

Peasant Economy in Transition: Capitalism, Neoliberalism, and Rural Livelihoods in Nepal --- By Deo, S. K.

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Abstract

This term paper explores the transformation of the peasant economy in Nepal in the context of capitalism and neoliberalism, and how these global forces have reshaped rural livelihoods. Historically rooted in subsistence agriculture, Nepal's peasant economy is increasingly subjected to market-driven reforms, land commodification, and policy-driven commercialization. Drawing on theoretical frameworks such as Marxian political economy and post-structuralist agrarian studies, and supported by secondary case-based evidence, the study analyzes the socio-economic impacts of structural adjustment, migration, and the decline of traditional farming practices. The findings reveal a dual rural economy marked by growing inequality, where a small segment benefits from agribusiness while the majority face marginalization, landlessness, and food insecurity. Despite government efforts through policies like the Agriculture Development Strategy (ADS), implementation remains weak due to institutional, political, and structural challenges. The study concludes with a call for inclusive land reform, participatory governance, rural employment diversification, and policies that prioritize social justice, gender equity, and sustainability to secure the future of Nepal's peasant communities.

Keywords: Agrarian transformation, Capitalism, Neoliberalism, Rural livelihoods

Introduction

The encounter between capitalism and traditional peasant society does not merely result in dissolution but in a complex and multifaceted transformation (Rigg, 2006). This process is characterized by peasants receiving new forms of technical and financial assistance, which simultaneously integrate them into market logic while potentially displacing traditional

knowledge. A central feature of this transition is the de-linking of livelihoods from farming, as household survival becomes increasingly dependent on a combination of non-farm work and migration. This leads to a diversification of agro-based rural occupations, creating a more heterogeneous rural economy where the line between farmer and rural laborer becomes blurred. Rigg (2006) further argues that these changes are not merely spontaneous but are driven by structural forces—such as state policies, global market pressures, and technological changes—that actively reshape the very nature of rurality. The culmination of these intertwined processes has profound implications for pro-poor development, forcing a re-evaluation of strategies that must now account for these more diversified, complex, and often precarious rural livelihoods rather than focusing solely on agricultural productivity. More so, neoliberalism emerged between the 1960s and 1980s as a partial return to neoclassical economic principles.

It arose as a political philosophy and a direct rejection of failed central planning, advocating instead for a globalization and open market-driven economy. This framework prioritizes the efficient mobility of the factors of production—land, labor, capital, and technology—and champions competition as a mechanism to ensure benefits for consumers and society at large. However, this ideology faces significant critique for its foundational assumption of rational behavior, which ignores the inherent vulnerability and irrationality in human nature and often leads to the alienation of small-scale farmers. The neoliberalism thus promotes an infinite growth-oriented model of economic development, operating on the premise that the environment is merely a subset of the economy, a perspective that overlooks critical ecological limits. Agrarian community is based on Agrarian economy (Badal, 2020).

Literature Review

Argues that peasants value security over profit and resist economic transformations that threaten subsistence. Scott draws from the history of agrarian society in lower Burma and Vietnam to show how the transformations of the colonial era systematically violated the peasants' "moral economy" and created a situation of potential rebellion and revolution. Demonstrating keen insights into the behavior of people in other cultures and a rare ability to generalize soundly from case studies, Scott offers a different perspective on peasant behavior that will be of interest particularly to political scientists, anthropologists, sociologists, and Southeast Asianists. "The book is extraordinarily original and valuable and will have a very broad appeal (Scott, 1976). Discusses the political mobilization of peasants under capitalist transformation " Peasant Wars of the Twentieth Century

provides a good short course in the major popular revolutions of our century--in Russia, Mexico, China, Algeria, Cuba, and Viet Nam--not from the perspective of governments or parties or leaders, but from the perspective of the peasant peoples whose lives and ways of living were destroyed by the depredations of the imperial powers, including American imperial power."-New York Times Book Review" Eric Wolf's study of the six great peasant-based revolutions of the century demonstrates a mastery of his field and the methods required to negotiate it that evokes respect and admiration (Wolf, 1969).

Offers a foundational critique of neoliberalism as a global economic project. The greatest achievement of neoliberalism is to “redistribute, rather than to generate, wealth and income.” The rich are richer, and wealth is vastly more concentrated than it was thirty years ago. For the neoliberal, redistribution to benefit the economic elite is accomplished by what Harvey calls “accumulation by dispossession.” Dispossession by “privatization and commodification” is perhaps the most visible tool. In the last thirty years, new fields for capital accumulation have been opened up that used to be off limits. Whether it is the forced or de facto expulsion of peasants in Mexico and China, the newfound patent protection for native seeds, or the selling off of publicly constructed and repaired public utilities and roads, the net result is a new way of extracting rents or profit without generating any new commodities or wealth (Harvey, 2005). Ethnographic work in Nepal’s Langtang region on rural economy and environmental change. Drawing from various critical perspectives for analyzing human–environment relations, including phenomenology and political ecology, the documents indigenous environmental knowledge—about forests, pathways, animals, and ‘sameness’ and ‘difference ‘between humans and non-humans. Modern conservation practices are contrasted to shamanic and Hindu cosmologies, providing a cultural analysis to the power dimensions of ‘participatory conservation ‘affected by Nepal’s Maoist civil war. The approach is to describe and analyses perspectives on environmental practices, politics, and narrative discourses in a community that has no idea of the environment as a totality, independent of human presence (Compbell, 2013).

The main objectives of the policy have not been met in Nepal due to some implementation barriers. Despite explicit opposition from the political parties regarding policy content as such, the problems of implementation were more closely related to the process of implementation and other factors, such as evaluation of the enterprise, selection of bidders, political instability, lack of developed capital market, lack of investors and poor conditions of public enterprises. Although the overall

impact of privatization in Nepal is not very promising, it is necessary for the overall development of the country, as the government cannot continue to run such loss-making enterprises in the age of globalization and liberalization, nevertheless it should be implemented in a cautious and selective manner (Paudel, 2005). There is a tendency for Marxist scholars to assume the inevitable “dominance” of capitalism over older modes of production.

Using a case study from Nepal's far eastern Tarai, it seeks to understand the reproduction of feudal social relations in a region which is both accessible and integrated into regional and global markets. It traces the early subordination of indigenous groups to feudalism from the eighteenth century onwards, and the political and ideological processes through which these social relations were reinforced. Through examining the historical role of feudal-colonial alliances, however, the paper notes that pre-capitalist reproduction in Nepal is a dynamic process, actively negotiated and reinforced by the external imperatives of capitalist expansion itself as well as through the entrenched political power of landed classes. Today feudal and capitalist formations co-exist and articulate, with surplus divided between landlords and non-farm employers. Understanding the complex dynamics of feudal or “semi-feudal” reproduction in an era of globalization is crucial if one is to identify avenues for collective mobilization against inequitable pre-capitalist and capitalist class relations (Fraser, 2013).

Despite government efforts to develop agriculture since the 1960s, the growth rate has remained very low. Some of the gaps and constraints limiting agricultural growth include: inappropriate approaches in designing agricultural policies, plans, and programs; inadequate and in some cases contradictory legislative provisions; low institutional capacity; and weak coordination between key stakeholders in formulating and implementing the sectorial policies. Also limited monitoring, evaluation, and analysis of activities and timely revision of the policies, programs, and acts using feedback have limited the outcome in terms of agricultural growth. Agriculture Development Strategy (ADS), 2015–2035, is hoped to be a milestone in transforming the agriculture sector from subsistence to commercialization. However, pragmatic implementation of the ADS is a major challenge. Strong political commitment and the active and positive involvement of stakeholders are needed to redesign programs and activities as per the restructuring the governance systems – federal, provincial and local levels. ADS should be mainstreamed into national and sectoral development frameworks, which would ensure effective coordination between agencies at different levels of governance (Khanal, et al., 2020).

Objective and Methodology

This paper seeks to analyze the transformation of Nepal's peasant economy under the forces of capitalism and neoliberal policies, with a specific focus on how market-oriented reforms have reconfigured rural livelihoods. The research adopts a qualitative and analytical methodology, commencing with an extensive literature review of agrarian transitions, neoliberalism in South Asia, and Nepal-specific rural development policies. The analysis has been guided by a multi-pronged theoretical framework, employing a Marxian Political Economy lens to understand class relations and land commodification, post-structuralism agrarian studies to explore discourses of identity and resistance, and neoliberal critique frameworks to assess the impacts of structural adjustment programs. The arguments will be substantiated with case-based evidence from secondary sources, illustrating pivotal shifts in land use, the move from subsistence to commercial agriculture, and the profound effects of migration and remittances. Through a comparative and thematic analytical approach, the paper will trace these changes over time to identify the recurring patterns, contradictions, and ultimate implications of this ongoing agrarian transition in rural Nepal.

The Findings: Dual Role of Peasants: Agents and Subjects of Transformation

Peasants play a dual role in the transformation process, acting as both agents and subjects of change. Throughout the long arc of societal evolution, from hunting and gathering to the post-industrial age, the peasantry has consistently been represented not as a remnant of the past, but rather as active participants to the economic transformations of a nation. Their function, on the other hand, is extremely complicated and frequently defensive since they sensibly prioritize safety over profit. This very desire for survival can propel them into considerable political mobilization, which becomes a crucial factor in influencing capitalism developments. Such mobilization can be a catalyst for significant political change. As the "peasant wars" of history have demonstrated, when the livelihood of peasants is threatened, they have the ability to transform from passive subjects into active agents of revolutionary change. This highlights the essential and strong position that peasants hold in the transition from agriculture to urbanization.

The Neoliberal Paradox: Wealth Redistribution and Articulated Formations

The idea that the biggest accomplishment of neoliberalism has been to "redistribute, rather than to generate, wealth and income," which has resulted in a greater concentration of wealth, is a key

criticism of the economic model that is currently in place. This process results in the construction of social forms on the ground that are intricate and frequently conflicting. In Nepal's far eastern Tarai, in-depth case studies indicate the continuing replication of feudal social connections despite the region's accessibility and integration into regional and global markets. Even in ACAP region, livelihood of the local people has been shifting towards commercialized and diversified livelihood strategies, such as high-value apple farming and community-based ecotourism, which represent new forms of market integration for rural households (Pasa & Shrestha (2024). In this instance, feudal and capitalist structures articulation and co-exist, with economic surplus being distributed between traditional landlords and new non-farm employers. This exemplifies how traditional hierarchies can continue to exist within frameworks that are undergoing modernization.

Systemic Hurdles: The Policy-Implementation Gap in Agriculture

The Implementation of Policies Vacancy in the field of agriculture. There has been a large gap between the policy aim and the practical execution of Nepal's agricultural sector, which has been a persistent constraint on the industry. Inappropriate policy design, conflicting legislative provisions, insufficient institutional capacity, and weak coordination among stakeholders are some of the systemic factors that contribute to the gaps and limits that are restricting agricultural growth. In order to overcome these historical challenges, it is not enough to simply develop new plans; the government of Nepal must demonstrate a strong political commitment and formulate policies in order to address fundamental issues such as political instability and underdeveloped capital markets. This will ensure that well-intentioned strategies do not fail during the implementation phase.

A Pathway for Change: The Agriculture Development Strategy (ADS)

The Agriculture Development Strategy (ADS) 2015–2035 is being suggested as a transformative national effort as a direct reaction to the structural obstacles that have been identified. In order for it to be successful, it is absolutely necessary for the ADS to be vigorously implemented by the relevant authorities in Nepal. Because of this, it is necessary for the plan to be incorporated into national and sectoral development frameworks. This would ensure that there is effective coordination between agencies at the federal, provincial, and municipal levels. It is imperative that

this mainstreaming take place in order to successfully shift the sector from its current state of subsistence to a future that is commercialized and developed.

Imperative of Collaborative Governance for Sustainable Development

For the sake of sustainable development, it is imperative that collaborative governance be implemented. It is ultimately necessary to make a fundamental change in governance in order to handle the entire spectrum of problems, which includes everything from the mobilization of peasants and the imbalance of wealth to feudal articulations and the failure of policy. In order for Nepal's agrarian sector to experience sustainable growth, there must be a strong political commitment as well as the active and positive involvement of stakeholders. It is necessary to take this collaborative approach in order to rethink programs, reorganize governance systems, and make certain that the transformation process is both inclusive and equitable. This will ensure that the rural population, which is the nation's greatest asset, will have a future that is both viable and prosperous.

Conclusion and Policy implications

From this research paper, it is clear that the transition of the peasant economy in Nepal has been deeply shaped by the forces of capitalism and neoliberalism. While traditional agrarian livelihoods have historically sustained rural communities, the integration into market economies and neoliberal reforms has led to significant changes—both opportunities and vulnerabilities. The commodification of land, labor, and agricultural produce has eroded subsistence-based security, pushing peasants toward semi-proletarianization, seasonal migration, and dependence on remittances. Additionally, state policies have often favored commercialization, liberalization, and privatization without adequately addressing structural inequalities, especially in access to land, credit, and markets. This transformation has created a dual economy in rural Nepal—where a minority benefits from agribusiness and market linkages, while a large section of peasants face marginalization, landlessness, and food insecurity. Gender, caste, and ethnic dimensions further compound these inequalities.

The peasant economy is no longer static or isolated; it is dynamically engaged with global economic processes, but often in subordinate and precarious ways. Thus, multi-pronged policy framework is needed for equitable and sustainable Nepal's agrarian transition. This approach must include fair land reform and tenure security to transfer land to the landless and respect tenant

farmers' rights. This requires inclusive agricultural policies that support smallholders with targeted inputs and infrastructure and promote agro ecology and sustainable practices over chemical-intensive approaches. Expand finance and market access by offering personalized financial solutions and upgrading rural market infrastructure to safeguard producers from exploitation to maintain economic viability. Strong social security and livelihood diversification initiatives must create rural jobs and assist non-farm enterprises to lessen agricultural dependency. This framework must be based on gender and social inclusion to ensure women and marginalized groups have equal access to land, resources, and decision-making authority. Finally, policy must pragmatically handle migration and remittance utilization to encourage rural investment and returnee reintegration. All of these approaches depend on participatory rural government, empowering peasant voices by building local cooperatives, and community participation in planning and implementing development projects that affect them.

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