

Political Economy and Class Analysis of Nepal




Nepal Adhyayan Kendra
Bagbazar, Kathmandu, Nepal




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Written by

Khagendra Prasai, PhD

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Nepal Adhyayan Kendra

Table of Content

Chapter 1 : Introduction.1

Chapter 2 : Overview of Study on Political
Economy of Nepal.4

Chapter 3 : Glimpses of Comprador
Capitalism at Work.39

Chapter 4 : Empirical Research Objectives
and Methods46

Chapter 5 : Empirical Findings on Class
Analysis49

Chapter 6 : Summary76

Bibliography.....81

Appendix I: Interview Schedule84

Chapter One

Introduction

Politically, enough has been written and reiterated about political economic nature of Nepali society; and academically too, some attempts have been made. The 'political' analyses done by communist parties ranging from believer in revolt to peaceful transformation, by and large, were uncritical reproduction of Mao's class analysis of Chinese society in 1926. They fail to add anything of value to understanding of Nepali society in terms of theory, on the contrary, hinder our understanding of the same. With poor or 'copied' understanding of our situation, left movement was bound to suffer and it did. On important occasion, the left's formulation of strategy used to be out of the touch of reality. An example in case: For the left, "Who plows the land will own it" has been and still is a 'revolutionary' slogans while the two-third of population engaged in agriculture was already the owner-cultivator.

This, arguably, a reason farmers never constituted the driving force of the left movement in Nepal where the population is predominantly agricultural.

Lefts believe that change is the law of nature and society. Over more than fifty years, our society underwent radical changes, but communist parties remained adamant and static in their analysis and conclusion drawn thereof—Nepal is semi-feudal and semi-colonial country.

Academic attempts of analysis carried out by different individuals and groups, however, have contributed largely to our understanding of political economic nature of Nepali society theoretically and empirically. Yet, they need rigorous improvement to give us theoretically more consistent and empirically more substantiated analysis and conclusion. This research is a small endeavor in that direction.

All analyses carried out by communist parties so far were exclusively based on secondary data. None of the communist parties who continue to make big and 'authoritative' claim as to the analysis of Nepali society and posit their methodology as scientific, has conducted any primary research to substantiate their reiterated position or new "historical" conclusion. We, thus, felt that it is imperative to carry out empirical research as a necessary ingredient of class analysis, hence this endeavor.

This endeavor, however, is more than empirical information gathering and includes some important activities necessary for a richer theoretical and empirical analysis. This report, the product of our endeavor, is divided into six chapters. The second chapter presents glimpses of analyses done by communist parties and Marxists intellectuals. The third chapter attempts to discuss the preponderance of comprador capitalism with the help of secondary information.

The fourth chapter briefly deals with objectives and methodology of the empirical research undertaken—findings of which are presented in chapter five. The sixth chapter presents summary of this endeavor.

Chapter Two

Overview of Study on The Political Economy of Nepali Society

Analysis of political economy of Nepali society was and is an important ingredient of communist ideology and movement in Nepal. Along with the establishment of the Communist Party of Nepal in 2006 BS, attempt of analysis began.

In 2006 BS (1949), Pushpala Shrestha, one of the founders of the Communist Party, observes:

“Most of the land is under the ownership of feudal ruling class ... There is little land under the ownership of peasants. ... Peasants pay two third of the produce to their lord... Still, feudal lords have legal authority to imprison

peasants up to fifteen days. As a matter of fact, peasants are in condition no better than the serfs.”¹

In the meantime, Puspala also sees unfolding of capitalist mode of production in Nepal:

“In Nepal, factories and modern industries are increasing in number day after day. By virtue of this, working class will grow bigger. The more the modern industries grow, the more the capitalist form will be effected in agriculture; and middle class peasants, later on, will be converted into workers”²

In 2025 BS, Puspala came up with the following conclusion on the nature of Nepalese political economy:

“Owing to exploitation perpetrated by feudal class led by the palace and by international capitalism, in general, and Indian monopoly capitalism and American imperialism, in particular, social condition of our country is still semi-feudal and semi-colonial.”³

In 2019 BS, Mohanbikram Singh attempts a different analysis that seemingly deviates from reiteration of ‘semi-feudal’ rhetoric suggesting creation and expansion of capitalist character in our society—which he, argues, was

¹Puspala, 2049; 55 (Translation our own)

²Ibid; 24

³Ibid; 266

motivated by the interest of feudal ruling class to keep its interest intact. He explains:

“For this reason, at present, His Majesty Government of Nepal took some initiatives, though limited, for the development of industry, transportation, education etc., the modernization of administration, land reform and various development works. All these are necessary parts for the development of capitalism.”⁴

Singh Makes similar observation concerning land reforms that was enacted in 2021:

“The objective of the land reform act is not to implement a progressive solution to the land problem, but to give capitalist form to feudalist exploitative system.”⁵

In 2039 BS, Singh stresses the degree of dependence of Nepalese economy on foreign capital and posits Nepal as ‘sub-economy’ of foreign capitalism: “In fact, at present, the economy of Nepal revolves around foreign aides, loans, tourism and smuggling ...”⁶ Likewise, concerning the effect of the Land Reform of 2021, Singh claims that in rural areas, capitalist rich-farmer economy is gradually developing.⁷

⁴ Singh, 2049: 52-53

⁵ Singh, 2049: 61

⁶ Ibid; 294

⁷ Ibid; 295

But, surprisingly, Singh, who can see the development of capitalism in agriculture, state formation and economy before, reiterates even in 2049 the same rhetoric that Nepal is a semi-feudal and semi-colonial.

Class analysis of Nepal Society constitutes basics of ideology and program of all communist parties. Surprisingly, despite deep division among parties, the striking similarity was seen on class analysis and its conclusion, namely, that Nepal is semi-feudal and semi-colonial country.

In the Fifth Convention in 2049, the Communist Party of Nepal (UML), which, broke with its tradition on various questions including program, tactic, strategy affirmed that the context has changed; however, remains stubborn on the class analysis and reiterates it age-old conclusion:

“Now the country is semi-feudal and semi-colonial. Feudal, comprador bureaucratic and foreign monopolistic capitalist class sustained its ruthless exploitation on the working people.”⁸

The Communist Party of Nepal (Unity Center) which, could not ignore the existence of capitalism, however claims that despite various economic relations which exist simultaneously including “the capitalism directed by the necessity of international finance capitalism”, “the state

⁸ CPN UML .2049.

that follows feudal footprints and the relation of production that accords with this is predominant.”⁹

In addition to analyses done by communist parties, a few theoretical and empirical studies have been carried out.

Mahesh Chandra Regmi, a pioneering economic historian is worth mentioning. He is not a Marxist and cautions that the assertion “it is not the consciousness of men that determines their existence, but on the contrary, their social existence determines their consciousness” seems too extreme and one-side.”¹⁰ However, his methodology and theoretical framework is, arguably, close to Marxist methodology. Regmi follows Eric Roll’s framework, which, he, claims, can hardly be denied by any social scientists.

“The conditions in which men produce their livelihood are extremely powerful, and, in the ultimate, the most powerful single (though by no means the exclusive), determinants of the development of social organization.”¹¹

In **Landownership in Nepal**, Regmi presents a very extensive and in-depth account of various kinds of landownership in Nepal and their transformation over time. Regmi observes how *Jamindari* system one of the three broad categories of ownership—ascriptive and communal (*Birta*, *Guthi*, *Jagir*, and *Kipat*), *Jamindari*, and *Raikar*—had

⁹ Ibid; 3

¹⁰ Regmi, 1999, Preface

¹¹ Eric Roll 1966, cited in Preface

begun to transform into capitalist form of cultivation. *Jamidari* was a system in which state employed functionaries to collect land and other taxes from the inhabitants under their jurisdictions and were called *Jamidars*. Regmi terms this as a feudal mode, which, according to Regmi, over time, transformed into a form of ownership characterized by property rights associated with other social, economic and political consequences. Regmi observes:

“Cracks appeared in this system, probably around the beginning of the twentieth century, when feudalistic relationship between village overlords and the land magnates of the aristocracy and the bureaucracy on the one hand, and between peasants and village overlords on the other, were replaced by capitalistic relationship ...”¹²

In this process, authority and power of centered got significantly reduced—which was also accompanied by reduction of ascriptive rights. Consequently, “the right granted to village overlords to use forced and unpaid labor from the peasantry could now be achieved through non ascriptive landownership and moneylending.”¹³ Such mode of ownership, for Regmi, was responsible for countervailing of traditional authority of village overlords and reducing the role of central authority for its sustenance. This could explain political disconnection between Rana

¹² Regmi. 2014. **Landownership in Nepal**; 226

¹³ Ibid; 226

Regime and wealthy peasants. The Rana regime began to lose the support of wealthy peasants because the latter had begun to go over to “more capitalist modes of cultivation and establish their independence against an aristocracy seeking to maintain its position through intensification of tradition obligations.”¹⁴ Regmi considers the loss of support as “possibly one of the main causes of the downfall of the Rana regime ...”¹⁵

In the 70s, David Seddon, P. Blaikie and J. Cameron began a systematic theoretical and empirical study guided by Marxist methodology, in general, and, in particular, by the idea that “history is the history of class struggle”, according to which, “class becomes the starting point in the analysis of social change in Nepal.”¹⁶

In **Peasants and Workers in Nepal**, Seddon et al. attempts to examine, with the help of most recent theories of underdevelopment and dependency, “a specific form of Nepal’s incorporation into the world system dominated by international capitalism ...”¹⁷ One of their principal objective was to examine the nature of political economy of Nepal. They found the conceptualization of the process of underdevelopment the most adequate explanation whereby a pre-capitalist society with its own internal dynamic and distinctive history is incorporated within an

¹⁴ S. N Eisenstadt cited in Ibid; 226

¹⁵ Ibid;

¹⁶ Seddon et. Al. **Peasants and Workers in Nepal**; 20

¹⁷ Ibid; 19

economic and political system dominated by the capitalist mode of production and its political and ideological superstructure and yet remains itself predominantly capitalist in terms of its indigenous modes of production.”¹⁸ Seddon et al. remarks that “the subordination of the ‘periphery’ to the laws of motion of the capitalist mode of production characteristic of the ‘center’” and, yet, in the meantime, “the maintenance of non-capitalist forms of production at the periphery” is the most crucial process of underdevelopment.¹⁹ They contend that such process of underdevelopment generates “distinctive form of class structure and distinctive pattern of class struggle ...”²⁰

Seddon et al. identify the following classes as existing in the then Nepal. *Aristocracy*: It is a class which “holds ultimate control of affairs of state and hence formal politics in Nepal.”²¹ The members of this class consists mainly of landowners, and of those who have invested in hotels, import-export business, tourist agencies and other lucrative enterprises in Nepal and India.²² *Bureaucracy*, the higher echelons of which come mostly from the aristocracy and party from ‘traditional officials’, act “in effect as ‘clients’ of the aristocracy ...”²³

¹⁸ Ibid; 20

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid; 45

²² Ibid.

²³ Ibid; 47

The *bourgeoisie* is identifiable as distinct class almost exclusively by the larger merchants and those involved in tourism and construction. Owing to limited industrial growth, industrial capitalist class does not exist as constituting distinct interest. However, this class though very small in size, has “powerful influence relative to their numbers.” Likewise, agricultural capitalist class which employs wage labor produces for the market is also extremely small.²⁴

The *middle class* consists of the educated and the self-employed professional, university teachers, journalists, and is small in size. The *petty bourgeoisie*, comprises of commodity producers and shopkeepers as well as petty officials, minor bureaucrats and school teachers.²⁵

The *peasants* which comprises of a vast majority of the population and distinguished by the fact of their ownership of means of production and engagement in production primarily for their own consumption. This category, on the basis of the amount of resources owned and the employment or sale of labor, can further be divided into three groups: rich, middle and poor.²⁶

The *rural proletariat*, defined in terms of seller of labor without ties to the land or other means of livelihood and is hired mostly in agriculture is limited in size. The wage-

²⁴ Ibid; 48

²⁵ Ibid; 50

²⁶ Ibid; 51

labor is also employed in the areas outside agriculture such as government jobs, portering, construction work and hotel. The *industrial proletariat* which is employed in industries on a regular basis is also very small.²⁷

In **Nepal: A State of Poverty (1987)**, David Seddon conceives economic structure of Nepal as deriving essentially of three distinct but interconnected forms of production with distinct pattern of class relations: The first is the 'peasant' form of production, which involves a vast majority of population, is a form of production in which a formally independent peasants employ "predominantly household labor" and is involved with other social classes "predominantly through the sphere of exchange ..." ²⁸ For instance, ruling class appropriates its surplus through taxation and merchants benefits by underpricing the commodity they buy from peasants.²⁹

The second is the "semi-feudal form of production", which involves a very substantial minority of the population, is a form in which "rural producers are directly subordinated and exploited by a landowner in the sphere of production through the payment of rent ... or through share cropping"³⁰

²⁷ Seddon et al. 2002. **Peasants and Workers in Nepal**; 51

²⁸ Seddon, David. 1987. **Nepal: A State of Poverty**; xiv

²⁹ Ibid.

³⁰ Ibid.

The third form is the "capitalist form" which is characterized by "the employment of wage labor on contractual basis and the accumulation of capital in agriculture by the employer."³¹ Such form of production, Seddon remarks, developed only by the mid of 70s and is extremely limited.

These three forms exist basically within agriculture. Outside agriculture, form of "artisan and petty commodity" which remains "overwhelmingly the most important sector of the economy" predominate.³²

Seddon argues that the combination of, and contractions between these forms of production give rise to a complex configuration of social class and class fractions in which the following predominate: landowners, merchants, rich peasants, medium and small peasants, tenants, sharecroppers and landless laborers.³³

Seddon, thus, concludes:

"...it is quite clear that the economic base and class structure of Nepal, even in the early 1980s, is essentially 'pre-capitalist', despite the crucial significance of its

³¹ Ibid.

³² Ibid.

³³ Ibid.

economic and political relations with 'the outside world for more than two centuries."³⁴

Seddon's characterizing of Nepal as 'pre-capitalist' agrarian society is predicated on the existing productive base in which "a very small size of the urban population reflects the relative insignificance of manufacturing, and industrial production in Nepal as a whole."³⁵ Seddon uses a very specific conceptualization of what constitutes capitalist mode of production. Responding to Feldman and Fournier (1976) assertion that exploitation of 'free' labor is what characteristically defines capitalism, Seddon argues that "for capitalist production to exist, more is required than the employment of wage labor; exploitation of wage workers must be related to the appropriation of surplus value, reinvestment in production and accumulation, and the sale of commodities."³⁶ It is thus evident that capitalism, for Seddon, necessarily means industrial capitalism. From this point of view, any social formation which is non-industrial yet fully incorporated into capitalist system would still be non-capitalist. This is precisely what Seddon analysis and conclusion is based on.

Furthermore, for Seddon, characteristically capitalist form of production—"the dynamic form of production associated with increasing productivity and output,

³⁴ Ibid; xv

³⁵ Ibid; 139

³⁶ Ibid; 141

accumulation and reinvestment is to be found in an embryonic stage only in Nepal."³⁷ For instance, in agricultural sector, the size of capitalist farmers—those who "employ wage labor to accumulate, and reinvest the profits ... to raise productivity and output" remains very small ..."³⁸ Seddon excludes from the category of capitalist farmers those "rich peasants who systematically produce for the market" but do not accumulate, and accordingly categorize them as "petty commodity producers ..."³⁹

To sum up, for Seddon, Blakie and Cameron, Nepal has been incorporated into global capitalism for quite a long time, and yet remains characteristically pre-capitalist with huge peasant form, and a small fraction of semi-feudal and capitalist form of production.

Chaitanya Mishra, in "Development and Underdevelopment: A Preliminary Sociological Perspective" (1987) makes a very systematic attempt to explain the process and cause of underdevelopment with the employment of Marxist theory, in general, and center-periphery model, in particular. Mishra sees underdevelopment as a process, which, *inter alia*, is characterized by "increasing incorporation within the capitalist world and regional system in terms of labor, commodities and capital/finance"; "emergence and growth

³⁷ Ibid.

³⁸ Ibid.

³⁹ Ibid.

of the comprador bourgeoisie (whose interests are closely tied with and world and regional capitalism); and the state class which cannot lead a national transformation because of its strong political alliance with the feudal and other traditional – i.e., precapitalist—structure and its fast-growing economic and financial ties with the comprador bourgeoisie.”⁴⁰

Mishra locates the onset of underdevelopment in Nepal around 1880s since when we became incorporated into British capitalist hegemony to serve its interest at the cost of our national development. Mishra’s analysis points that it was basically our incorporation into the world capitalism that was responsible for and accompanied with increasing loss of our indigenous productive capacity. Though Mishra and Seddon employ, more or less, the same theoretical and methodological model, the latter, unlike the former attributes underdevelopment of industrial productive forces to “the overwhelming dominance ... of the conservative landowning class in whose name the Ranas ruled Nepal for over a century” and the power of which has not been “significantly threatened”, despite the political struggle of the 1950s ...”⁴¹

⁴⁰ Mishra. 1987. Occasional Papers in Sociology and Anthropology Vol.1 1987; 106

⁴¹ Seddon. **Nepal: A State of Poverty**; 139

In his later work, **Punjibad Ra Nepal**, Mishra makes a systematic attempt, *inter alia*, to delineate political economic nature of Nepali society. Mishra’s theoretical model employs two criteria to analyze whether a social formation is feudalist or capitalist: structure of labor relation and its inherent tendency; and the system of ownership of means of production

Elaborating the first criterion, Mishra characterizes dependent labor as the indicative of feudalism and ‘free’ wage labor as that of capitalism.⁴²

Mishra contends that it is fair to categorize bonded laborer, inherited plowman and servants, landless ‘untouchable’ as dependent labor. Even if all these laborers are considered ‘dependent’, Mishra, however, argues, “... the amount of ‘free’ and wage labor is relatively enormous ...”⁴³

According to Mishra, seasonal, temporary and permanent migration of laborer has become an integral part of Nepalese economy for five decades. For quite a long time, India was the destination for Nepalese migrant workers. For two or three decades, Nepalese laborers can found in countries other than India in a significant number. These labor relations, Mishra contends, are definitely, indicative of capitalism, of global capitalism.⁴⁴

⁴² Mishra, **Pujibad Ra Nepal**; 66 (Translation our own)

⁴³ Ibid.

⁴⁴ Ibid.

In relative terms, agricultural-labor, Mishra claims, constitutes labor of greater amount and importance, compared to labor of migrant workers. With a view to analyzing labor relation in agriculture, Mishra identifies five types of labor: household labor, wage labor, exchange labor, dependent labor and tenant labor.

Household labor is conceived as characteristic of subsistence agriculture. Mishra argues that subsistence agriculture can, by no means, exist as independent of and outside established classification. Subsistence farming must be analyzed on two bases: by internally ascertaining its nature and amount; and externally by locating it in the system of production.⁴⁵ On the nature and amount of subsistence farming, Mishra observes:

“Only a very small fraction of farmers can maintain their material and social life with exclusively their own farming. The family expenses are procured through wage labor. Some do small business and other are salaried. ... Some work as seasonal and temporary and permanent workers in foreign countries. Some make investment and receive interest, others shopkeep. To do subsistence farming, farmers are required to purchase labor, seeds, fertilizer, pesticide and technical knowledge etc.”⁴⁶

Mishra adds:

⁴⁵ Ibid; 76

⁴⁶ Ibid; 77

“Selling of produce does not fit into subsistence economy. ... How many families can subsist without selling their produce and commodities? How are expenses for oil, kerosene salt, clothing, ... medicine procured?

Locating subsistence agriculture in broader system of production, Mishra observes:

“... the size of subsistence farming is shrinking in overall system of production; system of wage labor is predominating and the use and ownership of means of production is basically being market-driven. Internal market system is expanding and becoming denser, international import and export is increasing, and domestic and international are rapidly being integrated. ... These are facets of the system of production that drive and give shape to subsistence farming.”⁴⁷

Mishra, thus, concludes that subsistence agriculture is an integral part of capitalist economy in Nepal.

Wage labor, according to Mishra, is characteristically indicative of capitalism. It includes Indian workers who sell their agricultural labor in the Tarai. It is the form of labor

⁴⁷ Ibid.

which is rapidly gaining preponderance in the system of labor.⁴⁸

Exchange labor as it exists in Nepal, Mishra argues, is not a labor relation existing between feudal lord and serf, but a system of exchange of labor between 'self-sufficient' small farmers. It is indicative, therefore, neither of feudalism nor of capitalism.⁴⁹

Dependent labor, as has already been mentioned, is indicative of feudalism. Mishra mentions that some individuals and families are trapped in this system of labor. He, however, contends that owing to the expansion of wage labor, immigration of labor, and 'emancipation' of bonded labor, it has been continually weakened.⁵⁰

Tenant labor: Mishra argues that tenant labor, though it has, in a sense, the appearance of economic dependence, a tenant is a laborer within the capitalist system owing to the fact that such dependence is based on bilateral economic agreement and not on religion, tradition, sept; a tenant is not politically and culturally dependent on landlord; and he is free to ... become tenant of other landlord or seek other employment ..."⁵¹

⁴⁸ Ibid; 67

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

Now let me turn to Mishra's second criterion—the system of ownership of means of production. Mishra observes:

"... decess of *Birta*, *Jagir* and *Guthi*, abolition of *Birta* and *Kipat* and their the then relative legitimacy, nationalization and communalization of forests etc. indicate that for quite a long time, and especially since after 1950s, the nature of land ownership is capitalist in Nepal. Even if *Birta*, *Jagir* were of feudalistic nature seen in terms of ownership, their use, management and distribution of produce was of capitalist nature. The means of production were goods capable of buying and selling since long. The practice of using means of production as collateral is also quite long and is still in practice nowadays. These are the system of ownership within the ambit of capitalism."⁵²

In a nutshell, according Mishra, Nepal is a capitalist country and capitalist formation began quite a long time ago.

But, naturally, a question arises: What kind of capitalism is it? Some may argue that capitalism means industrial capitalism, therefore, the absence of latter is the absence of the former as such. Some may argue that Nepal is pre-capitalist despite its incorporation into the system of global capitalism. Why is Nepal's capitalism different from the capitalism that developed and now exist in the capitalist center? In response to these queries, Mishra makes five

⁵² Ibid; 68

observation delineating the nature of Nepalese capitalism and why and how it is as it is.

First, in the capitalist dynamics, because important facets of less developed country or region necessarily come under the grip of economy of developed economy, there is little chance of the former being integration within its national boundary. Consequently, national production shrinks.⁵³ Secondly, in the context of global and imperialist capitalism, less developed capitalist economies are dependent capitalism. Dependent capitalist economies are dependent less on national political practice and more on international capital, market and policies. In such situation, the development of self-reliant national capitalism is extremely difficult.⁵⁴

Third, in the context of global capitalism and imperialism, in the less developed economies, because of the facts that the rate of investment is low, market is limited, and state and public investment is small, only low level production gets attracted. Fourth, in country like Nepal, state and bureaucracy were in control, because of which, on the one hand, capitalism was under the control of politics, and on the other, policies necessary for the flourishing of capitalism (industrial capitalism) were not implemented in an appropriate way and time.⁵⁵ Fifth, in less developed

⁵³ Ibid; 72

⁵⁴ Ibid; 73

⁵⁵ Ibid; 73-74

countries and regions, a kind of class and group develop which is based more on trading of foreign goods and commodities than increasing national production and productivity by utilizing internal resources and labor.⁵⁶

After asserting that Nepal is capitalist and not a semi-feudal country and delineating what kind of capitalism it is, Mishra moves to make a case against a very 'popular', age-long and petrified contention that Nepal is a semi-colonial country. Mishra elucidates that colonial system was based on apportioning of existing economies and resources among a few countries. Some European countries have established hegemony in specific economies of the world and other countries were barred from entering them. Moreover, specific political and legal restrictions were imposed on economic activities of the people of those countries.⁵⁷ In a nutshell, for Mishra, economic monopoly of one nation over another backed by political and legal provisions is what characterizes colonialism. With this distinctive meaning of what constitutes colonialism, Mishra rhetorically asks:

"In the context of contemporary imperialism, do such apportioning, specific monopoly of a nation, and related international and local restrictions exist? Does idea of neo-

⁵⁶ Ibid; 74

⁵⁷ Ibid; 75

colonialism capture the imperialist form of integrated world economy? Aren't world scale integrated imperialism, on the one hand, and colonialism and neo-colonialism based on apportionment, on the other, contradictory and exclusionary structures and processes? If they are, how can we affirm the existence of mutually exclusive structures in the world and in Nepal for long?"⁵⁸

Despite his contention that Nepal is not a semi-colonial country, Mishra, argues that from political standpoint, Nepal-India relationship governed by treaties of 1950, the Letter of Understanding of 1965, occasional behaviors of Indian government, we should not hesitate to call behavior of Indian state towards Nepal 'semi-colonial'.⁵⁹ Mishra, however, contends that the fundamental nature of these treaties is capitalist. Mishra adds that economy of Nepal, like that of other economies, is gradually becoming globalized, and the imperialist globalization will gradually negate the remaining semi-colonial nature of relation.⁶⁰

Ghanshaym Bhusal has also made elaborated and systematic attempt to diagnose and analyze history and status of political economy of Nepal. In **Nepalko Arthrajniti: SankatkoPunarutpadan Ra Rupantaranko Disha**, Bhusal locates the beginning of comprador

⁵⁸ Ibid

⁵⁹ Ibid.

⁶⁰ Ibid.

capitalism in Nepal since the Treaty of Sugauli (AD 1816). Bhusal observes:

"After the Treaty of Sugauli, due to Nepal's contact with external capitalism that bottlenecked its process of internal development, and began to increase the alienation of labor power, migration and external dependence of the state, Nepali society tended towards comprador and bureaucratic capitalism."⁶¹

This, for Bhusal, does not mean that Nepali society became capitalist immediately or shortly after the Treaty, on the contrary, its main character remained non-capitalist and feudalist. He observes:

"Though weakening of internal feudal relation and class structure had begun, capitalist labor and class structure had not become dominant. From the point of view of general character of the system of production, feudalism was dominant. Thus, from the Treaty to 2007, Nepal was semi-feudal and semi-colonial country characterized by strong but decreasing feudalism and weak but increasing comprador capitalism."⁶²

Bhusal opines that after the downfall of Rana Regime in 2007 BS, feudalism continued to weaken, but it was the

⁶¹ Bhusal, 2049; 131

⁶² Ibid.

Land Reform of 2021 that gave a fatal blow to it. He observes that “though the Land Reform fail to industrialize through capital accumulation and to ensure equitable distribution of land, it contributes to enfeebling of the old feudal land ownership and accelerating the tempo of comprador capitalism.”⁶³ Bhusal, thus, concludes that comprador capitalism that was taking place of the declining feudalism replaced ‘semi-feudal’ condition around 20020-2025, and Nepal, since then, became capitalist, in the main.⁶⁴

Bhushal continues to pursue the analysis of political economic nature of Nepali society in his latter book **AjakoMarxbad Ra Nepali Kranti**. As a part of this attempt, Bhusal dismisses the most cited ‘evidences’ that were given to make a case for the dominance of feudalism in Nepal. These ‘evidences’ can be summed up as follows:

- Monarchy is a feudal superstructure. The monarchy of Nepal is repressive, therefore, Nepal is a feudal society.
- The culture of Nepal comprises of religion, traditions, caste discrimination (untouchability), therefore, it is feudal.
- A capitalist society is industrial society. Nepal is agricultural society, therefore, Nepal is a feudalist society.

⁶³ Ibid; 138

⁶⁴ Ibid.

- A capitalist society is urban society, and a feudal society is rural society. Nepal is predominantly rural, therefore, feudal.
- That a tiny fraction of population owns a huge portion of land, and huge portion of population owns a tiny fraction of land represents feudalist relation of ownership.⁶⁵

In view of the purpose of this undertaking, Bhusal’s analysis of the last three ‘evidences’ are considered here.

In response to the third ‘evidence’, namely, that Nepal is a feudal society because it is agricultural and non-industrial, Bhusal argues:

This contention is based on the conception of capitalism of Marx’s era. But since Lenin’s time, it was established that capitalism does not necessarily mean industrial capitalism. If we believe that capitalism is always industrial, then we have no ground to oppose imperialism as we have been saying that imperialism bottlenecks the industrialization of oppressed nations. This means—capitalism can have such character as obstructs industrialization. Though imperialism obstructs industrialization, its exploiting character is capitalist not feudalist. How can a society with dominant capitalist exploitation be feudalist?⁶⁶

⁶⁵ Ibid; 202

⁶⁶ Ibid; 204-5

Bhusal dismisses the fourth 'evidence' as constituting the criteria of assessing the social character of a society. He argues that if the logic of this 'evidence' is taken to be the starting point for social analysis, then capitalism must be conceived as characterized by absence of villages. Bhusal invokes the fact that there were cities in slave and feudal societies, and there are villages in capitalist societies. He, thus, concludes that if the system of production is capitalist, our villages are capitalist; and if the system of production is feudalist, our villages are feudal.⁶⁷

The fifth 'evidence', namely, the size of holding, Bhusal argues, does not stand as criteria for assessing the social character and further contends that what essentially constitutes the basis of feudalism is the system of unpaid and mandatory labor as Marx and Engels stipulated. With this criterion of feudalism, Bhusal, analyses the CBS's data, the only available and even cited in 'pro-feudal' argument, to examine labor relation in agriculture. According to the CBS, 66.15% of agricultural families are owner-cultivators—which, according to Bhusal, by no means, falls within the ambit of feudalism as they self-produce for their consumption and they are the owner of their produce and have no feudal overlord above them. Similarly, 31.10% of the families are temporary wage cultivators—which is neither unpaid nor mandatory, and therefore, it does not take much effort to see that this portion is not feudalistic.

⁶⁷ Ibid; 205

In a nutshell, Nepal, for Bhusal, is not a feudal society but predominantly a comprador capitalist society.

Bhusal also takes a great pain to identify classes in Nepal society from the standpoint of Marxist theory and methodology. According to Marx, the source of income constitutes the basis of classes, which in turn depends on the ownership of the means of production. Even if we identify a class as a status in society, it is to be noted that status itself is determined by factors such as the ownership of the means of production, social role and the sharing of social wealth. Bhusal further affirms that an individual's income, expenses, lifestyle, place, and his influence on social life, in the main, are determined by the source of income.⁶⁸ But how do we locate the source of income? As the source of income depends on ownership, a class must be identified, as Marx prescribes, in terms of whether the source of income is profit or labor—which, Bhusal contends, is the most scientific way.

With this theoretical and methodological approach, Bhusal moves to identify classes in contemporary Nepali society and accordingly presents a class analysis, drastically different from traditional and 'copied' analysis done by communist parties. The principal classes, according to Bhusal, are as follows:

⁶⁸ Ibid; 289

(a) *Comprador Capitalist* refers to individuals and groups whose economic activities are essentially non-productive for Nepalese economy. They are engaged in trading of foreign-produced industrial commodities—which consequently channels the outflow of capital, serves foreign capital and bottlenecks possibility of indigenous accumulation and industrial production. This is the most dominant and influential actor in Nepalese political economy.⁶⁹

(b) *National Capitalist* refers to the owner of the capital which increases indigenous production and productivity, and contributes to the creation of domestic employment. National capital contributes to the development of domestic productive forces by transforming underdeveloped sectors and labor into an organized and developed sector.⁷⁰

(c) *Middle Class* is defined and distinguished by the fact that individuals of this class have both profit and labor as the source of their income. To put differently, they labor, buy, and sell labor. Those individuals who own and work on the land, small industries, firms (consultancy, medical, law etc.),

schools, press, business, etc., belong to the middle class.⁷¹

(d) *Working Class* comprises of those whose source of income is their own labor. They must be distinguished from marginalized workers by the fact that they have their own means of subsistence or their income is sufficient for their livelihood. Small land holders who employ only their own labor, small shopkeeper, teachers, small bureaucrats, workers of organized sectors etc. belong to this class. In terms of number, this is the largest class in Nepal.⁷²

(e) *Marginalized Working Class* has come into existence as the outcome of comprador capitalism because of which some, due to lack of alternative work, are stuck to the land and are exploited there; and others are uprooted from the land and yet are not absorbed in organized industrial sectors but are exploited by the market in various ways. These people are marginal in the system of production and consequently have the lowest income. Landless people, plowman, porter, agricultural workers, coolie, domestic servants, rickshaw puller, brick and constructions workers etc., belong to this class.⁷³

⁶⁹ Ibid; 291-92

⁷⁰ Ibid; 293

⁷¹ Ibid; 294

⁷² Ibid; 294-5

⁷³ Ibid; 295-6

The idea that Nepal is not a semi-feudal but capitalist and comprador capitalist, in particular, was gaining ground and popularity among the Marxist intellectuals and communist leaders and cadres during 2060s and early 2070s as that was theoretically and empirically much richer, sophisticated, convincing and well argued for. Arguably, it exercised substantive and visible impact on the 'official' class analysis of communist parties.

In BS 2069, the Unified Communist Party of Nepal (Maoist), at its Seventh National Convention held in Hetauda, surprised everyone by jettisoning its old-age class analysis and then declaring that Nepal, in the main, is a capitalist society. The political document entitled **New Synthesis of Nepali Revolution: A Historical Necessity** passed by the Convention traces the entry of nation into the new stage of capitalist revolution back to the Treaty of Sugauli. The document declares:

"From economic and political standpoint, Nepal, at the present time, is moving ahead though the historical transition process as a capitalism-oriented nation characterized by the conflict of grabbing of the state power between comprador bureaucratic capitalism with feudal remnant and people's democratic forces; and as an autonomy-oriented nation with fierce struggle between neo-colonial and national forces. Discerning the nation today as semi-feudal and semi-colonial as of the past days is only a mechanical and subjective thinking that fails to see

and understand relevant objective and epoch-making changes."⁷⁴

This analysis was proclaimed as "historical" and "revolutionary" and welcomed by many as a dynamic step. But careful reading and examination of the Document reveals conspicuous inconsistencies and contradictions in its analysis. On the one hand, the Document dismisses the idea that Nepal is semi-colonial nation, and on other hand it speaks of fierce struggle of national forces with neo-colonial forces. In other places, the Document sets top priority to abolition of neo-colonialism.⁷⁵

The most visible absurdity can be seen in the Document's analysis on whether Nepal is feudal or not. On the one hand, as has been noted above, the Document refutes the existence of semi-feudalism, and on the other hand, it argues that "despite the repeated clamor of the so-called land reform, system of agriculture is based on the notion of feudal land ownership."⁷⁶ In another place, the Document adds:

"From the class point of view, today, feudal, and comprador and bureaucratic capitalist class stand as the most reactionary class in Nepal. This class is totally dependent on foreign imperialist expansionist power for its

⁷⁴ United Communist Party of Nepal (Maoist); 53

⁷⁵ Ibid.

⁷⁶ Ibid

survival and stand as impediment to the growth of new productive forces.”⁷⁷

In BS 2071, the UCPN (Maoist) held the First National Conference of the Seventh Central Committee which passed the Political and Organization Proposal. In this proposal, the absurdities were not corrected; they, rather reappeared. The proposal formulates “abolition of feudal land ownership and scientific land reform” as one of the several immediate tactical objectives.⁷⁸

In stressing the need of building a unified communist party, the Proposal stipulates that an effort of unification among those communists, who, are committed, *inter alia*, to accomplishing “capitalist democratic revolution against feudalism and imperialism” has become “historical necessity.”⁷⁹

In BS 2071, at its Ninth National Conference, the Communist Party of Nepal (Unified Marxist Leninist) passed the Political Documents declares Nepal as a capitalist country. The Document traces the beginning of disintegration of various forms of feudalism and expansion of capitalist mode of production back to 2007 (1950).⁸⁰ Analyzing the current political-economic situation, it claims that “... feudalism has disintegrated almost entirely

⁷⁷ Ibid.

⁷⁸ The UCPN (Moist), 2071; 20

⁷⁹ Ibid; 10 & 11

⁸⁰ The Communist Party of Nepal (UML), 2071; 93

in Nepal and Nepal has transformed into a capitalist society of primitive kind.”⁸¹

The Document seems confused as to the nature of capitalism that exist in Nepal that is why, on the one hand, it traces the beginning of capitalism several decades back, and on the other hand, sees existing capitalism of Nepal as of primitive kind.

Though the document contends that feudalism has mainly been disintegrated, it sees the “effects and remnants” of feudalism still existing in Nepal. It argues:

“Industrial capital and national industries have not yet developed in Nepal. The development of national capital is weak. Financial and commercial capitalism is developing extensively. Subsistence agriculture still exists in a large scale. The flow of credit in non-banking sectors is of large extent. The landless peasants number hundreds of thousands. The occupied but non-registered land exists in large scale. There is gap in land distribution. These are all remnants of feudalism.”⁸²

The document seems confused as to what constitutes feudalism, and therefore, its remnant. It must be noted that none of those cited above, constitutes criteria of feudalism and therefore, there is no question of their being evidences of remnant of feudalism.

⁸¹ Ibid; 96

⁸² Ibid; 96

Why are there such obvious inconsistencies in these analyses and conclusions? We believe such inconsistencies would not have arisen if the parties have attempted sincere scientific analysis of Nepali society and consequently would have reached more consistent and plausible conclusions. Understandably, there must 'political' reason behind it.

We assume that two assertions, namely, that (i) Nepali is a comprador capitalist country; and (ii) The political task of people's democratic revolution has been accomplished as the sovereignty has been formally and practically restored to the people,--were gaining ground in left political and intellectual discourse since Ghanashaym Bhusal and other comrades had presented the supplementary document which made cases, *inter alia*, for these two assertions with detailed theoretical discussion in the Eighth National Conference of the CPN (UML) held in 2060. It can be presumed that UCPN (Moist) rushed to the 'new' conclusion in order to tally with the two irrefutable assertions. Perhaps, they assumed that the political task of revolution can be considered accomplished only when the political economic nature of society is considered capitalist, in the main. Later on, Maoist's 'new' conclusion generated an enormous pressure on CPN (UML). More important and powerful was the internal pressure generated by conclusions and arguments put forward by Bhusal and others. Consequently, CPN (UML) also rushed to the 'new' conclusion without serious analysis and discourse. Politics, perhaps, was dictating the truth, hence the inconsistencies.

Given the confusions, inconsistencies and absurdities that political documents of these two parties which have broken with the traditional class analysis and come up with what looks novel, on the face of it, it is imperative to produce a theoretically and empirically rich and systematic analysis with a view to educating thousands of cadres and supporter who are committed to and aspire for a radical, revolutionary and structural transformation of Nepali society. The Center believes that this effort is a part of such systematic theoretical endeavors which has been initiated and elaborated by people including Chaitanya Mishra, Ghanashyam Bhusal and others.

Chapter Three

Glimpses of Comprador Capitalism at Work

Nowadays, as we have discussed above, it is widely agreed and accepted that Nepal is a capitalist country. But communist parties are confused and not clear as to what kind of capitalism we have. It is, by no means, primitive; nor is it neo-colonialist. Parties have officially acknowledged that history of capitalism is relatively long in Nepal. If this is the case, naturally, a question arises: What kind of capitalism do we have, as a result of its long period of unfolding and development? The parties, as their documents reveal, are clueless. What's more, they fail to understand and explain the actual process of development of capitalism as it unfolded in Nepal due mainly to their preoccupied misconception of capitalism as industrial capitalism. Amid the confusion and theoretical turbidity,

the works of Chaitanya Mishra and Ghanashyam Bhusal provides us very important import empirical information and theoretical insight to better capture the process of development of capitalism in Nepal. Bhusal's claim that Nepal is predominantly comprador capitalist and his elucidation of why it is so, and Mishra's explication on why and how it is different mainly from capitalism that is found in the center of the system of global capitalism, are of enormous value in this regard.

With the help of these works, we come to understand comprador capitalism as a kind of economic system in which the kind of capital that bottlenecks the progressive development of productive forces of the country in question, is dominant economically and politically. Such capital operates mainly as an agent of trade in which foreign commodities and services are sold in the country in question, and consequently, channels the flow of capital to foreign countries. In addition, as such capital predominates and cripples the growth of productive forces, raw materials and labor are also outbound. Consequently, a comprador capitalist or underdeveloped country increasingly loses the capacity to initiate a process which would foster the development of indigenous productive forces. Therefore, we normally conceive comprador capital as the one that directly engages in foreign trade.

But in Nepal, we can also see a process which does not directly engage capital in foreign trade but impedes the development of productive forces in effective and

important ways. It does so by channeling the capital into those sectors that are non-productive but highly lucrative towards which big investor as well as ordinary people with a little surplus are attracted. These lucrative sectors have a very powerful gravity to pull substantial surplus and savings in society and renders productive sectors with little or insubstantial investment—which consequently hinders the growth of these sectors. Therefore, in order to locate the prevalence of what is widely known as comprador capital, we have defined it not just as capital that is employed in foreign trade which facilitates outward flow of capital and resultant accumulation in capitalist center, but also as capital that multiplies non-productively through the cycle money to money (M-M), without generating real economic value in the form of commodity or service.

In Nepal, the most conspicuous form of non-productive or, rather, anti-productive investment is seen in the real estate which returns the biggest return in the shortest period of time and has attracted big and small capital. Such investment is non-productive as the money invested multiplies itself manifold without producing goods and services of any substantive value. Likewise, banks and stock exchange are other areas where invested capital become non-productive, in the main, to the extent investments end up in non-productive sectors and foreign trade.

In our research endeavor, we attempted to capture, with the help of secondary data, the dominance or increasing

trend of comprador or non-productive capital, basically, in terms of the structure of gross domestic product (GDP), international trade situation and domestic credit flow.

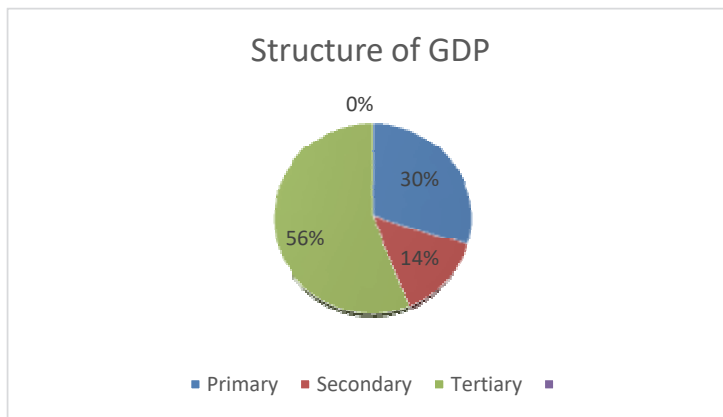
The Structure of GDP

According to Economic Survey 2073/74, the shares of agricultural and non-agricultural sector in GDP in the fiscal year 2073/74 are 29.37% and 70.63% respectively. Moreover, the share of agricultural sector is constantly decreasing over the past ten years.⁸³ The relatively low and decreasing share of agricultural sector is interpreted by some as structural change in the economy and a good sign. This trend can be a good sign depending on whether a large part of non-agricultural is productive or non-productive. Moreover, that agricultural is shrinking might also imply a situation in which agricultural productivity and production are also shrinking in the absolute and the relative term. In the relative term, may be agriculture is not growing keeping pace with non-agricultural sectors.

To examine its structure further, the GDP is broken down into primary, secondary and tertiary sectors. The primary sector includes agriculture, forests, fishery, mines and quarrying; the secondary—construction, electricity, gas and water; and tertiary—wholesale and retail trades, hotel restaurant, transport, communication, warehousing,

⁸³ The Ministry of Finance, The Government of Nepal. 2074. *Economic Survey 2073/74*. Kathmandu; 6

financial intermediary, real estate, business services, public administration, defense, education, health and other community, social and personal services.⁸⁴ The relative share of these three sectors in GDP in 2073/74 is shown in the following chart based on the data supplied by the Survey 2073/2074.⁸⁵



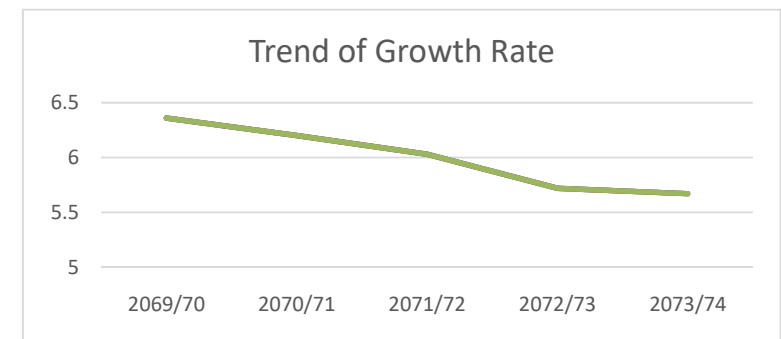
As we can see, the tertiary sector, which, arguably, incorporates the bulk of what can be termed as non-productive economic activities, has the biggest share in the structure of GDP. Moreover, in the last ten years, service sector is constantly growing at the average rate of 5.3% and; in the fiscal year 2073/74 at the rate of 6.7%---indicative of structural change in GDP.

⁸⁴ Ibid; 6-7

⁸⁵ Ibid; 8

Comparatively the faster expansion of the non-productive sector becomes more evident if we compare the contribution of manufacturing industry with that of real estate and business services. In the GDP of the fiscal year, the former has the share of 5.67%, the latter 9.9%. Moreover, the average growth rate of the former and the latter in the last ten years is 2.08% and 3.92% respectively.⁸⁶

In addition, decreasing trend of the rate of growth of industrial sector over the last five years indicates relative shrinking of industrial capital and expansion of non-industrial capital.



Source of Date: *Economic Survey 2017/17*⁸⁷

Situation of Foreign Trade

⁸⁶ Ibid; 9 and 11

⁸⁷ Ibid; 147

Likewise, the situation of foreign trade confirms the outflow of capital to foreign countries thwarting any possibility of national accumulation, and, thereby, the development of indigenous productive forces: In the fiscal year 2073/74, the trade deficit increased by 46.6%. The import-export ratio for the same year is 7.7. The import and export has share of 92.9% and 7.1% respectively in the total foreign trade.

Credit Flow from Banking and Financial Sectors

The credit flow from financial and development banks also provide a glimpse of how much investment is being made on what we can call non-productive sectors. If we club different sectors (i) transportation, communication and public services; (ii) wholesalers and retailers; (iii) finance, insurance and fixed assets; (iv) service industries; (v) consumable loan together, they comprise of 46.8% of total credit flow. Though these sectors have not been well elaborated and detailed, it can arguably be contended that the bulk of the credit flow is absorbed in non-productive activities.

Chapter Four

Objective and Methodology of Empirical Research

4.1 Research Design and Objectives

This research was guided primarily by descriptive design intended to *describe* thenature of political economy of the surveyed villages with a view to deriving an implication for the general character of Nepali economy. The specific objectives of primary data collections were:

- (a) To ascertain the distribution of occupation;
- (b) To find out principal classes in agricultural occupation;

- (c) To find out how labor is employed by those who employ it;
- (d) To ascertain producers' purposes of agricultural production;
- (e) To find out principal classes in industry and service sectors; and
- (f) To ascertain principal methods of procuring articles of everyday consumptions.

4.2 Technique of Data Collection, Analysis and Presentation

This study obtained and made use of both primary and secondary data. The primary data were collected through interview conducted on heads of households with a view to securing information on existence of classes and their distribution. These data were collected from one ward of each of the three villages; and from each ward, fifty heads of households were selected randomly and interviewed to secure information about all adult members of family on questions related to their occupation and class. It is admitted here that neither the three wards are representative of Nepalese economy, nor are the fifty households of each ward. Statistically and methodologically, our sample does not adequately represent the universe about which generalization is intended. However, we believe that this study gives us a cue to the nature of Nepalese political economy and prepare a ground for more systematic, detailed and large scale study.

4.3 Theoretical Framework

The theoretical framework employed in this study, generally speaking, is Marxist. More specifically, we have used the concept of class defined in terms of relation of individual or groups to means of production or economic resources.

Chapter Five

Empirical Findings on Class Analysis

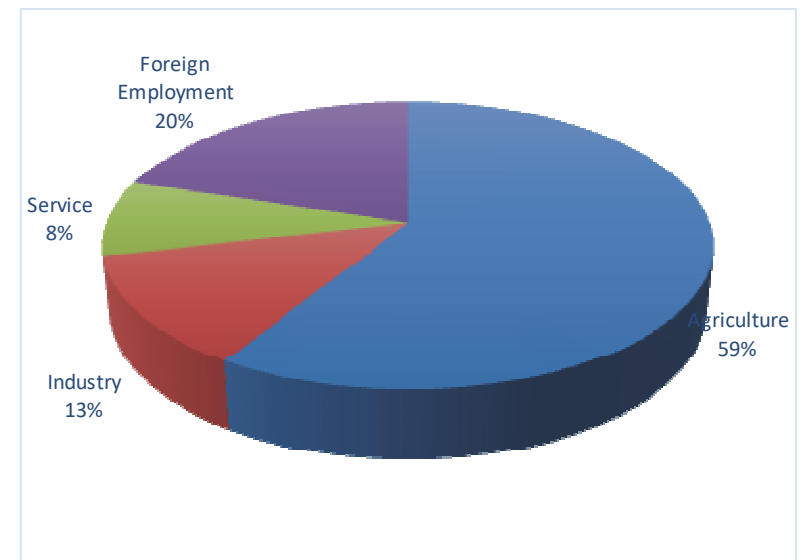
5.1 Class Analysis of Nagarjun 08, Kathmandu

Nagarjun is a municipality in Kathmandu district. It is characteristically semi-urban and, according to the census of 2011, has a population of 67,420 with 16,746 households in total. The field work of this study was carried out in ward 08 of Nagarjun which has a population of 2,915 with 619 households.⁸⁸

⁸⁸ Central Bureau of Statistics, "National Population and Housing Census: Households and Population by Sex"

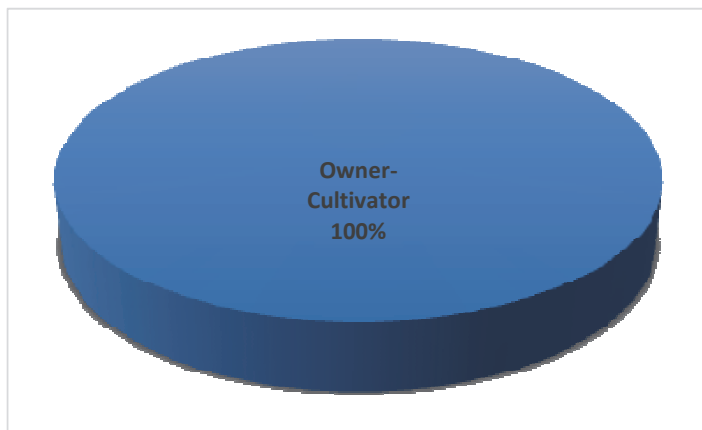
Distribution of Occupation

From 50 households, data on occupation of 119 adult members were obtained. As the chart below shows, the largest portion of individuals (59%) is engaged in agriculture, the second largest (20%) in foreign employment. Service and industry engages relatively small fraction, 8% and 13% respectively.



Class in Agricultural Occupation

Within agricultural occupation, it was found, to our surprise, that all respondents were owner-cultivator—which strongly back up, if generalizable, the claim that feudal relation and mode of production are non-existent in agrarian structure.



Method of Employing Labor by Agricultural Owner

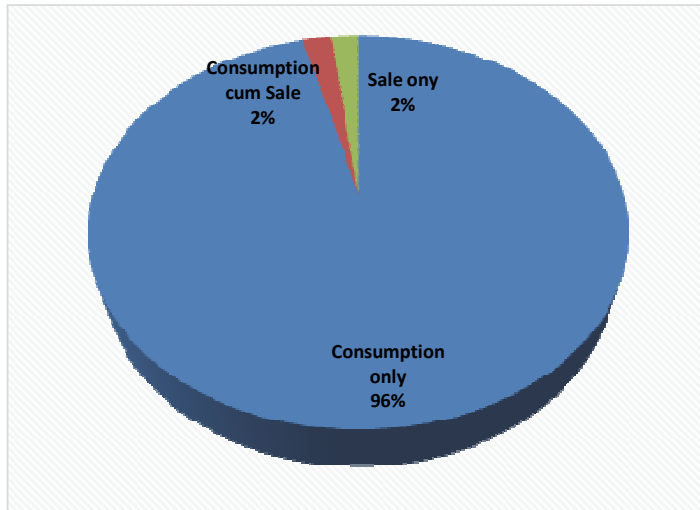
As we have come to know that all engaged in agriculture are owner-cultivator. This category, however, procure wage labor on a regular or seasonal basis. As the chart shows, 100% of such labor is procured by hiring wage laborer.



The Purpose of Agricultural Production

Among the fifty sampled families, almost all (96%) produce for consumption only. But, even if the 'consumption-only' category is so big, that, by no means, suggests the existence of semi-feudalism but only of subsistence economy. It must

be made clear that subsistence economy is not an indicator of feudalism or semi-feudalism.

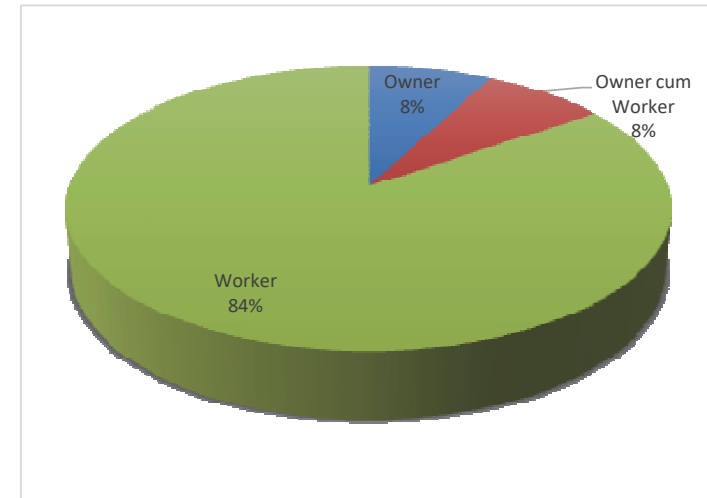


Class in Industry

As we know from above statistics, only a small fraction of sampled population is engaged in industry—attesting to a very marginal existence of industrial capital. Whatever the distribution of class in this sector, it is largely agreed as constituting capitalist economy.

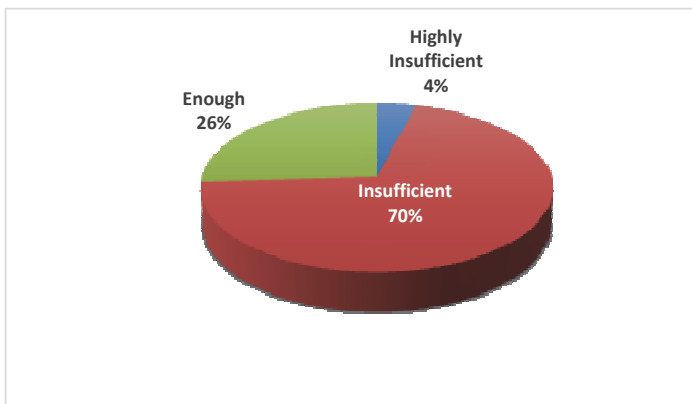
Class in Service

In what we termed service sector, a large majority (84%) falls in 'worker' category; and 8% in 'owner' and 'owner cum worker' category each.



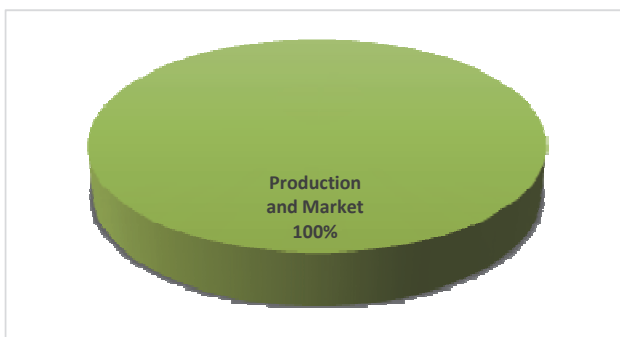
Income Sufficiency

Among the fifty sampled households, huge portion (70%) perceives that it produces or has income that is insufficient to fulfill household basic needs. The category 'Highly Insufficient' is small (4%) and 'Enough' is comparatively bigger (26%). None perceives that income makes surplus. produce enough.



Ways of Procuring Articles of Everyday Consumption

As shown in the chart below, all of the surveyed households procure articles of everyday consumption by a combination self-production and market purchase—which suggests how strongly people are connected to market even for everyday consumption.

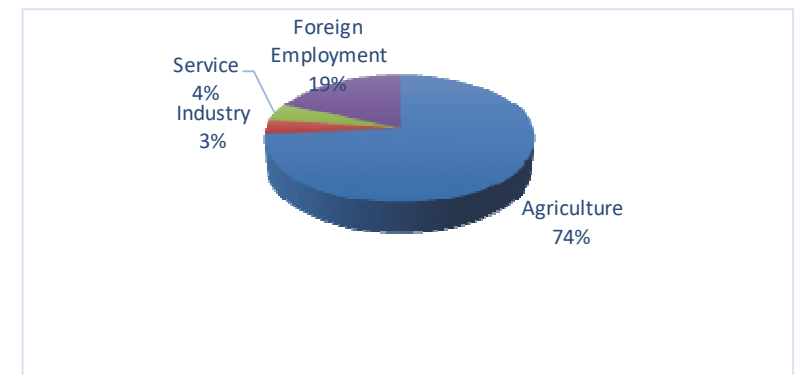


5.2 Class Analysis of Tarakeshwor 05, Nuwakot

Tarakeshwor is a village in a hilly district of Nuwakot located north of Kathmandu. It is characteristically rural and, according of the census of 2011, has a population of 15,719 with 3,511 households in total. The field study was conducted in Tarakeshwor-05 which has a population of 736 with 601 households.⁸⁹

Distribution of Occupation

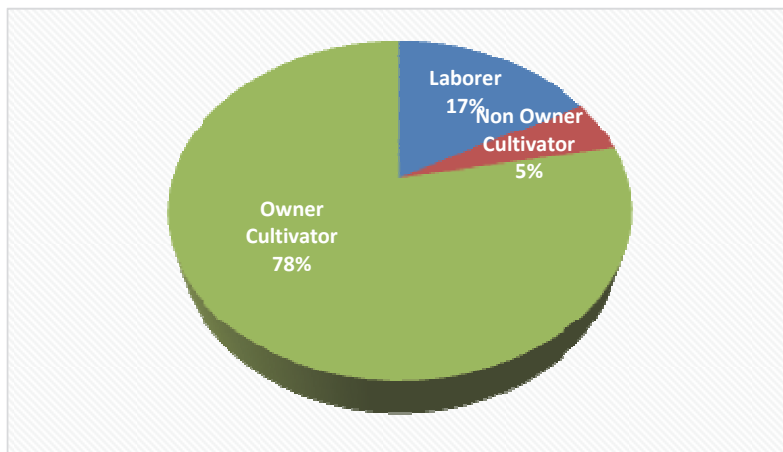
From 50 households, data on occupation of 118 adult individuals were obtained. As the chart below shows, the largest portion of individual studied (74%) is engaged in agriculture, the second largest (19%) in foreign employment. Service and industry engage only a small fraction, 4% and 3% respectively.



⁸⁹ Central Bureau of Statistics, "National Population and Housing Census: Households and Population by Sex"

Class in Agricultural Occupation

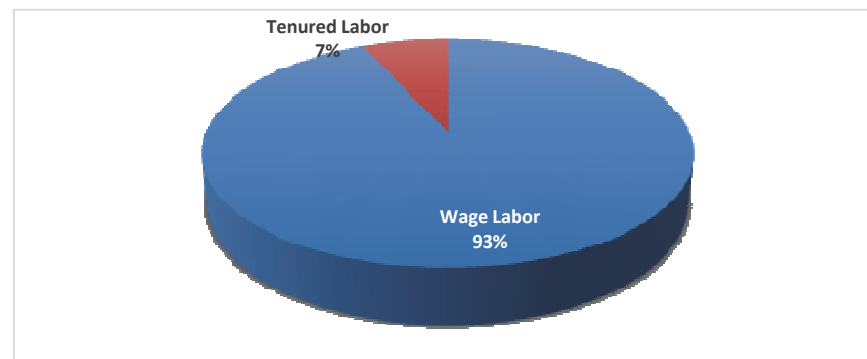
Within agricultural occupation, it is found, as the chart shows, an overwhelmingly large portion (78%) is owner-cultivator—which is indisputable evidence for non-feudal nature of agricultural economy. A small fraction (17%) is laborer and non-owner cultivator is even smaller.



Method of Employing Labor by Agricultural Owner

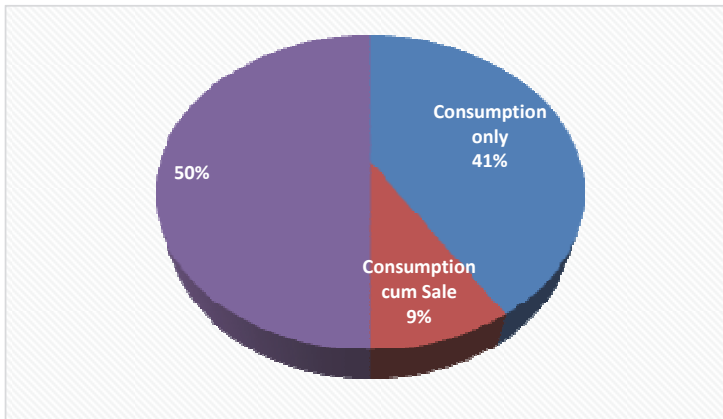
As we know, all owner-only and large portion of owner-cultivator needs hired labor; the latter, however, differs from the former in that it hires labor only on supplemental basis, whereas, the former is completely dependent on labor of others. As the chart shows, an overwhelming portion of owner and owner-cultivator (93%) secures

necessary labor by hiring laborer on a daily-wage basis, and 7% by tenured labor. None has tenured cultivator as the source of laborer.



The Purpose of Agricultural Production

Among the sampled families, a significantly large portion (82%) produces for consumption only, and only a small fraction for consumption and sale. There is none on 'sale-only' category. But even if the 'consumption-only' category had been much bigger, that, by no means, would prove existence of semi-feudalism as the nature of economy is characterized in terms of relation of production.

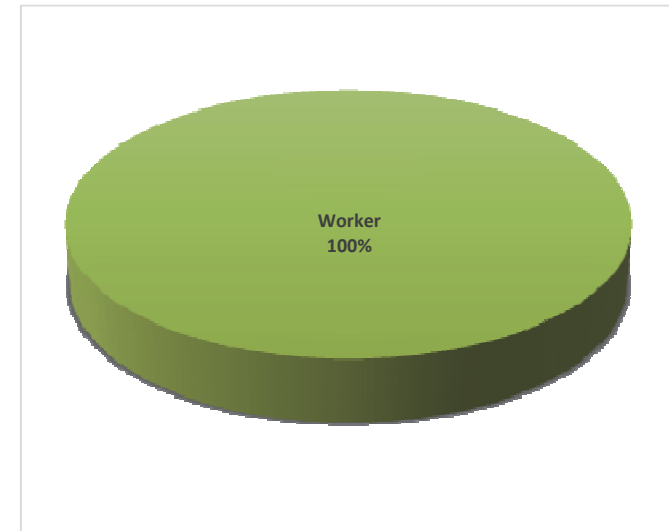


Class in Industry

As we know from above statistics, only a small fraction of sampled population is engaged in industry—attesting to a very marginal existence of industrial capital. Whatever the distribution of class in this sector, it is largely agreed as constituting space of capitalism.

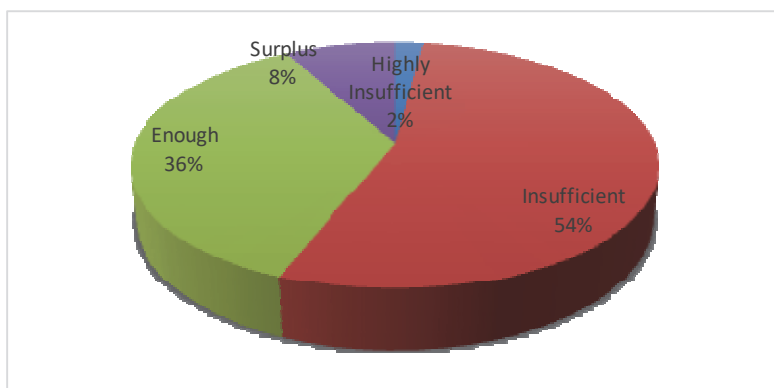
Class in Service

In what we termed service sector, 100% of the respondent are worker. This, by no means, means that there are no owner and owner-worker. We admit that relatively small sample used here was not representative of the population.



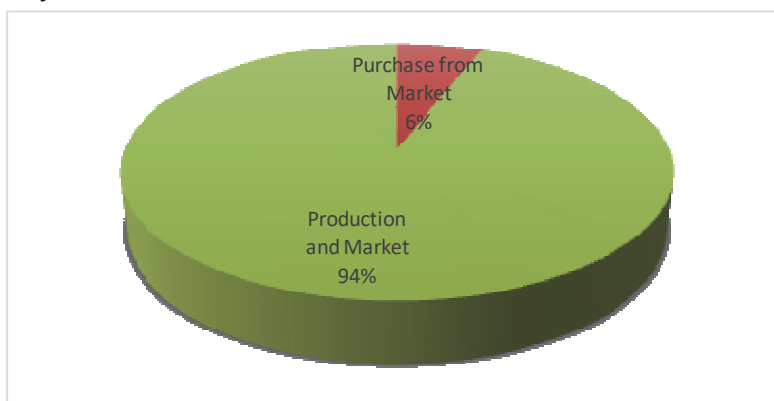
Income Sufficiency

Among the sampled households, for a clear majority (51%) perceive that it produces or has income that is enough for fulfilling households basic need. Though 13% of households reports that their income is insufficient, none think it is highly insufficient. Expectedly, 36% reports that their income generates annual surplus. This is indicative of a situation characterized by sizable presence of middle class.



Ways of Procuring Articles of Everyday Consumption

As shown in the chart below, an overwhelming portion of surveyed households (94%, procure articles of consumption by self-production and market purchase, and only a tiny fraction (4%) procure through market purchase. Expectedly, none procures by relying on self-production only.

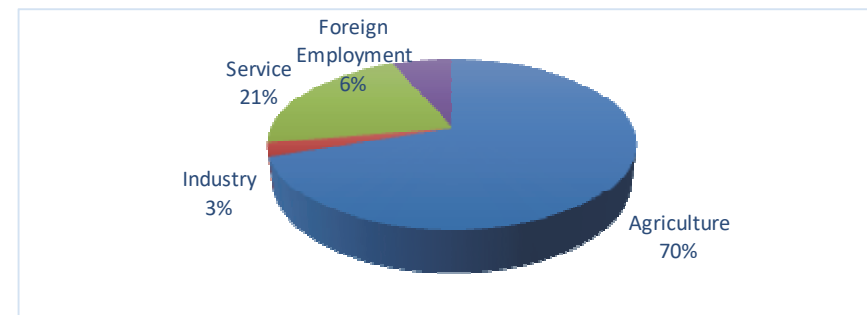


5.3 Class Analysis of Nijgad 06, Bara

Nijgad is a municipality in Bara district located in southern-eastern Nepal. It is characteristically semi-urban and, according to census of 2011, has a population of 35,335 with 7,162 households. The field work of this study was carried out in ward 06 of Nijgad which has a population of 3,137 with 654 households.⁹⁰

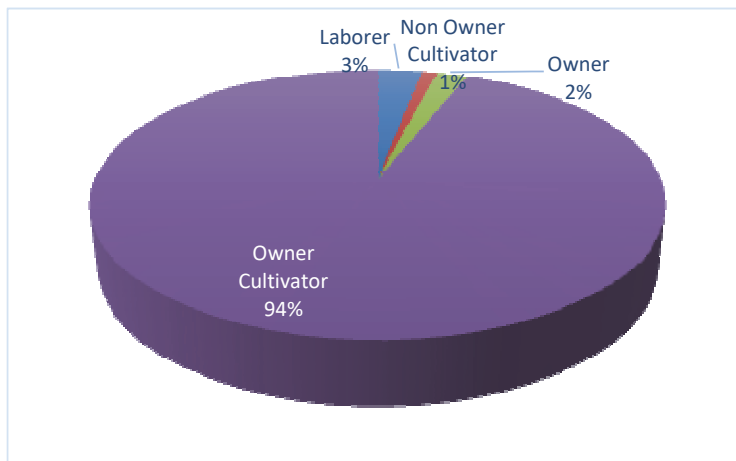
Distribution of Occupation

From 50 households, data on occupation of 159 adult individuals were obtained. As the chart below shows, the largest portion of individual studied (70%) is engaged in agriculture, the second largest (21%) in service sector. A small portion (6%) is in foreign employment; and industry engages the smallest portion (3%).



⁹⁰ Central Bureau of Statistics, "National Population and Housing Census: Households and Population by Sex"

Class in Agricultural Occupation

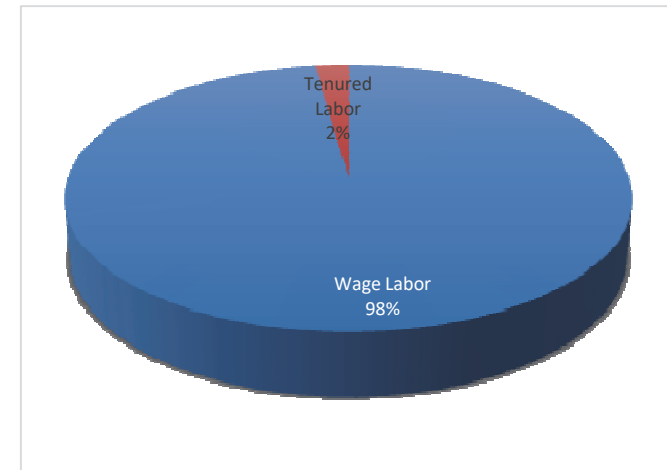


Within agricultural occupation, it is found, as the chart shows, an overwhelmingly large portion (94%) is owner-cultivator—which is indisputable evidence for non-feudal nature of agricultural economy.

Method of Employing Labor by Agricultural Owner

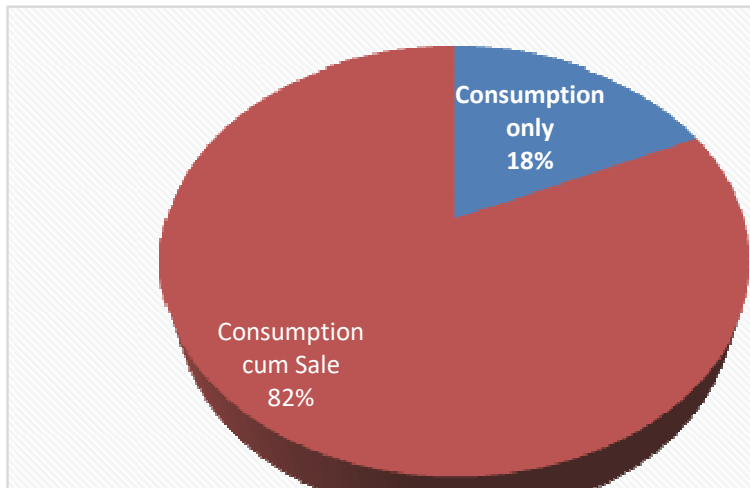
As we know, all owner-only and large portion of owner-cultivator needs hired labor; the latter, however, differs from the former in that it hires labor only on supplemental basis, whereas, the former is completely dependent on labor of others. As the chart shows, an overwhelming

portion of owner and owner-cultivator (98%) secures necessary labor by hiring laborer on a daily-wage basis.



The Purpose of Agricultural Production

Among the sampled families, a significantly large portion (77%) produces for consumption and sale, and only a small fraction for consumption only. But even if the 'consumption-only' category had been much bigger, that, by no means, would prove existence of semi-feudalism as the nature of economy is characterized in terms of relation of production.



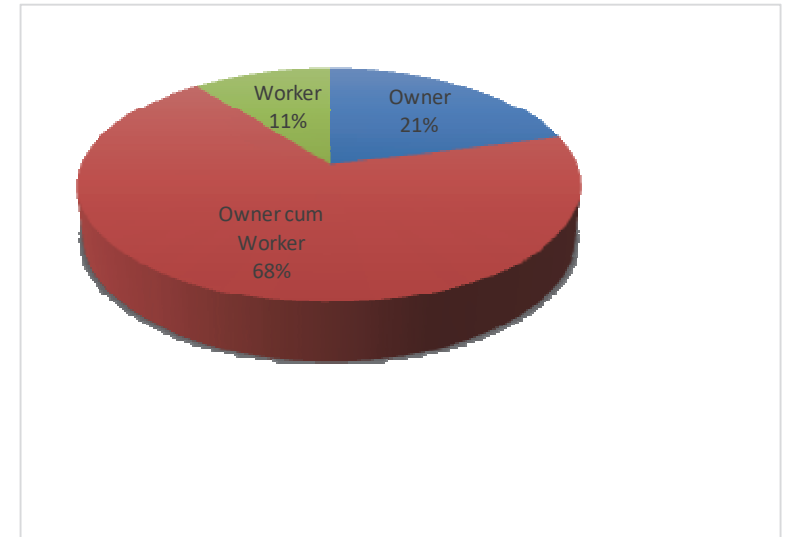
Class in Industry

As we know from above statistics, only a small fraction of sampled population is engaged in industry—attesting to a very marginal existence of industrial capital. Whatever the distribution of class in this sector, it is largely agreed as constituting space of capitalism.

Class in Service

In what we termed service sector, a large majority (68%) falls in 'owner cum worker' category, and 'owner-only'

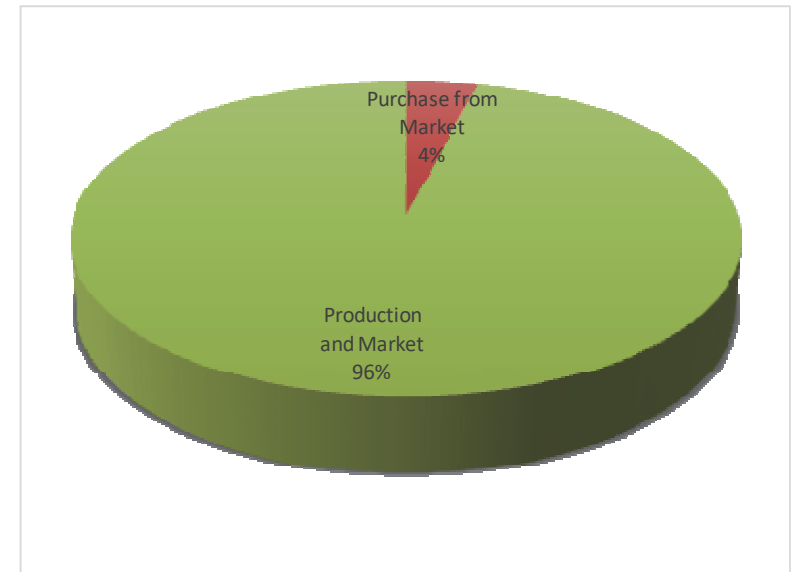
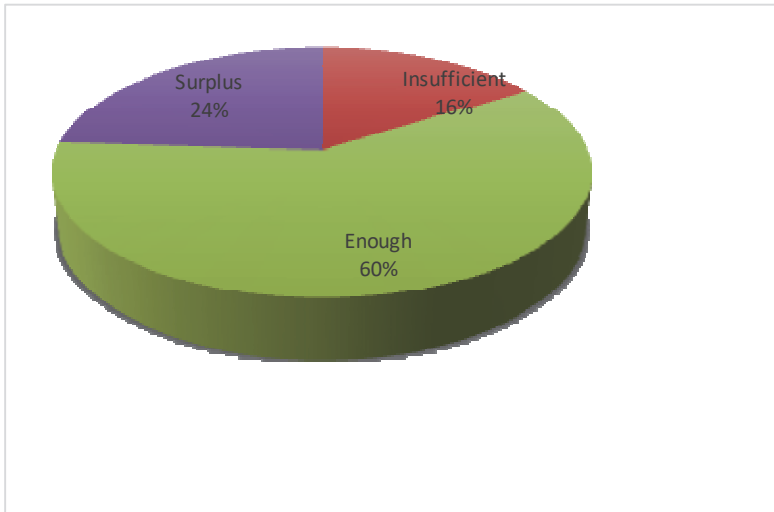
'worker-only' categories compose of 11% and 21% respectively.



Income Sufficiency

Among the sampled fifty households, a huge majority (60%) perceives that it produces or has income that is enough for fulfilling basic household needs. Though 16% of households reports that their income is insufficient, none think it is highly insufficient. Expectedly, 24% reports that their income generates annual surplus. This is indicative of

a situation characterized by sizable presence of middle class with sizable income.



Ways of Procuring Articles of Everyday Consumption

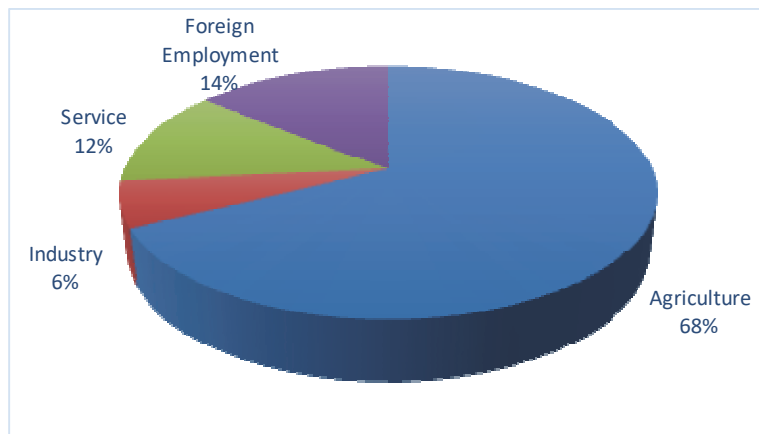
As shown in the chart below, an overwhelming portion of surveyed households (94%), procure articles of consumption by self-production and market purchase, and only a tiny fraction (4%) procure through market purchase. Expectedly, none procures by relying on self-production only.

5.4 Class Analysis of The Three Fields Combined

Distribution of Occupation

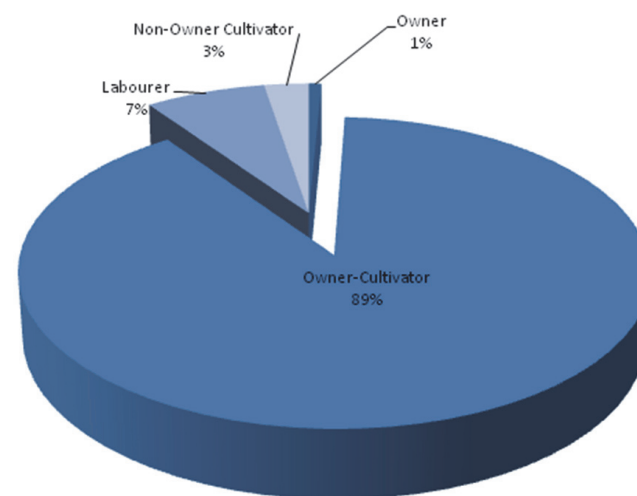
From the three fields, a total of 150 households were surveyed and in these households, the total number of adult individual members about whom relevant information was collected were 396. It is noticed that distribution of occupation was consistent across the three fields and the three fields combined. As the chart below shows, the largest occupational category is agriculture (68

%) followed by foreign employment (14%). Service and industry sectors engage a small fraction, 14% and 6% respectively.



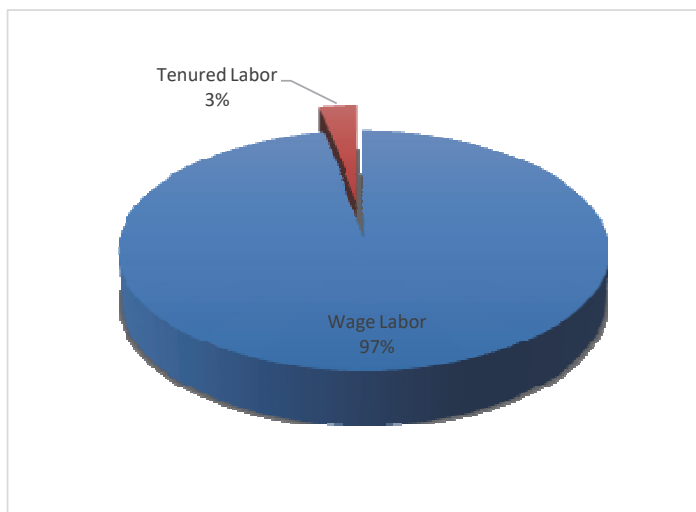
Class in Agricultural Occupation

In total, 268 individuals are engaged in agricultural occupation out of which, as the chart shows, an overwhelming portion (89%) is owner-cultivator--which strongly back up, if generalizable, the claim that feudal relation and mode of production are non-existent in agrarian structure. The other categories laborer, non-owner cultivator, owner-only engage a very small fraction.



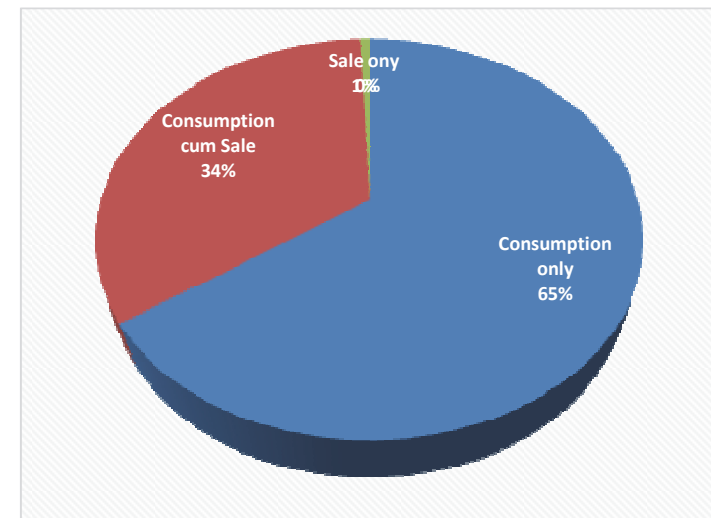
Method of Employing Labor by Agricultural Owner

Out of the 268 respondents who practice agriculture, a total of 247 respondents reported that they hire labor. As the chart below shows, almost all (97%) employ wage labor. One might ask: How come, on the one hand, respondents are predominantly owner-cultivator, and, on the other hand, labor is hired by a huge number? This is explained by the fact that a large portion of owner cultivator hire labor on supplementary basis—which take the form of part-time or occasional or seasonal basis.



Purpose of Agricultural Production

Among the hundred and fifty sampled families from the three fields, there are some variation in distribution in different categories. Almost all (96%) produce for consumption only. But, even if the 'consumption-only' category is so big, that, by no means, suggests the existence of semi-feudalism but only of subsistence economy. It must be made clear that subsistence economy is not an indicator of feudalism or semi-feudalism.



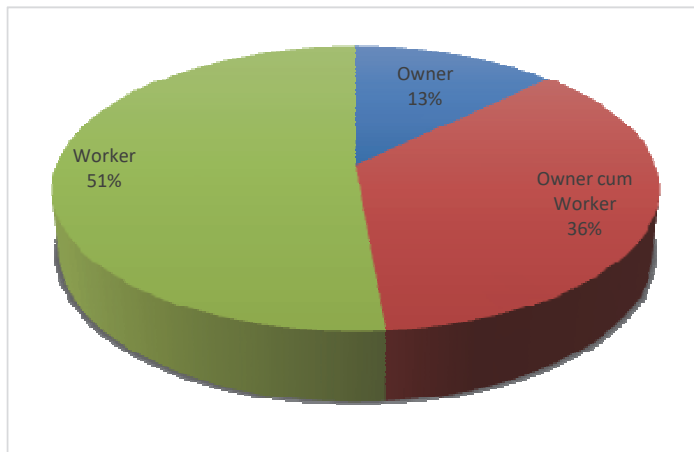
Class in Industry

As we know from above statistics, only a small fraction of the sampled population (6%) is engaged in industry—

attesting to a very marginal existence of industrial capital. Whatever the distribution of class in this sector, it is largely agreed as constituting capitalist economy.

Class in Service

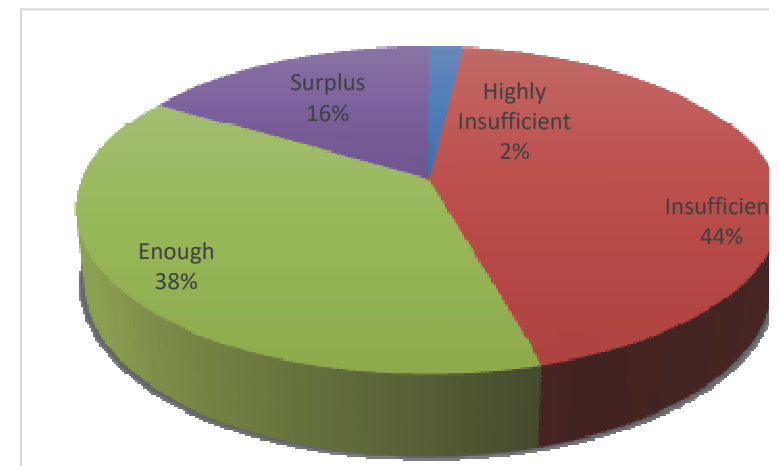
In the service sector, a majority of respondents (51%) constitutes hired worker; the 'owner cum worker is sizably big (36%); and the 'owner' is relatively small (13%).



Income Sufficiency

Among the fifty sampled households, the portion of respondents that perceives that it produces or has income that is insufficient to fulfill household basic needs is 44%. The category 'Highly Insufficient' is small (2%) and 'Enough' is comparatively bigger (38%). One might ask:

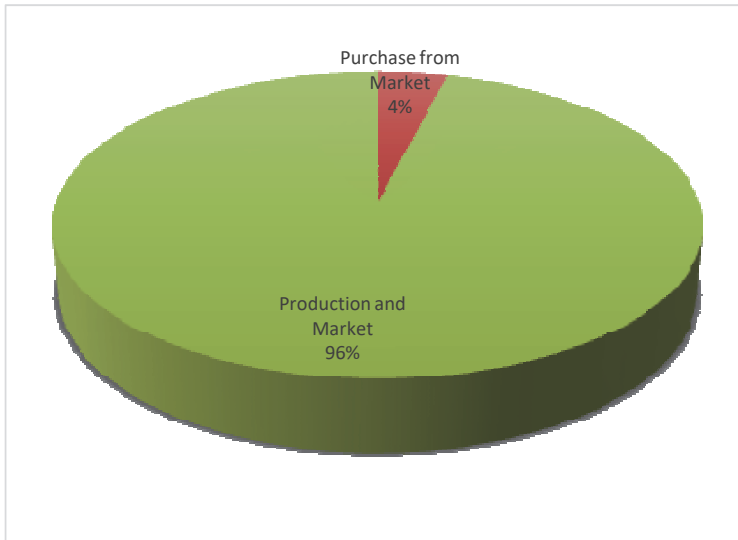
How come that respondents were predominantly owner-cultivator but only a small fraction makes surplus? It should be noticed that our conception of owner-cultivator has nothing to do with income but to ownership. Moreover, if we club 'surplus' and 'enough' together, it appears consistent with characteristic of middle class conceived in terms of income.



Ways of Procuring Articles of Everyday Consumption

As shown in the chart below, overwhelming portion of hundred and fifty households surveyed households (96%) report that they procure articles of everyday consumption by self-production and market purchase—which is indicative of how strongly people are connected to market even for everyday consumption. Only a tiny fraction relies

entirely on market and none procure by self-production alone.



Chapter Six

Summary

For more than half a century, communist parties and their 'official' ideologue reiterated the same analysis and conclusion about the political-economic nature of Nepali society that was done at the time of establishment of the Nepal Communist Party ignoring radical structural transformation Nepali society had undergone in these times. They repeated—Nepal is a semi-feudal and semi-colonial country.

During BS 2030s and 40s a team of Marxist scholars and researchers, Seddon, Blaikie and Cameron argued that Nepal, though it had been incorporated into the system of global capitalism long ago, is, in the main, still a pre-capitalist society with a portion of economy which can be called semi-feudal.

During 2050s and 60s, some other Marxist intellectuals took a great pain to challenge the 'frozen' analysis and conclusions and claimed that Nepal had transformed from feudal or semi-feudal to capitalist economy long ago. The most notable of these intellectuals were Chaitanya Mishra and Ghanashyam Bhusal.

Recently, the two largest communist parties CPN (UML) and UCPN (Moist) in their most recent national conference concluded that Nepal is no longer a semi-feudal but a capitalist country. But, it does not take much effort to see confusion, inconsistencies, and even absurdities in their analysis and conclusion which they touted and celebrated as "historical" achievement,

Concerning the political economic nature of Nepali society, the most plausible and historically substantiated conclusion is that Nepal is a comprador capitalist country, that is, with a form of capitalism characterized by predominance of non-productive capital. This conclusion was reached by Mishra and Bhusal. Mishra explained how agrarian relations of

labor, interpreted by many as semi-feudal, in fact, are predominantly capitalist; and also demonstrated how and why capitalism of Nepal is different from the kind of capitalism found in the center of the system of global capitalism.

Bhusal demonstrated how political and economic changes or reforms Nepal underwent abolished feudal and semi-feudal character of Nepali society and established Nepal as comprador capitalist, in the main. In addition, Bhusal carried out Marxist class analysis and demonstrated the existence of five major classes: comprador capitalist, national capitalist, middle class, working class, marginalized working class.

The state of preponderance of comprador or non-productive capitalism is substantiated by statistics on the structure of gross domestic product, foreign trade, credit flow etc. In the GDP, tertiary sectors which contain the bulk of non-productive capital has more than half share. Similarly, the share of real estate and business services is almost twice that of manufacturing sector. Moreover, the growth rate of manufacturing sector has been decreasing over the last five years. A huge trade deficit or disproportionately huge amount of import in comparison to export that Nepal has, for long, is an indisputable evidence of outward flow of capital absence of national accumulation. Domestically, a huge credit flow to non-

productive sectors also prevents capital from being invested in the productive sectors.

As an important part of our research endeavor, empirical work was carried out in the three fields. The objectives were to identify classes in agriculture, labor relation, purpose of agricultural production, class in industrial and service sectors.

In agriculture, an overwhelming majority was found to be owner-cultivator and an insignificant portion to be non-owner cultivator. An overwhelming portion of those who employ labor of others do so by hiring people as wage labor; tenured cultivators are non-existent. A huge majority produces for consumption only and sizable portion for consumption and sale. An overwhelming majority procures their articles of everyday consumption through the combination of self-production and market. All these facts are the indicative of non-existence of feudalism or semi-feudalism and, arguably, the indicative of capitalism—capitalist labor relation, property system etc. Industry and service sectors that exist in these three fields are, definitely, capitalist mode of production.

We admit that our conclusions that we made from the data we gathered from the three fields are not adequate representation of state of national economy, and therefore, are not generalizable. However, we have reasons to believe

that they could be considered indicative of some important facets of political economic nature of Nepali society, and urge us for more theoretically and empirically systematic study. Given the comprador capitalist nature of Nepali society, the transformation of comprador capital to industrial capital constitutes a principal objective of Nepali left in both theory and practice.

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Appendix I: Interview Schedule

- 1 Name of the Head of Household
- 2 Address of the Head of Household
- 3 Number of Adult Members
- 4 Distribution of Occupation

Occupation	Member 1	Member 2	Member 3	Member 4
Agriculture				
Industry				
Service				
Foreign Employment				

5 Classes in Agriculture

Class	Member 1	Member 2	Member 3	Member 4
(a) Owner				

(b) Owner-Cultivator				
(c) Worker Daily Wage Tenured or contract				
(d) Tenant/Sharecropper/etc.				

6 Procurement of Agricultural Labor by Those Who Hire Labor

Labor Power	Member 1	Member 2	Member 3	Member 4
(a) Daily Wage				
(b) Tenured or contract				

labor				
(c) Tenant/Sharecropper etc.				

7 Purpose of Agricultural Production

Purpose	Member 1	Member 2	Member 3	Member 4
Consumption only				
Consumption cum Sale				
Sale only				

8 Class in Industry

Class	Member 1	Member 2	Member 3	Member 4
(a) Owner				
(b) Owner cum Worker				
(c) Worker				

9 Class in Service

Class	Member 1	Member 2	Member 3	Member 4
(a) Owner				
(b) Owner cum				

Worker				
(c) Worker				

10 Income Sufficiency

Status	Member 1	Member 2	Member 3	Member 4
(a) Highly Insufficient (3 months only)				
(b) Insufficient (6 months only)				
(c) Sufficient (the whole year)				
(d) Surplus				

11 Ways of Procuring Articles of Everyday Consumption

Ways	Member 1	Member 2	Member 3	Member 4
(a) Self- production				
(b) Market				
(c) Self- production cum Market				