'knowledge economy' in the form of a substantial new private sector education hub (with 7 colleges, over 100 private English medium schools and 25 English pre-schools) - together with the emergence of an extensive informal economy of private tuition. Among the young, a profound social desire to leave the grind of agriculture, escape patriarchal control in local family firms and the parochialism of the town means that family labour is being replaced by wage work, not always local in origin, and that new kinds of subnational and national capital are waiting in the wings to transform the modern bazaar into a set of branch agencies, franchises and showrooms. Textiles, general retail, electronics, fertiliser, and cement are models of what is to come. That said, at the time of writing the overwhelming majority of firms are still small family businesses or self-employed. The average number of employees remains two, for the most part kin.

The economy weaves in and out of regulatory jurisdictions, almost entirely socially regulated through caste-corporatist business associations. Although it is a low-caste town, or because of it, its economy is moving towards caste cosmopolitanism rather than caste eradication; given sectors of the town are slowly diversifying in terms of caste while retaining their longstanding caste cores. The persistently oppressive role of caste in constraining economic choice is best seen in the labour markets and from a dalit perspective.13 On the whole wages for labour do not keep pace with the prices of wage goods. At the loom, on the drying yard as on the farm, work is being mechanised, and labour is being displaced, casualised and feminised before partially replaced by more

13 Harriss-White et al 2013

skilled male labour. Female wages persist in being two thirds those of male ones.

At 15 % of the population and mostly confined to fruit and vegetables, fish and meat, transport and portering, recycling and sanitary work, dalits still operate at a distinct disadvantage in the labour markets, in entry to business and the operation of their firms.  And yet while Marwari and Jain moneylenders and pawnbrokers are confronting new 'finance companies' (small collectives of public servants with financial surpluses) in the informal money markets, and easier registration and instantaneous transactions through formal banks, the biggest moneylenders are widely reported to be a trio of dalits. They have graduated in their single working lifetimes from head-loading through informal finance to possessing suburban walled mansions and swimming pools.

The state regulates this economy with strategically selective efficiency. In past decades owners of firms wished to speak at length about the corrupt nexus of interest between state officials and local capital, knotted together in partially implemented regulative interventions.14 Now they speak not always approvingly, of state neglect which they feel results from the prevailing ideology of free market efficiency. Regulative deficits (which may be caused by deliberate capture or by scarcities of staff or of essential equipment (transport, computers)) encourage informal activity.   Whereas 'neglect' used to be deliberately brokered by collective political appeals and business association pressure (with or without bribery[15]) now the evidence points in two political directions. First there appears to be a severe lack of state capacity and under-provision of many services (notably that of refuse collection) and second  a hybrid institutional ecosystem is emerging in which the informal economy parodies formal procedures (such as certification) while formal institutions are intimately meshed with informal ones (for example the PWD, unable to hire directly due to a politically provoked recruitment freeze, outsourcing work to networks of informally qualified  engineering and construction firms). In turn, many firms have a selective engagement with the legal framework: being

14 Harriss-White 1996

15 Bribery is theorised as the privatisation of or creation of a market in public resources by officials (patrons) charging citizens (clients) (Krueger 1974, Wade 1984). In earlier field research, collective bribery was found to be initiated by business associations and powerful 'clients'  to speed access to resources (licences, infrastructure), to waive obligations to the state (tax), to avoid disciplinary regulation (movement of goods, safety, labour rights etc) to delay or subvert  the implementation of market regulation (packaging, transparent price formation, site, in a reversal of the orthodox theory's role of patron and client (White and Harriss-White, 1996).  Clearly both balances of power between the state and capital are possible.

licenced, with a bank account or two, as well as private credit, but not paying taxes, and not complying with labour laws or environmental standards. All state policies edge their way through this matrix of institutional arrangements and micro-politics in their process of implementation or abandonment.

With the last four decades of Arni's economic history in mind, we can now turn to examine ideas about the evolution of those local rural-urban economic relations that have proved capable of being explored through first hand fieldwork. Economic relations concern finance and capital, commodities and labour. In what follows we juxtapose ideas about them with substantive findings over a 40 year time span.

## 3. Rural-Urban and Urban-Rural Relations of Finance and Investment.

When it was still possible to equate the 'rural' and the 'village' with 'agriculture', before the late 1980s, the question of the relation between agricultural production and the town engaged with classic concerns of the Agrarian Question. Economic historians and geographers had distinguished a 'generative' model of urbanism, the corollary of a peasant model of accumulation in which the cycle of surplus and investment was driven by the transition of the strata of middle and rich peasants to the agrarian bourgeoisie which proceeded to invest productively in the regional agricultural and non-agricultural economy. This path was distinguished from a 'parasitic' model of urbanism on the other, derived from a mercantile route to capitalist accumulation in which towns were sites of rentier or mercantile accumulation extracted from agricultural production - and of parasitic consumption rather than productive investment.16

Matters arising for Arni were: i) which of these two models did the economy of an agricultural market town more closely resemble and why? and ii) if the agricultural merchant class had its origins in agricultural surpluses, then how would towns be progressively unhitched from their agricultural hinterlands? The questions were answered in three rounds of detailed investment histories taken from local, randomly sampled businesses from 1973 to 1995 and reinforced by questions to the Presidents of the town's Business Associations in 1997 and 2012.

16 Chattopadhyay, 1965; Harriss and Harriss, 1984

Despite massive agricultural growth in hinterland, in the 1970s and 80s, the post green revolutionary evidence suggested the town's economy tended towards parasitic rather than generative growth. We found the terms of trade went against agriculture. Flows of investment were increasingly dominated by mercantile firms trading within the town. New firms tended to be 'junker' or mercantile capitalists - starting comparatively big in terms of assets, with, even then, remarkably little capital got from agricultural rents or profits or from the state by way of loans. Their own seasonal loan practices however were key to their accumulation trajectories. In the1970s, informal production credit for agriculture was dominated by the paddy commission agencies which lent to agriculture on terms and conditions that tied the marketed surplus and pushed rates of return below those obtained under contracts that were not interlocked. Consumption credit was confined by and large to retail trade with the urban middle classes, particularly with the households of employees of the local state. Meanwhile pawnbrokers serviced the consumption needs of a segmented sector of poor producers at collusively high interest and with a low fraction of the jewel value as the loan.

By the early 1980s, moneylending was both more institutionally diversified and its control was more concentrated than a decade earlier. Loans circulated increasingly within the town relative to the countryside and at higher real interest than 10 years before. In 1983, many new entrants to Arni's business economy were small. But their starting capital was not from agricultural savings: much featured a high incidence of loans and was the result of petty accumulation (at one remove from agriculture) from urban wage-work or from urban petty trade.

Investment in the reverse direction, from the profits of elite urban businesses into agricultural land, had atrophied too. The proportion of investment of urban profits into agriculture had halved over the decade and was low.

Study of the fine detail of credit and deposit ratios of nationalised and scheduled banks revealed that within North Arcot District, agriculturally backward regions supplied capital to agriculturally advanced regions; there were net flows between local rural banks and local urban banks and the entire district was witnessing a significant flight of capital to the metropolis.[17] Rural savings

17 Harriss,1988

through formal institutions were being drawn increasingly into metropolitan circulation. With respect to politics, however, the reverse was found [18] with increasingly 'ruralist' rhetoric, subsidies and doles, and, pace Michael Lipton's 'urban bias'19, no political organisation or party representing an urban class.

In the 1990s, while agriculture stagnated, the rural economy diversified, a process driven by distress among petty producing and labouring class fractions and by voluntarist, 'speculative' investment by agrarian elites. Local agricultural markets started to be formally deregulated (having in practice been long out of direct control of the state). The processes of urban accumulation consolidated themselves. The main sources of capital were from the investor's family and from own savings from previous businesses: a third of the firms had been inherited. Agricultural rent and profit disappeared as sources of starting capital. The principal spatial origin of the capital invested in Arni was within the town itself, while only a small fraction came from the surrounding district (and that too from smaller urban centres rather than villages); and the contribution of the rest of Tamil Nadu and other Indian states was negligible.

This increasingly self-generated capital met with a dramatic challenge in the 21st century when a large tract of land north of the town, long sequestered from agriculture by a local politician, was sown using metropolitan finance to a perennial crop of educational colleges and schools, whose market is state-wide.20

In sum: The rural-urban-rural financial relations of this small town are more complex than theoretical schemas allow for - having elements of urban bias and parasitic urbanism but not for the reasons theorised - in which the circulation of money inside the town itself becomes a material force in the delinking of agricultural profit from urban starting capitals. Agricultural surpluses come to be increasingly invested in private education. In turn peri-urban land is urbanised so that education can develop as a new component of the urban economic base – but using metropolitan finance and political intermediation.

[18] Harriss J., 1991

19 Lipton 1977

20 These investment conditions had resulted from two opposite trends: first, the town's growing financial intricacy and its integration with the jurisdictions of a growing number of nationally regulated banks and second, the loosening of financial linkages with the immediate agrarian hinterland.

## 4. Growth and Rural-Urban Development

Rural-urban development has also been theorised in terms of 'growth': i) growth centres or poles where supply is the main driver and ii) growth linkages in which the dynamic force comes from demand. In the 1970s, regional planners at the NIRD and their US advisers - asking, in their own version of the agrarian question, how surpluses from the green revolution technology were to be generated, physically distributed and productively circulated - decided to apply the German geographer Walter Christaller's theories of abstract spatial economic hierarchies and the French geographer Francois Perroux's practical concept of growth poles to the arrangements of Indian agriculture (ed L.K. Sen 1972) 21. The Indian state would invest with public-private synergy in selected services and in towns which would plug the access gaps in the supply of inputs and finance, the marketing of products and the consumer goods and services needed by agricultural populations - also now known as forward and backward linkages . If successful, this planning concept would also obstruct migration to the cities. The idea has stood the test of time, its embers smouldering through decades at IFPRI (Wanmali and Ramsamy 1994; Diao 2003,22) before being recently fanned to life by NCEUS in an application of its principles of equitable access to inclusive development for small producers in the informal economy (NCEUS 2009).23

The Arni business histories elicited detailed descriptions of the origins and destinations of raw materials, products and services and were supplemented by field studies of the populations of traders in all the weekly marketplaces in the region around the town. These provided evidence which exposed the intricacy of the regional economy and the crudity of growth centre theory. The rural hinterland for trade in individual agricultural goods and services was not only commodity specific but also socially specific. While trade in agricultural investment goods could by-pass the market town altogether, the town was nonetheless a place for the transactions of local rural elites. By contrast periodic market places were for low-caste and poor traders, agricultural producers and consumers - and sites of agency for women. The spatiality of economic markets was gendered - the town's labour market being a male

21 **Sen** (**ed**.) 1972; Andrade,1972; Ensminger, 1972
22 Diao et al, 2003,
23 NCEUS, 2009

fortress while women were able to trade independently in periodic markets. The average rural –urban expenditure gap was huge - a factor of 6.

With prescience, John Mellor commented that '(d)espite its intellectual appeal the market town concept has in general failed because the basic strategy of growth did not provide the essential foundation for raising rural incomes. With change the market town can become the corner stone of the development effort' (Mellor 1976 p 18). Not thinking of parasitic urbanism, or the need for female and male growth centres or low and high caste ones, Mellor's 'change' required the substitution of a demand-led theory of growth for the supply-led one. This was and is the theory known as 'growth linkages from agriculture', a theory of the multiplier effects of the income/consumption linkages without which small-scale labour-intensive non (internationally) tradable goods and services would not be produced. According to growth linkages theory, growth centres would be driven by hinterland demand from a technologically dynamic agricultural sector. Successful ones would also stem metropolitan migration.

One way of testing this theory is by defining and constructing regional social accounts and input-output tables, and testing a partial equilibrium model against a counterfactual of no green revolution, an extraordinary feat achieved by Hazell and Ramasamy (1991). The theory can also be interrogated using commodity flow data which were part of the Arni business histories. From an analysis of commodity flows in the early 1980s, it was concluded that production links *to* (intermediate inputs for) agriculture were weak - at 8 per cent of commodity flows from the town. Production links *from* local agriculture - at 15 per cent - were weaker than anticipated. Some by-passed the town. Meanwhile trade in consumption goods was strong: 28 per cent of all flows. And while the distribution of rural-urban income inequality was exacerbated by a sharp rise in top urban incomes, rises in rural incomes resulted in the difference between estimated average rural and urban demand halving in a decade to a factor of 3.

But the generative multipliers from growth linkages assume that the structure of rural demand would not change and would favour labour intensive goods and services. Mellor's assumption proved false. Rural demand was metropolitanising. So, despite attempts to ruralise them through industrial estates, were sources of goods. The prime movers of growth were not just agriculture but work-shop manufacturing industry, silk, and this local industry served metropolitan markets rather than local ones. While agriculture was a net beneficiary of the revenue and expenditure relations of the local state, 70% of the agriculture budget went to the urban salaries of Agriculture Department officials. While Mellor's growth linkages dynamised the town they were not exclusively from agriculture; as seen earlier here, the town had a dynamism of its own neglected in growth linkages theory. In practice, rather than acting as a hub for the regional economy it was increasingly bolted into the national market.

In sum: research on growth linkages from agriculture revealed the town as a location for expenditure derived from increased agricultural incomes, but not of demand for goods and services produced under Mellorian conditions of development and **not** being the sole location for such expenditure. The town already had much else besides growth linkages from agriculture to power the urban economy. As for being a supply-led growth centre, the town behaved in a theoretically compliant way for consumer goods but was completely bypassed for many other growth-inducing transactions.

**5.Rural-Urban Commodity Flows.** In this part of India, rural- urban economic interactions have long taken the commodity form. Rural-urban economic accounts can be used to generate a set of commodity flow matrices. The latter have been assembled (originating in practices in the US) and published as precursors of the inter-industry, interregional input-output models on the basis of which the sectoral (rather than the spatial) impact of new investment or policy adjustments can be modelled - or the minimum investment to achieve regional income, output or employment goals can be computed. [24] Since urban centres and their spatio-economic hinterlands are not conventional accounting units, such exercises have thrown down a very basic challenge concerning the nature of 'regions'. The identification of regions is not made easier by the existence of radically different spatial hinterlands for different goods: not a phenomenon of central place hierarchies so much as of marketing technology and advertising and of the social relations of exchange. For Arni, a regional grid (comprising the town itself, the rural district, rural or urban sites within the state and the rest of the world) was superimposed on the commodity flow data and compared over the decades.

24 Accepting their heroic assumptions of fixed factor proportions

In 1973, two thirds of the commodity flows passing through Arni originated and finished within the district, and 10 per cent within the town itself. Trade was highly localised. The fact that 18 per cent of all flows were to non-final destinations within the district, to itinerant traders, to periodic marketplace traders and to village retailers; and that a further 21 per cent went to non-final wholesale destinations within the state was an unexpected pointer to the town's emerging wholesale role. A decade onwards and commodity flows were marked by spatial diversification; by the increased long-distance metropolitanisation of sources and destinations of goods and by the greater importance both of exports and of the wholesale role of the town. In the 1990s, the trend towards the creation of a southern regional market intensified with the increased contribution of inputs from other sources in urban Tamil Nadu and outside the state, in particular for food, farm inputs, silk and general merchants' provisions. Meanwhile Chennai came to supply or broker almost all the inputs for general merchants and a high percentage of raw materials for silk production. As for the *destination* of goods, Arni increasingly reinforced its role as an entrepot market town. In the 1990s (with the exception of paddy-rice firms and silk wholesaling – which both sold their products increasingly to other towns in Tamil Nadu and outside the state), the bulk of Arni's remaining sales went to the town and its surrounding villages, while other destinations received a negligible proportion of the commodities and services produced. 25

25 Harriss B, 1991; Basile forthcoming

Globalisation has had an indirect impact on urban-rural commodity flows: first through an expanded scale of circulation of labour from the town and suburban villages – ranging from the daily commuting to the Nokia estate on the Madras-Bangalore industrial corridor to skilled emigration to the USA; second, through exports brokered first through Arni and then through Chennai, as in cases of de-oiled bran cake which go as fodder to the EU, sarees to SE Asia, silk goods to the Middle East and even, it was reported, to China; third, through financial technology, notably the advent of electronic transfers, which has revolutionised the speed of urban transactions as well as globalising their spatial reach and has differentiated exchange relations along urban-rural fault lines according to access to electronic technology; fourthly by images and aspirations mediated through global telecommunications networks and technology; and lastly by threat. So far it is the 'threat of Walmart' and of legislation regulating foreign multi-brand retail rather than their reality that has provoked the pre-emptive transformation of retail practices. Tiny family firms are now packaging and branding, stamping goods with expiry dates and setting fixed prices.

## 6.Rural-Urban Labour Relations

It's a basic tenet of economics that labour moves from low-wage to higher-wage activity. Other dualities accompany this intuition: labour migrates from traditional to modern, from primary to secondary sectors, from agriculture to the non-farm (rural) economy and from rural to urban sites. 26 The study of the informal economy has led to formal and informal subsectors being distinguished in the 'modern' urban economy. The study of labour market segmentation has confirmed that the informal unregulated labour market is not transitory and that within it gender, caste and occupational sector are remarkably rigid and persistent agents of segmentation and stratification. In 1985, Deshpande concluded influentially that the segmentation of the labour market starts in the villages.27

In the Arni region, in the 1980s and 90s the overall spatial trend in the labour force was quite the opposite to that of capital. The share of the urban workforce originating from within the town was declining in favour of workers commuting from local villages. (The contribution of migrant labourers from further afield

26 Harris and Todaro, Lewis, Scoville and others, all reviewed in Srinivasan (forthcoming)
27 Deshpande, 1985,

was negligible. Even in 2012 there were but a few score reported from Orissa, negotiating the babble of ‘meals hotels’ and rice mills.) There seems to have been remarkable continuity in the rural-urban flux of labour.

And since the mid1990s, the objective conditions for local rural-urban migration have been consolidated. In the 21st century a new wave of enclosures has privatised and commercialised common property resources, leaving ever less for the poor. Rental markets have rapidly developed for land – with instances of sharecropping, hitherto unheard-of, at extortionate rates. So have rental markets for water, machinery and rural houses – following the exodus to Arni and beyond of village elites and the growing ubiquity not just of absentee ownership of rural assets but of absentee governance of village panchayats.28

Landlessness in silk handloom-weaving households doubled in the decade from 1995 and in non-weaving households it trebled.29 Rural economic inequalities continued to rise in the 21st century while poverty took a more specific form than it had done three decades earlier: in particular workers handicapped by occupational hazards and diseases pitch their households into poverty and force women and children in their families onto the labour market.30 Rural, casual female wage labour continues to get paupers’ returns; scheduled caste paupers forego meals in certain villages in the town’s hinterland; itinerant scheduled tribal paupers still pursue socially and spatially excluded lives picking waste alongside the pigs and camping in any site they can.

In the 21st century however, while the villages peripheral to Arni are indeed epicentres of casual labour commuting to work in the town, while the urban casual labour market reflects the caste and gender segmentation ‘starting in the villages’ and while the town is integrated with national economic markets, it is also developing social entry barriers This is not due to the activities of labour unions. It is due to the domination of self-employment and own account enterprise which, by under cutting the wage form, ‘mutes’ the development of the urban labour market.31 This muting takes place in three main ways. First, attenuated periods of skill formation through apprenticeships in a given sector of the urban economy mean work is performed at costs below the prevailing wage for qualified labour. Second, unpaid family labour substitutes intensively

28 Harriss,2007
29 Arasi, forthcoming
30 Erb and Harriss-White 2003
31 Bharadwaj, 1999

for wage-work - and 85% of unpaid family labour is done by women. Third, petty production and trade can and does operate way past the point at which returns equal the wage to a point where incremental returns approximate zero – production is maximised rather than profit.

When Srinivasan made the first rigorous field study of Arni's labour markets in 2000,32 he found that 66% of the 'workforce' was in self-employment/ petty commodity production and trade; only 30% consisted of casual labour while regular salaried work was a mere 4% . There is a clear fault-line between wage work and self-employment, with little to no mobility between the two forms. Self-employment is neither residual nor transitory; it is remarkably persistent and it reproduces itself across generations and within given sectors of the urban economy. 'Industrial' sectors are highly differentiated by earnings and yet it is next to impossible for self-employed people to move between them. Despite evidence of social cosmopolitanism in the town, caste is still deployed to immobilise the self-employed. The alignment between caste and occupation is most rigid among the larger firms with small wage labour forces and most flexible among unstable, small low caste enterprises. Low caste entrants face hostility across the board – in skilling, in sites and rental arrangements, in demands for unrealistic money advances, and in the terms and conditions of tied credit. Caste screens entry most aggressively in silk and least aggressively in general trade.

So Arni's urban economy expands by dual trajectories: on the one hand through the accumulation and concentration of capital (rice processing) and on the other through the multiplication of firms – units – of self-employment (trade). Caste still segments the workforce; yet it works simultaneously in contradictory ways – being dissolved (trade) while also persistently structuring (silk, gold). The major fault line however remains in work: between firms employing (rural migrant) labour and self-employed, own account enterprises.

The significance of this finding is that self-employment is regarded as (disguised) wage labour in India's labour laws. If it is disguised in Arni it is well disguised, for it does not allow any mobility to and from the wage form. Claims for breaches of labour laws require an employer to be identified. But without an identifiable employer or with *many* intermediaries who might be termed employers under the law, no court claim can be brought about work

32 Srinivasan 2010; forthcoming. Srinivasan researched histories of 287 business in 1994 and 219 labour households in 1999-2000.

conditions so that petty producers are effectively disenfranchised under India's labour law. 33 And they also differ from wage workers in the economic sites of their exploitation: whereas casual labour is exploited and oppressed on labour markets, the petty producer is exploited through exchange relations - on rental and money markets, in the terms and conditions on which their raw materials are purchased and their finished product is sold. The evidence from Arni is supportive of the conclusion that petty production cannot be assumed to be disguised wage labour wherever it is found but instead exists in a continuum from disguised wage labour lacking in economic autonomy to independent firms embodying both capital and labour.

## 7. Conclusions

Urban-rural relations have changed over the four decades of growth and transformation during which a local economy in Tamil Nadu has been being researched. Profit and rent from the agrarian economy have atrophied as sources of investment, with financial resources increasingly mobilised within the town itself or through the national banking system. Commodity flows have greatly expanded and complexified. They have integrated what was a small agricultural marketplace with a national market and indirectly with global ones. The rural hinterland became a significant source of local urban labour before being pushed by the expansion of petty production and own account enterprise in the town or pulled by non-agricultural demand at long distance. The rural economy has become a major source of demand for the commodities and services of the town - which are increasingly being wholesaled there. Meanwhile the town developed new services, notably health, transport and energy together with (private, English medium) school and college education, providing both urban and rural entrants to the workforce with capabilities that are reported to enable many to quit agriculture, quit family businesses and quit the town.

Responses to the generalised labour shortage have taken the forms of mechanisation and further displacement of wage labour, the feminisation of self-employment, a proliferation of homeworking and the organisation of in-migration from N India. 34

There is solid evidence from the rounds of North Arcot surveys that the villages themselves have also undergone extensive diversification. By the mid 1990s the

33 Sankaran 2008
34 Guerin 2009; Harriss-White and Rodrigo 2O13

local population-land ratio had halved. Into the 21st century, land use has been moved away from rice and towards labour- and water-sparing crops, tree crops, and income-elastic condiments, flowers and luxury fruits and vegetables. Returns to agricultural production, demand for agricultural labour and relative wages in agriculture have all declined relative to those of the non-farm economy. Not only diversification but also differentiation has expanded rural assets distributions, increasing rural inequality and influencing the livelihood and employment structures of households in the direction of multi-sited, multi-sector, multi-occupations in which agriculture is a part-time component. 35

While part of the non-farm workforce has sought to engage in non-farm activities in the villages, another part commuted to Arni as well as other local towns to supply wage labour for the growth of trade and manufacturing activities. In the 21st century however the exit from agriculture has developed scale and reach and much out-migration by-passes the town.

What we know is the product of how we come to know: theories drive methods which drive evidence and results which enable reflections upon theory. In this essay we have shown how the interrogation of theories: of parasitic and generative urbanism, of urban bias, of demand- and supply-led theories of growth, and of labour markets, spatial and social mobility have led to fresh insights about rural-urban economic relations. The economy of the small town of Arni and its rural-urban-rural relations are altogether more complex than any of these theoretical schemas allow for. But without the latter we would never have known this.

Our findings from over four decades of first hand field research call for conceptions of the economy not just in terms of markets but as an instituted phenomenon. The institutions of capitalism need to be central to an understanding of the dynamics of an economy, but institutional change needs to be theorised as embodying the re-working of certain non-class institutions alongside the destruction and creation of others. And the phenomenon of institutional persistence needs to be conceived not only as the possible result of stasis and absence of change but also as the possible outcome of a balance of

35 Jayaraj estimates that in 1993-94 around 40% of male workers and 16% of female workers reported non-farm activities as their primary occupation (2004, p. 185-186, Tables 4 and 5). See also Harriss-White, Janakarajan and Colatei (2004: p. 38-39).

force between destructive and creative agency. It is first-hand field research alone that will distinguish these relationships. This research is the more necessary because at one level these dynamics endow an economy with its character – they are also the mesh all policy passes through in implementation - while at another level their study drives progress in understanding the co-evolution of economic institutions.

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