

Delicensing Exploitation: A look at the organized manufacturing sector in the 1980s

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Abstract

This paper examines India's delicensing policy during the License Raj through a Marxian lens, focusing on its impact on the organized manufacturing sector. Employing a difference-in-difference estimation, the study leverages panel data constructed from firm-level identifiers to analyze the causal effects of delicensing on Marxian variables, particularly the rate of profit and capital accumulation. The analysis reveals a statistically significant negative average treatment effect on the rate of profit in delicensed sectors, with a corresponding negative impact on capital accumulation, though no significant effect on the rate of surplus value is observed. Additionally, the paper reassesses the classification of Indian states into pro-worker and pro-employer categories, finding that pro-worker states better withstood the effects of delicensing. By linking real-world industrial policy to Marxian economic frameworks, this paper provides novel insights into the interaction between policy interventions, profitability, and capital dynamics, highlighting deviations from Marxian predictions driven by political and governance factors.

JEL Classification - B51, J08, O14, O25, P16

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