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# The Land Question: Special Economic Zones and the Political Economy of Dispossession in India

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Dispossession in India*

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ABSTRACT

*The conflict between farmers and industry over land has become the greatest contradiction for capitalism in India today. Special Economic Zones (SEZs) have become the epicenters of “land wars,” as farmers across the country have resisted the state’s use of eminent domain to transfer their land to private companies for developing these hyper-liberalized enclaves. Based on 16 months of fieldwork researching a functioning SEZ in Rajasthan and interviews with business and government officials, this article illuminates the role of “accumulation by dispossession” (ABD) in Indian capitalism today and its political-economic consequences for rural India. While David Harvey sees ABD as a means of absorbing over-accumulated capital in the global economy, I argue that it is an extra-economic process through which states act as land brokers for capital, using eminent domain to overcome the barriers to accumulation posed by insufficiently capitalist rural land markets. In the case of SEZs, the accumulation generated by dispossession occurs through the creation of capitalist rentiers who develop rural land for IT companies and luxury real estate and profit from the appreciation of artificially cheap land acquired by the state. While such development only minimally and precariously absorbs the labor of dispossessed farmers, it creates a peculiar agrarian transformation through land speculation that absorbs fractions of rural elite, drastically amplifies existing inequalities, and fuels non-productive and pre-capitalist economic activity. Given the minimal benefits for rural India in this model of development, farmer resistance to land dispossession is likely to continue.*

Special Economic Zones have, over the past five years, become synonymous in India with grabbing land from farmers. In March 2007, 14 people were killed and many more injured by police and party-goons in Nandigram, West Bengal for refusing to give their land for a petrochemical SEZ promoted by an Indonesian company. The uproar that followed shook the ruling and central governments, led to a cancellation of the project, a temporary moratorium on SEZs, and a reduction in their maximum allowed size. Nandigram was the tip of the iceberg as farmers across the country were resisting the state’s use of *eminent domain* to acquire and transfer their land to private companies for the development of these hyper-liberalized enclaves. These “land wars” over SEZs have led to the cancellation, delay, and downsizing of projects across the

country, including two massive SEZs for Reliance industries outside of Mumbai and Gurgaon, the South Korean POSCO steel SEZ in Orissa (supposed to be India's largest foreign direct investment ever), and all the SEZs approved in the state of Goa. These conflicts and the stoppage of high-profile investments have created great concern within the state and capitalist class that the "emotional attachment" of farmers to their land will become the largest obstacle to India's emergence as a "world class" economic power.

That an export policy has exposed the land question as perhaps the biggest contradiction of capitalist development in India today may seem strange. After all, land has been acquired for industrial zones in India since the first Five-Year Plan, including for a few old Export Processing Zones and various export promotion parks. Why an SEZ question has become an explosive land question has in part to do with how one novel feature of India's SEZ model—the privatization of their development—opened up a lucrative investment opportunity in a particular phase of Indian capitalism. The SEZ Act of 2005 provided a framework for building hyper-liberalized economic enclaves—with minimal taxes, tariffs, and regulations—on the Chinese model with the avowed purpose of promoting exports, attracting FDI, developing infrastructure, and generating employment. But whereas China's SEZs were state-developed, in India the private sector would be enticed with offers of cheap land acquired from farmers to develop the zones themselves and create first-class industrial and commercial infrastructure for exporting companies. The SEZ Act only required that 35% (later raised to 50%) of the area acquired for SEZs be used for productive purposes, giving developers freedom with the remainder. Given that the highest value-land use is by far housing, most would use that area for constructing high-end housing colonies and accompanying "social infrastructure" like shopping complexes, schools, golf courses and hospitals

for what would essentially be privately developed cities on farmland in the urban periphery. This was the real draw of the SEZ for most developers, and central to the business model.

In the name of privatized infrastructure development, the SEZ Act thus created an opportunity for windfall real estate gains precisely as the India economy started accelerating towards 9% growth rates and, crucially, as a liberalized real estate market began a dramatic ascent. Indian real estate companies and large diversified corporate houses jumped at the opportunity of developing unprecedentedly large pieces of land that, in many cases, would be acquired for them at cheap rates by state governments keen to attract industry. Within the first 16 months after the SEZ rules were established in 2006, 464 SEZs had been approved and the figure now stands at 600.<sup>1</sup> While it is surely a vast under-estimate, the government claims that the currently proposed SEZs will require over a half million acres of land.<sup>2</sup>

While much ink has been spilled on the land conflicts caused by land acquisition for SEZs, there has been almost no in-depth studies of actually existing SEZs.<sup>3</sup> Through an ethnographic study of one of the few actually operational “greenfield” SEZs—the Mahindra World City outside of Jaipur, Rajasthan—and the surrounding villages whose lands were acquired for the project, this paper seeks to explain the new political-economy of dispossession embodied by SEZs and the peculiar kinds of agrarian transformations they are unleashing across India. In doing so, I critically draw upon Marx’s (1976) theory of primitive accumulation, reformulated by Harvey (2003) as

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<sup>1</sup> Ministry of Commerce and Industries (India). Website on Special Economic Zones in India: <http://sezindia.nic.in/>

<sup>2</sup> However, the Commerce Ministry’s statistics are very misleading. First of all, they reflect the land officially notified as an SEZ not the total land acquired for the company. Many companies are building large “Domestic Tariff Areas” attached to the SEZs for companies wishing to produce for the domestic market. This acreage would not be included in the MoC totals. More importantly, the ministry’s totals only reflect the size of the SEZ at the time of notification. It is common practice for SEZ developers to seek official notification status as soon as they have the minimum amount of land necessary, and then add on to it later. These areas can be 1/10<sup>th</sup> the total size of the project. A more realistic estimate of total acres would easily be in the several millions of acres.

<sup>3</sup> One of the major exceptions being Jamie Cross’ (2009) excellent study of the Vishaknapattam SEZ, an older EPZ converted to an SEZ. However, the focus of that work is on the labor rather than land question.

“accumulation by dispossession.” However, I reconstruct Harvey’s theory in several important ways to account for the Indian SEZ experience.

First, I argue that accumulation by dispossession—which I define as the use of *extra-economic* coercion to expropriate means of production for capital accumulation—is not simply an *economic* process of capital seizing hold of undercommodified assets (Harvey 2003, 2006), but a political process of states becoming land brokers for capitalists in a situation where rising demand for land confronts an inelastic supply. In India, capitalists increasingly look to the state to expropriate land from farmers because the majority of land is in the hands of small-holding farmers who are often not interested in selling and/or do not have clear titles to land.

Accumulation by dispossession is thus a process whereby the state uses force to overcome the barriers to accumulation presented by insufficiently capitalist land markets. Second, in contrast to Harvey—and to the generic characterization of land grabs as “foreignization of space” (Zoomers 2010) and SEZs as “imperialism” (Moore and Schrank 2004)—I show that the accumulation generated by dispossession for SEZs accrues more to Indian than transnational capital. I then try to develop with more precision the qualitative type of rentier accumulation that dispossession makes possible in SEZs and put forward the concept of the “rate of accumulation by dispossession” to capture its quantitative dimension. Finally, I look at the peculiar type of agrarian transformation via land dispossession and commodification that an SEZ is unleashing in a Rajasthani village, which leads me to further complicate Harvey by showing how accumulation by dispossession does not always simply pit capital versus peasants, but can create a whole chain of rentier-based accumulation that incorporates urban middle classes and well-placed fractions of the peasantry. This agrarian transformation via land dispossession and speculative real estate development looks very different from the agrarian transitions via the development of agricultural capitalism that has

historically dominated the attention of scholars of the “agrarian question” (e.g. Kautsky 1988; Lenin 1964; Barrington Moore 1966; Brenner 1976; Patnaik 1990; Byres 1996; Akram-Lodhi and Kay 2010). Analyzing the peculiar agrarian transformations being generated by SEZs and their developmental implications will then allow us to contextualize and evaluate the widespread peasant resistance to them.

### Dispossession

Land has always been the single-most important asset in rural India; however, that asset is now increasingly desired by capital for industry, residential and commercial real estate, and privatized infrastructure development. Such non-agricultural demand for land has skyrocketed post-liberalization and especially after 2005 as the Indian economy surpassed 8% growth rates and a liberalized real estate sector experienced a spectacular boom (Searle 2010). However, this skyrocketing demand for land has exposed a latent supply problem. The problem (for capital) is that the majority of available land is in the hands of India’s small-holding peasantry and significant enough sections of that peasantry remain uninterested in selling it. Furthermore, land titles in rural India are in enough cases unclear, leading to high rates of litigation in rural land purchases, which can then take decades to resolve in court and indefinitely delay projects (World Bank 2007). When one factors in the transaction costs and potential for holdouts that arise when negotiating with hundreds of small farmers, any capitalist firm looking to create a large greenfield project would much prefer to have the government acquire land for them. If a project is large enough (say over a few hundred acres), it is very unlikely that the project will get off the ground without the land being acquired through *eminent domain*. As the official in charge of SEZs for

Andhra Pradesh's industrial development corporation frankly explained why land acquisition is necessary:

If they have to talk to farmers, it will be a problem for industrial people to procure the land. If you go and ask the farmer, can it happen? No! They will come and cut your head! If someone comes and asks for 500 acres for industry, of course they will deny it.

ML: Even if they offer a good price?

Even if they want to pay the [market] price to him, it is a problem.<sup>4</sup>

The analysis that a state role in land acquisition for such large projects is necessary was repeated in less colorful terms by every government and corporate official I interviewed. Companies making large enough investments to have leverage thus insist on a state commitment to providing land in their Memorandums of Understanding (MoU) with state governments. The ability of state governments to furnish this land has thus become the most important factor in the inter-state competition for investment.<sup>5</sup>

State acquisition of land for capital is in itself not new. Since independence, state governments—often through state-owned industrial development corporations (IDCs) or urban development authorities—have been acquiring land for industry under the colonial-era Land Acquisition Act (1894), which provides for the use of *eminent domain* for “public purposes.”<sup>6</sup> However, post-liberalization, acquisition of land for the private sector has by all accounts increased dramatically and shifted qualitatively. Quantitatively, industrial development corporation officials from five major states unanimously told me that they have had to acquire

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<sup>4</sup> Interview, 3/20/10.

<sup>5</sup> Officials at the Indian Chamber of Commerce (ASSOCHAM), industry consultants, high-level state bureaucrats, and industrial development corporate officials all told me in interviews that land had become the most important factor in attracting large investments to one's state. Gujarat is often held up as a model of a state that can provide land while maintaining “law and order”, while West Bengal is the negative model for all of its politicized agitations over land acquisition. This was dramatically illustrated when the Tata company was forced to relocate its “Nano” car factory to Gujarat after facing stiff farmer opposition to the government's acquisition of 1,000 acres of land for the project.

<sup>6</sup> In India's federal system, land is a state subject under the Constitution.

much more land post liberalization, and particularly in the past five years, to keep up with the rising demand. My own analysis of 40 years of land acquisition data from the Rajasthan Industrial Development Corporation (RIICO) shows that land acquisition doubled over the 1990s from the previous decade and spiked considerably again during the boom of 2005-2008.<sup>7</sup> Moreover, RIICO has plans to acquire almost as much land in the next five years as they have in their entire 40 year history.<sup>8</sup> The most comprehensive national analysis of development-induced displacement in India (for all projects, not just for private companies) has also shown a substantial increase post-liberalization (Fernandes 2008).

Not only has land acquisition for capital increased dramatically in India's neoliberal era, but its character has also strayed further from anything identifiable as a "public purpose." Much of the land acquired for industry outside of mining has historically been in state-run industrial estates developed by state industrial development corporations. The land in these industrial estates is owned by the government, which sells plots on a lease basis to private and public companies for purely industrial purposes. Very large projects like steel mills, cement plants, and other large factories—many of them in the public or joint sectors—had large amounts of land acquired for them outside of these zones, though these were largely heavy industries thought to be crucial to the country's development. This type of state-led industrialization and the accompanying infrastructural projects had significant legitimacy under the Nehruvian era of nation-building (Khagram 2004), and thus it was at least more plausible to argue that land acquisition served a "public purpose," even if many of those brutally displaced without adequate compensation disagreed.

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<sup>7</sup> I assembled this data from forty years of RIICO newsletters and annual reports.

<sup>8</sup> Interview, RIICO official, 12/15/10.

Post-liberalization, however, and particularly in the past 5 years, industrial development corporations have been increasingly acquiring land outside of industrial areas for all kinds of private initiatives, including those with commercial, residential, and even recreational components. While land has historically been acquired for Industrial Townships to provide housing and amenities for employees of large industries set-up far from existing urban centers (most prominently around India's large steel mills), now land is being acquired for IT office buildings, elite residential colonies, private colleges, and shopping malls on the periphery of existing cities. Many infrastructure projects, now increasingly being built on a public-private partnership (PPP) basis, incentivize private developers with land set-asides for real estate development (IDFC 2008). The activities of industrial development corporations have thus begun to meld into those of urban development authorities who have themselves moved from acquiring land for publicly-developed housing to blanketly amassing land banks on the peri-urban fringe to be sold or auctioned off to real estate developers.<sup>9</sup> SEZs are the culmination of this drift as IDCs and urban development authorities have both been acquiring unprecedentedly large chunks of land (sometimes in excess of 10,000 acres) for private SEZ developers who can then re-sell developed plots for industrial and residential development. Land acquired for a "public purpose" can thus be used to build luxury housing, golf courses, hotels, and shopping malls. SEZs thus complete the transition to what I call a land broker state in which the chief economic function of state governments is to acquire land for private capital accumulation.<sup>10</sup>

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<sup>9</sup> Auctions or fixed rates of residential, commercial, industrial, and institutional land are often posted on their websites: Jaipur Development Authority (<http://jaipurjda.org/AuctionProgramme.aspx>); Delhi Development Authority ([http://dda.org.in/lands/lands\\_default.htm](http://dda.org.in/lands/lands_default.htm)); Greater Noida Development Authority (<http://www.greaternoidaauthority.in/>).

<sup>10</sup> For an account of local governments' land brokering role in the different legal and political context of China, see Hsing, You-Tien, 2006. "Brokering Power and Property in China's Townships." *Pacific Review* 19, 1: 103-214. This analysis also has parallels with Goldman's concept of "speculative urbanism" in the context of Bangalore. His analysis focuses on the reorientation of governments and parastatals around speculative real estate, but does not pose

This role is well illustrated in my case of the Mahindra World City, a multi-purpose “integrated industrial city” 25km from Jaipur, which is supposed to include the largest Information Technology (IT) SEZ in India. To facilitate this project by the real estate-subsiary of the \$7 billion Mahindra and Mahindra Company in partnership with RIICO, the Rajasthan government (through the Jaipur Development Authority) acquired 3,000 acres of land in 9 villages. Of this, 2000 acres was privately owned farmland and 1,000 was common grazing land (officially owned by the government). As government land, the latter was transferred to the company with no compensation to the surrounding villages that were highly dependent on the livestock economy supported by the commons. The private land, under a special Rajasthan state policy, was compensated by awarding farmers small developed plots of land next to the SEZ totaling one quarter the size of their previous land (thus attempting to give them a stake in the inevitable real estate appreciation). This policy, by individualizing people’s relationship to the project and dangling the prospects of easy real estate gains, was effective in dividing the village and breaking any potential for united opposition. As a consequence, the Mahindra World City became one of the first large greenfield SEZs to become operational while so many remained stalled by farmer opposition.

Both Mahindra and RIICO officials told me that without a government role in land acquisition, the project would have never gotten off the ground. As a Mahindra official explained, “[Purchasing land] is always difficult.... You have to negotiate with too many people and you always find a maverick. Say you want to buy 100 acres, if you find someone who is smart and educated, he says, ‘I’m not going to sell my land.’ So government has to take it.” There is also, he

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the problem of forcible land acquisition in the context of the barrier to capital accumulation posed by rural land markets.

explained, the possibility of litigation and disputes. “You have to do it through government. They are the necessary evil.”<sup>11</sup>

For projects like SEZs requiring large amounts of land in rural India, state-sponsored dispossession is a necessary pre-requisite for accumulation with the result that state governments keen to attract investments have turned into land brokers for capital. This use of state power to expropriate means of production for capital accumulation is what differentiates accumulation by dispossession from the ordinary operation of markets. I now turn to the character of the accumulation that dispossession makes possible.

### Land and Accumulation

While the land in the Mahindra World City ultimately still rests with the government, Mahindra has a 99 year lease and can sell 99 year leases to private companies for production/processing as well as for housing and commercial use. As a Mahindra executive succinctly explained their business, “You can say our product is developed land parcels.” Mahindra has already sold “developed land parcels” to over 42 companies in its IT, handicrafts, and light-engineering zones. Notable among the tenants are Infosys and Deutsche Bank, who have built large campuses for their back-office operations. Once enough industry is up and running, Mahindra will create luxury housing townships—in what they call the “Lifestyle Zone—on about 40% of the area. Mahindra executives were clear to me that they will make most of their money on the housing after their large initial investment in industrial infrastructure.<sup>12</sup> An SEZ developer is thus essentially a capitalist rentier who commodifies rural land for urban development.

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<sup>11</sup> Interview, 7/14/10.

<sup>12</sup> Ibid and interview with a second official, 10/24/09.

But it must be remembered that the SEZ developer is a state-appointed rentier, and receives its land via dispossession rather than the market, which makes its land artificially cheap. It is normal practice that when states acquire land for industry, they transfer it at its nominal agricultural value as determined by the government rather than at the price of commercial, industrial, or residential land to which it will soon be converted. The agricultural value itself is always an underestimation as it is based on average listed sales prices over several previous years and in India these are *always* less than the real purchase price, which is underreported to avoid taxes. In awarding compensation to farmers, no consideration is given to the land's value under its proposed use. Government grazing land—often characterized as wasteland though it is hugely important to rural livelihoods—is given away for peanuts. The price at which Mahindra was able to acquire the land was consequently much less than would have been possible on the market. Privately developed SEZs are thus basically a form of arbitrage through which capital receives artificially cheap land from the state and then re-sells it at many times that value. I call this spread between the cost of dispossessed land handed over to capital by the state and its ultimate appreciation after development costs the “rate of accumulation by dispossession.”

Using documents obtained through the Right to Information Act and interviews with Mahindra officials, I have attempted to calculate this rate for the MWC. If we group together the state and private land (the former being cheaper), the average price paid by Mahindra to the state government (which would include administrative fees for acquisition) was \$22,679 per acre. Mahindra officials told me that their development costs were \$66,000 per acre (to build “first-class infrastructure”) and they are currently selling industrial land for \$55/sq. meter or \$224,000/acre. This makes their rate of accumulation by dispossession \$135,000/acre for industrial land parcels; it will be many times greater when they start developing more expensive residential space. If we

take as a benchmark the \$137/sq. meter (or \$554,420/acre) rate for residential plots in the nearby Jaipur Greens housing development just adjacent to the SEZ (which itself should rise over time as the SEZ develops), then the rate of accumulation by dispossession will ultimately be over \$465,000 per acre in this section of the project. If we average the industrial and residential rates, the overall return on investment is over 300%.

More important than the exact figures, however, is the conceptual point that accumulation by dispossession for SEZs—though it could also be for other industrial and infrastructure projects—occurs through the creation of a capitalist rentier who capitalizes on the transfer of under-valued assets dispossessed from farmers. Dispossession is key to this accumulation in two senses: 1) As a necessary pre-requisite, releasing uncommodified or under-commodified land<sup>13</sup> that is difficult or impossible to obtain on the market and without which no accumulation could occur; and 2) As a mechanism for releasing that land more cheaply than if it were purchased on the market.

### Labor and Accumulation

Of course, the SEZ developer is not the only one who accumulates in the SEZ; the new capitalist landlord has to sell the land to other capitalists who are producing goods and services for export. These companies accumulate on the basis of labor rather than land, though of course they provide the ultimate demand for the (industrial) land as their “spatial basis of operations” (Marx 1982: 916). By expropriating agrarian land with the help of the state, “improving” it with modern infrastructure, and making it available by the square foot in a fully capitalist land market inside the

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<sup>13</sup> I use commodification here to mean not simply an asset that is legally available for being bought and sold on the market (as private land with clear titles has been in Rajasthan since the abolition of feudal intermediaries after independence), but as an asset that is treated as such by its owners. This orientation towards land, as we will see, shifts dramatically in these villages with the arrival of the SEZ.

zone (where land can be bought on a purely market basis), the SEZ developer is able to command a portion of the producing companies' surplus value as rent, which is capitalized as the land price. Given that the main focus of the MWC (like 2/3rds of the approved SEZs) is IT and IT-enabled services, that surplus value comes from the labor of largely middle-class youth from Jaipur with bachelors, management, and accounting degrees. Since the price of such labor is becoming expensive in the large cities like Bombay, Delhi, and Bangalore, IT/ITES companies are increasingly locating to Tier 2 and 3 cities like Jaipur where they can find youth sufficiently well-educated (and if necessary fluent in English) to do back office work like accounting or programming for large multi-national clients (NASSCOM 2010)<sup>14</sup>. These youth are chauffeured in from Jaipur in SUVs to work night shifts corresponding with US and EU markets. The result is the rather surreal scene of middle-class youth from Jaipur settling the accounts of Deutsche Bank's global investment banking transactions in the middle of the night on the former grazing land of several Rajasthani villages.

Where do the former users of that land fit into this picture? Given the low levels of education and total absence of English fluency, mostly as security guards, gardeners, janitors, and drivers. These jobs are relatively few in number compared to the number of people dispossessed and, moreover, they are insecure and temporary positions sub-contracted out by the companies to a system of local contractors (*tekedars*). With wages of approximately \$78 per month, they are also low-paying. Besides the service jobs, some people (many of them women) from the surrounding villages are doing daily construction work for \$3/day through dozens of shady fly-by-night labor contractors, though, as is often the case, the vast majority of workers are more exploitable migrants shipped in from other states like Bihar or far-flung districts of Rajasthan (see Breman

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<sup>14</sup> Also explained to me by officials at Mahindra, 7/14/10, Infosys, 4/2/10, and the National Association of Software and Service Companies (NASSCOM), 10/18/10.

1996). Needless to say there are no unions or safety precautions. While the modern eye might see the transition from being a farmer to a security guard for Infosys as an improvement, such work yields less in income than that of the milk-yielding water buffalo most families had to sell after the enclosure of the grazing land. And while from the economist's point of an IT campus is surely "the highest and best use" of rural land compared to single-crop farming and livestock grazing, from the farmers' point of view their land and livestock have more value than the employment available to them in this new economy.

So, while Marxists have traditionally see the creation of a class of propertyless wage laborers as the key function of primitive accumulation, the farmers dispossessed by the MWC have seen their labor marginalized more than exploited. The surplus value fuelling the rent of the SEZ developer comes from moderately educated middle-class youth, while many of those dispossessed without the means of acquiring other land or livelihood assets have joined the ranks of under-employed youth "passing time" at the village chai stalls. In this case, the emphasis in Marx's account two-fold definition of primitive accumulation must be revised: the land is above all being turned to capital while turning the peasant into wage-labor is a matter of indifference. Without significant absorption of rural labor, the real transformation that the SEZ has wrought on the surrounding villages has been via the dispossession and commodification of land.

#### Agrarian Transformation 1: Disaccumulation and Speculation

To understand the peculiar agrarian transformation the SEZ has generated through land dispossession and commodification, it is now necessary to introduce a more thorough understanding of the social structure and political economy of the villages affected, and

particularly the village of Rajpura<sup>15</sup> where I focused my research. The villages are located in Sanganer Tehsil of Jaipur District, 25 kms outside of Jaipur and just off of a newly expanded national highway. While technically falling within the “urbanizable” city limits of Jaipur, the economy of these villages was overwhelmingly agrarian until the arrival of the SEZ in 2005 and, to a large extent, still is outside of the SEZ boundary. The villages are largely dependent on rain-fed agriculture (centered around coarse grains) and livestock rearing which provides cash-income through selling milk to Jaipur. Given the insecurity of the monsoons, many smaller holders supplement agriculture with wage labor in Jaipur and a few surrounding industrial areas. Because agriculture is minimally capitalist and largely single-crop, the small number of landless largely do construction or other manual labor in Jaipur. The landless and marginal farmers also share-crop on the land of the larger landowners to whom they pay 1/3 to 2/3 of the crop depending on who advances the cost. Traditional caste-based occupations persist with village potters, blacksmiths, carpenters, sweepers, barbers, shoe-sellers and musicians. In addition to these are small provision shops, traditionally run by the village’s Jain *bania* (merchant) caste, though as we will see these have proliferated wildly after the SEZ. There are a small number of government employees who work in Jaipur or nearby areas, and a few of the Brahmins and landholding Jats have small shops on the outskirts of the city.

Crucially to our story, the distribution of land in these villages is inherited from Rajasthan’s insufficiently reformed system of feudal (*jagirdari*) land tenure. Until 1952, Rajasthan consisted of 22 princely kingdoms in which land was granted to Rajput lords (*thakurs*) who extracted rent and corvée labor from peasant tenants. Land to the tiller policies post-independence abolished the role of feudal intermediaries and distributed land in surplus of land ceilings to the tenants (Rudolph and Rudolph 1984). However, the *thakur* in Rajpura—as in many places—still

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<sup>15</sup> Names of all villages have been changed.

held onto large portions of land by transferring it into the names of various family members and trusted retainers and continued to be by far the largest landholder in the village until the MWC. Moreover, land was distributed according to the amount of land being tilled under the *jagirdar* system (Singh 1964). Consequently, the largest beneficiaries were the main cultivating caste (the Jats) and, in some villages, the Brahmins who had been given significant land grants. The various other lower castes received much less, though most did not come out of the process totally landless with the main exception of the village sweepers and musicians. Given the central importance of land to people's livelihoods and social standing, and the lack of any non-agricultural demand, this post-independence distribution of land changed only marginally through subdivision and periodic distress sales over the 50 years until the SEZ came along.

The SEZ transformed this distribution of, and relationship to, land in two important ways. The first of course was through forcible dispossession, which created a *disaccumulation* of assets in the village while creating the basis for accumulation in the SEZ. People lost their farmland, their source of grain and fodder, and all the improvements that had been built up through the generations. Those living on the land (the majority live in the village clusters which were not acquired) lost their habitation as well. The enclosure of the village grazing land—which Deutsche Bank now sits upon—compounded the loss of private land in making fodder and fuel unavailable with particularly disastrous effects for the poor. Most people had to sell their livestock for want of fodder. Because many people's wells were on their land, many now have to purchase their household water from tankers. Overall, people have lost their means of production and had their daily needs commercialized, a situation compounded by the drastic inflation in food prices India is now experiencing. While the loss of land is proportionate to land ownership, as we will see, so is the ability of farmers to profit from the market-based compensation model they were offered.

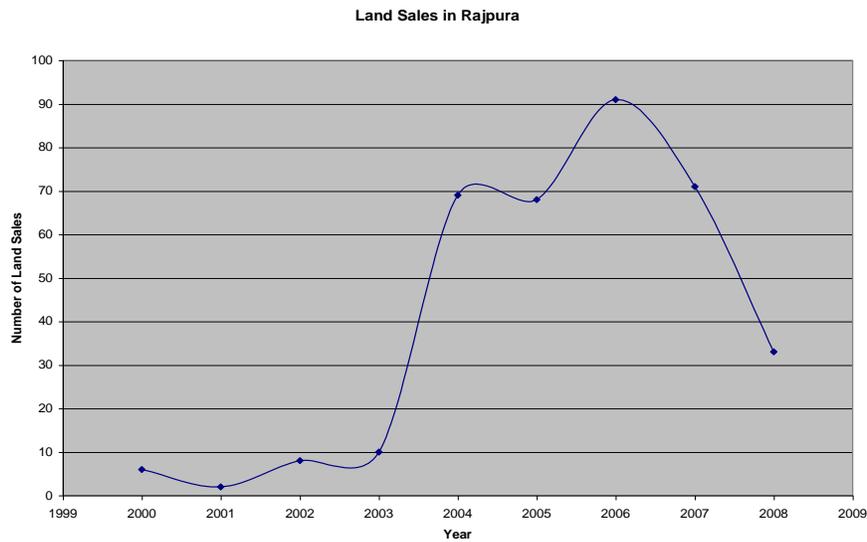
This leads us to the analytically distinct effect of commodification. As mentioned before, farmers were compensated for their acquired land with smaller pieces of developed (commercial and residential) land which was, in the words of one official, designed to “buy peace” by giving farmers a stake in the real estate appreciation that would inevitably accompany multinational companies setting up in a rural village. And the land did appreciate. Even before the SEZ was officially announced, real estate companies and outside parties tipped off by politicians and government officials (many of whom are very likely silent partners in some of these shell companies) flooded into area to buy up cheap land that would appreciate many times over after the SEZ. Once the announcement came, even more buyers from Jaipur, Delhi, and Bombay snatched up land. Large national real estate developers—including a joint venture with Dubai’s Emaar—scooped up large plots of land to build luxury housing colonies adjacent to the SEZ. A market for the rights to the not-yet-constructed compensation plots also quickly emerged. A whole stratum of local land brokers (*dalals*) emerged in the villages to facilitate these transactions for 2% commission in coordination with Jaipur-based brokers. As Figure 1 shows, land purchases in Rajpura increased out of all proportion to anything that had happened before as land prices surged from roughly \$4,000 per *bigha*<sup>16</sup> to over \$70,000 per *bigha* by 2008. This land commodification—by which I mean the increased treatment of land as a commodity—hit Rajpura like a big exogenous shock.

This shock refracted through the local social structure in complicated ways, and with some amount of randomness that is inherent to real estate speculation. But the ability of local farmers to profit from this speculative boom—either through selling their compensation plots or land they still had outside of the SEZ—was largely based on existing inequalities in economic, cultural, and

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<sup>16</sup> 1 *bigha* is equal to .25 hectares or .61 acres. Agricultural land holdings and prices are most often calculated in *bighas*.

Figure 1: Land Sales in Rajpura



Note: Figures taken from the official village land records kept with the village *patwari* (2005-2009) in Sanganer and at the district collectorate in Jaipur (before 2005).

social capital. Land markets are essentially a social game that people have differential abilities to play. Those with little land and few other sources of income had to sell the rights to their compensation plots quickly and at a consequently lower price. Those with more land who were also more likely to have more diversified sources of income could wait longer for the land prices to appreciate (many are still waiting for the SEZ to develop before selling or some will use it to start a business). The unreformed feudal land structure was thus the major determinant of the individual outcomes of land speculation. Cultural capital—in this case, not just formal education but a market savvy to manipulate land markets and understand what kind of development an SEZ is going to be—was also crucial. Many illiterate farmers report being cheated and many did not anticipate that land prices would keep multiplying. Those with more business savvy not only better optimized the timing of selling their land or plots, but also became land brokers profiting from the land sales of fellow villagers. From some small farmers that facilitated one or two deals to the large real estate operation of the former village sarpanch with a formal realty storefront in

the market, many young and middle-aged men tried to get a slice of the real estate pie. But in addition to some aptitude for dealing with land documents and registration procedures, becoming a dalal required above all social capital. By social capital I do not mean an asset adhering to groups that enables cooperative action for collective benefit (e.g. Putnam 2001; Krishna 2002), but an unequally distributed form of power based on one's position in social networks that convey real or potential advantages (Bourdieu 1986). Both the quantity of those networks and their quality (the capital of those within your network) are unequally distributed among individuals within any social unit and this is certainly true of a class and caste divided Rajasthani village. Almost all of the several dozen *dalals* I have spoken had previous business or non-menial work experience in Jaipur through which they established contacts with Jaipur-based brokers. They used their ability to establish connections between their village and the city to build trust between both buying and selling parties in return for handsome commissions. Many villagers feel cheated by these village brokers who they see as the main local beneficiaries of the SEZ. Ironically, this manipulation by brokers of their social capital in the Bourdieusian sense of unequal social networks has led to a dramatic decline in social capital in the Putnamite sense of trust and norms, effectively undermining collective action.

Of course, the distribution of these forms of capital corresponds to a large though not exact degree with caste hierarchies. The Rajput family of the former *thakur* stands to gain immensely from the SEZ; instead of expropriating millet from sharecroppers on their over 500 *bighas* of land as they have been doing since independence, they can now turn their remaining land into real estate colonies and do what they will with the hundreds of appreciating compensation plots they have received for the land acquired. The *thakur's* grandson, who was previously an investment banker for Citibank in Bombay, looks after the family's interests as the functional village sarpanch

after his mother was elected on a reserved ticket. The Brahmins—few in number in Rajpura but with a big settlement in nearby Shudhwara—have contributed a significant number of land brokers and, with higher education levels and more off-farm sources of employment, are by and large waiting for their compensation plots to appreciate. The majority of the large landholding Jats—typically with 50 to 100 bighas per family—who were already more diversified into business and invested in education are in a similar position. Jats are disproportionately represented among the village’s brokers, most did not sell compensation plots early, and many have excess land outside of the SEZ of which they have sold only small parts for huge returns. Many have also started businesses in the village and towards Jaipur with their earnings. The relatively privileged Meena scheduled tribe (ST)—who had benefited significantly from reservations in government jobs—have also done well, particularly the family of the former *sarpanch* who also became the largest land broker and now owns real estate all around Jaipur.

Among the lower “scheduled castes” (SC) and artisanal castes falling into the “otherwise backward” (OBC) category things are more complicated. These castes contain the vast majority of the marginal peasantry and semi-proletariat, with holdings most often falling between 1 and 25 *bighas*. Educational levels are lower and fewer have non-farm business or employment outside of manual wage labor. Many carry significant debt. Because of both economic compulsion and lack of market savvy, many sold their compensation plots early at low prices or sold their land outright before the land was acquired at very low prices. While some (particularly those with over 10 *bighas*) were able to make enough money to buy some other land in distant villages (which they have to put out on lease), many were left with no assets after clearing debts, paying for marriages, and dividing the small amounts among brothers. They have consequently become proletarianized,

entirely dependent on wage labor. There are some land brokers from these castes, but they tend to be much smaller operators than those from upper castes, often having only done one to three deals.

All this being said, the process has not only exacerbated inequalities between castes, but within castes and even families. It is not uncommon to see huge concrete mansions next to *kaccha* (earthen) houses in the same caste *muhallah* (settlement). The two houses are in some cases owned by brothers, one of whom became a dalal while the other still does wage labor. Inequalities in economic, cultural, and social capital are highly associated with caste, but are also not absent within castes and even families. Some Brahmins have been ruined while some Dalits have become *crorepatis* (rupee millionaires). The randomness of where one's land is situated (near a road, close to the SEZ) and whether it falls inside or outside of SEZ boundary also introduces some amount of fluidity into social trajectories.

What should in any case be apparent by this point is that the formulation of accumulation by dispossession as a phenomenon that pits capital versus the peasantry (or “commoners”) is overly simplistic. Accumulation of this sort generates a whole feeding chain of rentiers that extends from multinational capital to the savvy farmer-cum-commission agent. While it is clearly the case that the SEZ developers, producing units, real estate companies, middle-class investors, and city-based brokers (with their greater amount of capital, business savvy and in-house economists, and elite connections) capture the lion's share of such land-based rents, it would be a mistake to ignore the way in which certain fractions of an inegalitarian rural society unvently tap into this process.

Agrarian transformation 2: Rentiership and Antediluvian capital

We have so far covered only one aspect of the great transformation generated by land dispossession and commodification in the villages surrounding the SEZ: the quantitative distribution of money from land sales. Equally interesting from the point of view of the agrarian question is the qualitative ways in which that money circulates through and transforms the rural economy. A predominant concern of studies of agrarian change has been the conditions for, and consequences of, the development of capitalism in agriculture. However, in the case of the SEZ under question (and it would hardly be alone), we are confronted instead with the transformation of a minimally capitalist agrarian economy by the exogenous force of speculative land commodification. Capital is seizing hold of land rather than agriculture. As we have seen, this has led to a disaccumulation of productive agricultural assets and a redenomination of agrarian land as real estate. But this has also injected unprecedented amounts of cash into what was a predominantly agrarian economy. To what extent and in what forms has this money from land commodification been turned into capital? Put simply, how do farmers invest their money from land sales?

What is striking is the largely unproductive and rentier-character of most of the investments made by farmers. The first thing any farmer does with a windfall of money is convert their mud house into a concrete one. After that most look for other land to buy. Unequipped to turn that money into capital in more urban endeavors, those who have escaped with sufficient money from land sales have purchased equivalent or even large amounts of (usually unirrigated) land in more remote areas where land is cheaper. However, since they cannot or do not want to shift their houses there, they become absentee landlords expropriating 1/3 of a monsoon millet crop from local tenants. For the smaller holders, this has actually been quite an inconvenience as they receive less grain than they previously had when they were cultivating less land with family

labor. But the bigger farmers (particularly Jats) have become quite large absentee landlords, receiving not insignificant rent-in-kind from sharecroppers. For the more business savvy, however, their share of the millet crop is only part of the calculation; they have bought land where they think the forces of urbanization will eventually drive up land prices. Expropriating grain as landlords is thus a short-term strategy until they can reap the gains of real estate speculation. Some have also bought as yet vacant plots in some of the many residential colonies that began sprouting around Jaipur during the real estate boom. Others have made additions to their houses to rent rooms to agricultural laborers and now the first batch of students at for-profit colleges that have sprouted up on land around the SEZ. Significantly, there is almost no investment in agricultural or any kind of production. While some have used the money to drill tubewells on remaining land, they have done so in order to sell scarce groundwater to Mahindra for construction and to their fellow villagers for consumption. Investment in land is largely of a rentier nature. We may note the irony that the entry of the most advanced sectors of the Indian economy into rural Rajasthan has led to an *expansion* of rent-in-kind sharecropping.

After land, the next most common investment is in small shops (*dukans*) selling daily provisions or various consumer items. The market in Rajpura has been transformed from a handful of shops run by the traditional *bantias* and artisanal castes to a bustling profusion of sometimes redundant enterprises run by non-traditional merchants. These shops range from motor-cycle supply shops to general provision stores, photo shops, tire-puncture stalls, two small eateries (*dhabas*), chai and juice stalls, and small vegetable carts. Many supply the newly commercialized needs of the dispossessed farmers or the growing consumer aspirations of those with new-found money. Some shopkeepers report being quite profitable (over \$200/month) while others say they only the equivalent of wage labor but with the benefit of avoiding hard manual work.

Significantly, the vast majority of these investments in petty mercantile activity are confined to the sphere of exchange rather than production. They have given rise to a stratum of rural “petty-bourgeois” shopkeepers, though one that is internally highly stratified.

Finally, those with remaining liquidity lend it out to other villages at the prevailing rate of 2% per month or 24% annually. Small shops also continue to provide provisions on credit, which adds to their margins. Thus the infusion of cash has actually expanded the pool of village moneylenders who usuriously fill the credit gap created by land loss and the general drying up of rural credit following the liberalization of India's banking sector (Shah, Rao, and Shankar 2007). The village's biggest land broker also gives loans at a higher interest to other brokers for land deals. Land commodification has thus fed usurer's capital, a form of pre-capitalist exploitation which, as Marx observed, adaptively “clings on to” and “impoverishes” new modes of production without itself being transformative (Marx 1981: 731).

Consequently, the entry of the much-heralded IT industry and accompanying real estate finance into rural villages via the SEZ has had the effect of expanding what Marx would call “antediluvian” or pre-capitalist forms of capital (1981: 728). The SEZ's effect on the surrounding villages has largely been through the creation of an appreciating real estate market, one which even dispossessed farmers were given a small stake in by the government's compensation policies. However, the cash generated by these land sales has not found productive outlets, but instead fed landlordism, further land speculation, petty mercantile activities, and usury. This is a peculiar agrarian transformation indeed, one that is distinct from theories of agrarian transition via agricultural capitalism, and that calls into question the ability of not just SEZs but also the much heralded IT service industries to generate any productive transformations in rural India.

## Conclusion

While some scholars have offered the concepts “foreignisation of space” (Zoomers 2010) or “imperial overstretch” (Moore and Schrank 2004) to describe SEZs, neither of these formulations are adequate in explaining the case of India’s SEZs. While one of the goals of India’s SEZs is to attract FDI, the vast majority of developers and most of the companies who have set up units in the zones are domestic.<sup>17</sup> Moreover, limitations on foreign borrowing have meant that most of the financing is being raised through internal accruals or domestic bank loans.<sup>18</sup> The lobbying for the SEZ Act came entirely from Indian capitalists and Commerce Ministry bureaucrats and the stamp of the World Bank and other IFIs is conspicuously absent. While certainly some foreign investment has come into the zones (like the Deutsche Bank unit in the MWC) and has generally contributed to the surge of Indian real estate markets, this is not the defining feature of land dispossession for SEZs or most other land grabs in India today.

In constructing a theory of land grabs in contemporary capitalism, it strikes me that more important than the origin of the capital is an understanding of why land dispossession becomes necessary for capital accumulation in general at a particular time and place. Dispossession, in contrast to the normal functioning of land markets (globalized or not), is above all a political process whereby states intervene with *extra-economic* coercion to make means of production available for capital accumulation. Reconstructing Harvey (whose definition is less than clear), I have offered this as my definition of accumulation by dispossession, which has the merit of being flexible enough to allow for research into variations in both of its terms (forms of accumulation and means of dispossession) in different times and places.

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<sup>17</sup> Interviews, Joint Secretary of Department of Commerce, 1/17/11, and major SEZ business consultant, 11/19/10.

<sup>18</sup> Ibid.

SEZs are the culmination of a long transformation in the Indian state (or states to be more precise) towards becoming the chief land broker for capital. As increased demand for land—driven both by higher growth rates in general and real estate markets in particular—has confronted the insufficiently capitalist land markets of rural India, capitalists increasingly turn to the state to use non-market means for making land available for capital accumulation. This is the crux of accumulation by dispossession in India today. Unlike the older developmental state that expropriated large amounts of rural land for public infrastructure and heavy industries, land brokering in the neoliberal era—culminating with the SEZ—proceeds under an expansive definition of “public purpose” that is indistinguishable from private capital accumulation. Elite housing colonies, IT parks, malls, and amusement parks have joined the hydroelectric dam and steel mill as causes for expropriating peasants.

What the SEZs represent is thus the ascendancy of rentier finance (the developers) and high-tech services (the producing units) over heavy industry and irrigation projects as levers of dispossession in India. The SEZ developer is a state appointed capitalist landlord who receives windfall returns by commodifying artificially cheap farmland. I have put forward the concept of the rate of accumulation by dispossession to define and measure such accumulation based on the expropriation of land rather than the exploitation of labor. In return for turning farmland into “developed land parcels,” SEZ developer-landlords command a portion of the surplus value generated by the producing firms inside the SEZ (creating a strange analogy with Rajasthan’s feudal landlords who expropriated surplus grain from the peasants cultivating their land grants). In the Mahindra World City, this surplus value is largely expropriated from middle-class back-office workers rather than the urban or rural proletariat. The production that occurs in the SEZ thus

marginalizes more than it exploits the labor of the dispossessed peasantry. “Primitive accumulation” is about capitalizing the land not proletarianizing the peasant.

With rural labor power a matter of indifference, the main impact of the SEZ is through the dispossession and commodification of rural land. Instead of capital seizing hold of agriculture—the traditional problematic of agrarian studies (Akram-Lodhi and Kay 2010)—capital is seizing hold of the land, creating a new pattern of agrarian transformation driven by speculative real estate markets. The dispossessed see their assets disappear—we must not forget the *disaccumulation* that accompanies accumulation by dispossession—and are very unequally equipped to “play” the game of land markets. The legacy of feudal class and caste structures creates the basis for the unequal upward mobility via land prices. While social connections and business savvy are strongly correlated with these inequalities, the lack of perfect correspondence and an inescapable amount of randomness in real estate speculation has generated an almost fractal recomposition of the local class structure, introducing greater inequality within castes, classes, and families. Some tap into the multi-scaled feeding chain of speculative rentiership to become landlords, brokers, shopkeepers, and moneylenders, while others become redundant members of the underemployed rural proletariat. While not entirely wrong in the broadest sense, binaries such as capital versus peasants or enclosers versus commoners do not even begin to capture this complexity.

In the terms of classical economics, the process of expropriating land from farmers to create IT campuses in SEZs is undoubtedly efficient. Developmentally, however, it is hardly transformative. The two-thirds of India’s population that lives in rural villages see few opportunities in this new economy, which is moreover incapable of productively transforming the rural hinterland around it. The chasm between rural India and Infosys is so great that such development creates few productive avenues for the agrarian population. Without these avenues,

the sole spillover effect of an SEZ is appreciating land values, the money from which feeds pre-capitalist forms of rentiership and exploitation. Advanced capitalism is actually reinforcing rather than replacing the unproductive and exploitative elements of semi-feudal social structures.

So while the Indian peasantry is being chastised in some quarters for its “emotional attachments” to the land, the above suggests that they are in fact not so ignorant. While in Rajpura the enticement of quick real estate gains was enough to dissolve organized resistance to the SEZ (to the subsequent regret of many), in many more parts of India farmers are militantly refusing to relinquish their land to capitalists. Many of them can see that the types of development proposed for their farmland will create no place for them. Without enticing exit options from agriculture, keeping their few *bighas* of land and buffalo seems like a better option. They will consequently continue to pose the most serious contradiction for capitalism in India today.

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