Governing Through Markets: Multinational Firms in the Bazaar Economy

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Abstract

This article highlights a counterintuitive dynamic of neoliberal globalization. India has controversially liberalized foreign investment rules in the politically sensitive food retail sector. Critics argue that India bowed to pressure from multinational corporations, consistent with a common view that under neoliberalism markets eclipse state power. We suggest by contrast that policymakers seek multinational firms to strengthen their capacity to govern food markets that for centuries have been dominated by networks of local traders. These traders use informal conventions of market governance that have long proven resistant to centralized state control. Global retailers promise to transform these opaque, "traditional" systems into transparent, "modern," supply chains that comply with liberal rule of law principles. Thus we argue the turn to multinational capital should neither be understood simply through the logics of state capture or welfare economics, but rather also as a *political governance* project that illustrates how different kinds of markets produce different conceptions of the state.

Key words: neoliberalism; markets and morality; India; food supply chains; foreign direct investment; retail

1. Introduction

Scholars across disciplinary and ideological divides commonly argue that markets require myriad kinds of rules to function—rules that are in turn provided by states. But states, we propose, may desire particular kinds of markets and market actors as they seek to legitimate their political control. These are economic actors that do more than engage in market exchange but crucially are also self-organized to facilitate "a key characteristic of modern government: *action at a distance*" (Rose & Miller 1992, p. 180). In this article, we suggest that in India, as potentially elsewhere in the developing world, large-scale corporate capital purports to offer such regulatory benefits against local traders, at least in markets for food. Hence, this article analyzes how different kinds of market practices produce political authority for a neoliberal state.

To illustrate this argument, we describe debates about food retail market liberalization in India. After decades of domestic protection, in 2012, the Indian government liberalized restrictive foreign direct investment (FDI) rules in the multi-brand retail sector. This meant that for the first time, multinational retail corporations such as Wal-Mart, Tesco and Carrefour—and more recently e-commerce giants like Amazon and Alibaba—could enter India's estimated $500 billion food and grocery market. The decision was intensely controversial, generating massive political backlash that almost took down the Congress Party led government. Political parties from the far right and far left were strongly opposed and several states pledged not to implement the directive. The Indian constitution grants the federal government authority for external economic policy while state governments retain responsibility for implementation; likewise food policy is governed from the center but state governments are granted authority to regulate agricultural markets, vividly illustrating the complex and often competitive institutional arrangements that constitute the Indian 'state' (Mitchell 1991).

In India, multinational capital became a lightning rod for what were already heated debates about the future of Indian food distribution. Since the early 2000s domestic Indian conglomerates, often with wealth from extractive industries and technology, had been investing billions in modernizing food supply chains. When they struggled to gain market share on the ground, planners invited multinational capital into the mix.

In favor of transformation, Indian policy elites argued that modern retail would displace inefficient indigenous merchant-traders and implement supply-chain transformations that could generate both higher procurement prices for farmers and lower retail prices for consumers. For example, a pro-FDI study commissioned by the Government of India and a policy thinktank asserted that "one of the most pressing problems faced by the Indian retail sector is that the supply chain network is fragmented and is marked by the existence of a large number of intermediaries" (Mukherjee & Patel 2005, p.155). "Due to the presence of a large number of middlemen," the study continued "farmers lose on an average 10 to 30 percent of their income while consumers pay high prices for the products" (p.156). As then Congress Party cabinet minister Jairam Ramesh ventured, many in his party sincerely believed that multinational corporations would bring supply-chain expertise that exceeded the capacities of existing Indian companies (see also GOI 2011).[1]

Others offered less charitable explanations for the FDI decision: namely, that India bowed to political and economic pressure. As Rao and Dhar (2013, p. 9) put it: "the case of [FDI in Indian retail] seems to provide a classic example of large global corporations succeeding in influencing public policy of developing countries and putting the regulatory system to stupor."[2]

This is a widely held perspective. Over the last three decades, analysts have described neoliberalism as a process of deregulation where private markets eclipse state power and multinational corporations displace local market actors and challenge state authority, particularly in developing economies (Strange 1996). As Phil Mirowski observes, a range of legal scholars and political activists have treated neoliberalism "as an ideological movement that disempowers the state" (2009, p. 421). Often implicit in this analysis of deregulation and state erosion is the related claim that elite policymakers act to advance their own material interests. Multinational retailers have used bribes and corruption to establish themselves in new markets—concerns that exploded in Indian debates with the release of Wal-Mart's 2012 US Senate disclosures revealing $20 million of "lobbying" expenditures in India. Materialist explanations of liberalization—resting on both Marxist-structural and liberal theories of the state as captured by private capital—thus hold appeal (cf. Jessop 1982; Bardhan 1984).

We offer a different view. We do not deny that state actors may submit to powerful market pressure, nor that some elites seek privately to extract rents and enrich themselves, nor, alternatively, that they may genuinely aim to advance efficiency and social welfare (even as the extent to which corporate retail will advance such ends is sharply contested). However, we argue that all these accounts miss a different set of beliefs about the role of markets—one where political legitimacy is presumed to follow from idealized markets that appear governable through liberal regulatory rules. We thus venture counter-intuitively that elite Indian policymakers *also* seek foreign firm entry to *increase* state governance of markets by *strengthening* their control over food supply chains. Ashok Gulati, a Delhi-based agricultural economist and the former chairman of the Commission for Agricultural Costs and Prices, encapsulates our observations of this policy perspective precisely when he suggests that encouraging "FDI [in food retail] is all about cleaning up the rules of the game."[3] By rules of the game, he means liberal legal principles: multinational corporations, he explains, must behave according to the rule of law precisely because their market transactions are visible to regulators, unlike small-scale traders whose market malpractices are notoriously hard for state actors to "see" (Scott 1998): "…small capital can get away with malpractices but big capital cannot. Twenty people will be there watching him."[4] From this perspective, the problem with traditional agricultural markets is not only technical inefficiency but also illegibility and ungovernability—historically rooted moral concerns in which contemporary efficiency arguments are embedded.

We thus argue that to explain India's controversial FDI decision as simply reflecting material interests obscures a critical aspect of neoliberalism: namely, how state-centered political logics can drive market-oriented reforms. We build on studies that argue that neoliberalism is better conceptualized as *reregulation* where states engage in 'marketcraft' (Krippner 2007; Vogel, 1996, 2008). Much of this literature, however, has focused on how states work through markets in advanced industrialized countries. By contrast scholars more often theorize developing countries as weak or dysfunctional and thus particularly vulnerable to powerful multinational corporations during periods of liberalization (Strange 1996). We argue instead that developing states may seek to enhance their authority and legitimacy by working *through* the market rather than simply creating the conditions for "free markets" to work (Krippner 2007). To that end, we advance an understanding of neoliberalism that does not describe political governance as subordinate to the market but rather explores how market logics serve as models of political governance— "[t]he economy," we argue, "produces legitimacy for the state that is its guarantor" (Foucault 2006, p. 84).

To build this argument in context, we illustrate how the politics of contemporary market reforms in India rest on a deeply institutionalized struggle for political legitimacy that has long shaped efforts to govern food markets in India (Siegel 2018). We identify a traditional-modern binary that shapes how political elites "see" different categories of market actors (Jackson 2013). From liberal goals of "moral and material progress" during the famine plagued colonial era, through the disappointments of statist post-independence planning and the failure to install a South Korea style developmental state (Chibber 2003), to the political challenges of high food inflation and low economic growth under contemporary liberalization, one problem has remained the same: governing politically crucial foods markets and the recalcitrant market actors that constitute them. Since the colonial period, policy elites have described Indian food markets as dominated by traders and intermediaries who are deemed illegitimate market actors. These traders, policy elites have argued, are embedded in kinship-based merchant trading networks that use informal conventions of pricing and exchange to exploit market information that is narrowly shared within closed ethno-linguistic communities (Birla 2009). These networks create markets that today appear opaque, inefficient and unethical to state actors (see, e.g., GOI 2010, p. 6) and, crucially, seem resistant to national-level state control. We submit that the contemporary appeal of multinational retailers in notoriously nationalist India cannot be understood outside of a long socio-historical context.

We extend this historical analysis with qualitative data from fieldwork conducted on corporate retail chains over 6 months in 2010 in West Bengal and 6 months in 2017 in Karnataka and New Delhi and on FDI liberalization in New Delhi in 2008, 2009, 2011 and 2012. This fieldwork included interviews with government officials, firm managers, traders, farmers, and lawyers as well as observations of agricultural markets particularly in the fresh fruits and vegetables sector. Our fieldwork addresses the paradox of why, despite their sullied reputations as powerful corporations that run roughshod over government regulations and exploit the poor, India has invited multinational retailers such as Wal-Mart in part to *improve* market governance and *increase* state regulatory oversight of domestic food markets.

The rest of this article is organized as follows. Section 2 briefly elaborates our theoretical intervention in the growing literature on markets and neoliberal governance in economic sociology and political economy. We then describe the rise of multinational retailers and the global transformation of food market governance before turning to the controversial entry of "modern" supermarkets in India and the discursive strategies used to legitimize them.

Section 3 draws on histories of market governance to illustrate how the appeal of "modern" firms against "traditional" economic actors reflects a colonial-era modernizing imperative that originated during British laissez-faire imperialism and was reformulated in the statist-nationalist post-independence period. Our comparative analysis thus portrays Indian food markets and the "traditional" and "modern" economic actors that constitute them as moral and economic orders, not simply because they are vehicles to distribute essential goods (Thompson 1971), but also because they constitute alternative institutional mechanisms of political authority (Hirschman 1977; 1982).

Section 4 returns to the contemporary liberalization moment to show how the turn to FDI is simply the latest iteration of longstanding market governance beliefs and institutional practices aimed at creating agricultural markets that the state can monitor, regulate, and control. We conclude with implications of our analysis. We suggest that it is not only the transformation of food markets that is at stake but also the modernist state-building project itself (Dobbin 1994; Fligstein 2002; North 1990; Carruthers 1996; Scott 1998; Mitchell 2002).

2. Morals, Markets and the Neoliberal State

Scholars have successfully challenged asocial views of markets through empirical studies showing that markets are moral orders replete with status hierarchies and classification schemes (Polanyi 1957; Granovetter 1985; White 1981; Zuckerman 1999; Lamont 2012; Fourcade & Healy 2013). We build on this literature to intervene in a set of debates about the role of "states versus markets" in economic development following the "neoliberal turn" (Amsden 1989; Wade 1990; World Bank 1993; Evans 1995). These debates emerged out of classic disputes pitting free market theorists against statist critics (Hayek 1944; Friedman 1962; Keynes 1936; Polanyi 1944 [2001]). More recently there has been a growing interdisciplinary consensus in the new institutionalism literature that markets require myriad kinds of legal rules provided by the state (North 1990; Acemoglu *et al.* 2001; Fligstein, 2002). In turn, these rules are not simply taken for granted; they serve as terrains of intense contestation among state and market actors (Fligstein 1996, 2002).

Much of this literature posits "state" and "market" as distinct if connected sets of institutional arrangements, but scholars differ widely on the nature of the state-market nexus. Some have pointed to a mutually constitutive relationship, yet the institutional mechanisms remain underspecified (Evans 1995; Block 2001, 2003; Block & Evans 2005; see also Krippner & Alvarez 2007; Dobbin 1994; Carruthers 1996; Fligstein 1996; Guillén 2001; Roy 1997). Fligstein (1996; Fligstein & Stone-Sweet 2002) points to regulatory demands from firms, to which state actors respond. This characterization provides a rationale for why market actors need the state, but says little about why states may need markets. Block and Evans (2005) present a more dynamic view that rests on mutual dependence, where economic actors rely on states for rules, and states depend on economic actors for material resources, but this is analytically limited to states needing markets for financial flows.

Our view of mutual dependence is even more fundamental. States don't simply need markets for material resources; the fundamental legitimacy of the modern capitalist state depends on the ability to distribute resources through market mechanisms. Recent work on the rise of credit in industrialized countries has made similar claims (cf. Krippner 2011; Polillo 2013; Trumbull 2014). However, this dependency is especially apparent in developing and transitional economies where alternative mechanisms of allocation and distribution, such as communism, authoritarianism or central planning, are deemed to have failed. Markets now are supposed to offer the capacity to deliver basic goods and services to broader swathes of the polity through their identity as consumers (Trumball 2014). Food markets hold special material and political significance, an insight that animated classic studies of states and markets (cf. Polanyi 1944[2001] and Thompson 1971).

Our argument—that political legitimacy is expressed through a state's ability to have essential commodities distributed through the market—is influenced by Foucault, specifically his lectures on the rise of German neoliberalism post 1948. "We should not think," he cautions, "that good economic management has had no other effect and no other foreseen and calculated end than that of securing the prosperity of all and each." "In fact," he continues, "the economy, economic development and economic growth, *produces sovereignty*; it produces political sovereignty through the institution and institutional game that, precisely, makes this economy work" (2008, p. 84 emphasis added). This phenomenon, Foucault submits, "is not entirely unique in history to be sure, but is nonetheless . . . quite singular . . . in our times" (ibid). "[A] new programming of liberal governmentality," he offers, has now inverted a classical perspective on the relation between the state and the market. Whereas classical liberals "ask[ed] the state what freedom it will leave to the economy," the neoliberal "asks the economy how its freedom can have a state-creating function and role, in the sense that it will really make possible the foundation of the state's legitimacy" (95).

We build on Foucault to trace a circuit from the market to the state in contemporary India (2008, p. 84). But we also show how in India, policymakers do not look to actually existing markets but rather to an imagined globalizing alternative to advance the regulative and legitimating goals of development and growth. Here we take a second cue from historian Ritu Birla. Birla traces how in India the "production of 'the market' as an ethico-political sovereign" was a process introduced under colonial liberalism to address "illegitimate" indigenous market actors long before it was "pursued in India's neoliberal enthusiasms" (2009, p. 23). She highlights a binary between Western colonial rules of market governance and vernacular market norms and practices—and more specifically how "colonial law…distinguished between legitimate forms of capitalism and local ones embedded in kinship" (Birla 2009, p. 3). We thus describe the rise of retail multinationals against historically-delegitimized networks of local traders as the culmination of a long series of efforts to establish political legitimacy through the governance of markets for food.

2.1 Markets and Supermarkets

In the West, supermarkets consolidated their political and economic power during the 1980s and 1990s, a historical moment characterized by the global integration of agricultural markets and the installation of a regulatory environment amenable to large corporations. Global retailers benefited from relaxed competition law that enabled large-scale mergers and acquisitions at home while the liberalization of agricultural markets abroad enabled global sourcing through investments in low cost regions (Cotterrill 1999). Today, in many countries, the top five retailers control the majority of food sales.

Global retailers also developed new infrastructures and technologies to consolidate their market power, including computerized stock-control and tracking systems that require suppliers to adopt just-in-time delivery practices and enable managers to calibrate labor utilization precisely to fluctuations in consumer demand. These technological innovations increased "efficiency" and profits, albeit by shifting costs and responsibility to producers, suppliers, and workers (Wrigley & Lowe, 1996; Jan & Harriss-White 2012). Technological innovations also bolstered supermarkets' claims to act as modern agents of market governance—they use tracking systems, private standards, accreditation, and audit schemes to position themselves as regulatory authorities of food quality, traceability, and safety (see Cohen 2013).

Supermarket supply chains also mean the reorganization of production, typically from decentralized networks of farmers, brokers and traders into vertically coordinated sourcing and distribution systems where farmers enter directly into formal contracts with large firms. These contractual regimes obligate farmers to use specific seeds, fertilizers and pesticides before delivering their goods to rural processing centers for inspection, certification and, finally, if they meet lead firms' precise standards, purchase often at predetermined rates rather than spot market prices. Goods then travel via refrigerated trucks to collection centers closer to urban areas for further grading and sorting, and then to distribution centers inside cities where they await delivery to supermarkets. This alternative market structure made famous by firms like Wal-Mart is what liberalizing elites in India invoke as tools of development and modernity, even though little food procurement in India is actually organized in this way.

2.2. Multinational Supermarkets and the Indian State

In India, roughly 95 percent of the country's produce currently travels from small farmers to small retail vendors via a dense network of wholesale markets. In these markets, farmers or trader-aggregators link up with brokers who make quick, tacit quality assessments. Brokers then hold auctions (sometimes open, sometimes closed) or negotiate sales for a commission, providing trust-based connections among often otherwise anonymous sellers and buyers (Vidal 2003; Krishnamurthy 2011). Depending on how they assess their potential to make margins, brokers may also double as wholesale traders. And both brokers and traders combine multiple forms of economic activity—financing production, transport, storage, and processing—with social forms of regulation such as "religion, *biradari* (brotherhood), caste, ethnicity, clan and gender" (Harriss-White 2018, p. 369). These combinations have produced deeply resilient supply chains that enable petty capital to expand, albeit through proliferation more than through accumulation: "The margins between the prices of purchases and sales set by the mercantile activity of local oligopolies, together with their webs of credit, enable petty capital to enter, to generate small livelihoods, to multiply and be perpetuated in varying degrees of dependence—though rarely to accumulate" (Ibid.).

From colonial times onward, policy elites have enacted a series of failed efforts to reform and reconstruct these markets. September 2012 marked the latest effort of this kind as the center-left Congress Party-led United Progressive Alliance (UPA), which ruled India from 2004-2014, announced that it would allow up to 51 percent of FDI in the multi-brand retail sector that is mostly comprised of food. Both proponents and opponents recognized the stakes. Global retailers have leveraged market reforms to enter developing economies flush with capital that they use to acquire domestic competitors, to secure scarce urban retail space, and to sustain their operations, even if initially at a loss (see, e.g., Hu *et al.* 2004). Indeed, in Latin America, almost 80% of the leading supermarket chains are owned by multinationals. Analysts likewise report that in China, Vietnam, Thailand, Indonesia, Malaysia, and Taiwan "on average approximately three of the top six chains are foreign" (Reardon *et al.* 2012, p. 12334). Thus global retailers hold the promise of major market disruption, albeit not necessarily through technological innovation. Multinational retailers have abused monopoly power to engage in price wars and acquire smaller local competitors, as Wal-Mart did in South Africa, and use bribes to establish themselves in new markets, as Wal-Mart did in Mexico.[5]

Despite these criticisms, central government officials—including the now ruling Bharatiya Janata Party—have continued to push FDI reforms. In advanced industrialized economies, policy elites typically invoke consumer welfare to justify food markets dominated by a handful of multinational firms (Massengill 2013). In India, this justification alone does not suffice: agriculture is the largest source of employment and small farmers are widely seen as sympathetic figures in India's contentious political environment, particularly given the spate of 300,000 suicides by highly-indebted poor farmers across India in the past two decades and harsh criticisms of the government's inadequate response. Politicians thus rationalize reforms as mutually beneficial for consumers and farmers alike. As UPA-Chairperson Sonia Gandhi exhorted in 2012: "It is for the benefit of the farmers and *aam aadmi* [the common man], the Central government has decided to allow FDI in retail. By this policy, the farmers will be able to get proper prices for their produce by selling their goods directly… Further the common man would be able to get their security needs at a fair and affordable price."[6] Supreme Court Judges, opining from the bench in a case denying a challenge to the constitutionality of FDI, repeated this claim: multinational retail entry will enhance consumer choice and price and facilitate market access for farmers "by eradicating the traditional trade intermediaries/middlemen….who are a *curse* to [the] Indian economy and who are sucking it [dry]." [7]

As this quotation suggests, claims about producer and consumer welfare link to a second set of arguments about market ethics and governability. Consider a widely cited government paper inviting public and industry comments on FDI reforms. The Department of Industrial Policy and Promotion (DIPP) described the structure of food markets where "Intermediaries dominate the value chain. They often flout *mandi* [wholesale market] norms and their pricing lacks transparency" (GOI 2010, p. 6). The paper further explained that traders transact in markets governed by local officials via outdated, noncompetitive state-level regulations, elaborating that: "Wholesale regulated markets, governed by State APMC (Agricultural Produce Market Committee) Acts, have developed a monopolistic and non-transparent character" (Ibid). These descriptions of how agricultural markets lack transparency, competition, and regulatory compliance give retail liberalization moral as well as economic force.

To be sure, opponents of FDI advance their own moral and economic claims, raising concerns about, for example, predatory pricing, monopoly power, and large-scale unemployment if multinational supermarkets take hold (see, e.g., Confederation of All Indian Traders 2010). Here let us pause only to observe that both economic and moral justifications for and against retail liberalization are difficult to untangle empirically.[8] Consider a 2007 study on commodity prices (Fafchamps *et al*, 2007). The authors ventured that the regulatory and economic structure of existing markets would increase transaction costs. Collecting data from four markets, their findings were more complex: "the somewhat obscure way in which auctions are held, [and] the dual role of commission agents [as both broker and wholesale trader] . . . suggest . . . rents that are captured by a few traders. *Whether these rents are sufficiently large to reduce farmer prices and increase consumer prices significantly remains unclear*" (p. 125 emphasis added). The losers in their study were exporters and processors who wished to access high-end consumer markets—regulations that then required them to transact in wholesale markets rather than source directly from farmers meant that they could not control standardization and quality.

Cohen's (2020) qualitative study echoed these findings. Retail and agribusiness elite, newly authorized to build their own supply chains, described systemic challenges that made it hard to compete on price—for example, opportunism within their own firms, tacit knowledge and social relations within commodity markets, and diseconomies of scale. A former Reliance Retail executive thus summarized: "You have to understand India to realize how efficient the markets are. . . . in the way [a good] is brought, within the cost it is brought, and the way it is getting delivered to consumers" (see also Mani *et al.* 2016, p. 16-17).[9] Hence retail elites pivoted from arguing that they could cut costs through disintermediation to arguing that by sourcing from farmers directly they could *grow* margins by creating new quality economies (a proposal that, to be sure, includes its own theories of efficiency and consumer welfare but not ones exactly pegged to the consumer as "common man").

It is also difficult to generalize about market ethics. In an ethnography of grain markets in Madhya Pradesh, Mekhala Krishnamurthy recounts struggles in the 1980s to abolish brokers and with them the long-term and credit-linked relations they had cultivated with farmers. Brokers exploited farmers by charging interest on credit, delaying capital, and pegging scales in their favor. Without brokers, however, the market was governed by more aggressive traders less invested in maintaining personal relations. Farmers complained that they had "lost the individual attention, common courtesy, frequent contact, and on occasion, personal protection that had come with their status as *grahaks* or customers of their respective *arhatiyas* [brokers]" (Krishnamurthy 2015, pp. 93-94; Krishnamurthy 2011).

Cohen's (2013) study highlights similar themes in West Bengal—a state where the leftist government's policy of land reforms enabled small farmers to proliferate at the same time as its failure to reform non-agricultural rural capital (including commercial and agro-manufacturing capital) enabled elite local agro-commercial firms to dominate agricultural trade (Harriss-White 2008). Farmers interviewed protested market malpractices even as many ventured they had more reliable access to market information and personal relations to negotiate a price than they would under corporate supply chains. As one put it: "if Reliance [a major domestic retail chain] comes, then he is the only one" and, his colleague added, "he will dictate the market. He will buy the whole market." Another farmer likewise anticipated that if markets are replaced by supermarket supply chains, "we cannot verify the actual amount for that particular produce. In that case, it won't be possible for us to *know* the actual price for my produce." Farmers trusted that by working with "known brokers" they were assured reasonably competitive market rates (Cohen 2013, pp. 65-66).

Farmers thus had their own theories of monopoly, transparency, and market ethics. As did traders and brokers. Consider a popular description of *mandi* pricing practices, colorfully described in an *Economist* article on onions:

> [T]he market is a teeming maze of 300-odd selling agents . . . and several thousand buyers . . . The bidding process is opaque. The selling agents each drape a towel on their arm. To make a bid you stick your hand under the towel and grip their hand, with secret clenches denoting different prices...If the seller likes your tickles you hail a porter.[10]

The *Economist* mirrors policy elites' characterization of these exchanges as opaque and illegible. Brokers, by contrast, deploy alternative welfare logics to legitimize traditional *mandi* conventions (cf. Fligstein 1996, 2002). As one large orange broker explained when asked why legally-mandated open auctions rarely happen in his market, "[an] auction system doesn't work here." Buyers are mostly united, he explained, and price variation depends mostly on supply and demand. Open bidding, he therefore argued, was unlikely to have much effect. But in a seller's market, he continued, agents may try to increase prices with a "fingering system": "we will shake hands and [the buyer] will push on some points so we will know he is saying how much price. So again we will talk to another so whoever is giving more we will sell it to them and nobody will know the price…So we can't call that [an] auction or competition," he concluded. But the fingering system, he stressed, can raise prices while simultaneously preventing disputes among buyers, thus simultaneously managing price *and* social relations.[11]

These disparate examples suggest that the welfare effects of retail consolidation for producers and consumers may be underdetermined. Our claim, however, is *not* that market reform is undesirable. To the contrary, we agree with Shoumitro Chatterjee and Mekhala Krishnamurthy who recently argued that "in the context of physical agricultural markets in India, disintermediation is itself usually a misguided goal, *but* addressing the political economy of intermediation and creating the conditions for greater competition among intermediaries and logistics operators is important" (2020 emphasis added). Our claim in this article is far more pointed and specific: namely that arguments that privilege retail consolidation as the preferred path to reform embed a contingent political rationality—one that links the consolidation and liberalization of agricultural supply chains to the legitimation of the contemporary Indian state.

Again, we do not advance this claim as a singular explanation for FDI liberalization. But we note that some policymakers have made explicit the specific justificatory logics we seek to reveal. As a Member of the National Institute for Transforming India (formerly the Planning Commission) put it: "a big organized licensed firm is subject to the scrutiny of law more than a small firm."[12] Or as his colleague (an advisor for agriculture) further explained: "monitoring thousands is rather difficult [compared to] one."[13]

Scholars have made similar broad observations. For example, in a recent symposium on business-state relations in India, Rohit Chandra argued that:

> There is an emerging perception that this [BJP-led central Indian] government is moving away from dealing with domestic capital (outside of the 10-20 largest groups), and is treating foreign capital preferentially…This might be a reflection of the BJP's frustration of dealing with many small domestic capitalists…Or it might be part of a larger pathology of control, where compliance and discretionary allocation of capital are preferred to chaotic, unpredictable market mechanisms (Chandra 2020; see also Kaur 2020, p. 246).

It is from this perspective we argue that multinational firms such as Wal-Mart offer a redemptive vision of "the market" against an entrenched and powerful array of kinship-based trader networks who have resisted efforts of state governance stretching back to British attempts to impose liberal market rules in the late nineteenth century. Thus the government discussion paper on FDI anticipated that multinational corporations can create supply chains that "act as models of development" (GOI 2010, p. 18).

3. Governing Food Markets in India

In this section, we illustrate how across different historical periods policy elites express the aims and best practices of good market governance as a means of legitimizing political control. We suggest that they articulate similar perspectives of what constitutes an illegitimate market actor even while holding divergent views on colonialism, liberalism and nationalism. We use political histories and policy documents to sketch policy efforts to reform agricultural markets first by the colonial (1857-1947) and later the independent Indian state, from statist import substitution (1947-79) through contemporary liberalization (1980-present). These periods proceed via different modernist and statist logics that offer different policy solutions to render India's diverse and dynamic bazaar economies rational, legible, and thus governable (Scott, 1998). Yet they all identify a strikingly similar problem: a dense network of illegitimate market actors who challenge the authority of central government control—even as the state depends upon these actors for the distribution of food.

3.1 Colonial Elites Confront 'Traditional' Indian Economic Man

The British Colonial Office took control of the South Asian subcontinent in 1857 following the Indian Rebellion (or First War of Independence), where Indian subjects challenged the authority of the East India Company that ruled the colony since the 17th century. Direct imperial rule was thus itself a response to a legitimacy crisis and the Colonial Office principally aimed to justify foreign rule. As such, its first task was "to capture and manipulate the central cognitive invention of capitalism, 'the economy'" (Ludden 1992, p. 258; Mitchell 2002). The British dramatically expanded economic governance apparatus, imposing a centralized monetary system, internal commercial and land taxes, external trade tariffs, and liberal legal institutions defining property and contract (Goswami 2004; Birla 2009). After 1857, "exports of indigo and opium gave way to a range of new products, most notably raw jute, food grains (rice and wheat), oilseeds, tea, and raw cotton," and trade between Indian districts and England often took precedence over redistributing food to increasingly famine-stricken regions of colonial India (Goswami 2004, pp. 62-63). This priority reflected the British obsession with free trade, which as Michael Kidron (1965, p.12) argued, "was an exacting religion: if a grain ship bound for Calcutta foundered off the coast of famine-stricken Orissa, the natural laws of political economy, reinforced by instructions from the Lieutenant Governor, decreed that it continue on its way."

British trading companies, however, could not reach markets deep in India's towns and villages. Indigenous networks of merchant-traders were therefore crucial economic actors who facilitated colonial extraction since the days of the East India Company. But as British colonial elites sought to transform the economy through liberal free trade institutions, they argued that the "anti-modern" behavioral norms and cultural practices of "Indian economic man" were antithetical to state-building objectives. They perceived the business practices of indigenous market actors—whom they simultaneously *depended* upon to circulate commodities—as a major governance challenge.

For example, in early twentieth century Bengal, informal contracts among Marwari traders (India's dominant business community) frustrated colonial administrators keen to distinguish between speculative and legitimate exchanges in commodity markets (Birla 2009). Colonial administrators imposed legal rules governing contracts, incorporation and futures trading to standardize market practices in India's vibrant "share bazaars," which they encapsulated in new laws such as the Indian Contract Act of 1872 and the Indian Companies Act of 1882. They also criminalized centuries-old market practices that they deemed to be hoarding and speculating based on market information gained through closed merchant-trading networks, particularly amongst Marwaris (Birla 2009; Timberg 1978; Bayly 1983; De 2018). In the inter-war years, colonial administrators commissioned reports on the large price margins between agricultural producers and consumers: evidence, they claimed, of the exploitative practices of traditional traders and brokers (Harriss-White 2005). Indeed, during this period the British government investigated the shortcomings of its own agricultural markets. It proposed a number of state controls that, although mostly unimplemented at home, were exported to India in the late 1920s via the Royal Commission on Agriculture (Harriss 1980).

Hence as modernizing colonial actors imposed regulations to reform agricultural trade, historians have argued that these rules did not simply reflect technical rationales for constructing efficient markets (Birla 2009). They also represented efforts to reorder normative social and political relations according to a moralized view of markets advanced by post-Enlightenment era political economic thought popular amongst British elites (Fourcade & Healy 2007; Quinn 2008; Amable 2011; Steensland 2006; Lamont 2012). Albert O. Hirschman traced the roots of these beliefs to the 18th century philosophical discourse encapsulated in de Montesquieu's *doux commerce* thesis that "it is almost a general rule that wherever manners are gentle there is commerce, and wherever there is commerce manners are gentle" (Hirschman 1982, p. 1466; Fourcade & Healy 2007). Crucially, Hirschman (1982) argued these mannered characteristics were not only constitutive of markets, they were also necessary for effective *political* governance by the modern state. For these modernizing European elites, creating the right kinds of market actors who could overcome feudal practices and mentalities was critical for accelerating the capitalist transition in 18th century Europe and their 19th century colonies.

Colonial elites in India extended this argument. As Supreme Council of India member (1834-1838) Thomas Macaulay famously argued in his Minute on Indian Education, "to trade with civilized men is infinitely more profitable than to govern savages" (Macaulay 1835). Markets, he submitted, are a "civilizing" force that creates "reliable, honest, orderly, disciplined," economic actors, "mannered" characteristics that facilitate the expansion of the market and ensure its smooth functioning (Ibid.). Colonial elites thus saw markets not only as objects of governance but also as models of social relations: "civilized subjects were to be economic agents, so perfectly governed by market values that they could be politically sovereign" (Birla 2009, pp. 23, 234). Colonial markets, in other words, served as templates of the kinds of social and political relations that would advance the ends of a modern state—an argument that reverses the causal direction of Dobbin's (1994) thesis that political institutions informed 19th century market logics. In sum, in the late colonial period, elites saw orderly, rational, free markets as necessary to create a rule-bound, self-governing state.

3.2 Market Governance and Political Legitimacy: Nationalist Elites Confront Private Traders

In the decades after independence, nationalist political actors continued the colonial-era state-building project in which agricultural markets were crucial to consolidating political legitimacy. Post-colonial planners abandoned laissez-faire policies for statist planning, as planning blossomed worldwide with the post-Depression rise of Keynesianism and the New Deal (Polanyi 1944[2001]; Blyth 2002; Block & Somers 2014). Yet planners retained their predecessors' concern that vernacular market practices threatened to derail the modernization project. They similarly hoped these vernacular actors would "mature" by redirecting profits from trading and moneylending towards "legitimate" capitalist investment to catalyze an indigenously owned industrial economy (Tyabji 2015).

Agricultural markets posed an immediate governance challenge. Famines loomed large in nationalist economic thinking. Fifteen million Indians starved in the decade and a half following the Crown's assumption of colonial control in 1857, and famines persisted until the last days of British rule when the 1942-43 Bengal famine claimed over 3 million lives. This final devastating blow exhausted the legitimacy of British colonialism, much as the 1857 Indian Rebellion signaled the death knell of East India Company rule. As such, it was crucial for the newly independent government to establish its legitimacy by demonstrating the capacity to govern food markets and control the distribution of food. The First Five Year Plan prioritized agriculture, recognizing that "the shortage of food and raw materials is at present the weakest point in the country's economy" and as such presented the most potent threat to Congress Party rule (Frankel 2005, pp. 86-87).

Chibber (2003) has convincingly shown how the newly independent Indian state struggled and failed to discipline private industrial capital, thus failing to install a South Korean-style developmental state.[14] Our analysis of the agricultural sector reflects a similar pattern of frustration. In 1951, the All India Rural Credit Survey described the core agrarian problem as the "'colonial-cum-commercial-cum-urban domination over the rural economy'…to such a degree that…'private trade can be tolerated only if the government does not have viable alternatives'" (Harriss-White 2008, p. 336). Nationalist planners advanced the colonial-era view of private traders as intrinsically oriented towards illegitimate and unethical hoarding and speculation rather than "productive" economic activity.

In response, planners proposed a range of reforms including incentives to create marketing cooperatives and new laws "aimed at 'eliminating middlemen'" (Harriss-White 2008, p.336; Tyabji 2015). For example, in 1952, Parliament passed the Forward Contracts Regulation Act, restricting futures trading and prohibiting options in order to limit speculative exchanges. In 1955, it enacted the Essential Commodities Act, specifying the government's ability to control prices, force private sales and limit the movement of wholesale trade across states to prevent traders from diverting stocks—provisions motivated by the belief that "hoarding and black-marketeering are anti-social and anti-national activities in which many traders indulge, certainly in the absence of controls and sufficient punishment" (Mooij 1997, p. 43).

During this period, planners envisioned the state as an ideal market actor, venturing that "by the end of the Second Plan the government would emerge as the dominant trader in the economy" (Frankel 2005, p. 144). India's first prime minister Jawaharlal Nehru boldly argued for compulsory grain purchases "at fixed and reasonable prices" (Frankel 2005, pp. 154, 161-162). Nehru's more radical agrarian policies for state trading and cooperative farming, however, increasingly met with resistance from his own Congress Party members, and especially from powerful landlords and traders fearful of losing their dominant economic positions (Frankel 2005, p. 163-164; Bardhan 1984; Chibber 2003). By the 1960s, central government rhetoric began to change in favor of more market-driven production-oriented solutions to food security including price incentives for private investment and state subsidies for chemical fertilizers. Yet several members of the Planning Commission continued to argue that shortfalls and price increases did not reflect only a decline in production but more significantly "hoarding activities by the 'farmer-trader axis'—larger producers and grain dealers accused of holding back stocks to convert marginal and local scarcities into large artificial shortages" (Frankel 2005, p. 256).

Thus even as elite opinion shifted towards more liberal market-driven agrarian policy, policymakers continued to worry that private traders would subvert the government's efforts at price stabilization. As Lal Bahadur Shastri put it, during his brief (1964-66) stint as India's second Prime Minister: "traders are not prepared to cooperate with us. They want complete freedom and they will not play the game" (Frankel 2005, p. 260). In 1965, the central government created the Food Corporation of India to purchase food grains for public distribution through voluntary market competition (GOI 1965, p. 12). At an inaugural ceremony, the Minister of Food and Agriculture described how the country lived "at the mercy of . . . the trading community," and hence how "the Government's exhortations to [traders cannot] be effective so long as there [is] no adequate buffer stock of foodgrains with the Government" (Subramanian 1972, pp. 281-282). The Food Corporation, however, soon came to rely on private intermediaries who purchased on behalf of the government for a commission while trading on their own accounts, often using their own stocks to manipulate government supplies and prices (Frankel 2005, p. 264). Food "leakages" also meant the emergence of "parallel markets supplying stolen grain" (Lutringer 2010). Thus as scholars have observed, the central government simultaneously facilitated and regulated "these parallel activities" (ibid).

In sum, the legitimacy of the post-colonial state, like the colonial state before it, remained vulnerable to indigenous commercial practices. Thus even as statist agriculture policy diverged sharply from the colonial emphasis on free trade, the dependence on markets as a state-building mechanism remained. Nationalist elites, like their colonial predecessors, relied on informal private trade to make politically crucial food markets work while simultaneously trying to regulate and control delegitimized market actors. Their intense attention to the "chaotic tendencies of private trade" (Subramanian 1972, p. 282) illustrates how states do not simply regulate markets; markets constitute and legitimate states.

3.3 Liberalization and the turn to FDI

From the mid-1960s, statist agricultural market policy increasingly incorporated market incentives for farmers to adopt green revolution technologies: high-yielding seeds, chemical fertilizers, and pesticides promoted by US aid. Between the mid-1960s and late 1970s, agricultural production witnessed record expansion and India achieved grain self-sufficiency (Frankel 2005). At the same time, state and local government support—including crucially through infrastructure and subsidies—shaped how different classes of farmers could benefit from these technologies (Hazell & Ramasamy 1991).

Agricultural growth and modernization, accomplished through a mix of markets and planning, did not, however, produce smooth market governance. To the contrary, black money economies flourished including in scarce commodities (Frankel 2005, p. 321). In 1973, Indira Gandhi attempted, and failed, to nationalize wholesale trade in wheat and rice to eliminate private traders (Ibid., p. 507-508). Rudolph and Rudolph highlight the central government's limited ability to regulate the country's "massive agricultural sector" by comparing its capacity during the 1975-77 State of Emergency to effectively "control wages and extract compulsory savings from organized workers and to repress student strikes and violence" (p. 313).

During this period of the 1970s, leftist parties successfully gained power in a handful of states campaigning for land and tenancy reforms, most notably in West Bengal. However, state-led planning was declining in the center. In 1981, a chastened Indira Gandhi catalyzed a shift in industrial policy from socialism to explicit support for private domestic capital (Rodrik & Subramanian 2004; Kohli 2006a). Against planning, Mrs. Gandhi made clear that "what the government was most concerned about just now was higher production" (Kohli 2006a, p.1259 n.9). To that end, the Congress administration issued a new Statement of Industrial Policy that linked support for large private domestic capital with the 'common man' as its intended beneficiary. It promoted a new ethos of consumerism that fueled aspirational desires amongst the masses while simultaneously assuaging real demand from the established urban middle class and the newly enriched 'bullock capitalists' - larger peasant farmers that had gained during the Green Revolution (Rudolph & Rudolph 1987; Bardhan 1984).

The scale and scope of liberalization increased significantly in July 1991 when Finance Minister Manmohan Singh famously announced a massive package of economic reforms in response to a macroeconomic crisis. Significantly, FDI was permitted in industries where foreign technology was deemed necessary for increasing the competitiveness of domestic firms, but was restricted in "sensitive" industries which included agriculture, defense, nuclear power, gambling, and crucially, multi-brand retail (see GOI 2006). At the same time, the government increasingly liberalized agricultural trade policies (for example, India joined the 1994 WTO Agreement on Agriculture and reduced trade restrictions on many agricultural products). Yet it took almost twenty years before the government attempted one of the most politically controversial moves: liberalizing multi-brand retail markets, most of which is food (see GOI 2014).

4. 'Modern' Supermarkets and Market Governance

Section 3 analyzed how elites deployed categories of illegitimate and legitimate market actors from colonial through contemporary liberalization. In each period, we described challenges in governing agricultural markets as challenges that simultaneously tell of larger state-building projects. This section shows how contemporary policymakers are advancing a new approach to regulation and governance: new rules such as FDI liberalization, as well as the legalization of contract farming, direct purchasing centers and private wholesale markets, are not designed to directly regulate local traders but rather to stimulate reform through market competition.

With such reforms, a Karnataka state official explained, the government is providing "alternative" and "parallel" markets. "*Then only*," he reasoned, "these traders are coming to our [the government's] way."[15] The Karnataka Minister of Agriculture elaborated this point. "The current market system is not serving the interests of farmers or the consumers," he asserted and yet explained that he did not think the answer was direct regulatory control. "In India, we have state regulations for everything and [yet] we could get onto the road [and] you will know how effective our regulations are," he jested, "The only way you can bring reforms into the traditional system is to create effective alternatives, so then [existing markets] will be forced to align themselves." By aligning themselves, the Minister predicted that a critical mass of new entrants would force existing market actors "to up their game" and that the ensuing competition between "organized retail" and "traditional retail" would encourage both to "be self-behaved."[16]

From this perspective, large domestic and multinational capital offers more than new technical logistics. They embody new political ideals and historically-rooted socio-technical imaginaries (Jasanoff & Kim 2009). These include ideas of corporate self-regulation and liberal forms of government oversight that animate progress and development in contemporary India.

Consider the following set of examples. In 2014, the state of Karnataka relaxed storage caps on the amount of foodgrains that large supermarkets—but not small retail shops—could stock. In response, small retailers filed an equal protection challenge in the Karnataka High Court, arguing that the state could not rationally justify its discrimination between large and small firms. Up until 2020 when the Essential Commodities Act was reformed, the Indian government imposed commodity controls, including storage caps, to prevent hoarding and speculation, and it enforced these controls by periodically raiding wholesale markets, confiscating excess grain, compelling market sales, and fining offenders for exceeding holding limits.[17] Large retailers insisted that there is no need for the government to use the same heavy-handed tactics it deploys to govern small traders because their supply chains are sufficiently visible to the state. "We can't hoard," an attorney for a consortium of retail chains explained, "we have computerized records of anything that is purchased or in stock with us, it can be verified and checked at any given point of time." This was in contrast, he argued, to traditional market actors where "there are no bills, it's on trust and it's all cash based transaction so if [a traditional retail trader] buy[s] such a huge quantity . . . there will be no record and it can be stocked somewhere else outside."[18] To be sure, analysts have long described complex contractual arrangements in commodity markets (Harriss-White 2014), and India's 2017 creation of a goods and services tax is now influencing market practices (one commodity market broker began a 2017 interview by presenting a state certificate attesting to his tax compliance). Our point here is simply that this attorney appealed to what we have described as an important moral and political logic justifying FDI reforms: that good market governance requires forms of market legibility that large corporate capital purports to offer against local traders.

Indeed, while the central government is enacting liberal market reforms to facilitate large domestic and multinational corporations, it has taken steps to weaken informal markets. For example, on November 8 2016, Prime Minister Narendra Modi made a shock announcement of demonetization, eliminating large denomination banknotes with immediate effect. This made it harder for traditional market actors, accustomed to transacting in cash (as well as vernacular financial instruments of trade and credit known as *hundi*), to compete with "modern" market actors already engaged in digital transactions.[19] Four years later, in a May 2020 speech, Modi announced the *Atmanirbhar Bharat Abhiyaan* or "self-reliant India mission," a vision of a socio-political order that Modi grounded in ancient Vedic principles, reinterpreted by the BJP's parent organization the Rashtriya Swayamsewak Sangh (RSS) (cf. Chaudhary 2020). Under *Atmanirbhar* the state aims to enhance domestic control while expressly welcoming foreign direct investment. It is in this context that we can make sense of the recent deregulation of sensitive coal mining and increase in FDI for defense production and, most importantly for this article, the September 2020 legislation that allows market actors to bypass state regulated agricultural markets, facilitating the supply chain practices of large-scale domestic and foreign firms.

Our argument—that some reformers value multinational capital in part for its promise to enhance political control through liberalizing market rules—extends findings about neoliberal governance. In the classic liberal view derived from Adam Smith and others, "the state was the category against which the market had to gain its freedom" (Elyachar 2005, p. 21). Under neoliberalism, scholars observe the permeability of boundaries between state and market as state officials now use markets to accomplish policy ends (Vogel, 1996; Kripner 2007). Taking this state-market entanglement as the starting point of analysis, we used the case of Indian retail liberalization to caution that only some kinds of capitalist markets appear to constitute "a site of veridiction . . . . for governmental practice" (Foucault 2008, p. 32). Beyond price competition, private property rights, and formally free labor—all of which characterize existing trade—ideal-typical markets must also facilitate governing at a distance (Rose & Miller 1992) to legitimate sovereign rule: "A big organized licensed firm is subject to the scrutiny of law more than a small firm," a central government official told us.[20] Similarly, as a former government official explained, "Small capital can get away with malpractices but big capital cannot. Twenty people will be there watching him."[21] Rules that have the effect of concentrating industry under a handful of large firms, we have thus argued, are motivated by political as well as economic justifications and aspirations.

Yet we wish to make clear that this not an end-of-history story where markets led by firms like Wal-Mart and Reliance using practices of audit, accounting, and formal contract are actually solving longstanding problems of governance and legibility. After roughly fifteen years of investment, corporate chains have continued to grow but hold only approximately five percent of India's food sales—a percentage far below early industry expectations (e.g., Joseph *et al.* 2008). Rather than an inexorable trend toward centralization and concentration, in agricultural supply chains there "little evidence for anything but a continuing proliferation of [petty commodity production] as a constitutive form of Indian capitalism" (Harriss-White 2018, p. 364; see also Mani *et al.* 2016).

Hence rather than spur radical transformation, we suspect that large firms may instead make their own peace with existing interests. Some corporate retailers have responded to existing challenges by embedding themselves within informal social networks, confounding predictions in international management theory that large firms bring modern practices that substitute for weak or missing markets and fill "institutional voids" (Khanna & Palepu 2011). For example, Vishal Sehgal, Head of Corporate Relations of German multinational Metro Cash and Carry, explained that his firm could not rely on formal contracts given both the backlog endemic to Indian lower courts and political sympathies towards farmers, particularly in historically left-leaning states like West Bengal. "As a large company my contract cannot be enforced. If I sign a contract and the price is five but the market is ten, no one will sell to me. I can't go to court. It is better to build trust."[22] Paradoxically, "building trust" may involve replicating informal patron-client relations. Keventer Group's Mayank Jalan, for example, proposed that he aspired to build what he called not a fully "professional" model but rather a "hybrid" one. He described efficiencies in what he called the "traditional supply chain," and he described his own informal practices: "[I]n the month of November, December, we would just go and throw away money to all the farmers, you know…millions and hundreds of millions of Indian rupees—just goes out to the farmers, because that's when they need it. Now, when the season starts, in the month of May, after six months . . . I don't have any security; I don't have any paper; [I've] just given the money—I hope to collect it back through mangos."[23] Similarly, when our farmer interviewees debated breaching potential written contracts if contract prices fell below spot market rates they were not concerned about the courts but rather the "company's men" (Cohen 2013, p. 73). In other cases, ground level employees of retail chains used informal practices to generate loyalty and supply patronage in their dealings with farmers, even as their professional managers insisted upon formal, non-discretionary processes—not least because these managers wanted to limit opportunities for ground level employees to negotiate side deals with farmers and traders (Cohen 2020).

Whether corporate retail will eventually improve market efficiency, legibility, or ethics—as state actors understand these ends—thus remains to be seen. Our aim in this article has been more pointed. We have illustrated how states seek to construct markets according to imperatives that distinguish between legitimate and illegitimate market actors and practices. We juxtaposed pervasive global discourses about multinational retailers' abuses of market power through large size and access to capital when entering developing country markets with some Indian state elites' characterizations of local traders. Traders are similarly understood to abuse monopoly positions, albeit by using market information generated from their closed kinship networks to engage in price manipulation, hoarding, speculation and debt peonage relations with farmers. Given these historically salient status hierarchies, we have suggested it is "modern" firms, not "traditional" traders, who can now shroud themselves with the legitimizing and state-building ideals of market transparency, legibility, and formal legality even if they replicate "traditional" business practices.

5. Conclusion

This article has challenged common theorizing on states and markets by showing that market actors do not simply seek regulatory regimes amenable to their interests (Fligstein 2002; Block & Evans 2005), but that states also require particular types of markets to enhance their governance capacities and legitimate their political authority. This is especially so in politically crucial markets, such as agriculture, where the legitimacy of the state depends on the demonstrated ability to ensure the delivery of food at a politically acceptable price (Thompson 1971).

During the colonial period, British government officials tried to transform market actors into new modern economic subjects (Birla 2009). They believed that by constructing a liberal rule-bound market they could legitimize imperial political authority in the wake of disastrous East India Company governance. Contemporary liberalization is similarly a state-building effort predicated on market reform (Fligstein 2002). But given late-colonial failures to transform private trade, followed by disappointing post-independence efforts to install the state as ideal market actor, the current liberalization project attempts to use not only new legal rules but also *new* foreign and domestic market actors to strengthen the capacities of a beleaguered Indian state that continuously fails to meet the development aspirations of its citizens.

Against a long history in India of legitimacy crises stemming from state failure to effectively govern food markets, dating back to colonial-era famines, centralized supply chains governed by powerful multinational retailers offer the promise of an effective market mechanism through which the state might demonstrate its governance capacity and legitimize its political authority. Yet despite centuries of reform efforts, Indian agricultural markets remain fragmented, decentralized and saturated with private intermediaries while multinationals struggle to gain any meaningful presence. What *is* emerging, however, is a discursive landscape in which large corporate actors have privileged access to the legitimizing language of good governance. Corporate retail represents a form of market organization that can be governed by liberal forms of regulation, which Indian policymakers suggest will be hastened by foreign capital—market actors, we have argued, that the state values for the *political* promise of enhanced market governance.

We do not suggest that our argument is a universal explanation of state building and policy formation. State actors like all agents embody a range of complex, even conflicting, belief structures and material interests. We nevertheless argue that this case, built through a historical and qualitative analysis of colonial and post-colonial India, illustrates how markets can be a tool of state power (Krippner 2007). In 1963, historian Gabriel Kolko challenged dominant interpretations of the rise of the American regulatory state. Under conditions of intense market competition, powerful business leaders did not resist but rather lobbied for national level regulatory interventions because they wished "to attain conditions of stability, predictability, and security—to attain rationalization—in the economy" (Kolko 1963, p.3; cf. Fligstein 2002). Our case suggests an inverse relationship between state and market: political elites in developing economies may desire powerful market actors to help rationalize and legitimate the state.

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[1] Ramesh opposed the decision reasoning that if there were in fact market efficiencies to achieve, domestic companies were equally capable of realizing them. Interview with Jairam Ramesh, New Delhi, July 6, 2017.

[2] Scholars have argued similarly about domestic capital: "In the 21st century, the Indian state has bowed to political pressure to permit the entry of domestic corporate firms into food retail…." (Mani *et al.* 2016, p. 2).

[3] Interview with Ashok Gulati, Infosys Chair Professor for Agriculture, Indian Council for Research on International Economic Relations (ICRIER), New Delhi, July 4. 2017.

[4] Ibid.

[5] See D Barstow and A. von Bertrab, "The Bribery Aisle: How Wal-Mart Got its Way in Mexico." *New York Times*, December 17, 2012.

[6] Sonia Gandhi in Shimla: "FDI will benefit both farmers and consumers", www.pressbrief.in, Wednesday, October 31, 2012.

[7] Reported in J. Venkatesan "FDI in Retail is a Boon: Supreme Court." *The Hindu.* May 2, 2013 (emphasis added). http://www.thehindu.com/business/Economy/FDI-in-retail-is-a-boon-Supreme-Court/article12119824.ece.

[8] For a critical review of the existing studies that policy analysts use to extrapolate "the conclusion that exchange with large-scale retail is beneficial to both consumers and cultivators" see Jan and Harriss-White (2012, p. 40). Minten *et al.* (2010) report that one Indian retail chain offers lower prices compared to traditional retail. Sukpal Singh (2011), however, reviews studies in several developing economies to question whether supermarkets will lower consumer prices in India, particularly for fresh produce and for poorer consumers. Likewise analysts have reviewed and challenged central government figures on waste in supply chains. See Navtan Kumar, "Centre Inflates Waste Data to Justify Retail FDI," *Sunday Guardian* (Oct. 6, 2012), http://www.sunday-guardian.com/business/centre-inflates-waste-data-to-justify-retail-fdi.
[9] Interview with Sanjeev Asthana, Founder and Managing Partner, I-Farm Venture Advisors Pvt. Ltd., Gurgaon, India, April 20, 2017. From 2006-2010, Asthana served as President and CEO of Reliance Retail.
[10] "Lord of the Rings: The Journey of an Indian Onion." *The Economist*, December 14, 2013. http://www.economist.com/news/business/21591650-walmart-carrefour-and-tesco-have-been-knocking-indias-door-without-much-luck-route.
[11] Interview with commission agent, Siliguri, West Bengal (Nov. 19, 2010). We should note that the 'fingering' system is becoming less common in market practice.
[12] Interview with Ramesh Chand, Member, NITI Aayog (National Institute for Transforming India), New Delhi, July 7, 2017.
[13] Interview with JP Mishra, Advisor (Agriculture), NITI Aayog (National Institute for Transforming India), New Delhi, July 4, 2017.
[14] Though see Das Gupta, 2016.
[15] Interview with state official, Bangalore, Karnataka, April 12, 2017.
[16] Interview with Krishna Byre Gowda, Minister of Agriculture, State Government of Karnataka, Bangalore, India, May 29, 2017.
[17] In 2019, the central government estimated that 7600 raids were conducted under the Essential Commodities Act (GOI 2020).
[18] Interview with Ajoy Kumar Patil, Advocate, Retailers Association of India, Bangalore, India, April 30, 2017. For elaboration of this case, see Cohen (2018).
[19] In the wake of the cash-starved Indian economy triggered by demonetization, organized retail players reported a marked uptick in business. See, e.g., Avani Davda, Managing Director, Godrej Nature's Basket, "Demonetisation Has Put Digital India Mission on Fast Track," www.Firstpost.com, February 18, 2017.
[20] Interview with Chand.
[21] Interview with Gulati.
[22] Telephone Interview with Vishal Seghal, Head of Corporate Relations, Metro Cash and Carry India, September 11, 2010.
[23] Interview with Mayank Jalan, Managing Director of Keventer's Fresh, Kolkata, November 1, 2010.